

Leveraging the EU budget for investments

The [European Association of Guarantee Institutions \(AECM\) and its members](#) closely accompanied the legislative process for the establishment of InvestEU and for the Multiannual Financial Framework (MFF) 2021 to 2027. Throughout the process, our objective was to aim for a programme that has the capacity to build on the success of the Juncker Plan. Regrettably, **the budgetary allocation of InvestEU - far below the one of the programmes merged under it - does not allow for such high aspirations.** This is not only undesirable, but it becomes a real problem after 2023, when yearly allocations drop to around mEUR 200 p.a. (see annex).

At the same time, InvestEU and especially the products offered by the European Investment Fund (EIF) are at least twice oversubscribed and this situation is set to aggravate during the remaining programme period, especially after the end of the Next Generation EU programme in 2023.

Against this background, we warmly welcome the European Parliament's demand for a revision of the current MFF and that a legislative or non-legislative MFF review is mentioned in the Working Programme of the Commission for 2023. We would like to set out in what follows why an upside correction of the InvestEU allocation makes sense:

- **SMEs' needs in turbulent times**

Small and medium-sized companies were heavily impacted by the consequences of the covid pandemic and the corresponding lockdown and social distancing measures. Now, they are facing the repercussions of the Russian War via trade sanctions, supply chain disruptions and high inflation. The preservation of a rich SME landscape is indispensable for a healthy European economy. That is why support to viable SMEs in general, but especially to those, that are hit by the aforementioned shocks through no fault of their own, is of essence.

- **High ambitions of the twin transition**

The current crises are not the only challenge that SMEs are facing. The sustainable and digital transition may be the biggest challenge, which is also accompanied by heavy regulatory requirements, both on the side of SMEs and of their financiers. Moreover, the twin transition represents an enormous cost. Many SMEs will need to be financially accompanied on that journey. Since the twin transition is a key objective of the EU, it should provide adequate financial means to trigger private sustainable and/or digital investment.

- **Efficiency and budget-friendliness of the guarantee instrument**

The advantage of the guarantee instrument is the high leverage effect that it allows for¹. Especially in times where resources are scarce, it makes sense to strengthen a programme that allows for a massive crowd-in of private, national and regional investment. As was impressively shown following the outbreak of the pandemic, the guarantee is an instrument that provides immediate support. This is of keen importance especially in times of crisis when a fast response is required. Moreover, it is the most efficient and cost-effective tool addressing market failure in the area of SME finance.

- **Positive impact on our economy**

The financial and economic additionality as well as the positive macroeconomic impact of guarantee programmes is proven. The activity of many of our members is assessed via impact studies and the almost entirety of those studies show positive results². A 2019 EIF study on the performance of the InvestEU pre-predecessor CIP found that guaranteed loans positively affect the growth of firms' assets (by 7 to more than 35%), sales (by 6 to 35%), employment (by 8 to 30%), and lower their probability to default (by 4 to 5%)³.

- **Excellent performance of guarantee institutions and NPBI**

During the current crises, guarantee institutions and NPBI adapted their offer and implemented government support in no time in order to meet the needs of SMEs. This was only possible thanks to their long-lasting experience and their strong agility. But also in normal times, the role of guarantee institutions is crucial in order to overcome market failures in the area of SME financing caused by adverse selection and information asymmetry⁴.

Ahead of the upcoming InvestEU mid-term review, we therefore **call for preparing the ground already in the mid-term review of the MFF for a substantial increase of the budgetary allocation of InvestEU, either through new resources, through reflows from previous programmes like EFSI or from a revision of the distribution of funds in favour of InvestEU.**

¹ According to calculations of the EIF with regard to the COSME programme, presented at a Commission Workshop on InvestEU on 11th June 2019, a guarantee implemented by a guarantee institution or a national promotional bank or institution (NPBI) allows for a leverage of up to 41.

² [AECM Statistical Yearbook 2021](#) and [2020](#), both with an overview of impact studies.

³ [Brault, J., Signore, S. \(2019\)](#). The real effects of EU loan guarantee schemes for SMEs.

⁴ [OECD \(2006\)](#). The SME finance gap. Vol. 1. Theory and evidence. 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.

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 31 countries in Europe. They are either private / mutual 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. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. The broader social and economic impact of this activity includes the following:

- Job creation and preservation of jobs by guaranteed companies
- Innovation and competition: crowding-in of new ideas leading to healthy competition with established market participants
- Structure and risk diversification of the European economy
- Regional development since many rural projects are supported
- Counter-cyclical role during crises

SME guarantees generally pursue a long-term objective and our members, if public, private, mutual or with mixed ownership structure, have a promotional mission.

AECM's members operate with counter-guarantees from regional, national and European level. As of end-2021, AECM's members had about bEUR 312 of guarantee volume in portfolio, thereby granting guarantees to around 5.9 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.

Have a look at our most recent publications:

[AECM Statistical Yearbook 2021](#)

[AECM members' support programmes beyond standard debt guarantees](#)

[AECM covid brochure - Update February 2022](#)

European Association of Guarantee Institutions - AECM
Avenue d'Auderghem 22-28, bte. 10, B-1040 Brussels
Interest Representative Register ID number: 67611102869-33



Annex

MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027 (in commitments) - Current prices

	2021	2022	2023	2024	2025	2026	2027	2021-2027
1. SINGLE MARKET, INNOVATION AND DIGITAL	20,919	21,288	21,125	20,984	21,272	21,847	22,077	149,512
1. Research and Innovation	12,637	12,718	13,268	13,440	13,577	14,001	14,080	93,720
Horizon Europe	11,507	11,737	11,971	12,352	12,599	12,851	13,108	86,123
<i>In addition, allocation under NGEU</i>	<i>1,804</i>	<i>1,786</i>	<i>1,822</i>	-	-	-	-	<i>5,412</i>
<i>In addition, allocation under MFFR Article 5 (illustrative annual breakdown)</i>	-	542	553	564	575	586	598	3,418
<i>In addition, indicative re-use of decommitments under the FR, Article 15(3)</i>	75.8	77.3	78.8	80.4	82.0	83.7	85.6	564
Euratom Research and Training Programme	266	271	276	281	288	294	305	1,981
International Thermonuclear Experimental Reactor (ITER)	864	710	1,020	806	690	856	667	5,614
Other	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2
2. European Strategic Investments	5,133	5,359	4,582	4,343	4,431	4,519	4,610	32,978
InvestEU Fund	1,029	1,049	190	194	198	202	206	3,068
<i>In addition, allocation under NGEU</i>	<i>1,783</i>	<i>1,818</i>	<i>2,473</i>	-	-	-	-	<i>6,074</i>
<i>In addition, allocation under MFFR Article 5 (illustrative annual breakdown)</i>	-	181	185	189	192	196	198	1,141