



AECM comments on mitigating the economic effects of the corona outbreak

The economic impact of the coronavirus pandemic on SMEs is pervasive and can best be fought in joint actions of regional, national and European level. As an annexe to this paper, an overview of measures undertaken by AECM's members to counteract the economic consequences is added.

From the European level, it is essential that the support

- is provided quickly on a first come first served basis, meaning that geographical balance is of secondary importance,
- is provided in an easy to comply with way, i.e. standardized to comply with the high number of demands for guarantees,
- is provided in a comprehensive way since all SMEs suffer from the consequences. This is valid content-wise as well as regarding the funding: if no new money is available, reallocation of funding is crucial since the guarantee capacity must be increased in accordance with the increasing demand, and
- is provided in a flexible way since further developments cannot be predicted by anyone at this stage.

From AECM's point of view, the EU level should undertake the following actions to help SMEs through this rapidly evolving situation:

State aid:

A temporary framework is needed like during the financial crisis providing guarantee institutions with enlarged possibilities to support SMEs' access to finance. To this end,

- the *de minimis* threshold should be significantly increased whereas the aid should be considered as transparent irrespective of the applied method of the calculation of the Gross Grant Equivalent (GGE),
- the guarantee coverage for bank loans should be increased up to 90% for loans of up to 7 years so as to support working capital needs of companies and also their rebound on a longer term,
- it should be possible that structural funds could be used as co-financing tools in the temporary state aid framework,
- at least in relation to SMEs, the charging of guarantee fees should no longer be required,
- the duration permitted should take into account also the fact that the default of the SMEs may occur in the year n+2 or n+3,
- there should be no limit as to the guarantee rate, and
- the application period should take into consideration the bureaucracy burden often faced by SMEs and therefore, be long enough in order to allow SMEs to make use of the instrument.

Financial instruments:

20 members of AECM are using the COSME loan guarantee facility, 10 are financial intermediaries for the InnovFin SMEG and 17 are using financial instruments under shared management from structural funds. To speed up the procedure, these exceptional times require exceptional measure. Thus, we would welcome the following measures which aim at broadening the scope of existing instruments to allow for higher risk-taking:

- no time-consuming change of the legal base but an interpretation in the widest possible and in a results-driven way; if new calls cannot be avoided, there should be a simplified fast-track procedure put in place; neither any changing of existing contracts should be asked for, nor the requirement to conclude new contracts, no eligibility criteria but fast and result-oriented processing;
- allow for transactions with a duration below 12 months (e.g. 1 month) to meet the demands for short-term guarantees;
- allow for refinancing of existing credit exposures meaning that both, COSME LGF and InnovFin SMEG need to be available to refinance existing short-term working capital loans and overdrafts;
- increase the guarantee rate / percentage of EU counter-guarantees to 80%;
- allow for rescheduling, restructuring and grace periods; more precisely, it should be possible to provide companies with a grace period of 6 months for their loan interest under COSME and InnovFin while extending the termination date of these contracts with the EIF if necessary;
- dropping the innovation criteria and business plan from InnovFin;
- either decrease the reference volume or prolong the deadline or inclusion period so that those members who are confronted with a slow-down of the lending activity in their respective countries will not face the situation that due to non-compliance with the reference volume in the foreseen time to not benefit from COSME at all;
- no more adherence to the 150.000 EUR threshold of COSME or at least a substantial increase of this threshold;
- since SMEs are all affected, the criterion of COSME of high-risk should be applied to all SMEs per se no need for further assessment;
- increase the maximum cap rate of COSME from 10% to at least 20% ideally to 25% and
- expand the regular interest cover from 90 days to at least 180, better 360 days.

We would very much appreciate if the European institutions could take our requests into their kind consideration. To conclude, we would like to underline that AECM and its members stand ready assume their responsibility doing everything possible to overcome the current crisis quickly and as best as possible what will only be feasible in a joint manner.

