

EFB position on *Covid-19*

April 2020



Summary

Our society is currently facing an unprecedented challenge as a result of the recent outbreak of COVID-19. COVID-19 is a global problem; it will require a global solution. Our societies and economies are sure to continue to face this extraordinary challenge for a considerable amount of time and we must work together efficiently to mitigate the significant societal and economic impacts that the outbreak has already caused.

- 1. Coordinated response:** The coordinated response to COVID-19 is a project that needs real EU leadership. The European Commission needs to guide Member States in a coordinated response to the crisis.
- 2. Freedom of movement:** The European Commission should ensure that the freedom of movement for goods and services in Europe is re-established and that Member States borders are open to encourage the safe flow of goods across Europe in line with medical advice with a established common standard on who can travel within Schengen countries.
- 3. Red tape must be cut:** The European Commission needs to ensure that red tape is cut to ensure that swift actions can be taken, as the implementation of many policies is taking too long and money is not moving fast enough. Now is the time for governments and banks to be proactive by acting first and asking questions second.
- 4. Mid-Sized companies:** Medium-sized businesses have no clear access to support measures. The European Commission needs to provide specific support to help address the specific needs of medium-sized businesses in this time of crisis.
- 5. Safeguard business transfers and good governance:** EFB calls on the Commission to ask banks to alleviate regulatory quarterly asset tests until the end of the crisis and to allow for virtual shareholder meetings to take place.
- 6. Stop the short-term recession becoming a long-term depression:** The EU and Member States must define under which circumstances and in which manner the latter should restart their economies. There is no separation of health and economic goals. The new Multi Annual Financial Framework (MFF) is vital to restarting our economies.
- 7. Safety at work:** A coordinated approach on how to incentivize and encourage people to safely get back to work in order to restart economic activity is needed. Both technical and psychological measures are needed.

Our society is currently facing an unprecedented challenge as a result of the recent outbreak of COVID-19. EFB would like to send its sympathies to those families who have already lost loved ones and to those who are battling the illness. Our **extreme gratitude is with our health services, businesses and workers**. They have shown extraordinary courage and dedication in working to stem the spread of the disease and treating those who have been suffering. They have shown courage in the face of adversity, working to maintain the essential goods and services that we, as a society, depend on.

Although COVID-19 has affected our world starting 3 months ago, we are still no closer to knowing when we will be able to continue with our normal lives. Our societies and economies are sure to continue to face this extraordinary challenge for a considerable amount of time and we must work together efficiently to mitigate the significant societal and economic impacts that the outbreak has already caused.

A Global Problem requires a Global Solution: EU Coordination is crucial

COVID-19 is a global problem; it will require a global solution. So far, member states in Europe have reacted fast in many aspects in response to the growing emergency, however these actions seem to have been uncoordinated. As a result, the situation remains difficult for many countries.

So far, the European Commission has done well to mobilise funds and loosen restrictions on state aid. For example, a full temporary assumption of liability by the state for loans must be possible in order to avoid the bottleneck of credit checks at overstretched house banks. However, the **European Commission now needs to take further action to guide Member States in a coordinated response to the crisis**. This coordinated response should include a common framework on how member states will decide when to remove measures and cancel the state of emergency. **This is a project that needs real EU leadership**. The European Commission should work with the current actions of member states and facilitate exchanges between them, highlighting best practices and success stories, enabling other member states to learn and, if needed, put similar measures in place.

A key area the European Commission should urgently act on is **ensuring that the freedom of movement for goods and services in Europe is re-established and that Member States borders are open** to encourage the safe flow of goods across Europe, of course safely and in line with medical advice. We must ensure that this key facet of the EU is not undermined in a time when demand and supply are simultaneously swept away by the fight against the virus. The closure of borders and the uncoordinated approach of Member States raises concern. Enabling goods to flow across borders also allows essential products to be created in the face of the current emergency and helps businesses to keep functioning despite the difficult position many find themselves in.

Enabling cross-border **workers to travel safely across borders is of paramount importance**. Several 'critical' sectors are hampered by a lack of manpower due to key workers not being able to cross-borders for seasonal jobs. For countries heavily reliant on tourism, this problem will only get worse in summer.

We need to create a **common standard on who can travel within Schengen countries** and this needs to happen as soon as possible. This could include having a proof of non-infection or other means such as increased testing at borders.

The European Commission can also quickly help to preserve the international production lines by preserving short term cash. The EU must allow national customs authorities to accept the deferment of payments to government of any customs duty for April and May. **For quick approval of deferral requests the customs authorities need extensive EU safeguards now.**

Effective Implementation: it should be quick and easy

Across Europe, governments have been extremely active in their economic proposals of solutions to the outbreak of COVID-19. Many of these measures have been welcomed by the business community, however **the implementation of many of these policies is taking too long. Money is not moving fast enough.** Many of these policies promise of money coming at a later date and reimbursements for businesses, however without the quick implementation of such emergency measures and the immediate flow of money, many businesses are at serious risk of collapse.

