

Improving the  
effectiveness of EU  
policies for SMEs



*The European  
approach to promoting  
SMEs*

*Katrin Sturm  
Secretary General*

**REPRESENTATIVE  
OF GUARANTEE  
INSTITUTIONS IN EUROPE**

**- fostering SMEs' growth**

Budapest, 29 November 2017

# About AECM

**42**  
MEMBERS

**26**  
European  
countries

AECM has 3 members from Hungary



**AGRÁR-VÁLLALKOZÁSI  
HITELGARANCIA ALAPÍTVÁNY**  
A vidékért kezesszükünk

**Garantiqa**  
Hitelgarancia Zrt.



OUR MEMBERS

**AUSTRIA**  
• aws  
• NÖBEG

**BELGIUM**  
• Fonds Bruxellois de Garantie – Brussels Waarborgfonds  
• PMV – Waarborgregeling  
• Groupe SOWALFIN

**BOSNIA AND HERZEGOVINA**  
• Guarantee Fund of the Republic of Srpska

**BULGARIA**  
• National Guarantee Fund EAD

**CROATIA**  
• HAMAG-BICRO

**CZECH REPUBLIC**  
• CMZRB

**ESTONIA**  
• KredEx

**FRANCE**  
• BpiFrance  
• SIAGI  
• La Fédération Nationale des SOCAMA

**GERMANY**  
• Verband Deutscher Bürgschaftsbanken

**GREECE**  
• ETEAN SA

**HUNGARY**  
• AVHGA  
• MVA  
• Garantiqa

**IRELAND**  
• SBCI

**ITALY**  
• ISMEA  
• Assoconfidi

**LATVIA**  
• ALTUM

**LITHUANIA**  
• Garfondas  
• INVEGA UAB

**LUXEMBOURG**  
• MCAC

**POLAND**  
• BGK

**PORTUGAL**  
• IAPMEI  
• SPGM

**ROMANIA**  
• FGCR  
• FNGCIMM  
• FRC S.C. Fondul Roman de Contragarantare S.A.  
• FRGC

**RUSSIA**  
• FSECA

**SERBIA**  
• Guarantee Fund of the Autonomous Province of Vojvodina

# About AECM

Founded in 1992 as Belgian AISBL

Political representation at European level and also at international, national and regional level –

**Garantiqa is a member and AVHGA is a deputy member of AECM's Board of Directors**

Exchange of best practices on guarantee issues among its members and beyond (REGAR, ACSIC, etc.):

Organization of different types of events and working group meetings – **AVHGA is chairing the Working Group on Agriculture**

Promotion of the guarantee instrument around Europe and the World (AECM is a founding member of the GNGI / the Global Network of Guarantee Institutions – **AVHGA is a member**)

Collection of information (general and statistics) from its members by means of surveys



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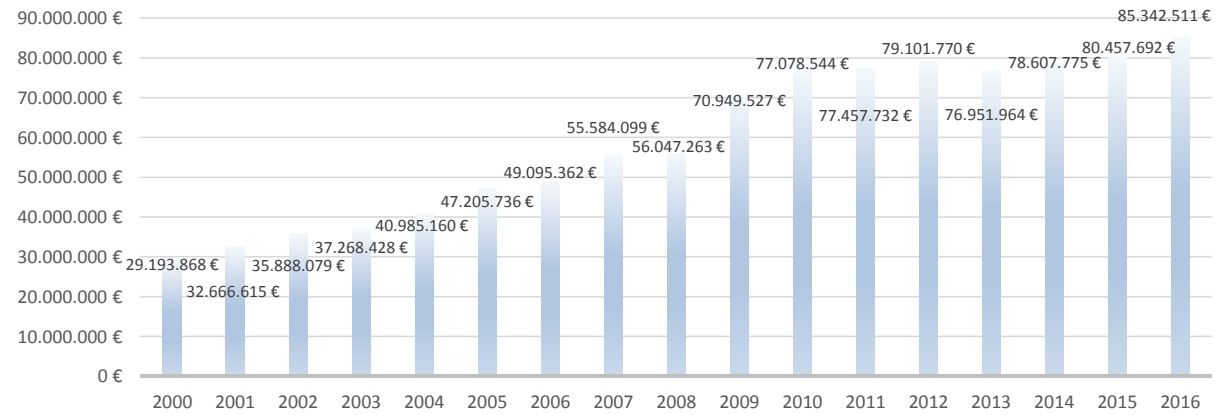
# Facts & Figures