Brussels, March 2020

Survey among AECM members as to the undertaken measures to offset the negative effects on the economy, especially on SMEs caused by the coronavirus outbreak (COVID-19) (launched on 11 March 2020)

<p>1. aws Austria</p>	<p><u>Bridge-Finance-Guarantees due to the Corona Virus Crisis</u></p> <p>The aim is to facilitate the financing of working capital loans from companies whose sales and earnings development is impaired by order, delivery or other market changes due to the "corona virus crisis"</p> <p>What do we support - how and to what extent?</p> <p>Working capital financing (e.g. goods purchases, personnel costs) to financially sound companies are supported, which due to the current "Corona Virus Crisis" have no or insufficient liquidity to finance ongoing operations or whose sales and earnings development is impaired by order failures or market changes.</p> <ul style="list-style-type: none">• Up to 80% of a loan of up to EUR 2.5 million per SME.• Guarantee period max. 5 years• Processing fee: starting with 0.25 % of the amount to be financed, one-time fee• Guarantee fee: starting with 0.3 % p.a. (variable to risk) of outstanding liability <p>What cannot be supported?</p> <p>Short-term loan financing (less than 6 months) is excluded from a guarantee.</p> <p><u>https://www.aws.at/aws-garantie/ueberbrueckungsgarantie/</u></p> <p>More and more Austrian companies are negatively affected by the economic impact of coronavirus. For this reason, the aws bridging guarantee, which has been available since 12 March 2020, will be significantly expanded and simplified with immediate effect on behalf of the Austrian federal government.</p> <p>The following extensions are of central importance:</p> <ul style="list-style-type: none">- Waiver of the charging of handling and guarantee fees- No planning calculations or business plans required- No loan collateral required- Freelance activities are now eligible for guarantee- Guarantees can also be used to defer existing credit lines- A fast-track procedure will be introduced to enable guarantees to be given immediately. <p>All extension measures will take effect immediately and will also affect applications for support that have already been submitted. The exception is the accelerated procedure, which will be available in the next few days.</p> <p><u>https://www.aws.at/aws-garantie/ueberbrueckungsgarantie/</u></p> <p>For the time being, the provisions of state aid law must be complied with, but a change at EU level is likely to be imminent.</p> <p>Leutgeb Kurt K.Leutgeb@aws.at</p>
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<p>2. SOWALFIN Belgium</p>	<p>In order to help companies impacted by the coronavirus crisis, we have a specific mathematical reserve to guarantee:</p> <ul style="list-style-type: none"> - at 50%, with a maximum commitment of EUR 500,000, the existing short-term lines of credit, granted by banks without SOWALFIN guarantee, in order to maintain these means at the disposal of the impacted companies; - at 75%, the new short-term resources that would be granted to companies to help them get through this period of crisis. <p>and this, of course, within the overall ceiling of EUR 1,500,000 outstanding per beneficiary.</p> <p>At this stage with payment of a commission of 1% of the annual commitment as a guarantee (a guarantee of 50% of a line of EUR 1,000,000 for 1 year gives an annual commission of EUR 5,000).</p> <p>We also have our service "1890" (website and call number) to answer any questions from affected companies (call number open Monday to Friday from 8am to 7pm) and to inform them precisely about what they could be entitled to according to their situation.</p> <p>We are in the process of identifying other measures falling within the scope of SOWALFIN's missions that would enable the impacted companies to alleviate cash outflows: moratoria on our credits, guarantees within the framework of moratoria of minimum 3 to 6 months granted by banks on investment credits initially not guaranteed by SOWALFIN.</p> <p>For the criteria, we will rely on the elements provided by the banks, our guarantees being granted on an individual basis.</p> <p>Viviane MOL vmol@sowalfin.be</p>
<p>3. PMV/z- Waarborgen nv Belgium</p>	<p>There is a decision for an additional guarantee in Flanders.</p> <p>100 million of additional guarantees for companies suffering from the corona-virus for new working capital financing (outstanding debts up to 12 months); guarantees up to 5 years, 75% coverage, 0,5% premium (per year), max guarantee amount of 1,5 million euro.</p> <p>https://www.demorgen.be/nieuws/dit-zijn-de-ondersteunende-maatregelen-van-de-vlaamse-regering~b4d1066c/</p> <p>Peter Sleenckx Peter.Sleenckx@pmv.eu</p>
<p>4. HAMAG- BICRO Croatia</p>	<p>The Croatian Government will propose to the EU Commission that the <i>de minimis</i> threshold is increased from 200.000 euro to 500.000 euro.</p> <p>The Croatian Small Business, Innovation and Investment Agency (HAMAG-BICRO), in cooperation with the Ministry of Economy, Entrepreneurship and Crafts, the Ministry of Regional Development and Funds of the European Union and the Ministry of Agriculture, is implementing nine new measures aimed at micro, small and medium-sized enterprises caused by a coronavirus pandemic.</p> <p>Here are nine specific measures:</p> <ol style="list-style-type: none"> 1. Moratorium on all installments of ESIF Micro and Small Loans and Micro and Small Rural Development Loans by December 31, 2020 and the extended repayment / repayment period of the guaranteed loans. These measures affect the preservation of the liquidity of micro, small and medium-sized enterprises, ensuring their stability and business continuity.

