



aecm
EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

SME guarantee activities since the financial crisis

Felix HAAS VINÇON, Head of Unit, AECM

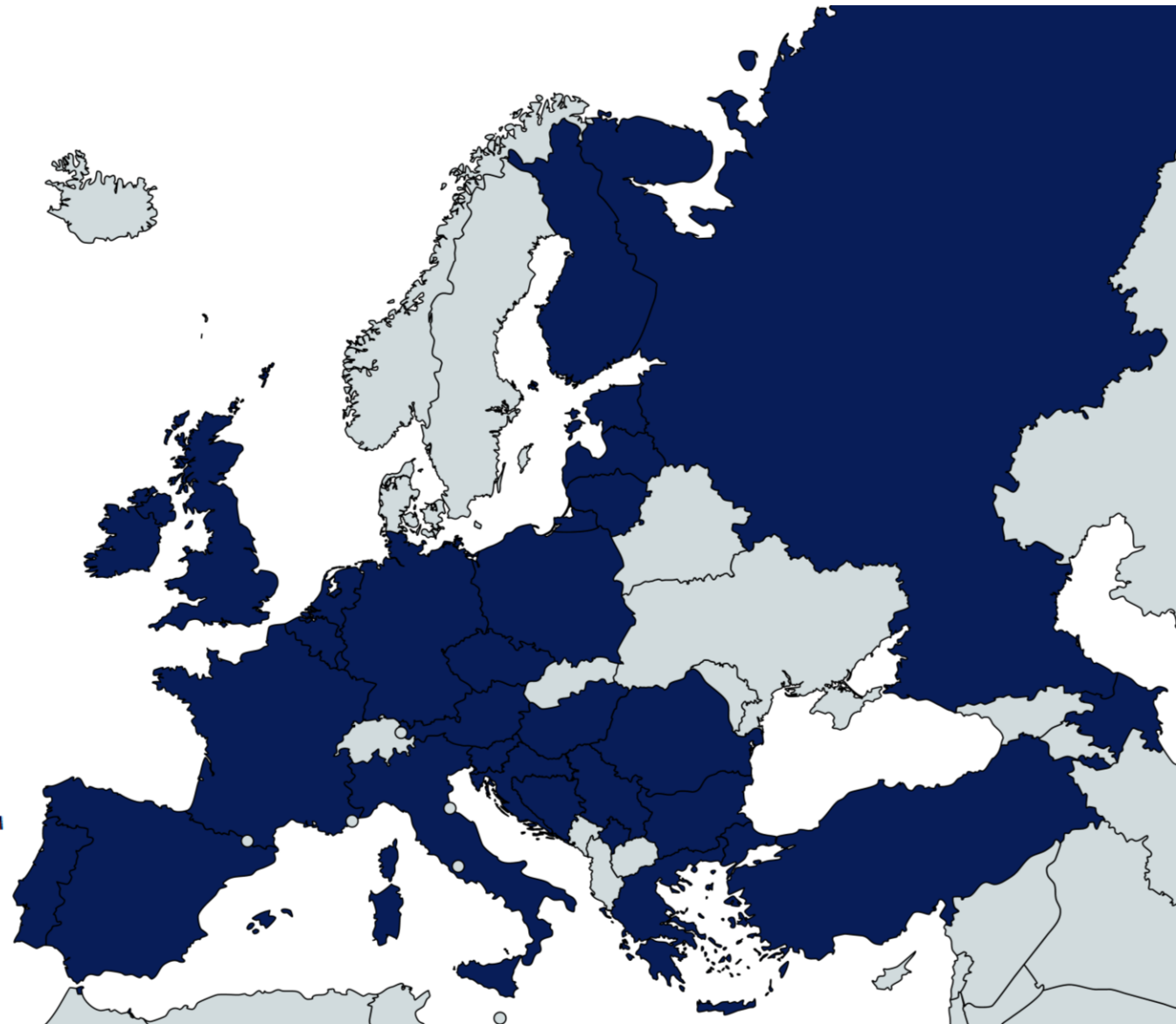
OECD WPSMEE Informal Steering Group, 11th September 2019

What is AECM?

