European Committee of the Regions

ECONomic Bulletin No. 4

COVID-19 impact and response measures

29 April 2020

The COVID-19 pandemic is having substantial repercussions on European economies. The Commission for Economic Policy (ECON) at the European Committee of the Regions (CoR) prepares regular economic bulletins on recent research, articles and discussions on the socioeconomic impact of the pandemic in Europe and on the different economic response measures planned and implemented at EU, national, regional and local level.

'Our fourth ECON Bulletin on the economic impact of Covid-19 is published as the EU rolls out its policy response.

On 23 April, the European Council endorsed the Joint Recovery Roadmap by Presidents Von der Leyen and Michel, and instructed the Commission to elaborate a blueprint for the Recovery Fund proposed by the Eurogroup. The so-called workers-business-sovereign safety net package needs to be operational as from 1 June. The Fund will have to be of a sufficient magnitude, targeted towards the most vulnerable sectors in our society and regions of Europe most affected, and be dedicated to dealing with this unprecedented crisis. To put the challenge into perspective, EU and Member State financial aid packages and economic measures amount so far to EUR 3.4 trillion, a figure that actually represents 25% of Europe's GDP.

The Conference of Presidents of the CoR is contributing to the EU policy response with a statement which we recall here. The picture of the ongoing recession gets darker. According to the IMF, in 2020, the EU's GDP is forecast to fall by around 7.5%; currently, around 30m workers have applied for wage support in Europe's five biggest economies (Germany, France, Spain, Italy and the UK).

This fourth bulletin highlights the richness of the ongoing policy debate. It focuses on the historical choices the EU is confronted with and the existential need to strengthen solidarity between Member States.

To restart the economy, a fair and workable balancing act must be done surrounding the necessary public health measures and continued social distancing while mitigating against a profound economic contraction that would come from a prolonged shutdown. The challenge is that of keeping the long-term direction set by the SDGs, the Green Deal and the digital challenge while setting up exit strategies from the health emergency.

The recovery will need to be in line with Europe's green and digital goals. If anything, the digital transition is more urgent than ever. Further, bank lending will support Europe's economic recovery. Further EU measures to facilitate lending through targeted and temporary changes to EU rules so that banks can lend and absorb coronavirus-related losses, are to be welcomed.

Every issue of our bulletin broadens the monitoring of policy responses at regional and local level, both in detail and by means of summary tables. In the less decentralized Member States, policy measures by the national government have an even more direct impact on the territories. In this context, this fourth ECON bulletin takes a specific look at national response measures helping SMEs to weather the Covid-19 crisis.'

--- Michael Murphy (IE/EPP), Chairperson, Tipperary County Council, Chair of the ECON commission

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EN

EU policy response

Video conference of the members of the European Council, 23 April

Conclusions of President Charles Michel

The European Council (EUCO) welcomed the Joint European Roadmap towards lifting of COVID-19 containment measures and the Joint Roadmap for Recovery. The latter sets out some important principles, such as solidarity, cohesion and convergence. It further defines four key areas for action: a fully functioning Single Market, an unprecedented investment effort, acting globally, and a functioning system of governance. It is of utmost importance to increase the strategic autonomy of the Union and produce essential goods in Europe. Following the Eurogroup meeting of 9 April 2020, the EUCO endorsed the agreement on three important safety nets for workers (SURE), businesses (EIB guarantees) and sovereigns (EMS support with no conditions, apart from loans to be spent directly or indirectly to address the impact of Covid-10), amounting to a package worth 540 billion euros, and called for the package to be operational by 1 June 2020.

The EUCO also agreed to work towards establishing a recovery fund, which is needed and urgent. This fund shall be of a sufficient magnitude, targeted towards the sectors and geographical parts of Europe most affected, and be dedicated to dealing with this unprecedented crisis.

COVID-19: We call on all EU institutions and Member States for an ambitious recovery plan for a sustainable, resilient and socially-just Europe, which leaves no places and no people behind

Joint statement by the European Committee of the Regions' Conference of Presidents (21 April)

The CoR proposes, among others, to create an EU Health Emergency Mechanism as a synergy tool to integrate EU, national and regional/local purchase of medical equipment and facilities, and a regional health and hospitals programme to assess, refit and monitor regional health systems' sustainable capacity. It also proposes a new EU Pandemic Coordination Centre, directly involving regions and cities, a more efficient cross-border coordination of provision of health services to citizens, and a rebalancing of multi-level health competences in line with the subsidiarity principle. The CoR also asks that Local and Regional Governments have direct access to EU funding schemes, and that specific attention is paid to SMEs and rural areas.

In the context of an ambitious MFF, the CoR supports the creation of an EU Recovery Fund, connected to the EU budget and based on European debt insurance, making available new commonly funded financial instruments and sources of income which have sufficient size and long maturity to be fully efficient.

COVID-19: EP ECON Committee debate with Valdis Dombrovskis and Paolo Gentiloni (27 April)

During this session, Commission's VP Valdis Dombrovskis and Commissioner Paolo Gentiloni recalled that a deep recession is inevitable; the IMF forecast is of a fall of 7.5% of the EU GDP, and the

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Commission will come out with its spring forecast on 7 May. The shock is external to, and symmetric across, the Member States. Its impact will be markedly different across citizens, regions and countries, which may put the internal market and monetary stability at risk. The EU response must preserve and strengthen the internal market and set up a Marshall-type, green and digital recovery plan. The EU response will be based on the MFF, topped up by the Recovery Fund, for which the EU will borrow funds on the market. In respect to the Recovery Fund, the mix of grants and loans – as well as the mix of available headroom (difference between commitments and payments) and (increased) own resources – are still under discussion. In this context, the BICC will be reinforced and its provisions extended to non-euro area EU Member States.

