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COVID-19 AND THE MOBILISATION OF PUBLIC DEVELOPMENT BANKS IN THE EU



Photo by Floriane Vita on Unsplash

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Introduction ■

The debate over how Europe should organise solidarity and jointly respond to the COVID induced economic crisis is in full force, with various proposals either agreed or at debate such as the use of the European Stability Mechanism (ESM), the creation of new common debt instruments or the mobilisation of the upcoming Multi-Annual Financial Framework (MFF). So far, however, the prime responses to the economic shock have been located at the national level, not only being proof of the fact that most firefighting is done at the level of Europe's nation-states but also displaying the inequalities of fiscal capacity that still loom large in the EU's political economy.

There have been various studies and reports comparing governments' initial fiscal responses to the COVID-19 crisis¹. While there are differences in the size and composition of fiscal packages, a common feature that emerges is the strong reliance on credit guarantees and other liquidity support measures. Less appreciated in current debates is the fact that these measures are often administered and distributed by a specific sort of para-fiscal actors: development banks, or national promotional institutions. Even at the European level, significant parts of the common response to the economic impact of the pandemic rest on the European Investment Bank (EIB).

This policy brief highlights the key role these para-fiscal institutions play in Europe and reviews the similarities and differences in their responses by focusing on five large institutions (EIB, KfW, Bpifrance, CDP, ICO)². It explains how these entities have worked as governments' 'little helpers' in the European context of the past decade and points to key challenges that come with their role in terms of a coordinated and solidarity-based European effort.

1. See for instance Bruegel, "The fiscal response to the economic fallout from the coronavirus", Blogpost, last update: 23 April 2020. OECD, "SME responses", note prepared for discussion by the OECD Working Party on SMEs and Entrepreneurship (WPSMEE), last updated: 30 March 2020; HAINBACK and REKEDER, "Flattening the Recession Curve. Comparing Initial Fiscal Responses to the Corona Crisis Across the EU", Hertie School Jacques Delors Centre, 9 April 2020.

2. Acronyms stand for European Investment Bank, the German *Kreditanstalt für Wiederaufbau*, the French *Bpifrance*, the Italian *Cassa Depositi e Prestiti* and the Spanish *Instituto de Crédito Oficial*.

1 ■ PUBLIC DEVELOPMENT BANKS: KEY ELEMENTS OF THE EU 'S ECONOMIC POLICY TOOLKIT

National development banks (NDBs) such as Germany's KfW, Italy's CDP or Spain's ICO are government-owned financial institutions that engage in economic activities to promote national economic goals. Usually equipped with public guarantees, they vary in terms of governance, mandate and scope. Most of them combine for-profit and non-profit activities to support both structural transformation and countercyclical activities, and have a focus on small-and-medium-sized enterprises (SMEs)³. Likewise, the EU's multilateral development bank, the EIB group, is mandated to support European integration and the common market through financing infrastructure and entrepreneurship across the EU.

The past decade has seen a significant expansion of these banks' capacities and investment tasks as well as the creation of new institutions in Member States which had no NDB so far. During the 2008 financial crisis and the following Euro area crisis, they played an important countercyclical role helping firms to mitigate the impact of the economic shock. More recently, their role as supporters of long-term transformations has been increasingly recognized in the context of debates on EU industrial policy and the transition to a low-carbon economy. In addition to that, since 2014, with Jean-Claude Juncker's Investment Plan for Europe, they have intensified their coordination to leverage constrained fiscal resources, taking first steps to Europeanizing investment policy based on subsidiary action. There are now over 25,000 bankers employed at both NDBs and the EIB group (about 4,000 for the EIB group alone), which, thanks to the Juncker Fund, have developed several institutional channels and financial instruments to coordinate their activities. This collaboration will be further reinforced with the new instrument replacing the Juncker Fund after 2020, the InvestEU Fund.

The reasons why public development banks have experienced such a 'comeback' in the EU are both political and economic. They involve the failure of the private financial sector to provide longer-term finance for projects that have gained political priority among European policymakers. **Development banks have also been useful to escape the fiscal straitjackets many governments found themselves in during the 2010s.** Indeed, NDBs and the EIB can provide quick fixes through established programs, based on leveraging guarantees that do not immediately hurt public budgets, and thereby facilitate manoeuvring around limited fiscal capacities, may they be national or supranational. As both financial institutions and bureaucracies, state-owned development banks in the EU have thus acquired a crucial position in contemporary economic governance over the last decade, bridging state-market-divides, not as fiscal activists but as risk managers and lenders. It is at this point that governments were compelled to respond to the economic shocks brought by the Covid-19 pandemic.

