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**УДК: 351.82: 334.72**

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## **FINANCIAL MECHANISMS FOR SME SUPPORT THE PANDEMIC CRISIS: EUROPEAN EXPERIENCE**

### **ФІНАНСОВІ МЕХАНІЗМИ ДЛЯ ПІДТРИМКИ МСП ПАНДЕМІЧНОЇ КРИЗИ: ЄВРОПЕЙСЬКИЙ ДОСВІД**

### **ФИНАНСОВЫЕ МЕХАНИЗМЫ ПОДДЕРЖКИ МСП В ПАНДЕМИЧЕСКОМ КРИЗИСЕ: ЕВРОПЕЙСКИЙ ОПЫТ**

**Abstract.** Mechanisms of financial support for small and medium-sized businesses due to the Covid-19 pandemic crisis in European countries are analysed.

**Анотація.** Проаналізовано механізми фінансової підтримки малого і середнього бізнесу внаслідок пандемічної кризи Covid-19 у країнах Європи.

**Аннотация.** Проанализированы механизмы финансовой поддержки малого и среднего бизнеса вследствие пандемической кризиса Covid-19 в странах Европы.

The Covid-19 pandemic crisis has been one of the biggest challenges for governments in almost all countries, as it is non-economic but has had a significant impact on the economic development of each country and on the world economy as a whole. Governments have been forced to take unprecedented drastic measures to slow down or stop the economy altogether in order to prevent the spread of the pandemic. Under these circumstances, the issue of restoring business and preventing its bankruptcy, in particular the small and medium-sized businesses (hereinafter SMEs), became on the agenda of each government after the quarantine restrictions were eased and the lockdown for business was partially lifted.

Most countries were hit by a wave of pandemics and there were anti-records for the number of people who fell ill. At the beginning of April, more than 35,000 new daily cases peaked across the EU [1]. As of April 30, 2020, more than 1.4 million cases and almost 136,000 deaths were registered in the EU [2]. Real GDP declined by 8.2% in the first quarter of 2020 in Western Europe [3].

The aim of the research is to analyse the financial support mechanisms during the Covid-19 pandemic in European countries in order to determine the most relevant of them for implementation in Ukraine.

In the fight against the pandemic crisis, small and medium-sized businesses can expect support, firstly, from the state through fiscal and monetary policies, and secondly, from international financial organizations (IMF, World Bank, G7, etc.).

On 1 February 2020, the European Commission (EC) presented proposals to the Council on decisions to provide € 87.4 billion in financial support to 16 Member States under the SURE instrument (Support to mitigate Unemployment Risks in an Emergency). [4].

On March 19, the EC adopted an Interim Framework Regulation on State aid measures to support the economy in the EU [5], the main elements of which included:

- 1) Limitation of the amount of assistance:

- assistance is provided on the basis of a scheme with a defined budget;
- assistance cannot be provided to enterprises that have already experienced difficulties by December 31, 2019;

- the total aid does not exceed EUR 800,000 per enterprise and is provided in the form of direct grants, tax benefits and deferred payments or other forms such as repayable advances, guarantees, loans and equity, provided that the total nominal value of such measures remains lower than the total a limit of EUR 800,000 per enterprise before tax or other charges;

2) Assistance in the form of loan guarantees: to provide liquidity to companies facing a shortage of funds, government guarantees on loans for a limited period and the size of the loan may be an appropriate, necessary and targeted solution in the current circumstances.

3) Assistance in the form of subsidized interest rates on loans

However, as this increases the ability of companies to generate a higher level of debt, ie to take out loans, there is a mark-up on credit risk and further restrictions on the loan amount (one third of the percentage for large enterprises and half for SMEs).

4) Assistance in the form of guarantees and loans received through credit institutions or other financial institutions

Assistance may be provided to enterprises that face a sudden liquidity shortage directly or through credit institutions and other financial institutions as financial intermediaries. Although such assistance is directly targeted at companies facing a sudden liquidity shortage, rather than credit institutions or other financial institutions, it may also provide an indirect benefit to the latter. However, such indirect assistance is not intended to maintain or restore the viability, liquidity or solvency of credit institutions.