COVID-19: More flexibility for deploying EU budget money

On 22 April, the Council today adopted a second legislative act in less than a month amending the rules on the use of EU structural funds (Coronavirus Response Investment Initiative Plus). The changes temporarily suspend some of the rules defining the scope and priorities of national programmes that can be financed by the various funds, as well as the conditions under which regions are entitled to receive support. This gives member states exceptional flexibility to transfer money between funds and between regions, so that all existing reserves in the structural funds for 2020 can be deployed to tackle the effects of the outbreak. In addition, member states will be able, for the period between 1 July 2020 and 30 June 2021, to request 100% financial support from the EU budget (no national co-financing).

EPRS Briefing: The ECB's Monetary Policy Response to the COVID-19 Crisis

The coronavirus pandemic is taking a heavy toll on the euro area economy, necessitating a timely and resolute macroeconomic policy response. The ECB's Governing Council acted decisively by taking a series of measures that collectively provide a substantial monetary policy stimulus aimed at safeguarding the effective transmission of monetary policy and preventing a serious deterioration of financial conditions. This briefing paper provides an overview of the monetary policy measures taken by the ECB until 16 April 2020.

Economic impact analysis

Gartner CFO Survey Reveals 74% Intend to Shift Some Employees to Remote Work Permanently. Nearly Three in Four CFOs Plan to Shift at Least 5% of Previously On-Site Employees to Permanently Remote Positions Post-COVID 19

On 3 April, a Gartner, Inc. survey of 317 CFOs and Finance leaders on March 30, 2020* revealed that 74% intend to move at least 5% of their previously on-site workforce to permanently remote

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positions post-COVID 19. Permanent remote work could complement cost-cutting measures that CFOs have already taken or plan to take. In Gartner's most recent survey, 20% of respondents indicated they have deferred on-premise technology spend, with an additional 12% planning to do so. An additional 13% of respondents noted they had already made cost reductions in real estate expenses, with another 9% planning to take actions in this area in the coming months.

Quarter of Europe's jobs at risk from coronavirus crisis: unemployment could almost double in the coming month, McKinsey predicts (20 April)

More than a quarter of all jobs in Europe could be impacted by the economic fallout of the coronavirus pandemic, according to an analysis from McKinsey. The consultancy estimated that up to 59 million jobs are at risk of things like reduced working hours, temporary furloughs or permanent job losses. Unemployment could almost double in the coming months with staff most affected in areas like customer service and sales, food services and building occupations.

What will work-life balance look like after the pandemic?

Bobbi Thomason and Heather Williams, Harvard Business Review, 16 April

During this pandemic, employers are seeing that workers can't function well without accommodation for their family responsibilities. Will that lesson last after the crisis is over? American families want greater choices in determining how their work and their families fit together. Post-pandemic, can we create a system that fits real workers, not just idealized ones? If so, we have the opportunity to emerge from this crisis with both healthier employees *and* better performing organizations.

The impact of the Covid-19 pandemic on global and EU trade: European exports are expected to fall by around €285 billion

Chief Economist Team, DG Trade, European Commission, 17 April

According to this analysis, the measures adopted to contain the expansion of the COVID-19 virus and the resulting economic contraction are expected to result, in 2020, in a 9.2% drop in exports of goods and services outside the EU and an 8.8% drop in imports. In absolute terms, this equates to a fall in exports of around €285 billion and a fall in imports of around €240 billion. The impact will be particularly painful for manufacturing sectors. Most of them, especially transport equipment and machinery, are already experiencing a contraction in exports of more than 10%, the analysis says. However, the Commission admits a '*high level of uncertainty*' about these figures and further analyses are expected to follow as early as May.

SEARICA Intergroup of the European Parliament stands up to support the Maritime Sector (21 April)

The maritime sector is being greatly impacted by the COVID-19 crisis, striking significantly the economy of coastal territories, including islands and outermost regions, whose (declining) economy

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and accessibility depend strongly on it. On the other hand, the marine economy, and these territories, deliver a wide variety of European objectives, providing key contributions to Europe's security and defense; energetic, industrial and economic autonomy; biodiversity protection and climate action.

The economic impact of COVID-19 on the EU: From the frying pan into the fire

Fabian Zuleeg, EPC Discussion Paper, 23 April

There will not be a return to the pre-crisis economic environment. There will be structural shifts and permanent changes to levels of demand for particular goods and services. Policies will need to be adjusted. Government action will matter. However, the capacities of governments will also be more limited, given increased levels of debt and the need to support many parts of the economy in the long term. The capacity to act also differs between governments. The only effective instrument that has been created to deal with cross-border challenges like this pandemic and its aftermath is the European Union. However, it crucially depends on whether Europe will deliver collectively.

The economy and coronavirus

EPRS weekly Briefing, 21 April

This weekly paper by the EP's EGOV unit provides, among others, a summary of some recent analyses of the macroeconomic effects of the coronavirus and some policy recommendations made in the public domain to mitigate these negative effects, notably by A. Bénassy-Quéré et al, Y. Varoufakis, G. Soros, A. Duff, H. Van Rompuy, T. Adrian and F. Natalucci, V. Gaspar and W. R. Lam and M. Raissi, G. Goy, J. W. Van den End.

