

AECM Annual Activity Report 2016

Draft

FOREWORD



“Stay on course even in heavy seas”

Dear colleagues, dear friends,

2016 was a memorable year for AECM, its members and Europe as a whole. We have seen a tectonic shift in the architecture of the European Union (EU). The outcome of the referendum in the United Kingdom will put us all in front of unprecedented challenges. Being the second largest economy of the EU this decision has impacts on everyone. Despite my deep personal regret of this historic development, in my capacity as Chairman of AECM I would like to point out that the structure as well as the philosophy of our association allows us to cope well with this situation. Being a member of AECM and enjoying all the benefits is not limited to any political border within Europe.

Regarding AECM’s activities I am delighted to inform you that we have implemented decisive steps in order to make the guarantee instrument better recognized and understood by decision-makers. The major one consisted in the successful conclusion of a study project on the “Importance of financial intermediaries in SME financing and assessment of different economic effects especially of EU financial instruments in the light of direct guarantee vs. counter-guarantee contracts”.

Moreover, AECM focused on optimizing and increasing the added value of its membership. The core activity in this regard was the organization of a strategy workshop, which took place in the course of AECM’s annual event in Porto / Portugal. Based on the input provided by all members and the lively discussions, we entered into the process of transposing the outcomes into concrete actions. Among other activities this action plan covers the adoption and implementation of a new communication strategy comprising internal and external newsletters and regular dissemination of information on major lobbying activities as well as the creation of a member-only area in the AECM website. The latter was set up to act as a repository of information on various issues, in order to improve knowledge management within the organization. Furthermore, AECM’s activities in the area of statistics got further developed and expanded, and the preparation of a follow-up report on the Operational Training Sessions was introduced, to mention only a few of the outcomes of this workshop.

In 2016 AECM organized as always a number of events to facilitate the exchange of best practices, bring its members in touch with external stakeholders and provide them with first-hand information relevant for their business. The highlight was once again the annual event during which the Global Network of Guarantee Institutions (GNGI) was founded upon the initiative of AECM’s Special Honorary Chairman José Fernando Figueiredo.

Also, the activities of AECM's members developed in general well: Compared with the previous year, their outstanding guarantee volume grew from 80.4 billion euro to 85.3 billion Euro per 31 December 2016.

I am looking forward to continuing and enhancing our collaboration.

Best wishes and enjoy reading

A handwritten signature in blue ink, appearing to read 'B. Sagmeister', on a light-colored background.

Bernhard Sagmeister

– Chairman of AECM –

Brussels / Vienna, 2017

WHAT IS AECM?

OUR MISSION

AECM has 41 member organizations operating in 25 EU countries, as well as Bosnia and Herzegovina, Serbia, Russia and Turkey. Its members are mutual, private sector guarantee schemes as well as public institutions, which are either guarantee funds or development banks with a guarantee division. They all have in common the mission of providing loan guarantees for SMEs who have an economically sound project but cannot provide sufficient bankable collateral. At the end of 2016, AECM member organizations had a total guarantee volume in portfolio of over 85 bn. EUR and issued a total volume of over 29 bn. EUR of new guarantees for 3.1 m SMEs.



AECM pursues the following three main aims:

Political Representation

AECM represents the political interest 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 World Bank, etc. It deals primarily with issues related to state aid regulation relevant for guarantee schemes within the internal market, to European support programmes and to prudential supervision. It has also dealt with the policy response to the financial crisis.

Exchange of best practices

AECM serves as platform for exchange of best practices on a variety of operational issues. For this purpose, AECM has set up working groups and organizes annual seminars, operational training sessions, as well as specific ad-hoc events on selected issues.

Promotion of guarantee instruments

AECM undertakes surveys on the guarantee sector, provides relevant technical information, statistics, newsletters and other publications to promote the guarantee instrument. It takes part as a sector representative in events both in Europe and beyond.

OUR MEMBERS

(Map with AECM members in the various countries)

- 1.) Austria (2)
- 2.) Belgium (3)

- 3.) Bosnia and Herzegovina (1)
- 4.) Bulgaria (1)
- 5.) Croatia (1)
- 6.) Czech Republic (1)
- 7.) Estonia (1)
- 8.) France (3)
- 9.) Germany (1)
- 10.) Greece (1)
- 11.) Hungary (3)
- 12.) Italy (2)
- 13.) Latvia (1)
- 14.) Lithuania (2)
- 15.) Luxembourg (1)
- 16.) Poland (1)
- 17.) Portugal (2)
- 18.) Romania (4)
- 19.) Russia (1)
- 20.) Serbia (1)
- 21.) Slovenia (3)
- 22.) Spain (1)
- 23.) The Netherlands (1)
- 24.) Turkey (2)
- 25.) United Kingdom (1)

THE BOARD OF DIRECTORS 2015-2018

Chairman

Mr. Bernhard Sagmeister | CEO | Austria Wirtschaftsservice (aws)

Competences: Institutional representation, Strategy, Press relations, International Cooperation

Vice-Presidents

Mr. Jean-Claude Depoisier | France | SOCAMA

Competences: Programs of the EIB Group; support of the President concerning relations to the EIB Group

Mr. Guy Selbherr | Germany | Verband Deutscher Bürgschaftsbanken (VDB)

Competences: Chairman WG State Aid and Competition; support of the President concerning relations to the EU Institutions

Mr. Adelio Ferrari | Italy | Assoconfidi

Competences: Chairman WG Banking Supervision, Supervision issues

Mr. Pedro Pisonero Pérez | Spain | CESGAR

Competences: Chairman WG SME Policy

Treasurer

Mr. Bernard Jehin | Belgium | AECM Treasurer and Secretary of the Board, SOWALFIN

Competences: Chairman WG Statistics and Studies

Members of the Board

Mr. Samuil Pavlov Shiderov | Bulgaria | National Guarantee Fund

Competences: Media Strategy

Ms. Éva Búza | Hungary | Garantiqa Credit Guarantee Fund (Garantiqa)

Mr. László Tóth | Hungary | Deputy, Rural Credit Guarantee Foundation (AVHGA)

Competences: Chairman WG Agriculture

Mr. Audrius Zabolka | Lithuania | INVEGA

Competences: Chairman WG Structural Funds, Training (OTS - Operational Training Session)

Ms Inga Balzekaite | Lithuania | Garfondas

Competences: Coordinator Training (OTS - Operational Training Session)

Ms. Halina Wiśniewska | Poland | BGK

Competences: Public Guarantee Schemes, new products

Ms. Carmen Radu | Romania | FRC

Mr. A. Kadir Akgül | Turkey | TESKOMB

Competences: Cooperation Mediterranean Region / Central Asia

Former Presidents of AECM

Mr. Pablo Pombo | Founding President, Spain

Mr. Thomas García | Honorary President | France

Mr Guido Verhaegen | Honorary President | Belgium

Mr Italo Calegari | Honorary President | Italy

Mr Hans-Herbert Strombeck | Honorary President | Germany

Mr José Fernando Figueiredo | Special Honorary President with the special mandate for international relations as well as for the recognition and defense of mutual guarantee systems | Portugal



OUR TEAM

In 2016 our team grew bigger with the hiring of **Marc Basel** as Senior Financial Expert. The team continues to be strongly supported by **Bernard Jehin**, our Treasurer and member of the Board of our Belgian member SOWALFIN, and by **Jean-Louis Leloir** as Senior Adviser to the Board. Jean-Louis has been supporting us on various activities, namely the Operational Training Sessions, preparing for each one a follow-up report which sums up what was said during the trainings. This is a useful content for the benefit of those who could not attend, and to further develop some themes that have emerged during the discussions.

