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OECD/EC SURVEY ON EVALUATING PUBLICLY SUPPORTED FINANCIAL GUARANTEE PROGRAMMES FOR SMES: SYNTHESIS OF RESPONSES

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OECD/EC SURVEY ON EVALUATING PUBLICLY SUPPORTED FINANCIAL GUARANTEE PROGRAMMES FOR SMES: SYNTHESIS OF RESPONSES

1 Motivation

1. To help reinvigorating the policy support provided to small and medium-sized enterprises (SME), the Committee on Financial Markets (CMF) decided to examine the practices to assess costs and benefits of financial guarantee programmes for SMEs; it also decided to initially focus on credit guarantee programmes for SMEs. These programmes help overcoming markets failures and the lack of collateral that some SMEs may encounter when attempting to finance their activities. To allow these programmes to perform these tasks effectively, periodical cost-benefit evaluations are important, especially as the results of such assessments allow policy makers to better design elements of support programmes. In fact, the above-mentioned potential benefits of support programmes need to be compared with potential costs, which include the possibility that they might keep so-called “zombie companies” alive, hinder the development of alternative forms of financing such as venture capital, crowdfunding, and create substantial contingent fiscal liabilities.

2. The Committee decided to compile a list of the different approaches taken among OECD members and partner countries to such cost-benefit evaluations and circulated a questionnaire among CMF members and partner countries ("OECD/EC Survey on Evaluating Publicly Supported Financial Guarantee Programmes for SMEs").[1] The aim was to collect information on how the costs and benefits of publicly supported credit guarantee programmes for SMEs are evaluated, thus allowing participants to learn from others about what approaches are being used.

3. The present report provides a synthesis of the responses obtained from OECD and EC member and partner country authorities to the survey. The report identifies in particular which approaches to evaluate the performance of Credit Guarantee Schemes (CGSs) are widely used, against which objectives the evaluations are undertaken, and what data is being used.

4. Surveying the evaluation practices is a particularly timely exercise. First, recently developed principles such as those by the G20/OECD on SME financing and the World Bank on public CGSs for SMEs emphasize the need for public programmes to be evaluated to ensure their effectiveness. There is however no generally agreed best method and no widely agreed set of good practices on evaluation methods of CGSs. Second, CGS have become a structural feature of many financial systems (OECD, 2013) and policy makers have shown heightened interest in publicly supported CGSs. In some countries they have relied on their use as counter-cyclical tools since the beginning of the global financial crisis. Third, there is a general consensus that thriving young and innovative firms is the best remedy against unemployment and sluggish growth. Revisiting the benefits and costs of existing support mechanisms for

1 The European Commission also distributed the survey to countries of the European Union which are not members of the OECD. The questionnaire is included for reference as appendix 1. It is based on a draft survey that was developed in collaboration with the Joint Research Centre of the European Commission and presented to and discussed by the OECD’s CMF and the OECD’s Working Party on SMEs and Entrepreneurship (WPSMEE); the current version reflects the comments and suggestions made at these meetings and those obtained in writing. It was developed by Sara Maccaferri, Jessica Cariboni (both EC JRC) and Sebastian Schich (OECD), while the present write-up of synthesis results was produced by Anna Naszodi, Jessica Cariboni (both EC JRC) and Sebastian Schich.

firms below a specific size could thus be helpful in efforts to reshape the design of such support mechanisms, thus reinvigorating policy support for SMEs. ting policy support for SMEs.

5. One additional point to consider in this context is that some countries have undertaken reviews of the use of such programmes in response to the crisis, and that there is some variation of opinion among them concerning their effectiveness. An OECD (2010) survey reveals that a few countries either did not introduce any new programmes in response to the crisis or had already ended their programmes at the time of writing that survey, while others concluded that, given the severity of the economic downturn and the risk of a collapse of credit to SMEs, emergency support programmes were an appropriate policy response and were broadly effective. A general observation in this context is that an increase in the activities of publicly supported CGSs in the absence of their regular or, at least periodic, evaluations can give rise to implicit fiscal liabilities, which might be hidden for many years, but nonetheless be growing very fast before eventually becoming apparent.

6. The OECD/EC survey aims to collect information on both qualitative and technical aspects of existing practices assessing the costs and benefits of CGS activities. The survey first asks for some data regarding the main characteristics of the CGS (types of SMEs covered, forms of support granted, etc.) and invites some general information regarding the practices used in evaluating costs and benefits of CGS activities (frequency of evaluation, identity of the entity conducting the evaluation, etc.). It then focuses on more detailed information, such as what are the objectives against which the evaluation is being undertaken, what type of data is being used (what sources and at what level of aggregation is data considered), the specific variables considered and techniques employed, including to assess the counterfactual. The last part of the survey asks to what extent the results of evaluations are used for operational decisions and/or to also assess the achievement of a set of broader policy objectives.

Box 1: High-level principles related to SME financing and public support programmes for SMEs

The **G20/OECD** high-level principles on SME financing (2015) recognize that CGS can play a positive role and help SMEs accessing traditional bank credit. They nonetheless also suggest that there is a need to complement SME bank financing with a broad range of non-traditional financing instruments, although they do not explore to what extent there might be any interactions between traditional and alternative sources of SME funding (i.e. complementarity or substitutability). The principles recommend that the design of public programmes ensures financial and economic additionality, along with cost effectiveness. Moreover, they recommend that the costs of the intervention are assessed together with its benefits, for the beneficiary firms as well as for the broader economy. They also suggest the need for monitoring and regular evaluation of public programmes against the specific target objective(s) and that the results feed back into the policy-making process.

The **World Bank** in collaboration with the **FIRST Initiative** (2015) developed high-level principles for the design, implementation, and evaluation of public credit guarantee schemes for SMEs. The principles cover four key areas: (i) legal and regulatory framework, (ii) corporate governance and risk management, (iii) operational framework, and (iv) monitoring and evaluation.

While the OECD/EC survey focuses mainly on the fourth area, there is close relationship with all other areas. The legal basis determines the mandate of the CGS: as such, it broadly defines the objectives against which the CGS should be evaluated. Sound corporate governance and sound risk management are also critical building blocks for proper monitoring of both financial and non-financial risks. Finally, the evaluation is supposed to be able to produce valuable feedback regarding changes to the design of the operational framework. Specifically, the assessment should highlight how certain conditions defined in the operational framework, like the eligibility criteria of SMEs, or the distribution of risk among the parties (bank, SME and CGS), influence the effectiveness of the programme.[2]

The World Bank and FIRST Initiative principles suggest the need for (i) a sound mechanisms allowing regular assessment, (ii) the collection of relevant data and information, and (iii) adopting a transparent methodology. In addition, the principles stress that evaluations should be used to show the added value of the programme in several dimensions (e.g. financial and economic additionality) and thus to justify the existence of the CGS.

2 Coverage of the survey

7. The survey was circulated among OECD and EC member and partner countries and altogether 33 responses were received from 24 countries. Responses were invited from countries with or without CGS. Iceland was the only country without a CGS that provided a response to the questionnaire (see Box 2); incidentally, there exists no CGS in a few other countries (including e.g. Australia, China, New Zealand and Sweden).[3]

[2] Note that the answers given to questions 33 in the OECD-EC survey, discussed towards the end of the next section, demonstrate how well-designed assessments can be used to improve the operational framework.

[3] See Scoreboard (2016). The list of countries without CGS presented here as part of the main text does not include Malaysia, as we consider the Credit Guarantee Corporation Malaysia Berhad (CGC), founded in 1972, as a CGS (thus differing from the OECD Scoreboard 2016 assessment on page 71). In Sweden, credit guarantee programmes were introduced in response to the global financial crisis, but subsequently discontinued.