3. For a global perspective see GRIFFITH-JONES et al.: *Mobilizing Development Banks to Fight Covid-19*. Project Syndicate, 8 April 2020.

2 ■ THE DIFFERENT MOBILISATION OF EUROPEAN DEVELOPMENT BANKS IN FIGHTING THE COVID-19 ECONOMIC SHOCK

Since mid-March 2020, most European governments' responses to the Corona-induced economic shock have made use of their development banks to ease financing and liquidity constraints experienced by firms of all size. If we look at the EU level as well as Germany, France, Italy and Spain, **one can observe some common features in the way development banks have been mobilised in response to the Covid-19 crisis.** In all cases the focus has been on micro-enterprises and SMEs, which is understandable given their strong dependency on bank financing and their inability to directly access the capital market or benefit from the ECB liquidity measures. In addition, national loan guarantee schemes present many common features – in terms of risk coverage, amount of loans, guarantee duration – which can be explained by the fact of being designed in line with temporary changes in the European state aid framework under which development banks operate.

Box 1 ■ The temporary framework for state aid measures to support the economy in the COVID-19 outbreak: Changes for loan guarantee programmes

On March 19 and April 3, the Commission adopted a series of measures to relax state aid rules in order to allow governments help businesses through the crisis. Part of these measures were intended to facilitate the provision of public aid in the form of guarantees on loans, subsidised loans or equity, either directly or channelled through credit institutions or other financial institutions. The most spectacular measure was the decision of April 3 to enable member states to give guarantees on loans covering 100% of the risk. This type of aid is limited to loans of up to € 800.000 per firm. It shall be granted before 31 December 2020 and cannot benefit firms which were already in difficulty by December 2019.

For loans exceeding € 800,000, the temporary state aid framework allows member states to provide guarantees on loans covering 90% of the risk to firms. As in the previous case, only firms which were not already in difficulty are eligible for this guarantee. Besides, the amount of the loan cannot exceed 25% of the firm's annual turnover for 2019 or twice the cost of personnel. As an exception to this rule, the amount of the loan can be superior to the limit of 25% of firm's annual turnover or two times the cost in personnel to cover the liquidity needs if the firms provide appropriate justification of expenditure needs for the coming 18 months (in case of SMEs) or 12 months (for large enterprises).

Finally, the Commission's Communication explicitly mentions that these temporary measures can be combined with pre-crisis state aid measures such as the so-called de minimis aid. Under "de minimis" regulation, states can provide grants of up to €200,000, 5-year loans up to €1m, or 10-year loans up to €1.5m, without requiring prior state aid notification.

Table 1 (following page) presents a detailed overview of the proposals, budgetary efforts and measures on which the mobilisation of public development banks in the Covid-19 crisis rests. In the following, we zoom in on each institution listed.

Table 1. The mobilisation of public development banks in the fiscal response to Covid-19