Katrin Sturm - Secretary General

Prior to joining AECM, Katrin was working for the Bundesvereinigung der Deutschen Arbeitgeberverbände – BDA following her activity at the EU representation of the Deutscher Sparkassen- und Giroverband – DSGV. She started her career in Brussels at the Zentralverband des Deutschen Handwerks – ZDH and, at the same time, she was the EU Representative for the Verband Deutscher Bürgschaftsbanken – VDB. After successfully completing an apprenticeship at Commerzbank aG, Katrin graduated from the Universität Passau in Law after an Erasmus program to Université d'Angers. Following passing the second state exam in law she acquired the Master of Laws degree from the University of Aberdeen taking part in an exchange program with the University of Cape Town.

Marc Basel - Senior Financial Expert

After graduating as a Master in International Relations Marc came to Brussels to work for a NGO in the field of inclusion of people with disabilities in the labor market before joining the governance department of Morgan Stanley Capital International (MSCI). Prior to his assignment with AECM in Spring 2016, Marc worked for PwC (PricewaterhouseCoopers) and other international and financial organizations such as the OSCE, the Financial Market Authority and Deutsche Bank. Marc also holds a Bachelor of Science degree in International Business from Maastricht University.

Eleonora Censorii - Office, events and communications manager

With an MA in Museum Anthropology, Eleonora has been working since 2001 in the coordination and management of projects dealing mostly with digital tools for the cultural heritage and tourism sector, and in secretarial roles for associations and private/public organizations.

Jean-Louis Leloir - Senior Adviser to the Board

Jean- Louis Leloir, 65, graduated from the French High Business School ESCP, has filled various responsibilities, mostly in the field of loan guarantee schemes, in the Bpifrance group, French public development institution supporting SME financing. Formerly Credit Manager and Auditor, he was for the last 10 years Head of Technical Assistance and Consulting, addressing expertise to foreign guarantee institutions, mostly in MENA Region, in assignments from Donors and International Institutions (World Bank, AFD, OECD, and European Commission). He is presently Special Adviser to the Board of the European Association of Guarantee Institutions.

INTERNS



In 2016, we also had a record number of **interns** from all over Europe, who stayed with us to support the team on all kinds of activities and to get to know the everyday life of a European association. They have worked with us on all sorts of activities: communication, translations, gathering information and data for the online surveys, preparing documents for the meetings, participating in meetings and events on multiple themes. Our interns take part in all the activities of AECM and we are very happy to have an active and lively exchange with them and to make them feel as part of the team at all times.

Marco Visser

The AECM internship was a great opportunity to discover the inner-workings of a European association first-hand and get familiar with all the involved stakeholders. It provided me with a lot of practical insight of the European Union.

After the internship, Marco has started to work as a tax process owner for a multinational active in the plastic industry.

Dominika Buzarewicz

My internship at AECM gave me a great insight into the daily activities of a European association. It was exciting to attend meetings with members and other stakeholders as well as working groups. I have learnt a great deal over the period of three months and appreciate the wonderful colleagues I had.

A few months after her internship, Dominika graduated with a Bachelor of Laws and in February 2017 started a Master in Competition Law and Regulation.

Michelle Eich

My internship at AECM has been an incredible first work experience for me and proofed that there is a lot more for interns to do than making coffee or photocopies. At AECM I really felt like a trusted member of the team and I enjoyed having my own tasks and responsibilities in an open and friendly work environment. My questions were always answered and I never thought not to be taken seriously. It was a great opportunity to find out more about political daily life in Brussels and guarantee institutions. I would do it again!

Encouraged by her positive experience at AECM, Michelle Eich decided to take up a double bachelor programme consisting of European Studies and International Business Studies and is now planning a career in Marketing.

Magdalena Winkler

My internship at AECM was very interesting and a great experience for me. I was able to learn many new things and to improve my skills in different fields, such as external communication. I worked on projects independently and was always supported by my colleagues.

Currently Magdalena is writing her Bachelor thesis and then wants to start her Master's degree.

Serena Zaffino

It has been a pleasure for me to work with the AECM team, apart from having improved my technical and language skills I've learnt the real meaning of working in a team. Thanks to my experience at AECM I had the chance to understand which are the important factors that can improve the potential of a team and the importance of clear communication to work together towards the same goals. Moreover, I felt like being part of the team and not only because I've been given many responsibilities but because they've tried to involve me in any task possible in order to make me learn something new, as a result, we ended up establishing a win-win relation. Besides having learnt how to use new software and how to create important business documents, I've also been given the possibility to take part in many meetings and that has been essential to give me a taste of what really means living in Brussels and being part of the European Union. It has been an amazing experience under so many different aspects, and I'm thankful for having met such wonderful people to whom I wish all the best for the future!

Serena is currently writing her Bachelor theses.

A YEAR OF LOBBYING

POLITICAL REPRESENTATION

The creation of more favorable financing conditions for micro, small and medium-sized enterprises (MSME) kept on being a particular concern of AECM and its members who facilitate MSME's access to finance, thereby making it possible that innovative and fast growing projects are realized which otherwise would not be the case.

THE STUDY PROJECT

One of the major activities to this extent was the elaboration of a **study on the "Importance of financial intermediaries in SME financing and assessment of different economic effects especially of EU financial instruments in the light of direct guarantee vs. counter-guarantee contracts"** undertaken by KPMG Rome.

KPMG concluded i. a. that counter-guarantees, which means that guarantee institutions are involved in the distribution chain as financial intermediaries, should be provided on better terms than it has been the case up to now. The main reasons are that first of all counter-guarantees have higher positive macroeconomic effects on innovation, growth and employment because contrary to commercial banks, national and regional guarantee institutions have a clear focus on these economically relevant projects. Moreover, the granting of counter-guarantees creates greater efficiency of the use of public money because of a higher leverage effect which is achieved with counter-guarantees since next to the EU resources in form of the counter-guarantee also national funding is used. Another important advantage of counter-guarantees consists in the fact that all MSME have access to the support of financial intermediaries who act in neutral way on a regional or national level.

Whereas the study remains an internal document being accessible for AECM's members only, KPMG's policy recommendations to strive for greater complementarities and synergies between existing instruments and players, to increase the efficiency in the use of public money by involving guarantee institutions in the lending chain, to increase the data available in this area and, as stated above, to offer counter-guarantees at more convenient conditions as compared to direct guarantees are being integrated into the daily lobbying work of AECM.

EUROPEAN FUND FOR STRATEGIC INVESTMENT (EFSI)

Another central area of activity for AECM kept on being the **European Fund for Strategic Investment (EFSI)**, the core of the Investment Plan for Europe. To recall this Plan was adopted in November 2014 to address the low levels of investment in the EU which resulted from the global economic and financial crisis. AECM warmly welcomes that its request to use the counter-guarantee instrument under EFSI to stimulate the economy was successfully met. More precisely, under the SME window of EFSI, additional funding was provided for the COSME Loan Guarantee Facility as well as for the InnovFin SME Guarantee Facility.

Accordingly, AECM's members have been taken up well this great opportunity: 16 members coming from 13 EU Member States signed contracts under EFSI enabling them to promote even more MSME and further members are interested in following. Thus, guarantee institutions are contributing decisively to the implementation of EFSI and to achieving the objectives pursued with EFSI, i.e. to create jobs and growth.

