

**AECM's contribution to the  
Public Consultation on the Small Business Act (SBA)  
“A strong European policy to support Small and Medium-sized enterprises  
(SMEs) and entrepreneurs 2015-2020”<sup>1</sup>**

*(AECM's ID number in the European Commission's Register of Interest Representatives is:  
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## **I. Introduction**

Adopted in June 2008, the Small Business Act for Europe (SBA) is the first comprehensive SME policy framework for the EU and its Member States. Due to the SBA, decisive incentives at both, at European and at national level have been given and corresponding initiatives have been implemented to improve the framework conditions for SMEs.

Yet, in order to fully account to the essential role which SMEs play in the European economy more needs to be done. Thus, AECM welcomes the European Commission's intention to revise the SBA and fully backs the Commission's aim to ensure a strong European policy to support Small and Medium-sized enterprises (SMEs) and entrepreneurs in the period from 2015 to 2020.

With great pleasure AECM would like to contribute to this process cordially asking the Commission to take into kind consideration the following positions of AECM.

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<sup>1</sup> AECM consents to the publication of this contribution under its name.

## II. Main positions

### 1. Facilitating access to finance for SMEs

**The guarantee instrument is a basic requirement for growth in Europe since it facilitates access to finance for SMEs. Even though in the area of access to finance improvements have been achieved, it remains nonetheless one of the major challenges for SMEs.** This is particularly true in the case of smaller companies that have significantly more financial difficulties due to systematic and size-related disadvantages than bigger companies.

Very often SMEs' difficulties in getting access to finance are caused by their lack of sufficient collaterals. Therefore, the guarantee instrument is crucial in facilitating SMEs' access to finance both for debt and equity needs. Yet, the guarantee instrument does not only constitute the missing collateral but also from the tax payer's point of view it is of advantage: The macroeconomic benefits like the creation of employment or the increase of investment outweigh clearly the costs involved. This positive outcome has also been proven by the corresponding results of several studies (example: [http://www.vdb-info.de/media/file/66.VDB\\_inmit-studie\\_EN.pdf](http://www.vdb-info.de/media/file/66.VDB_inmit-studie_EN.pdf)).

In twenty-four countries, AECM members who are financial intermediaries render SMEs' access to finance possible in a timely manner. The fairly high number of EU financial instruments in form of guarantees and counter-guarantees which keeps on increasing shows that the EU recognises and takes account of the significant role that the guarantee instrument is playing. However, the financial means allocated to some of these programmes like, for instance, to COSME should be increased.

In order to respond best to SMEs' needs it is indispensable that the activities of the EU and its European partners are subsidiary and complementary to national ones. The European added value must be noticeable. In order to achieve this objective, the financial instruments designed at European level have to be flexible enough to allow for an application in each Member State thereby at the same time paying attention to the respective national/ regional financial market situation and actual practices.

It is to be expected that the vast majority of SMEs continues to be reliant on access to local financial markets. Given the expertise of financial intermediaries of these local markets, EU financial instruments should first and foremost be implemented by involving financial intermediaries. This is also advisable due to the higher leverage effect which is achieved when financial intermediaries are part of the financing chain.

Generally speaking **it should be recognised that the positive impact of guarantee schemes in form of efficiency and leverage requires a specific treatment.** In this context it needs to be underlined that no SME will receive financial support from any financial intermediary if the SME itself and/ or the project to be financed is not viable.

Furthermore, the revised SBA should set incentives to encourage credit institutions, financial intermediaries and their respective supervisors to provide better statistics on actual SME financing. Periodical statistics on SME finance would inform better about SME policies at European, national and regional level than the current barometers and occasional studies, which will allow easier to monitor the impact of SME access to finance measures.

Financing of SME should focus on the areas of innovation and internationalisation.

## 2. Reducing Administrative Burdens

It is acknowledged that SMEs are stronger affected by new administrative requirements and have less possibilities to cope with them than larger companies. Due to this structural problem, better law-making and proper implementation as well as the reduction of administrative burden have to remain a priority at all levels, European, national and regional.

In this context it is also decisive that consultations of SMEs and the organisations representing them take place from an early stage on and during the whole decision making process at all levels.

One area that should become more SME-friendly is the European law on state aid. The vast majority of SMEs act on a local or regional level to such a small extent that market distortion is not to be expected. Thus, state aid regulation should allow for a more pragmatic approach vis-à-vis SMEs which currently is not always the case. To give an example: The newly introduced condition of time limits when applying the de minimis regulation should be applied in a more flexible way to SMEs.

Special attention should also be paid to cumulative effects of regulation. Impact assessments should not be limited to single legislative initiatives but the regulatory burden as a whole which lies on SMEs and is disproportionately higher for smaller enterprises than for larger ones needs to be assessed as well.

### III. Final remarks

- At all levels increased and serious efforts need to be made in order to provide SMEs with an adequate legal and institutional framework, especially in the areas of access to finance, innovation and education. Thus, the SBA should concentrate on improving the business environment of SMEs.
- One way to effectively support SMEs could be achieved by means of promoting coaching which is very important in many markets since young entrepreneurs and many micro firms need support to develop their ideas.
- SME organisations and their representatives should receive the necessary financial means to collect data and to provide it to the Commission in order to establish a comprehensive data base which would make it possible to analyse the situation of SMEs in several regards making it easier to finding solutions for improving their business environment.
- It is important that the revision of the SBA delivers noticeable results in a timely manner. Even though the SBA is not explicitly mentioned in the Commission work programme for 2015, it should be linked to other initiatives foreseen for 2015 like, for instance, the Internal Market Strategy for goods and services which shall put a particular focus on SMEs.

Annexe:

### **About AECM:**

The European Association of Mutual Guarantee Societies (AECM) has 42 member organizations operating in 20 EU Member States as well as in Bosnia and Herzegovina, Kyrgyzstan, Montenegro, Russia, and Turkey. Its members are mutual, private sector guarantee schemes as well as public institutions, which are either, guarantee funds or development banks with a guarantee division. They all have in common the mission of providing loan guarantees for SMEs who have an economically sound project but cannot provide sufficient bankable collateral.

As of 31<sup>st</sup> December 2013, AECM member organizations had a total guarantee volume in portfolio of about € 77 billion and issued a total of € 26 billion in new guarantees, thereby serving over 2.2 million SMEs and entrepreneurs in Europe to finance their projects and activity.

AECM represents the political interest of its member organizations and deals primarily with issues related to EU - regulation relevant for guarantee schemes within the internal market, to European support programmes and to prudential supervision.