Why we all need a joint European fiscal response

Fabio Panetta, Member of the Executive Board, European Central Bank, 21 April

A strong, symmetric fiscal response to the pandemics' impact is in the economic interest of all countries in the eurozone, since their economies are tightly interlinked through supply chains, financial connections and trade relationships.

A slump in a large part of the eurozone will depress growth and employment across the entire region much more than a decade ago during the sovereign debt crisis, because of the global nature of the shock (European countries can no longer redirect their production to satisfy demand from the U.S. or China) and of the amplification of the shock across supply chains (which will be greater this time, since integration is today three times tighter within the region than with the rest of the world). Then there is the risk of political spill overs if responses are asymmetric. Failure to act now will not insulate taxpayers from the costs of this crisis. Quite the opposite: it will amplify those costs when they finally come due.

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European fiscal response must be based around three principles. First, the size of the fiscal reaction should be proportionate to the magnitude of the shock. Second, it should not aggravate fragmentation stemming from differences in initial fiscal positions. Third, it should not skew the playing field within the European single market. Viable firms should be able to withstand this crisis no matter where in the eurozone they are located.

COVID-19: EP ENVI Committee debate with Frans Timmermans - Every euro spent on post COVID-19 economic recovery measures would be linked to the green and digital transitions (21 April)

On 21 April, the European Commission's Executive Vice-President Frans Timmermans, in charge of the Green Deal, told the EP's ENVI Committee that every euro spent on post COVID-19 economic recovery measures would be linked to the green and digital transitions, and that EU climate law would play a key role in Europe's economic regeneration after the pandemic.

This time is not the time for ordinary compromise

Pascal Lamy, interview with Le Soir, 22 April

The EU will emerge from this crisis, either strengthened or weakened. Everything will depend on the result of the solidarity test that is being played now. All states will borrow like never before. If we borrow together, we will pay less and leave less room for speculation. In the 1970s, an international agreement on oil stocks was invented. We could have done the same for masks or respirators, but we did not do it. Rather than cry out for de-globalization, let us ensure that, in the essential areas, we have the stocks – and the means to finance them. It is not globalization that is responsible for the lack of preparation of many states! In some areas, there will be a shorten production chain, less efficient but more resilient.

A proposal for a Covid credit line

Agnès Bénassy-Quéré, Arnoud Boot, Antonio Fatás, Marcel Fratzscher, Clemens Fuest, Francesco Giavazzi, Ramon Marimon, Philippe Martin, Jean Pisani-Ferry, Lucrezia Reichlin, Dirk Schoenmaker, Pedro Teles, Beatrice Weder di Mauro, 21 March

It is in the interest of every EU member state that countries in the Union hit by the coronavirus are able to take the necessary measures to control the pandemic and deal with the economic consequences without being constrained, and to do so very quickly. This column proposes a Covid credit line in the European Stability Mechanism, with allocation across member states proportionate to the severity of the public health and economic challenges encountered. While it would involve some coordination and solidarity among member states, the dedicated credit line would reduce risks to economic and financial stability for all while allowing members to sustain their efforts by making their borrowing costs less dependent on individual fiscal situations.

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Macron warns of EU unravelling unless it embraces financial solidarity

Financial Times, 17 April

Mr Macron hopes the pandemic will bring countries together to help the weakest through the crisis and to prioritise human lives over economic growth, as an opening to tackle environmental disasters and social inequalities. But the opposite could happen as well. Border closures, economic disruption and loss of confidence in democracy could favour authoritarians and populists.

Both the EU and the euro will be threatened if the richer members, such as Germany and the Netherlands, do not show more solidarity with southern European countries most hit by Covid-19. That solidarity should come in the form of financial aid funded by mutualised debt. If people could do the unthinkable to their economies to slow a pandemic, they could do the same to arrest catastrophic climate change. People will say 'you stopped everything for this Covid thing but now you want to make me breathe bad air!'

Added value of a common EU response to the economic consequences of the coronavirus pandemic

EP Think Tank Briefing, 17 April

The ongoing novel coronavirus pandemic will have severe consequences for the European economy. An EPRS simulation shows that greater common policy action and a deepening of the single market, more strategic autonomy, increased common investment, and a reasonable deepening of risk-sharing within the economic and monetary union (EMU), could help to achieve a rapid, broad based and sustainable recovery. In a **pessimistic worst-case scenario**, where the policy response is fragmented and where no risk-sharing takes place, potential added value growth would be reduced by 0.8 % in 2035. For 2020 to 2035, this would represent a cumulated €2.9 trillion of added value losses for the EU compared to the initial baseline. In a **more optimistic scenario**, assuming a decisive move towards more sustained common action at EU level, potential added value growth is initially less impacted and the common action boosts long-term growth prospects to levels surpassing the estimates from the baseline scenario. For 2020 to 2035, such a scenario would represent a cumulated gain of €0.5 trillion of added value for the EU compared to the initial baseline.

No conditions for EMS intervention today: same shock, same standardized terms for all beneficiary countries

Klaus Regling, interview with Il Corriere della Sera, 19 April

The EMS Director General clarifies that the same credit line will be offered to all euro area Member States. The only condition will be that it should be used to cover costs directly or indirectly linked to the health emergency.

