



aecm

OECD & CEB webinar: Mobilising SME Finance for a Resilient, Sustainable and Inclusive Recovery

## **The role of guarantee institutions**

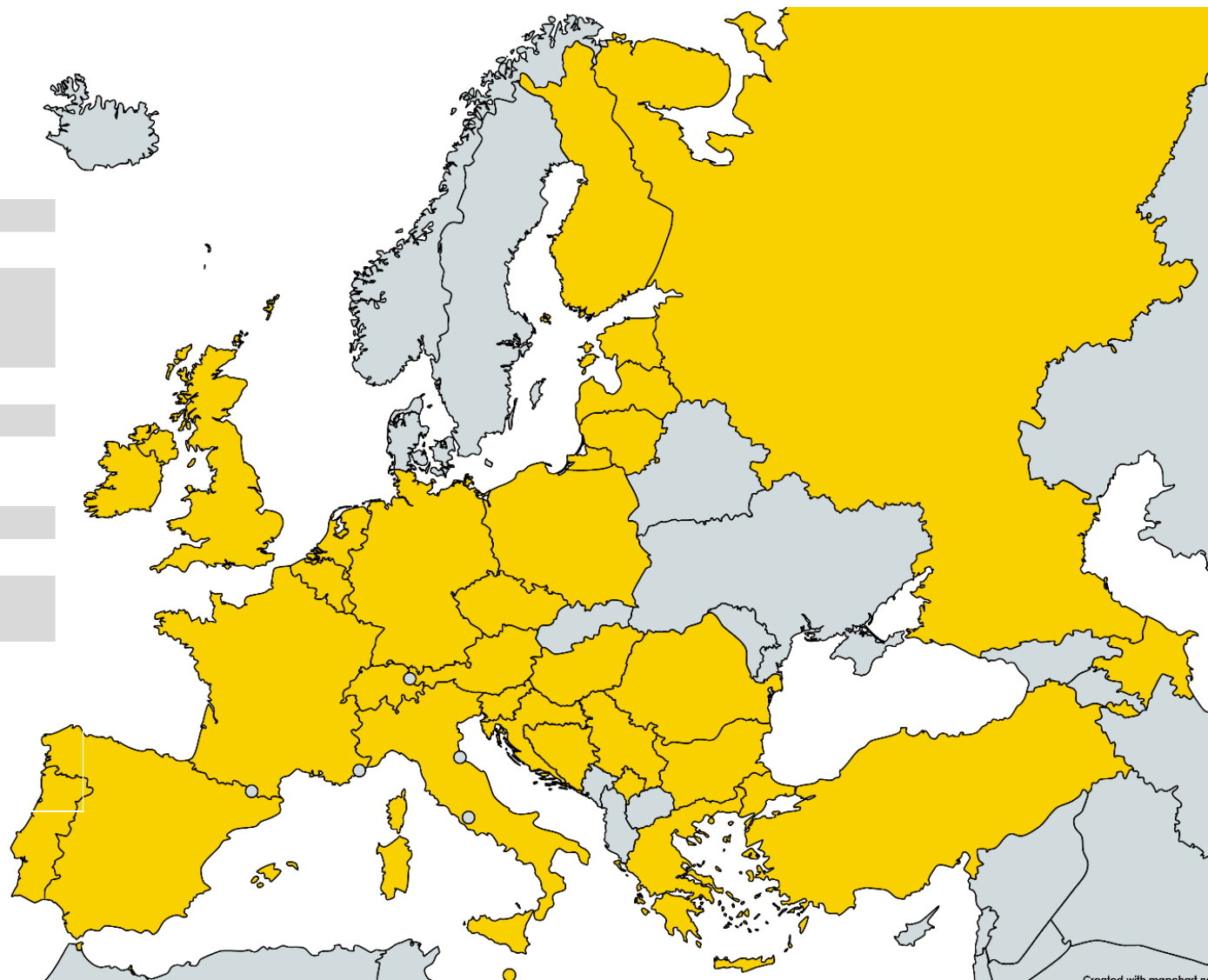
Felix HAAS VINÇON, European Association of Guarantee Institutions

