



## BRIEFING PAPER

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# Coronavirus: support for economies by European and other states

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## Summary

The Covid-19 outbreak has caused a world-wide economic shock, on a scale not seen since the 2008 global financial crisis.

Governments have undertaken unprecedented actions to shut-down large parts of their economies, while also providing massive amounts of financial aid to businesses and individuals.

This paper provides information about the policies the EU, European and some other governments have put in place to support businesses impacted by the outbreak and their economies. The primary focus is on major European economies, the United States of America, and other OECD countries.

Information on how the UK Government is supporting businesses affected by the pandemic can be found in the Library Briefing Paper: [Support for businesses during the Coronavirus \(covid-19\) outbreak](#).(CBP 8847).

Other Library resources on the response to the pandemic include:

[Briefing on the Coronavirus Bill](#)

[Coronavirus: Employment rights and sick pay](#)

[Budget 2020: Measures to limit the economic impact of coronavirus](#)

[Coronavirus: Effect on the economy and public finances](#)

[Coronavirus: Cases, responses and support in sub-Saharan Africa.](#)

### European countries

European countries have used a variety of measures to support businesses and their economies. Common approaches have included:

Increasing credit/loans to companies, often with the government guaranteeing some proportion of the lending by banks;

Reducing business taxes, and/or putting back the deadlines for paying taxes or creating tax 'holidays';

Paying a percentage of workers' wages for companies who have been forced to shut down, with companies keeping them on their payroll, rather than ending their employment.

There have been fewer schemes to support the self-employed. This might be in part because governments have less information about these workers than those who are employed by companies, and that their earnings are more variable. Schemes to support these workers are, therefore, likely to be more complex and take more time to devise.

Italy has provided an allowance of €600 for self-employed and seasonal workers for the month of March (this might be extended further).

### The European Union (EU)

The EU's response to the Coronavirus has focused on co-ordinating Member States activities, for example ensuring the availability of health supplies and equipment, as well as providing funding and financial measures to help address the crisis and relaxing state aid and fiscal rules to facilitate greater Member State intervention. Among the specific measures adopted are:

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Activation by EU Finance Ministers of the “general escape clause” of the Stability and Growth Pact (SGP) on 23 March 2020. This allows Member States to undertake measures to deal with the crisis, while departing from the usual budgetary requirements under the European fiscal framework;

Relaxation of EU state aid rules through adoption of a temporary framework allowing, for example, for direct grants or tax advantages to companies of up to €800,000 and state guarantees of loans. Existing state aid rules already allow for measures to remedy a serious disturbance to the economy and the Commission has approved several schemes in the Member States (and in the UK) to address the crisis;

Launching the Coronavirus Response Investment Initiative which makes €37 billion available to Member States under the European Structural Investment Fund (ESIF). This is supplemented by other funds;

Agreeing an additional €1 billion through the European Fund for Strategic Investments (EFSI) to provide guarantees for financing for SMEs, mobilising €8 billion in working capital financing.

The European Central Bank has launched a €750 billion Pandemic Emergency Purchase Programme (PEPP) of bond purchases from Eurozone governments and corporations.

The European Commission has launched joint procurement procedures for medical and protective equipment.

### The USA

President Trump’s administration has used executive actions to implement measures to support businesses and the economy including:

providing more loans to small businesses through the Small Business Administration (SBA);  
deferring tax payments for individuals and businesses impacted by the virus;  
declaring a national emergency, unlocking funding for state and local governments; and  
waiving interest on federally held student loans.

Congress passed two major pieces of legislation that support the economy by:

increasing funding for the SBA and loans for affected small businesses;  
expanding food assistance and unemployment benefits;  
establishing a federal emergency paid leave benefits program to provide payments to employees taking unpaid leave due to the coronavirus outbreak;  
expanding unemployment benefits and providing grants to states for processing and paying claims; and  
requiring employers to provide paid sick leave to employees.

In addition, Congress has just passed a \$2 trillion economic stimulus package that provides:

\$250 billion for direct payments to individuals and families;  
\$350 billion in small business loans;  
\$250 billion in unemployment insurance benefits; and  
\$500 billion in loans for distressed companies.

### Other OECD countries

All [OECD](#) countries are taking dramatic action to confront the crisis. Examples include:

**Australia** is helping companies with their cash flow in an effort to help keep employees on the payroll. Trainees' and apprentices' wages are also being subsidised by 50 per cent, and there are various measures to reduce the tax burden on companies.

**Canada** is backing lines of credit for affected companies, up to C\$10 billion. It is reducing the stability buffer that banks are required to hold, allowing them to loan more money. Ottawa is making it easier for people affected by coronavirus to claim sickness benefits.

**Japan** is making about 1.5 trillion yen of financing available for small and medium sized enterprises and the Bank of Japan is making interest-free credit available against corporate debts.

**New Zealand** has a support package worth a total of some NZ\$16.1 billion.

# 1. The European Union response

## 1.1 Overview of European Commission measures

The President of the European Commission, Ursula von der Leyen, has proposed a comprehensive set of measures aiming to:

- Ensure the adequate supply of protective equipment and medical supplies across Europe;
- Cushion the blow for people's livelihoods and the economy by applying full flexibility of EU fiscal rules;
- Provide liquidity to small businesses and the health care sector through a €37 billion Coronavirus Response Investment Initiative;
- Provide a coherent set of guidelines to Member States on border measures to protect citizens' health, while allowing the free flow of essential goods;
- Restrict temporarily non-essential travel to the European Union.

The Commission is coordinating regular contact between EU Health Ministers and Interior Affairs Ministers. It has also brought together a board of leading epidemiologists and virologists to anticipate events and develop guidelines.