COUNTRY	DATE OF PROPOSAL	FINANCIAL IMPACT/ BUDGETARY EFFORT	SUPPORT TO SMES	SUPPORT TO OTHER FIRMS	OTHER MEASURES
EU (EIB group)	Commission Communication "Coordinated economic response to the Covid-19 outbreak", March 13 + Additional EIB measures announced on March 16	€40bn of additional support to SMEs and mid-caps €2.5bn from the EU budget (repurposing of the EFSI guarantee)	<ul style="list-style-type: none"> • Expansion and improvement of conditions of existing EIF loan guarantee schemes for SMEs (COSME LGF and InnovFin SMEG) <ul style="list-style-type: none"> – Additional €1bn from EFSI to support COSME LFG and InnovFin SMEG – Risk coverage up to 80% (as opposed to standard 50 %) – Minimum guarantee cap rate (COSME) increased from 20 to 25% – Simplified and fast approval process by the EIF Board – More flexible terms, including postponement, rescheduling or payment holidays • €5bn from EIB own resource to expand existing EIB framework loans and lending facilities to banks. Goal is to expand liquidity of banks to ensure €10bn additional working capital support for SMEs and mid-caps • €1.5bn of EFSI guarantee to the purchase of asset-backed securities from banks. Goal is to allow banks to transfer risk of existing SME loans to the EIB, freeing up €10bn for new SME loans. 	<ul style="list-style-type: none"> • Improvement of conditions of KfW loan programmes for medium-sized and large firms (KfW loan for growth). <ul style="list-style-type: none"> – Broader scope (open to firms with turnover up to 5bn, previously only 2bn) – Higher coverage of risk (70% instead of 50%) – Loans taking the form of syndicated loans and not only restricted to projects in one particular field (in the past, only innovation and digitalisation projects were eligible). 	Planned measures on risk capital provision by, inter alia, KfW and EIF of approximately €2bn
Germany (KfW)	"KfW Special Programme 2020" announced March 23 "Instant Loan Programme" announced April 6	Commitment to unlimited support to firms affected by the COVID-19 crisis €100bn credit authorization to KfW Increase of the Federal guarantee to KfW from €460bn to €822bn	<ul style="list-style-type: none"> • Improvement of conditions of existing KfW loan guarantee schemes for SMEs: KfW-Entrepreneur Loan (loans for existing companies) and the ERP-Start-Up Loan-Universal (loans for companies that are less than 5 years old), passed through house banks. <ul style="list-style-type: none"> – Broader scope (open to firms with turnover up to 2bn, previously only 500m) – Higher coverage of risk (80 to 90% guarantee of risk coverage) – Higher loan limits (up to €1bn) – Enlarged interest rate subsidy (1 to 1.46 per cent annually for SMEs, 2 to 2.12 per cent annually for larger companies) • Introduction KfW instant loans for SMEs <ul style="list-style-type: none"> – Risk coverage of 100% – Maximum loan of 800,000€ (>50 employees) or 500,000€ (10 to 50 employees) – Conditions: 3% interest for 10 years if SME was profitable over average of last 3 years 	<ul style="list-style-type: none"> • Improvement of conditions of KfW loan programmes for medium-sized and large firms (KfW loan for growth). <ul style="list-style-type: none"> – Broader scope (open to firms with turnover up to 5bn, previously only 2bn) – Higher coverage of risk (70% instead of 50%) – Loans taking the form of syndicated loans and not only restricted to projects in one particular field (in the past, only innovation and digitalisation projects were eligible). 	<ul style="list-style-type: none"> • New €4bn programme to support start-ups during the COVID-19 crisis First measure: "French Tech Bridge" programme, 80m of convertible bonds, which are expected to mobilise up to 160m new equity for start ups
France (BPI)	Package of measures adopted on March 17	€300bn guarantee to support BPI special COVID 19 loan guarantee scheme €4bn to support start-ups during COVID 19 crisis	<ul style="list-style-type: none"> • New €300bn BPI loan guarantee scheme to support all firms affected by the COVID-19 crisis. <ul style="list-style-type: none"> – 90% of risk coverage for firms with maximum 5000 employees or maximum of €1.5bn of annual revenue – Fast approval process for very small firms – Open to self-employed, foundations and associations – Amount of loan may not exceed 25% of annual turnover or, in the case of startups and innovative firms, twice the cost of personnel. • Activation of two BPI programmes providing unsecured loans to support SME and mid-caps in difficulty due to COVID 19 crisis <ul style="list-style-type: none"> – The « Rebond » loan 10-300K€, up to 7 years with 2 years without reimbursement. 90% of risk coverage. – The « Atout » loan, up until 5 million Euros for SMEs and 15 millions for middle sized enterprises, 3-5 years. 90% of risk coverage. • Renewal of all existing BPI loans • Suspension of loan payments (for 6 months) 	<ul style="list-style-type: none"> • Improvement of conditions of KfW loan programmes for medium-sized and large firms (KfW loan for growth). <ul style="list-style-type: none"> – Broader scope (open to firms with turnover up to 5bn, previously only 2bn) – Higher coverage of risk (70% instead of 50%) – Loans taking the form of syndicated loans and not only restricted to projects in one particular field (in the past, only innovation and digitalisation projects were eligible). 	<ul style="list-style-type: none"> • New €4bn programme to support start-ups during the COVID-19 crisis First measure: "French Tech Bridge" programme, 80m of convertible bonds, which are expected to mobilise up to 160m new equity for start ups