- Founded in 1992 and headquartered in Brussels
- 48 members (public, private, mutual, mixed)
from 29 European countries
→ common goal : support SMEs with economically viable project but lack of collateral to get ACCESS TO FINANCE
- Association has three main missions:
 1. Political representation
 2. Exchange of best practice
 3. Promotion of the guarantee instrument

48 members in 29 countries

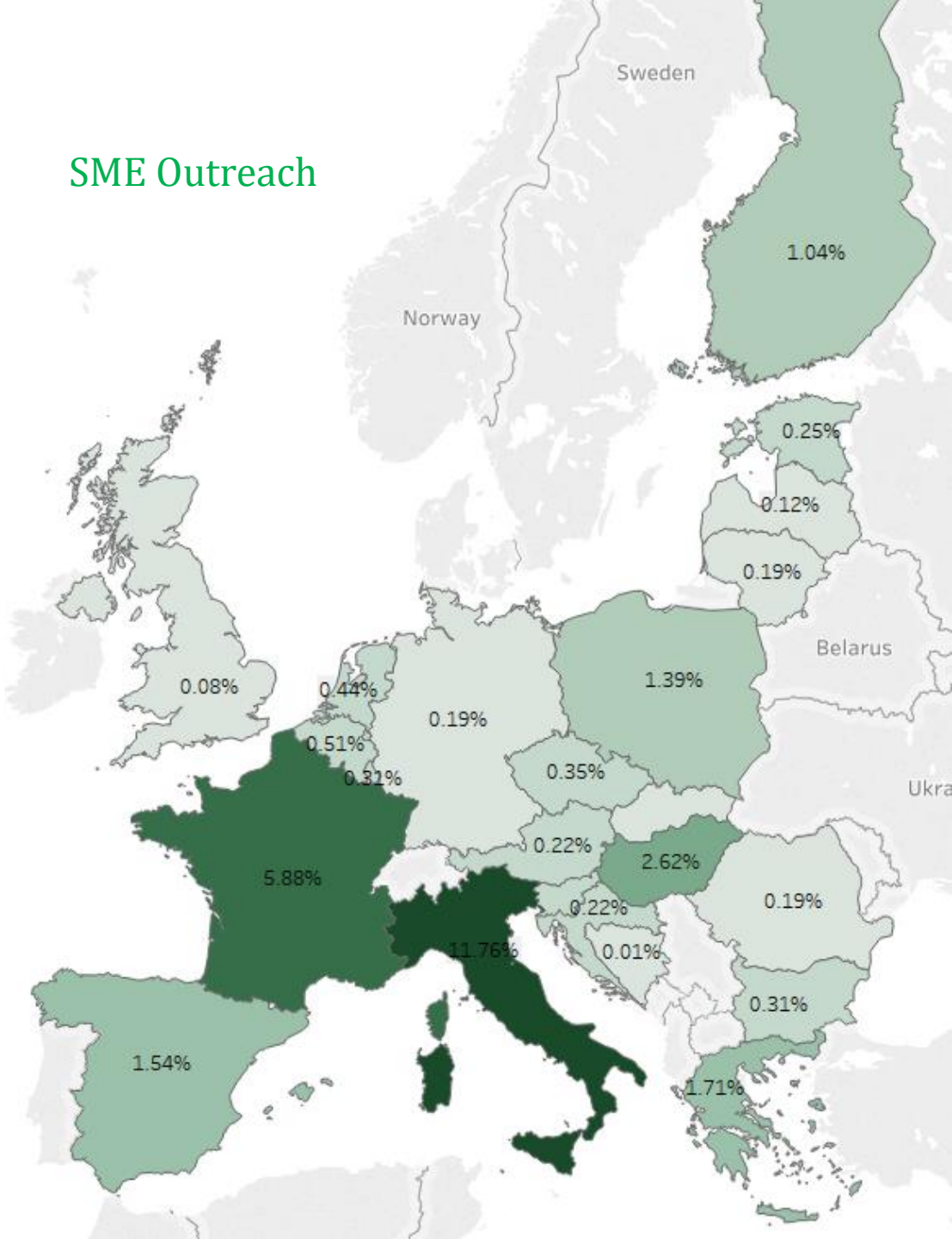
 AUSTRIA <ul style="list-style-type: none">• aws• NÖBEG	 GERMANY <ul style="list-style-type: none">• VDB	 POLAND <ul style="list-style-type: none">• BGK
 AZERBAIJAN <ul style="list-style-type: none">• MCGF	 GREECE <ul style="list-style-type: none">• ETEAN• TMEDE	 PORTUGAL <ul style="list-style-type: none">• SPGM• IAPMEI
 BELGIUM <ul style="list-style-type: none">• PMV/z• Fonds Bruxellois• SOWALFIN	 HUNGARY <ul style="list-style-type: none">• Garantika• AVHGA• MVA	 ROMANIA <ul style="list-style-type: none">• FGCR• FRGC• FNGCIMM• FRC-Counter
