

## **SUPPORT MEASURES GRANTED BY THE EUROPEAN UNION THROUGH EBI TO THE ROMANIAN COMPANIES**

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**Abstract:** *The pandemic caused by SARS-COV 2 virus represented an economic shock at global level. In Romania, like in the case of many other member states, this shock was felt, but during this period it proved to be resistant, also being supported by the aid measures which were crucial for reducing the effects of the pandemic. The support granted under EU Recovery and resilience facility is a unique opportunity to stimulate investments in the member states. The European Investment Bank under this programme brought their contribution to financing investments for sustainable growth.*

**Keywords:** *support measures, recovery plan, pandemic period, economic recovery, economic support*

### **Introduction**

At the present moment, global economy faces a major economic crisis, some specialists stating that the impact of this sanitary crisis registered a much larger extent compared to 1929 crisis. Romanian economy as well as the economy of other member states was affected by this pandemic especially if we take into account the financial and economic relations between the European and global structures. Similar to other European economies, the Romanian economy through their economic and financial structure was very vulnerable to the impact of this pandemic. Many sectors of our economy like automotive industry, raw materials processing are only two of the sectors which mainly contribute to GDP and which were seriously stricken by this pandemic.

### **Intervention of the European Union**

The European Union very quickly reacted in fighting against Covid-19 through two strategic axes. Member states proved to be united in implementing some common interventions, in order to support the economies of some member states which were economically unbalanced by this pandemic. To reduce losses caused by the pandemic at the economic and financial level depended to a great extent on the size and quality of state's interventions in real economy. The member states with stronger financial markets could ensure a better profitability at the level of their own companies. The intervention of the European Union in supporting the economies of the member states was made through complex actions well determined on different levels. The first set of measures was to ease economic competition rules.

Easing the restrictions imposed to granting state aids to companies under the State Aid Temporary Framework made possible to grant a direct financial intervention in economy to all EU member states, fact which seemed impossible before the crisis.

Another set of measures taken by the European Union to mitigate sanitary pandemic under SURE instrument was to ensure liquidities to finance drugs, tests, medical equipment to support member states in fighting against COVID-19 pandemic. The European Investment Bank managed to put at the disposal of state members a liquidity package in amount of €1,300 billion for the national banks of the member states.

Under the SURE instrument the member states received loans to support public expenditure for the preservation of employment, this being a temporary support to mitigate unemployment risks.

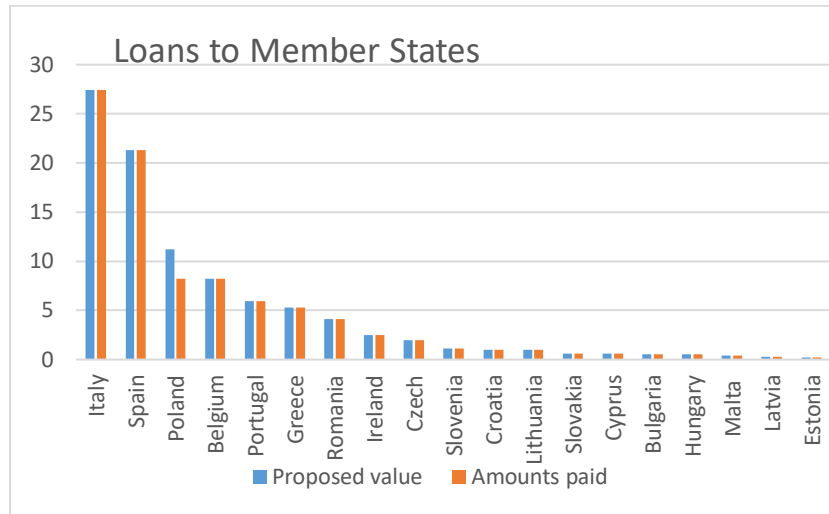
The member states affected by the SARS COV-2 pandemic may receive financial assistance up to €100 billion in the form of loans to address increases in public expenditure for the preservation of employment. The SURE instrument is created by EU in order to support citizens and to eradicate the economic issues caused by the pandemic.

The SURE instrument is a second line of defence, which supports technical unemployment and other similar measures, for the member states which during this period face this kind of situations. These loans granted to the member states under SURE instrument are supported by guarantees from the Member States. SURE instrument is an expression of EU solidarity, whereby the Member States agree to support each other through the Union by making additional financial resources available through loans. 19 EU member states have received financial support from SURE for a total of almost €94.3 billion. Out of the 19 member states which applied for this financial support, some received partially or totally the requested sum. All available resources under this instrument sum up to €100 billion.

