AECM’s comments on the financial instruments in the agricultural sector:
The CAP After 2020

Adopted in Budapest on 15 May 2018

aecm
EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

Register ID number : 67611102869-33

The European Association of Guarantee Institutions, AECM, would like to contribute to the ongoing discussions regarding the future design of the EU financial instruments from 2021 onwards. Consequently, we would like to submit the following requests to all parties involved in the decision-making process.

- **Allocate sufficient funding for guarantee instruments**

Independently from the economic cycle, the need for guarantee instruments remains due to the permanently existing and well recognized market failure that SMEs are confronted with in getting access to finance. Thus, sufficient budget for the EU guarantee instruments should be allocated. In future, even higher priority should be given to financial instruments given that compared to grants guarantees are very budget efficient which addresses the budget constrains the EU is facing. Furthermore, due to risk sharing and high leverage effects, guarantees create a larger market impact and consequently are a very useful tool to boost investment also in agriculture, thereby creating growth, jobs and fostering innovation.

- **Avoid overlaps between centrally managed / funded EU financial instruments and local guarantee instruments**

Financial instruments from EAFRD resources are increasingly important, more and more schemes are operating in different regions and countries. AECM welcomes this development, however, it is of utmost importance to design these instruments to work in synergy with local guarantee schemes instead of substituting them, so they are crowded-out. Local guarantee institutions in regions / member states are integral parts of the economy and should always be part of the lending chain so that their added value contributes to the success of EAFRD financial instruments. To ensure a strong partnership with AECM's members it is important to carry out thorough ex ante assessments. The outcomes of this assessment should be the basis for the decision on which financial instruments are the most appropriate and how they should be implemented.

- **Ensure the complementary between guarantee instruments and grants**

Despite the increasing importance of guarantees they should remain complementary to grants because grants achieve certain policy objectives in a more effective and sustainable way, provided that there is a market gap and the support is targeting viable investments. Therefore, it is of utmost importance to allow the combination of guarantee instruments and grants at beneficiary level to allow for an optimal use of public resources.

- **Keep the implementation conditions as simple as possible**

The administrative requirements for guarantee instruments should be as simple as possible. This refers to the entire process that starts by the application procedure, continues with the reduction of the number of audits and their streamlining in a more coherent and consistent way and should also apply to the reporting obligations. In this context AECM is in favor of having a single rule book to facilitate the implementation process in the best possible way.

- **Centrally managed EU financial instrument for agriculture**

More and more of AECM's members identify agriculture as a strategic sector with the result that more than half of AECM's 42 members are active in this area. Consequently, more and more of them use the COSME Loan Guarantee Facility for financing projects of this sector. Since the COSME LGF and most likely also its successor program are meant to promote SMEs' access to finance as such, it would be advisable to have a specific instrument for the agricultural sector which would also ensure unified support in all EU member states. Like this all potential beneficiaries of the agricultural sector in Europe would benefit from a reduction of requested collateral and would be enabled to finance riskier projects. In a survey undertaken by fi-compass for a study on "credit guarantee and counter-guarantee needs for EU farmers", 85% of the guarantee institutions confirmed that a public scheme for agriculture funded by the EU providing counter-guarantees would be helpful. This would mean that even more SMEs also in this sector could be successfully supported.

We cordially ask the European institutions involved in the decision-making process to consider our views, as outlined in this position paper. It goes without saying that AECM and its members are happy to contribute further to this intense work and that we are prepared to provide the European Institutions with any additional information that may be required to determine a well-informed outcome.

About AECM's members:

The mission of AECM's 42 members from 26 countries in Europe consists in fostering SMEs' growth by providing guarantees to SMEs who have an economically sound project but cannot provide sufficient bankable collateral. At the end of 2017 AECM's members had over 125 billion of guarantee volume in portfolio thereby granting guarantees to more than 3 million SMEs.