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COVID-19: Lessons from the 'euro crisis'

Janis A. Emmanouilidis and Fabian Zuleeg, EPC Discussion Paper, 16 April

The lesson from the euro crisis shows that the EU cannot afford to stall the process of unconditional solidarity any further, because its legitimacy is at stake. In a highly interdependent Union, it is important to act quickly, forcefully and boldly, and to roll out decisive joint action and an effective European strategy guided by the principle of enlightened self-interest. The EU should act early and forcefully by jointly setting up and finance a common COVID-19 recovery and growth fund, and then implement a coordinated European 'exit management strategy'. Disunity, fragmentation and distrust will result in failure – not only for the crisis but also for the foundation of the Union itself.

The resources to restart are there: let's set up immediately projects for the country, rather than ideological quarrels

Carlo Bastasin, Lorenzo Bini Smaghi, Marcello Messori, Stefano Micossi, Pier Carlo Padoan, Franco Passacantando, Gianni Toniolo, Policy Brief 17/2020, School of Political Economy, LUISS, 14 April

To allow the Italian economic system to get out of the current blockade and gradually resume its business safely, it is not enough that funds are large and accessible in the short term. It also matters that the conditions exist for their effective, efficient and effective use. In the euro area and especially in Italy, the effectiveness of the public response cannot be limited to restarting activities. It must trigger a process of economic restructuring that focuses on digital transformation and environmental investments.

European solidarity requires European taxes

Thirteen tax law professors, from 9 EU Member States, Le Soir, 22 April

The most important issue – the introduction of a European tax – is still not on the table. Of course, the Union has 'own resources', so called because they are guaranteed by European treaties. But it does not have any real resources of its own in the sense that it would have the power to determine them freely according to the policies it would propose to pursue. Only a European tax can reconcile solidarity and responsibility in a democratic framework.

Milan 2020: an adaptation strategy

Milan's strategy to exit the lockdown by setting ambitious goals in terms of environmental choices and quality of life – notably, avoiding going back to dense traffic – is described in this document. Its plans are seen as good practices by several cities in the world that are taking the challenge of sustainable development.

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Proximity, publicness and agility - Building resilient cities post-Corona

Prof. Dr. Uwe Schneidewind, Dr. Carolin Baedeker, Anja BierwirthDr. Anne CaplanHans Haake, Neues Diskussionspapier des Wuppertal Instituts, April 2020

The authors, scientists from the Wuppertal Institute for Climate, Environment and Energy, have drafted a roadmap towards more crisis-resilient cities. Proximity, publicness and agility are its three main drivers. First, there needs to be a re-focussing on local business structures, recreation and solidarity mechanisms. To this end, cities should benefit from local actors' experiences and expertise and involve them in formal political processes. Furthermore, municipal business development must contain stronger elements for livelihood security and ensure a resilient provision of services of general interest. Second, privatisations of system-relevant industries, such as hospitals, have to be monitored and steered by the public domain (for example, public security criteria have to apply and reasonable salaries have to be paid). Moreover, the institutional co-operation between interlinking policy sector departments at the municipal level, responsible for social, health, environment and green area policies, should become more coherent and envisage more sustainable and health-promoting concepts for urban life and mobility. Third, city administrations have proven to be highly flexible and motivated during the crisis. Their increased regard and agile experience is a window of opportunity to consolidate and improve structures and processes of an 'agile administration'. To this end, financial resources, HR development and trainings must be made available. In order to realise the three concepts, the scientists formulate framework conditions: sustainability, locality, creativity, public mobility, democratic participation and the inclusion of evidence-based scientific expertise have to be fundamental properties of resilient and smart local policy-making.

Coronavirus impact and challenges [What Think Tanks are thinking - 23 April]

This note offers links to recent commentaries and reports from international think tanks on the coronavirus and related issues. Earlier publications on the topic can be found in the previous edition item in this series, published by the EPRS on 15 April.

Policy responses to the coronavirus crisis [What Think Tanks are thinking – 15 April]

This note offers links to recent commentaries and reports from international think tanks on the coronavirus and related issues. Earlier publications on the topic can be found in the previous edition in this series, published by EPRS on 3 April.

Preparing 'exit strategies' towards normality

The dignity of men does not mean that we do not have to die someday

Wolfgang Schäuble, interview with Tagesspiegel, 26 April

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The President of the German Bundestag emphasises the need for a well-equilibrated approach to exit strategies. Such strategies have to be well-informed not only by virologists but also economists, psychologists, and social scientists. He defended Merkel's rejection of premature easing measures because subsequent withdrawals thereof would be much harder to communicate and push through than the initial lockdown. Nevertheless, the political process has to find valid criteria for enabling de-confinement. However, to protect life under all circumstances is not what the first Article of the German constitutions means: 'The dignity of men is unimpeachable. - But this does not exclude that we all have to die someday', Schäuble said. Moreover, the pandemic is not the biggest problem mankind is facing: climate change, the loss of biodiversity and all the damages to nature caused by Europeans, remain the most pressing challenge ahead. Maybe, Schäuble elaborates, the current crisis can be a window of opportunity to take corrective action with regard to exuberant and negative impacts of globalisation, to reduce inequalities and re-build trust in our societies.

Milan mayor warns over rush to lift lockdown

Mr Sala pointed out that an early reopening would be fraught with difficulties. To ensure proper social distancing, Milan's entire transport network would need to be reorganised and working patterns would have to be rearranged to reduce rush hour traffic. 'How can we do it in 15 days?' he said. He also pointed out that face masks were still in limited supply in Italy and there was still no widespread testing programme to track cases.

Regional presidents want a deconfinement adapted to the territories

Le Figaro, 22 April

Hervé Morin and Renaud Muselier, presidents of the Normandy and Provence-Alpes-Côte d'Azur regions, are calling for more flexible deconfinement measures for the regions least affected by the pandemic.

