



KEY FACTORS FOR A NEW ENVIRONMENT IN GUARANTEE SYSTEMS

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Kris Boschmans

Centre for entrepreneurship, SMEs, Local Development and Tourism



1. G20/OECD High-Level Principles on SME financing



Background

- **April 2015:** Request from G20 Finance Ministers and Central Bank Governors
 - Broad guidelines for the development of cross-cutting policy strategies, policy assessment and benchmarking
 - Built on work from the OECD and other international organisations
 - Voluntary and non-binding
- **November 2015:** G20 Leaders
 - Welcomed *G20/OECD High-Level Principles on SME Financing*
 - Called for the development of **effective approaches for implementing the Principles**



G20/OECD High-Level Principles on SME Financing

1. Identify SME financing needs and gaps and improve the evidence base.
2. Strengthen SME access to traditional bank financing.
3. Enable SMEs to access diverse non-traditional financing instruments and channels.
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms.
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection.
6. Improve transparency in SME finance markets.
7. Enhance SME financial skills and strategic vision.
8. Adopt principles of risk sharing for publicly supported SME finance instruments.
9. Encourage timely payments in commercial transactions and public procurement.
10. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness.
11. Monitor and evaluate public programmes to enhance SME finance.



Identifying effective approaches

Objective

- Develop a menu of policies to help governments operationalise the Principles and monitor implementation

Methodology

- Survey-based approach: bottom-up, country driven
- Categorisation into
 - **Common approaches:** well-established across a broad range of jurisdictions
 - **Innovative/Emerging approaches:** limited number of countries, recently implemented, or applying to some specific policy areas or measures



Principle 2: Strengthening bank financing

- ***Common approaches***

- Credit guarantees most widespread policy instrument
- Credit insurance
- Diversity of measures to enhance credit risk management and mitigation
 - Broader information in credit public registries, data quality assessment and data protection regulation
 - Improved monitoring of bank losses and provisions
- Changes in regulation to broaden set of assets SME can use to secure loans
- Enhancing speed and efficiency of insolvency procedures



Principle 2: Strengthening bank financing

- ***Other approaches***

- Support to securitisation of SME loans
- Enhance operating efficiency in banking markets (e.g. ICT adoption, organisation and management skills, good governance rules)
- Greater transparency in credit relations with SMEs

Spain: Law 5/2015 imposing greater transparency on credit application process and credit rating, standardised credit reporting and advanced notification of credit reduction

- Requirement for designated financial institutions to share information with alternative finance providers

UK: Bank referrals to designated financial platforms



2. Scoreboard on SME and Entrepreneurship financing



Objectives of the Scoreboard

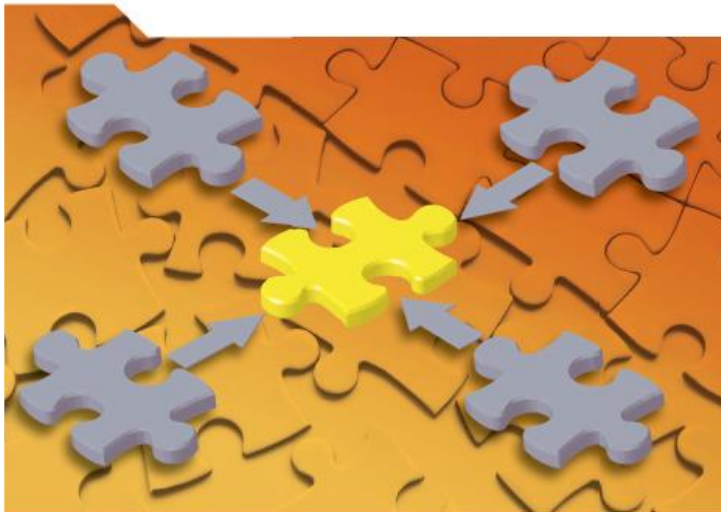
- Provide a tool for policy makers to **better understand** and **monitor** SMEs' access to finance in their country, and benchmark it against others
- Guide governments to **assemble meaningful indicators** and **favour harmonisation** of definitions and data collection methods
- Assist governments in **designing and evaluating policies and programmes** and support the regular **exchange of good policy and practices**



Structure of the publication



**Financing SMEs
and Entrepreneurs 2017**
AN OECD SCOREBOARD



The 2018 edition will cover 44 **countries** and includes **data from 2007 to 2016**

It includes:

- A chapter on **emerging trends and policies**
- **A thematic chapter** (e.g. evaluating credit guarantee schemes)
- Individual **country profiles** (abridged and full)
- **A methodological annex** (recommendations for data improvement)



An increasing number of non-OECD countries are participating in the exercise

- 33 OECD countries...
- ... and an increasing number of non-OECD economies joining
- Brazil, Chile, Colombia, Mexico and Peru have joined...
- ... and we would like to include more Latin American countries



2018 edition will be launched during the **Ministerial Conference** in February 2018 in Mexico City.



