

New package to support economy in response to COVID-19 pandemic

Statements by the Minister of Finance Mr. Constantinos Petrides

From the first moment, as a Government, we expressed our will to continue to support our fellow citizens, workers and businesses, so that they can endure this difficult period of the pandemic crisis.

We were among the first countries to foresightedly and methodically provide a bold budgetary package to support workers and businesses, parents, vulnerable groups and students, while also essentially supporting the health sector.

I had stated from the outset that the Government would be flexible in the management of this new economic crisis. It must be prepared to face an unpredictable and uncertain crisis and adapt market and employee-directed financial support measures to the outcome of the pandemic, as well as to the fluctuations in public finances.

We had also made it clear that we would exhaust our budgetary limits in order to support our fellow citizens, without, however, risking running out of gas within wider economic planning.

It is in this very context that, in proceeding with the second phase of the management of the pandemic and the gradual lifting of restrictions, the Council of Ministers today approved a new, more targeted package of economic support, through three new bills and a plan to support rural areas, to which the Minister of Agriculture will refer.

This is the law on the “support of businesses based on the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak”, always in accordance with the framework and the relaxations offered by the European Commission.

This law provides for aid for small businesses and self-employed people, i.e. very small businesses and those that employ up to 10 people, as follows:

1. Businesses in full suspension until May 3: €2625
2. Businesses that continue to be completely suspended after May 4: €3500
3. Businesses in partial suspension until May 3: €1875
4. Businesses that continue to be in partial suspension after May 5: €2500
5. Self-Employed persons in full or partial suspension until May 3: €1125
6. Self-Employed persons that continue to be in full or partial suspension after May 4: €1500

This ensures significant assistance to small businesses to meet needs during the crisis, such as rent, debts to suppliers or other operating expenses.

It is pointed out that in parallel with the plans of the Ministry of Labour, a large part of the salary costs of these businesses is being covered.

It is calculated that up to 40,000 businesses may benefit from this provision.

The law also provides for liquidity to businesses through guaranteed loans of 1.5 billion Euros as follows:

- 300 million Euros to very small businesses, which employ less than ten people
- 1 billion Euros to medium and small businesses

- 200 million Euros to large businesses

The guaranteed loan percentage for very small businesses and self-employed workers will be 85% by the state and 15% by financial institutions, while for medium and large businesses 70% of the guarantee will be covered by the state and 30% by financial institutions.

The loans will be given for a period of three months to six years by the financial institutions, with very favourable terms and a favourable interest rate.

The total liquidity that may be channeled into the market through guaranteed loans will be around € 6 billion.

On this part of the bill, there has been extensive consultation with the parliamentary parties, and most of the parties' proposals, which could have been accepted, were within the European framework and philosophy of these programs, as well as our capabilities as a country, have been adopted.

The two parts of the plan, namely the aid and the guaranteed loans, are complementary to each other and one cannot replace the other. Both are necessary.

In addition, and especially with regard to rent, the two other bills, which were approved by the Council of Ministers, concern incentives for further reduction of rents.

Specifically, they concern owners who rent real estate to individuals or legal entities and reduce the rent for a period of three months, in order to facilitate tenants who have been affected by the COVID-19 pandemic.

The law provides that they will receive a tax relief of 50% of the rent reduction amount, provided that the rent reduction will not be less than 30% and no more than 50% of the monthly rent.

All three bills, which were approved today by the Council of Ministers, will have to be approved by both the Parliament and the European Commission, because, as I said at the beginning, they are in line with the framework for easing state aid, which is specifically provided by the European Commission as a temporary measure to address the crisis.

Based on the second economic support package, Cyprus is one of the countries that have built a very comprehensive and very broad network of support for workers, businesses and society. I appeal to the political parties to pass the bills.

The value or importance of any bill alone should not be overestimated. No plan can, in itself, become the lifeboat to save the economy, but using all the tools and all the plans together, combined and collectively, will help the market.

Also, the risk of bankruptcy of businesses and a dramatic increase in unemployment should not be underestimated. The economy and businesses are also on the respirator and need oxygen. Every day that goes by that a business remains closed, the risk of not reopening increases dramatically. So let's offer them this oxygen that we are able to offer, based on the plans, the programs, the state budget, so that, using the weapons combined, they can go through this very difficult period and face the effects of the crisis.

With a distribution of the cost of this crisis that is as fair as possible, with methodical and prudent use of the state arsenal, but also with the collective responsibility exhibited by our fellow citizens all this time and to this day, I believe we can succeed in dealing successfully with this crisis as well.