EU FINANCIAL INSTRUMENTS

The use of these counter-guarantee instruments has been developing so successfully that AECM keeps on **advocating for an adequate budget allocation for the EU guarantee instruments** in order to avoid that the money is running out. For this reason, we greatly appreciated that on 26 July 2016 the European Commission and the EIB Group complied with AECM's request by agreeing to shift 500 million euro from the infrastructure and innovation window to the SME window. Moreover, we were delighted that our demand for sufficient funding was taken up again by the European Commission proposing on 14 September 2016 to extend EFSI by increasing the financial means allocated to the SME window from 5.5 billion euro to 10.5 billion euro. During the legislative procedure AECM strongly defended its cause especially vis-à-vis the European Parliament but also towards the Council of the European Union to ensure the allocation of adequate funding to the guarantee instruments of the SME window. AECM's members are determined to go on fulfilling their decisive function in implementing EU financial instruments which they have thanks to having a profound knowledge of the market, covering a whole region or country, ensuring the optimal use of public resources via risk-sharing and being free of profit-oriented interests. Thus, this topic remains key for AECM also in 2017 and most likely beyond.

It goes without saying that like in the past AECM's members continuously obtained information about the EU financial instruments and the role that EFSI is playing. This happened also as usual on the occasion of several events that AECM organized giving its members the opportunity to discuss with external experts and to receive first-hand information but also to exchange the respective experiences gained among themselves. To mention just one example: on 08 March 2016 AECM and the European Investment Fund (EIF) organized jointly a workshop on the EU financial instruments in Luxembourg. During this workshop, the excellent cooperation between the EIF and AECM's members under EU programs as well as the important role that AECM's members are playing in the implementation of EFSI and the different types of EU guarantee instruments were highlighted next to the presentation of best practice examples from AECM's members causing inspiring discussions.

AGRICULTURE

In the area of **agriculture**, the close interaction between AECM and the Directorate General Agriculture and Rural Development (DG AGRI) of the European Commission went on.

AECM and its members received again the opportunity to nominate one or often several speakers at the EAFRD-specific events under fi-compass, a platform for advisory services on financial instruments under the European Structural and Investment Funds (ESIF) and microfinance under the Programme for Employment and Social Innovation (EaSI). fi-compass is designed to support ESIF managing authorities, EaSI microfinance providers and other interested parties, by providing practical know-how and learning tools on financial instruments. Hence, AECM felt privileged for having received speaking slots for AECM and for its members at the conference on 31 May 2016 on the EAFRD financial instruments for agriculture and rural development in 2014-2020 which took place in Madrid, Spain, at the conference on 13 June 2016 on the EAFRD financial instruments for agriculture and rural development in 2014-2020 which was organised in Rome, Italy, at the macro-regional conference on 24 October 2016 on EAFRD financial instruments for agriculture and rural development in 2014-2020 happening in Warsaw, Poland and at the second EU fi-compass conference on 25 November 2016 on EAFRD financial instruments for agriculture and rural development in 2014-2020 organised in Brussels, Belgium. These events provided a great opportunity to present the important positive impact of the guarantee instrument likewise for agriculture.

Furthermore, AECM appreciated a lot DG AGRI's support in solving the question if COSME funding can be combined with EAFRD resources. This topic has become relevant for more and more members of AECM who start using the COSME Loan Guarantee Facility for the agricultural sector (e.g. AVHGA / Hungary, the guarantee banks in Germany, SIAGI / France...). This is also due to the successful and intense exchange of information and experiences among AECM and its members as well as among the members themselves.

Upon AECM's request to DG AGRI in summer 2016, AECM received the reply that DG AGRI had internal discussions with its legal unit in relation to the question that AECM asked, i.e. on the combination of EAFRD and COSME resources and the interpretation of Article 59(8) of R 1305/2013 as well as of Article 65 (11) of the CPR. AECM was happy to learn that according to DG AGRI a combination is possible. Yet, this interpretation was not shared by Germany so that the German guarantee banks had to put on hold requests for their guarantees being counter-guaranteed by the COSME Loan Guarantee Facility when grants of the EAFRD are involved as well. Thus, AECM got back to DG AGRI kindly requesting a water-proofed interpretation of the relevant legislation. Consequently, AECM keeps this topic on the agenda which is essential for the realisation of many agricultural projects in several Member States.

Next to the excellent collaboration with DG AGRI also the one with the OECD developed well: following a project to define a Credit Guarantee Scheme for Agribusiness SMEs in Ukraine, the OECD got back to AECM with the suggestion for a cooperation as to a project in Kazakhstan on the topic of access to finance, and in particular on exploring the options of supporting the development of a credit guarantee scheme in agriculture. Accordingly, AECM was lucky to be able to involve several experts in this project.

BANKING SUPERVISION

Like in previous years also in 2016 AECM raised its voice on behalf of its members in the field of **banking supervision**.

Accordingly, AECM participated in public consultations and submitted comments on the European Central Bank consultation on the collection of granular credit and credit risk data ("AnaCredit") - <http://aecm.eu/wp-content/uploads/2016/05/AECM-comments-AnaCredit-consultation-2016-01-29.pdf> as well as on the Basel Committee on Banking Supervision's Second consultative document "Revisions to the Standardised Approach for credit risk" - <http://aecm.eu/wp-content/uploads/2016/05/2016-03-11-consultation-standardised-approach-for-credit-risk-comments-of-AECM.pdf>.

As only association AECM achieved to nominate a speaker at the Seminar on Synthetic Securitisation and Financial Guarantees which was organised by the European Banking Authority (EBA) and the European Investment Bank Group in London on 31 May 2016 and during which the opportunities and challenges on the role and potential use of credit guarantees and synthetic securitisation in the banking sector were discussed. It was attended by representatives from national supervisors, from the European Central Bank (ECB), from the European Commission and from banking representatives - <http://www.eib.org/infocentre/events/all/seminar-on-synthetic-securitisation-and-financial-guarantees.htm>.

On 23 November 2016, the European Commission published its banking package of reforms to further strengthen the resilience of EU banks. This package comprises to complete the post-crisis regulatory agenda by making sure that the regulatory framework addresses any outstanding challenges to financial stability, while ensuring that banks can continue to support the real economy. The proposals amend the

Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) which were adopted in 2013 and which set out prudential requirements for credit institutions (i.e. banks) and investment firms and rules on governance and supervision; and these proposals amend as well the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) which were adopted in 2014 and which spell out the rules on the recovery and resolution of failing institutions and establish the Single Resolution Mechanism. With these measures, international standards shall be implemented into EU law, while taking into account European specificities and avoiding undue impact on the financing of the real economy. They also take into account the results of the Call for Evidence in which AECM took also part - <http://aecm.eu/wp-content/uploads/2015/10/AECM-contribution-EBA-.pdf> .

In the course of the corresponding discussions AECM demands relief for SME lending most importantly to keep the SME support factor unchanged and to introduce more proportionality, i.e. calling for a “small and simple banking box” which provides for fewer and simpler rules for small, low risk credit institutions. More precisely AECM is in favor of applying the criteria of the European Banking Authority (EBA) for defining the “small and simple banking box”: Institutions which, according to the EBA criteria, are not considered systemically relevant or otherwise systemically important should be included in the “small and simple box”. The revision of CRD and CRR should be used to reduce reporting obligations and to dispense with a general disclosure obligation in the “small and simple banking box”.

THE EU BUDGET

AECM took also part in the Public consultation on the revision of the Financial Regulation. Thus, AECM submitted its views on the revision of the financial rules applicable to **the EU budget**. These rules concern financial instruments like, for instance, 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 AECM’s members. 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. Yet, by means of some examples AECM illustrates in its position paper that there is room to simplify the regulatory and financial architecture - http://aecm.eu/wp-content/uploads/2016/12/AECMs-comments-Revision_Financial_Regulation_May-2016.pdf .

