COSME Evaluation

Survey questionnaire

-----For internal use-----

Code	SO10005
SO	SO1
Target group	Other organisations

Evaluation questions are shown in blue and will be deleted once we upload the questionnaires

-----For internal use-----

1 Your organisation

Which of the following best describe your organisation:

1. Please state the name of your organisation

AECM – European Association of Guarantee Institutions

2. Please describe in what ways you have come across the COSME financial instruments (LGF, EFG or both)

AECM is an association with 42 members from 26 countries in Europe. 16 members are using the COSME loan guarantee facility and many of them have long-lasting experiences with EU guarantee instruments. To illustrate: Under the SME Guarantee (SMEG) facility of CIP, the predecessor programme of COSME, AECM's members channelled around two thirds of the corresponding EU funding. Therefore, the design of EU guarantee instruments and as to COSME of the LGF is of utmost importance for AECM and its members.

2 Relevance

3. Did the LGF, EFG address your members' needs? [Q2.2.1]

   Yes, in general the LGF addressed our members' needs enabling them to support even more micro, small and medium-sized enterprises (MSMEs); yet some features could be improved to make the LGF even easier to use.

4. [ROUTING: If NO] Please describe how these gaps could be covered. [Q2.2.2]

   - *The differentiation between loans up to 150.000,00 EUR and above and if above the examination if the SME meets the criteria to be eligible under the COSME programme and does not meet the criteria to be eligible under the SME window in the Debt Facility of the Horizon 2020 programme should be abolished in order to make the application of the LGF simpler and more practical*

- *If it were not possible to abolish the threshold of 150.000,00 EUR it should be substantially increased to correspond better to the needs of MSMEs (minimum 500.000,00 EUR)*
- *The maturity of minimum 1 year should be decreased and the maximum maturity of up to 10 years should be extended so that more MSMEs could benefit from the LGF*
- *The state aid regulation should be adapted in such a way that the same case is treated the same way no matter in which region or Member State the LGF is provided (e.g. an entrepreneur applying for a loan receiving a guarantee from a German guarantee bank which has signed an agreement for the LGF is treated differently when applying for the same loan for the same project at a bank in Austria receiving a guarantee from the Austrian promotional institution aws which has an agreement with the EIF for the LGF)*
- *Furthermore, state aid regulation should correspond to the market situation; in order to facilitate access to finance for a larger number of MSMEs, the Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees (2008/C 155/02) should be revised: instead of having a fixed safe-harbour premium of currently 3,8 %, a more flexible solution should be found adapting better to market needs*
- *In order to give every guarantee institution a chance to sign an agreement with the EIF, it would be preferable if the size of the contract did not matter; this is of course more valid for the InnovFin SME Guarantee Facility than for the LGF*
- *Unintended by the EU but has happened in practice were adaptations of reporting requirements for ongoing agreements; such changes of regulatory requirements should be avoided*
- *Reporting and other administrative requirements of the respective EU guarantee instruments (from structural funds, from COSME, InnovFin, the cultural and creative sector, etc.) should be aligned*

5. In your opinion, to what extent do the LGF, EFG respond to societal needs/challenges (such as demographic change, digitisation, etc.) [Q2.2.4]

   By providing MSME with a missing collateral, guarantee institutions enable them to realise viable projects covering the whole business cycle of MSMEs including the transfer and all types of projects. This means that guarantee institutions foster with their activity innovation, digitisation and growth. They contribute to maintaining existing employment and to create new jobs. Therefore, their activity responds to the whole range of societal needs and challenges. Given that the LGF supports this activity of guarantee institutions in an effective way, the answer is yes, the LGF does respond to those needs and challenges.

6. In what way the LGF, EFG could respond better to the current EU policy objectives, for instance to the new Single Market Strategy and its particular objective to support Start-ups and Scaling-ups [Q2.2.5]

   Guarantee institutions cover well this clientele of start-ups and scale-up. Thanks to the support of the LGF they can even promote more of them so that in general the LGF has proven to be very successful. Yet, going more in detail and as mentioned under point 3, the conditions of the LGF could be improved in order to enable guarantee institutions to reach out to even more start-ups and scale-ups.