5) Assistance for relevant research and development on COVID-19

Facilitate relevant research and development aimed at overcoming the negative effects of COVID-19 to address the current emergency health crisis.

6) Investment assistance for testing and modernization of infrastructures

Support for testing and upgrading of infrastructures that facilitate the development of relevant COVID-19 products.

7) Investment aid for the production of relevant COVID-19 products

Promoting the production of relevant COVID-19 products, these include: appropriate medicines (including vaccines) and treatments, their intermediates, active pharmaceutical ingredients and raw materials; medical devices, hospital and medical equipment (including ventilators, protective clothing and equipment, as well as diagnostic tools) and necessary raw materials; disinfectants and their intermediate products and raw materials necessary for their production; data collection / processing tools.

8) Assistance in the form of deferred tax and / or social security contributions

Deferred payment of taxes and / or social security contributions can be a valuable tool for reducing liquidity constraints on businesses (including the self-employed) and maintaining employment. This also applies to fiscal and social commitments to alleviate liquidity constraints faced by beneficiaries, including, but not limited to, deferral of payments under the Interim Act, facilitation of access to tax debt plans and the provision of interest-free periods, suspension of tax debt collection and accelerated tax compensation. Assistance is provided until June 30, 2021, and the date of the end of the deferral is not later than December 31, 2022.

9) Assistance in the form of wage subsidies to employees to avoid redundancies during the COVID-19 outbreak

In order to maintain employment, Member States may provide for a contribution to the wage costs of undertakings which, as a result of the COVID-19 outbreak, may lay off staff or to the wage equivalent of self-employed persons for whom the imposition of national measures in response to the COVID-19 outbreak has suspended or reduction of their business activity.

10) Recapitalization measures

This Interim Mechanism establishes criteria under EU state aid rules under which Member States may provide State support in the form of equity and / or hybrid equity instruments to enterprises

facing financial difficulties due to the COVID-19 outbreak. Therefore, the recapitalization should not exceed the minimum necessary to ensure the viability of the beneficiary and should not go beyond restoring the capital structure of the beneficiary to that of the COVID-19 outbreak.

Based on the analysis of tools to support small and medium-sized businesses during the pandemic crisis in Europe, we can identify tools and develop proposals that can be applied to Ukraine. Undoubtedly, in our country there are also certain support tools used in the countries considered in this paper: deferred payment of taxes and single social contributions, rents, credit vacations, a ban on penalties for late payment of utility bills, a ban on foreclosure in case of overdue payment on the loan. The most vulnerable population in Ukraine, compared to Western Europe, is the unemployed or temporarily barred from operating. Entrepreneurs who were forced to cease operations first saw a reduction in the cost of laying off workers.

Thus, analyzing the support tools used by European countries, we can see that they are all similar to each other - they are financing health care costs, providing government guarantees, tax benefits and tax deferrals, liquidity support for micro and self-employed, and last but not least, support from the banking sector. That is, the government allocates huge sums of money from state budgets, realizing that without government support, small and medium-sized businesses will shut down, which will certainly have a negative impact on the country's overall economy, which is already unstable due to the Covid-19 pandemic crisis.

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## **SMART-СПЕЦІАЛІЗАЦІЯ ЯК ІНСТРУМЕНТ ДИВЕРСИФІКАЦІЇ РОЗВИТКУ МІСТ В КОНТЕКСТІ ТРАНСФОРМАЦІЇ СТРУКТУРИ ЇХ ЕКОНОМІКИ**

## **SMART-SPECIALIZATION AS A TOOL FOR DIVERSIFICATION OF CITY DEVELOPMENT IN THE CONTEXT OF TRANSFORMATION OF THE STRUCTURE OF THEIR ECONOMY**

## **SMART-СПЕЦИАЛИЗАЦИЯ КАК ИНСТРУМЕНТ ДИВЕРСИФИКАЦИИ РАЗВИТИЯ ГОРОДОВ В КОНТЕКСТЕ ТРАНСФОРМАЦИИ СТРУКТУРЫ ИХ ЭКОНОМИКИ**