 BOSNIA AND HERZEGOVINA <ul style="list-style-type: none">• GF Srpska	 IRELAND <ul style="list-style-type: none">• SBCI	 RUSSIA <ul style="list-style-type: none">• FSECA
 BULGARIA <ul style="list-style-type: none">• NGF• Sofia Fund	 ITALY <ul style="list-style-type: none">• Assoconfidi• ISMEA	 SERBIA <ul style="list-style-type: none">• GF Vojvodina
 CROATIA <ul style="list-style-type: none">• HAMAG-BICRO	 KOSOVO <ul style="list-style-type: none">• KCGF	 SLOVENIA <ul style="list-style-type: none">• SEF• SRDF
 CZECHIA <ul style="list-style-type: none">• CMZRB	 LATVIA <ul style="list-style-type: none">• ALTUM	 SPAIN <ul style="list-style-type: none">• CESGAR
 ESTONIA <ul style="list-style-type: none">• KredEx	 LITHUANIA <ul style="list-style-type: none">• Garfondas• INVEGA	 TURKEY <ul style="list-style-type: none">• TESKOMB• KGF
 FINLAND <ul style="list-style-type: none">• Finnvera	 LUXEMBOURG <ul style="list-style-type: none">• MC• MPME	 UNITED KINGDOM <ul style="list-style-type: none">• BBB
 FRANCE <ul style="list-style-type: none">• SOCAMA• SIAGI• Bpifrance• EDC	 NETHERLANDS <ul style="list-style-type: none">• NIA/InvestNL	