SME POLICY

Regarding **SME policy** in general, AECM paid particular attention to the drafting of the European SME-Action Programme (SMEAP). The SMEAP is an initiative of the SME-Envoy Network, a unique European network of SME policy makers and SME representatives. The SMEAP is meant to supplement the Small Business Act (SBA) as a working document. To recall: the SBA is the cornerstone of today’s European SME policy. Together with an update realized in 2011, it sets objectives and gives guidance to policy makers on both, European and national level. Based on the SBA considerable progress in European SME policy has been made. The SMEAP takes stock of the current situation of SMEs in Europe and analysis the main challenges they are facing. One of the topics covered is access to finance as to which AECM has been in constructive dialogue with the responsible persons of the network.

STATE AID

On 19 May 2016, the European Commission published the Commission Notice on the notion of **State aid** (cf. http://ec.europa.eu/competition/state_aid/modernisation/notice_of_aid_en.pdf). The objective of this communication consists in providing guidance on when public spending falls within and outside the scope of EU State aid control. In other words, by means of this communication help should be given to identify when public support measures can be granted without needing approval under EU State aid rules. Following the public consultation in 2014 in which AECM took part (cf. <http://aecm.eu/wp-content/uploads/2015/10/2014-03-14-AECM-position-on-notion-of-state-aid.pdf>), AECM stayed in touch with the European Commission following closely the developments.

In spring 2016, AECM undertook a survey among its members on state aid in order to gather information as to the question how the new state aid frame influences the situation in the countries. The outcomes were presented in the context of AECM's General Assembly in Porto on 22 June 2016 during which also Barbara Cattrysse, State aid expert at the Legal Department of the European Investment Bank (EIB) intervened.

In autumn 2016, ahead of a meeting of AECM's members VDB / Germany and aws / Austria with a representative of the Directorate-General Competition (DG COMP) of the European Commission, AECM's members received the opportunity to submit questions they were having in the area of state aid and which they wanted to be submitted to the Commission official. A compilation of all the questions received were later on also sent to DG COMP which provided the answers a few weeks later. AECM highly appreciates this fruitful exchange.

THE PRINCIPLES FOR PUBLIC CREDIT GUARANTEE SCHEMES (CGS) FOR SMES

In 2015, the elaboration of **Principles for Public Credit Guarantee Schemes (CGS) for SMEs** by a Task Force of the World Bank Group and FIRST, a multidonor grant facility providing short- to medium-term technical assistance to promote sounder, more efficient and inclusive financial systems, was finalized. Members of this small expert group were amongst others José Fernando Figueiredo, Special Honorary President of AECM, and Pablo Pombo, Founding President of AECM.

Even though subsequently these principles have been increasingly becoming a global benchmark for the design, implementation and evaluation of public credit guarantee schemes, it turned out that some aspects of these principles required further study. Accordingly, AECM was requested to participate in the reconvened Task Force with the specific objective to explore the "Additionality Assessment Framework for Public Credit Guarantee Schemes for Small and Medium Enterprises". AECM is delighted that its Special Honorary Chairman José Fernando Figueiredo is member of this Task Force being supported by Jean-Louis Leloir, Special Advisor to AECM's Board of Directors. In addition, AECM's Founding President Pablo Pombo is also a member of this Task Force yet, as before, in his function as Secretary General of REGAR, the Ibero-American Guarantee Network (cf. also <http://www.worldbank.org/en/topic/financialsector/publication/principles-for-public-credit-guarantee-schemes-cgss-for-smes>).

INTERNAL NEWS

To continue fulfilling its mission effectively, AECM also built further on its **internal reform**.

The **revision of statutes** got finalized with the publication in the Belgian official journal the Moniteur Belge on 22 April 2016. Major changes resulting from this revision are AECM's new name whereby the acronym remains the same, the possibility for the General Assembly as well as for the Board of Directors to take decisions via written procedure which was applied for the first time for the adoption of AECM's budget 2017, to participate in statutory meetings via means of modern communication and the possibility for the founding members of AECM to nominate a qualified person. This option was taken up by The National Federation of SOCAMA nominating its President Gilbert Rebeyrole as qualified person who was succeeded as SOCAMA's President and as qualified person by Daniel Goupillat.

Furthermore, AECM launched **a study among its members on their lobbying activities**. The outcomes of this survey were presented in the course of AECM's annual event in June 2016 and got incorporated as much as possible in AECM's daily activities.

Moreover, AECM focused on optimizing and increasing the added value of its membership. The core activity in this regard was the organization of **a strategy workshop on "Increasing the added value of AECM membership"** which took place during AECM's annual event in Porto / Portugal on 23 June 2016. Based on the input provided by all members and the lively discussions undertaken, AECM entered straight away into the process of transposing the outcomes into concrete actions. Among other activities this action plan covers the adoption and implementation of a new communication strategy with i.a. new types of internal newsletters, regular information on major lobbying activities as well as the set-up of online tools for our members to improve knowledge management within the organization such as the launch of a well-designed member area of AECM's website. Furthermore, AECM's activities in the area of statistics got further developed and expanded like it has been the case for our Operational Training Sessions for which the drafting of follow-up reports got introduced to mention only a few of the outcomes of this workshop.

Furthermore, **AECM's internal rules and regulations** were changed making it possible for AECM to enter partnership agreements with guarantee institution, a federation of guarantee institutions or a guarantee-support organization which does not have its legal headquarter in Europe, with supranational bodies and with commercial banks independent from the location of their respective legal headquarter. The aim of AECM is to foster lobbying and experience exchange through a broad membership basis.

Due to a reorganization of the structure and competences of several Polish business support institutions resulting in the creation of an umbrella organization called Polish Fund for Development (PFR) which comprises i.a. PARP and BGK, **PARP** left AECM with effect of 31 December 2015.

The year ahead is already shaping up to be an exceedingly eventful one for AECM. The association with the support of its members will continue paving the ground for MSME turning possibilities into reality enabling them to create new jobs and growth which is as vital as it always has been.

INTERNATIONAL

THE GLOBAL NETWORK OF GUARANTEE ORGANIZATIONS

On Friday 24 June 2016, the Global Summit of SME Guarantee Organizations Leaders decided in Porto to set up a Global Network of Guarantee Institutions (GNGI) in order to improve credit access for SME worldwide. AECM is one of the founding members.

Following the first Global Summit in 2007, the second meeting during the AECM annual event aimed at promoting greater ties between the different guarantee institutions and organizations related to guarantee business on a global level.



To consolidate their role as an instrument for economic development, a non-formal, cost-free and web-based Global Network to improve credit financing for Small and Medium-Sized Enterprises (SME) was launched. Representatives from all over the world such as Africa, Asia, MENA and institutions as the OECD and the SME Finance Forum took part in this decision.

The network serves as a platform for the exchange of information on the industry in order to facilitate working together and making the guarantee business even more efficient. There is no mandatory fee for interested organizations to join. The network will meet every year at one of its member's annual events such as ACSIC, AECM, REGAR or MENA and a Global Coordinator is in charge of maintenance and representation. The coordinator of this new project is José Fernando Figueiredo, inter alia Special Honorary Chairman of AECM. The founding members also invited the Chairman of KODIT Korea to co-coordinate the network.

Globally, SMEs face similar problems regarding the access to finance which can often be an obstacle to realizing a business project that is sound and makes commercial sense. This particularly happens to young entrepreneurs and start-up companies and can decrease economic development.

A greater cooperation is necessary not only to tighten the alliance between the relevant stakeholders SME, financiers and the government but to emphasize the important role of the SMEs as crucial driver of economic growth and employment. Their success also relies on the quality of work that guarantee institutions can provide. The importance of Guarantee Organizations is not only recognized by the European Commission but also by the World Bank Group, by the OECD and by the G20. In general, guarantee schemes, funds or programmes can bring strong additionality to financial products available for SME in the financial markets and allow access to more market participants.

