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State aid: Commission authorises temporary German scheme allowing subsidized state guarantees to boost real economy

The European Commission has authorised under EC Treaty rules on state aid a German scheme aimed at providing relief to companies encountering financing difficulties as a result of the credit squeeze in the current economic crisis. The scheme allows authorities at federal, regional and local level to grant aid in the form of subsidized guarantees for investment and working capital loans concluded by 31 December 2010. The scheme meets the conditions of the Commission's Temporary Framework for state aid measures to support access to finance in the current financial and economic crisis (see [IP/08/1993](#)), as amended on 25 February 2009, because it is limited in time, respects the relevant thresholds and applies only to companies that were not in difficulty on 1 July 2008. It is therefore compatible with Article 87(3)(b) of the EC Treaty, which permits aid to remedy a serious disturbance in the economy of a Member State.

Competition Commissioner Neelie Kroes said "The measure facilitates the access of firms affected by the credit crunch to investment and working capital loans, and represents an effective way of encouraging business investment and economic recovery, without unduly distorting competition."

The German authorities designed the scheme on the basis of the rules laid down in the Commission's Temporary Framework on state aid to the real economy during the crisis (see [IP/08/1993](#)) and in particular the conditions for aid in the form of subsidised guarantees. The reduction of the guarantee fee can be applied during a period of up to 2 years for loan guarantees contracted no later than 31 December 2010. Where the duration of the underlying loan exceeds 2 years, the safe-harbour premiums set out in the Annex to the Temporary Framework, as amended, may be applied for an additional maximum period of 8 years. The maximum duration of guarantees granted under the scheme is limited to ten years. After that date, firms will have to pay market rates. The scheme does not apply to firms that were already in difficulty on 1 July 2008 (i.e. before the credit crunch).

The German guarantee scheme is based on rules laid down in a Framework regulation applicable at national, regional, and local level ("*Regelung zur vorübergehenden Gewährung von Bürgschaften im Geltungsbereich der Bundesrepublik Deutschland während der Finanz- und Wirtschaftskrise*" ('Befristete Regelung Bürgschaften')). It is already the fifth German measure authorised under the Temporary Framework. Its aid volume is expected not to exceed € 6 billion.

The decision will be published in the [State Aid Register](#) on [DG Competition's website](#), under the reference number N 27/2009. The latest decisions on state aid published in the *Official Journal* and on the website are listed in the electronic newsletter [State aid Weekly e-News](#).