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EUROPEAN ASSOCIATION OF MUTUAL GUARANTEE SOCIETIES

Gabinetto del Vicepresidente Antonio TAJANI									
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20, 01, 2011									
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Vice President Mr. Antonio Tajani
European Commission
Industry and Entrepreneurship
Berlaymont Building
Rue de la Loi 200
1049 Brussels
Belgium

Brussels, 10th January 2011
MR/2011/00153

CIP successor programme – guarantee facilities

Dear Commissioner Tajani,

I write to you on behalf of AECM, the European Association of Mutual Guarantee Societies, representing the interests of 36 Member organizations in 19 Member States and Turkey.¹

Recently, the European Commission has launched a consultation on the successor programme to the Competitiveness and Innovation Framework Programme (CIP) which should be conceived over the following year and operational in 2013.

AECM is a key stakeholder organisation in this consultation as many of its member organisations have acted as financial intermediaries under the CIP and previously under the MAP and have appreciated the added value of European counter-guarantee instruments, which have been essential in providing SMEs with needed access to finance.

While AECM will provide its contribution in due time to the Commission, we have to express our urgent concern that the Commission could be considering to discontinue the European Counter-guarantee instruments under the successor programme. This impression is reinforced by the fact that AECM has not been able to send a speaker for the guarantee sector to the "Ready to grow – CIP" conference on 25th January, despite numerous requests towards the Commission services.

From our perspective, excluding guarantee instruments from the post-CIP programme would harm SMEs in general and should be avoided in the light of the following reasons:

Guarantees are in general a highly cost-effective public policy measure to encourage additional SME lending. Indeed, given an average leverage factor of

¹ The activity of AECM's member organizations is to provide credit default guarantees to SMEs, who are economically sound and have a sustainable business project, but do not dispose of sufficient collateral to receive loan finance to realize their investment. On 31 December 2009, AECM members held a total of over €70 billion guarantees in portfolio and had issued over €33 billion in new guarantees over the year. We serve around 8 % of European SMEs. Thus, guarantee societies play a major role for SME access to finance.

10, one Euro of own funds can generate 10 Euros of guarantees and an even higher amount of final lending.

Guarantee societies have demonstrated their efficiency and responsiveness during the financial crisis, by designing and marketing guarantee products to respond to specific needs of SMEs, in particular regarding working capital loan guarantees, in a matter of months after the crisis broke out. Most of these measures are described in the brochure attached. Many of our Members have made efficient use of the financial instruments available under the CIP and the predecessors programme MAP, both before the crisis and during this difficult phase.

But we highlight that guarantees will continue to be of crucial importance not only for the recovery but also on a longer horizon. This has to be seen against the backdrop of deteriorating own funds positions of SMEs, more strict Basel III capital requirements and rising interest rates. All these trends will have a negative impact on the availability of loan finance, on which the vast majority of SME, who also remain responsible for most of the jobs and the greater share of European GDP, still heavily rely on despite a need for diversification of sources of finance. In turn, while Venture Capital measures and other forms for financing tools respond to a need and have their justification, these tend to serve a mostly small fraction of all European SMEs.

Thus, not only there is a vital need for guarantee instruments to continue to be provided under the successor programme in support of our members' activity over the coming years, but any future programme should also balance the financial support given to the different support instruments in the light of their relative importance.

In the light of the success and performance of guarantee measures both before and during the crisis as well as given the heavy political investment into these instruments by other important trading blocks, namely the US and Japan, it would be altogether impossible to understand that Europe might consider withdrawing its long-standing policy in terms of loan guarantees.

AECM and its individual members are readily available to provide the Commission with any detailed information needed regarding the added value for the EU on the use of guarantees. We can already state that alone the fact that loan guarantees facilitate access to credit finance to a vast majority of European SME, independently of the place they are located and of the internal options of each member state government, is "per se" an important argument to have a global European policy allowing the existence of an instrument supporting loan guarantees, the only way to assure equal access for European SME in accessing credit financing across Europe.

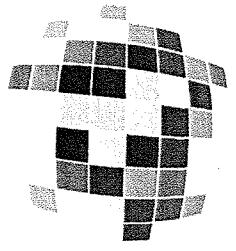
In conclusion, AECM therefore appeals to the Commission to ensure the continuation of its highly successful and longstanding guarantee policy over the next programme period with a significant increase of funding for guarantee measures in comparison to the CIP.

We would be more than pleased to meet with you to discuss this concern in further detail,

Best regards,



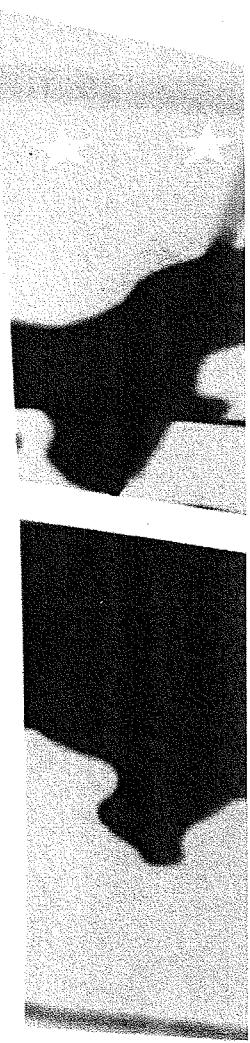
José Fernando FIGUEIREDO
Chairman



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Growing together



**Le garanzie e la ripresa
economica:**

**Impatto delle misure di
garanzia anti-crisi**

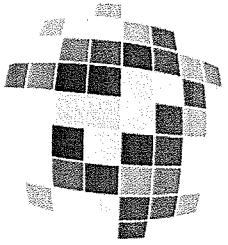
agosto 2010

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