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AECM contribution to the Commission's call for evidence for an evaluation of the European Regional Development Fund & Cohesion Fund 2014-2020

The European Association of Guarantee Institutions (AECM) welcomes the Commission's call for evidence for an evaluation of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) in 2014-2020 and would therefore like to provide feedback on experiences in implementing financial instruments co-funded by ERDF and CF.

To start with, we would like to mention that out of AECM's 48 member organizations, which are operating in 31 countries in Europe, 40 are public promotional institutions or banks, 4 are mutual / private, and 4 are public private mixed. Our members' mission is to provide loan guarantees for SMEs who have an economically sound project but cannot provide sufficient bankable collateral. In doing so, since the 2007-2014 programming period, our members channel ERDF and CF funds playing therefore an important role in EU cohesion policy by acting either as implementing bodies or as financial intermediaries. In other words, AECM members implement these funds through financial instruments in form of guarantees promoting EU policy objectives.

The guarantees cover investment loans as well as working capital loans. The credit risk protection of the ERDF and CF guarantee enables banks to finance riskier enterprises and to provide loans with more favourable collateral requirements and at reduced costs compared to standard market conditions.

Against this background, we would like to highlight two main advantages of the financial instruments in form of guarantees that make the guarantee instrument a successful and promising tool in achieving the ERDF and CF objectives.

Firstly, the guarantee instruments channeled via guarantee institutions are designed to attract co-investments from other sources, including private in-

vestments, and to increase the amount of funds available in particular in sectors/areas where there are problems with access to finance (risk sharing and accordingly a high leverage effect).

Secondly, they allow the initial allocations of funds to be reutilized (revolving factor). For instance, flows of money go out of loan funds, which is not the case for guarantee funds, unless the recipient defaults, whereby the default rates are fairly low. This way, guarantee instruments put EU funds to good and efficient use, ensuring that EU grants are complemented by financial products so that EU funding can be used again in a revolving fashion creating an even greater impact.

For more information on advantages of financial instruments in form of guarantees as well as a practical implementation example, please see our brochure on advantages of financial instruments in form of guarantees PDF.

As a result, AECM recommends for the current 2021-2027 programming period that:

a. the Commission:
    - increases incentives for Member States to set up financial instruments in form of guarantees and encourages Member States to use such instruments by working with our members as financial intermediaries who, for their part, work with commercial banks.

b. the Members States:
    - set up on time financial instruments in order to avoid delays in implementation.

Brussels, February 2022

About AECM:
The 48 members of the European Association of Guarantee Institutions (AECM) are operating in 31 countries in Europe. 40 of them are public promotional institutions or banks, 4 are mutual / private, and 4 are public private mixed. They all have in common to 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. As of end-2020, AECM's members had about bEUR 330 of guarantee volume in portfolio, thereby granting guarantees to around 5.2 million SMEs.

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