8. Altogether 32 responses, 31 completed questionnaires were received; the United States provided general information and references to publicly available documents, but did not fill in the detailed questionnaire. The 31 completed questionnaires thus cover 22 countries. There exist more than one CGS in some countries (Canada, Greece, Italy) and two evaluation studies were received in the case of the United Kingdom and Portugal for the same CGSs, although covering either different time periods or evaluation approaches. Table 1 includes a list of responses, organised by country and CGS, to which the response refers.

Table 1: Responses received to OECD/EC survey

Number of Responses	Number of countries	Country name	Name of credit guarantee arrangement
1	1	Austria	Austrian Wirthschaftsservice (AWS)
2	2	Belgium	Participatie Maatschappij Vlaanderen NV (PMV NV)
3	3	Canada	Canada Small Business Financing Program (CSBFP)
4			Export Guarantee Program (EGP)
5	4	Chile	Corporación de Fomento de la Producción de Chile (CORFO), Banco Estado
6	5	Czech Republic	Czech-Moravian Guarantee and Development Bank
7	6	Estonia	KredEx Credit Insurance (KredEx)
8	7	Finland	Finnvera
9	8	France	Bpifrance
10	9	Germany	German Guarantee Banks
11	10	Greece	Entrepreneurship Fund - Guarantee Fund (GF)
12			Working Capital Program (WCP)
13			Raw Material Guarantee Program (RMCP)
14			Tax and Insurance Guarantee Program (TIGP)
15			Guarantee Program for Issuance of Letters of Guarantee (GPILG)
16	11	Hungary	Garantiqa, Agrár-Vállalkozási Hitelgarancia Alapítvány (AVHGA)
17	12	Italy	Fund for Guarantee of SMEs (SGS)
18			Confidi
19			Istituto di servizi per il mercato agricolo alimentare (ISMEA)
20	13	Japan	Credit Guarantee Corporation
21	14	Korea	Korea Credit Guarantee Fund (KODIT)
22	15	Lithuania	Investiciju ir verslo garantijos (INVEGA)
23	16	Mexico	Nacional Financiera (NAFISA)
24	17	Portugal	SNGM (Sistema Nacional de Garantia Mútua) - assessment commissioned by the CGS, henceforth Portugal1
25			SNGM (Sistema Nacional de Garantia Mútua) - assessment commissioned and conducted by researchers, henceforth Portugal2
26	18	Romania	National Credit Guarantee Fund for SMEs (FNGCIMM S.A.-IFN)
27	19	Spain	Sociedades de Garantía Recíproca (SGR)
28	20	Switzerland	Gewerbeorientiertes Bürgschaftswesen
29	21	Turkey	Kredi Garanti Fonu
30	22	United Kingdom	Enterprise Finance Guarantee - assessment in 2009, henceforth UK(2009)
31			Enterprise Finance Guarantee - assessment in 2013, henceforth UK(2013)
32	23	United States	Small Business Administration (SBA)

Note: Multiple responses from individual countries were invited, where relevant. Altogether 32 responses were obtained from 23 countries. Iceland provided a response but is not listed in the table as there exists no CGS in that country. The US is listed in the table although it provided only general information but did not answer the specific survey questions.

Box 2: Response received from a country without a CGS

Responses were also invited from countries that do not have CGS, and one such response was received, from Iceland. That response includes a short explanation on why no CGS has been established there. In Iceland growth is considered sufficiently dynamic and any additional publicly supported stimulus is not considered helpful at this point in time. More generally, investment growth is balanced and driven both by larger and smaller firms. On a specific issue, in the aftermath of the financial crises and the resolution of the three large Icelandic banks, small and medium sized firms benefited from loan restructuring, which was made possible during the establishment of the new banks that received the loan portfolios at estimated market value, considering likely losses incurred during the crises. The response also explains that the implied significant debt relief for firms in the country has allowed them to remain healthy, with historically high equity ratios and hence low leverage.

This response is consistent with the view that the perceived need for the establishment of CGS to overcome any potential or diagnosed SME financing constraints differs from one country to another. CGSs typically aim to address the lack of SMEs bankable collateral. In fact, the most common response to question 9 ("What particular identified weakness is the CGS targeting?") was "lack of sufficient collateral". Against this background, it is of interest to go beyond and investigate whether the perceived shortage of collateral is lower in countries where a CGS does not exist.

Cross-country estimates of such perceptions are available from surveys such as the Survey on the Access to Finance of Enterprises (SAFE) undertaken by the European Central Bank (ECB, 2015). For example, the ECB survey reports the share of respondent firms per country that name "insufficient collateral" as the main reason for the financial constraints they are reporting to be experiencing (question 22 in the SAFE 2015 survey: "what do you see as the most important limiting factor to get this financing?"). It turns out that less than 6% of the firms responded "insufficient collateral or guarantee" in Iceland in 2015.[4] Similarly, this share is low with 11% in that same year in Sweden, which is yet another country where there is no CGS. By contrast, the EU28 average for that share (*i.e.* quoting "insufficient collateral or guarantee" as the response to "what do you see as the most important limiting factor to get this financing?") is 15%. Of course, it is difficult to say anything about causality, not least because the sample size is very limited. Also, unfortunately, the SAFE survey does not cover countries outside Europe, such as Australia and New Zealand, where there are also no CGS.[5] It is noted here however that, among the sample of European countries covered by the SAFE survey, a lack of sufficient collateral tends to be perceived as a less constraining factor in countries without CGS than in many countries with CGSs (considering this specific survey measure discussed above).

3. Synthesis of responses

9. This section presents a synthesis of the answers provided to the questions of the OECD/EC survey.[6] Respondents were asked to mark relevant answers among multiple choices offered and, in several

[4] The alternative answers offered include "interest rates or price too high", "reduced control over the enterprise", "financing not available at all", "too much paperwork is involved", "there are no obstacles", and "other".

[5] The OECD/EC questionnaire clarifies that export credit guarantee arrangements, which may or may not have special programmes targeted at SMEs, are not part of the coverage of the present work on CGS for SMEs.

[6] This synthesis report covers most but not all questions. The first six questions of the OECD/EC survey were asking merely for contact information. Also, questions where responses rates were very low are not covered here. For example, only one response was received to question 30, providing information on the

instances, to provide additional information. Where the additional information provided contradicted the answer selected among multiple choices, the information in the written answer was considered. to provide additional information. Where the additional information provided contradicted the answer selected among multiple choices, the information in the written answer was considered.

10. The current synthesis is descriptive, motivated by the view that there are no "good" or "bad" answers *per se.* In particular, evaluation practises likely reflect the specific legal frameworks surrounding the CGS, specificities of domestic banking and financial systems and their state of development and sophistication, as well as the developments and structure of SMEs and their historical financing patterns. Arguably, the larger the size and scope of CGS activities, e.g. as compared to domestic GDP or other variables, the higher is the necessity of conducting comprehensive and thorough evaluations of the effects of CGS activities. By contrast, relatively smaller programmes might require evaluations that are somewhat less sophisticated.[7]

3.1 Main characteristics of CGSs

Question 7[8]: Do specific initiatives exist in your jurisdiction to address the credit financing needs of SMEs by providing credit guarantees (and under what ownership are such initiatives)?

11. Among respondent countries, 23 countries reported that there exist at least one CGS in their jurisdiction and 22 of them provided a detailed questionnaire response (excluding the United States). Regardless of the specific legal aspects surrounding the management of CGS, for the purposes of the present synthesis report all CGSs are considered to be "publicly supported" in the sense that they serve a valid public interest. Reflecting this interest, they are supported by public authorities in a variety of ways, either through special regulatory treatment granted, direct regular financial contributions, the provision of counter guarantees or financial contributions in exceptional circumstances (see also Honohan, 2010). However, legal ownership and management characteristics vary from one CGS to another; some are publicly owned and managed, some privately, and there are public-private initiatives as well.

