

## Germany Launches New Support Program After Partial Guarantee Insufficient to Promote Lending to Small Businesses

By Mallory Dreyer

Original post [here](#).

On April 6, Germany introduced a fully guaranteed loan program to support small businesses after an earlier partial government guarantee did not achieve its intended results. The [Quick Loan Program](#) will provide fully-guaranteed “instant” loans of up to EUR 800,000 to eligible businesses.

The earlier [KfW 2020 Special Program](#) (KfW-Sonderprogramm 2020), launched on March 23, provides 80% or 90% credit guarantees to companies experiencing financing difficulties due to the COVID-19 pandemic. It is available to companies of all sizes, and features lower interest rates. However, as [Bloomberg reported](#) on April 1, banks were reluctant to take on new risk given the economic circumstances, and private lenders requested full government guarantees on lending.

The new Quick Loan Program (KfW-Schnellkredit 2020) provides SMEs with loans that are fully government guaranteed. KfW, the state-owned development bank, will provide banks with 100% liability waivers backed by the government. Firms are eligible for the loans if they have been active since at least January 1, 2019, were profitable in 2019, and have more than 10 employees. Firms can receive loans for up to three months of 2019 revenue. Loans are capped at EUR 800,000 for firms with 50 or more employees and EUR 500,000 for those with between 10 and 50 employees. Loans will carry 3% interest for terms of 10 years and include two years of payment deferral. In order to expedite approval, applications will be approved without risk assessment by banks or by KfW. Applications will be available starting [April 15](#).

The European Commission (EC) [approved the program](#) on April 11, as it aligns with the EU’s amended Temporary Framework for state aid. The amended framework allows Member States to provide zero-interest loans or guarantees on loans covering 100% of the risk for loans up to EUR 800,000 per company.

Support to SMEs in Germany in response to the COVID-19 crisis is not limited to the Quick Loan Program and the new KfW 2020 Special Program. Small and mid-sized businesses, the Mittelstand, make up 99.5% of firms, generate 35% of total revenue, and employ approximately 60% of workers in Germany. Thus, according to the Economic Affairs Minister, Peter Altmaier, the government is working to “safeguard this unique, broad-based cornerstone of [the] economy.”

On March 23, Germany [announced a EUR 50 billion package](#), the Immediate Assistance Program, to provide direct cash assistance to small firms, including self-employed individuals and freelancers. The program provides taxable grants, not loans, to small businesses in all sectors of the economy with up to 10 employees. One-time payments of up to EUR 9,000, to cover a period of three months, are available to firms with up to 5 employees while firms with up to 10 employees can receive one-time payments of up to EUR 15,000. [Firms must be facing](#) financial distress due to the COVID-19 pandemic and declare in the application that their business is at risk of collapse or experiencing liquidity shortages. The program is financed by the federal government, but the state (Länder) level handles the granting of aid. On [March 29](#), the

German Länder and the federal government announced that an agreement was reached to begin implementing the program. The [program processed approximately](#) 140,000 applications in a handful of days and has paid out approximately EUR 1.3 billion. Some firms received the money within 24 hours.

Two additional measures to provide support to SMEs include expanded export-credit insurance guarantees and a package to provide venture capital financing to startups. On [March 30](#), the government announced an expanded scope for export-credit guarantees. This allows the federal government to issue export guarantees for transactions with short-term payment obligations within EU and OECD countries. Germany announced a [EUR 2 billion package](#) on April 1 to support venture capital financing for startups, technology companies and small businesses during the Covid-19 crisis.