3 Effectiveness

7. In your view, what were the main results (intended or non-intended) of the financial instruments so far and/or those that are likely to occur in the nearby future? [Q3.1.2]

   The guarantee instrument is well recognised at international, European, national and regional level. Experience has shown that the LGF like the guarantee instruments of the predecessor programmes CIP and MAP supports well MSMEs in getting access to finance.

   However, some distortions on the guarantee market are generated in those Member States where well-functioning guarantee institutions exist and, at the same time, commercial banks which sign a COSME agreement directly with the EIF. Whereby for COSME this co-existence of direct guarantees (= no guarantee institution involved) and counter-guarantees (= guarantee institution involved) is less often the case than for the InnovFin SME Guarantee Facility (examples are Bulgaria, Estonia, Italy), we would like to emphasize that the involvement of guarantee institutions results in many advantages, e.g. in increasing efficiency in the use of public money, generating higher leverage effects, creating additionality and what is crucial covering all SMEs, because AECM's members, i.e. national promotional institutions as well as mutual / private guarantee institutions, are cooperating with all commercial banking players in their domestic markets.

   In order to achieve greater coherence, it would be desirable to build up on the differentiation of the LGF treating counter-guarantees in a more favourable way than direct guarantees when determining which cases imply higher risks. AECM explicitly thanks DG GROW for this distinction.

8. Please describe potential gaps or hindering factors in adequately involving SMEs [Q3.2.2]

   Like stated before, in general the LGF is well designed to foster MSMEs' access to finance but some conditions could be adapted to even improve the instrument (abolishment of 150.000,00 EUR threshold, shorter minimum and longer maximum duration, harmonised state aid rules, …)

9. In your view, are there potential barriers for financial intermediaries to access the financing available through the financial instruments? [Q3.2.2]

   Our members have well taken up the LGF so that there are no barriers, yet some room for improvement exists nonetheless (cf. also point 4 and 7). Two aspects need to be highlighted explicitly:

   1. the additionality criterion is perceived as being too restrictive

   2. The threshold of 150.000,00 EUR

   The COSME threshold is currently restricted to 150.000,00 EUR per loan per SME. As stated before, we believe that this threshold is superfluous. COSME and its successor programmes should allow to finance all types of high risk operations without being obliged to assess whether the project to be financed is innovative or non-innovative.

   The reason is that this low threshold hinders the scope of both, potential financial intermediaries and final beneficiaries. To illustrate: as regards for instance AECM's member Bpifrance, it results in a further constraint as the minimum amount of most of its unsecured loans ranges from 100.000,00 EUR to 500.000,00 EUR. Then the low threshold renders the LGF inapplicable to most of its loans.

   Even though COSME can cover loans above this threshold if the financial intermediary demonstrates the final beneficiary does not fulfil any of the innovation criteria set out in the InnovFin SMEG term sheet, this option is in practice very difficult to implement and entails an excessive administrative burden for the financial intermediary.

10. In your view, what additional actions beyond the current financial instruments might be necessary to achieve the objective of securing financing for European SMEs? [Q3.2.3]

We don't see any need to create new actions; the LGF works well and like its predecessor instruments has stood its test. We would appreciate a continuity of this well-proven counter-guarantee instrument.

It should be paid attention to the financial endowment of the LGF in order to ensure that the resources will be sufficient till the successor instrument becomes operative.

In general, it can be stated that we don't see a need for niche products which are neither needed nor easy to implement.

- *About the above-mentioned additionality criteria issue*

It should be noted at the outset that the existing criteria should be interpreted more extensively and based on a qualitative approach to better fit the market reality. In particular, a new loan program should be recognized as such within the first option even if an insignificant number of comparable transactions has already been signed beforehand. This constructive approach of the two additionality criteria would have the benefit of creating a continuum between them, as there is a gap for the financial intermediary between signing a few isolated deals within its initial positioning and launching a new comprehensive program consecutively to the EU guarantee.

