Measures taken by the Government of France to deal with the Covid-19 -19

(updated on 20/03)

The French Government has taken decisive action to implement several sets of ambitious measures in order to address the health emergency and economic shock caused by the Covid-19 pandemic. Theses sets of measures have two main goals: on the one hand, to prevent the epidemic from spreading and strengthen the health system's capacity to address it; on the other hand, to mitigate the short-term economic impact of both the epidemic and the containment measures.

The French Government is fully mobilized and determined to take all necessary measures, whatever their cost, in order to protect the health of our fellow citizens, the productive capital of our economy, and the income and jobs of workers. This commitment has been endorsed by President Macron himself.

Health measures

Containing the epidemic is the first challenge that we have to address. The health measures currently being implemented by the Ministry of Health and the Ministry of the Interior are particularly strong. They are aimed at both slowing down the spread of the epidemic and strengthening the means to fight it. As they slow down the epidemic, they minimize the risk of overloading health care structures. This is critical to reduce human losses due to the epidemic.

1. Measures limiting the spread of the epidemic

First of all, measures aimed at containing the spread of the epidemic are based on a reduction of interpersonal contact.

- All educational institutions have been closed, except for the introduction of a basic day-care service in nurseries and schools for the underage children of medical staff
- All public-access buildings and businesses have been closed, except those essential to people's everyday lives
- Going outside has been restricted to the bare essentials (medical appointments, commuting, grocery shopping, imperative family reasons, exercising close to home)
- The second round of the municipal elections and the entry into office of the municipal executives elected in the first round have been postponed
- EU and Schengen borders have been closed (for 30 days)
- People most at risk (including elderly people) have been encouraged to self-isolate
- Companies and administrations must offer teleworking options to their employees for all jobs that can be performed remotely
- National long-distance transportation is being gradually reduced

2. Capacity boosting measures in the fight against the epidemic

To elevate our means in the fight against the epidemic, the Government is providing logistical and financial support to the health system. It is also helping it become more flexible and facilitating the reorganization of health care services around this priority.

- Financial support has been provided to the healthcare system: €260 million (0.01% of GDP) for hospitals have been allocated out of unspent reserves in the 2019 budget. Payments of €3.5bn (0.14% of GDP) from the 2020 allocation have been brought forward (April instead of May)
- €0.5bn of additional funds will be spent on the purchase of equipment and other health expenses

- An additional emergency fund of 50 M€ for research on Covid-19 has been created
- Stocks of protective masks and future production have been requisitioned by the Government (as a priority they will be distributed to hospitals, town medicine, nurses and pharmacies)
- Taxis and hotels have been recruited for medical staff
- A military health service hospital has been deployed in Alsace
- The military is helping move patients from the most affected regions to reduce congestion
- Level 2 of the "plan blanc" has been activated, triggering the immediate postponement of non-urgent surgery
- Conditions for the practice of telemedicine have been relaxed; the requirement of going through a referring physician before a remote consultation has been lifted
- Overtime caps for health care professionals in hospitals have been removed, lifting the cap of 15 hours per month (i.e., 180 hours per year)

<u>**Short-term economic support measures**</u>

Limiting the impact on the economy of both the epidemic and the health measures taken to contain it is our second challenge. It is very likely that France will be in recession in 2020. The Ministry of Economy and Finance, along with the Ministry of Public Action and Accounts and the Ministry of Labour, are implementing immediate and strong measures to ensure that businesses and workers do not suffer from the shock. They are also committed to making sure that the impact of the shock is temporary, meaning that there should be no loss of productive or human capital once the epidemic is overcome.

The epidemic and the measures that have been implemented to contain its spread (school closures, travel restrictions) impact businesses of all sizes. They are faced with a drop in demand, both national and global, disrupted supply chains, and the partial unavailability of their workforce. Some households are unable to work and risk losing part of their income. Nevertheless, the direct effects of this epidemic are expected to be short-lived, as they are assumed to dissipate once the epidemic period has passed. However, persisting uncertainties could strain corporate investment dynamics over the medium term. Furthermore, longer-term conclusions are to be drawn from this crisis, particularly with regard to the organisation of production chains.

In this context, a series of strong measures have been taken to safeguard the liquidity of companies, support the most impacted sectors and guarantee the sustainability of labour relations and household incomes. The aim of this set of measures is above all to limit consequences of the epidemic that could arise in the medium-term if productive capital was destroyed or skills definitively lost. **To this end, a €45bn package has been announced by the Minister of Finance, i.e. nearly 2 pts of GDP, in addition to €300bn in loan guarantees.**

Measures	Estimated cost	Details
Supporting companies' need for liquidity by postponing social and fiscal deadlines	€32½bn	These measures include a deferral of the CIT due in March and of social security contributions due in March and April. They may lead on a case-by-case basis to tax relief for the most distressed companies *Assuming 75% recourse rate*
Measures related to partial unemployment	€8½bn	Coverage by the State and Unédic of 100% of the compensation paid to employees by companies up to a maximum of 4.5 SMIC; compensation of up to 70% of the gross salary (approximately 84% of the net salary) and 100% at the level of the SMIC for employees (including domestic workers); granting companies a period of thirty days to file their request, with retroactive effect *Assuming 600 million hours covered by the scheme over two months*
Creation of a solidarity fund for small companies	€1bn	Coverage of very small businesses (turnover < €1M), self-employed workers and micro entrepreneurs experiencing a very sharp drop in turnover (70% loss between March 2020 and March 2019) or subject to administrative closure. Regions contributing 25% of total funding *Estimated cost for March*
Additional health expenditures	€2bn	Coverage of equipment purchases (protective masks), increase in daily allowances and recognition of the commitment of hospital staff *Assuming for daily allowances, no subrogation; duration of 20 days; 30% teleworking*
Guarantees by Bpifrance	€½bn	Internal reallocations within Bpifrance and/or budget allocations
Total for budgetary measures	**€45bn (roughly 2% of GDP)**	
Exceptional State guarantee mechanism for corporate loans	*€300bn*	*For new liquidity loans granted by credit institutions between 16 March and 31 December 2020 to companies registered in France*

1. Measures to support companies' need for liquidity

The French Government is setting up a series of measures to support companies' liquidity needs (notably by deferring or reducing the payment of their compulsory expenses, and by supporting their financing capacity), in order to ensure that no bankruptcies or destruction of productive capital occur due to the crisis.