Question 9: What particular identified weaknesses are targeted by the CGS?

12. SME credit markets are typically considered to be characterized by market failures and imperfections, including information asymmetries, inadequacy or lack of recognized collateral, high transaction costs for small-scale lending, and perceptions of high risk, all of which lead to suboptimal allocation of credit. Figure 1 shows that the most frequently reported weakness targeted by the CGSs of respondents to the OECD/EC survey is that SMEs cannot provide sufficient bankable collateral. The lack of sufficient collateral can be specific to certain firms or to firms in specific sectors, it can result from the lack of adequate type of collateral (immovable versus movable), or it can represent a *general* lack of sufficient collateral. Besides the lack of sufficient collateral, "Inadequate skills for producing financial statements of the quality and detail required by lenders" and "Lack of transparency or sufficient historical

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cost-benefit analysis of the Canada Small Business Financing Program (CSBFP), drawing especially on Section 3.3. of Seens and Song (2015).

7 On a related issue, there are some observers that suggests that to the extent that a domestic CGS is funded by an international organisation rather than the domestic taxpayer, the host government might have fewer incentives to undertake comprehensive and rigorous evaluations.

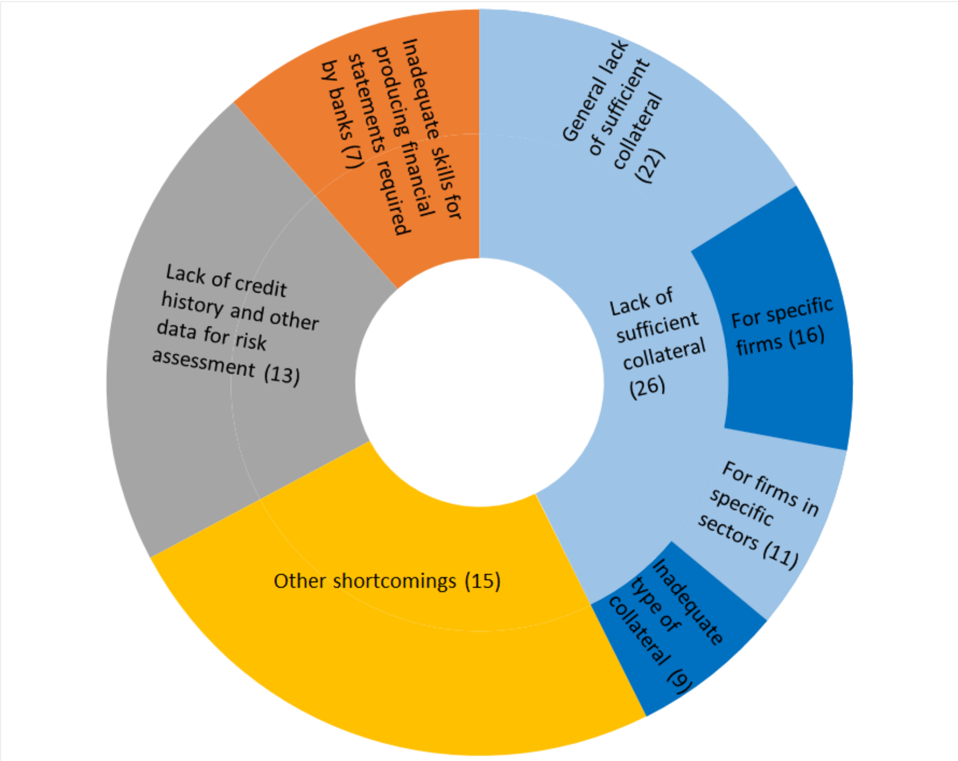
8 This synthesis report covers most but not all questions. The first six questions of the OECD/EC survey were asking merely for contact information. Also, questions where responses rates were very low are not covered here. For example, only one response was received to question 30, providing information on the cost-benefit analysis of the Canada Small Business Financing Program (CSBFP), drawing especially on Section 3.3. of Seens and Song (2015).

data to arrive at standard credit risk assessments" were also marked by some respondents as identified weaknesses targeted by the CGS.

Question 10: Following the beginning of global financial crisis, were changes to CGSs made?

13. Following the beginning of the global financial crisis, the volumes of guaranteed loans have increased in many countries (e.g. OECD, 2016). In addition to changes in the volumes, the design of some credit guarantee programmes have also been changed. In particular, 17 out of 29 responses reported that the programmes have been modified in response to the global financial crisis. The most commonly reported changes included i) increasing the capital of the CGS, ii) broadening the set of companies eligible for the guarantee, iii) introducing new guarantee products, iv) increasing the cap on guarantees temporarily and v) launching a new CGS or similar arrangement.[9] Summarising, CGS were used in many countries as countercyclical policy tool.

Figure 1: Weaknesses targeted by the credit guarantee arrangements



Note: Multiple choices were allowed; numbers of responses for the given choice are in parentheses. The numbers in the outer ring do not necessarily sum up to the number in the inner ring given that multiple choices were allowed. Answers from the United Kingdom and Portugal are counted only once, even though two survey responses were provided by both. For information, survey respondents were given the option to name "other shortcomings" targeted by the CGS. Responses included "lack of finance for start-ups due to high risk", "export performance", "value added", "lack of motivation for investment and for funding", "high interest rate", "high cost of raw material", "downturn and credit crunch", "SME competitiveness" and "local employment opportunities", which could be taken as some form of economic shortcomings. Responses also included "social and territorial cohesion", "disadvantaged areas", "natural disasters" and "female entrepreneurship", which could be taken as identified social shortcomings. Finally, "insufficient means for funding documents for public procurement" was named by one respondent.

9 For example, in the United Kingdom, the Enterprise Finance Guarantee (EFG) was launched in 2009. In France, two CGS were set up in 2008 to specifically address the issue of short-term credit constraints facing SMEs. An overview of a range of policy measures taken in different countries to improve SME access to finance is provided in Table 1.20 of the OECD Scoreboard 2016 (OECD, 2016).

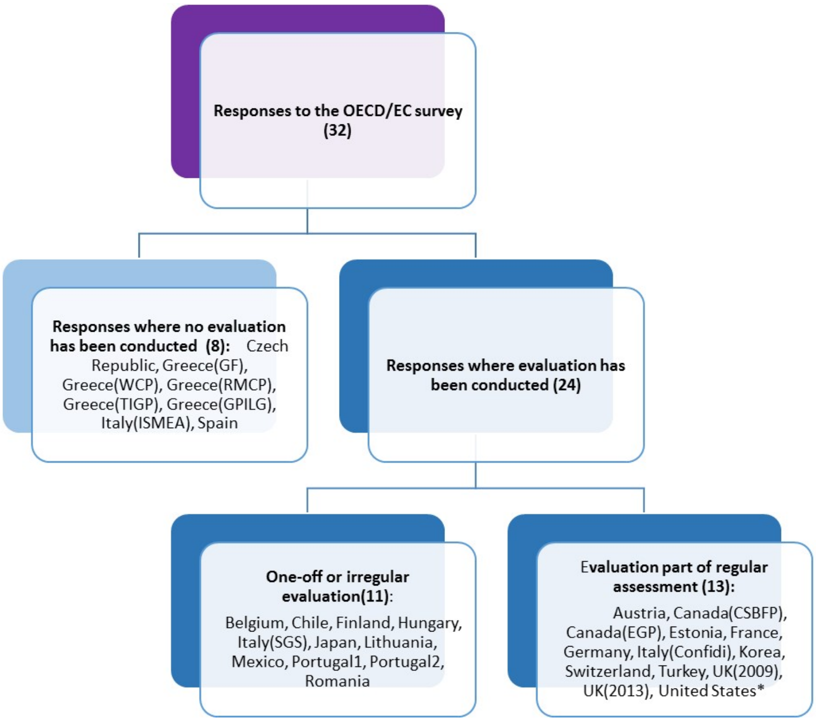
3.2 Evaluation of costs and benefits of CGSs

3.2.1 General overview

Question 11: As regards the success of the CGS in addressing the identified market failures, has any evaluation of the CGS ever been conducted?