The Commission has provided guidelines to national governments on border measures. These are aimed at protecting citizens' health while allowing goods and essential staff to reach patients, health systems, factories and shops.

The Commission says it "stands ready to do more as the situation evolves", while acknowledging that its role is mainly to support Member States in addressing the crisis and provide recommendations on a common course of action. It says it "wants to avoid Member States taking uncoordinated or even contradictory measures that ultimately undermine common efforts to fight the outbreak".<sup>1</sup>

## 1.2 Economic Measures

The [Commission's coronavirus response: economy page](#) notes that Member States have already adopted or are adopting budgetary measures to increase the capacity of their health systems and provide relief to those citizens and sectors that are particularly impacted but that these measures "together with the fall in economic activity, will contribute to substantially higher budgetary deficits".

To cushion the blow to people's livelihoods and the economy, it says the Commission has:

adopted a [comprehensive economic response](#) to the outbreak

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<sup>1</sup> EU Europa website, [European Commission's action on coronavirus](#) [accessed 24 March 2020].

applied the full [flexibility of the EU fiscal rules](#)

revised its State Aid rules

and set up a EUR 37 billion Coronavirus Response Investment Initiative to provide liquidity to small businesses and the health care sector.<sup>2</sup>

### 1.3 Flexibility under EU fiscal rules

Following a [proposal by the European Commission](#), EU finance ministers approved the activation of the “general escape clause” of the Stability and Growth Pact (SGP) on 23 March 2020.

This will allow Member States to undertake measures to deal with the crisis, while departing from the normal budgetary requirements under the European fiscal framework.

In a [Communication to the Council](#) on 20 March, the Commission said that “given the expected severe economic downturn”, it considered the conditions to activate the general escape clause to have been met for the first time since its inception in 2011.

In an earlier Commission Communication on the EU’s co-ordinated response to the coronavirus outbreak, published on 13 March,<sup>3</sup> it proposed applying the full flexibility of the EU fiscal framework to address the outbreak. When assessing compliance with the EU fiscal rules, the Commission proposed excluding the budgetary effect of one-off fiscal measures taken to counter-balance the economic effects of Covid-19. It said that the SGP can accommodate targeted exceptional expenditure.

Support measures such as those urgently needed to i) contain and treat the pandemic, ii) ensure liquidity support to firms and sectors, and iii) protect jobs and incomes of affected workers, can be considered as one-off budgetary spending. The Commission also considers that the flexibility to cater for “unusual events outside the control of government” is applicable to the current situation.

When an unusual event outside the control of a government has a major impact on a Member State’s fiscal position, the SGP envisages that Member States can be allowed to temporarily depart from required fiscal adjustments.

### 1.4 State Aid

On 19 March 2020, the European Commission adopted a [Temporary Framework](#) for state aid measures which enables Member States to use the full flexibility of EU state aid rules to support their economies during and after the Covid-19 outbreak.

Commentators have [compared the scale](#) of these temporary measures to the Member States’ action taken during the financial crisis in 2007-

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<sup>2</sup> EU Europa website, [Coronavirus response: Economy](#) [accessed 24 March 2020]

<sup>3</sup> Communication from the Commission to the European Parliament, the European Council, The Council, The European Central Bank, The European Investment Bank and the Eurogroup, [Co-ordinated response to the Covid-19 Outbreak](#), 13 March 2020

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08. Some note that [this is a serious departure](#) from normal State aid restrictions and offers major flexibility to support businesses.

The EU Temporary Framework aims first to ensure that companies have the liquidity to keep operating, or can temporarily freeze their activities, if need be, and second that support for businesses does not undermine the European single market.

The [Temporary Framework](#) enables Member States to provide five types of support:

- direct grants (or tax advantages) of up to €800,000 to a company;
- state guarantees for loans taken by companies from banks;
- public loans with favourable (subsidised) interest rates to companies;
- safeguards for banks that channel support to businesses of all sizes. The framework gives guidance to ensure that the support is direct aid to the banks' customers, not to the banks themselves;
- additional short-term export credit insurance to be provided by the state.<sup>4</sup>

Public authorities have to make aid available by 31 December 2020. The Temporary Framework complements other options already open to Member States under state aid rules.

The Commission is aiming to grant approval to new schemes as soon as possible. In March 2020, it [mandated various aid schemes](#) for Italy (production of medical equipment), Denmark (state guarantees), Germany (subsidised loans, direct grants), France (state guarantees), Spain (state guarantees to businesses and self-employed) and other Member States.

During the post-Brexit transition period, EU state aid rules [continue to apply](#) to the UK, including a requirement to notify prospective aid to the European Commission.<sup>5</sup> The Commission has so far (at the time of writing) approved [two schemes](#) (on 25 March) notified by the UK in support of SMEs under the Temporary Framework.

### Background and existing framework to State Aid

EU state aid rules are aimed at guaranteeing fair competition in the Single Market. State aid is prohibited if it threatens to distort competition and trade between Member States. National authorities are required to notify the European Commission before paying out aid. The Commission can authorise aid which helps achieve defined policy goals.

The Commission is authorised to approve national support measures to remedy a serious disturbance to the economy of a Member State in circumstances, such as those caused by the Covid-19 outbreak ([Article](#)

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<sup>4</sup> European Commission, statement by [Executive Vice-President Margrethe Vestager](#), 19 March 2020

<sup>5</sup> Commons Library Briefing CBP-8453, 11 April 2019, section 4.11



[107\(3\)\(b\)](#), and to compensate specific companies or specific sectors for the damages directly caused by the outbreak (Article 107(2)(b)).