Exiting the great lockdown? (recording available)

This Bruegel online event took place on 17 April, with Maria Demertzis (Deputy Director, Bruegel), Thomas Hale (Associate Professor in Global Public Policy, Blavatnik School of Government; Fellow of St Antony's College, University of Oxford), Jean Pisani-Ferry (Senior Fellow, Bruegel) and Giuseppe Porcaro (Head of Outreach and Governance, Bruegel). Participants stressed, among others, the importance of monitoring country responses (Prof. Hale leads the Oxford COVID-19 Government Response Tracker). Currently, national approaches seem quite un-coordinated, while EU-level coordination would usefully increase people's trust in the policy response, especially when it comes to difficult decisions/tradeoffs. EU-level shared accounting of the pandemics' trends (contagion, hospitalization, deaths) would help breaking the coordination deadlock, also by harmonizing triggers for cross-border opening. A powerful example: reopening of BMW plants in Munich is conditional

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upon reopening of supply-chain in Lombardy. The EU should push for increasing coordination, trying to convince Member Countries that this is not only a matter of solidarity, but also of self-interest.

Coronavirus: The Hammer and the Dance

Tomas Pueyo, Medium, 19 March

This article presents the 'Hammer & Dance' nature of confinement and exiting confinement, with related trade-offs at play. During the Hammer, the goal is to get R as close to zero, as fast as possible, to quench the epidemic. But once you move into the Dance (de-confinement), you just need your R to stay below 1: a lot of the social distancing measures have true, hard costs on people. They might lose their job, their business, their healthy habits.

Tracking mobile devices to fight coronavirus (20 April)

This briefing of the European Parliamentary Research Service (EPRS) discusses location-tracking measures using mobile devices in the context of the Covid-19 crisis. It describes initiatives in EU Member States and provides a brief analysis of fundamental rights standards and the EU policy framework, including applicable EU rules on data protection and privacy.

Governments around the world have turned to digital technologies to tackle the coronavirus crisis. One of the key measures has been to use mobile devices to monitor populations and track individuals who are infected or at risk. About half of the EU's Member States have taken location-tracking measures in response to the spread of the coronavirus disease, mainly by working with telecommunications companies to map population movements using anonymized and aggregate location data and by developing applications (apps) for tracking people who are at risk. The European Commission has called for a common EU approach to the use of mobile apps and mobile data to assess social distancing measures, support contact-tracing efforts, and contribute to limiting the spread of the virus. While governments may be justified in limiting certain fundamental rights and freedoms in order to take effective steps to fight the epidemic, such exceptional and temporary measures need to comply with applicable fundamental rights standards and EU rules on data protection and privacy.

Lockdown is the world's biggest psychological experiment – and we will pay the price

Currently, an estimated 2.6 billion people – one-third of the world's population – is living under some kind of lockdown or quarantine. This is arguably the largest psychological experiment ever conducted. According to a review published on The Lancet, people who are quarantined because they had potentially been exposed to a contagious disease are very likely to develop a wide range of symptoms of psychological stress and disorder, including low mood, insomnia, stress, anxiety, anger, irritability, emotional exhaustion, depression and post-traumatic stress symptoms. Low mood and irritability specifically stand out as being very common, the study notes. Reasons for stress abound in

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lockdown: there is risk of infection, fear of becoming sick or of losing loved ones, as well as the prospect of financial hardship. All these, and many more, are present in this current pandemic. When it comes to offering psychological support to their populations, most countries are late to react, as they were to the novel coronavirus. Better late than never.

National measures to support SMEs

Over the last weeks and since the COVID-19 emergency crisis started, national governments have announced comprehensive packages to mitigate its social and economic impact. One of the policy areas which has attracted significant attention is SMEs policy, due to SMEs' crucial role in underpinning the economy. According to the specific division of powers in EU countries, policies to support SMEs may be within the remits of one or more levels of government. Therefore, adding to our compilation of regional practices and in order to get a broader and more realistic picture of the support measures that can be accessed by SMEs across European regions, we provide here a summary picture of measures adopted at national level.

Measures	Countries
Deferral or reduction of tax and social security contributions	**All 27 countries**
New guarantee schemes	**All 27 countries**
Wage subsidies (particularly subsidising the wages of shorter working-hours)	**23 countries:** Austria, Belgium, Bulgaria, Cyprus, Czechia, Denmark, Estonia, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Romania, Slovenia, Slovakia, Spain, Sweden
Direct loans (establishing new loan schemes and/or working with banks to facilitate new loans)	**17 countries**: Croatia, Czechia, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Poland, Portugal, Slovakia, Slovenia Spain, Sweden
Postponing the repayment of existing loans and/or offering new loans with advantageous repayment terms	**18 countries:** Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, France, Hungary, Greece, Italy, Ireland, Latvia, Luxembourg, Malta, Portugal, Romania, Slovakia, Slovenia
Direct grants for VSEs and self-employed	**15 countries:** Austria, Belgium, Croatia, Czechia, Denmark, Finland, France, Germany, Greece, Luxembourg, Ireland, Italy, Malta, Slovenia, Spain

Source: Compilation obtained from Eurada's website and updated with the latest DG ECFIN report on measures taken by national governments (last update 16.04.2020). Detailed information can also be found in the DG GROW's compilation, also in Eurada's website (30.03.2020).