At the EU-level, following the endorsement of the Eurogroup, on April 16 the Board of Directors of the European Investment Bank (EIB) agreed on the creation of a new €200bn guarantee fund based on €25bn Member States' guarantees. The Fund will be operational as soon as Member States accounting for at least 60% of EIB capital have made the necessary commitments. Prior to that, on March 16 the EIB group had already announced a plan to mobilise up to €40bn of liquidity support to mid-cap and SMEs⁴. The plan was based on a repurposing of €2.5bn of the EU budget guarantee to the EIB (the so-called "Juncker Fund" guarantee, or EFSI⁵) and the mobilisation of €5bn EIB own resources. The key measure of the plan was the extension and modification of the two main loan guarantee schemes managed by the European Investment Fund (EIF) targeting SMEs and mid-caps, the COSME loan guarantee scheme (providing support to SMEs) and InnovFin SMEG (providing support to innovative SMEs and small mid-caps with less than 500 employees). In particular, the risk coverage of both programmes was increased to 80% (as opposed to the standard 50%) and the COSME loan guarantee was capped at 25% of total commercial banks' loan portfolios (rather than the standard 20%). In addition to that, the EIF introduced a simplified and fast approval process and flexibilized the terms of loans, including possibilities to postpone or reschedule payments or obtain a 'payment holiday'.

The **German government** announced its key programme on March 23, followed by a supplementary federal budget, in which its national development bank KfW – besides a number of guarantee banks - took a central role. At the heart of it was the 'KfW Special Programme 2020' in which the government literally committed itself to 'unlimited' support for struggling businesses by extending the explicit state guarantee KfW enjoys from €460bn to €822bn. In addition, KfW would receive €100bn to refinance the programme's lending operations. Building on its established lending programmes, KfW eased credit conditions for all company sizes, including increasing the risk ratio it would assume when passing the loans through the commercial banking sector. But when even 90 per cent of risk assumption by the KfW was debated as a hindrance to credit expansion, this put pressure on a further relaxation of state aid conditions. After their amendment on April 3, KfW and the German government announced a further 'instant loan' programme for SMEs, in which KfW would assume 100 per cent of the credit risk that would otherwise lie with the 'Hausbank' administering the loan. The German response is one of the starkest examples of using a development bank for countercyclical activity, which seems less of a surprise given that KfW is the largest operating NDB in Europe, with a history in reconstructing post-war Germany and processing German reunification.

The **French government** announced its first package to fight the Coronavirus on March 17, with its national development bank Bpifrance playing a central role in its crisis-fighting effort. At the heart of it is a €300bn credit guarantee for small and medium sized enterprises granted by the state, which empowers Bpifrance to guarantee 90% of banks' loans to corporations between 3-7 years, with a possibility of stopping reimbursement for a total of 2 years. In addition, Bpifrance enacts more generous schemes for very small enterprises, covering up to 100% of loans without any collateral, a program developed pre-crisis in compliance with the EU *de minimis* rules. In addition, Bpifrance has pledged to renew all of the loans currently on its balance sheet and permit a maximum of 6 months of non-reimbursement. While smaller than the German program, the engagement of Bpifrance also shows a pronounced countercyclical element, based on a strong balance sheet generated through successful years pre-Covid-19. As the field of expertise of Bpifrance encompasses venture capital, it

4. For a definition see European Commission, "What is an SME".

5. EFSI refers to the European Fund for Strategic Investments. RUBIO E., D. RINALDI and T. PELLERIN-CARLIN 2016. "Investment in Europe: Making the best of the Juncker Plan with case studies on digital infrastructure and energy efficiency", *Studies & Reports No. 108*, Jacques Delors Institute, Paris.

has also taken up the role to support French start-ups. For this purpose, the French state has set up a €4bn program to support start-ups during the crisis, giving the venture capital teams at Bpifrance the task to invest this money. In this context, a first 80 million Euros debt investment convertible into equity is to be issued soon.