Outside the new Temporary Framework, Member States can take various other steps to support businesses affected by the Covid-19 outbreak. As set out in the [Commission Communication of 13 March 2020](#), state aid rules permit measures such as:

- rescue aid to support acute liquidity needs of companies facing bankruptcy;
- compensations to companies for the damage suffered in exceptional circumstances. This may include supporting sectors that have been particularly hard hit (e.g. transport, tourism and hospitality) and measures to compensate losses suffered by organisers of cancelled events.<sup>6</sup>

Many generic support schemes which are open to all companies fall outside the scope of state aid and do not require involvement of the Commission. These include wage subsidies and tax suspensions which are available to all businesses.

## 1.5 Coronavirus Response Investment Initiative

The Commission's Coronavirus Response Investment Initiative will be directed at:

health care systems

SMEs

labour markets

other vulnerable parts of EU economies<sup>7</sup>

The Commission proposes to direct €37 billion under the European Structural Investment Fund (ESIF) to fight the Coronavirus crisis.

The Commission will suspend the rules on the return of unspent European structural and investment funds by the Member States. This amounts to €7.9 billion from the EU budget which Member States will be able to use to supplement €29 billion of structural funding across the EU.

The Commission is also proposing to extend the scope of the EU Solidarity Fund by including a public health crisis within its scope, to mobilise if needed for the hardest hit Member States. Up to €800 million is available in 2020.<sup>8</sup>

The European Commission Communication of 13 March proposed that all potential expenditure to tackle the Covid-19 outbreak is eligible as of 1 February 2020 for financing under the Structural Funds so that

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<sup>6</sup> [Communication on a Coordinated economic response to the COVID-19 outbreak](#), 13 March 2020

<sup>7</sup> EU, [Coronavirus response: Economy](#) [accessed 25 March 2020]

<sup>8</sup> European Commission, [EU Coronavirus response](#), March 2020 [accessed 25 March 2020]

Member States can spend as quickly as possible to fight the outbreak. In addition, the Commission also proposes to make it possible to shift funds within programmes in a simplified way. It said that these measures should allow Member States to direct support to where it is most needed, in particular:

To provide support to the healthcare system;

To provide liquidity to companies to tackle short-term financial shocks, covering for example working capital in SMEs;

To temporarily support national short-time working schemes.

The European Globalisation Adjustment Fund could be also mobilised to support dismissed workers and those self-employed. Up to €179 million is available in 2020.

### 1.6 Support for SMEs

The European Commission has set out liquidity measures to help hard-hit SMEs. The Commission will make available €1 billion in an EU budget guarantee to the European Investment Fund (EIF) via the European Fund for Strategic Investments (EFSI). With the backing of the EU budget guarantee, the EIF will provide liquidity and guarantees to banks, mobilising €8 billion in working capital financing. It also proposes credit holidays (delayed repayments of loans) to help affected companies alleviate the strain on their finances. This support was outlined in the European Commission Communication on 13 March.<sup>9</sup>

### 1.7 Pandemic Emergency Purchase Programme

The European Central Bank (ECB) [announced](#) on 18 March a Pandemic Emergency Purchase Programme (PEPP) worth €750 billion, expanding its existing quantitative easing (QE) programme. It described this as:

...a new temporary asset purchase programme of private and public sector securities to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the outbreak and escalating diffusion of the coronavirus, COVID-19.

The ECB will create money and purchase government bonds of Eurozone states and corporate bonds up until the end of 2020.. Announcing the measures, ECB President Christine Lagarde also [said](#), "There are no limits to our commitment to the euro."

This comes on top of an initial €120 billion expansion of its asset purchase, or Quantitative Easing programme announced by the ECB on 12 March.<sup>10</sup>

Christine Lagarde commented:

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<sup>9</sup> European Commission Communication, [Co-ordinated response to the Covid-19 Outbreak](#), 13 March 2020

<sup>10</sup> Commons Library Briefing, [Interest Rates and Monetary Policy: Key Economic Indicators](#) [accessed 26 March 2020]

The ECB will ensure that all sectors of the economy can benefit from supportive financing conditions that enable them to absorb this shock. We will do everything necessary within our mandate to help the euro area through this crisis, because the ECB is at the service of the European people.

The ECB has left its main interest rate at 0.0% and kept the deposit rate (the interest rate banks receive on overnight deposits with the ECB) unchanged at -0.5%.

## 1.8 Joint procurement of medical supplies

EU institutions are supporting Member States' individual efforts to procure medical and protective equipment, including tests, masks and respiratory ventilators. The Commission has [launched several accelerated joint procurement procedures](#) for these goods under the EU Joint Procurement Agreement (JPA).<sup>11</sup> European Parliament and Member States are working to secure €40 out of €50 million to cover the costs of the initiative.

The UK is eligible to take part in these procedures until the end of the Withdrawal Agreement transition period but has not participated in the initial schemes. A Government spokesperson has said that the UK did not participate in the first four procurement schemes because of "an initial communication problem" but said the UK will consider participating in future schemes on the basis of public health requirements at the time.<sup>12</sup>

The EU Joint Procurement Agreement (JPA), established in 2014, enables EU institutions and signatory countries to set up [joint procurement procedures](#) for the purchase of vaccines, antivirals and other medical countermeasures. As of March 2020, the Agreement has been signed by 26 EU Member States, Norway and the UK.

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<sup>11</sup> [Protective equipment joint purchase ready in two weeks. Commission says](#), euractive.com, 24 March 2020

<sup>12</sup> See quote from Government spokesperson [posted](#) by ITV political editor Robert Peston on Twitter, 26 March 2020. See also [Twitter thread](#) by Jenifer Rankin of The Guardian, 24 March 2020.

## 2. Responses by European Governments

### 2.1 Belgium

Belgium has been without a majority government since the May 2019 general election. The political parties have given the caretaker government emergency powers to tackle the outbreak.