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Responses at regional and local level

Nouvelle-Aquitaine (France)

The region has launched an emergency plan amounting to €73M to help its entire economic fabric. These include a contribution of €20M to the State/Regions Solidarity Fund (mensual aid of €1500 and flat-rate aid of €2000 for VSEs); €20M fund for zero-rate loans for VSE and PMEs; €1M reinforcement of the fund for the Social Solidarity Economy (zero-rate loans); €12M for short-term liquidity public loans, at zero-rate and unsecured, for VSE and associations; €15M for grants and repayable advances to businesses with working-capital issues, not covered by other instruments; €5M for grants to employers' associations. Additional measures include: one-year moratorium on reimbursements of repayable advances, increase in the level of deposits paid to VSEs, SMEs and ETIs, the creation of coordinating unit with banks, and a listening and monitoring unit to support companies, accessible through an online platform also containing constant updates on the adopted measures, etc. Another platform was created to link industrial initiatives, gathering solution providers, experts and applicants with the aim of making available health products.

Bavaria (Germany)

The Bavarian state has recently decided to extend the so-called *Bavariafonds* for the protection of companies in financial difficulty, a bailout fund which already amounts to €60 billion. More concrete measures adopted by the State of Bavaria include directs grants and financial support: the state emergency aid program, together with the federal program, enables payments between €5,000 and €50,000 depending on the company size; in addition, it provides security for loans issued by *LfA Förderbank Bayern* and has extended its funding instruments launching for instance the Corona Shield Credit, a protective umbrella loan with a compulsory 90% liability exemption, extremely low interest and with a repayment period up to 6 years; furthermore the liability exemption rate for universal loans was increased from 60% to 80%.

Wallonia Region (Belgium)

The regional government has launched an extraordinary solidarity fund amounting to €350M of which €115M is directed towards support measures for the health and social sectors, €2M for local authorities in compensation for the reduction in local taxes, and €233 for SMEs and the self-employed through a flat-rate compensation for those business that have had to close completely (€5000) or partially (€2500) during the lockdown. In addition, Walloon financial tools (SRIW, GROUPE SOGEPA, SOWALFIN) are mobilised to further support businesses by granting new credit lines with advantageous conditions and expanding guarantee schemes on existing and new credit lines.

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Central Bohemia Region (Czech Republic)

The Central Bohemian Region has launched a unified platform with all the information about measures taken and options available in connection with the crisis, at regional and local level and for citizens and entrepreneurs. The Region has announced a program to provide the self-employed with interest-free loans and personal protective equipment for CZK 78M (approx. €2.8M) has been ordered.

Asturias (Spain)

The Regional Government of Principality of Asturias approved a package of ten economic measures which will mobilize €32M. Among others, these include: emergency credit line to municipalities; grants up to 400 euros for self-employed; tax deferrals to the affected self-employed workers, VSEs and SMEs; a 100% guarantee line of €10M and the postponement of the payment of credits by certain regional credit institutions; 80% discount on the hiring of foreign trade advisers; three-month rent moratorium of business centres linked to the Principality; and the negotiation with banking entities to anticipate unemployment perceptions.

Hesse (Germany)

The state of Hesse has made €7.5 billion available to ease the economic impact of the crisis. Some measures include: an emergency aid program for small businesses, the self-employed and freelancers consisting on grants of €10,000-30,000 for three months depending on its size; further liquidity aids through loans with advantageous conditions (e.g. two years repayment-free); tax reliefs in areas such as sales, trade, income and corporate tax, among others; and expansion of guarantee schemes (guarantee rate up to 80%).

Lombardy (Italy)

Lombardy Region will put in place a three-year €3 billion investment plan to finance investments and infrastructure development for the economic recovery after the Covid-19 emergency. €2,6 billions are intended to support regional investments: €2.470M for interventions for economic recovery and €130M for strategic investments. The rest, €400M, will be destined to local authorities and provinces for public investment: €51,350,000 for viability, roads and school buildings, and €348,650,000 for public works in the field of sustainable development. Furthermore, €10M will be allocated to the production of medical and protective equipment and €82M for incentives to staff of the Regional Health Service. In addition to this plan and the measures included in Bulletin 2, the regional government has also tried to ensure business liquidity through a credit package for a total value of loans of €400M which, among others, includes interventions in the form of fully-guaranteed credits, expansion of existing regional credit funds and reductions of loan pricing. Moreover, €16.5M will be

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allocated to families in difficulty in the form of grants for the payment of the first home mortgage and for the purchase of educational equipment

Hauts-de-France (France)

The Region has set up a Solidarity Fund from which affected VSEs can benefit from aids of up to €1,500 and, if difficulties persist, a second aid between €2,000-€5,000. To help artisans, traders and businesses, the Region has also mobilised €50M via direct regional aid and joint Region/BPI products, relaxed its regional instruments via zero rates and repayment extensions and deferrals, deployed exceptional guarantee capacities in order to support the doubling of the volume of outstanding loans and mobilised a dedicated support team for companies and to improve the response coordination.

Association of Dutch Municipalities (Netherlands)

The Association of Dutch Municipalities (VNG) is playing a key role in reaching all 355 municipalities encouraging them to implement a wide range of measures to deal with the effects of the Covid crisis. For instance, this is the case of a nationally funded package of financial support for freelancers and small businesses by means of a minimum income for the next three months and/or a business loan. It has also been providing advice to municipalities on how to support the private sector, for example, by postponing taxes, reducing tax rates and waiving certain fees for businesses.

