REPRESENTATIVE OF GUARANTEE INSTITUTIONS IN EUROPE

- fostering SMEs’ growth
As the European umbrella organization and sector representative, we aim at promoting the guarantee instrument, a powerful tool for innovation, economic growth and job creation.

Our members have the common mission of providing guarantees to SMEs who have an economically sound project but cannot provide sufficient bankable collateral.

3 MAIN AIMS

1/ Political representation

2/ Exchange of best practices

3/ Promotion of the guarantee instrument
AECM IN NUMBERS

OVER €125 BN of guarantee volume in portfolio per end of 2017

OVER €74 BN of new guarantees granted in 2017

47 MEMBERS

MORE THAN 2,9 M SMEs benefit from a guarantee

MORE THAN 700,000 new SMEs supported in 2017

28 European countries
**HOW DOES A GUARANTEE WORK?**

**INDIRECT APPLICATION**

1. **ENTREPRENEUR**
   - sound project
   - needs capital
   - not enough collateral

2. **BANK**
   - The risk is too high
   - Bank contacts guarantee institution

3. **GUARANTEE INSTITUTION (GI)**
   - reviews business plan
   - decides if to grant the guarantee

4. **COUNTERGUARANTEE**
   - The GI receives a Counterguarantee from:
     - Funds
     - EU/EIF
     - Member State

5. **BANK**
   - GI grants guarantee
   - Bank carries on average 30% of the risk
   - GI covers on average 70% of the loan

6. **ENTREPRENEUR**
   - puts business project in action
   - stays liable

7. **ENTREPRENEUR**
   - Entrepreneur tries to obtain a loan from the bank
   - The risk is too high
DIRECT APPLICATION

1. ENTREPRENEUR
   - sound project
   - needs capital
   - not enough collateral

2. GUARANTEE INSTITUTION (GI)
   Applies for a guarantee

3. ENTREPRENEUR
   Confirms the guarantee commitment

4. BANK
   Applies for a loan

5. ENTREPRENEUR
   - puts business project in action
   - stays liable

   Provides the loan

   Applies for a loan
GROWING TOGETHER

FOR SMEs
- Access to finance for economically sound projects
- Additional support and expertise
- Recognition of qualitative factors in risk analysis
- Geographic coverage of all SMEs
- In some guarantee schemes, SMEs participate in the management

FOR PUBLIC AUTHORITIES
- Cost efficient due to risk sharing
- High leverage effect
- Costs are outweighed by benefits
- Efficient way to implement policy objectives e.g. public support for specific sectors
- In times of financial downturns guarantees can be a part of a counter-cyclical public policy toolkit to support lending to SMEs

FOR BANKS
- Reduction of its risk exposure
- Increase of lending activity
- Positive effect of guarantees on the capital requirements in many countries
- Additional expertise results in stronger decision
- High level of liquidity of guarantee in case of default

Added value by
European Association of Guarantee Institutions

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