2. Insights pertaining to credit guarantee institutions



Credit guarantees most widespread policy instrument to ease SMEs' access to finance

- Became more popular
 - After the financial crisis in many OECD countries
 - In recent years in some mid-income countries
- New schemes are being adopted and changes to existing ones enacted
 - Endowments
 - Eligibility criteria
 - New instruments
 - Counter-guarantees



Recent developments in credit guarantee schemes

- A portfolio approach is increasingly being adopted
 - At least for “predictable” segments of the market
- There is increasing attention on guarantee activities for innovative, fast-growing firms
 - Such as issuing guarantees for intangible assets, guaranteeing equity, specific innovative projects
- Financial support is increasingly combined with coaching, mentoring and other services
- The possibility to approve a guarantee before a loan has been requested, is becoming more wide-spread



3. Main results from a recent study on CGS evaluations (2018 thematic chapter of the Scoreboard)

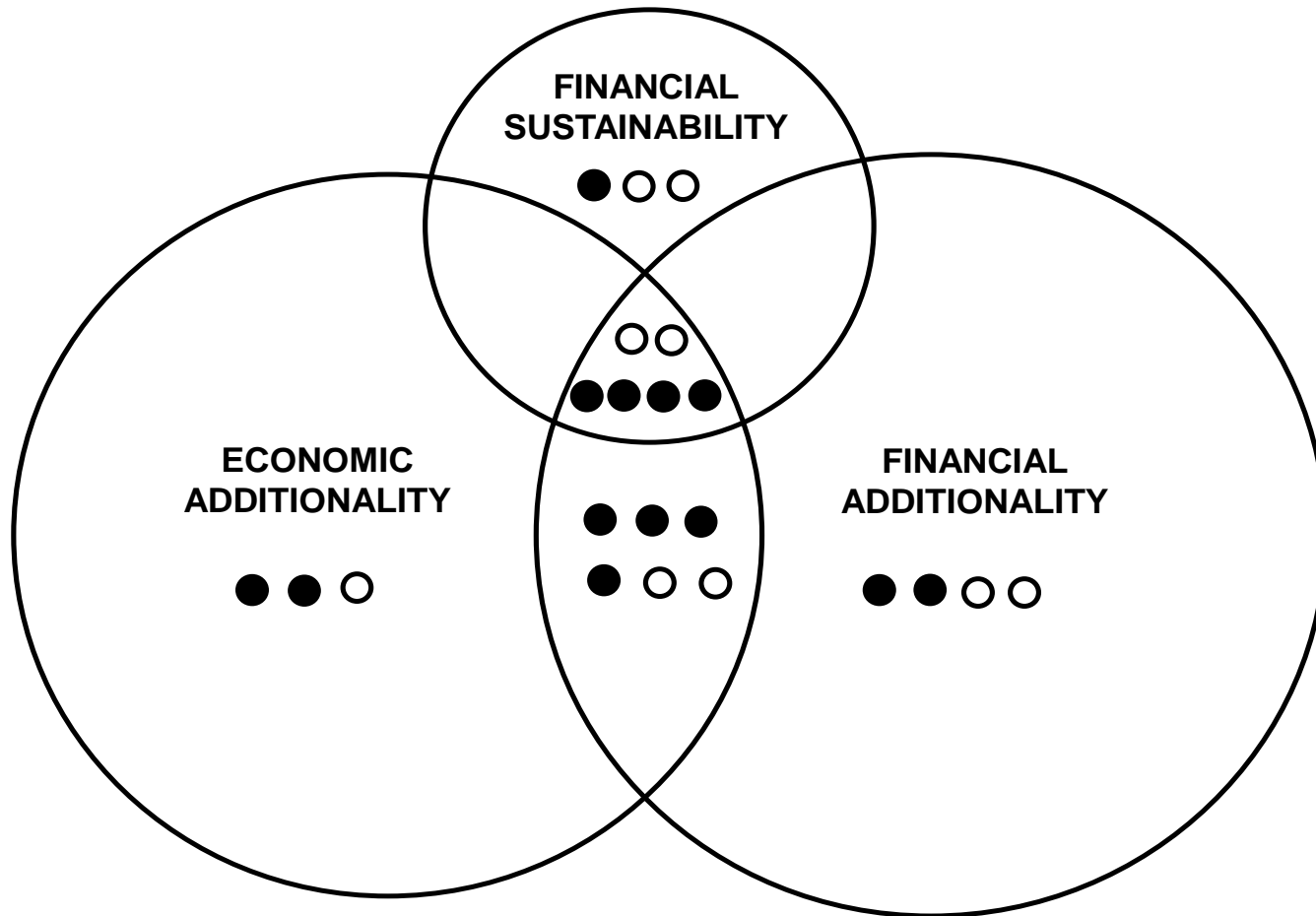


Background: Motivation

- The **need to assess** the cost-effectiveness of CGS is widely acknowledged.
 - Also in light of fiscal consolidation pressures limiting resources governments can spend
- But **practices** on methods to evaluate the performance and cost-effectiveness of CGSs can **vary substantially**
- An **OECD/EC survey** on evaluating publicly supported financial guarantee programmes for SMEs was conducted to shed more light



Objectives of the evaluation





Tentative recommendations

- Evaluations are ideally conducted at a regular intervals
- Evaluations require a clear objective against which the added value of the programme is measured
- Independent evaluation appears to be preferable to self-assessments
- An emphasis on the counterfactual is key
 - Requires additional **data** to capture the ex ante heterogeneity across treated firms and firms in the control group



Thank you

Kris.Boschmans@oecd.org

<http://www.oecd.org/cfe/>