The most significant economic plan that has been reported is the agreement by the Belgian parliament to provide an additional budget of €1 billion to tackle the consequences of coronavirus; it is expected further economic measures will be announced soon.<sup>13</sup>

The country's National Security Council enacted some measures to support employment on 12 March, according to a legal firm:

Companies that cannot continue to employ their workforce because of the coronavirus can invoke the temporary unemployment due to force majeure system. This system has since been extended until 30 June 2020. The amount of the benefit paid out under it been increased to 70% of a capped salary.<sup>14</sup>

### 2.2 Denmark

*The Local*, a Danish news site, [gives details](#) of measures taken by the Danish Government to support bank lending to businesses, and government reimbursement to companies for employees taking sick leave. These include:

The release of the so-called "countercyclical capital buffer" banks have been required to keep on their books since the 2007 financial crisis. This will provide an extra 200bn Danish kroner in liquidity, which can be lent to businesses or used to withstand losses on existing loans.

Two new loan guarantee schemes, one for large companies and one for small and medium enterprises (SMEs). The government will guarantee 70 percent of the value of any new bank loans given to SMEs who have seen operating profits fall by more than 50 percent. This could back up to 4.8bn kroner in new loans. It will guarantee 70 percent of the value of new loans to large companies who can demonstrate a fall in turnover over more than 50 percent. This could back 2.7bn kroner in new loans.

Employers will now be fully reimbursed by the government from the first day that an employee becomes ill or enters quarantine due to coronavirus, rather than having to themselves absorb the bill for the first few days.

Employment legislation is being relaxed to allow companies to reduce employees' hours temporarily, with the employees' incomes then

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<sup>13</sup> [Belgium opts for short-term government fix to coronavirus crisis](#), Politico, 16 March 2020.

<sup>14</sup> [Coronavirus: an update on measures for employers in Belgium](#), Ius Laboris, 16 March 2020.

supplemented by unemployment benefit, to help prevent employees from being laid off.

*The Local* added that the Government also announced a guarantee scheme to back some 7.5bn Danish kroner in loans to help businesses survive drops in revenues due the crisis.<sup>15</sup>

The news site *Euractiv* gives [more details](#) on the measures for supporting salaries:

Denmark's government told private companies struggling with drastic measures to curb the spread of coronavirus that it would cover 75% of employees' salaries, if they promised not to cut staff.

Under the three-month aid period that will last until June 9, the state offers to pay 75% of employees' salaries at a maximum of 23,000 Danish crowns (\$3,418) per month, while the companies pay the remaining 25%.

If there's a big drop in activity, and production is halted, we understand the need to send home employees. But we ask you: Don't fire them," Prime Minister Mette Frederiksen said told a news conference on Sunday (15 March).<sup>16</sup>

Employees will also be obliged to take five days of mandatory leave or time off from work.

## 2.3 France

France has created within the Ministry of the Economy and Finance a [special economic continuity unit](#) to manage the impact of coronavirus.

The Government announced [a series of direct measures](#) on 13 March:

The Government is postponing tax and social security payments. Social security payments normally due on 15 March will not be payable for three months. Some of the tax concessions will depend on an assessment of the situation of individual companies.

The Government and the Bank of France are supporting companies to reschedule their bank loan repayments.

BPI France, the public investment bank, is making lines of credit available for companies that need them due to coronavirus. A total of €300 billion is being set aside by the State.

Employers will be able to reduce the hours of their employees. They will pay workers 70 percent of their gross salary, to a maximum of €6,927 per month, for the hours they do not work. The state will reimburse employers, under the partial unemployment scheme.

The State and local government have recognised coronavirus as force majeure when it comes to public contracts. Delays in fulfilling contracts will for now not be penalised.

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<sup>15</sup> [Denmark acts to protect economy from coronavirus impact](#), *The Local* DK, 13 March 2020.

<sup>16</sup> [Danish corona-hit firms get state aid to pay 75% of salaries](#), *Euractiv*, 15 March 2020.

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Water, gas and electricity bills and rents for the worst-affected small businesses will be suspended, as well as their taxes and social security contributions.

Later measures include a fixed grant of €1,500 [for small businesses](#) and the self-employed whose turnover has fallen by more than 70% in March, because of coronavirus. A further €2,000 grant, financed by regional governments, is available to the worst-affected companies.

The French Insurance Federation has [contributed €200 million to the Government's coronavirus solidarity fund](#).

### 2.4 Germany

#### Initial stimulus

On 13 March, Germany's Finance Minister, Olaf Scholz, [announced](#) that the German federal government would provide unlimited liquidity assistance to German companies hit by the pandemic.

The main means used to deliver this assistance would be a massive expansion of loans provided by KfW, the state development bank.

Mr Scholz told reporters: "This is the bazooka, and we will use it to do whatever it takes," and that there was "no upper limit on the amount of loans KfW can issue".

According to the [Financial Times](#) the German budget currently guarantees KfW a financial framework of €460bn, but officials said this could now be raised by €93bn, giving the bank more than €550bn to spend.

The terms of KfW loans would be changed so that the federal government assumes more risk, he said, while loan application procedures would be simplified and speeded up. Access to credit guarantees would also be expanded. [Mr Altmaier said](#):

We are making an unlimited pledge, to the smallest businesses, from taxi-drivers, to the creative industries, to really big firms with tens of thousands of workers.

The [Financial Times](#) also reported that companies will also be allowed to defer billions of euros in tax payments.

In addition, on 13 March the Bundestag rushed through a law expanding the [Kurzarbeit](#) or short-time work scheme, under which companies that put their workers on reduced hours can receive state support.

#### Further stimulus

On 27 March Germany passed a €750 billion (\$814 billion) aid package into law.

The package had two main elements, a supplementary budget of €156 billion and a stabilisation fund worth €600 billion for loans to struggling businesses and direct stakes in companies.