The **Italian government** adopted two consecutive packages of economic measures to fight the crisis, on March 16 (“Cura Italia” Decree-Law) and April 8 (“Liquidity” Decree-Law). While the Italian national development bank, Cassa Depositi e Prestiti (CDP) played a relevant role it did not take the elevated position of its German or French counterparts. The two decrees reinforced the role of the Central Guarantee Fund for SMEs (Italy’s main national credit guarantee facility for SMEs, attached to the Ministry of Economy). With an injection of €1.5bn (“Cura Italia”) and €7bn (“Liquidity”) and various changes to expand the scope and access to the Fund (such as the increase of the maximum guarantee from €2.5m to €5m and the establishment of a new instant loan scheme providing 100% free-of-charge guarantees for loans up to €800.000 to firms under 500 employees and self-employers), the objective was to increase the amount of liquidity support provided by the Fund from €60bn to €100bn approximately. CDP’s contribution was mostly expected as regards medium to large firms. The Decree-Law of March 17 increased the State guarantee to Italy’s national development bank by €500m, so as to allow CDP to finance a new €10bn liquidity line to support targeted medium and large companies operating in sectors particularly affected by the Covid-19 crisis. Finally, the Decree of April 8 has created a new €200bn loan guarantee programme. This programme aims to help all firms affected by COVID - with SMEs having access if they have exhausted the credit provided by the Guarantee Fund. It provides guarantees with 70-90% risk coverage (depending on the size of the firm), with firms subjected to some conditions to be eligible, such as the fact of not distributing dividends or using the funding to finance activities located in Italy. However, although this new scheme is managed by SACE, the CDP’s export agency, the “Liquidity” Decree explicitly stipulates that “SACE S.p.A. is not subject to the management and coordination activity of CDP S.p.A.”, thus ensuring the government’s control over the new guarantee scheme⁶ while underlining the package’s emphasis on export and internationalization.

The **Spanish government** adopted a package of economic measures on March 18, with its national development bank (Instituto de Crédito Oficial, ICO) playing a central role in the provision of liquidity. A key measure of this package was a new €100bn loan guarantee scheme managed by ICO to support companies affected by the Covid-19 crisis. The ICO Covid-19 programme started to be implemented in late March with an injection of €20bn from the government. It offers less generous terms than the new Italian, French or German loan guarantees in support to firms, covering up to 80% of risk in the case of loans for self-employed workers and SMEs. For the rest of firms, it covers 70% of new loans and 60% of renewal operations. The guarantee is not free of charge, but commercial banks are supposed to transfer the benefits of the public guarantee to their customers, in the form of lower interest or longer-term loans, among other options. Lastly, the only element in which the Spanish guarantee seems to be more generous than the Italian, French or German is the size of provided loans. In line with the temporary European state aid rules, it is allowed to increase the amount of the loan to cover spending needs duly justified for the following 18 months (SMEs) or 12 months (large firms). Apart from this new ICO guarantee scheme, the Royal Decree-Law of March 18 included an increase of the credit authorisation to ICO by €10bn, to allow the bank to refinance all of its lending programmes. It also increased the ICO “Thomas Cook” loan guarantee line by €200m, providing support to firms and self-employed workers in the tourism sector with a guarantee of 50% to loans up to €500,000, thereby reflecting the sector’s importance for the Spanish economy.

6. “Decreto imprese sulla Gazzetta Ufficiale: Sace passa sotto il controllo del ministero dell’Economia”, *La Stampa*, 13 april 2020.

In almost all other EU countries with national development banks, similar schemes have been enacted. The main exceptions have been Portugal and Hungary, which have used other channels, either going directly through the banking system or creating new funds. As in Germany, France, Italy, and Spain, in most of the countries the key measure has been the expansion of credit guarantees with a risk coverage of up to 90% for SMEs, but also to larger companies, as evidenced by the measures taken by the BGK (Poland), MDB (Malta), Almi (SE), Vaekstfonden (DK), Finnvera (Finland), BDB (Bulgaria), Kredex (Estonia), Altum (Latvia), Invega (Lithuania), SID (Slovenia), HBOR (Croatia), SZRMB (Slovakia), and CMZRB (Czech Republic)⁷. Sectors particularly targeted have been tourism and dining, but also the small production sector and the export sector, specifically addressed through export guarantees. A few of these entities, such as Invega in Lithuania and Vaekstfonden in Denmark, have also provided funds for start-ups. Sometimes these measures have gone hand in hand with a direct expansion of the capital stock of these entities, such as in the case of the Bulgarian Development Bank with an expansion of €255m. In most of the cases, however, the new measures have been financed through direct support by the Ministries of Finance.

