

AECM contribution to the European Committee of the Regions consultation on "Exploring the role of the private sector in reinforcing cohesion policy post-2027"

1. Introduction

The European Association of Guarantee Institutions (AECM) represents the interests of its 48 members and 6 partners, which include private and mutual guarantee schemes as well as public promotional institutions and banks.

AECM's members mission is to facilitate access to finance for small and medium-sized enterprises (SMEs) by providing guarantees to those with economically viable projects but insufficient bankable collateral. This SME financing gap is widely recognised as a market failure. By issuing guarantees, AECM members help to address this market failure effectively and enhance SMEs' access to finance.

Since the 2007-2014 programming period, AECM members have been actively involved in channeling Cohesion Policy funds to final beneficiaries, primarily to SMEs, thus, they are playing a key role in implementing EU Cohesion Policy. They operate as implementing bodies or financial intermediaries, leveraging their close partnerships with commercial banks to maximise the impact of these funds.

This paper describes how AECM members, through their cooperation with commercial banks, maximise the impact of Cohesion Policy funds and expand funding at recipient level by leveraging financial instruments such as guarantees. It also aims to provide input to the forthcoming opinion of the European Committee of the Regions on "Exploring the Role of the Private Sector in Reinforcing Cohesion Policy Post-2027".

2. Comments

- The role of private and mutual guarantee schemes as well as public promotional institutions and banks

While grant funding continues to play a central role in the delivery of EU Cohesion Policy, the increasing emphasis on financial instruments - particularly guarantees - has strengthened the position of guarantee institutions and public promotional banks as key intermediaries between public funds and market players. Through partnerships with commercial banks, these institutions are able to mobilise additional private capital, improve risk distribution, and ensure that financial resources reach final recipients - especially small and medium-sized enterprises (SMEs) - more efficiently and effectively.

Within the framework of Cohesion Policy, guarantee institutions and public promotional banks fulfil several essential functions. They translate EU and national policy objectives into concrete financial instruments that align with Cohesion Policy priorities. By offering financing under favourable conditions or assuming higher levels of risk, they help to correct market failures and address capital gaps, particularly in less-developed regions. Their promotional mandate and institutional credibility allow them to leverage private co-investment, amplifying the impact of limited public funds. In addition, their technical expertise enhances project appraisal, structuring, and monitoring - key factors for the successful absorption of Cohesion funds.

- Rationale for guarantee institutions and public promotional banks - Commercial bank collaboration

Commercial banks remain the primary distributors of credit across local economies, with branch networks and strong client relationships. By contrast, guarantee institutions bring a developmental and counter-cyclical perspective that complements the commercial logic of private banks. Collaboration between these two types of institutions thus creates powerful policy and financial synergies.

Through risk-sharing and blended finance models, guarantee institutions can assume part of the credit risk, encouraging commercial banks to finance projects that might otherwise be considered too risky. This approach is fully in line with the EU's objective of leveraging financial instruments within Cohesion Policy. Furthermore, their participation de-risks investments and often reduces the equity capital requirements of commercial banks, thereby attracting and unlocking additional private capital and reducing reliance on grants. Such partnerships also foster financial innovation, leading to the development of new instruments such as portfolio guarantees, subordinated loans, and risk-sharing facilities that respond to the specific needs of different regions and sectors.

- Mechanisms for collaboration

The cooperation between guarantee institutions and commercial banks can take several operational forms. Co-lending agreements enable both parties to jointly finance projects, sharing the funding burden and balancing risk exposure. Guarantee facilities allow financial institutions to provide guarantees for bank-issued loans to target groups, such as SMEs or regional infrastructure projects, stimulating lending in areas with limited access to finance. Under fund-of-funds structures, NPBIs can act as fund managers, channeling EU structural funds through commercial intermediaries to ensure efficient deployment of resources. Additionally, collaboration may include non-financial support such as technical assistance, project preparation, and pipeline development, which help banks identify and finance viable, policy-aligned projects.

- Successful example

Our Polish member Bank Gospodarstwa Krajowego (BGK) offers a successful example of NPBI - bank collaboration. BGK has implemented guarantee instruments co-financed by European Regional Development Fund (ERDF), enabling commercial banks to extend credit to SMEs that previously lacked access to finance. This partnership not only increased SME lending but also contributed directly to job creation, regional competitiveness, and balanced territorial development.

For further details on the results of BGK's Biznesmax subsidised guarantees, see the report available: https://www.bgk.pl/files/public/Raporty/Biznesmax_guarantee-outcomes_of_the_scheme_2024_pub.pdf

3. Recommendations for Cohesion Policy post-2027

- **Increase the use of financial instruments:** AECM recommends that a minimum share of Cohesion Policy resources be allocated to financial instruments - particularly guarantees - where justified by ex-ante assessments. The more often the risk is shared, the more budget efficient public money is spent and the higher the impact gets on the economy.
- **Enhance leverage and revolving effects:** Financial instruments can attract private investment, multiply the impact of public funds, and maintain sustainable funding through reflows. For final beneficiaries, repayable support offers faster, more flexible access to finance under better conditions (e.g. lower collateral, longer repayment periods).
- **Promote risk-sharing mechanisms:** Guarantees should be further integrated into EU programmes as an efficient tool to mitigate risks and crowd-in private investors.
- **Empower national and regional financial institutions:** Implementation of financial instruments should be entrusted to national and regional guarantee institutions and public promotional banks, given their proximity to SMEs and their deep understanding of local markets.

Brussels, 8 October 2025

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe¹. 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. At the end of 2024, 6 million SMEs were in the portfolios of AECM members benefitting of guarantees of in total 218 billion euros.

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

¹ <https://aecm.eu/members/our-members/>