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Mutualité de Cautionnement reflects on an extraordinary year

Excellent performance by Mutualité de Cautionnement, created in 1969 by the Chamber of Commerce, at the instigation of the Confédération luxembourgeoise du commerce (Luxembourg trade confederation – CLC) and HORESCA. Given that its primary objective is to make up for a lack of guarantees for small- and medium-sized businesses in Luxembourg by opening up access to bank loans, Mutualité de Cautionnement has had an unprecedented year in several respects.

Since the restructuring of Mutualité de Cautionnement in 2018, any company wishing to access a bank guarantee has needed to first obtain an agreement in principle from its bank. Once the bank has assessed the investment case, Mutualité de Cautionnement is then able to act as guarantor with respect to approved credit institutions (Banque BCP, Banque de Luxembourg, BGL BNP Paribas, BIL, ING Luxembourg, Raiffeisen and Spuerkeess) when collateral provided by the entrepreneur proves insufficient. In 2020, Mutualité de Cautionnement processed in excess of 530 guarantee applications, of which 64% came from businesses with 1 to 10 employees, 22% from businesses with 11 to 20 employees and 14% from businesses with more than 20 employees.

2020 was a unique year on account of the health crisis and the precarious situation faced by many companies. Thanks to its responsiveness and flexibility, Mutualité de Cautionnement and its partners have established a simple and swift procedure enabling guarantee applications related to COVID-19 to be processed within 48 hours. The following measures have been implemented:

- Special mechanism to help Luxembourg SMEs to better manage their cashflow issues
- Support and advice for the main sectors affected by the crisis, including craft businesses
- Support for businesses with guarantees averaging EUR 38,300 per application
- Extension into 2021 of measures agreed upon in 2020 to assist businesses affected by the COVID-19 crisis.

Furthermore, close and regular cooperation with the *General Directorate for Small and Medium-Sized Enterprises of the Ministry of the Economy* has made it possible to offer businesses the best possible level of service and advice suited to their requirements.

In 2020, Mutualité de Cautionnement was able to guarantee 354 applications, of which 320 were related to COVID-19. The measures taken have affected many sectors: retail (34%), craft (32%), HoReCa (27%), services (4) and, lastly, other trades (3%). It therefore played a leading role in supporting businesses during the crisis.

In this interview, the Mutualité de Cautionnement President Fernand Ernster looks back on an unprecedented year of health, economic and social crisis.

Mr Ernster, as an entrepreneur, you have been closely monitoring the COVID-19 crisis, the negative consequences for businesses, and the various measures put in place to help them. How has Mutualité de Cautionnement responded in relation to other actors or initiatives?

In view of its limited financial capacity, first and foremost, Mutualité de Cautionnement has stepped in to support SMEs by issuing guarantees averaging EUR 38,300 per application. The Ministry of the Economy, for its part, had established a guarantee system primarily targeting larger businesses. In addition, Mutualité de Cautionnement's guarantee was one of the first measures put in place to support businesses from the very outset of the health crisis, with the system up and running by 18 March 2020. We thus established a fast and straightforward procedure in which banks submit a digital application on their clients' behalf to which Mutualité de Cautionnement responds within 48 hours. This measure has proved to be an effective way to help and very few applications have been rejected. Furthermore, Mutualité de Cautionnement has halved the cost of the guarantee premium on applications related to COVID-19.

What is happening in 2021 to the various aid packages launched in response to the COVID-19 crisis?

Most aid packages set up by the various players have been extended into 2021. This is also the case for Mutualité de Cautionnements COVID-19 guarantee, which will remain in place to help businesses get back on track after the pandemic.

It is easier for large firms to access the human resources and knowledge they need to respond to crises internally. What preparations have small businesses made?

Thanks to the support of the Chamber of Commerce's House of Entrepreneurship and the many services made available to small businesses, they have been able to respond quickly to the crisis. The House of Entrepreneurship has provided a number of awareness-raising webinars and has remained accessible for entrepreneurs via its helpline throughout the crisis. Support initiatives have enabled small firms to identify their specific needs and they have been offered tailored assistance to get their business back up and running. The House of Entrepreneurship's teams have also supported businesses submitting their applications for financial assistance related to the pandemic, particularly by providing specific advice and help with filling in forms. The broad range of the service offer has meant that even the smallest of companies have received support throughout this challenging time.

What lessons can or must businesses and public bodies draw from this crisis?

To better position themselves in future, businesses must focus on the importance of digitisation to ensure they are able to take swift action, for example, when completing application forms. They must ensure that they adhere to the regulatory framework (payment of VAT, tax and social security; up-to-date book-keeping, etc.), as various aid packages are contingent on compliance with administrative formalities. Similarly, the government and public stakeholders must strengthen and optimise digitisation in order to further ease the administrative process and offer enhanced flexibility, greater simplicity and speed for administrative procedures.

Will Mutualité de Cautionnement also help the businesses affected by July's flooding?

After the heavy rainfall of 14 and 15 July 2021, which resulted in flooding across the region with profound economic implications, Mutualité de Cautionnement has decided to open up its guarantees to all Luxembourg companies affected by the floods.

In these unique circumstances, where a return to normal is more keenly awaited than ever before, the Chamber of Commerce's Mutualité de Cautionnement has proved itself to be highly responsive and has carved out a position for itself, alongside its partners, as a key provider of support to Luxembourg businesses.

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