



EUROPEAN COMMISSION
COMPETITION DG

The Director-General

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European Association of Guarantee
Institutions
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**Subject: Your letter dated 2 March 2021 concerning the Pan-European
Guarantee Fund**

Dear Chairman, dear Secretary-General,

Thank you for letter dated 2 March 2021 concerning the Pan-European Guarantee Fund (the Fund). The Commission and the European Investment Bank Group (EIB Group) have been closely cooperating on working out the details to ensure that the supported financing can be deployed on the ground swiftly and in compliance with State aid rules. We trust that this unprecedented joint effort of EU institutions and the 21 participating Member States will contribute to help the European real economy weather the crisis caused by the COVID-19 outbreak. Public and private finance providers, such as the guarantee institutions that are members of the AECM, will be instrumental in implementing this very important initiative successfully.

The Fund may channel State aid to the final beneficiaries due to the fact that the guarantee provided by the participating Member States constitutes State aid within the meaning of Article 107(1) of the Treaty. That is why the Commission assessed the four guarantee schemes proposed by the EIB Group under Article 107(3)(b) of the Treaty and authorised them in its decision of 14 December 2020 until 31 December 2021.

In order to be covered by this decision, the EIB Group and the financial intermediaries need to comply with the applicable State aid rules when implementing the four guarantee schemes. A potential extension of the maturity of a guarantee provided by the Fund (or any other change for that matter) needs to be granted within this deadline and within the limits foreseen in the decision. Alternatively, the option for the final beneficiary to extend the guarantee (i.e. without further discretion) has to be already stipulated in the

initial contract at the time of the granting of the aid with clearly defined conditions (i.e. without further discretion for the Fund to then grant the extension or not). The latter would require an amendment of last December's decision for an extension of the overall maturity beyond six years, since this approach has not been approved in the initial decision. Otherwise, such an extension would constitute new State aid to the final beneficiary, not covered by the decision, which would therefore require a new authorisation by the Commission.

As you point out, following the latest revision of the Temporary Framework Member States now have the possibility to amend their schemes to allow the conversion of repayable instruments. This is possible for transactions that comply with the conditions of section 3.1 of the Temporary Framework and such a conversion has to happen until 31 December 2022. Please note that also extensions of guarantees are possible under this new option provided they fulfil the conditions. Allowing the Fund to implement this option would however also require an amendment decision.

I understand that the need for an extension may arise later during the lifetime of the guarantee and I am mindful of the implications with regard to access to finance in the recovery phase, in particular for SMEs. We need to find the right balance between, on the one hand, preserving access to finance for companies hit by the crisis that are returning to viability, and, on the other hand, ensuring that non-viable companies are not kept artificially on the market with public support.

On the basis of the vast experience of your members in the implementation of guarantee schemes on the ground, I would be grateful for any input that would enable us to identify the nature, scope and size of the problem and help us design a proportionate solution. The person of contact in DG COMP for this question is Andrea Bomhoff (andrea.bomhoff@ec.europa.eu).

I am looking forward to continuing working with you, together with the other EU institutions, the EIB Group, the national authorities and the other intermediaries, on ensuring that the support measures designed in response to the COVID-19 outbreak are successfully delivered to the companies in need across the EU.

Yours sincerely,

Electronically signed

Olivier GUERSENT