	<ol style="list-style-type: none"> 2. Increase in allocation for the ESIF financial instrument Micro working capital loans for micro and small businesses (EUR 1,000-25,000; grace period of 12 months; reduction of interest to 0,5% - 0,75% - 1,0%, depending on the development index). 3. Reduction of interest rates on investment loans ESIF Micro and Small loans, with 30% share of working capital, to 0.1% -0.25% -0.5%. 4. Increase of the maximum guarantee rate for ESIF individual guarantees for working capital loans from 65% to 80% of the loan principal (guaranteed loans guarantee amount of EUR 150,000-1,000,000) through 17 financial institutions. 5. Stronger promotion of HAMAG-BICRO's ESIF Limited Guarantee Portfolio Guarantees up to EUR 150,000 for working capital through 10 financial institutions. 6. Establishment of a new financial instrument "COVID-19 Loans / Loans" for working capital for SMEs. 7. The establishment of a new financial instrument, the Rural Development Micro Loan for working capital, provides additional liquidity to small business entities in the agricultural, processing and forestry sectors with faster and easier processing, grace periods and lower interest rates. 8. A 50% guarantee against the principal of the ESIF Micro working capital loan for the tourism sector, which significantly reduces conventional security instruments and provides a more favorable interest rate of 0.5% - 1.0%, which speeds up the overall processing process. 9. Rural Development Program - Establishment of Measure B - Individual guarantees up to 80% of the principal of working capital loans (guarantee amount up to EUR 1,000,000) implemented through 16 financial institutions. <p>https://hamagbicro.hr/mjere-hamag-bicro-a-za-pomoc-mikro-malim-i-srednjim-poduzeticima-uslijed-pandemije-uzrokovane-koronavirusom/</p> <p>Marijana Barsic Barun Marijana.BarsicBarun@hamagbicro.hr</p>
<p>5. CMZRB Czech Republic</p>	<p>Czech government approved a new program „COVID Loan” financed from the state budget (national scheme). The aim is to support SMEs that are somehow affected by the coronavirus infection and related preventive measures.</p> <p>Parameters: interest-free (working capital) loan covering up to 90% of eligible expenses of the project, loan amount EUR 20,000 - 600,000, 2-year maturity, grace period up to 1 year.</p> <p>Start of the program: 1 April 2020 Total amount of the program: ca 24 million EUR</p> <p>Petr Krupa KRUPA@cmzrb.cz</p>
<p>6. Denmark</p>	<p>https://ec.europa.eu/commission/presscorner/detail/en/ip_20_454</p>
<p>7. Finnvera Finland</p>	<p>The main decisions they made are:</p> <ul style="list-style-type: none"> • at first they advice companies to contact their housebank • Finnvera is ready to prolong both their guarantee and loan repayment days and giving amortisation free period • they are also ready to use 80 % guarantees whenever it’s possible