Cork (Ireland)

In addition to national measures, Cork City will be deferring rates payments, in line with the Government's announcement, for three months for businesses most impacted by Covid-19, primarily the retail, hospitality, leisure and childcare sectors. A Covid-19 Response Group was also established and meets daily to assess the impact on residents, communities and businesses of the rapidly changing situation. Employees and the self-employed who have lost employment can access the COVID-19 Pandemic Unemployment payment consisting of €350 per week.

Tampere (Finland)

The City of Tampere has decided to grant temporary rent exemptions or rent reductions to the tenants of its premises. Sole proprietors can apply for an operating grant of EUR 2,000 from municipalities, coming from central government funding. An online platform providing Covid-19 updates and information has also been created.

Pirovac (Croatia)

The Pirovac municipality introduced measures to facilitate business operations for the local economy with a three months duration. These include: abolishing kindergarten payments, postponing all planned foreclosures, freezing payment of utility fees for legal entities and craftsmen and the

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exemption of public areas fees that are on a permanent lease. These measures were also adopted by the cites of Dugo Selo, Sveti Ivan Zelina, Sveta Nedelja and Kriz.

Valencia (Spain)

The city of Valencia has launched a comprehensive plan to fight the Covid-19 crisis. Among the economic measures: the deferral of payments of municipal taxes, a coordination service to ease the access to the administration's benefits was launched as well as a financial control system about the effects of the crisis, and specific measures for the tourism sector both for the current and future situations are being adopted. The budget for social aid was increased and an emergency budget was put in place, and rent exemptions for the most affected were granted. In addition, the "Re-Activa València" plan, with €3.76M, will provide grants to SMEs and the self-employed in order to compensate for the closure of businesses or losses and maintain employment.

Valenciennes Métropole (France)

In addition to the national and regional measures, Valenciennes Métropole has adopted the following to support local businesses: a solidarity Fund of €400,000 for companies with 5 or less employees, a rebound fund of €500,000 for companies with 6 to 10 employees, the suspension of rents for public spaces for commercial use, and the postponement of the tourist tax collection from all hoteliers and hosts.

Florence (Italy)

The City of Florence has created a web portal, with an online map, for the promotion of the open and home delivery shops. The City has also offered a total of €2M in food vouchers for those experiencing serious economic difficulties and, in addition, all city taxes were postponed to 30 June.

Mafra (Portugal)

In order to support families in need, the Municipality of Mafra created a Social Emergency Fund (€1M) intended to the purchase of goods, services and equipment, and the program "ajuDAR+" to ensure the allocation of food through the issuance of vouchers. In addition, businesses and cultural, recreational, sporting or social institutions installed in municipal spaces and closed municipal companies are exempt from rent payments. Fees collection related to the occupation of public spaces has been suspended, together with several municipal taxes. The City has also created a business support office to reinforce the dissemination of existing aids and to support local SMEs in strengthening of their skills (e.g. digital transformation) through specialized training and individual meetings. The full list of measures can be read in the municipal website.

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Zagreb (Croatia)

The City of Zagreb, where the coronavirus pandemic has been aggravated by an earthquake, is adopting financial relief measures to mitigate the economic impact of Covid-19. These include the exemption of rent payments for entrepreneurs engaged in the city's businesses premises, fees' exemption for the users of public areas for outdoor patio and for communal fees, and reduction of utility bills for entrepreneurs, in certain cases.

Vienna (Austria)

The city of Vienna has set up a new company to temporarily invest in local companies at risk. The capital volume of the associated company is expected to be around 50 million euros, with €20M coming from the municipality. The Vienna Business Agency is acting as a contact point for business and is offering advice on all support measures. The City also launched the support campaign "Wien Online" (€15M) addressed to small local companies, which aims to strengthen the competition with big international online shops with funding up to €10.000. In addition, rent reductions and exemptions were awarded for shops located in buildings of municipal housing. *(More in the Bulletin No. 1)*

Sofia (Bulgaria)

The City of Sofia has created a temporary economic council to elaborate measures to support its local businesses. A fund of BGN 1M has been created for bank guarantees for loans aimed at SMEs and the self-employed, covering up to 50% of the loan principal (up to 80% with additional guarantees by financial intermediaries). Other measures include the extension and exemption of certain local taxes, the exemption or reduction of rent payments by the tenants of municipal commercial premises, and BGN 400,000 to support freelance artists and cultural operators. A report entitled "Assessment of COVID-19 effect on Sofia economy" analysing potential scenarios was published.

Italian Municipalities' drop of revenue

The deferral of taxes and the shot down of the business activity implied a reduction of -53% of taxes and -22% of tariff revenues for Italian Municipalities in March, €600M less than March 2019. Government has provided €3 Billion for Municipalities (and another €500M for metropolitan cities and provinces), an effort that is really appreciated by the National Association of Italian Municipalities (ANCI), but it also believes that the resources risk being insufficient, since the drop of revenues is estimated around €5 billion.

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Summary table of regional & local measures by type of response

The following tables outline some of the measures taken by different local and regional governments, those covered in ECONomic Bulletins no. 1, 2, 3 and 4. This is not meant to be an exhaustive list. We are interested in finding out about economic measures of any kind, adopted or planned by other local and regional governments, to contribute to this collective learning exercise, to help create synergies while suggesting potential lines of action. Your contribution is welcome and can be sent to econ@cor.europa.eu.