[Reuters](#), [details](#) the measures:

#### **Extra budget:**

The extra budget includes a 50 billion euro programme to help small businesses and the self-employed threatened with bankruptcy, with direct payments of up to 15,000 euros (\$16,225).

The government is also making available a further 7.7 billion euros for social security protection for the self-employed and 3.5 billion euros for medical protection equipment and the development of a coronavirus vaccine.

The extra budget includes 55 billion euros for yet unknown fiscal measures to fight the pandemic.

### **The Stabilisation Fund:**

The stabilisation fund will offer 400 billion euros in loan guarantees to secure corporate debt at risk of defaulting.

It also includes 100 billion euros in credit to public sector development bank KfW for loans to struggling businesses and a further 100 billion euros to take direct equity stakes in companies as a way to prevent bankruptcy and foreign takeovers.

The government will give the KfW bank debt authorisation for both measures, which means overall new borrowing could rise to up to 356 billion euros, depending on how much companies access the new facilities.

The combined sum of new debt represents roughly 10% of Germany's gross domestic product.<sup>17</sup>

In order to fund the emergency measures, the government is planning to take on new debt for the first time since 2013. The debt ceiling was enshrined in German law, so the Parliament [voted](#) to suspend it as well as annual government borrowing limits.

Germany's so called '[Black Zero](#)' (*schwarze Null*) policy, of maintaining a budget surplus has been a central plank of the CDU-led Governments in recent years (and a long-running part of mainstream economic policy thinking in the country).

## **2.5 Ireland**

The Irish Government has launched a package of support measures including:

- €200m in funding is available under the SBCI COVID-19 Working Capital Loan Scheme, for eligible businesses impacted by COVID-19. Loans of up to €1.5m will be available with up to the first €500,000 unsecured. Funding under the scheme is easy to access, competitively priced and offered at favourable terms. The maximum interest rate is 4 percent and loans are for terms of up to three years. Businesses can apply through the Strategic Banking Corporation of Ireland's website at [sbci.gov.ie](http://sbci.gov.ie).
- A €200m Package for Enterprise Supports including a Rescue and Restructuring Scheme is available through Enterprise Ireland for vulnerable but viable firms that need to restructure or transform their business.

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<sup>17</sup> [Factbox: Germany's anti-coronavirus stimulus package](#), Reuters, 25 March 2020.

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- Under the Credit Guarantee Scheme, unsecured funding of up to €1m is available for terms of up to seven years. Loans under the scheme are available from AIB, Bank of Ireland and Ulster Bank. Businesses can apply through the SBCI website at [sbci.gov.ie](http://sbci.gov.ie).
- Your business may be eligible for funding through Microfinance Ireland, which offers loans to micro-enterprises (sole traders and firms with up to 9 employees). In response to the current outbreak, funding available through Microfinance Ireland will be increased from €25,000 to €50,000, as an immediate measure to specifically deal with the exceptional circumstances micro-enterprises are facing. Loans are available at an interest rate of between 6.8% and 7.8%. Businesses can apply through their Local Enterprise Office or directly at [microfinanceireland.ie](http://microfinanceireland.ie).<sup>18</sup>

According to RTE, on 16 March, the Irish tax collection agency – Revenue, announced it was deferring the collection of Local Property Tax for those paying by Annual Debit Instruction or Single Debit Authority payment.

Payments using these mechanisms had been due by 21 March.

However, in a statement Revenue said the deduction date will now change to 21 May 2020.<sup>19</sup>

### 2.6 Italy

The Italian Government adopted its 'Cure Italy' decree involving an injection of economic support worth around €25 billion on 16 March.

€10 billion will be allocated "to support employment and workers" and another €3.5 billion to support the healthcare and civil protection system. The Italian Economy Minister Roberto Gualtieri said the Government's rescue package also provides:

a very strong injection of liquidity into the credit system that can mobilise around 340 billion [euros] in loans to the real economy, with suspension of loan and mortgage repayments.<sup>20</sup>

Italian Prime Minister Giuseppe Conte indicated there would be further measures in the future including "a plan of huge investments, simplification, reduction of taxes" to revive the country. This could come in April drawing also on envisaged resources being allocated by the EU.

Specific measures include the following:<sup>21</sup>

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<sup>18</sup> Department of Business, Enterprise and Innovation, [Government supports to COVID-19 impacted businesses](#), [accessed: 13 March 2020]

<sup>19</sup> [Revenue defers collection of property tax due next week](#), RTE, 16 March 2020.

<sup>20</sup> See *The Local Italy*, [The 25 billion euro plan to rescue Italy's economy from the coronavirus crisis](#), 17 March 2020; and ANSA, [Conte govt launches 'cure Italy' decree](#), 16 March 2020; *Financial Times*, [How European economies are trying to mitigate the coronavirus shock](#), 17 March 2020.

<sup>21</sup> *La Repubblica*, [Coronavirus, approvato il decreto da 25 miliardi. Tre e mezzo per la sanità e dieci per il lavoro](#), 16 March 2020; *La Repubblica*, [Emergenza coronavirus, il piano del governo sale a 25 miliardi. Gualtieri alla Ue: 'Servono stimoli'](#), 11 March 2020; *Il Sole 24 ore*, [Fisco, scuola, sanità, lavoro: dove vanno i 25 miliardi di aiuti per il coronavirus](#), 17 March 2020.



**Tax suspensions:** The decree expands the list of economic sectors most affected by the health emergency for which the need to pay tax, national insurance and VAT contributions is suspended until 31 May. The freight transport sector was added to the list of fifteen sectors previously covered (these include tourism, catering, sport and culture).

- There is also a turnover ceiling of €2 million, under which businesses, self-employed workers and professionals from other sectors do not have to pay tax and other contributions.
- Business and professionals with revenues or fees under €400,000 also have tax suspensions until the end of March.

