



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR INTERNAL MARKET, INDUSTRY, ENTREPRENEURSHIP
AND SMES

Coordination and Planning

Brussels, 1 July 2020
GROW.01/ML

Subject: Reply to your Joint Letter from Startup Communities on COVID-19

Dear representatives of the Startup Communities,

The President of the European Commission has asked me to reply on her behalf to your joint letter of 3 April and to express her gratitude for the support provided by entrepreneurs and startups in this time of crisis. The European Commission recognises that the coronavirus pandemic is a major shock for the European and global economies. We are aware that the current situation has led to the suspension of numerous activities and represents a challenge for the European startup community. I read your suggestions with great interest and your valuable input will feed into our internal reflections.

We have a collective responsibility to mobilise all the tools at our disposal to respond to the coronavirus outbreak. To deliver, we need to act with urgency, solidarity and audacity. More than ever, these challenging times are underscoring the importance of acting together. I would like to assure you that the European Commission is using all instruments at its disposal to mitigate the consequences of the pandemic.

As you may know, the European Commission has put in place a multipronged strategy to counter the economic impact of the coronavirus pandemic, addressing above all the needs of small and medium size enterprises (SMEs). In particular, the strategy provides for the use of the full flexibility of the fiscal and state aid frameworks, through the adoption of a more flexible temporary framework for state aid measures, which allows Member States to provide direct support to the most severely affected enterprises, and activating, for the first time, the general escape clause of the Stability and Growth Pact. In parallel with these macroeconomic measures, in order to immediately help the most affected SMEs, the EU budget will deploy its existing instruments to provide liquidity support, in addition to national measures. For example, the Commission has adopted investment initiatives worth EUR 37 billion with the objective of supporting the health sector, mitigating the impact on the labour market and supporting SMEs in all relevant sectors. EUR 1 billion from the EU budget will be reallocated as a guarantee to the European Investment Fund to encourage banks to provide liquidity to SMEs and mid-caps. This measure will allow at least 100 000 of them access to funding amounting to around EUR 8 billion.

The Commission has also proposed a new instrument for temporary support for the mitigation of unemployment risks in emergency situations known as the SURE measure, with an envelope of up to EUR 100 billion, aimed at protecting jobs and workers.

In addition, the Commission is currently reviewing which policy measures from the *new SME Strategy* have relevance for the current situation and could be put in place faster. In particular, the Commission will speed up its support to Member States in enforcing the Late Payment Directive by setting up monitoring and better enforcement tools, aiming to move forward the start of implementation to end 2020. This will help to address avoidable liquidity problems. Existing tools have also been reinforced, for instance:

- The last call from the European Innovation Council (EIC), open to startups and SMEs with breakthrough market-creating innovations, invited proposals for technologies and innovations that could help in treating, testing, monitoring or addressing other aspects of the coronavirus outbreak. 4000 proposals were submitted, more than double the average number. The Commission will fast-track the awarding of the EIC grants and blended finance (combining grant and equity investment, up to EUR 15 million) to coronavirus-relevant innovations and facilitate access to other funding and investment sources.
- The Enterprise Europe Network (EEN) is helping SMEs respond to the crisis, giving practical support and information. The network notably promotes participation in the EIC call on innovations related to treating, testing and monitoring the coronavirus outbreak. It provides general support helping companies to find potential commercial partners both locally and across Europe, as well as identifying clients, helping to overcome problems for protective material, etc. 3000 local experts of the EEN can be contacted for advice about local financial support available for businesses.
- The SME Envoy Network has been activated to share national best practices and to bring the variety of national measures together for a coordinated action at EU level. Sharing national measures will allow Member States to learn from each other and identify best practice solutions for SMEs. In addition, the Network can help come up with innovative solutions to address the crisis, by exchanging information on national activities such as hackathons designed to produce novel approaches. To complement hackathons taking place at global and Member State level, the European Commission led by the European Innovation Council and in close collaboration with the EU member states, hosted on 24-26 April, a Pan-European Matchathon to connect civil society, innovators, partners, and investors across Europe in order to develop innovative solutions for coronavirus-related challenges. [Over 20.900 people](#) from across the EU and beyond took part, with 2,150 solutions submitted in areas including health and life (898), business continuity (381), remote working and education (270), social and political cohesion (452), digital finance (75) and other challenges (83).

On 27 May, President von der Leyen presented a comprehensive plan aimed at protecting lives and livelihoods, repairing the Single Market and building a lasting recovery. According to the plan, the funding will be composed of the regular MFF and a new recovery instrument, called Next Generation EU, funded through the Commission's borrowing on the capital markets. Under this new instrument up to EUR 500 billion will be distributed to Member States as grants or serve as guarantee instruments and additional EUR 250 billion will be made available in the form of loans. The scale of the proposal illustrates best the Commission's resolve to mitigate the economic fallout of the pandemic, especially in Member States most affected by it.

The situation is evolving fast and when this letter reaches you, additional initiatives at EU or Member States level may have already supplemented some of the latest known measures. For real time information, the Commission has created a dedicated website that covers the different work strands¹.

(e-signed)
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Head of Unit

c.c.: Cabinet President von der Leyen

¹ https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response_en