	<ul style="list-style-type: none"> • we have broadened the use of SME-guarantee (within COSME) also to such companies which don't necessarily seek growth so that they can use it also in COVID-19 based financing needs • their outstanding liabilities are roughly 2 bn euros and the maximum amount is 4,2 bn euros so they have enough capacity to finance Finnish SMEs if needed • furthermore they are recruiting some extra people to help them with the applications (bot internally and recruiting lately retired people to work) <p>In Finland the main ministries have also publicly told many times that all possible means to help companies can be taken into use – even the tax authorities.</p> <p>Kari Villikka Kari.Villikka@finnvera.fi</p>
8. EDC France	<p>EDC is looking at granting 6 months deferral on reimbursement of the loan in agreement with the banks.</p> <p>Yvan PARROT Yvan.PARROT@eurocaution.net</p>
9. Bpifrance France	<p>EMERGENCY SUPPORT PLAN FOR COMPANIES</p> <p>As a partner of your bank and the regions, Bpifrance helps:</p> <ul style="list-style-type: none"> • Bpifrance guarantees your bank up to 90% (before 70%) if it gives a loan for 3 to 7 years... • Bpifrance guarantees up to 90% of overdraft if the bank confirms it over 12 to 18 months <p>Bpifrance brings cash directly</p> <ul style="list-style-type: none"> • Bpifrance offers an unsecured loan over 3 to 5 years of EUR 10 000 to 5 million for SMEs, and several dozen million EUR for midcaps, with a significant deferral of repayment • Bpifrance mobilises all invoices and adds a credit of 30% of the mobilised volume • Bpifrance is suspending the payment of granted loan installments as of March 16 • Bpifrance reminds you that you can request the postponement of tax and social security deadlines and ask for tax rebates from the administrations and services concerned <p>https://www.bpifrance.fr/A-la-une/Actualites/Coronavirus-Bpifrance-active-des-mesures-exceptionnelles-de-soutien-aux-entreprises-49113</p>
10. SIAGI France	<p>As a partner of all French banks SIAGI decided to:</p> <ul style="list-style-type: none"> • guarantee the suspension of all the payments of existing loans (capital + interests) during a 6 month period to be extended if necessary • guarantee 2 to 7 year loans granted by banks up to 70% <p>Michel COTTET mcottet@siagi.fr</p>
11. VDB Germany	<p>On Friday (13.03.2020), the Federal Ministry of Economics and Finance presented measures for the economic management of the "Corona crisis" that had been agreed with the federal states. For the guarantee banks, extensions of the framework conditions for default guarantees are planned.</p>

	<p>These include:</p> <ul style="list-style-type: none"> - Increase of the guarantee ceiling to EUR 2.5 million (previously EUR 1.25 million) - higher risk assumption by the Federal Government through an increase in the counter-guarantee - and various measures to speed up decision-making <p>The measures support all commercial small and medium-sized enterprises (SMEs) and the liberal professions across all sectors and will be implemented by the guarantee banks as soon as possible.</p> <p>If liquidity assistance, e.g. from KfW or the state development banks, is needed to bridge the "corona crisis", the guarantee banks can provide this in combination with financing from the main bank. The companies and their business models should have been economically viable before the crisis broke out.</p> <p>https://vdb-info.de/aktuelles/pressemitteilungen/corona-krise-buergschaftsbanken-erweitern-unterstuetzung-von-kmu</p>
<p>12. SBCI Ireland</p>	<p>Please see the link to Government of Ireland press release regarding the use of the Credit Guarantee Scheme (A Government of Ireland scheme administered by the SBCI). https://dbei.gov.ie/Djei/en/News-And-Events/Department-News/2020/March/10032020.html</p> <p>SBCI is also actively looking at other schemes to repurpose if appropriate/possible by adding a "Covid" eligibility question.</p> <p>Brian Colgan Brian.Colgan@sbc.gov.ie</p>
<p>13. Assoconfidi Italy</p>	<p>Assoconfidi searches for possibilities to increase the maximum amount of the <i>de minimis</i> guarantee to 100 % of the loan.</p>
<p>14. Altum Latvia</p>	<p>ALTUM has developed 2 measures for companies that have been affected by the COVID-19 spread and are facing financial problems. Both measures are developed in accordance to <i>Temporary Framework to support the economy in the context of the COVID-19 outbreak</i>. At the moment ALTUM is close communication with EC about implementing the Framework within the measures. Support cannot be granted to companies that are in financial difficulty on 31.12.2019. Measures have been approved by the government on 19.03.2020.</p> <p><u>INDIVIDUAL GUARANTEES:</u></p> <ul style="list-style-type: none"> • Amount of public funding - 50 MEUR • Amount of financial services covered by the guarantee - 715 MEUR. • Planned guarantee portfolio - 240 MEUR. <p>PURPOSE: For economic operator that is economically viable and the credit institution has concluded that liquidity support is required as a result of the impact of COVID-19.</p> <p>TARGET GROUP: SMEs, large companies, agriculture and fisheries. All amoral sectors are excluded</p> <p>CONDITIONS:</p> <ul style="list-style-type: none"> • Guarantee covers up to 50%. • Max. amount for one beneficiary – 5 MEUR. • Max. term – 2 years.

