



Guarantee institutions take action to fight economic consequences of the COVID-19 outbreak

As European countries close down public life (shops, restaurants, cafés, transport, services, etc.) in an attempt to limit the spread of COVID-19 infections, small businesses are those suffering first. Many of them face serious risks of insolvency already after a short time. A large number of jobs are at risk.

Guarantee institutions support small and medium-sized enterprises in overcoming the existing market failure in the area of SME finance¹ in normal times **and help SMEs that are under pressure** in times of economic distress. During the financial crisis 2008 to early 2010s, **guarantee institutions** - supported by national governments and EU programmes - filled in where commercial banks were retreating from risk taking². This bold intervention made it possible to mitigate negative consequences for the European economy.

Guarantee institutions stand ready to support SMEs also during the current crisis. Many of them reacted in no time, setting up **specific support schemes with favourable conditions**. The following list of measures is non-exhaustive but gives a good overview of the adopted measures:

- Increase of the guaranteeing capacity (in terms of total guarantee volume to be granted) as well as increase in maximum guarantee volumes per beneficiary
- Increase of the proportion of a loan that can be covered by our members' guarantee
- Reduction or waiver of processing and guarantee fees
- Fast-track procedures with reduced documentation requirements
- Extension of repayment period of guaranteed loans and granting of an amortisation-free period
- Extension of the scope of the guarantees to sectors that were previously not covered and to further development stages of companies

¹ For an overview of market failures in SME lending and mitigation techniques: OECD (2018). *Financing SMEs and entrepreneurs 2018. An OECD Scoreboard*, OECD Publishing, Paris.

² During the financial crisis guarantee volumes increased by more than 25 % and the number of supported SMEs dipped up by almost 50% with respect to the pre-crisis period.

- Introduction of hotlines to give swift advice to companies under strain

Please check out the [websites of our individual members](#) to find out which particular measures they offer. A non-exhaustive list of measures can be seen [under this link \(in the Annex\)](#).

Guarantee institutions need support from the European institutions as well as from their respective national governments in order to be able to seamlessly perform their mission of mitigating the economic consequences of the COVID-19 outbreak. That is why we call on to the decision-makers to take action in the following areas:

- Flexible, unbureaucratic and comprehensive approach towards the use/adaptation of existing programmes
- Easing of state aid rules in order to allow guarantee institutions to adapt the use of national resources to current needs
- For financial instruments under central and shared management: budget top-up, easier and faster procedures as well as more favourable, crisis-adapted conditions

A list of AECM's major policy recommendations can be seen [under this link](#).

We call on all actors to collaborate and to overcome the current crisis jointly. **Guarantee institutions are ready to contribute substantially** to the fight against the economic and social consequences of the current crisis.

Brussels, 20th March 2020

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 29 countries in Europe. They are either private sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. AECM's members operate with counter-guarantees from regional, national and European level. At the end of 2018 AECM's members had more than EUR 112 billion of guarantee volume in portfolio, thereby granting guarantees to almost EUR 3 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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