AECM position on the Strategic Technologies Europe Platform

The European Association of Guarantee Institutions (AECM) welcomes the European Commission's proposal to top-up the InvestEU Fund ("InvestEU") in the field of strategic technologies. Nonetheless, this top-up needs to be usable for a broad range of small and medium-sized enterprises (SMEs) including through existing financial products provided both by the EIB Group and by other Implementing Partners.

AECM members are **longstanding partners for the intermediation of EU financial instruments** helping to bring funding down to the final beneficiaries[1]. Currently, guarantee institutions are preparing to become - or already operating as - implementing partners or financial intermediaries under InvestEU[2]. The EU (counter-) guarantee is essential not only for those members who lack a national counter-guarantee, but also for members who can supplement their national (counter-)guarantee to support more businesses or businesses in particular sectors at promotional terms that even the smallest companies can afford.

Regarding the budgetary situation, we note that **funding under InvestEU is by far not sufficient to meet the demand**. SMEs are facing enormous challenges. Besides being strongly affected by the current crises, first by the consequences of the COVID-19 pandemic and then by the effects of the war in Ukraine, they also need to tackle the challenges of the twin transition. Facing all of these challenges requires substantial investments that need to be financed. The InvestEU Fund unfortunately does not dispose of sufficient resources to meet these challenges, as it is heavily oversubscribed[3].

[1] During the previous financial period for example, 22 members have or had at least one contract under COSME. By the end of 2020, all of them together issued an outstanding guarantee volume of bEUR 6 under COSME. The market share of our members accounted for 35.8% in 2020 and 96.9% of AECM members' slice of COSME signatures were counter-guarantees. Eleven members were intermediating InnovFin, six members were intermediating CCS and one member EaSI. AECM Statistical Yearbook 2020, p. 20f, Link

[2] at least five AECM members use InvestEU via the direct access and at least eleven members via the EIF.

[3] The EIF reported at the AECM Annual Event in September 2022 that less than half of the demand can be satisfied. At a meeting with EIF in March 2023, it confirmed that it could do two to three times more, if sufficient budget was allocated.

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The **Innovation window is apparently already exhausted (as of March 2023), and also the SME window is much too tight on funding**. In some cases, our members receive only 1/3 or 50% of the amount they requested. Some applicants even withdrew entirely their application when they got known of the amount they could contract which was much lower than what they had applied for. In some cases, the management framework to be put in place was disproportionate to the amounts involved.

AECM has been advocating for a top-up of the InvestEU Fund for many years. Therefore, we welcome the proposal to introduce the new STEP policy window with fresh money. The focus on strategic technologies is justified from a geopolitical point of view. However, the impact of the new window on SMEs' access to finance and SME business development, especially with regard to the twin transition, the upcoming wave of business transfers, and emergency interventions in crisis situations, is low as many SMEs might not fulfil the criteria of the new window. As the definition of strategic technologies is quite narrow, many SMEs will not be able to benefit from the top-up. Furthermore, in a context where the windows allocation of financial products benefitting to SMEs is already complex, this new window, which targets investments already covered by existing ones (especially the Innovation window), brings further overlaps. The targeted projects are also closely linked to the strategic investments which are already covered by the InvestEU Regulation and investment guidelines.

These shortcoming need to be addressed and we therefore formulate the following demands:

1. As it was eventually done for the strategic investments, the **top-up should be brought to existing windows instead of adding a new one**. This solution would preserve the clarity of the policy priorities targeted by InvestEU, limit the adjustments to be made to the regulatory framework (i.e. the investment guidelines) and make it easier to strengthen existing products that lack budget instead of creating new ones.
2. The **STEP top-up needs to be accessible for a broader range of SMEs**. Eligibility criteria as well as proofing methodologies need to be designed in a way that allows SMEs to fulfil the criteria and to easily apply the methodology. This means that eligibility criteria should be defined broadly enough to allow SMEs that are in the critical value chain of companies active in the area of strategic technologies, to be eligible for funding. The proofing methodology should foresee simplifications for SMEs with scarcer resources in order to ensure a level playing field.
3. The **SME window urgently needs to be topped up** beyond this field of strategic technologies and the **flexibility for shifts between windows should**

be increased in order to allow funds to be allocated according to market demand. We notably recommend that reflows from Horizon 2020 flow at least partly into InvestEU and its SME window given the strong lack of budget observed for the EIF Innovation guarantee. AECM is calling for more funding for the SME window with good reason: this demand for more funding is strongly justified by the positive impact that guarantees have on the economy as detailed in [our recent paper on leveraging the EU budget for investments].

4. Any revision of **the InvestEU Regulation should preserve the 25% of budget allocated to Implementing Partners other than the EIB Group**. Now that the first National Promotional Banks and Institutions (NPBIs) have launched their financial products and further institutions will join in the coming months, paving the way for a greater share allocated to the EIB Group (as it seems to be proposed by the formulation of "at least" 75% in article 13(4) of the Invest-EU Regulation) would send the wrong signal after the heavy investments carried out by NPBIs to be in a position to directly manage the InvestEU guarantee.
5. **The one year maximum[4] period to sign operations after the approval when relying on NGEU resources should be deleted** since signing operations can take time especially in a context where InvestEU-backed financial products are still at the very beginning of their deployment. Given the tight budget, any risk to lose available resources for procedural matters should be avoided.

The STEP regulation furthermore foresees amendments to the ERDF, to the Cohesion Fund, and to the Just Transition Fund, opening these funds up for large companies in less developed and transition regions. It is in our view important to make sure that this provision is not to the detriment of SME funding. It needs to be made sure that small companies are not crowded out.

AECM welcomes the Commission's proposal to provide additional flexibilities for Member States to be able to implement the 2014-2020 cohesion policy programmes. More precisely, we welcome the proposal to extend the deadlines for the submission of the closure documentation under the 2014-2020 period by 12 months.

Similarly, we very much agree with the Commission's proposal to allow Member States to increase the transfers to the InvestEU Member State compartment from the

[4] Set by Article 13(7) of the InvestEU Regulation for the EU guarantee referred to in the first subparagraph of Article 4(2)

recovery and resilience plans from 4% to 10%. **Member States should be encouraged to contribute to the SME window**.

Last but not least, the above-described challenging context for SMEs and the focus on strategic technologies make it essential to **open to the EIF products all options foreseen in the Section 16 of the GBER**. The current mEUR 2 maximum financing amount per loan supported by the EIF when they are delivered directly by NPBIs is too low to ensure full impact on the market and especially to address capital intensive financing needs of deep tech and innovative companies. It is key to provide access to a sufficient level of risk finance in addition or as a follow-up to EU and national grants to these companies which are strategic for the EU industry, growth, and sovereignty. All products under the InvestEU Fund should be treated equally when they have the same features and should not be subject to the nature (public or private, implementing partner or financial intermediary) of the operator. The limitations set by the GBER are sufficient to improve the alignment of EU funding rules and EU State aid rules in priority areas and ensure that competition in the EU Single Market is persevered.

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About us

The 46 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 address effectively 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. At the end of the year 2022, AECM's members had about bEUR 267 of guarantee volume in portfolio, thereby granting guarantees to around 5.2 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU (counter-)guarantees from the very beginning in 1998.

Have a look at our AECM brochure and at our most recent publications:

AECM brochure on Ukraine measures

AECM Statistical Yearbook 2022

AECM members' support programmes beyond standard debt guarantees

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