OVER   
**€85 BN**  
 of guarantee volume  
 in portfolio per end  
 of 2016

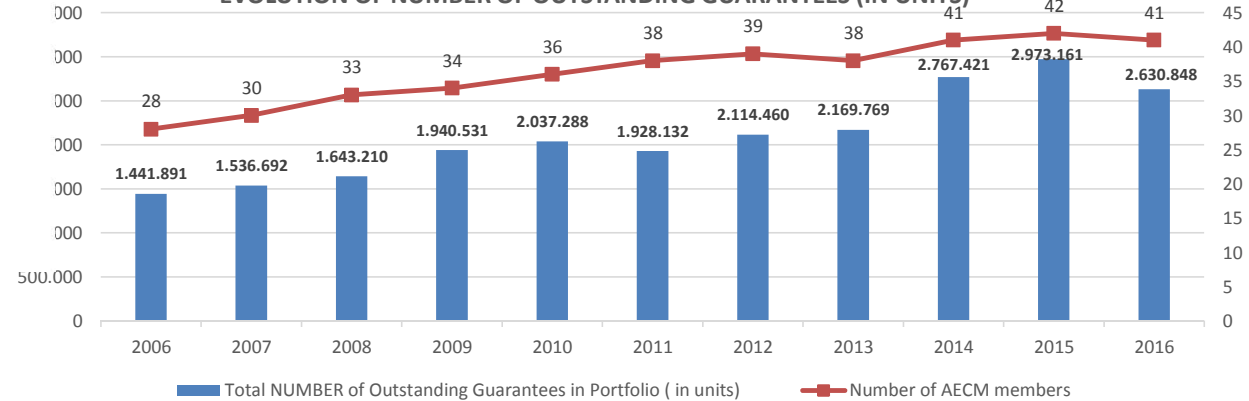
OVER **€30 BN**  
 of new guarantees granted  
 in 2016



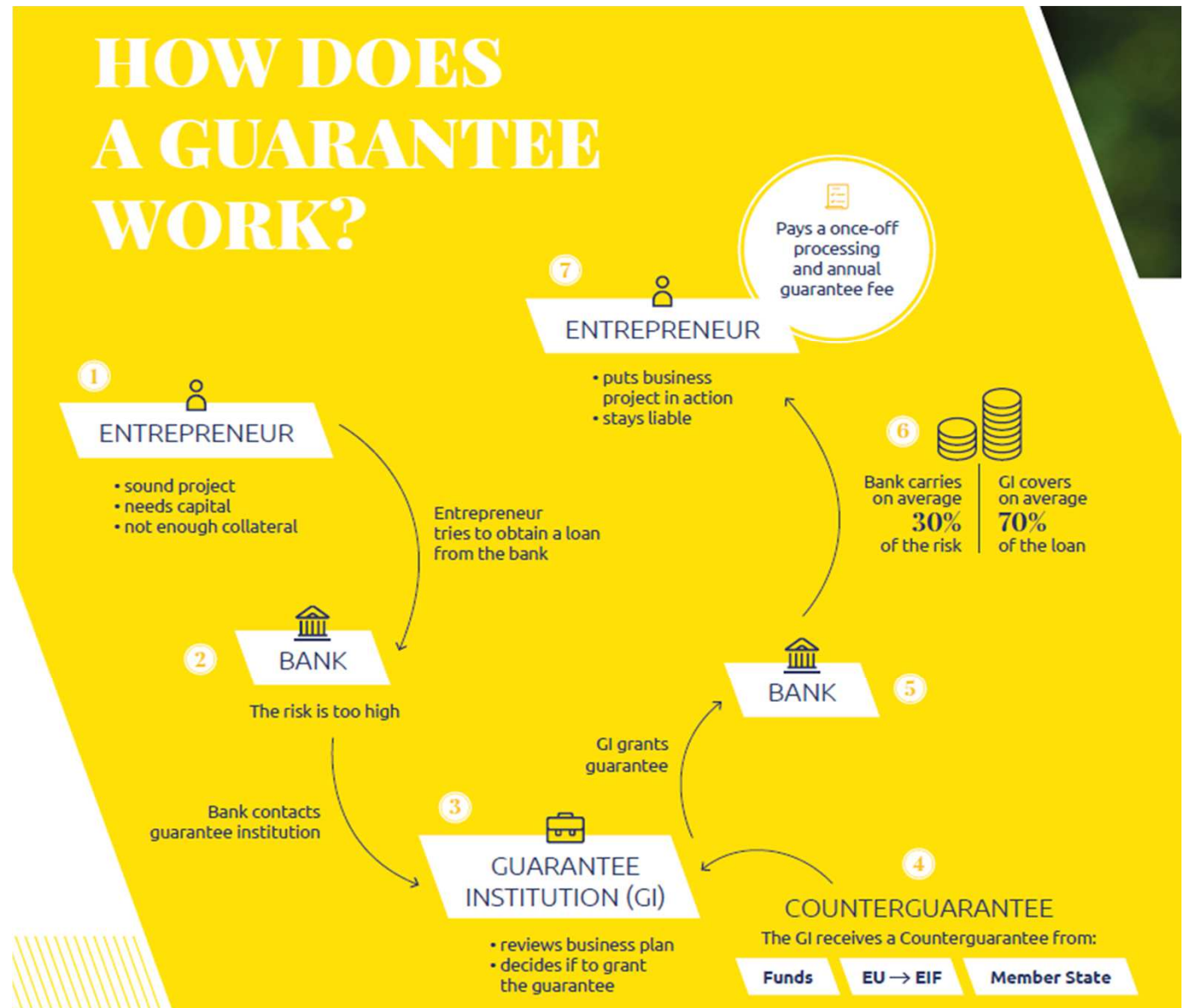
EVOLUTION OF VOLUME OF OUTSTANDING GUARANTEES IN PORTFOLIO IN (€'000)