AECM regularly liaises with guarantee schemes and stakeholders outside of Europe and organizes meetings between its members and these operators, as a way of exchanging best practices and experiences on a wider basis. In 2016, for example, we supported this exchange by organizing meetings between our members and the Japan Finance Corporation and the Taiwan SMEG.



SHARING BEST PRACTICES

AECM organizes regularly activities aimed at exchanging best practices and learning from each other, dedicated to the members but with sometimes external speakers with specific expertise on topics of interest. The Working Groups, the Operational Training Sessions and the Annual Event are all activities that fall within this scope.

AECM also organizes **Permanent Delegates Meetings**, which are meetings with the representatives of the members who are either based in Brussels or are in neighboring countries (i.e. France, The Netherlands and Luxembourg). During 2016 two meetings were organized in May and October to update the participants on AECM activities and initiatives and to exchange on current themes at European and national level.

OPERATIONAL TRAINING SESSIONS

AECM has been organizing since 2011 operational training sessions more or less twice a year: these seminars are intended to facilitate the exchange among the middle management on specific topics. In the course of these meetings a particular topic is dealt with in depth and the limited number of participants (between 25 to 50) allows for an informal and lively exchange, supplemented by the presence of external speakers who discuss the topics in an open and informal way, sometimes under the Chatham House Rule. The coordinators of the OTS are Inga Balzekaite (Garfondas I Lithuania) and Audrius Zabolka (INVEGA I Lithuania). In 2016 we discussed:

“Guarantee products and risk assessments. Evaluating risk for various types of guarantees”

9-10 May 2016 – Vilnius (Lithuania)

in collaboration with our Lithuanian members INVEGA and Garfondas

and

“Communication between Guarantee Institutions and Banks”

15-16 September 2016 – Warsaw (Poland)

in collaboration with our Polish member BGK

Both events were highly participated and all the presentations are available in the member area of the AECM website (open to members only). Also, for the first time in 2016 our Special Adviser to the Board Jean-Louis Leloir elaborated for each OTS a document summing up the content of the presentations and presenting some further themes for reflection. The reports are also available in the member area.

ANNUAL EVENT

One of the highlights in 2016 was, as usual, our annual event. This year it took place in Porto / Portugal from the 21st to the 25th June and was entitled “Bridges to the Future – The transfer of Family Businesses”. We were delighted to welcome 33 international top-class speakers and representatives of European and non-European countries as well as of international European institutions, perfectly hosted by our Portuguese members SPGM. Financially the event was strongly supported by the private mutual guarantee societies in the country: Agrogarante, Garval, Lisgarante and Norgarante being the local organization perfectly assured by Norgarante and SPGM teams. Our other Portuguese member, IAPMEI – Portuguese SME Agency gave its institutional support to the event.

The participation was wide: almost 300 participants from over 30 countries arrived in the city for the event, deep into the busiest week of the year. The 24 of June is the feast of the patron saint of Porto, Saint John, and half a million people crowded the streets on the night of the 23rd June until the morning.

This year’s seminar topic “The transfer of family business” was dealt with from a business, financial and international perspective. Family businesses are one of the oldest forms of commercial organizations and continue to be among the most common forms of business today, accounting for two-thirds of all business worldwide, generating more than 70% of global GDP annually. 85% of all European companies are family businesses providing 60% of jobs in the private sector, high-level speakers from European and international institutions discussed the most challenging moment for each family business: the transfer. 70% will not survive into the 2nd generation, 90% will not make it to the 3rd generation and only 3% make it further. The discussions ranged from policy actions of the European Union in this regard to the way how guarantee institutions support the transfer of family businesses.

Next to the annual seminar the statutory meetings of AECM took place, including a public session of the General Assembly in the course of which high-level speakers from the European Commission, the EIB, the EIF and the EBRD, moderated by Miguel Cruz, president of the Portuguese IAPMEI, presented and discussed the latest developments regarding the EU financial instruments.

Furthermore a strategy workshop, titled “Increasing the added value of AECM membership” was successfully organized for AECM’s members who took part and discussed the ways of making their membership even more valuable.

We are delighted to call our annual event 2016 a real success and are already looking forward to the next one in 2017, which will take place in Madrid from 31 May to 3 June 2017.

WORKING GROUPS

The **Working Group Agriculture** – chaired by László Tóth - met in Brussels on May 18th and saw many external speakers and participants: Victoria Zinchuk, Head of Agribusiness Advisory Services, Agribusiness, European Bank for Reconstruction and Development (EBRD) joined in audioconference, while Gereon Thiele, Head of Unit “Competition”, Directorate General for Agriculture and Rural Development, European Commission and his colleague Anna Foszczynski, Case Handler – State Aid carried out an exchange with the AECM members who took part in the meeting.

Also representatives from the DG Agriculture joined: Martin Scheele, Head of Unit “Consistency of rural development” and his colleague Nivelin Noev, Assistant Policy Officer – Assistant Horizontal Coordinator.

Our colleague from Verband Deutscher Bürgschaftsbanken (VDB), Siegfried Pöpperl, presented on their experience with the agricultural guarantee under COSME



The **Working Group Statistics** – chaired by Bernard Jehin - was held on 9th November in Luxembourg at the premises of the House of Entrepreneurship, courtesy of our member from Luxembourg MCAC and also saw the participation of AECM members and external participants from the EIF. Frank Lang, Senior Manager, Research & Market Analysis and Wouter Torfs, Research Officer, Research & Market Analysis at the EIF presented the joint draft EIB/EIF study on ‘Credit Guarantee Schemes for SME lending in Western Europe’, while Bernard Jehin and Marc Basel of AECM presented the Facts and Figures publication with AECM’s statistical data for 2014 and 2015.

THE AECM WEBSITE AND COMMUNICATIONS STRATEGY: A RESOURCE FOR EVERYONE

In 2016 the Secretariat, following the many useful indications that had arisen from the Workshop on Increasing the value of AECM membership in June in Porto, and the suggestions of some members of the Board, decided, in collaboration with Samuil Shiderov (member of the Board in charge for communications), to elaborate and activate a structured communication strategy.

Presented in Autumn 2016, the strategy document included many activities, starting with the creation of multiple **newsletters** (internal and external) promoting AECM activities and its members, through their best practices, the events and also the interesting news and events from the European Institutions sphere.

In parallel, a **Members Area** in the website was created, accessible only to members, which contains documents that are to be shared only internally, such as, for example, the membership fees, the KPMG study, or the presentations and documentation from the Operational Training Sessions and the Working Group meetings.

Also, a document containing the different products (and the contact person for each) is available in this private area, where it will be continuously kept up to date for everyone to use.

A **Social Media activity** was launched, the Secretariat worked mainly on the professional network LinkedIn, but also a Facebook page was created for the more “leisure” aspects of the Association’s life. It will be very interesting to use in the occasion of AECM’s 25th Anniversary in 2017, to collect photos and memories from the past.

Finally, the **AECM publications** now have a common graphic image which will change every year, namely in 2017 with the special 25th Anniversary logo.