**Business Loan Guarantee Fund:** The PMI loan guarantee fund is expanded to €1.2 billion, with free access for businesses for the next nine months and coverage up to 80% or 90%.

**Alitalia rescue plan:** The former national airline Alitalia will be renationalised, at a cost of €600 million.

**Support for Workers:** Additional funding of €4.6 billion is provided to support payments to workers laid off or on reduced hours because of the crisis.

**Suspension of redundancies:** Redundancies are blocked for two months from the entry into force of the law decree, including procedures commenced since 23 February. Employers are forbidden from withdrawing employment contracts in this period (unless for disciplinary reasons as a last resort).

**Indemnity for self-employed workers:** An allowance of €600 for the month of March for Italy's over 4.8 million self-employed and seasonal workers, to be possibly extended by a further decree.

**Employees in quarantine:** Employees will be able to claim time under quarantine as sick leave. The public administration will "exempt" workers if they are unable to work remotely or take holidays.

**Mortgage payments:** Families can apply for permission to suspend their mortgage payments if business shutdowns caused by the pandemic threaten their livelihoods. Mortgages can be suspended for up to 18 months in case of reduction or suspension of working hours.

**Parental and carers' rights:** Parents can claim up to €600 to pay for child care (rising to €1000 for health care workers and researchers). Shared parental leave is extended to 15 days. In March and April, people caring for someone with a disability are entitled to take up to 12 days' leave a month instead of three.

**Health Care:** €150 million is allocated to pay for overtime for healthcare workers and another €340 million for the increase in ICU beds. €50 million is provided for subsidised loans or contributions to companies that produce masks and related products. €150 million is set aside for among other things the possibility of requisitioning property to address the emergency with a budget of 150 million. Measures have also been taken to recruit 5,000 new doctors and 15,000 nurses and other health

care staff. These will be supplemented by 320 military medical staff.

## 2.7 Netherlands

The Dutch Government announced initial measures to support businesses on 12 March, and further measures on 17 March.

A [government website](#) lays out which policies are now in place:

The new temporary measure Employment Bridging Emergency Fund (NOW, Noodfonds Overbrugging Werkgelegenheid) will provide financial help for employers to help pay their employees' wages. The unemployment benefit during short-time working scheme will be cancelled.

From 16 March 2020 to 1 April 2021, the SME credit guarantee (BMKB) scheme will be extended to help SMEs that are affected by the coronavirus secure bank guarantees and bridge financing.

The [Business loan guarantee scheme](#) (GO) is extended.

The financial support for self-employed professionals (Bbz) will be extended and the requirements for applying will be relaxed.

Entrepreneurs who have a loan from microcredit provider Qredits do not have to repay their loan for a period of 6 months. During this period, the interest will be reduced to 2%. The government supports Qredits with 6 million euros.

The (English-language) site gives more details on these measures such as eligibility.

It mentions further that the government will provide “compensation measures” for the income of entrepreneurs in a number of specific sectors such as hospitality and travel. The details are currently being worked on.

## 2.8 Spain

On 10 March the Spanish Economic Shock Plan was initiated. On [12 March Spanish Prime Minister Pedro Sanchez](#) promised help to families and small and medium-sized businesses affected by the crisis. The plan involves actions in social security, tax and industrial policy and aims to help four groups:

Workers

Sole traders

Entrepreneurs

Families and vulnerable groups

Anyone who is infected or in preventive isolation will receive 75 percent of their salary, funded by the Government.

Small and medium-sized businesses (SMEs) will see their tax contributions postponed for six months, interest-free. That will have the effect of injecting €14 billion into the economy.

Businesses that have borrowed money from the Department of Tourism, Industry and Commerce will also have repayment deferred.

€400 million has been set aside to support companies and sole traders in the tourism, transport and hospitality sectors.

Existing support for workers on fixed but seasonal contracts will be extended to cover the period from February to June 2020.

Airlines will not, for now, have to use their airport slots or risk losing them. This will allow them to respond more flexibly to the situation.

Autonomous Communities (Spanish regional governments) and institutions such as the national railway company, will take further measures.

On 16 March the Government [requested an extension of the period](#) in which farmers can apply for subsidies under the EU Common Agricultural Policy.

## 2.9 Sweden

According to *Reuters*, the Swedish Government has announced a package of support to the economy/businesses worth 300 billion Swedish *Krona* (around £24.86 billion). Measures include:

The central government will assume the full cost for sick leave from companies through the months of April and May, as well as bearing the brunt of the cost for temporary redundancies due to the crisis;

Companies will be able to put off paying tax and VAT for up to a year - retroactive to the start of 2020;

The central bank has provided up to 500 billion Swedish *Krona* in loans to companies through the banking system.<sup>22</sup>

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<sup>22</sup> [Sweden launches coronavirus crisis package worth more than \\$30 billion](#), *Reuters*, 16 March 2020.

## 3. The United States of America

As in all federal systems of government, in the USA responsibilities are split between the federal and state governments. This section focuses primarily on the federal government's response.

### 3.1 The Trump administration response

President Trump's administration has undertaken a series of executive actions to support business and the economy.

On 11 March, Mr Trump instructed the Small Business Administration (SBA) to provide loans to businesses affected by the coronavirus. He also instructed the Department of the Treasury to defer tax payments for certain individuals and businesses negatively impacted by the coronavirus. A [White House Press Release](#) stated this action will provide more than US\$200 billion of additional liquidity to the economy.