Yet, there is a need for further incentives for SMEs to invest in key areas for their competitiveness, including in the fields of the factory of the future (robotization, digitization and energy efficiency) and internationalization expenses. However, SMEs experience difficulties with access to credit to finance intangible and tangible investments as well as their working capital. Those needs can require a banking funding through subordinated loans, mainly presenting the features of unsecured loans without or with a low value collateral. This results in a financing gap.

This financing gap justifies a specific support from the EU targeting those investments which are essential for the development of businesses. Thus, a third additionality criterion should be added, considering subordinated loans additional as such.

- *About the above-mentioned threshold issue*

AECM and its members are fully aware that any modification on that ground would require a revision of the legal basis of the program and therefore an agreement decided upon jointly by the European Parliament and the Council of the European Union. However, we would recommend to ideally abolish this threshold or, as second best, to raise the financing guarantee threshold to 500.000,00 EUR. This increase would extend the scope of the COSME guarantee program to SMEs not eligible under InnovFin and speed up its delivery on the ground.

- *Others:*

- *Enlarging the scope of the financing guarantee to mid-caps*

  Despite their difficulties in financing their investment, "non-innovative" mid-caps cannot benefit neither from InnovFin nor from COSME as the former is dedicated to innovative businesses and the latter targets SMEs.

  In order to tackle this financing gap, mid-caps up to 3.000 employees should be made eligible to COSME so that its scope includes the "non-innovative" ones. It would widen the range of COSME beneficiaries and strengthen the continuum of financing for non-innovative businesses.

- *Ensuring better conditions for counter-guarantees to prevail national guarantee institutions*

  Apart from a stronger knowledge of national markets, it appears that domestic guarantee institutions are the best placed to avoid overlaps between national and European programs, as well as to ensure a better visibility of funding solutions.

  Consequently, more favorable terms should apply to counter-guarantee mechanisms in order to avoid that banks chose the European guarantee rather than a national one.

11. In your view, is the current budget allocation to the EFG and LGF adequate in size? [Q3.2.4]

    Given the strong demand from our members we fear that the allocated budget to the LGF will not be sufficient. Our members estimate a need of around 4.5 bn EUR in guarantee volume, assuming a cap of 10% this means of 450 mio EUR COSME funding till the end of 2020. Adding the transitory period of 2021 plus the need of other market participants we have the impression that the increases of the LGF under EFSI 1.0 and the envisaged one under EFSI 2.0 will not be sufficient.

12. To what extent is the EFG and LGF progressing in their objective to facilitate SMEs' access to finance? [Q3.3.1]

    The LGF is based on the continuity of the SME guarantee facility under CIP and the guarantee instrument under MAP. Given the market failure with which MSMEs are faced in accessing finance, LGF like its predecessor instruments supports well and effectively MSMEs in getting access to finance. Also in the future, the demand for such public support in form of an EU counter-guarantee instrument will remain since likewise the market failure will remain.

4 Efficiency

13. In your view, does the benefit of participating in the financial instruments prevail over any corresponding administrative costs and burdens? [Q4.1.2]

    It seems that the administrative requirements have been increasing slowly but constantly from one programme to the other. One needs to be very careful in striking the right balance between transparency, administrative burden, proportionality and costs. So far AECM's members cope well with the requirements which should not be further tightened. Regarding for instance visibility requirements it would be easier to do more if a budget were foreseen. Yet, normally additional requirements are entirely up to the financial intermediary in both regards, the actions as such as well as the financing of such additional activities.

14. How do you rate the EIF's role in the implementing process of the financial instruments? [Q4.3.2]

    Regarding the EIF's role in the implementing process of the financial instruments with guarantee institutions we rate it very good. Several members of AECM enjoy a long-lasting excellent cooperation with the EIF. Our members report that the EIF is very supportive in explaining the process and conditions to be met in order to sign an agreement.