- Deadlines for the payment of direct taxes and social contributions due in March have been postponed for all companies upon simple request. The estimated cost is more than €30bn.
- Tax relief will be granted on a case-by-case basis for companies at highest risk of bankruptcy due to the economic impact of Covid-19.

- Rent payments as well as water, electricity and gas bills have been suspended for very small businesses facing financial distress until containment measures are lifted.
- A free, fast and reactive mediation service offers support to resolve conflicts with customers or suppliers. A mediator is available within 7 days for any dispute related to the implementation of a contract between private parties, even if tacit, or public procurement.
- Late fees have been cancelled for procurement contracts with the State or local authorities. No penalties will be applied to businesses that struggle to deliver a service as a result of the epidemic.
- Loan guarantees by Bpifrance have been stepped up. The guaranteed share for small and medium-sized companies has been increased to up to 90% for the liquidity guarantee fund and backed loans, on a loan portfolio of up to €7bn.
- A public guarantee has been introduced for on new corporate liquidity loans (up to 25% of annual turnover). It will cover €300bn of loans granted by credit institutions between 16 March and 31 December 2020 to companies registered in France. These loans may be repaid over a period of up to 6 years. To ensure credit is provided to all firms that need it, the public guarantee will cover 90% of the loan amount for very small businesses and small and medium-sized enterprises. The fee charged for the guarantee will be modest and depend on the loan maturity. It will amount to 0.25% for a one-year loan to SMEs and 0.50% for medium-sized enterprises and large firms.
- Public reinsurance has been activated on outstanding credit insurance up to €10bn, which will help companies to keep the credit insurance cover they need in order to maintain their activity.
- Reinsurance of short-term export credits has been set up. The "Cap Francexport" public reinsurance scheme, launched in October 2018, will be extended to support French exporters. The cap on outstanding amounts reinsured by the State has been doubled to €2bn, and eligibility has been extended to more destination countries.
- Credit mediation, a public scheme to support companies experiencing difficulties with one or more financial institutions, has been mobilized.

2. Support for the most affected sectors and firms

Specific support measures for the most affected sectors and small firms, adapted to their specific situations, complement the liquidity support arrangements. In particular:

- Approval procedures for new suppliers have been accelerated in some key sectors, such as construction and chemicals, to help them diversify their sources of supply in compliance with social, environmental and European standards.
- Authorisation to work on Sundays has been granted in the logistics sector to ensure adequate supply of food stores.
- A solidarity fund abounded at 75% by the State and 25% by the regions has been established, for an estimated cost of €1bn for the month of March. It will support very small enterprises (turnover below €1 million), self-employed workers and micro entrepreneurs who are experiencing a very sharp drop in turnover (loss of 70% of turnover between March 2019 and March 2020) or have been subject to administrative closure. They will receive a lump-sum allowance of €1500 in addition to the above liquidity and partial activity schemes. The fund will also firms at most risk of bankruptcy due to the impact of Covid-19 may receive additional support from the fund on a case-by-case basis.

3. Measures to preserve labour relations and household income

The Government is taking strong action to ensure that jobs and household incomes are preserved during the epidemic crisis, and avoid the long-lasting impact on the economy that would occur if skills were lost.

- An exceptional and massive partial activity scheme has been implemented, with eligibility considerably extended including to domestic workers. Employees receive an allowance of 70% of their gross salary (approximately 84% of their net salary), and 100% for minimum-wage workers. The State will reimburse 100% of the amount to companies up to 4.5 times the minimum wage (i.e. €6 927 monthly gross wage). Companies have 30 days to file an application, with retroactive effect. The estimated cost is up to €8½bn over two months.
- Daily allowances are paid by the public health insurance (for an estimated cost of €1½bn), waiving entitlement conditions and removing the waiting period for private sector employees in the following cases :
    - insured persons who are subject to a measure of isolation or eviction and must remain at home
    - one of the two parents of a child under the age of 16 who is unable to continue working as a result of the closure of nurseries and schools
    - people whose are considered at risk of developing a severe form of the Covid-19 disease in view of their health conditions
    - The waiting period for the additional compensation paid by the employer has been abolished, bringing the replacement income up to 90% of the gross salary.
- The new provisions of the unemployment insurance due to enter into force on April 1st have been postponed to September 1st.
- Unemployed people whose eligibility to unemployment benefits expires in March will keep receiving them for an additional month.

Moreover, the price of hydro-alcoholic gels has been regulated to protect consumers.

Medium and long-term economic measures

The Government will put in place all necessary measures to ensure a swift and strong recovery once the epidemic crisis is overcome. It will act decisively to guarantee that no productive capital and skills are permanently lost and that uncertainties hampering business investment are lifted as quickly as possible. In the medium term, an ambitious rebound plan could therefore be needed to revitalise business investment as the economy emerges from the epidemic crisis. All necessary measures will then be taken to speed up the recovery. In the longer term, careful consideration will be given to the means of improving the security of supply in industrial sectors that are heavily dependent on foreign sourcing (e.g. pharmaceuticals, electronics, automotive, cosmetics).