



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL'ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

Comments on the 2nd draft of a Commission Notice on State aid in form of guarantees (Version 21 February 2008)

UEAPME, the European Association of Crafts and SMEs, welcomes the launch of a second consultation on this dossier and appreciates the improvements made in the second draft compared to previous documents.

General Comments on the draft Commission Notice on guarantees

Guarantees are a very efficient form to provide State aid, because they are less distortive for competition and less costly compared to other forms of State aid. Therefore, different forms of guarantees are more and more used. Therefore, UEAPME welcomes that the new approach on State aid in form of guarantees presented by DG Competitions recognise this development.

The draft Commission Notice defines in a clear and coherent manner the rules that the Commission wants to use to declare guarantees as “non-aid” or “aid”, and in the latter case, how the Commission will calculate the amount of State aid involved, which makes guarantees transparent as regards aid content and aid intensity. Both are important preconditions for providers of State aid to use guarantees as aid instrument, because only “transparent” forms of State aid can profit from block exemption regulations and simplified notification procedures, both of which are highly relevant for the SME sector.

The provision of a wider range of risk classes and the definition of “safe harbour premiums” for such guarantees will allow in the future the use of guarantees also in the case of less secured loans (junior loans) and other forms of “quasi-debt” mezzanine finance, which plays more and more an important role to finance “riskier” projects for SMEs, such as start-ups, innovation, expansion and the transfer of a business.

Specific comments on the draft Commission Notice on guarantees

UEAPME acknowledges the changes made in the second draft of the Commission Notice and welcomes especially the improvements made as regards:

- **Art.1.4: Other types of guarantees – treatment of export guarantees**

UEAPME welcomes the clarification that this Notice does not apply to export guarantees.

- **Art.3.2.a: Individual guarantees – borrowers in difficulties**

UEAPME welcomes the exclusion of newly incorporated SMEs (during the first three years) from the definition of borrowers in financial difficulties set out in the guidelines for rescue and restructuring.

- **Art.3.3: Valuation of individual guarantees for SMEs – annual safe harbour premium**

UEAPME welcomes the reassessment of the annual safe harbour premiums, which are better in line with market reality in the European Union.

- **Art.3.3: Valuation of individual guarantees for SMEs – none rated SMEs**

UEAPME appreciates the specific treatment of SMEs without credit history or rating and we welcome the provision of a specific safe harbour premium of 3.8% for such companies.

- **Art.3.5. and 4.5: Special rules for SMEs**

UEAPME welcomes the provision that guarantee schemes for large numbers of small guarantees for SMEs (below 1.5 Mio per company) can apply a single guarantee premium for all companies and do not need to assess each single guarantee.

Final comments on the draft Commission Notice on guarantees

As already stated in the introduction, guarantees are - for different reasons – increasingly used by providers of state aid as a more cost efficient and less distortive instrument to provide state aid also to smaller enterprises. Most of the state aid provided to SMEs is covered by the “Deminimis Regulation” or will be covered by the up-coming General Block Exemption Regulation (GBER). While the Deminimis Regulation provides rules for guarantees, are state aid instruments in form of guarantees excluded from the scope of the draft GBER, which seems counterintuitive to the aim of this Commission Notice.

Therefore, UEAPME asks the European Commission to define State aid in form of guarantees also transparent in the sense of Art. 5/1 of the draft GBER, if the State aid comprised in such instruments is calculated on the basis of this Commission Notice.

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