

AECM response to the European Commission's feedback period on the EU's next long-term budget (MFF)

Implementing EU funding with Member States and regions

The **European Association of Guarantee Institutions (AECM)** represents 49 members and 6 partners, encompassing private and mutual guarantee schemes as well as public promotional institutions and banks. AECM members share a common mission: to facilitate access to finance for SMEs by providing guarantees to economically viable enterprises lacking sufficient collateral. By addressing this persistent market failure, they play a vital role in strengthening SME competitiveness and supporting inclusive economic growth.

AECM members operate with counter-guarantees from regional, national, and European levels and are among the European Investment Fund's (EIF) most significant counterparts, having managed EU (counter-)guarantees since 1998. Since the 2007-2014 programming period, they have also been key actors in delivering Cohesion policy funds to final beneficiaries - primarily SMEs - by acting as implementing bodies or financial intermediaries and working closely with commercial banks to maximise impact.

Following the proposal for the EU's next long-term budget (MFF), we would like to share some feedback to the European Commission, focusing particularly on **implementing EU funding with Member States and regions** [funds under shared management].

➤ **Delivery model**

The European Commission's proposal for the Multiannual Financial Framework (MFF) 2028-2034 introduces National and Regional Partnership Plans (NRPPs) as the main delivery mechanism for EU shared management funds, including the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the Common Agricultural Policy (CAP), and other related sectoral instruments.

While this approach could offer a welcome simplification by replacing the current system of 14 separate programmes with one plan based on a single set of rules, it also raises serious concerns regarding the potential centralisation of decision-making in the fields of cohesion, agriculture, fisheries, and rural development.

In the absence of mandatory participation by regional and local authorities in the implementation process, there is a real risk that, in certain Member States, the role of regional authorities will be reduced, thereby weakening the crucial link between EU policymaking and local governance. Moreover, granting Member States greater discretion in shaping income support schemes and climate-related investments could undermine the common standards of the CAP and accelerate the trend towards policy renationalisation.

It is therefore essential that the preparation, negotiation, and implementation of the NRPPs fully and mandatorily involve regional and local authorities. Such involvement is indispensable to ensuring that public policies reflect territorial specificities, local priorities, and development strategies. Transferring competences to the national level without guaranteeing the meaningful participation of regional and local actors would not only contradict the principle of subsidiarity, but also weaken the well-established system of multilevel governance and the partnership principle that lies at the heart of EU Cohesion policy.

➤ **Budget**

For the first time, the European Commission proposes to consolidate long-standing EU shared management funds into a single NRPP envelope for each Member State. Within this new framework, significant reductions are foreseen for sectoral policies, with substantial cuts especially for the Common Agricultural Policy and for Cohesion policy. The fund's reduction comes with further cuts across Member States and a revised allocation criteria that marginally benefits some Eastern European states. The Commission should ensure that the merging of diverse policy areas within one framework does not undermine the coherence, effectiveness and funding of individual sectoral policies.

Furthermore, the proposal introduces the possibility of redirecting Cohesion resources towards non-traditional priorities, such as defence and security. Greater flexibility in the use of Cohesion funds is welcome, provided that it continues to serve the core mission of Cohesion policy – promoting balanced, sustainable, and inclusive development across all regions of the Union.

➤ **Categories of regions**

While the Commission's proposal maintains the core objectives of Cohesion policy by ring-fencing resources for less-developed regions and social investment, there is no minimum share earmarked for more developed regions, whose access to EU funding would instead follow a merit-based approach. Consequently, Member States would enjoy broad discretion in distributing resources across regions and policy priorities. This raises concerns regarding fair access, regional equity, and the long-term preservation of the Union's Cohesion objectives.

All regions should benefit from Cohesion policy support, irrespective of their level of development, as even the most developed regions may still lag behind in specific areas such as digitalisation or innovation. The absence of a minimum share for more developed regions, combined with an expanded thematic scope that now includes areas such as defence and security, would grant national governments broad discretion in setting priorities within their plans. In practice, this could result in the concentration of EU resources in specific territories or sectors, diminishing the visibility and impact of the policy in others.

To prevent such imbalances, it is essential to establish dedicated allocations for each category of region. This would preserve the universality, territorial balance, and solidarity that lie at the core of Cohesion policy and ensure that all regions continue to participate meaningfully in the Union's development agenda.

➤ **Linking EU funding to reforms**

As in the current Recovery and Resilience Facility (RRF), Member States would be required to link investment plans with reform commitments addressing the European Semester recommendations and other reform guidance issued by the Commission. Funds would be disbursed only once the agreed investment targets and milestones have been achieved.

In this context, it is essential that expenditure eligibility be assessed solely on the basis of the achievement of key performance indicators (KPIs). Introducing additional or overly detailed verification procedures for expenditure eligibility – an approach increasingly observed under the RRF – should be strictly avoided, as it risks creating unnecessary administrative burdens, causes important additional costs and undermines implementation efficiency.

In addition, particular attention should be paid to the implications of the performance-based approach, which may lead to the recovery of funds already

disbursed if the final measure is not achieved, if the target is subsequently reversed, or if the relevant milestones and targets are not sustained for at least five years. This potential for claw-back could discourage innovation and risk-taking, ultimately resulting in an under-utilisation of EU funding instruments.

It is therefore essential that any conditions related to the possible recovery of funds are applied proportionately and with due care, so as not to deter beneficiaries from pursuing ambitious investments or from fully making use of the available support.

➤ **Financial instruments**

With regard to financial instruments, and considering the limited resources allocated to certain sectoral policies, a greater and more strategic use of financial instruments should be encouraged wherever appropriate. This could be promoted through measures such as setting minimum thresholds or at least strong incentives for the use of financial instruments within national programmes, thereby leveraging additional private investment and enhancing the overall impact of EU funds.

Furthermore, in the spirit of simplification and efficiency, the administrative justification required for the use of financial instruments should be kept to a minimum. Excessive procedural requirements risk discouraging their uptake and undermining one of their key advantages—namely, the ability to deliver flexible, revolving, and results-oriented support to final beneficiaries.

➤ **Implementation of financial instruments**

The implementation of financial instruments should be entrusted to national and regional financial institutions, as they are uniquely equipped to channel EU resources into impactful, high-quality investments, while crowding in private capital. The national and regional financial institutions possess the contextual knowledge, institutional capacity, and long-standing relationships necessary to effectively reach and support all SMEs. Their proximity to local markets enables them to tailor financing solutions to specific regional and sectoral needs, and ensure that resources are channelled efficiently to viable projects. Entrusting implementation to actors with proven experience in SME financing also enhances accountability, reduces administrative complexity, and ensures a more efficient absorption of EU funds - thereby maximising their economic and social impact.

About us

The **European Association of Guarantee Institutions (AECM)** represents 49 members operating in 32 countries in Europe, and 6 international partners. They are national promotional banks and institutions or private/mutual sector guarantee schemes. 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 2024, AECM's members had about EUR 218 billion of guarantee volume in portfolio, thereby granting guarantees to around 6 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:

[Statistical Yearbook 2024](#)

[Annual Activity Report 2024](#)

[Position papers](#)

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