

Ensuring Affordable Access to Finance for SMEs through EU Guarantees

Members of the European Association of Guarantee Institutions (AECM) are longstanding partners of the EIF for the intermediation of EU financial instruments helping to bring funding down to the final beneficiaries. Currently, guarantee institutions are operating as implementing partners or financial intermediaries for several EIF programmes (COSME, EGF, InvestEU, etc.). The EU (counter-)guarantee is crucial not only for those members that do not dispose of a national counter-guarantee, but also for members that can complement their national counter-guarantee to reach more businesses or businesses in specific sectors and this at promotional terms that also the smallest companies can afford. In this regard, as we head towards the next Multiannual Financial Framework (MFF), **AECM members would like to share important concerns and requests regarding the implementation of current and future EIF financing instruments and programmes.**

More funding for InvestEU

Funding under InvestEU is by far not sufficient to meet the demand. Small and medium-sized enterprises are facing enormous financing challenges, especially to tackle the challenges of the twin digital and green transition. Both require substantial investments that need to be financed, and InvestEU does not dispose of sufficient resources to meet these challenges. According to our information, deriving from member reports on the one hand and from EIF feedback on the other hand, InvestEU is hopelessly oversubscribed and less than half of the demand can be satisfied. The result is that generally, the financial intermediaries must accept lower amounts than applied for.

Simplifying reporting on the Paris Alignment Framework

The EIB Group Climate Bank Roadmap 2021-2025 underpins Paris Alignment Restrictions applicable to new transactions appraised by EIF. To avoid gold-plating of ESG requirements, reporting on the Paris Alignment Framework needs to be simplified and adapted to SME financing. Otherwise, less counter-guarantee agreements

are signed resulting in lower leverage rates, certain sectors are excluded, a focus of larger medium-sized enterprises occurs instead of promoting all SMEs including micro enterprises to the same extent, etc.

Learner application contracts and reporting requirements

There has been a sharp increase of information requirements by the EIF, translating into high costs for both, financial intermediaries and final beneficiaries, which has a discouraging effect especially for very small final beneficiaries. We advocate for leaner application contracts and for reporting requirements which are reduced to the ones which are absolutely necessary, respecting scrupulously the principal of proportionality and ensuring legal certainty.

Streamlining EIF products and programmes

Streamlining EIF products and programmes is crucial for ensuring efficiency, transparency, and effectiveness for guarantee institutions as well as final beneficiaries, and altogether improving access to finance for SMEs. Notably, this could significantly accelerate the negotiations of guarantee agreements between EIF and guarantee institutions. This is valid for InvestEU itself which requires the creation of sub-portfolios, and also different programmes which have different set of rules like InvestEU compared to the RRF. Financial instruments must be flexible and simple, allowing for synergies with other products.

Higher provisioning rate for the future EU guarantee programme

The successor programme of InvestEU should be fully funded or should have at least a much higher provisioning rate than the current one. This would enable the EIF to offer Uncapped and Capped Portfolio Guarantees on an equally basis, thereby providing better access to finance to targeted SMEs and address concrete and well identified market gaps. This allows for a reduction of interest and/or of collateral of each and every loan. Another important effect would be that long-lasting commitments of previous programmes stemming from EFSI and InvestEU would not bind funding of later MFFs.



Illustrating the leverage effect of EU guarantees

Compañía Española de Reafianzamiento, S.A. (CERSA), is a financial entity attached to the Spanish Ministry of Industry, providing counter guarantees to enhance access to finance for SMEs guaranteed by Mutual Guarantee Societies.

In 2016, CERSA signed with the EIF a capped counter guarantee agreement under the COSME programme. This agreement was amended and extended up to 31 December 2023. For the period 2016-2023, the total allocated budget (cap amount) of the EIF represented EUR 210 million and with this support, CERSA has included in this agreement a total volume EUR 3,872 million in 85,644 transactions.

At financing amount level, the supported SMEs have received a volume of € 7,083 million of new mobilised financing.

In the following table we present a summary of the main figures and the leverage effect:

In € million

Contribution EIF	Guarantees issued by CERSA	Mobilised financing	Leverage effect at CERSA level	Leverage effect at financing level
210	3,872	7,083	18.44	33.73

A particular example of this leverage for a specific transaction requested by a company included in the COSME portfolio:

Investment to be made: 132,000 €

Loan amount: 100,000 €

Guarantee issued by SGR: 100,000 €

Guarantee issued by CERSA: 80,000 €

Counter guarantee issued by EIF: 40,000 € (in terms of cap amount the contribution would be 3,400 €).

During this period, CERSA has also signed another capped counter guarantee agreement under CCS programme, mobilising EUR 516.7 million of new financing, in 3,702 transactions and an uncapped counter guarantee agreement under InnoFin programme mobilising EUR 548 million of new financing in 2,783 transactions.

About us

The 46 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 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 EUR 267 billion 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:

[Priorities for the legislative period 2024-2029](#)

[Guarantee Institutions Promoters of the Sustainable Transition](#)

[AECM Statistical Yearbook 2022](#)

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