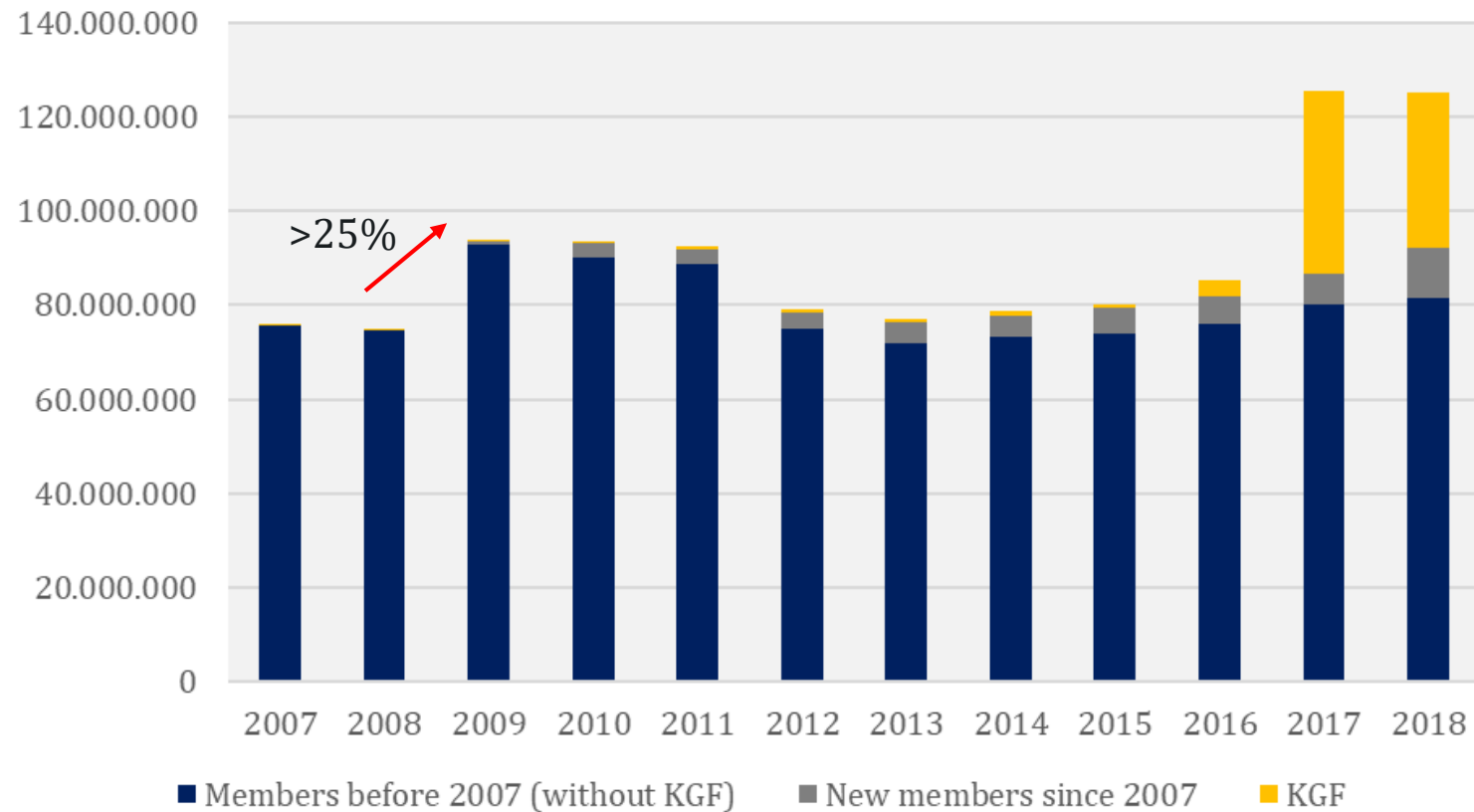
Outstanding volume as share of GDP



SME Outreach



General development



Factors of volume increases:

- Counter-cyclical role during the crisis