PUBLICATIONS

STATISTICS

Figures of the European Guarantee Sector providing a Half-Yearly Trend Indication on the Evolution of the Guarantee Activity in Europe – AECM Scoreboard H2 2015

Figures of the European Guarantee Sector providing a Half-Yearly Trend Indication on the Evolution of the Guarantee Activity in Europe – AECM Scoreboard H1 2016

AECM Facts and Figures - Member statistics 2014 - 2015

POSITION PAPERS

January 2016

AECM’s comments on the European Central Bank consultation on the collection of granular credit and credit risk data (“AnaCredit”)

March 2016

AECM’s comments on the Basel Committee on Banking Supervision’s Second consultative document “Revisions to the Standardised Approach for credit risk”

May 2016

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

REPORTS

Annual activity report 2015

All publications of AECM are available for download in the website : www.aecm.eu

ACTIVITIES 2016 TIMELINE

Board of Directors Meetings

18 March Hamburg, Germany

22 June Porto, Portugal

23 September Paris, France

10 November Brussels, Belgium

Permanent Delegates Meetings

17 May Brussels, Belgium

07 October Brussels, Belgium

16 December Brussels, Belgium

Annual Event & General Assembly

21-25 June Porto, Portugal

Global Network of Guarantee Institutions creation

24 June Porto, Portugal

Operational Training Sessions

9-10 May Vilnius, Lithuania

15-16 September Warsaw, Poland

Workshops and seminars

21 January NPI Equity Investment Platform workshop, EIF, Luxembourg

08 March AECM - EIF Workshop on EU Financial instruments, Luxembourg

23 June AECM Seminar on the Transfer of Family Businesses, Porto, Portugal

23 June, AECM Strategy Workshop, Porto, Portugal

OECD Meetings

12-13 April WPSMEE, Paris

06-07 September WPSMEE Steering Group SME&E Entrepreneurship Financing, Paris

18-19 October WPSMEE, Paris

Working Groups

29 February Working Group Financial and Budget Monitoring

18 May Working Group Agriculture, Brussels, Belgium

09 November Working Group Statistics, Luxembourg

Speaking engagements

23 February Financing opportunities for projects in agriculture and rural areas - The Investment Plan for Europe”, Brussels

24 February Regional Seminar on Access to Finance, Brussels

31 March 01 April Innovative Enterprise Conference, The Hague, The Netherlands

18 April Round table discussion: The Use of Leasing for Small and Medium-sized Business Financing, Vilnius, Lithuania

21 April Ludwig von Mises Institute - Europe. Free Market Road Show Conference (European Parliament), Brussels, Belgium

28 April “les Rencontres Artisan’ALC” Metz, France

11-12 May, conference on « SME Financial Inclusion – The Role of Banks and Credit Guarantee Schemes », Cairo, Egypt

12 May, KODIT Global Forum on SME Finance “Measuring public benefits of credit guarantee schemes and enhancing SME finance”, Seoul, Korea

18-20 May, 46th ALIDE General Assembly, Rio de Janeiro, Brazil

24-25 May, European SME Transfer Summit 4th Edition, Cologne; Germany27 May EURADA Conference on regional financial instruments, Brussels, Belgium

31 May EAFRD financial instruments for agriculture and rural development in 2014-2020 conference, Madrid, Spain

31 May EBA/EIB conference on synthetic securitization and financial guarantees, London, UK

13 JuneEAFRD financial instruments for agriculture and rural development in 2014-2020 conference, Rome, Italy

07 September EIB public stakeholders' consultation event

13 September, International Conference on SME Finance, Minsk, Belarus

15 September, ESG International Summer Forum Leveraging the SME Business, Málaga, Spain

19-21 September Global SME Finance Forum 2016, “Headwinds and Tailwinds in SME Finance Regulation”, Beijing, China

24 October Macro-regional conference on EAFRD Financial Instruments for agriculture and rural development in 2014-2020, Warsaw, Poland

17 November Seminar for SMEs representatives on the European Commission's Economic Agenda, Brussels, Belgium

23-25 November SME Assembly, Bratislava, Slovakia

23-25 November, 29th ACSIC Conference "The Role for the Credit Guarantee Schemes in the New Normal World" Bangkok, Thailand

25 November Second EU -fi compass conference on EAFRD financial instruments for agriculture and rural development in 2014-2020 conference, Brussels, Belgium

28 November Focus group "study on the co-ordination and harmonisation of ESI Funds and other EU policies", Brussels, Belgium

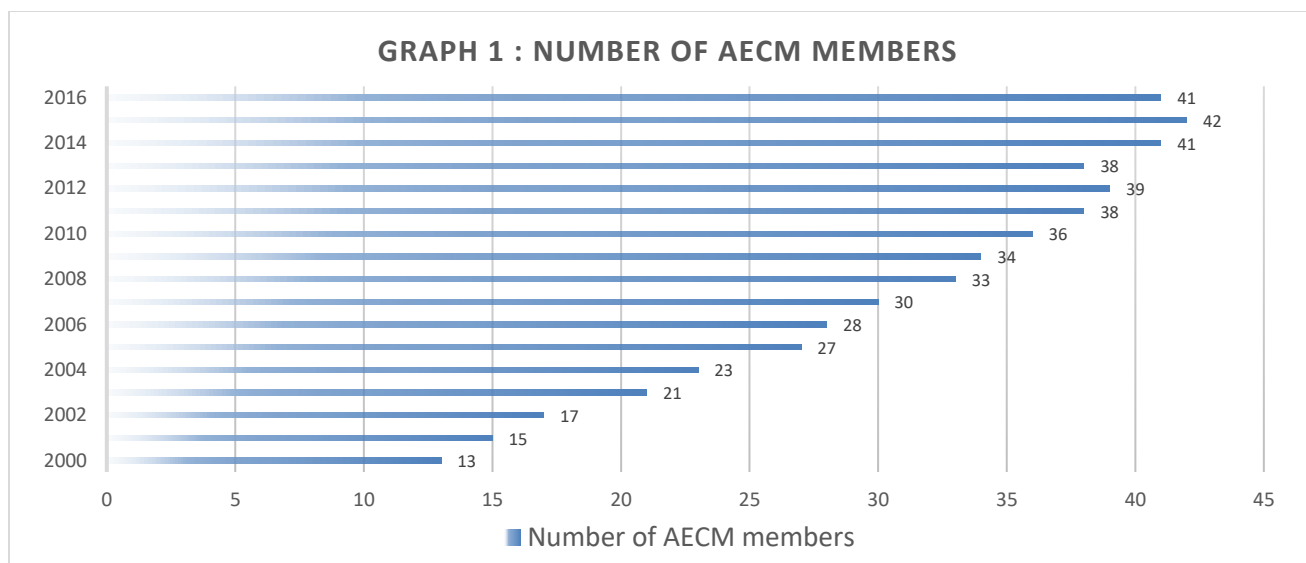
13 December Stars et Métiers Award, Paris, France

STATISTICS

The collection and analysis of AECM's half-yearly data '**AECM Scoreboard**' was pursued. Moreover, the European Investment Fund (EIF) published the 'European Small Business Finance Outlook' and the Organisation for Economic Cooperation and Development (OECD) issued their 'Scoreboard'-publication named 'OECD Scoreboard – Financing SMEs and Entrepreneurs' both based in part on the data AECM members provided. The General Secretariat would like to express their gratitude for this strong support and cooperation!

Finally, the study '**Credit Guarantee Schemes for SME lending in Western Europe**' by the European Investment Fund (EIF), which has been discussed during the first Working Group meeting in Statistics and Studies in November 2016, is in its final stages of publication and AECM will update you with the full report at the soonest.

