

Schwäbisch Gmünd – providing quick and flexible help for its businesses

Emergency loans against liquidity bottlenecks for smaller businesses

Overview

Smaller businesses in Schwäbisch Gmünd, Germany, have been particularly hard hit by the COVID-19 pandemic. Eager to assist them, the city launched a project to help its businesses ('Gmünd hilft seiner Wirtschaft'). Its main objective is to provide fast-track and unbureaucratic support to see enterprises through a liquidity bottleneck.



Background

Schwäbisch Gmünd has close ties to the automotive industry; in addition to a number of large companies, more than 2,000 small and medium-sized enterprises are located here. When the German Government declared a partial lockdown in March 2020 in response to the COVID-19 pandemic, many companies turned to the municipal administration – their direct point of contact at the local level – to ask for help. They were unsure as to how the partial lockdown would actually be regulated, what ramifications it would have on their business operations and where and how they could apply for support. For them, this scenario presaged a severe blow to their future income.

The financial health of a municipality also depends on keeping local businesses up and running. When companies generate less profit, municipal tax revenue goes down accordingly.

Objectives

The city of Schwäbisch Gmünd wanted to roll out help quickly to its local businesses and so provided extensive advice on the current situation and on the financial support available from the state and federal government level. Furthermore, it stepped up to the plate in this acute crisis by rolling out its own emergency fund for companies. The municipality also harnessed its own local market power to make targeted investments that would offset the companies' falling incomes.

The municipality also made a pledge to use the opportunity afforded by this situation to drive forward its vision for Gmünd's own CO2-neutral industrial estate.



Activities

Gmünd's Business Development Office quickly put together a package of measures to promote local companies under the slogan: 'Gmünd helps its businesses'. This package entails interest-free loans of EUR 2,500 for companies with up to five employees. Before the money is paid out, businesses first have to register with the project hotline where they receive extensive consultancy. The money is subsequently disbursed within the space of just two days. Repayment is flexible and the deadline was recently moved from November 2020 to 2021.

A Task Force established in the municipal administration advises companies via a hotline set up specifically for this purpose. The city even went to the trouble of recruiting a new staff member specifically to advise the hospitality sector on hygiene measures and financial support options.

Furthermore, some 4,000 face masks were sourced from local sewing companies, thus enabling these enterprises to significantly boost their turnover.

Effects

It was a smart move on the part of Schwäbisch Gmünd not to organise its support for local business as a separate project but to integrate it into its municipal structures. This meant that all offers of support were still available when the second lockdown came into force at the end of 2020.

An interest-free loan of EUR 2,500, like the one granted by Schwäbisch Gmünd's administration, will not suffice and is not intended as long-term support. Nonetheless, it does help maintain liquidity for the time being and, above all, is paid out quickly and with virtually no red tape.

The pandemic has not stopped the city pushing ahead with its plans for a Green Campus: it is now looking for investors and mainly aims to use hydrogen technologies in the (scheduled) industrial estate.

Conclusions

It is absolutely vital that municipalities maintain close contact with their residents during the pandemic so that people do not feel they have been left alone with their concerns and worries. This increases acceptance of restrictions, especially amongst companies. Municipalities have to respond flexibly in times of crisis – true to the motto 'speed outsmarts red tape'. When all is said and done, municipalities should seize the pandemic as an opportunity to harness innovative ideas that will enable them to sustainably shape the future of their business hubs.



i more information

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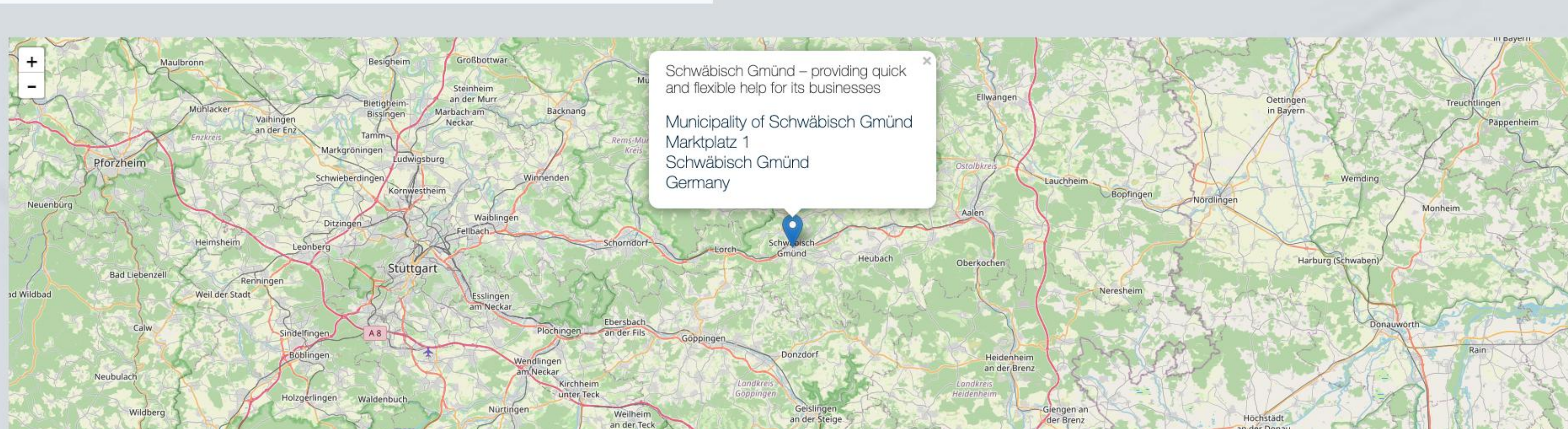
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