- Accession of new members
- Policy-driven expansion of KGF/TR

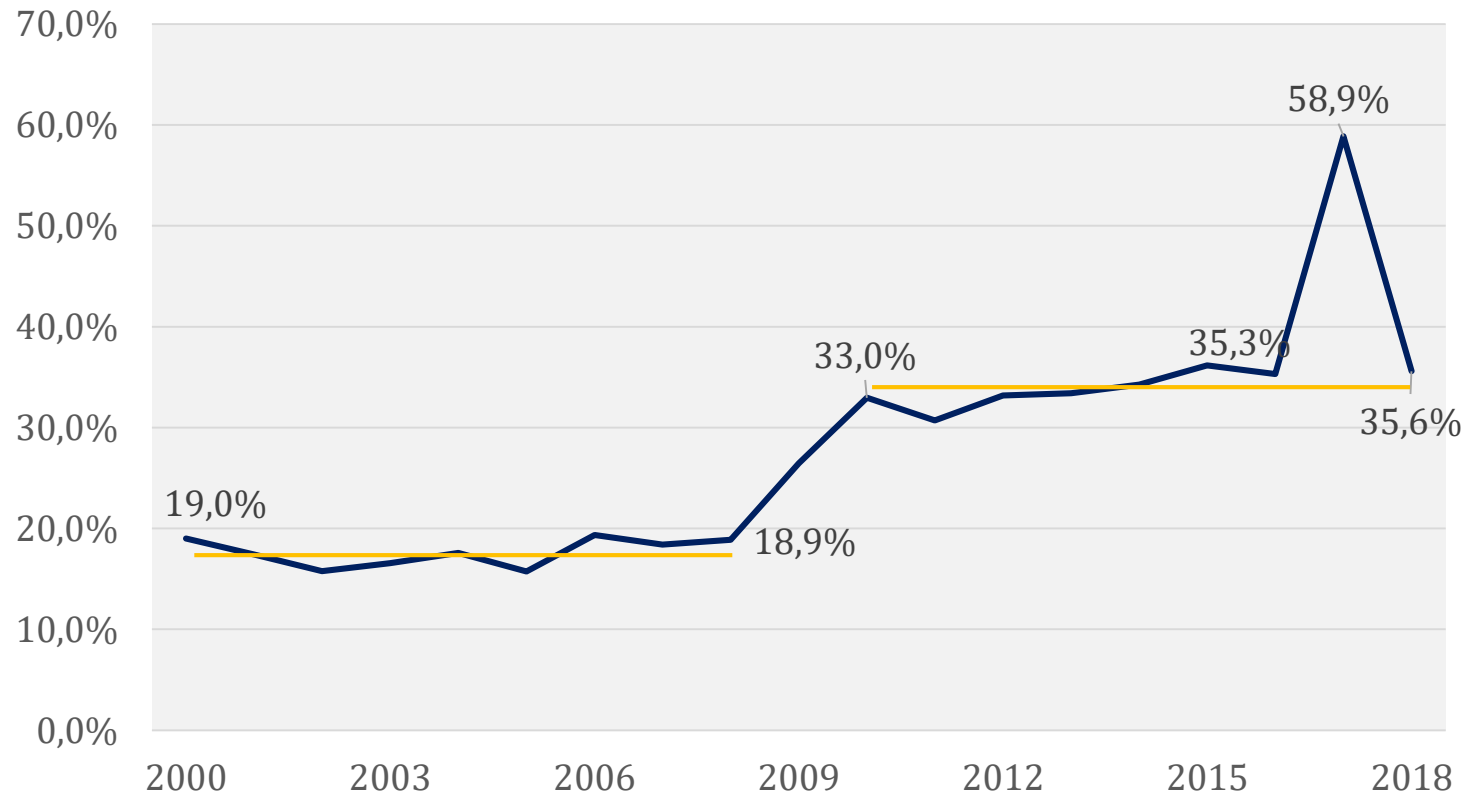
Development of outstanding guarantee volumes (in KEUR) of AECM members

