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Measures Implemented in Germany to Restore Liquidity and Next Steps

Federal Ministry for Economic Affairs and Energy – BMWI



Germany

Shared by: Dr. Ole Janssen, Deputy Director General, BMWI (ACE Ambassador)

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During an interview with the RIAC Technical Secretariat, Dr. Ole Janssen, the Deputy Director General at the Federal Ministry for Economic Affairs and Energy – BMWI (former ACE host, ACE leader, and Ambassador), shared the policies and strategies that the BMWI is implementing to address COVID-19 and restore liquidity in Germany. The main objective is to help companies and self-employed workers avoid job losses and depreciation of assets.

The BMWI takes the development of COVID-19 very seriously and closely observes the course and possible impacts of the pandemic for people and companies. The BMWI is in constant contact with other ministries, with companies, associations, institutes, banks, the worldwide network of foreign chambers of commerce, and the German federal states.

Beside taking straightforward immediate measures of stress relief off the innovation system (see below) the BMWi sought to get a better understanding of how the pandemic affects firms' activities and of how this can be remedied. Thence an online survey on the effects of the corona pandemic on entrepreneurial research, development and innovation (R&D&I) activities was conducted in the period 08-30 April 2020. Around 1,800 companies (most of them SMEs) completed the questionnaire. The results revealed that:

- The **vast majority of firms feel the need make adaptations**. Three quarters would postpone or extend the duration of their R&D&I projects and more than half (54%) would temporary interrupt projects. A quarter even indicate to abandon their projects.
- An **equally big majority** of firms (74%) **intend to** continue or start to **use R&D&I to diversify** their product and service range.
- For 50% of the companies, an even greater digitalization of their R&D&I activities is a lesson from the crisis.



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- Respondents see a need for support in strengthening entrepreneurial resilience (83%) and entrepreneurial innovation management (74%).

Taking these mixed findings into account, the BMWI worked along these lines:

- Increasing flexibility in implementing the current directives pertaining to the innovation support schemes to the maximum viable. Loosening any liquidity bottlenecks. Making these programs more manageable: administration and budget wise.
- Setting the ground to addressing technology fields of particular importance more prominently while expanding technology-open approaches as well.

This paved the way to medium-to-long-term measures, taken on 3 June. Under the label "future pact", a few important decisions to alleviate stress on the innovation system have been made:

- In application-oriented research, the federal government supports the large non-university research organizations with one fund, from which promising projects can receive replacement financing. This is to prevent the discontinuation of research work due to companies being unable to pay their share in a joint project.
- Investments in artificial intelligence (AI) planned until 2025 are to be increased from 3 billion euros to 5 billion euros.
- The newly introduced R&D tax credit scheme will be made more attractive by doubling the assessment basis from 2 to 4 million euros: The maximum amount of funding per company and year will then be one million euros per year and company. The increased assessment basis is to apply for a limited period from 2020 to 2026. The increased support will be felt above all by medium-sized companies (including hidden champions), but large companies will also benefit.

In more subtle ways, other elements of the "future pact" will strengthen the innovation and research environment in the medium-to-longer term:

- The national hydrogen strategy,
- The digitization in public administration,
- The Online Access Act,
- The bringing forward of federal investments, especially in digitization projects,
- The temporary simplification of public procurement law,
- Programs for bridging the gap and mitigating the effects of the corona pandemic in the cultural sector,
- The strengthening of mobility in tandem with more sustainability and climate protection,
- The support of quantum technologies and the promotion of future communication technologies

All are to contribute to maintaining and strengthening innovative strength.

Thus, the federal government gradually shifted its focus from short-term emergency help to medium-to-longer-term care.



Meanwhile, the immediate stress-relief measures remain in place and are elaborated according to short-term developments if need be. These still measures comprise:

- Eased access requirements for the short time working allowance:
In that scheme the state partially compensates wage losses, enabling companies to maintain their workforce even when their work is temporarily reduced.
- Tax liquidity support for companies;
- Emergency aid for small enterprises and self-employed workers;
 - Up to €9,000 one-off payment for three months for companies with up to five employees (full-time equivalents).
 - Up to €15,000 one-off payment for three months for companies with up to 10 employees (full-time equivalents).
- An Economic Stabilization Fund designed to save companies from insolvency by:
 - State guarantees for liabilities (€ 400 bn.)
 - Equity measures such as direct state participation (€100 bn.)
 - Refinancing through public bank KfW (€100 bn.)
- Start-up support package (€2 bn.):
 - Pillar 1 “Corona Matching Facility”: Additional public funding to venture capital investors via the public fund-of-funds managed by KfW Capital and the European Investment Fund. This additional funding will be used for funding rounds for start-ups as part of co-investments made jointly with private investors (pari-passu according to the European State Aid-Framework). The public VC-funds High-Tech Gründerfonds, coparion and ERP-Startfonds will also invest the additional public funding into German start-ups.
 - Pillar 2: VC-financing and equity replacement financing will be made available for small businesses and start-ups via regional promotional institutes and taking into account the rules under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak ("Bundesregelung Kleinbeihilfen 2020").
- Rapid loans for small and medium-sized enterprises:
 - Companies with less than 10 employees are eligible for a loan of up to three times their monthly turnover from 2019, maximum at € 800,000 for companies less than 50 employees, and € 500,000 for companies with up to 50 employees.
 - Interest rate of current 3% with a term of 10 years.
 - The bank receives a 100% indemnity from the public bank KfW, secured by a guarantee of the Federal Government.
 - The loan is approved without further credit risk assessment.
 - Reservation: approval by EU-Commission.

Additional information

<https://www.bmwi.de/Redaktion/DE/Coronavirus/corona-blog.html>

<https://www.bmwi.de/Redaktion/DE/Coronavirus/coronahilfe.html>



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