AECM's comments on the
'Public consultation on the revision of the Financial Regulation applicable to the general budget of the Union'

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European Association of Guarantee Institutions – AECM

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Introductory Remarks

The public consultation on the revision of the Financial Regulation applicable to the general budget of the Union seeks stakeholders to share their views on a revision of the financial rules of the budget of the EU.

These rules concern Financial Instruments (e.g. guarantees), the creation of a single rule book or the convergence of rules for various types of expenditure (e.g. grants and financial instruments) among others and are therefore of utmost importance to members of the Association of European Guarantee Institutions (AECM).

Main positions

AECM and its members fully support the objectives pursued with this revision, i.e. a simpler regulatory and financial set up, additional synergies and flexibility for budget implementation and a clear accountability framework which are in line with the practical experience gained by AECM's members in using financial instruments. By means of the following examples we would like to illustrate that there is room to simplify the regulatory and financial architecture.

a. Application of financial instruments

The main reason why some members of AECM do not work with EU supported programmes are the existing reporting requirements which are regarded as being too extensive.

One example:

Especially where the partner banks are responsible for the reporting of the guarantee contract, they seem to encounter reluctance of their SME clients when it comes to reporting back the yearly number of employees of the company. As momentarily many SMEs have to struggle to follow procedural guidelines, the yearly reporting of this number seem to have a deterrent effect when it comes to applying for a EU financial instrument.

As to the EU financial instrument COSME it is critically noted by some members that the criteria for the additionality are too restrictive.

With regard to the EU financial instrument InnovFin the criteria for innovation were deemed to be easier applicable under RSI and the scope of InnovFin should be enlarged to cover also process innovation. Moreover, the procedure for forwarding the fee to the EIF should be revised. Currently, the fee is paid to the EIF on a quarterly basis in advance. Thus, the timing should be adapted so that no pre financing occurs.

Finally, under InnovFin the loan portfolio has to adhere to a certain set of criteria. One of which is the monitoring of the use of the guarantee from the moment of signature of the contract. Rather than the monitoring period starting on the date of signature of the Guarantee Agreement, the monitoring period should be start from the moment of the business proposal as the latter might change in the meantime.

b. Convergence of rules for various types of funding instruments

It should be ensured that the various types of funding instruments perfectly interact in order to ensure maximum benefits of funding opportunities.

Example:

According to article 59 paragraph 8 of the Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005, "An expenditure co-financed by the EAFRD shall not be co-financed by way of a contribution from the Structural Funds, from the Cohesion Fund or from any other Union financial instrument". Pursuant to the current way of interpreting this article this means that the guarantee provided under the EU financial instrument COSME which can be used for the agricultural sector cannot be combined with an expenditure co-financed by the EAFRD. In practice this constitutes an impediment and is contrary to the philosophy of the Investment Plan which focuses on removing obstacles to investment.

Concluding Remarks

We cordially ask you to take our reflections as explained in this position paper into your kind consideration when revising the Financial Regulation applicable to the general budget of the Union.

Annexe: About AECM

AECM's 42 members, who are mutual / private sector guarantee schemes, public institutions or mixed, all have in common the mission of providing guarantees for entrepreneurs, small and medium-sized enterprises (SMEs) and freelance professions who have an economically sound project but do not dispose of sufficient bankable collateral. The guarantee provided by AECM's members constitutes a full-value collateral and for a significant amount of AECM's members it reduces the capital adequacy requirements in favor of credit institutions.

AECM represents the political interests of its member organizations both towards the European Institutions, such as the European Commission, the European Parliament and Council, as well as towards other, multilateral bodies, among which the European Investment Bank (EIB), the European Investment Fund (EIF), the Bank for International Settlement (BIS), the OECD, the World Bank, etc. It deals primarily with issues related to prudential supervision, to state aid regulation relevant for guarantee schemes within the internal market and to European support programs.

The development and maintenance of SMEs is paramount for AECM and its members given that SMEs and entrepreneurship are key to ensuring economic growth, innovation, job creation, and social integration.