	<ul style="list-style-type: none"> • It can be provided for: <ul style="list-style-type: none"> - new financial services for working capital loans; - for existing investment loans and finance lease; - credit holidays for investment loans and finance lease up to 2 years; • Guarantee fee: 50% reduce for SMEs, 15% reduce for large companies according to safe harbor premiums mentioned in <i>Temporary Framework to support the economy in the context of the COVID-19 outbreak</i>. <p>OTHER CONDITIONS: In duly justified cases and based on a liquidity plan setting out the beneficiary's liquidity needs, the amount of the loan may be increased to cover the liquidity needs for the coming 18 months for SMEs and for the coming 12 months for large enterprises.</p> <p>LIMITS OF PORTFOLIO: Max. losses 50 MEUR; max. loan portfolio -715 MEUR.</p> <p><u>WORKING CAPITAL LOANS</u>: Amount of public funding – 50 MEUR; total loan amount – 200 MEUR.</p> <p>PURPOSE: For companies that are in a need of additional working capital as a result of Covid-19.</p> <p>TARGET GROUP: SMEs, large companies, agriculture and fisheries. All amoral sectors are excluded.</p> <p>CONDITIONS:</p> <ul style="list-style-type: none"> • Max. amount for one beneficiary - 1 MEUR; • One of following factors must be fulfilled: <ul style="list-style-type: none"> a) company must demonstrate the required liquidity needs for the next: <ul style="list-style-type: none"> ○ 18 months for SMEs; ○ 12 months for large companies or b) The value of the loan cannot exceed the double value of total wages (including social insurance) paid by the company in 2019. • Max. term – 3 years. • Grace period – up to 12 months. • Interest rate: • Reduced according to <i>Temporary Framework to support the economy in the context of the COVID-19 outbreak</i>. • Significantly reduced collateral requirements taking into account company's assets. <p>Elina Dlohi Elina.Dlohi@altum.lv</p>
<p>15. RVO Netherlands</p>	<p>https://www.rvo.nl/actueel/nieuws/coronavirus-verruimde-bmkb-regeling-voor-ondernemers-versneld-open</p>
<p>16. BGK Poland</p>	<p>The Minister of Finance signed an ordinance on granting by Bank Gospodarstwa Krajowego a guarantee for the repayment of loans under the de minimis aid formula for micro, small and medium-sized enterprises (SMEs).</p> <p>The amendment to the Regulation of the Minister of Finance will make it possible to cover up to 80% (up from 60%) of loans with guarantees.</p> <p>The Ministry of Finance decided to reduce the fee for such guarantees from the current 0.5% to 0%.</p> <p>https://www.gov.pl/web/finanse/ministerstwo-finansow-z-pomoca-dla-msp</p>

17. IAPMEI Portugal	https://www.iapmei.pt/Paginas/Medidas-de-apoio-as-empresas-relacionadas-com-o-im.aspx
18. FNGCMM Romania	<p>FNGCMM is currently looking at modifying the existing guarantee activity covering the existing credit lines when they have to be renewed.</p> <p>At the national level, the Romanian government has a “business” continuity plan for the situation of non-availability of the institutional staff of 10%, 30% or 50%.</p> <p>Regarding the way the SME sector is affected by the coronavirus outbreak, so far FNGCMM has little evidence on how this situation affects SMEs across Romania.</p> <p>Simona Muresan simona.muresan@fngcimm.ro</p>
19. FRC Romania	<p>Nothing yet.</p> <p>Ovidiu Vajjala ovidiu.vajjala@contragarantare.ro</p>
20. CESGAR Spain	<p>https://www.rtve.es/noticias/20200310/union-europea-creara-fondo-respuesta-coronavirus-hasta-25000-millones-euros/2008441.shtml</p> <p>https://www.rtve.es/noticias/20200310/gobierno-medidas-coronavirus-empleo-pymes/2008200.shtml</p> <p>They are internally considering an action plan that in the case of the Spanish Government and related to the guarantee institutions could entail increasing the counter guarantee coverage rate for working capital from the current 50%.</p> <p>One more action refers to the extension of the maximum duration of revolving credit lines that is now capped to 3 years for InnovFin and 5 years for COSME.</p> <p>Ana Vizcaino avizcaino@cersa-sme.es</p> <p>Marta Cea marta@cesgar.es</p>
21. BBB UK	https://www.british-business-bank.co.uk/ourpartners/supporting-business-loans-enterprise-finance-guarantee/

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 29 countries in Europe. They are either private sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. AECM's members operate with counter-guarantees from regional, national and European level. At the end of 2018 AECM's members had more than EUR 112 billion of guarantee volume in portfolio, thereby granting guarantees to almost EUR 3 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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