14. 29 different CGSs are covered by the survey. Among these, 21 were subjected to a cost-benefit analysis. CGSs that have never been subjected to an evaluation include the CGS in the Czech Republic, Spain, all five CGS in Greece, and one of the Italian CGSs (ISMEA). Respondents reported that they lacked adequate data, faced "difficulty in conducting the analysis", or quoted the lack of a legal requirement to undertake a cost-benefit analysis as justification for not considering such analysis. The remainder of this section presents a synthesis of the responses provided in altogether 23 answers covering 21 CGSs.[10] For reference, Figure 2 provides an overview of responses received, distinguishing whether the responses refer to CGS that have been subjected to evaluations or not and, if they have, at what frequency. The overview includes the United States SBA for reference, even though results regarding its evaluation are only discussed as part of section 4; as a result, the count in the chart shows 24 rather than 23 responses.

Figure 2: Overview of OECD/EC survey responses



Note: Assessment based on survey responses to questions 11 and 15 (also including the United States response related to SBA for completion). The two evaluations provided by the United Kingdom and the two provided Portugal are shown separately and are referred to as UK(2009), UK(2013) and Portugal1 and Portugal2 respectively. In two cases, responses ticked both “regular” and “irregular” evaluations, and these responses are included under “evaluations that are part of regular assessments” * The categorization of the United States is not based on responses to the respective questions but on the written answer and publicly available documents.

10 Both in the case of Portugal and the United Kingdom, two different evaluations of the same CGS were covered by two separate questionnaire responses.

Question 13: What SMEs, meeting either specific criteria in terms of characteristics or sectors, are covered by the evaluated CGS arrangement?

15. The criteria for the types of SMEs covered by the evaluated CGS differ from country to country.[11] That said, the evaluated CGS typically provide support to enterprises that meet a specific size criterion, while sectoral characteristics tend to be less relevant. In particular, most often, SME are eligible for CGS support as a function of their size in terms of employment, turnover or balance sheet size. In fact, a combination of the three size criteria is provided by the EU definition of SMEs. This definition is used by the largest number of respondents as the criterion to identify the types of SMEs covered by the CGS.[12] By contrast, the evaluated CGS do not differ much in terms of which specific sectors are covered, such as manufacturing, services, export-oriented, high-tech, research, etc.. In fact, many evaluated CGS cover all sectors, although several do not cover the agricultural sector, where separate support arrangements exist.[13]

Question 14: Which forms of support are granted by the evaluated CGS?

16. CGSs make available support to SMEs by providing i) partial individual guarantees, ii) full individual guarantees, iii) overall guarantees to loan portfolio or iv) guarantee under specific programmes. The most common forms are partial individual guarantees (Figure 3). CGSs in some countries, including Canada, Estonia, Japan, Korea and Lithuania also have provided full individual guarantees. The Estonian, Italian (SGS), Mexican, Portuguese and Swiss CGSs provide overall guarantees to loan portfolio.

Question 15: What is the frequency of the evaluations?

17. About half of the assessments are reported to be part of evaluations carried out on a regular basis, that is altogether 13 out of 24 responses, including the one from the US. Another five responses are part of evaluations performed on an irregular basis (Figure 4). Eight assessments however constituted one-off evaluations. Thus, not all evaluated CGS are being evaluated periodically.

Questions 16, 17: Who has commissioned and conducted the evaluations?

18. Figure 5 shows that in most cases the government commissioned the evaluation, either alone or with collaboration with partners (in 16 out of 23 cases). In the remaining seven cases either the CGS initiated the evaluation itself, or a research institution, or the central bank, or these entities commissioned the evaluation jointly, without directly involving the government.

19. The most common answer is that the study was undertaken by a research institution, university or independent researchers. Another, although somewhat less common response, is that entity being evaluated undertook the evaluation itself, that is that a self-assessment was conducted (Figure 6).

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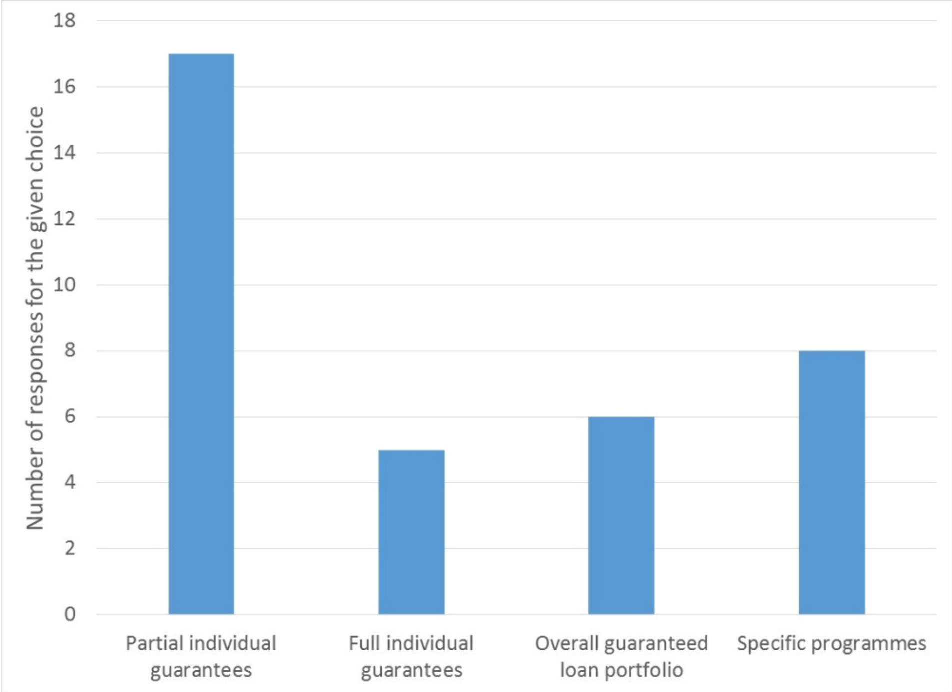
11 This variation can be due to the differences in definition of SMEs across countries, the differences in the eligibility criteria for credit guarantees, or differences in the focus of the evaluation studies.

12 The EU definition of SMEs identifies an enterprise as an SME as follows: the staff headcount should be lower than 250 and either the turnover should not exceed EUR 50 million or the balance sheet total should not exceed EUR 43 million.

