European Commission - Press release

State aid: Commission approves Belgian guarantee scheme mobilising €50 billion support for companies affected by coronavirus outbreak

Brussels, 11 April 2020

The European Commission has approved, under EU State aid rules, a €50 billion Belgian loan guarantee scheme to support the Belgian economy in the context of the coronavirus outbreak.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"This Belgian guarantee scheme, which is expected to mobilise up to €50 billion of liquidity, will support businesses affected by the coronavirus outbreak. It will help those businesses cover their immediate needs and continue their activities during and after the outbreak. We continue working in close cooperation with Member States to ensure that national support measures can be put in place as quickly and effectively as possible, in line with EU rules."*

The Belgian support measures

Belgium notified to the Commission a loan guarantee scheme to support companies affected by the coronavirus outbreak.

The support, in the form ofState guarantees on new short-term loans, will be accessible to all companies, including small and medium-sized enterprises (SMEs) and self-employed traders. The aim of the scheme is to help businesses affected by the economic impact of the current crisis cover their liquidity needs, thus ensuring the continuation of their activities.

The Commission assessed the measure under EU State aid rules, and in particular Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU), which enables the Commission to approve State aid measures implemented by Member States to remedy a serious disturbance to their economy.

The Commission found that the Belgian scheme is in line the principles set out in the EU Treaty and is well targeted to remedy to a serious disturbance to the Belgian economy. In particular:(i) it covers guarantees on loans with a limited maturity and size; (ii) it is limited in time; (iii) it provides for minimum remuneration of the guarantees; and (iv) and contains adequate safeguards to ensure that the aid is channelled effectively by the banks to the beneficiaries in need. In this respect, the scheme places a significant part of the risk for the guaranteed loans on the banks themselves. For example, it includes a loss-sharing mechanism under which, in case of losses, banks will be the first to cover losses on their portfolios of guaranteed loans, while the State guarantee will only cover residual losses up to a maximum of 80%.

The Commission therefore concluded that the measure will contribute to managing the economic impact of the coronavirus in Belgium.It is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the general principles set out in the Temporary Framework adopted by the Commission on 19 March 2020, as amended on 3 April 2020

On this basis, the Commission approved the measure under EU State aid rules.

Background

In case of particularly severe economic situations, such as the one currently faced by all Member States and the UK due the coronavirus outbreak, EU State aid rules allow Member States to grant support to remedy a serious disturbance to their economy. This is foreseen by Article 107(3)(b) TFEU of the Treaty on the Functioning of the European Union.

On 19 March 2020, the Commission adopted a State aid Temporary Framework based on Article 107(3)(b) TFEU to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework, as amended on 3 April 2020, provides for the following types of aid, which can be granted by Member States: (i) Direct grants, equity injections, selective tax advantages and advance payments; (ii) State guarantees for loans taken by companies; (iii) Subsidised public loans to companies; (iv) Safeguards for banks that channel State aid to the real economy; (v) Public short-term export credit insurance; (vi) Support for coronavirus related research and development (R&D); (vii) Support for the construction and upscaling of testing facilities; (viii) Support for the production of products relevant to tackle the coronavirus outbreak; (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions; (x) Targeted support in the form of wage subsidies for employees.

The Temporary Framework will be in place until the end of December 2020. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.

This complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the coronavirus outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a Communication on a Coordinated economic response to the COVID-19 outbreak setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the coronavirus outbreak.

The non-confidential version of the decision will be made available under the case number SA.56819 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

More information on the temporary framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found here.

IP/20/648

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