CONCLUSION: NEED TO LEVEL THE PLAYING FIELD ■

Despite the general tendency in European member states to employ their development banks to provide liquidity and improve credit conditions within the temporary framework for state aid measures – save the EIB –, both the size of measures and the capacities of these banks to implement them differ starkly, even among the large NDBs. Indeed, the unequal credit conditions and fiscal abilities of their sovereigns affect their own room to manoeuvre. In addition, as the European Court of Auditors has shown with regard to the Juncker Fund, **large member states with well-established development banks tend to be better equipped to mobilise EU financial instruments and put them to use locally.** This works particularly well when NDBs have local presence, such as Bpifrance with 50 local branches, or when there is a network of other subnational development finance or guarantee institutions, as is the case of KfW or CDP. But many smaller institutions in the European periphery have significantly less strategic capacity to put fresh capital to work, especially if one starts to think about bundling countercyclical intervention with medium-term goals in addressing structural and environmental challenges.⁸

In the past crisis, differences in national fiscal capacities were partly mitigated with NDBs from crisis-hit countries receiving credit lines from NDBs from stronger countries (such as KfW). This is an avenue of action which has been recently proposed by members of the German Green Party as a basis for solidarity loans in the Corona crisis, and which would be worth exploring.

More importantly, **it will be necessary to ensure that any future European response collaborates well with these national schemes and helps mitigate the financial and institutional inequalities between Member States.** The €200bn pan-European guarantee scheme adopted by the EIB can be an important step in this direction. The Eurogroup's statement explicitly mentioned that this initiative should be "an important contribution to preserving the

⁷ For a selective overview see European Association of Public Banks (EAPB): "Public banks take measures to address the economic impact of the Coronavirus epidemic", 2 April 2020. "Milliarder klar til SMV'er: Nu kan Vækstfonden yde garantier til små og mellemstore erhvervsdrivende ramt af COVID-19", *Vækstfonden*, 23 March 2020. "Covid-19-affected businesses can apply for ALTUM support programs as of today", *Altum*, 25 March 2020. "KredEx begins offering the first crisis measures in cooperation with banks", *Kredex*.

⁸ See the discussion in MERTENS, THIEMANN and VOLBERDING (forthcoming): *The Reinvention of Development Banking in the European Union. Industrial Policy in the Single Market and the Emergence of a Field*. Oxford University Press.

level playing field of the single market in light of the national support schemes". However, we still do not know the details of this measure.

To ensure this level playing field, the new €200bn guarantee should be mostly directed at countries with the lowest fiscal capacity and which are most severely affected by the Covid-19 crisis. Thus, the KfW programme should already be sufficient to cushion the fall-out of the crisis in Germany, with no additional European support needed. On the contrary, in countries such as Italy and Spain, national guarantee schemes may soon be exhausted and additional EU support may be necessary.

In addition, to be effective, **the new €200bn EIB-managed guarantee scheme should provide liquidity support in much more generous terms than existing EIF-managed guarantee instruments. A 2017 report of the European Court of Auditors** shows that the EU's centrally managed guarantee instruments (COSME LGT and InnovFin SMEG) were significantly less successful in terms of uptake in those Member States receiving financial assistance during the 2008 economic recession as they did not provide strong liquidity relief. The new EIB guarantee should be provided at 90% or even 100% terms, as with the new national schemes.

Finally, from an institutional point of view, **the best guarantee to ensure a good coordination with existing national schemes and an optimal use of EU resources would be to place this new €200bn guarantee scheme in the EFSI framework instead of creating a new, parallel structure.** This would not necessarily require an expansion of the EU budget: the EFSI regulation allows to increase the EFSI guarantee with direct Member State contributions. Hence, the €25bn Member State guarantees could be included in the EFSI guarantee and used to fund a new loan guarantee scheme under the SME window of EFSI. The advantages of including the €25bn Member State guarantees in the EFSI structure is that it would guarantee the involvement of the Commission in the steering of this new instrument as well as the European Parliament and the European Court of Auditors in the supervision of its implementation. This would ensure that this new EU-level instrument adds to commercial lending and links with existing national schemes. After 2021, this instrument would be naturally included in the InvestEU Fund, the successor of EFSI.

To be sure, while these options could address asymmetries between these actors, they will not be sufficient to address the underlying centrifugal forces of unequal fiscal capacities at the national level. At the current impasse, however, this para-fiscal infrastructure is better equipped to help SMEs and self-employed workers than any other ready-made solution, both when compared to other **countries**, such as the US, and the political contention around fiscal activism. Hence, European governments are shaping up as **'ultimate risk managers'** through NDBs in the urgency of the situation. Though – as many observers and even heads of states suggest – if the economic system will not return to 'normal', 'the buck still stops with them'.



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