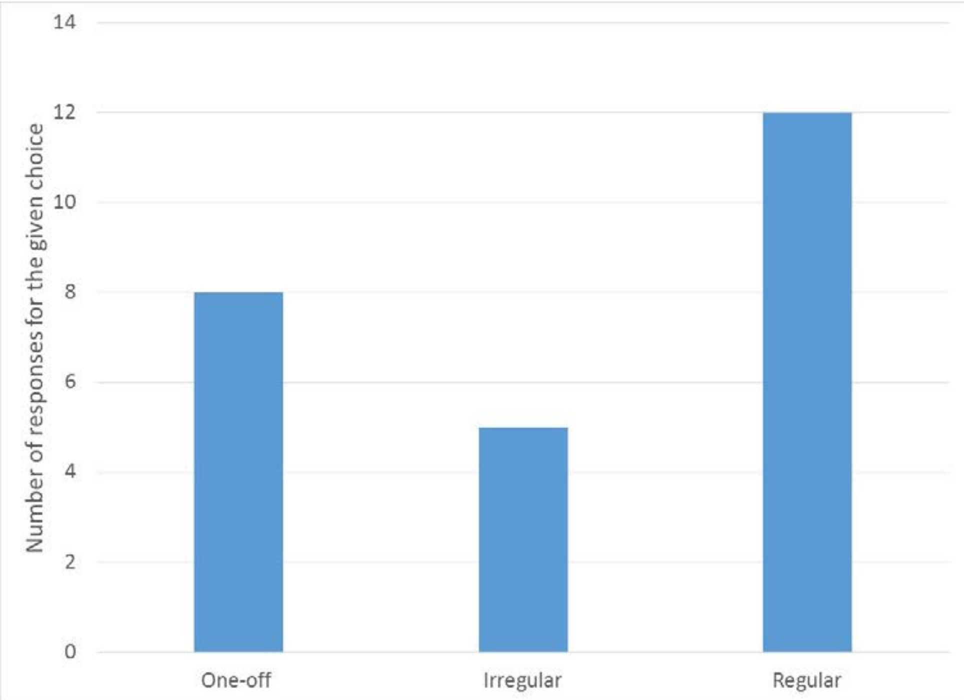
13 For example, in some countries, there are specific loan guarantee programmes to support primary agricultural businesses.

Figure 3: Forms of support granted by the evaluated credit guarantee arrangements



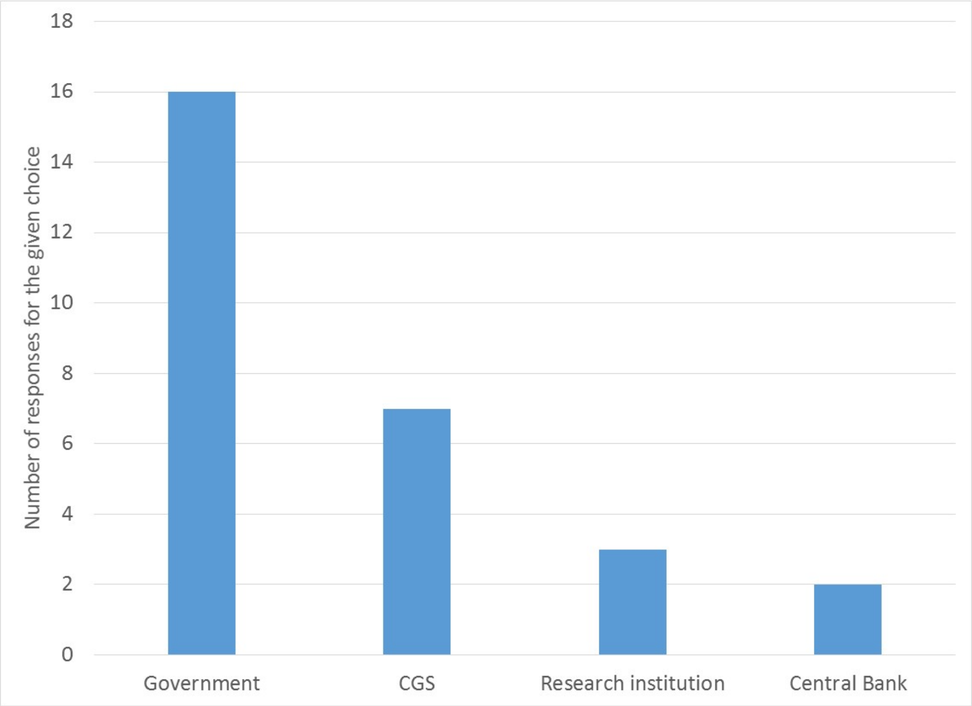
Note: Number of responses for the given choice. Multiple choices were allowed.

Figure 4: Frequency of evaluation



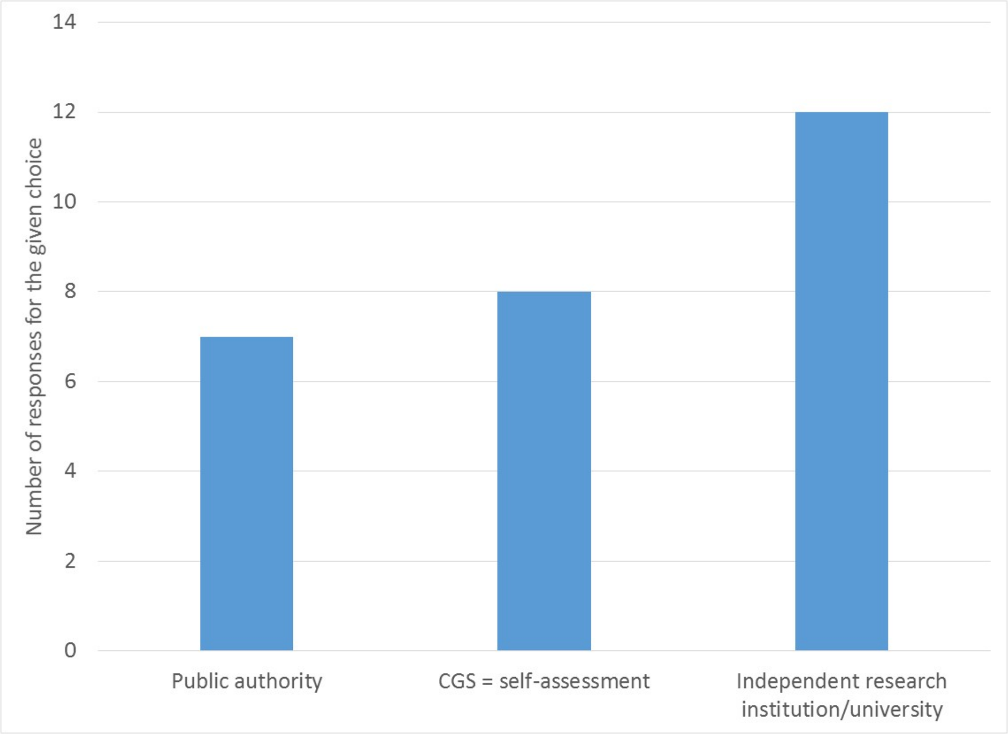
Note: Multiple answers were allowed.

Figure 5: Who has commissioned the evaluation?



Note: Multiple answers were allowed.

Figure 6: Who has conducted the evaluation?



Note: Multiple answers were allowed.

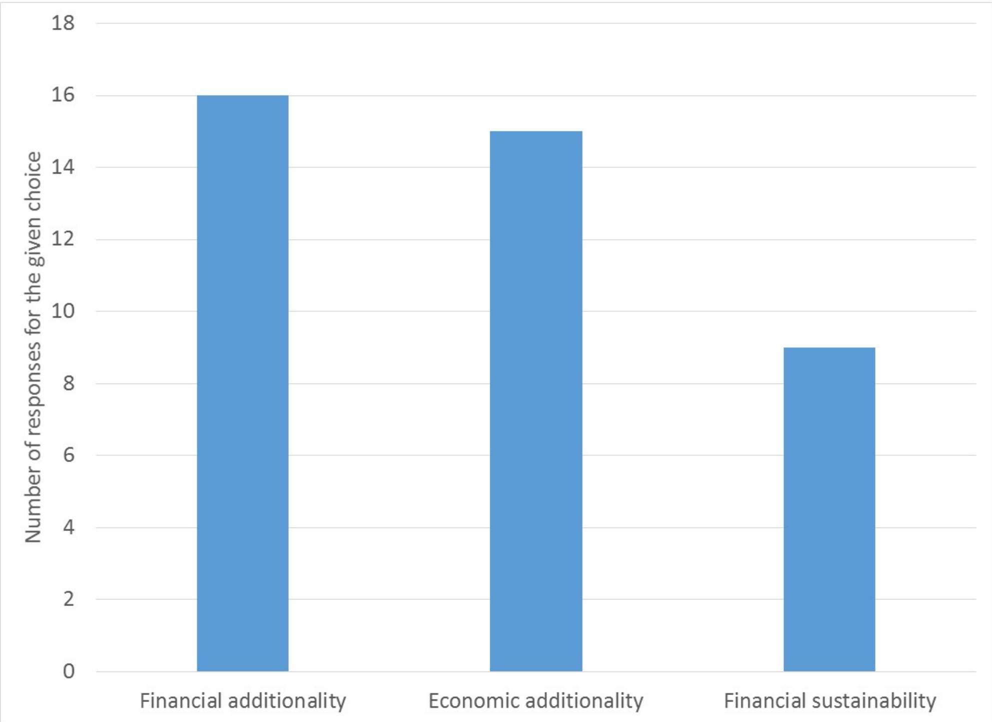
3.2.2 Details of the cost-benefit evaluation undertaken