# About AECM



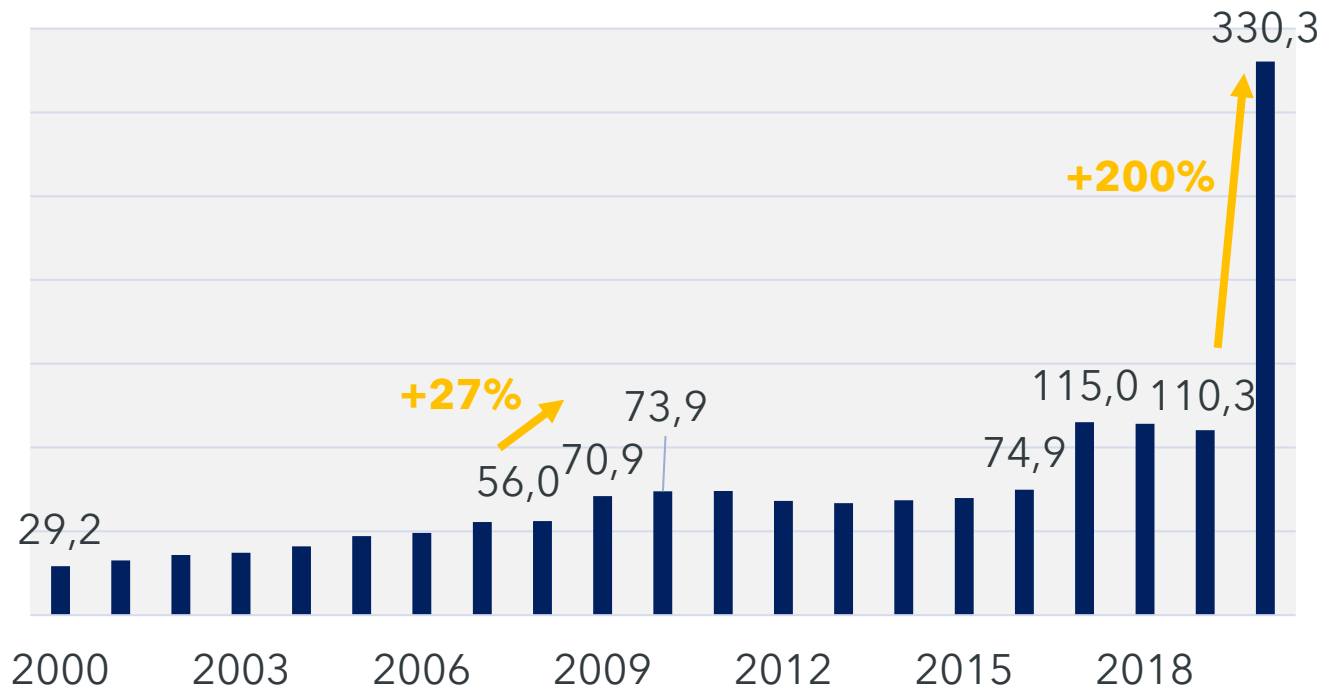
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HR	HAMAG BICRO	KX	KCGF	SI	SEF SRDF
CZ	CMZRB	LV	ALTUM	ES	CESGAR
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FI	Finnvera	LU	MC MPME	TR	KGF TESKOMB
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		NL	RVO		