General development

Development after the crisis:

- Economy gained momentum triggering investments → increased demand for financing by SMEs
- Development of new guarantee products and process optimisation thanks to digitisation, examples from
 - FNGC/RO: OPTIMM bridge loans, reduction of response time
 - aws/AT: fee reduction, more flexible WC loans, higher amounts
 - KGF/TR: treasury backed guarantees, portfolio guarantees, technical infrastructure, credit evaluation system

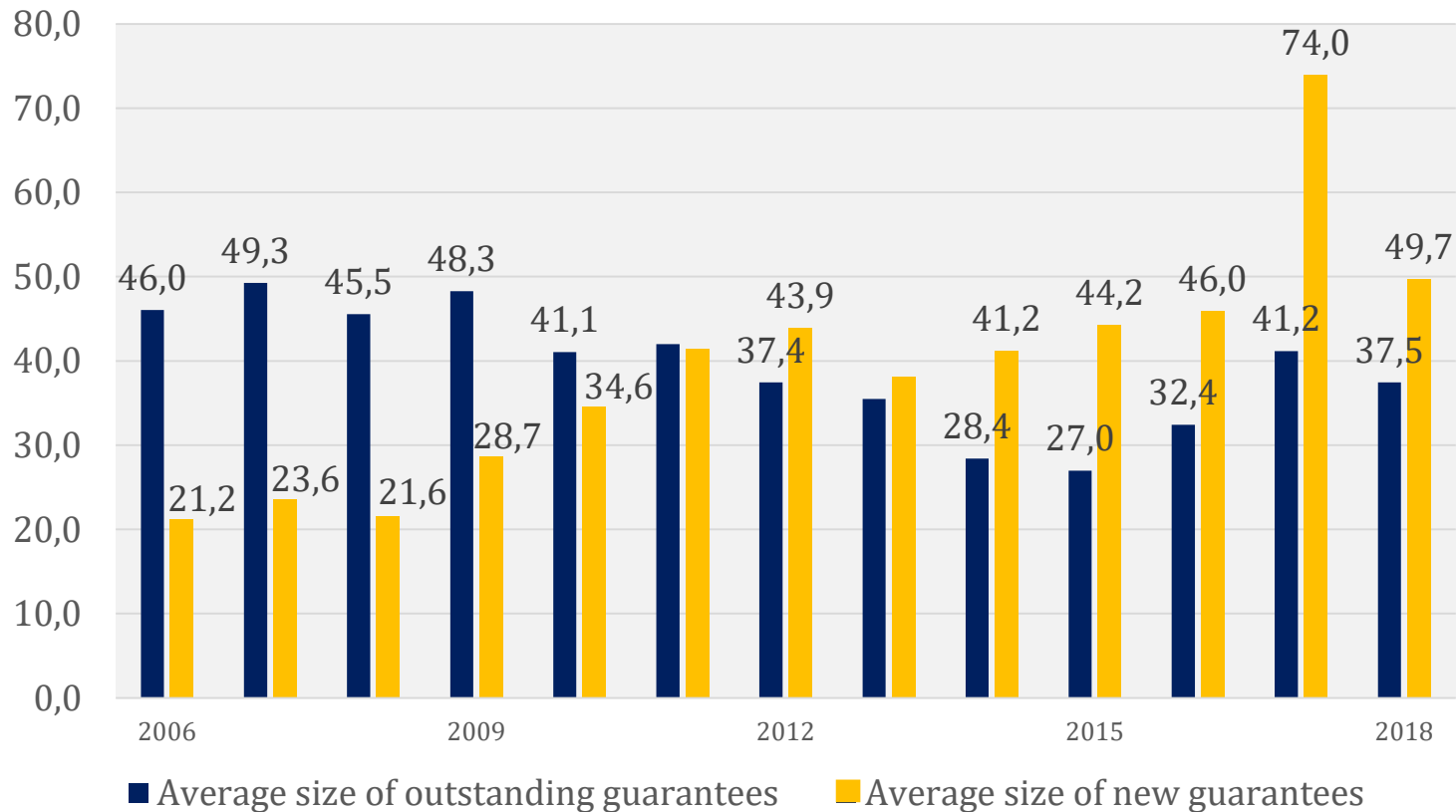
General development



Development of the share of newly granted guarantees in the overall portfolio

- Structural shift for the share of new guarantees in overall portfolio
- Reasons:
 - faster growth of guarantee activity
 - shorter durations (less physical and more immaterial investments)

General development



Drivers for increasing average guarantee size:

- HU: agriculture
- LU: construction sector
- FI: rise in minimum guarantee amount
- DE: rise in purchase prices for business transfer

Development of the average size of guarantees in portfolio and newly granted guarantees by AECM members

Government policies

- Many guarantee institutions took specific measures to tackle the economic turmoil:
 - set up of specific products
 - participation in tailored governmental programmes
- Examples:
 - CMZRB/CZ: crucial role in national anti-crisis plan; increase of funding for guarantees, especially for working capital
 - Garantiqa/HU: no specific programme, but supported by an increase in the national counter-guarantee
 - KGF/TR: state backed guarantees
 - SBCI/IE: government programmes “Agricultural Cashflow Support”, “Brexit Working Capital” and “Long-term Investment”

Other external influences

Financial regulatory reforms

- Increased number of requirements since the crisis
 - Reporting requirements
 - Capital requirement
 - Impact on costs
- ↔ Commercial lenders more conservative due to stricter requirements
 - Higher demand for guarantees
- Some members were not impacted

Other external influences

Financing partners

- Commercial banks remained by far most important partner
- Alternative financial institutions (Fintechs, crowdfunding/-lending platforms, etc.) are gaining ground
 - Most guarantee institutions open for cooperation, but cautious