**Table 1. Financial support provided by SURE**

Country	The proposed amount of the loan	Amounts paid
Belgium	8,197 billion €	8,197 billion €
Bulgaria	511 billion €	511 billion €
Czech	2 billion €	2 billion €
Cyprus	603 billion €	603 billion €
Croatia	1,02 billion €	1,02 billion €
Estonia	230 billion €	30 billion €
Greece	5,265 billion €	5,265 billion €
Ireland	2,473 billion €	2,473 billion €
Italy	27,438 billion €	27,438 billion €
Latvia	305 billion €	305 billion €
Lithuania	957 billion €	957 billion €
Malta	420 billion €	420 billion €
Poland	11,236 billion €	8,236 billion €
Portugal	5,934 billion €	5,934 billion €
Romania	4,099 billion €	4,099 billion €
Slovakia	630 billion €	630 billion €
Slovenia	1.113 billion €	1.113 billion €
Spain	21,324 billion €	21,324 billion €
Hungary	504 billion €	504 billion €
Total	94,3 billion €	89,6 billion €

Source: The European Commission



Source: The European Commission

As it can be noticed, Italy is the first ranked country in terms of allocation which under this programme received €2.438 billion from EIB. The hardest-hit country by the sanitary pandemic was Italy, the beginning being even devastating especially from the social point of view which later had severe economic repercussions. It provides financial support in the form of loans granted on favourable terms from the EU to Member States. These loans under SURE instrument were created in order to help member states to address increases in public expenditure for the preservation of employment under the conditions caused by the sanitary crisis. The granted loans helped the member states to cover the costs related to national schemes of technological unemployment and other similar measures the support economy.

EU bonds with social impact issued under SURE instrument – to finance this instrument there are issued bonds with social impact. Under this instrument the European Commission issued bonds in value of €9.6 billion in 6 rounds, but these must be used only to a social objective. The role of this instrument is to keep people in jobs during this period sensitive from the economic point of view. This instrument consists of bonds with a maturity date of 5, 10 and 15 years. The bonds were oversubscribed, resulting in very favourable pricing terms. Collected funds were transferred to the state members under the form of loans in order to help them cover directly the costs related to technological unemployment and other similar measures the support economy in this period.

### Next Generation –financing the Recovery and Resilience Plan

The EU long-term budget and the Next Generation Programme represent the largest package of financial assistance the European Union has ever granted to its member states. The financial resources sum up to €2,018 billion, resources which will be used to rebuild Europe after Covid-19 pandemic. A reconstruction whose goal is to make Europe more ecological, more digital and more resilient. The new long-term budget will strengthen the mechanisms of flexibility, in order to guarantee it can meet some unforeseen needs. It was projected in such a way as to meet present realities as well as future uncertainties. This

programme of consolidated financing created at European level is assigned for the period 2021-2027, thus the goal of this programme is to recover the economy on medium and long term.

The main elements of the agreement:

Over 50% of the amount will support modernization, for example by:

- research and innovation, through Horizon Europe;
- a fair climate transition and a digital transition, through the Fair Transition Fund and the Digital Europe program;

In addition, the package focuses on:

- modernizing traditional policies, such as cohesion policy and the common agricultural policy, in order to maximize their contribution to the Union's priorities;
- combating climate change, with 30% of EU funds, the largest share of the European budget to date;
- biodiversity protection and gender equality

**Table 2. Total allocations under the multiannual financial program 2021-2027 and from NextGeneration EU**

	CFM	NextGeneration EU
1. The single market, innovation and the digital sector	149,5 billion €	11,5 billion €
2. Cohesion, resilience and values	462,7 billion €	776,5 billion €
3. Natural resources and the environment	401 billion €	18,9 billion €
Migration and border management	25,7 billion €	-
Security and defense	14,5 billion €	-
Neighborhood and the whole world	110,6 billion €	
7. European public administration	82,5 billion €	
<b>CFM TOTAL</b>	<b>1210,9 billion €</b>	<b>806,9 billion €</b>

Source: The European Commission

### *NextGeneration EU*

NextGenerationEU is a temporary recovery tool worth more than € 800 billion designed to help repair the immediate economic and social damage caused by the coronavirus pandemic. Following the COVID-19 pandemic, Europe will be greener, more digital, more resilient and better prepared to meet current and future challenges. Recovery and resilience mechanism: central to NextGenerationEU, with EUR 723.8 billion in loans and grants available to support EU countries' reforms and investments. The aim is to mitigate the economic and social impact of the COVID-19 pandemic and to make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities offered by the transition to a green economy and the digital transition. Member States are working on their recovery and resilience plans to access funds under the Recovery and Resilience Mechanism.

Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU): NextGenerationEU also includes EUR 50.6 billion for REACT-EU. This is a new initiative that continues and expands on crisis response measures and the consequences of the crisis through the Coronavirus Response Investment Initiative and the Coronavirus Response Plus Investment Initiative. It will contribute to an ecological, digital and robust economic recovery. The funds will be directed to

- European Regional Development Fund (ERDF)

- European Social Fund (ESF)
- European Aid Fund for the Most Deprived (FEAD)

These additional funds will be made available in the period 2021-2022. NextGenerationEU will also supplement funding for other European programs or funds, such as Horizon 2020, InvestEU, Rural Development or the Fair Transition Fund (JTF).

