Spain COVID-19

Spanish State Aid Measures Related to the COVID-19 Outbreak

On 17 March 2020, the Spanish Government adopted Royal Decree-Law 8/2020 (RDL), on urgent and extraordinary measures to confront the economic and social impact of COVID-19.¹ The RDL entered into force on the same day of its publication on 18 March.

Article 29 of RDL, entitled 'Approval of a line for the coverage by the State of the financing granted by financial entities to companies and the self-employed', provides for the granting of guarantees by the Spanish Ministry of Economic Affairs and Digital Transformation for a maximum amount of €100 billion euros to companies and self-employed persons affected by the coronavirus outbreak in order to facilitate the maintenance of employment and mitigate the economic effects of COVID-19.

Pursuant to this provision, the Spanish Council of Ministers approved, on 24 March, the first part of the guarantees for companies and the self-employed, for an amount of up to €20 billion with a view to preserving productive activity and employment. The foreseen guarantees can cover new loans and refinancing operations granted by financial institutions to companies and the self-employed to meet the financing needs derived, among others, from the payment of salaries, invoices, tax obligations or liquidity needs. The guarantees will be managed by the public finance body *Instituto de Crédito Oficial* (ICO), in collaboration with financial entities.

The first part of the guarantee line approved provides that 50% of the guarantees will be reserved to guarantee loans to self-employed and small and medium companies (SMEs). Companies and self-employed affected by the economic impact of COVID-19 may request these guarantees, provided that the applicants were not in a situation of default (in arrears) by 31 December 2019 and in insolvency proceedings on 17 March 2020.

The guarantee line will guarantee 80% of new loans and refinancing operations requested by the self-employed and SMEs. For the rest of companies, the guarantee will cover 70% of the new loan granted and 60% of the refinancing operations. The guarantees issued will be valid for the term of the loan granted, with a maximum term of five years. The cost of the guarantee, between 20 and 120 basic points, will be assumed by the financial entities. The guarantees may be requested up until 30 September 2020.

Finally, the granting financial institutions undertake to keep the costs of new loans and refinancing operations that benefit from public guarantees in line with the costs applied before the start of the COVID-19 crisis.

They also undertake to maintain, at least until 30 September 2020, the limits of the working capital lines granted to all clients and, in particular, to those clients whose loans will be guaranteed by the scheme approved.²

Spain notified to the Commission the abovementioned measures under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, published by the Commission on 19 March 2020. The Commission approved the Spanish measures on 24 March, the very same day that the measures were adopted by the Spanish Council of Ministers. Although the Commission Decision is not yet published, the available press release refers to the legal basis under which the Commission Decision has been adopted in the following terms: 'The measures are 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 conditions set out in the Temporary Framework.'³

To conclude, in view of the current dramatic situation in Spain related to the COVID-19 outbreak, the Spanish Government will likely need to adopt further economic measures, apart from the remaining parts of the €100 billion guarantee line already approved, to alleviate the economic effects of the coronavirus outbreak. Hopefully,

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1 The Royal Decree-Law can be consulted (in Spanish) at: <<https://www.boe.es/boe/dias/2020/03/18/pdfs/BOE-A-2020-3824.pdf>>.

2 The information on the characteristics of the first part of the guarantee line approved can be consulted (in Spanish) at: <<https://www.lamoncloa.gob.es/consejodeministros/referencias/paginas/2020/refc20200324.aspx#AVALES>>.

3 The press release can be consulted at: <https://ec.europa.eu/commission/presscorner/detail/en/ip_20_520>.

the European Commission will react to future measures as swiftly as it has reacted so far to this crisis in the field of State aid.

One can only sincerely hope as well that, in a similar way, the EU as a whole, and particularly the European Council and the Council

will rise to the occasion of the extraordinarily grave needs posed by the present moment and the life and death risk it holds for EU citizens and for the aspiration of a true European community that the EU project embodies.

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