AECM input to the SME Relief Package

The European Association of Guarantee Institutions (AECM) and its members expressly welcome the announcement of the SME relief package by Commission President Ursula von der Leyen during her State of the Union speech. The specific measures of a revision of the Late Payments Directive and the introduction of uniform tax rules for businesses in Europe (BEFIT) are a good start. Nevertheless, further measures are needed to relieve the burden on small and medium-sized enterprises in stormy times and to support them in their twin transition. We would like to point out below those points which, from the SME's point of view, have a particularly detrimental effect on SMEs and propose concrete solutions:

- **Improvement of the budgetary allocation for InvestEU**

  AECM members have been instrumental in making the Juncker Plan a success and, in the current funding period, they want to help small and medium-sized enterprises gain access to finance through the InvestEU Programme. Unfortunately, it has become clear very quickly that the funding of the InvestEU Fund is not sufficient to achieve its objectives. In the case of indirect access to InvestEU through the European Investment Fund (EIF), less than half of the funds requested can be allocated. This poses a problem in particular for those guarantee institutions that do not dispose of a national counter-guarantee. Ultimately, this funding gap affects small businesses, which cannot be supported to the extent required. In order to ensure adequate support for small and medium-sized enterprises as usual, an increase in the scarce funding in the InvestEU Programme is essential. A recent opinion paper of the AECM provides more detailed information on this point.

- **Strengthening proportionality in sustainability reporting**

  Reporting obligations in the field of sustainability are currently being introduced in a variety of legal texts. At least indirectly, they also affect SMEs, which are often at the end of the supply or financing chain. Such reporting obligations will not only come from the Corporate Sustainability Reporting Directive

(CSRD), which brings obliged entities into the scope of the EU taxonomy, but also from the banking package (revision of CRR and CRD), which introduces new disclosure requirements for sustainability risks. The use of InvestEU support also requires reporting on sustainability and this will likely be toughened in the future by anchoring the DNSH principle (do not significantly harm) in the Financial Regulation. We call for more proportionality in reporting obligations in the case of small financings, as well as a consistent application of the "once-only" and "one-in, one-out" principles.

- **Adapting the state aid framework to the financing reality of SMEs**

  With regard to the de minimis regulation, AECM is committed to raising the threshold from EUR 200 to kEUR 500. Such an increase is overdue because of the ongoing burdensome effects of the Covid and Ukraine crises as well as the galloping inflation. It is also necessary to facilitate SMEs' access to working capital financing, for which there are no other state aid possibilities, except for the Temporary (Crisis) Framework (TF and TCF). The latter problem could also be solved by extending the General Block Exemption Regulation (GBER) to include working capital financing. The GBER should continue to cover takeovers in the form of acquisitions of shares in a company and should treat companies as start-ups up to and including an age of seven years after the creation. The first point is important as a transfer of business can be structured as a sale of shares or as a sale of part or all of the underlying assets, thus ensuring a smooth continuation of business operations.

In order to relieve burdens on small and medium-sized enterprises, the European Commission should adopt a holistic approach and, in particular, consider also legislative areas that have an indirect impact on SMEs. The mostly non-for-profit guarantee institutions have a good overview of those dossiers which contain requirements that have a restrictive effect on the access of small businesses to finance. For this reason, we would kindly ask you to take up our points for the preparation of the upcoming legislative package.

Brussels, February 2023

About us

The 46 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.

Have a look at our most recent publications:

AECM Statistical Yearbook 2021

AECM members' support programmes beyond standard debt guarantees

AECM covid brochure – Update February 2022

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