

European
Banking
Coordination
(Vienna 2)
Initiative

Working group on credit enhancement schemes

Meeting of the VI2 Full Forum, 18 November 2015, Warsaw

Follow-up on the WG on credit enhancement schemes

Áron Gereben (EIB)



Background

- WG established by the VI2 Full Forum in November 2013.
- The aim was to explore the possible role of credit guarantee schemes (CGSs) in alleviating the low supply of credit in the CESEE.
- Data sources: 3 surveys – CGSs, banks, regulators.
- EC/EIF data for additionality measurement of SMEG guarantees.
- Key contributors: EIB, NBP, World Bank
- Participation of all other VI stakeholders and inclusion of stakeholders outside the VI2 circle, such as AECM, OECD & EBA.
- WG report published in November 2014.

Conclusions and recommendations

A strong demand exists for SME credit guarantees in the CESEE region. They can be an effective way to deliver public support for access to finance to SMEs. Public funding is essential for CGSs in the CESEE, and this support should continue. EU funds/IFIs can play a key role when fiscal constraints exist.

There is room to enhance effectiveness and efficiency of CGS schemes. A number of CGSs operating in the CESEE have room to improve in defining objectives, measuring performance and additionality. The ability of credit guarantees to alleviate the need for collateral should be strengthened. CGSs should refrain from excessive administrative requirements.

Uniform treatment of the regulatory capital relief for credit guarantees within the EU by national authorities should be ensured. Stronger awareness of credit guarantee schemes by the national financial regulatory and supervisory authorities is desirable.

Banks could support the use of credit guarantees by ensuring that loan officers are provided with the necessary incentives to roll out guaranteed loans.

Actions

Raising regulatory awareness/ensuring uniform treatment of reg. cap. relief

- Raised the issue with the EBA, with the objective of achieving a common understanding by national regulators in the application of the relevant sections of the CRR.
- Started similar discussions with the SSM.
- A high-level workshop for regulators is planned to be held, together with EBA, in January 2016. However, we found a general reluctance to bring certain issues to an open forum at this stage.

Commercial banks' incentives towards the use credit guarantees.

- Many commercial banks reported back to us that they used the momentum of the study to re-think and optimise their group-level approach towards credit guarantees.

Actions

Promoting the study towards CGSs – closing the gap between actual and best practices.

- Study was presented to national guarantee schemes and discussed at a workshop organised by AECM.
- OECD uses the report as a benchmark for their rural guarantee fund project in the Ukraine.

Impact measurement of the EC/EIF MAP/SMEG guarantee facility.

- A spin-off project from the working group.
- Econometric assessment of the economic additionality of an EC-funded guarantee program in the CESEE.
- Finds significant impact on employment and turnover of beneficiaries relative to the control group.
- Can serve as an example for other products and guarantee providers for impact assessment.

www. EIF.org/news_centre/publications/eif_wp_29_economic-impact-guarantees_july15_fv.pdf

Follow-up: A similar study is under preparation for the non-CESEE EU members.