Regional responses	Regions
Direct aids (grants) to the self-employed and/or SMEs	North Rhine-Westphalia, Catalonia, Basque Country, Murcia, Pays de la Loire, Malopolska, Corsica, Valle D'Aosta, Flanders, Azores, Nouvelle-Aquitaine, Wallonia, Hesse, Asturias, Hauts-de-France, Bavaria
Establishment of credit lines with advantageous terms	Murcia, North Rhine-Westphalia, Navarra, Sicily, Pays de la Loire, Podkarpackie, Malopolska, Lubelskie, Catalonia, Basque Country, Łódzkie, Nouvelle-Aquitaine, Wallonia, Hesse, Lombardy, Bavaria
Expansion of the guarantee schemes for loans	Pays de la Loire, Navarra, Corsica, Valle D'Aosta, North Rhine-Westphalia, Catalonia, Flanders, Łódzkie, Wallonia, Hesse, Asturias, Lombardy, Hauts-de-France, Bavaria
Support systems for the granting of loans at 0% rate	Pays de la Loire, Corsica, Basque Country, Nouvelle-Aquitaine, Central Bohemia
Refinancing, adaptation or extension of existing funding in repayable advances	Corsica, Basque Country, Pays de la Loire, Nouvelle-Aquitaine, Hauts-de-France
Exemption, discount, deferment or fractionation of regional taxes	Lombardy, Valle d'Aosta, Istria, Catalonia, Navarra, North Rhine-Westphalia, Istria, Murcia, Flanders, Klaipėda, Hesse, Asturias
Postponement or exemption of rent payments of business premises linked to the government	Lubelskie, Istria, Basque Country, Klaipėda, Asturias

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Regional responses	Regions
Creation of a virtual marketplace promoting business collaboration to face the health emergency	Zwolle, Catalonia, Navarra, Nouvelle-Aquitaine
Creation of a support team for businesses to disseminate information on existing support and offer consultancy services	Zwolle, Catalonia, Nouvelle-Aquitaine, Hauts-de-France

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Local Responses	Cities
Exemption, suspension, deferment or discount of rent payments	Utrecht, Barcelona, Lisbon, Luxembourg, Braga, Debrecen, Gothenburg, Tallinn, Lille, Hamburg, Lodz, Ghent, Warsaw, Stuttgart, Valencia, Valenciennes, Mafra, Zagreb , Vienna, Sofia
Exemption, suspension, deferment or discount of taxes/fees collection	Utrecht, Madrid, Nantes, Barcelona, Lisbon, Berlin, Braga, Amsterdam, Gothenburg, Bilbao, Tallinn, Lille, Hamburg, Lodz, Ghent, Cork, Pirovac, Valencia, Valenciennes, Florence, Mafra, Zagreb, Sofia
Creation of a support team available via online or hotline to disseminate information on existing support or consultancy services	Nantes, Lisbon, Braga, Stuttgart, Gothenburg, Bilbao, Valencia, Mafra, Vienna
Financial aid or increase of existing funds addressed directly or indirectly to local companies	Vienna, Dusseldorf, Lisbon, Berlin, Hamburg, Amsterdam, Valencia, Valenciennes
Initiatives involving the economic contribution of private stakeholders with positive impact on the most affected	Zaragoza, Milan
Compensation schemes for SMEs and entrepreneurs having contracts with the municipality	Utrecht, Barcelona, Tallinn
Payment of damages (e.g. cancelled events)	Utrecht, Berlin, Tallinn
Creation of a marketplace between private and public stakeholders and the entrepreneurial ecosystems	Lisbon
Creation of a website gathering local initiatives	Ghent, Lodz, Pinzgau, Florence
Loan guarantees	Berlin, Hamburg, Sofia
Webinars and similar online activities	Braga, Zaragoza

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Useful links

- European Commission's dedicated Coronavirus response website: https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/economy_en

- OECD New Digital hub on data and policy responses to Covid-19: http://www.oecd.org/coronavirus/en/

- https://www.politico.eu/article/europes-coronavirus-lockdown-measures-compared/

- National authorities' coronavirus responses: FT tracking page: https://www.ft.com/content/26af5520-6793-11ea-800d-da70cff6e4d3

- The Oxford COVID-19 Government Response Tracker (OxCGRT): https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker aims to track and compare government responses to the coronavirus outbreak worldwide rigorously and consistently.

- Fondation Robert Schuman, COVID-19: LES RÉPONSES EUROPÉENNES, UN TABLEAU COMPLET, Lettre Spéciale https://www.robert-schuman.eu/fr/newsletter/lettre-special-26032020.html

- A summary of national measures to support SMEs: http://www.eurada.org/covid-19/

- CPMR Special newsletter: https://mailchi.mp/crpm/covid19news

- ESPON programme pooling local experiences and territorial policy responses: https://www.espon.eu/collecting-experiences-and-evidence-local-and-regional-responses-covid19

- Regional Studies Association, evidence about how regions, cities and industry are dealing with the impact of the Coronavirus: https://www.regionalstudies.org/about/pandemics-cities-regions-industry/

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- Eurocities online platform (with response actions undertaken by members): https://covidnews.eurocities.eu/

- CEMR National associations as essential information hubs for local governments on the coronavirus: https://www.ccre.org/en/actualites/view/3997

- Association of European regions COVID-19 Hub: https://aer.eu/covid19/

- Association of Cities and Regions for Sustainable Resource Management: https://www.acrplus.org/en/municipal-waste-management-covid-19

- ERSA Forum on multiple impacts of Coronavirus: https://ersa.org/forum-coronavirus/
  The European Regional Science Association (ERSA) is the supranational grouping of national regional science associations across Europe**.** On this page, ERSA publishes interesting scientific points received by regional scientists and in relation to the current pandemic. It can be existing researches, or starting ones, or scientific reflections good to exchange.

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