



## **AECM and NEFI contribution to the Commission's call for evidence: "State aid - exemptions for small amounts of aid (de minimis aid)"**

### **I. Main request**

- Raise the de minimis ceiling of EUR 200 000 to at least EUR 500 000 as the amount of aid that a single undertaking may receive over a period of three fiscal years.
- Raise the de minimis ceiling of EUR 100 000 to EUR 250 000 for undertakings performing road freight transport over any period of three fiscal years.
- Increase the amount granted under the de minimis Regulation to EUR 2 500 000 limit for loans (or EUR 1 250 000 for undertakings performing road freight transport) and EUR 3 750 000 for guarantees (or EUR 1 875 000 for undertakings performing road freight transport) and raise the maximum duration of loans and guarantees to 15 years.
- Closely assess the feasibility and the practical modalities of central mandatory national registers which would raise challenges for its implementation.

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### **II. Detailed position**

The European Association of Guarantee Institutions (AECM) and the Network of European Financial Institutions for SMEs (NEFI), strongly support the increase of the de minimis threshold (de minimis aid) and would therefore like to provide feedback on the amount of the de minimis ceiling and the transparency requirements.

To start with, we would like to mention that all members of AECM and NEFI agree on the positive effects of the support granted under the de minimis instrument, with specific reference to positive effects on SMEs. The de minimis Regulation is easy to apply, it is flexible, quick, efficient and entails low administrative burden. For this reason, many of AECM's and NEFI's members have been using it right from the start.

However, in view of the economic and financial consequences that the COVID-19 outbreak have had on undertakings, the repercussions of the Russian's unprovoked attack on Ukraine and its impact on SMEs in Europe as well as the change in inflation and in the gross domestic product in the EU, AECM and NEFI members are of the opinion that the de minimis ceiling should be increased to at least EUR 500 000 over a period of three fiscal years. Our request is further supported by the following reasons:

- The current de minimis threshold of EUR 200 000 has been applying since 2006. Today, this amount of aid does not reflect the current market needs anymore. SMEs are facing i.a. tight labour markets, with record levels of vacancies and skill shortages as well as increases in food commodity prices and global supply shortages. A substantial increase of the de minimis ceiling is therefore sorely needed to provide SMEs with the necessary financial support to see it through the current unpredictable operating environment.
- In its Summer 2022 (interim) Economic Forecast, the European Commission pointed out that in the euro area inflation is projected to peak at historical highs in 2022, at 7.6%, before easing in 2023 to 4.0%.<sup>1</sup> In this context of an inflationary environment with higher interest rates and more expensive loans, a reduction in investment activities by the enterprises can be expected and, in general, a slowdown of the economy. An increase of the de minimis ceiling in this situation would make it possible to launch/maintain financing that encourages companies to undertake development projects, which are necessary as part of the recovery process, regenerating the economy and avoiding the danger of stagflation in the EU.
- The majority of SMEs have been heavily using the limited de minimis aid over the last 2 years due to the severe impact and persistence of the coronavirus outbreak which, without a substantial increase in thresholds, is likely to cause a lack of liquidity in the year to come.
- Moreover, considering inflation in general and rising energy prices in particular, it should be noted that SMEs across Europe are in need for working capital financing which apart from the TCF can only be granted on the de minimis basis. Therefore, the de minimis ceiling should be

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<sup>1</sup> Summer 2022 Economic Forecast: Russia's war worsens the outlook  
[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_22\\_4511](https://ec.europa.eu/commission/presscorner/detail/en/IP_22_4511)

increased to help SMEs to obtain the necessary funds to cope with their liquidity needs.

- Additionally, in the context of the State Aid Modernisation [SAM] initiative launched in 2012, a new definition of the ‘single undertaking’ was introduced in the de minimis Regulation, which in practice translates as an additional restriction in getting access to finance, as the EUR 200 000 ceiling applies per all linked enterprises considered as one single undertaking.
- Finally, it should be noted that de minimis aid represents a useful tool to stimulate economic activities in line with the European policy and the Union’s objectives to meet the green and digital twin transitions since it is embedded in national support measures to address the substantial need for investments.
- Last but not least, the role played by SMEs in the transition to a sustainable economy and the challenges faced by them in terms of State aid requirements towards such a transition should be taken into account. Without SMEs on board, who represent 99% of all businesses in the EU<sup>2</sup>, this transformation will not take place. Yet, to make such a step there is a need for an SME-fit legislation, appropriate to the entrepreneurial reality and without bureaucratic hurdles. State aid rules must help SMEs embrace the digital and green transformation in the best possible way, and in case of the de minimis instrument, with a substantial increase of the ceiling.

Similar to the increase of the total amount of the de minimis aid granted per Member State to a single undertaking, we suggest to the European Commission increasing the de minimis ceiling of EUR 100 000 to EUR 250 000 for undertakings performing road freight transport over any period of three fiscal years.