On 13 March President Trump declared that the Covid-19 outbreak was a national emergency. This action opened up funding for both state and local governments. The White House put the figure at US\$50 billion.<sup>23</sup>

At the same time Mr Trump announced he was waiving interest on federally held student loans. He also directed the Department of Energy to buy oil to fill the strategic petroleum reserve, supporting energy markets.<sup>24</sup> On 18 March the President directed federal agencies to suspend all foreclosures and evictions until the end of April.<sup>25</sup>

Mr Trump's administration has proposed a series of measures to support businesses and the economy such as cutting the payroll tax paid by companies, sending cheques directly to taxpayers, extending loans to small businesses, and secured loans to the airline industry and other industries particularly affected by the outbreak.<sup>26</sup>

### 3.2 Legislation

Congress has so far passed three main pieces of legislation to tackle the coronavirus outbreak.

#### **H.R.6074 - Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020**

The [H.R.6074 - Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020](#) package of funding to assist federal agencies to respond to the virus became law on 6 March. The summary on the Congressional [website](#) explains that it provides \$8.3 billion in emergency funding for federal agencies, in particular the Department of Health and Human Services (HHS).

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<sup>23</sup> [Trump declares national emergency over coronavirus](#), CNBC, 13 March 2020.

<sup>24</sup> [Trump Declares a National Emergency Amid National Coronavirus Outbreaks](#), Time, 13 March 2020.

<sup>25</sup> [Trump Seeks \\$500 Billion in Checks for Taxpayers](#), *New York Times*, 18 March 2020.

<sup>26</sup> [Trump Seeks \\$500 Billion in Checks for Taxpayers](#), *New York Times*, 18 March 2020.

This included increased funding for the Small Business Administration. Other business-centred programmes funded by the Act included loans for affected small businesses;

## H.R.6201 - Families First Coronavirus Response Act

The [H.R.6201 - Families First Coronavirus Response Act](#), became law on 18 March.

The Act provides paid sick leave and free coronavirus testing, expands food assistance and unemployment benefits and requires employers to provide additional protections for health care workers.

The Act also [includes provisions](#) that:

establish a federal emergency paid leave benefits programme to provide payments to employees taking unpaid leave due to the coronavirus outbreak;

expand unemployment benefits and provide grants to states for processing and paying claims; and

require employers to provide paid sick leave to employees.

The *New York Times* provides more detail on how these provisions will work, and who will and won't be eligible for them.

## H.R.748 - Coronavirus Aid, Relief, and Economic Security Act (CARES)

Congress has just passed a further package of economic stimulus. The CARES Act started in the Republican-controlled Senate but was held up over disagreements between the two parties. The Democrats wanted more oversight of how companies would spend the money given to them and were concerned that too much money was being given to large industries rather than workers. Some Republicans were concerned that unemployment payments would leave workers better off than when they were employed. <sup>27</sup>

The Senate overcame these difficulties and the CARES Act became law on 27 March. It contains US\$2 trillion of spending commitments.

US\$250 billion has been set aside for direct payments to individuals and families, US\$350 billion in small business loans, US\$250 billion in unemployment insurance benefits and US\$500 billion in loans for distressed companies.

CNN set out how the direct payments scheme will work:

Under the plan, individuals who earn \$75,000 in adjusted gross income or less would get direct payments of \$1,200 each, with married couples earning up to \$150,000 receiving \$2,400 -- and an additional \$500 per each child. The payment would scale

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<sup>27</sup> [After four days of marathon negotiating, still no stimulus deal in the Senate](#), CNN, 24 March 2020.

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down by income, phasing out entirely at \$99,000 for singles and \$198,000 for couples without children.<sup>28</sup>

The Speaker of the House, Nancy Pelosi, has reportedly told her Democrat colleagues unhappy that some of their priorities have not made into the Act, that these can be put into law in a fourth Bill, suggesting further economic stimulus is in the pipeline.<sup>29</sup>

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<sup>28</sup> [Senate approves historic \\$2 trillion stimulus deal amid growing coronavirus fears](#), CNN, 26 March 2020.

<sup>29</sup> [Senate approves historic \\$2 trillion stimulus deal amid growing coronavirus fears](#), CNN, 26 March 2020.

## 4. Other selected OECD countries

### 4.1 Australia

The Australian Government announced its planned [Economic Response to the Coronavirus](#) in March 2020. For businesses, the Australian Government “is supporting Australian businesses to manage cash flow challenges and retain employees during the Coronavirus health crisis.” This [assistance includes](#):

#### **Boosting cash flow for employers**

Helping small and medium businesses with aggregated annual turnover under \$50 million to cover the costs of employee wages and salaries equal to 50 per cent of PAYG withheld for businesses that withhold tax, with a minimum of \$2,000 and a maximum of \$25,000 over six months. Businesses that pay salary and wages but are not required to withhold tax will also receive the minimum payment of \$2,000. This will be a tax free payment, benefiting around 690,000 businesses employing 7.8 million people.

#### **Supporting apprentices and trainees**

Helping businesses retain apprentices and trainees by offering a wage subsidy of 50 per cent of the apprentice’s or trainee’s wage for nine months. The subsidy of up to a maximum of \$21,000, will be available to businesses employing fewer than 20 full-time employees who retain an apprentice or trainee, or, where a small business is not able to retain an apprentice, the subsidy will be available to a new employer. This will support up to 70,000 small businesses employing around 117,000 apprentices.<sup>30</sup>

The Government also [announced measures](#) to support business investment:

#### **Increasing the instant asset write-off**

From today, the Government is increasing the instant asset write-off threshold from \$30,000 to \$150,000 and expanding access to include businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current instant asset write-off, claiming deductions to the value of over \$4 billion.

#### **Backing business investment**

The Government is introducing a time limited 15 month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions. Businesses with a turnover of less than \$500 million will be able to deduct 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset’s cost.