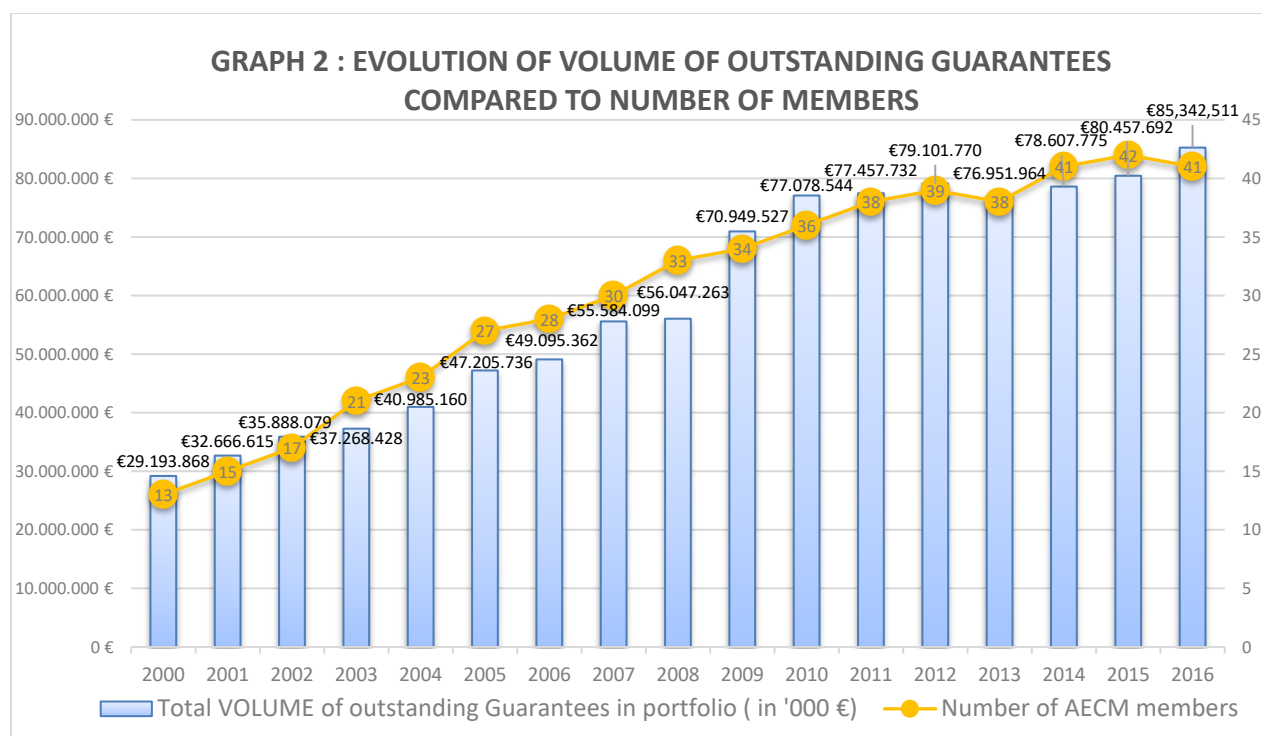
Development of key figures of AECM members



In the past year, the positive evolution of membership affiliations to the association experienced the same pattern as between 2011 and 2013, when the number of members went from 38 to 39 and back a notch.

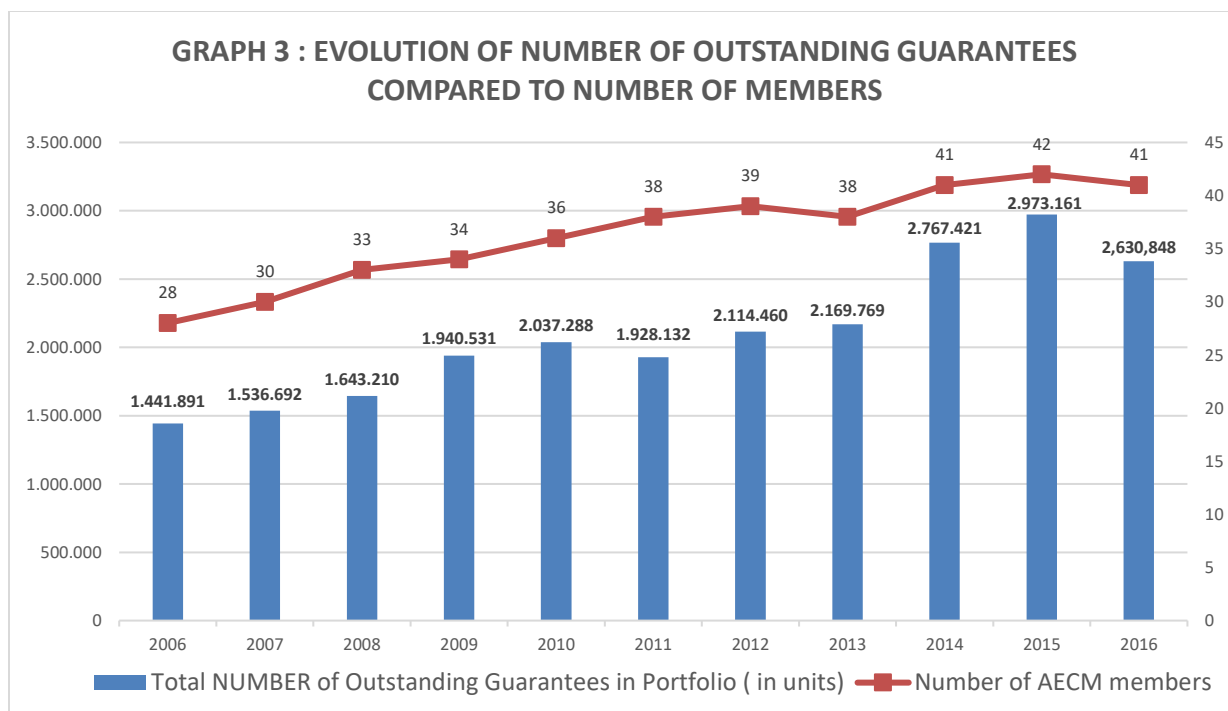
AECM's membership went down slightly in 2016 after Polish member PARP was made part of a bigger Polish government-owned organisation, of which AECM affiliate BGK is also a member.

In 2017, the General Secretariat together with the Chairman of AECM will continue their ongoing efforts to increase the membership base, focusing first on countries where AECM does not have any members yet.

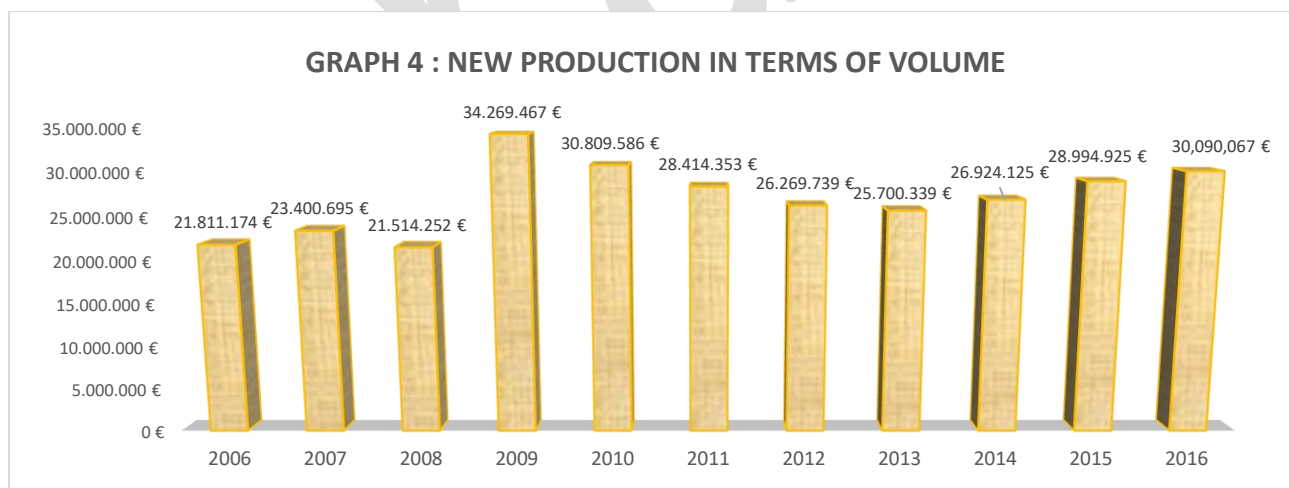


Graph 2 gives a clear indication of both the positive evolution of the number of AECM members (yellow-dot-line) and the increasing trend of the Volume of Outstanding Guarantees in the portfolio of AECM members.