Further, given the importance to support SMEs investments in the challenging context, we kindly ask the European Commission to raise the amount granted under the de minimis Regulation to EUR 2 500 000 limit for loans (or EUR 1 250 000 for undertakings performing road freight transport) and EUR 3 750

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<sup>2</sup> [https://ec.europa.eu/growth/smes\\_en](https://ec.europa.eu/growth/smes_en)



000 for guarantees (or EUR 1 875 000 for undertakings performing road freight transport) and increase the maximum duration of loans and guarantees to 15 years as the current 10-years duration foreseen in Article 4 paragraph 3 b and paragraph 6 b of the de minimis Regulation does not reflect the long-term financing needs of SMEs.

With reference to the transparency requirements, AECM's and NEFI's members question the feasibility of a mandatory central register given the challenges of its implementation. It should be acknowledged that setting up such a register would increase the red tape and imply excessive costs for national authorities, in particular in those Members States (MS) whose administrative system is federal or decentralised. Further, the register would need to be maintained regularly and training would need to be ensured for local authorities. In other words, a national register requires significant IT and human resources costs and have an added value only if the information is accurate and robust meaning all operators providing de minimis aid have access to the register. Such requirement of public spending does not come at a perfect moment given that during the pandemic public spending increased significantly to address the economic consequences, thus, burdening the budgets of public authorities substantially.

The positive and negative effects on administrative burden for the granting authority depend however very much on the structure (federal, central) and on the aid granting practice (e.g. number/amount and types of aid granted and granting authorities involved). For these reasons, it seems reasonable to assess, in close cooperation with the MS, with the feasibility and the practical modalities of central registers in detail before imposing it on MS. In any case, when assessing the feasibility of such registers, the following points should be taken into account :

- Any mandatory public register requirement should be accompanied by a transitional period of at least 3 years to set-up the register and a further 3 years for MS to obtain full records of three fiscal-years. This is of particular importance for those MS where the local entities are granting de minimis aid and therefore need access to the register. The Commission is invited to provide further guidance to MS in the set-up of their national registers.

- Those MS which already have a central register in place for other types of State aid, should include the de minimis aid in the central register as setting up such a system from scratch generates high administrative costs.
- For a well-functioning register the data contained therein should be updated in real time and both, the guarantee institutions and the lending banks should have the possibility to download the information automatically.
- A register to exchange information between public authorities should be preferred over an open register.
- Since the de minimis ceiling is calculated over a period of 3 fiscal years and taking into account that sometimes there is a time gap between the credit application and its granting, the system should register the date of payment of the de minimis aid to the undertaking.
- Finally, we suggest providing further guidance to MS on how to check in the register the group structure of the beneficiary, in particular for groups of undertakings with head offices in different MS.

### III. Additional comments

On another note, the use of the de minimis Regulation could further be improved by:

- Extending the scope of the application of the de minimis Regulation to aid for the acquisition of road freight transport vehicles. The aid should at least be extended to electric road freight transport vehicles.
- Including bonds as a debt instrument under the provision of the de minimis Regulation in order to incentivise guarantee institutions to set-up guarantee schemes for debt instruments (bonds) as a measure for development of the capital market, and especially for SMEs.

In our opinion, bonds could be considered as equivalent of loans, whereas in general bond is a form of debt and both financial instruments have similar features, i. e.:



- Beneficiary of the de minimis aid – in both cases (loans and bonds) beneficiary of the de minimis aid is a single undertaking (debtor or bond issuer), not a credit institution, investor or other entity engaged in economic activities.
- Purposes of the de minimis aid – both instruments (loans and bonds) usually are used by undertakings to facilitate the capacity to finance their projects.
- Moment of granting of the de minimis aid – date of decision to issue guarantee to the undertaking.
- De minimis aid is not transferable – in both cases de minimis aid is issued to the undertaking and cannot be transferred, nonetheless initial creditor can change. The de minimis aid is granted to the beneficiary (issuer of the bond or debtor).

AECM and NEFI members would very much appreciate if the European Commission could take our requests into its kind consideration and remain at the Commission's disposal to discuss further if deemed useful.

Brussels, July 2022



## About us

The 47 members of the **European Association of Guarantee Institutions (AECM)** are operating in 30 countries in Europe. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. The broader social and economic impact of this activity includes the following:

- Job creation and preservation of jobs by guaranteed companies
- Innovation and competition: crowding-in of new ideas leading to healthy competition with established market participants
- Structure and risk diversification of the European economy
- Regional development since many rural projects are supported
- Counter-cyclical role during crises

SME guarantees generally pursue a long-term objective and our members, if public, private, mutual or with mixed ownership structure, have a promotional mission.

AECM's members operate with counter-guarantees from regional, national and European level. As of end-2021, AECM's members had about bEUR 312 of guarantee volume in portfolio, thereby granting guarantees to around 5.9 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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**The Network of European Financial Institutions for Small and Medium Sized Enterprises** (NEFI), which was founded in 1999, consists currently of 21 financial institutions from 21 European Union member states. NEFI pursues the objective of following the financial, political and legal developments in the fields of European economic and financial policies and all measures adopted by the EU institutions which are relevant for promotional financial institutions focusing on the facilitation of SMEs' access to finance. NEFI serves as a contact for the European Institutions providing know-how and information on all matters concerning promotional banking.

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