#### **Impact**

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<sup>30</sup> Treasury, [Cash flow assistance for businesses](#), [accessed: 13 March 2020]

These two measures will support over 3.5 million businesses (over 99 per cent of businesses) employing more than 9.7 million employees.<sup>31</sup>

## 4.2 Canada

On 13 March, Canada's Department of Finance [announced](#) a series of measures to support the economy:

the government is establishing a Business Credit Availability Program (BCAP). The program will further support financing in the private sector through the Business Development Bank of Canada (BDC) and Export Development Canada (EDC). Under this program, BDC and EDC will enhance their cooperation with private sector lenders to coordinate financing and credit insurance solutions for Canadian businesses.

This will allow BDC and EDC to provide more than \$10 billion of additional support to businesses.

The Office of the Superintendent of Financial Institutions (OSFI) is lowering the Domestic Stability Buffer requirement for domestic systemically important banks by 1.25% of risk weighted assets, effective immediately. This action will increase the lending capacity of Canada's large banks and support the supply of credit to the economy during the period of disruption related to COVID-19. The release of the buffer will support in excess of \$300 billion of additional lending capacity.<sup>32</sup>

The site goes on to detail a series of measures its central bank – the Bank of Canada – is initiating to provide more liquidity to Canada's financial system and to support business and consumer confidence.

The Government announced a [series of measures](#) to adapt its Employment Insurance (EI) sickness benefits scheme:

The one-week waiting period for EI sickness benefits will be waived for new claimants who are quarantined so they can be paid for the first week of their claim

Establishing a new dedicated toll-free phone number to support enquiries related to waiving the EI sickness benefits waiting period

Priority EI application processing for EI sickness claims for clients under quarantine

People claiming EI sickness benefits due to quarantine will not have to provide a medical certificate

People who cannot complete their claim for EI sickness benefits due to quarantine may apply later and have their EI claim backdated to cover the period of delay.<sup>33</sup>

The Government announced changes to its [Work-Sharing programme](#), this is a scheme:

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<sup>31</sup> Australian Government: [The Treasury, Overview - Economic Response to the Coronavirus](#), accessed 18 March 2020.

<sup>32</sup> Department of Finance Canada, [Canada outlines measures to support the economy and the financial sector](#), accessed 18 March 2020.

<sup>33</sup> Government of Canada, [Coronavirus disease \(COVID-19\) – Employment and Social Development Canada](#), accessed 18 March 2020.



designed to help employers and employees avoid layoffs when there is a temporary reduction in the normal level of business activity that is beyond the control of the employer".<sup>34</sup>

It will be changed due to the pandemic in the following ways:  
extend the Work-Sharing agreements by an additional 38 weeks  
wave the mandatory waiting period between agreements  
ease the recovery plan requirements.<sup>35</sup>

## 4.3 Japan

On 10 March the Japanese Government announced a package of measures worth 430.8 billion yen (about US\$4 billion) in spending to cope with the damage of the coronavirus outbreak to the economy. The measures focus on support for small and mid-sized firms. Reuters [detailed](#) the package announced by Prime Minister Shinzo Abe:

Japan will boost 1.6 trillion yen in special financing for small- and mid-size firms hit by the virus, Abe said, up from about 500 billion yen previously announced.

As part of the second package, Abe has said a government-affiliated lender would offer funds effectively at no interest and without collateral to small firms whose sales slumped amid the outbreak.

[...] As well as support for businesses, the new package will fund improvements to medical facilities, ease the supply and demand of masks, promote working from home, and provide subsidies to working parents who must take leave because of closed schools.<sup>36</sup>

On 16 March, Japan's central bank, the Bank of Japan (BoJ), announced measures to help companies cope with the outbreak. The *Financial Times* [reported](#) that the BoJ would "set up a new one-year facility that will offer loans against corporate debt as collateral at an interest rate of zero per cent".<sup>37</sup>

## 4.4 New Zealand

On 17 March the New Zealand Government announced a [NZ\\$12.1 billion economic support package](#).

- Initial [\\$500 million boost for health](#)
- \$5.1 billion in wage subsidies for affected businesses in all sectors and regions
- \$126 million in COVID-19 leave and self-isolation support
- \$2.8 billion income support package for our most vulnerable, including a permanent \$25 per week benefit increase and a doubling of the Winter Energy Payment for 2020

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<sup>34</sup> Government of Canada, [Work-Sharing – Overview](#), accessed 18 March 2020.

<sup>35</sup> Government of Canada, [Coronavirus disease \(COVID-19\) – Employment and Social Development Canada](#), accessed 18 March 2020..

<sup>36</sup> Japan announces \$4 billion coronavirus package, not yet eyeing extra budget, Reuters, 10 March 2020.

<sup>37</sup> Bank of Japan unveils massive increase in asset purchases, *Financial Times*, 16 March 2020.

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- \$100 million redeployment package
- \$2.8 billion in business tax changes to free up cashflow, including a provisional tax threshold lift, the reinstatement of building depreciation and writing off interest on the late payment of tax
- \$600 million initial aviation support package

On 23 March, New Zealand announced [measures worth a further NZ\\$4 billion](#):

- new income support measures for all workers above and beyond the wage subsidy scheme
- temporary support for mortgage holders and a business finance guarantee scheme for those impacted by COVID-19
- a freeze on all rent increases

The cap on the wage subsidy scheme was lifted and the Cabinet decided that the self-employed and charities were included.

The combined NZ\$16.1 billion package represents nearly 8% of New Zealand's Gross Domestic Product.

Further information is available on New Zealand's Inland Revenue page: [Tax relief - COVID-19 \(novel coronavirus\)](#).

The New Zealand Government has also alleviated many of the requirements for claiming benefits, as explained on [COVID-19 \(novel coronavirus\): Benefits and payments](#).

NZ\$56 million is also set aside to support [Māori businesses and communities](#).

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