EVOLUTION OF NUMBER OF OUTSTANDING GUARANTEES (IN UNITS)



# Application procedure





# Advantages of guarantees in general

Guarantees are recognized to be the most important and widespread instruments for the EU and worldwide economic policies' (acc. to OECD, the World Bank Group and others) in particular for the following reasons:

- Guarantees are **effective in dealing with** problems arising from **market failures** such as moral hazard and adverse selection
- In times of budget restrictions, using guarantees is the **most cost-efficient instrument to support SMEs**
- Due to the risk sharing of several parties involved guarantee institutions are **able to support riskier projects**
- They create **additionality** and **high-leverage effects** for both investments and working capital



# Advantages of guarantees for SMEs

## FOR SMEs

- **Access to finance** for economically sound projects
- Additional **support** and **expertise**
- Recognition of qualitative factors in **risk analysis**
- Geographic **coverage of all SMEs**
- In some guarantee schemes, SMEs **participate in the management**



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# EU Financial Instruments: Importance for AECM's members

- First guarantee contract ever signed by the EIF was in 1998 with one of AECM's Austrian members
- AECM's members are important users of EU counter-guarantees:
  - 17 are using COSME
  - 6 are using InnovFin
  - 12 are using Structural Funds
  - 2 thirds of investment generated under COSME by AECM's members = in line with predecessor programmes



# EU Financial Instruments:

## Importance for AECM's members

EU counter-guarantees are imperative to promote SMEs' access to finance:

- Thanks to EU counter-guarantees even higher leverage effects can be achieved due to the additional party involved
- In some cases, the EU counter-guarantee is decisive for the existence of the national guarantee institutions, therefore crucial for SMEs to access sufficient financing



AECM participates in bilateral consultations, public online consultations, advocates in meetings and at events, joins forces with other European associations / networks

# EU Financial Instruments:

## Room for improvement (-1-)

It is acknowledged that financial intermediaries will remain an essential component of the post-2020 MFF.

What should be considered and / or improved at EU-level:

- Eliminate the threshold of EUR 150 000 foreseen in the LGF of COSME
- Create a more balanced relationship between counter- and direct guarantees
- Establish a comprehensive level-playing in the area of state aid
- Ensure that adequate funding for the counter-guarantee instruments is always available also in transition periods from one programme period to the next one

# EU Financial Instruments:

## Room for improvement (-2-)

- Reduce the minimum **duration** and extend the maximum duration of the financing periods
- Enlarge the **application scope** to small mid-caps in order to tackle the financing gap in innovative SMEs
- **Reduce the regulatory and bureaucratic burden**
- Fees: European Commission covers appropriate remuneration and ensures that the EC programmes shall be provided **free of charge to the final beneficiaries** and the financial intermediaries
- Ensure that financial intermediaries are able to provide **higher risk taking and increased volumes** to meet additionality requirements

# Perspectives



- Demand for guarantee systems will increase:
  - Megatrends such as the increased speed of innovation and international competition lead to higher investment activities
  - At the same time, surveys show that „Access to Finance“ for companies in general, becomes more difficult / remains a challenge
- In times of budget restrictions, guarantee instruments are the correct choice to address the rising demand for innovation and growth financing
- Based on the availability of data, we have to keep on convincing important stakeholders (i.e. governments, banks) of the high-impact of guarantees

# Thank you for your kind attention!



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