

AECM position on the Commission's draft proposal to prolong and adjust the State aid Temporary Crisis Framework (TCF)

I. Main requests

- Increase the limited amount of aid per undertaking to EUR 1.000.000 and, in case of undertakings active in the primary production of agricultural products to EUR 124.000
- Increase the overall amount of loans per beneficiary, for which a guarantee is granted, as following:
 - i. 25 % of the beneficiary's average total annual turnover over the last three closed accounting periods
 - ii. 60 % of energy costs over the 12 months preceding the month when the application for aid is submitted
- Add in the Annex of the TCF the sector of manufacture of textiles (NACE 13)

II. Detailed position

The European Association of Guarantee Institutions (AECM) and its members very much welcome the Commission's proposal to prolong and amend the Temporary Crisis Framework aimed at helping the Member States to mitigate the economic negative effects created by the Russian military aggression against Ukraine. The daily practice of our members in using the TCF has shown that the measures set out in it are the right tool to ensure that undertakings, especially SMEs, that face economic challenges under the current crisis, have liquidity and access to finance.

To this end, we fully support the Commission's proposal to prolong the TCF until 31 December 2023. Currently, the timeline appears to be sufficient. However, given that the development of the geopolitical situation remains uncertain and that the SMEs' long-term financial needs are difficult to predict, we kindly suggest that for legal certainty, the European Commission reviews the framework on the basis of economic considerations well before 31 December 2023, in view to decide whether it is necessary to maintain it after 31 December 2023.

Further, we fully support the Commission's decision to adapt the ceilings for the limited amounts of aid. Yet, our members are of the opinion that the thresholds should be increased to EUR 1.000.000 in order to address the prolonged economic effects of the ongoing crisis. In case of SMEs from the agricultural sector, the situation is even more challenging. The lower thresholds provided in the specific *de minimis* Regulation were already during the COVID-19 crisis quickly reached. Yet, the TCF remains for farmers and small agribusinesses an essential possibility to obtain the necessary funds to run and maintain their businesses. Consequently, we are of the opinion that the overall aid should be increased to EUR 124.000 per undertaking active in the primary production of agricultural products.

With regard to liquidity support in the form of guarantees, our members see a continued need for aid under section 2.2 of the TCF and consider it necessary to increase the overall amount of loans for which a guarantee is granted to 25 % of the beneficiary's average total annual turnover over the last three closed accounting periods, or 60 % of energy costs over the 12 months preceding the month when the application for aid is submitted.

Finally, we kindly suggest the European Commission adding in the Annex of the TCF a new sector, namely NACE 13 – Manufacture of textiles, to cover the financing needs of all particularly affected SMEs.

In light of the above, AECM and its members would very much appreciate if the European Commission could please take our requests into its kind consideration for the benefit of small and medium-sized enterprises.

Brussels, 14 October 2022

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 31 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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