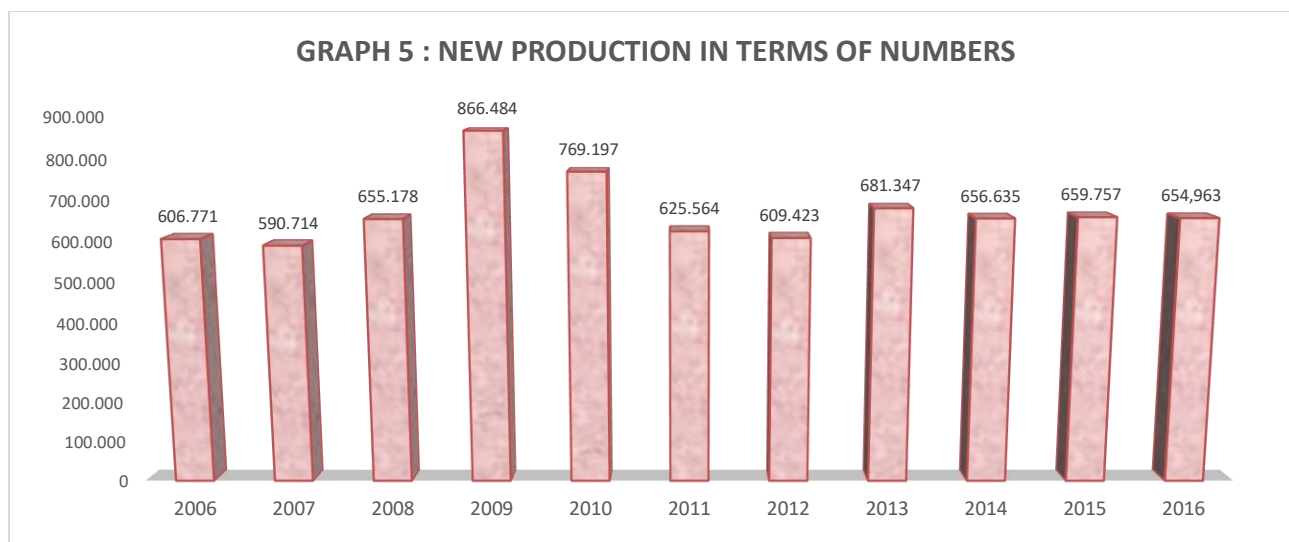
As described above, the number of members decreased slightly between 2015 and 2016. However, due to a strong shift in the volumes of outstanding guarantees of AECM members, this effect could not only be offset but outperformed with a new peak of more than €85 Bn in Guarantee Volume in AECM portfolios. Data definition for one of the largest members, Bpifrance, was modified, and includes now inter-group guarantees on financing offered by this institution.



Graph 3 shows a decreasing trend of the number of Outstanding Guarantees in portfolio (in units) from 2,97 M in 2015 to 2,63 M in 2016, which corresponds to -11,5%. This tendency is also shown on an individual member basis, as 18 out of 41 members experienced a stagnation or decline in their number of outstanding guarantees.



After a steady increase in the past years, the new production of guarantees in terms of volume (Graph 4) has stagnated between 2015 and 2016, showing only a minor increase of 4 % to roughly €30M.



The new production of guarantees in total numbers (graph 5) supports the overall stagnating trend illustrated in Graph 4. After remaining rather static between 2014 & 2015, it now holds at 654 963 units, which corresponds to a minor decrease of -0,73%.

A thorough analysis of these and other statistical figures of our members can be found in the next 'Facts & Figures' – publication as well as on the AECM- website.

Statistical Overview as of 31 December 2016

Country	Scheme	Volume guarantees in portfolio (€'000)	Guarantees in portfolio (units)	SME-benefic. in portfolio (units)
Austria	aws	903,614 €	5,012	3,805
	NÖBEG	31,031 €	544	544
Belgium	Fond Bruxellois de Garantie**	-	-	-
	Sowalfin	194,161 €	4,002	3,412
	PMV - Waarborgregeling	595,198 €	6,090	4,581
BHI	GF of the Republic of Srpska	8,144 €	61	41
Bulgaria	NGF EAD	150,539 €	2,895	2,645
Croatia	HAMAG-BICRO	194,591 €	1,646	1,518
Czech Rp	CMZRB	700,296 €	8,905	6,583
Estonia	KredEx	134,353 €	1,275	965
France	Socama	1,968,000 €	250,000	250,000
	SIAGI	757,217 €	33,412	27,729
	BPI France	16,069,402 €	403,774	299,288
Germany	VDB	5,557,332 €	45,627	37,914
Greece	ETEAN SA	204,490 €	4,838	4,838
Hungary	Garantiqa Hitelgarancia Zrt.	1,424,408 €	34,563	28,764
	AVHGA - Rural Credit Guarantee Found.	479,923 €	14,449	12,074
	MVA**	-	-	-
Italy	Assoconfidi**	20,078,000 €	941,075	1,231,969
	Ismea**	13,752,357 €	114,497	155,262
Latvia	ALTUM	114,797 €	739	579
Lithuania	INVEGA UAB	55,446 €	859	993
	Garfondas	129,600 €	1,151	1,151
Luxembourg	MCAC	931 €	57	57
The Netherlands	Netherlands Enterprise Agency	1,827,015 €	18,016	15,828
Poland	BGK	2,349,683 €	96,311	96,311
Portugal	SPGM	3,360,220 €	88,389	50,964
	Iapmei**	-	-	-
Romania	FGCR - Rural Cred. Guar. Fund	238,885 €	1,935	1,168
	FRGC – RLGF**	-	-	-
	FNGCIMM - NCGFSME	286,517 €	6,091	6,479
	FRC S.C. - Counter-guarantees**	-	-	-
Russia	FSECA	107,710 €	1,074	779
Serbia	GF Vojvodina	8,587 €	603	531
Slovenia	RRA-GIZ	10,147 €	44	55
	Slovenian Enterprise Fund	249,136 €	1,928	1,928
	Slo Reg Dev Fund**	-	-	-
Spain	CESGAR	4,005,405 €	70,272	122,198
Turkey	TESKOMB	5,226,470 €	414,965	414,965
	KREDI GARANTI FONU (KGF)	3,320,022 €	44,677	37,180
United Kingdom	BBB	821,884 €	11,072	9,914
TOTAL		85,342,511 €	2,630,848	2,834,128

** Data not available (due to size / i.e. activity of the organization) or taken from previous year

GUARANTEE ACTIVITY SURVEY

For the second year the general Guarantee Activity Survey (formerly known as “Chairman Survey”) was launched. This survey collects information on our members’ sentiment tendencies in their guarantee activities, past and future, as well as outlooks for future guarantee developments in order to integrate these answers in AECM’s strategic planning. The results of the first edition were presented in the General Assembly in Porto / Portugal on 22 June 2016 and the next presentation is foreseen for the meeting of the General Assembly in Madrid / Spain on 01 June 2017. As a consequence, in 2017 for the first time the indicators will be compared to former year’s survey results.

The results of the survey are available in the member area of the AECM website.

The annual activity report was curated by the AECM secretariat, Katrin Sturm, Marc Basel and Eleonora Censorii.