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AECM comments to the targeted review of the General Block Exemption Regulation (State aid): extended scope for national funds to be combined with certain Union programmes (2nd consultation)

The European Association of Guarantee Institutions (AECM) very much welcomes the opportunity to provide feedback on the Draft Commission Regulation amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (second public consultation on the targeted revision of the GBER).

Following the first public consultation on the GBER proposal, we are pleased to note that several simplifications and improvements of provisions have been taken up in the second draft, such as alignment of definitions, expansion of categories of projects that will benefit from the simplified treatment under the new Section 16, adjustment of the financing thresholds as well as the eradication of the duration limitation for loans and guarantees. In our view, these changes represent a significant step forward towards simplification of combination of national resources and certain Union programmes and offer the potential to facilitate the implementation of the InvestEU programme, while encouraging the deployment of national resources alongside with the EU Guarantee. AECM is strongly committed to support the European Commission in the GBER revising process and would further like to share reflections on the second publication of the proposal for the targeted GBER revision, especially in the context of national funding combined with funding under the InvestEU programme.

In order to ensure fair and equal access to the InvestEU programme, it should be stipulated that any entity entrusted by the European Commission for the indirect management of the EU guarantee in accordance with the Financial Regulation, should be subject to the same regulatory framework. This is to say that there should be no difference in treatment between the

financial products supported by the InvestEU funds and implemented by the EIB Group or the IFIs on the one hand and the implementing partners like AECM's members on the other hand. The aforementioned should be justified on the grounds that the implementation will be done under the central rules and, at the end of the day all financial products should comply with Article 209 (2)(c), namely "not distort competition in the internal market and be consistent with State aid rules".

Referring to the definition of digitalisation, we are of the opinion that it should also encompass the increase of the process efficiency, helping SMEs to boost their front line. For instance, if an enterprise operates an online platform, then this company may already be 80 percent digitalized yet, it can gain more efficiency or create more customer value by going the remaining 20 percent of the way. Therefore, we propose to change the definition of digitalisation as following:

"digitalisation" means the adoption of technologies carried out by electronic devices and/or systems which make it possible to increase product functionality or process efficiency, develop online services, modernise processes, or migrate to business models based on the disintermediation of goods production and service delivery, eventually producing a transformative impact;

Regarding Art. 56e, point 8, Aid for research, development, innovation and digitalization, we very much welcome the simplification of the requirements related to aid granted for industrial research. Yet, we consider that aid granted for process or organisational innovation for SMEs, innovation advisory services and innovation support services for SMEs as well as digitisation for SMEs should also be extended to small mid-caps for reasons of coherence with the provision of the InvestEU Regulation. As such, we propose the following addition:

8. Aid for research, development, innovation and digitalisation shall comply with the following requirements:

- (a) aid may be granted for:
 - (i) fundamental research;
 - (ii) industrial research;
 - (iii) experimental development;
 - (iv) process or organisational innovation for SMEs and small mid-caps;
 - (v) innovation advisory services and innovation support services for SMEs and small mid-caps;
 - (vi) digitalisation for SMEs and small mid-caps;

As far as Article 56e point 9 is concerned, we would like to mention the following:

- In general, we welcome the Commission's new approach made in 9(b), to make no difference between the financial instruments i.e. loans, guarantees, equity; we highly appreciate the eradication of the duration limitation for loans and guarantees.
- We would, however, like to specify that in combination with the reduced threshold under point 9(a) i.e. from 30 million as proposed in the first GBER proposal to 15 million as proposed in the second GBER proposal, the new proposed threshold of 2 million is still restrictive to define realistic investments. To illustrate, under the *de minimis* regulation, an undertaking may receive an amount of EUR 1,5 million (with a term of 5 years) over any period of three fiscal years. Under the current GBER proposal the proposed amount of 2 million applies to the entire InvestEU term, meaning 7 years. Moreover, under the *de minimis*, the threshold refers to the underlining loan, while in the current GBER proposal the financing threshold refers to the nominal amount of the total financing.

In view of the aforementioned, AECM proposes the following wording for the Article 56e, point 9 (b)

the nominal amount of total financing provided per final beneficiary under the support of the InvestEU Fund does not exceed EUR 3 million.
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Apart from addressing specific articles in the GBER proposal, AECM would like to make the following general comments on the GBER:

- We kindly invite the European Commission to examine the possibility of including working capital under the provisions of the GBER, as it is now the case under the *de minimis* regulation. This fact would prevent the likely future situation where due to inflation over the years, the unchanged *de minimis* threshold will be reached and as a consequence the support to SMEs restricted.
- Expanding the definition of start-ups to companies under-seven years (Article 22, § 2). It is necessary to recognise companies under-seven years as eligible in order to align all the age within the GBER, irrespective of the funding. In our opinion, it is insufficient to limit the definition of start-ups to companies under-five. In France for instance,

the status of “Jeunes entreprises innovantes” covers companies under-eight, these companies still being considered as young and fragile. An innovative company needs much more than 5 years to stabilise itself and find its growth path. Six months of administrative issues followed by the design of the technical project (2 years), then the time to prepare the industrial and commercial launch of the innovation (1 year). The first turnover will finally be made within the first 3 years. During this period, the company needs support to achieve its innovative project, get finance and working capital, reinforce its treasury and prepare its fundraisings.

- Extending the costs eligible to innovation aid for SMEs (Article 28, §2). AECM proposes to update Article 28 paragraph 2 of the GBER by expanding the eligible costs to innovation aid for SMEs as following: “The eligible costs shall be the following: a) costs for obtaining, validating and defending patents and other intangible assets; b) costs for secondment of highly qualified personnel from a research and knowledge-dissemination organization or a large enterprise, working on research, development and innovation activities in a newly created function within the beneficiary and not replacing other personnel; c) costs for innovation advisory and support services; d) costs for prototyping, miniaturization, scaling-up, design, performance verification, testing, demonstration, development of pilot lines, validation for market replication, including other activities aimed at bringing innovation to investment readiness and maturity for market take-up.” This change would enhance the legal certainty and give more flexibility, acting in favour of the innovation funding for SMEs, by making clear that advanced innovative projects led by SMEs could be financed through this article, in particular technology demonstration.

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 30 countries in Europe. They are either private 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. AECM's members operate with counter-guarantees from regional, national and European level. At the end of 2019 AECM's members had more than EUR 110.7 billion of guarantee volume in portfolio, thereby granting guarantees to almost EUR 3.1 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.

European Association of Guarantee Institutions
Avenue d'Auderghem 22-28, bte. 10, B-1040 Brussels
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