    What is not foreseen for the implementation but would be strongly needed is that when examining an application, a more profound analysis of a crowding-out effect could be caused would be done. Such an ex-ante assessment should become obligatory.

15. Please elaborate (if less good or not good: provide views on possible improvements) [Q4.3.2]

    (Open text)

16. To what extent is COSME programme in its part "access to finance" simplified compared to the previous programming period 2007-2013? [Q4.1.3]

17. Is there and what is the potential for further simplification and reduction of the administrative burden? [Q4.1.3]

    As stated before abolition of the threshold of 150.000,00 EUR, shorter minimum duration, longer maximum maturity, more practically oriented state aid regulation, etc.

5 Coherence

18. In your view, do EFG and LGF exhibit synergies, complementarities or overlaps with other EU level actions? [Q5.2.1]

    The combination of COSME funding and EAFRD resources has not been clear from the start and has led to the fact that requests were put on hold or even rejected; for upcoming programme periods, it would be appreciated to have a clearer picture of the possibility to combine different EU financial resources right from the start;

    overlaps are rare but happen (e.g. in a region in Germany overlap of a guarantee instrument under structural funds for the agricultural sector and under COSME);

    Thus, there remains some room for improving the coherence between guarantee instruments at EU level – request for greater complementarities and synergies between existing instruments and players

19. In your view, do EFG and LGF exhibit synergies, complementarities or overlaps with other similar actions at the national or regional level? [Q5.3.1]

    As counter-guarantee instrument the LGF is an essential complementary well-proven support strengthening even the positive effects that guarantee institutions achieve; overlaps are rare but happen in the above-mentioned case of a co-existence of a commercial bank signing a COSME agreement despite the presence of a well-functioning guarantee institution in the same region or Member State. Another example is the guarantee of the EU SME Initiative which overlaps for instance in Spain with the activity of the regional mutual guarantee societies.

    Thus, there remains room for improving the coherence between guarantee instruments at EU and national / regional level.

    Possible solutions would be to design the EU guarantee instrument in such a way that the conditions for counter-guarantees are more favourable than the ones for direct guarantees as it is already the case in the option to provide a riskier loan targeting new SMEs or presenting new features; this differentiation should be further pursued.

    Moreover, the provision of EU-guarantees should be adjusted to the characteristics of the Member States or regions: for instance, direct guarantees should not be contracted with banks in countries / regions where well-working guarantee institutions operate. A quota could be established concerning direct and counter-guarantees, with the priority of the latter in areas where guarantee institutions are active. Competition between different guarantee schemes (i.e. EIF direct guarantee to banks and national / regional guarantee institutions) is counter-productive.

20. In your view, which of the following communication instruments helps potential beneficiaries accessing the EFG, LGF?: (Tick all that apply) [Q5.1.2]

    - Your Europe Business Portal
    - SME internationalisation portal
    - Enterprise Europe Network - *YES*
    - Other (please specify) – *YES, events of business organisations often jointly with guarantee institutions; some members are very closely linked with the entrepreneurs and have found several ways to promote their activities*

21. Please elaborate on how the respective communication instrument(s) facilitated potential beneficiaries' access to the EFG, LGF [Q5.1.2]

    In form of events; with the support of the partners of the guarantee institutions

22. In your view, are there overlaps or synergies between the communication instruments mentioned before?: [Q5.1.2]
    - Yes
    - No

    (In addition, an open answer field for further explanation)

6 EU added value

23. In your view, could the financing provided under EFG and LGF have been provided solely by private institutions without any public support? [Q6.1.1]
    - Yes
    - No - *NO*

24. In your view, could EFG and LGF support have also been provided at the national or regional level? [Q6.1.2]
    - Yes
    - No – *NO; in order to achieve higher leverage rates and use public money in a better way, it is important to involve the EU level in the risk sharing chain*

25. In your view, is there a need to continue EFG and/or LGF? [Q6.2.1]

    YES