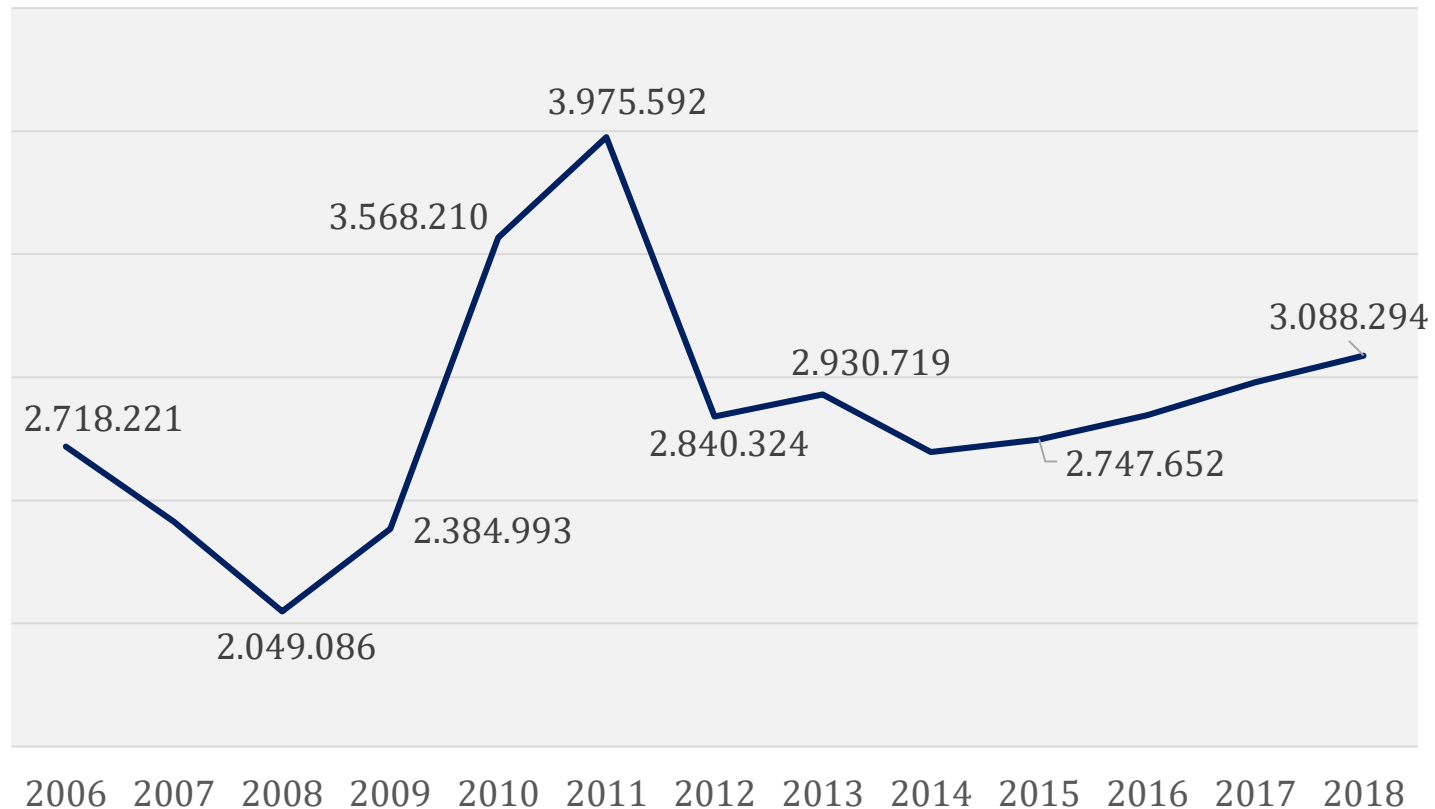
Organisational/programmatic changes

- Introduction of portfolio guarantees
- Process optimisation
- Digitisation of guarantee business → simplification, acceleration, cost reduction, increased attractiveness
- Examples
 - AVHGA/HU: 10% portfolio increase following the introduction of portfolio guarantees
 - Garantiqa/HU: capital increase to reduce fees; communication via e-channels (e-applications); new sales department
 - KGF/TR: changes in eligibility criteria and scope
 - Bpifrance/FR: significant increase in eligible size of beneficiaries during the crisis
 - aws/AT: stronger focus on equity financing during crisis

Organisational/programmatic changes

- Changes in the coverage rate during the crisis?
 - CMZRB/CZ reported significant increase from 58% to 68%
 - CESGAR/ES increased maximum guarantee percentage from 80% to 100%
 - Bpifrance/FR temporarily increased coverage rate up to 90%
 - KGF/TR offered 90% coverage until 2017, then decreased to 80%
- In addition to expertise provided when granting individual guarantees, some guarantee institutions offer also non-financial support such as coaching or mentoring: examples from AT, FI, DE, RO, BE, (LU)

Development of supported SMEs



- Development shows:
- strong anti-cyclical role
 - important role in overcoming market failure in stable times

Development of the number of SMEs supported by guarantees from AECM members

Development of supported SMEs

- **Changes in financing needs by SMEs ?**
 - No pan-European trend to be observed
 - no changes observed in Flanders (Belgium) and Kosovo
 - HU: increase in need for investment capital financing
 - LU/CZ/FI: increase in need for working capital financing
- **Changes in composition of SME portfolio since the crisis ?**
 - Many members did not observe any changes
 - HU: AVHGA saw rise in investment loan and portfolio guarantees
 - RO: shift from trade, construction and agri to industry and services sector



Thanks for your attention !



**European Association of
Guarantee Institutions**

Avenue d'Auderghem 22-28
B-1040 Brussels

Phone: +32 2 640 51 77

Mail: info@aecm.eu