

Assistance for Companies due to the COVID-19 Pandemic

The worldwide outbreak of the new coronavirus type COVID-19, which can cause pneumonia and/or severe acute respiratory syndrome, during the first quarter of 2020, as well as the state measures taken to contain this pandemic, are leading to substantial problems for many companies. Some companies which *per se* have solid financing are being confronted by substantial liquidity problems due to massive drops in turnover. These companies should be assisted by very comprehensive government assistance programs.

We briefly outline below the most important assistance programs in the context of the COVID-19 pandemic:

Immediate assistance for self-employed people, freelancers and small companies

The “*Corona-Soforthilfeprogramm*” set up by the Federal Government serves to assist self-employed people, people who belong to the so-called “free professions” (*freie Berufe*), and small companies with up to ten staff (full-time equivalent) with their headquarters or business facilities in Germany. In the framework of this immediate assistance program, companies can be given once-off, non-repayable grants of up to EUR 9,000 (up to five staff) or up to EUR 15,000 (up to ten staff).

A prerequisite for the grant is that the respective company warrant that it is experiencing financial difficulties precisely because of the COVID-19 pandemic. The company must make a corresponding declaration in the application that before this pandemic – specifically up to March 2020 – it had solid finances.

The configuration of the application in detail is governed at state level. Depending on the federal state, state-specific immediate assistance programs can alternatively be claimed, which partially go beyond the abovementioned criteria and amounts. For example, the state of North Rhine-Westphalia is giving companies with up to 50 workers (25 workers in the case of freelancers) non-repayable grants of up to EUR 25,000.

Federal economy stabilisation fund

The economy stabilisation fund created by the Federal Government, WSF, serves to assist large companies in the real economy. Companies with an average of at least 250 workers (full-time equivalent), a balance-sheet sum of at least EUR 43 million, and revenues of at least EUR 50 million are covered. The prerequisites named must be fulfilled in each of the last two business years before 1 January 2020.

The measures of the WSF economy stabilisation fund particularly include the giving of guarantees for liabilities owed by the company affected. The Federal Government has designated a total volume of EUR 400 billion for this. If companies in the market are unable to obtain any other financing options whatsoever, it is also possible for the WSF economy stabilisation fund to participate in companies by way of capital increases, convertible bonds, silent partnerships or other measures. The details are currently being worked on at the Ministry for the Economy.

KfW loans

The Kreditanstalt für Wiederaufbau (KfW) has introduced some simplifications with regard to the granting of loans and risk-bearing in the course of the COVID-19 pandemic. There are various programs for companies which have been active in the market for longer than five years (so-called *KfW-Unternehmerkredit*) and for younger companies which have been active in the market for at least 3 years (so-called *ERP-Gründerkredit*).

Companies which are younger than 3 years old (so-called “start-ups”) are not supposed to receive any liability indemnification from the KfW, which in fact would have excluded these companies from the granting of credit. Accordingly, the Federal Government wants to make additional funds available for start-ups via KfW-Capital, a venture-capital subsidiary of KfW’s, in the short term. The details are currently being worked on at the Ministry for the Economy.

For larger companies, the KfW also offers consortium financing. In this context, the KfW participates in the financing of a company on the same conditions as other credit institutions in the framework of a consortium. The maximum amount of the direct participation by the KfW is determined in accordance with the company’s revenues, payroll and need for liquidity. Usually KfW’s portion is at least EUR 25 million. The European Commission has now even permitted the assumption of a 100% state liability for KfW loans, which will further simplify lending.

The KfW loans too are intended to benefit the companies which are having financial difficulties precisely due to the COVID-19 pandemic. Accordingly, here too it is a prerequisite that the applicant company previously – specifically as of 31 December 2019 – have had solid finances. The local bank via which the application is made may not have any knowledge about payment delays or the breaching of financial behaviour rules in connection with loans (so-called covenants), for example.

State guarantee banks

Apart from the KfW, the guarantee banks of the states have also reacted to the COVID-19 pandemic and introduced simplifications and/or expedited processes. Moreover, in part the potential guarantee sums have been substantially increased.

The precise scope as well as the durations of the guarantees are different, depending on the federal state. Applying for the guarantees is done in principle via the local bank, but the guarantee banks of the states are also themselves available as a contact partner.

EU assistance

The European Investment Bank (EIB) and the European Investment Fund (EIF) have each increased their financial facilities in order to ameliorate liquidity problems being experienced by smaller and medium-sized companies. However, no new funding programs have been launched for this purpose; rather, existing funding programs have been increased. Specifically, the existing funding programs “InnoFin SME Guarantee” and “COSME Loan Guarantee Facility” have been expanded. This involves a total volume of around EUR 8 billion, which is supposed to be distributed via the local banks. However, no special application forms are available yet, because the EU administration is still working on their configuration.

We here at **PPR & PARTNER** have prepared ourselves for the current situation and the resulting special requirements, and are of course at your side, fully ready to assist.

Your contact partners regarding questions about public financial support in connection with the COVID-19 pandemic are **Thomas Brosig**, attorney-at-law, and **Dr Günter Fußbahn**, attorney-at-law.