Question 18: Against which of the objectives (financial sustainability, financial additionality, economic additionality) was the CGS evaluated?

20. The performance of CGS is typically evaluated against one or several of three types of objectives (e.g. OECD, 2013b), which are (i) financial additionality, (ii) economic additionality and (iii) financially sustainability. Financial additionality refers to the potentially improved access to credit of the eligible SMEs and/or reduced borrowing costs as a result of CGS activities. It can for instance be measured by the incremental credit volumes due to the guarantee programme or by the difference between the cost of the subsidized loan and the cost of borrowing from the market in the absence of the existence of the programme (or, if possible, by the amounts or costs of beneficiary as opposed to non-beneficiary firms). Economic additionality refers to the macroeconomic welfare-increasing effect of the programme, typically captured empirically by the number of jobs generated and/or maintained as a result of the activity of the CGS. As discussed in somewhat more detail in the next section, such concepts are however difficult to estimate in practise. Financial sustainability refers to whether the programme is sustainable in a self-financing manner or it relies on continuous public support. Financial sustainability can be judged e.g. by comparing the fees collected by the CGS with its claims paid, which should be matching in the long run.

21. Figure 7 shows that most evaluations are conducted against the objective of "financial additionality" or "economic additionality", while "financial sustainability" is considered in less than half of the evaluation studies. 12 out of 22 evaluations assess the activity of the CGS against more than one objectives.[14] Six out of these 12 evaluations consider all three objectives.

Figure 7: Objectives against which the CGS has been evaluated



Note: Multiple answers were allowed. Altogether, only 21 responses were received to this specific question.

14 Only 22 (rather than 23) answers were received to this question.

Question 19: What has been the outcome of the evaluation regarding the performance of the CGS?

22. Four options were offered, which included “positive”, “mixed and rather positive”, “mixed and rather negative”, and “negative”. 14 out of the 23 evaluations concluded that the outcome was “positive” and another nine evaluations concluded that the results were “mixed and rather positive”. None of the evaluations considered the CGS performance to be either “negative” or “mixed and rather negative”.

Questions 20 to 26: What type of data and approaches are used in the cost-benefit evaluations?

23. Figure 8 shows that firm level data is widely used in the evaluation of the benefits and costs of CGS activities. In fact, firm-level data is considered as part of the empirical analysis in 17 out of 23 evaluations. In the case of eight out of these 17 evaluations data was considered for both SME benefitting from support and those that do not. In all those eight studies, it feasible to distinguish whether or not an SME benefitted from support or not, which allows one in principle to base the evaluation on the construction of a valid counterfactual. In nine of these 17 evaluations, a distinction between beneficiary and non-beneficiary SMEs was not feasible, however, either because only data for supported SMEs was available (four cases) or data for both was available covering both beneficiary and non-beneficiary SMEs, but it was not possible to discriminate between these two groups (five cases).

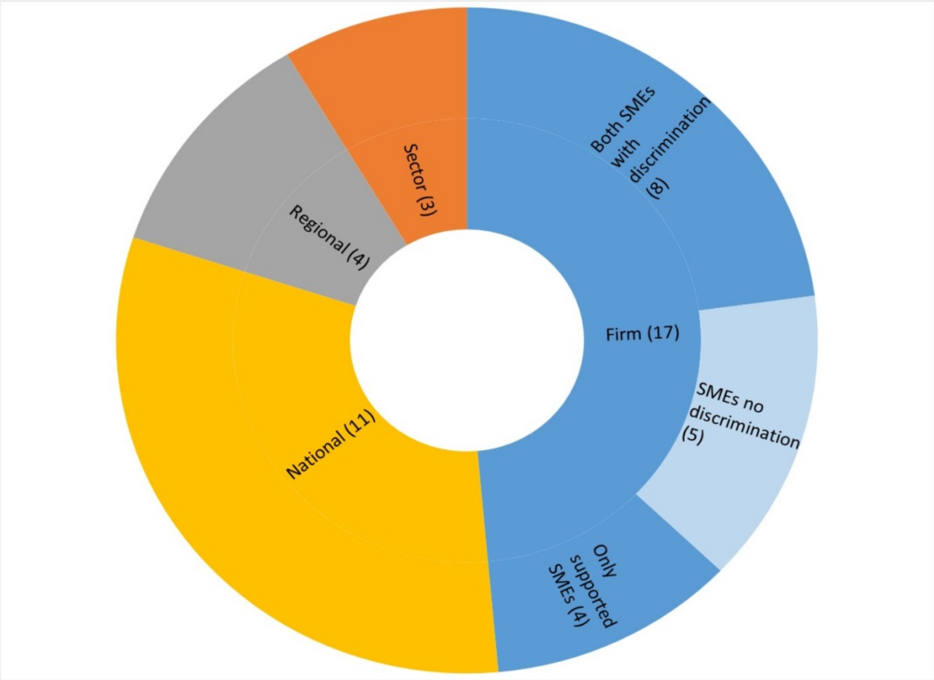
24. Out of the 23 evaluations, 17 used both primary and secondary data. Primary data is obtained as part of regular data collection. The most common source for secondary data are administrative databases, but commercial datasets are also used. The vast majority of evaluations apply either a quantitative analysis or a combination of quantitative and qualitative analyses. Most evaluations carry out the analysis at the micro level using firm-specific data (Figure 9). The second most common approach to evaluations is to combine micro data with data collected at a more aggregated level, that is either at the macro-level or at the level of the CGS.

Questions 27 and 28: What factors were considered in the evaluation?

25. Respondents were invited to specify what factors, that is what specific types of variables, they are considering in their cost-benefit evaluation. Depending on the level of aggregation of the data used (i.e. firm-level data versus data collected at the macro level or at the level of the CGS), different sets of multiple choices were offered as part of the questionnaire. Table 3 and 4 list the factors and the number of responses identifying the respective factor as one considered in their evaluation. Table 3 refers to data collected at the level of the CGS (operating results) or at the macro level. It shows that the most widely considered factors are the number and amount of newly guaranteed loans. Losses on guarantees (amounts paid out to lenders) are also widely considered in the evaluations, as well as the number and amounts of guaranteed loans outstanding. By contrast, operating profits and the return on assets at the level of the CGS are rarely being considered as factors in the analysis.[15] Table 4 refers to data collected at the firm level. It highlights that the most widely considered factors when using firm-level data include employment, the amount of bank debt, investments, the probability of default, growth, turnover and sales.