**Table 3. Breakdown NextGeneration EU**

Recovery and resilience mechanism (RRF)	723,8 billion €
of which credits	385,8 billion €
of which grants	338,0 billion €
React EU	50,6 billion €
Horizon Europe	5,4 billion €
EU Invest Program	6,1 billion €
Rural development	8,1 billion €
The fund for a fair transition (JTF)	10,9 billion €
RescEU	2 billion €
<b>TOTAL</b>	<b>806,9 billion €</b>

Source: The European Commission

Under this programme Romania will benefit of a constant non-reimbursable assistance of about €3 billion and of a reimbursable assistance of €5 billion, this representing a huge opportunity for our country to fight against the economic effects created by this pandemic. All these financial resources available to our country will have to be rigorously organised in order to get benefits as substantial as possible. For our country to attract cofinancing and prefinancing funds means to create a budgetary framework which meet these requests. In order to make this budget Romania will have to identify the necessary sources of liquidity in order to attract these funds. In order to attract these non-reimbursable funds the state has to make the planned expenses and later it addresses the reimbursement requests to the European Commission in order to recover the money. In order to get reimbursable assistance, the state will have to invest in the real economy so that it generates the needed incomes the state will use to reimburse the funds.

In the present Romanian economic and financial circumstances the use of this assistance must follow three main directions of investment:

In the health sector, to cover the expenses effectively needed to fight against Covid-19 pandemic. All the expenses caused by the pandemic in the health sector, from testing, quarantine, purchase of drugs to paying doctors on the front line must be correlated to the real needs of people and not to huge expenses.

At economic level, recession which is caused by the decrease of consumption which is the result of the laid-off people in this period, fact which automatically made the buying power drop. The state must take action in order to boost consumption so that consumption, at its turn, lead to an economic increase, and an important factor in consumption increase is unemployment decrease.

To support businesses in crisis period by financing the stocks of raw materials, which ensure the economic cycle in the crisis period. Thus, economic assistance was offered by financing the companies in difficulty to avoid interruption in the economic chain and finally at the level of national economy.

It must be underlined the fact that it is important that these European packages of financial assistance should be effectively used, and the idea that the state must assign its own budgetary resources to support the economy must not be eliminated. Some of the EU member states assign major resources of financial assistance, at least two figure in percentages from the national GDP. For example, Germany assigns more than 50% in the total state aid resources. In Romania budgetary grants represent less than 10% of GDP and even assisted by the Recovery and Resilience Plan it will not recover the economic gap from 2021. At European level, besides the traditional financing which offered the need of liquidity in pandemic in all Europe, it took action and offered the risk capital when companies were recovering and financed on long term innovation and new technologies. The survey of EIB group regarding investments (EIBIS) published annually mentions 13,500 EU companies, including Romania. In 2021, 480 Romanian companies took part at this survey. The analysis made by EIBIS shows that the number of Romanian companies which made investments in the last financial year is very low due to the sanitary pandemic. The only investment on short-term that 45% of the Romanian companies made during this period was to digitise their activity in order to survive the crisis.

The Covid-19 impact on Romanian companies will be a long-term one, the uncertainty regarding the future remains the most mentioned obstacle in making investments (80%), followed by the reduced availability of qualified staff (73%). "The lack of access to financing continues to worry. Several companies, compared to the ones in the European Union, consider it to be an obstacle, and 12% of them may be considered to depend on external financing. The percentage is much above the EU average (5%) and it shows a tendency on long term".

Due to the losses caused by the pandemic to which are added these measures of assistance under the form of secured credits, more than a quarter of Romanian companies are indebted, 28% external debts and 16% EU debts, while the infusion of capital was mainly made by the owners of the companies (13%), only 5% from the EU. Public investments will play a major part in recovering the economy of our country. The use of funds under the Recovery and Resilience Facility is essential in developing Romanian companies at digital level and directed to green economy. Companies need an infusion of capital to improve the financial health on a solid basis of growth.

## **Conclusions**

The survey of EIB group regarding investments (EIBIS) emphasises the extent of the large economic impact and the reply of government policies of assistance. Romanian economy showed resistance, and recovery is now in full development. As a conclusion we may state that Covid-19 caused a shock at global level but it was fought against through a series of support measures. The Romanian economy was affected by the sanitary pandemic, but with the measures taken at internal level and with the support of government policies it managed to stabilize till the present moment. The support measures offered by the European Union to support the economic activities in this period of crisis were very important in the economic assistance of the countries affected by the sanitary pandemic.

Romanian companies are aware of the changes and challenges imposed by the pandemic, but in order to unlock investments it is needed to find solutions to the problems the inadequate workforce and the difficult acces to financing face at the present moment.

The assistance granted to the member states, including Romania, under the EU Recovery and Resilience Programme is an opportunity to stimulate investments, and it must be adequately used in order to get economic benefits in the future. EIB plays an important part in the economic assistance of companies for durable growth, but the new challenges of the sanitary crisis and, at the present moment, other economic actions and changes must also be taken into consideration.

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