Partners: REGAR, SME Finance Forum, EMGN

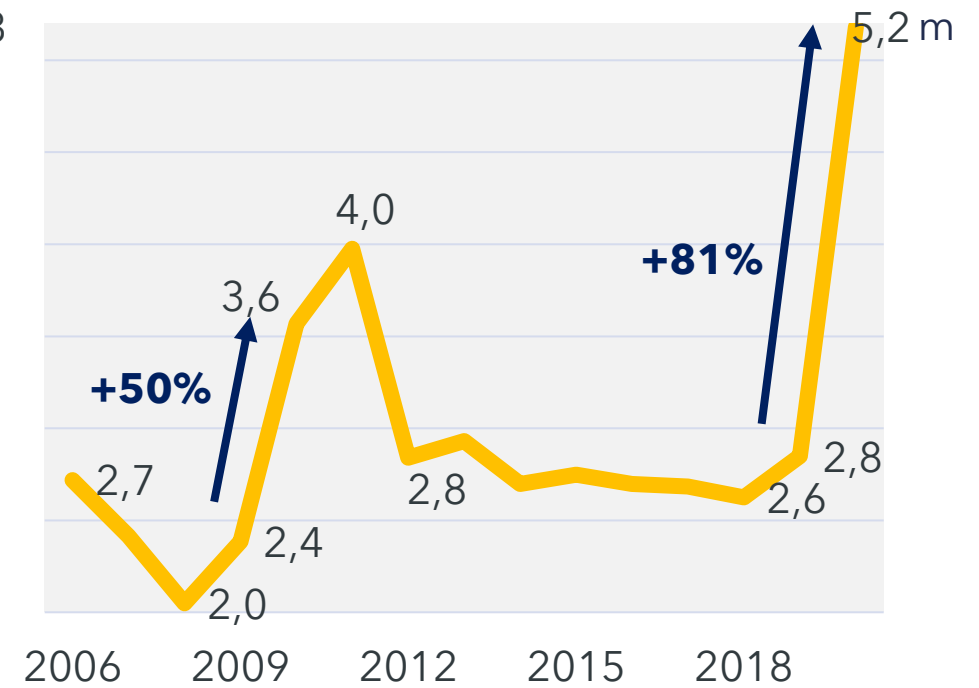


# Crisis consequences

## Outstanding guarantee volume (in bEUR)



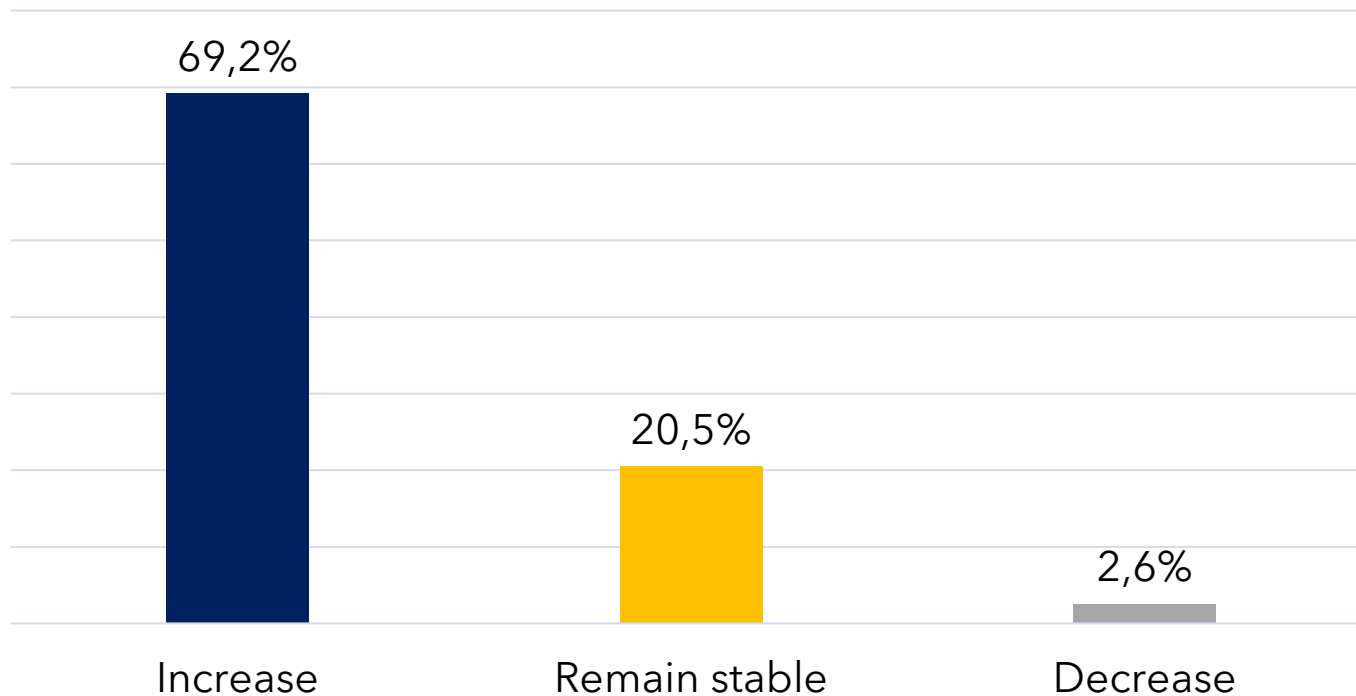
## Number of supported SMEs



- [SME support in the covid crisis - The role of Guarantee Institutions](#)
- [Statistical Yearbook 2020](#)

# Crisis consequences

## Expected development of default rates in 2021



A number of **viable** firms are approaching situations of **over-indebtedness**

→ Intensity strongly depends on:

- geography
- sector

# Viability assessment

- Portfolio guarantees:
  - Assessment carried out by financing bank
- Individual guarantees:
  - **Case-by-case** assessment
  - Generally, no fixed set of criteria or thresholds
  - Taking the **individual situation** of the company into account
  - However, for many members: assessment bound by EU state aid rules

# Viability assessment

- Evaluation based on the following indicators (1/2):
  - 2019 balance sheet + audited profit/loss reports
    - Value of intangible and tangible assets
    - Size of current/short-term assets
    - Cash
    - Equity
    - liabilities and current/short term liabilities
    - liabilities to credit institutions
  - Equity/Debt ratio, repayment capacity, composition of debt
  - Performance/behaviour/rentability pre-covid, sales revenues, credit history

# Viability assessment

- Evaluation based on the following indicators (2/2):
  - Cashflow analysis and the perspectives for the business model
  - Attitude of shareholders and management, readiness to contribute
  - Soft factors and meeting the entrepreneur in person
  - Check how the company ensures a reduction of its costs to better survive the covid situation
  - In **case of start-ups**: assessment based on business concept, amount of capital needed, composition of entire financing, profitability forecast