[15] Respondents were also asked to identify whether factors were considered either as costs or as benefits, but the interpretation of responses received is complicated by apparent inconsistencies in most of the answers. Some respondents failed to provide information on whether the marked factor is a cost or a benefit, some marked both.

Figure 8: Level and type of data used for the cost-benefit analysis



Notes: Multiple answers were allowed. Numbers of responses for the given choice are in parentheses. "Both SMEs with discrimination"= data are available for (both) SMEs that benefit from support and those that (applied for, but) were not granted support. "SMEs no discrimination"= data are available for SMEs, but without discriminating whether they benefit from support or not. "Only supported SMEs"=data are available (only) for SMEs that benefit from support.

Figure 9: Level of data used in the cost-benefit analysis

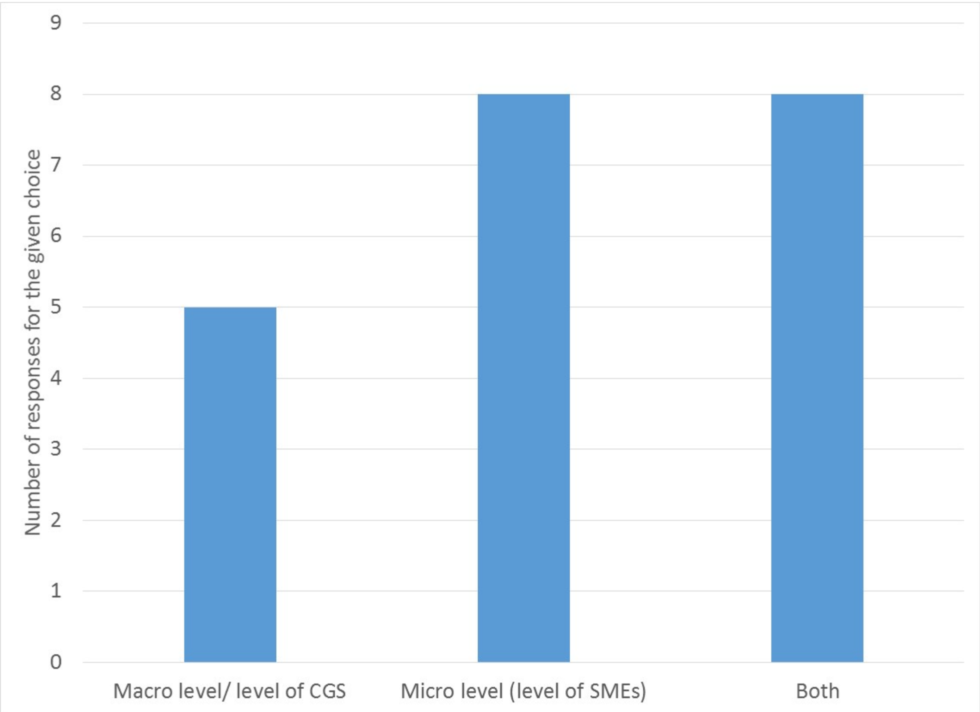


Table 3: Factors considered in the cost/benefit evaluation (where data is collected at the level of the CGS)

Category	Factors	Number
(1) Operatingresults of CGS	New guaranteed loans (amounts)	14
	New guaranteed loans (number)	14
	Guaranteed loans outstanding (amounts)	11
	Guaranteed loans outstanding (number)	11
	Claim expense payments	9
	Return on financial investments	6
	Return on assets	3
	Employment	8
	Personal income, wages, salaries	6
	Number of firms	11
	Recovery	8
	Operating profits	4
	Cost-of-fund measures	2
	Losses on guarantees (amount paid out to lenders)	12
(2) Contributions to operating cost of CGS	Public sector contributions to funding	10
	Private sector contributions to funding	7
	Public sector guarantees or counter-guarantees to loan arrangements	10
(3) Potential effects of CGS activity at macro level	On SMEs, e.g. SMS's growth, employment, etc...	11
	On economy, e.g. GDP growth, export performance, etc...at macro level	8

Note: Multiple answers were allowed.

Table 4: Factors considered in the cost/benefit evaluation (where data is collected at firm level)

Category	Factors	Number
(1) Potential effects of activity of guarantee arrangement on SMEs	Amount of bank debt	11
	Amount of total debt	6
	Share of long-term debt	4
	Cost of credit	7
	Investments	11
	Total assets	7
	Employment maintained or created	13
	Growth performance	10
	Turnover	10
	Sales	9
	Probability of default	12
	Other, especially measures of moral hazard	1
(2) Potential effects of CGS activity on economy	On economy, e.g. GDP growth, export performance	7

Note: Multiple answers were allowed.

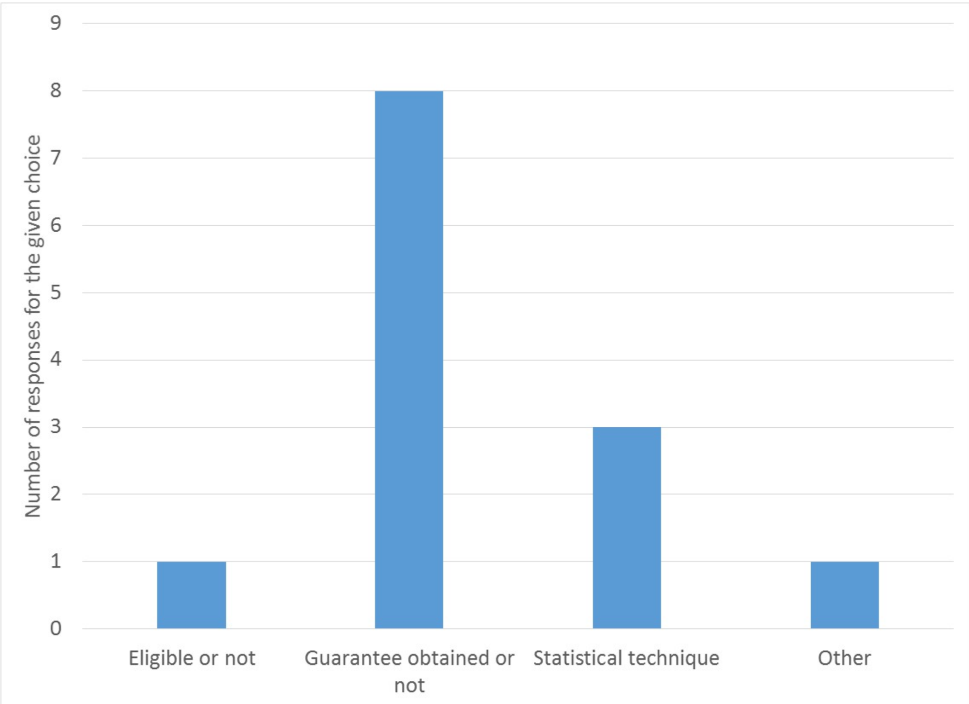
Question 29 (first part): Does the evaluation approach measure the counterfactual?

26. Counterfactual analysis provides an answer to the question of what would have happened to the programme participants had the programme not existed. Constructing the counterfactual typically implies considering two groups of firms. The two groups should ideally be identical in all respects except that one is "treated" (i.e. benefitting from the guarantee) and the other is not (i.e. not benefitting from the guarantee). By comparing characteristics of the two groups before and after the treatment, one can infer the effects of the guarantee on these specific characteristics. In other words, when firms in the two groups are exactly identical before the treatment, any differences in characteristics after the treatment can be attributed to the treatment, that is the provision of a credit guarantee.[16]13 out of the 23 evaluations include efforts to measure the counterfactual.

Question 29 (second part): What technique is used to divide the sample into the treated group and the control group (so as to allow measuring the counterfactual)?