In the face of a global emergency of the likes of COVID-19, the **European Commission needs to ensure that red tape is cut to ensure swift actions can be taken.** The European Commission needs to ensure that governments implement their emergency policy actions without hesitation and that they are compliant with the needs of businesses before it is too late. **Now is the time for governments to be proactive by acting first and asking questions second.** The European Commission should ensure that governments are supported when undertaking these actions and should be offered reassurance that these goodwill measures will not be punished or limit governments.

Alongside this, **banks and other financial institutions must be encouraged to make financial tools and resources available as easily as possible.** In exceptional circumstances, normal application procedures must be streamlined. Cash is urgently needed by companies to ensure their survival. Local commercial banks have not changed their risk policy and qualification rules so support cannot reach SMEs. Unsecured loans or financial support are never given out. In the case that enough security payment vacation is provided, it will still take 1-12 months for the money to be distributed.

Moreover, the ability of banks to recall overdrafts must be discouraged. Businesses need reassurance, especially in these difficult times, that their overdrafts are certain and secure. **The banking sector must play its part.**

Support all businesses of all sizes: Mid-sized companies are being neglected.

Despite national governments creating legislation to address the needs of various sizes of businesses, one area that has been consistently neglected across Europe is around medium sized businesses. With many measures focusing solely on SMEs and the self-employed or large businesses, **medium-sized businesses have no clear access to support measures.** Many of the support mechanisms have either been designed to support SMEs or larger companies. Many medium-sized businesses are at risk and they need urgent assistance.

EFB therefore calls upon the European Commission to provide specific support to help address the specific needs of medium sized businesses in this time of crisis. These measures could include the redirection on unallocated structural funds to support vulnerable businesses.

Safeguard business transfers and good governance

Several family business owners from different sized businesses across Europe have taken on substantial amounts of debt to acquire shares in their company. The reasons for this are generally due to succession, to buy up the shares of family members who want to sell or to pay for the inheritance tax, or buy-up of other family members over time so as to keep the shares of the company in family hands. It can also be due to capital increases needed to support the growth of the company and funded by the owners.

In the light of the current COVID-19 crisis, the economy is collapsing therefore the value of the shares put in collateral is declining. As a result, in their solvency and impairment tests, the banks ask for more collateral and if the debtor cannot provide them, the bank will seize the collateral and sell it immediately.

EFB calls on the Commission to ask banks to alleviate these regulatory quarterly asset tests until the end of the crisis so that these shareholders are left with more time for the previous value of their collateral to recover or if needed, to raise more collateral.

Shareholder meetings are key to the functioning of businesses and several member states prohibit these meetings from taking place virtually unless specifically agreed in writing. The European Commission should recommend that Member States pass emergency legislation to **allow for virtual shareholder meetings to take place so that businesses can continue to function and make important decisions.**

Looking ahead: Exit Strategy

COVID-19 represents the first time in history where we have had to focus intensively on a temporary issue. So far, many measures that have been taken to support businesses and the economy have been taken to address short term issues such as cash flow in companies and job retention. Responses to these important issues remain essential, however we must now start to focus on the mid to long-term. **The EU and the member states must now define under which circumstances and in which manner member states should restart their economies. There is no separation of health and economic goals. We must do all we can to ensure that this short-term recession does not become a long-term depression.**

The European Commission should **create a coordinated approach on how to incentivise and encourage people to safely get back to work in order to restart economic activity.** This should start with the Commission, in consultation with the Member States, recommending a practical framework and guidelines that explain how workers can safely return to work.

This would ensure that, across the board, key industries will be able to safely restart their activities, where the safety of workers is guaranteed. People could be apprehensive of going back to work when confinement is lifted, therefore employers need to be equipped with means to protect their employees and have tools to request workers to come back to work safely. **These measures need to be both technical and psychological.** For these workers to not

fear returning to work, there must be adequate testing facilities and safety equipment available as well as social distancing in the workplace so that the disease is not given a chance to spread.

This personal protective equipment (PPE) provided for workers needs to be readily available and very quickly. Manufacturers face pressure in ensuring demands for this equipment are met swiftly to enable people to return to the workplace safely but also to ensure that these products are of an agreed industry standard. **EFB calls on the Commission to be flexible and agree to an industry standard**, which is jointly developed by those that are currently producing PPE. In the face of the COVID-19 crisis, the most important matter is to develop functioning equipment.

Furthermore, another significant tool to help restart our economies will be the **new Multi Annual Financial Framework (MFF)**. It should work towards reducing insecurity and uncertainty around EU investment funding from 2021 so that businesses are able to plan for the long term. It is paramount that help is afforded to businesses to help them to plan for the future as they are likely to be working with limited resources.

In the face of the COVID-19 emergency, Europe must remain united and work together to come up with effective and solutions and be proactive in their implementation of these solutions. The importance of businesses and the business community must never be forgotten when planning for the future and we look forward to playing an active role in the regeneration of Europe following the COVID-19 outbreak.

European Family Businesses (EFB) is a federation of 14 national family business organisations. European Family Businesses strives to make political decision makers aware of the contribution of family businesses to society and to promote policies that are conducive to long term responsible entrepreneurship. Our members represent a turnover in excess of one trillion Euro, and over 9% of European GDP.