→ Guarantee institutions take a **more flexible** approach than pre-covid

# Viability assessment

- In the **case of restructuring**, the following measures might be added:
  - Conversations with all parties involved to find a joint solution
  - Preventive measures in case of early warning signs
  - Personalised advice to companies on how to adapt their business model
- Involvement of AECM in a stakeholder roundtable of the European Commission to [establish best practices for helping pandemic-hit businesses](#)
- Joint Statement of AECM with SMEUnited, Accountancy Europe and EBF:  
**Call for Dialogue: Assessment of SMEs' Post-COVID Financial Health**

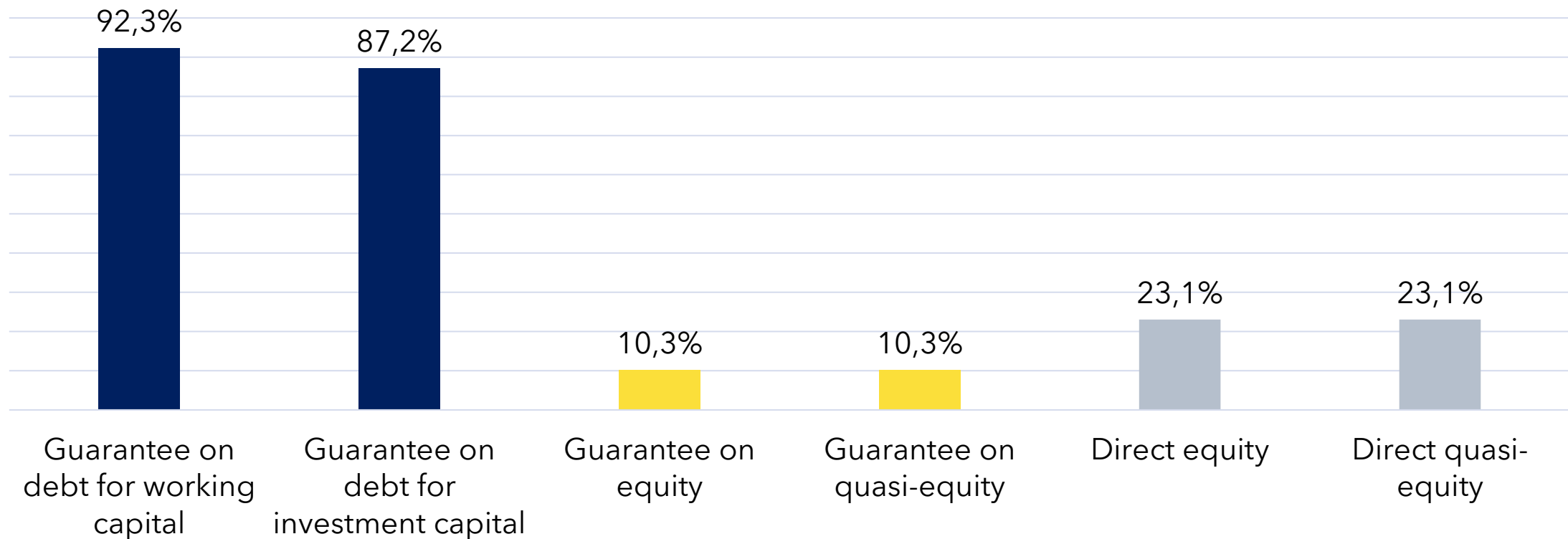


# Support of viable firms

- Choice of support instrument depends on individual situation of the company and on its project (emergency support or financing double transition, business transfer or...):
  - 1) Continued classical debt guarantee support
  - 2) Debt restructuring measures
  - 3) Leasing guarantees
  - 4) Involve equity or quasi-equity measures
- [AECEM Virtual Annual Event: Guarantees for economic recovery and to foster sustainable investments \(22-24 September 2021\)](#)

# Support of viable firms

Type of products offered by AECM members



# Wish list (non-exhaustive)

- Smart and cautious phase-out
  - [AECM position on the need to keep up enhanced guarantee support](#)
- Support innovative solutions such as guarantees for equity
- Make InvestEU a success: fee structure, governance, reporting, sufficient financial resources etc.
- Prolongation of the state aid regime for European Guarantee Fund (EGF) and of the Temporary Framework (TF)
- Keep reporting obligations proportionate for SMEs and their financiers
- Basel: Full recognition of financial guarantees for capital relief
- .....



# Thanks for your attention !



**European Association of  
Guarantee Institutions**

Avenue d'Auderghem 22-28 bte. 10  
B-1040 Brussels

Phone: +32 2 640 51 77

Mail: [info@aecm.eu](mailto:info@aecm.eu)

Twitter: [@AECMeurope](https://twitter.com/AECMeurope)

LinkedIn: [AECM](https://www.linkedin.com/company/aecm)