

## **AECM request to prolong the application of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (TF) for EGF schemes under Section 3.1 and 3.2 until 31 December 2022**

The European Association of Guarantee Institutions (AECM) and its members would like once again to warmly thank the European Commission for its quick and efficient policy response to the COVID-19 crisis. It is generally accepted that the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak adopted at the speed of light, and its subsequent amendments have been a key EU instrument in helping affected undertakings to overcome the economic consequences of the pandemic.

Next to the national support schemes, also the Pan-European Guarantee Fund (EGF) came as an important tool in providing financing for companies affected by the crisis, in particular to small and mid-size enterprises (SMEs).

Consequently, AECM and its members highly appreciate the Commission's decision taken in November 2021 to approve amendments under EU State aid rules to the Pan-European Guarantee Fund. We trust that those amendments enable financial intermediaries to effectively deliver the intended financial support to businesses, so that they have sufficient liquidity available to withstand the economic impact of the pandemic and proceed with necessary investments for both the recovery and the twin transition to a sustainable and digital economy.

In this context, AECM and its members consider it important to maintain the policy support well into the recovery, as an early removal of the support measures would be very damaging for European companies, and kindly ask the European Commission to prolong the application period of the EGF Regime by analogy with Sections 3.1 and 3.2 of the TF until 31 December 2022, for the following reasons:

- The EGF which was endorsed by the European Council on 23 April 2020, has taken longer to become operational than originally envisaged which, for most financial intermediaries, could only be materialised as of end of 2021. As a consequence, only a small share of the envelopes available have already been granted to beneficiaries and putting an end to the EGF Schemes on 30 June 2022 would result in cancelling billions of potential support. Initially built as a crisis measure, the EGF has become a strong tool to also foster the recovery in a context where the EU financial instruments of the previous Multiannual Financial Framework (MFF) are closed and the full deployment of InvestEU by EIB Group's financial intermediaries as well as other Implementing Partners seems unlikely to occur before the very end of 2022. It is more than ever critical to make full use of a pan-European scheme which is already up and running at a time of recovery to allow the intended support to reach the final beneficiaries and ultimately accomplish the Fund's objectives.
- The possibility for products benefiting from the guarantee of the EGF through the European Investment Fund to be deployed under the *de minimis* Regulation after 30 June 2022 is drastically restricted and not suited for the recovery process due to the fact that the limited *de minimis* threshold has been heavily used by many SMEs in the past 2 years and was generally quickly exhausted because of the impact and duration emanating from the pandemic, and consequently is not high enough to be applied for measures under the EGF. In such cases, a prolongation of the TF for EGF schemes is key for many SMEs to benefit from the support under EGF measures and to finance necessary investments. Moreover, a prolongation of the EGF State aid Scheme is critical when it comes to financing projects and needs of mid-caps and large companies, since the Linked Risk Sharing measure provided by the European Investment Bank under the EGF does not provide for the possibility to rely on the *de minimis* Regulation as it is only designed by analogy with Section 3.2 of the TF. Hence the prolongation of the EGF Regime is the only possibility for financial intermediaries to maintain their guarantee agreements with the European Investment Bank (EIB) after 30 June 2022.

- Each State aid regime has its own features in terms of financing such as the maximum maturity period, guaranteed amount and eligibility criteria. Similarly, the implementation and monitoring requirements involve specific IT developments, i.e. self-declarations to be provided under the EGF State aid Scheme. In this view, switching from one State aid regime to another during the implementation period will not only be difficult but even impossible, given that EGF products are built in compliance with State aid rules by analogy with the TF (Sections 3.1 and 3.2).
- Such a prolongation would be coherent and in line with the Commission's Temporary Crisis Framework for State Aid measures to support the economy following the invasion of Ukraine by Russia in a context where businesses must deal with further difficulties in terms of working capital needs and supply chain.
- The European Commission with its initial decision dated 14 December 2020 allowing for the implementation of the EGF, provided for the possibility to have a longer timeframe for the EGF Schemes as compared to the national schemes approved under the TF, given the significantly longer amount of time needed to set up and operationalise the Fund. This approach remains justified and a prolongation of the EGF Schemes should then not be subject to a prolongation of the TF itself.

In light of the above, AECM and its members would very much appreciate if the European Commission could take our request into its kind consideration by prolonging the applicability of the EGF State aid Scheme by analogy with Sections 3.1 and 3.2 of the Temporary Framework till the end of 2022, for the benefit of small and medium-sized enterprises as well as large companies in the Member States participating in the Fund.

Finally, we would like to thank the European Commission once again for its bold response to the COVID-19 outbreak which made a significant and decisive difference to the survival of so many SMEs facing liquidity shortages.

Brussels, 4 April 2022



### **About AECM:**

The 47 members of the European Association of Guarantee Institutions (AECM) are operating in 30 countries in Europe. 39 of them are public promotional institutions or banks, 4 are mutual / private, and 4 are public private mixed. They all have in common to provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. AECM's members operate with counter-guarantees from regional, national, and European level. As of end 2020, AECM's members had about bEUR 330 of guarantee volume in portfolio, thereby granting guarantees to around 5.2 million SMEs.

European Association of Guarantee Institutions – AECM  
Avenue d'Auderghem 22-28, bte. 10, B-1040 Brussels  
Interest Representative Register ID number: 67611102869-33