27. Figure 10 shows that the most frequently used technique to divide the sample of SMEs into treatment and control group is the criterion whether the SME obtained a guarantee or not. In the case of three evaluations, treatment and control group are divided by using robust statistical techniques.

Figure 10: Technique adopted to divide the sample of SMEs into treatment and control groups



Notes*:* Multiple answers were allowed. i) "Eligible or not": SMEs in the treatment group are those eligible for support by the CGS, SMEs in the control group are those not eligible. ii) " Guarantee obtained or not": SMEs in the treatment group obtained a guarantee from a CGS, SMEs in the control group did not receive any guarantee. iii) "Statistical technique": Treatment and control groups are built by means of robust statistical techniques. One response identifies "other", noting that suggesting the estimation methodology was too complex to fit any of the more traditional categories already specified.

16 Somewhat simplified description, see for more details e.g. Angrist and Pischke (2008).

Questions 31: Does the assessment evaluate the adequacy of the premium received by the CGS?

28. According to the survey responses, 11 out of 23 evaluations assessed the adequacy of the premium received by the CGS (which could be either received from the SMEs or from the bank that extends the credit). This result is consistent with the answers provided to question 18. Evaluations that report assessing the performance of the CGS against the objective of financial sustainability should be expected to have assessed the adequacy of the premium. In fact, 16 out of 23 pairs of responses (that is responses to question 18 and to question 31) are fully consistent, i.e. they responded to have evaluated either both the performance of the CGS against the objective of financial sustainability and the adequacy of the premium charged, or none of the two. That said, four respondents reported that the evaluation considers the adequacy of the premium, but that it has not conducted against the objective of financial sustainability; two respondents reported that the assessment was conducted against the objective of financial sustainability, although without assessing the adequacy of the premium.[17]

Questions 32: Was the broader impact of CGSs on the attainment of a wider set of public policy goals evaluated? How did the evaluations establish how the CGS contributed to that goal?

29. 11 out of 23 evaluations also assess the broader impact of credit guarantee arrangements on the attainment of a wider set of public policy goals. In particular, the contribution of CGS to job creation was considered in many cases. Also, respondents reported that the effect of CGS activities on financial stability, competitiveness and sustainable development were assessed (Figure 11). By contrast, no evaluation considered the effect of CGS activities on either distribution of income and wealth or social cohesion. Obviously, measuring the attainment of such broader policy goals is difficult, and more challenging than the evaluation of the effect of CGS activities on some of the factors considered as part of the responses to questions 27 and 28 (e.g. number and amount of new guaranteed loans, employment at beneficiary firms, etc.).[18]

Questions 33: Have the results of the evaluation been used for operational decisions?

30. The majority of the respondents reported that the results of the studies on the performance of CGSs have been used for operational decisions. In particular, the evaluation results provided guidance with regard to the design of the regulatory framework surrounding the CGS, induced the government to increase the capital of the CGS, or contributed to refocusing its strategy, influenced the design of new programmes, induced the CGS to review its methodology of evaluating borrower creditworthiness, helped the CGS developing new products, or induced a diversification of CGS activities across segments and sectors.

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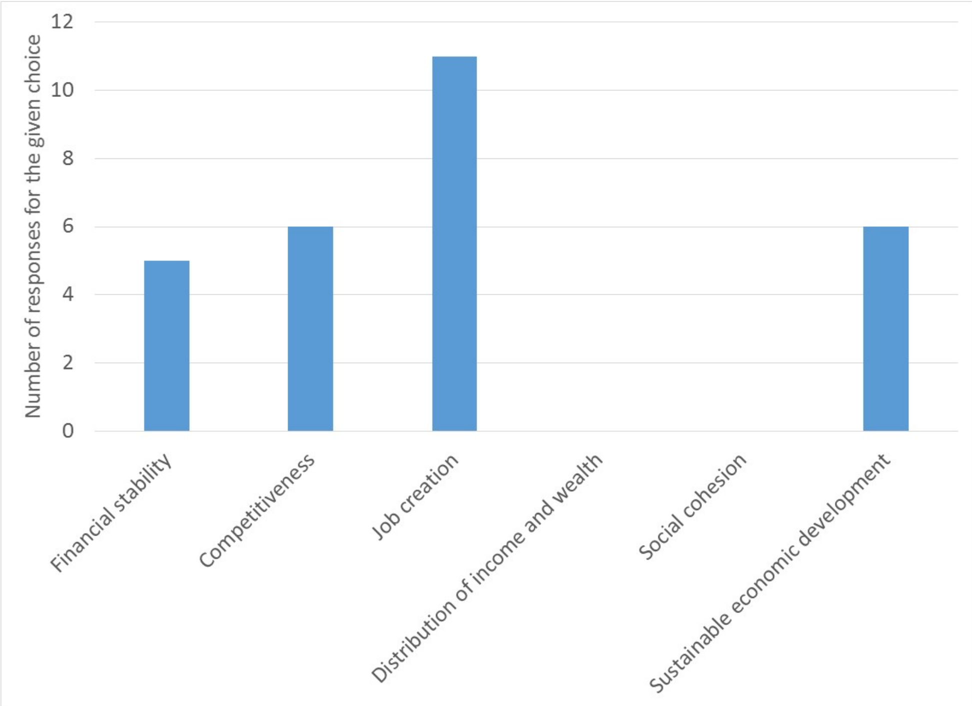
17 One additional respondent only provided a response to one of the two questions.

18 The broad similarity between question 32 and question 18 allows one to again check again for some form of “internal consistency” of the answers provided. In fact those respondents who reported to have assessed the broader impact of the programme and marked at least one of the economic objectives under question 32 would be expected to also evaluate the CGS against the objective of economic additionality. We find that to be the case in about two thirds of responses.

Figure 11: Broader impact of evaluated CGS on wider set of policy goals



Note: Multiple answers were allowed.

4 Selected lessons from the responses

31. This section draws some tentative lessons from the results to the OECD/EC survey, taking also into account insights gained from the accompanying literature review (see companion report DAF/CMF(2016)14) and existing high-level principles, such as the G20/OECD Principles on SME Financing (henceforth referred to as G20/OECD principles) and the World Bank/FIRST Initiative Principles for Public Credit Guarantee Schemes for SMEs (henceforth World Bank/FIRST Initiative principles). The discussion in the present section is developed around some key features of the evaluation practices in relation to: (i) the identity of the entity conducting the evaluation, (ii) the construction of the counterfactual, (iii) the data used, (iv) the frequency of the assessment, and (v) the use of the outcome of the assessment for operational decisions.

Who should undertake the evaluation?

32. An analysis of evaluations of financial support programmes for corporates by Venetoklis (2000) suggests that self-evaluations might be biased towards more favourable outcomes. In fact, the results of the companion report [DAF/CMF(2016)17] are not inconsistent with that hypothesis. The latter finds that the range of results of independent academic studies is broader than that of self-assessments, as the former also identifies situations where results are not only positive, while the latter always identifies positive results. That said, the present survey does not find evidence of such a bias: all responses marked either "positive" or "positive/mixed" results, *regardless* of who conducted the analysis.

33. Table 5 links the overall outcomes of the evaluations covered by respondents to the OECD/EC survey (question 19) with the identity of the entities undertaking them (question 17). Only five evaluations are self-assessments and the majority of evaluations are performed by independent research institutions.

The table shows that none of the evaluations covered by survey respondents identifies negative (or mixed-negative) effects as the overall outcome of the evaluation. It also fails to show any clear and systematic links between the identity of the entity conducting the evaluation and the overall outcome. For example, the last row shows that self-evaluations result in either positive or mixed-positive results. In this regard, self-evaluations do *not* differ from other types of evaluations that were submitted to the present OECD/EC survey.

34. That said, even if the present synthesis report does not identify the existence of a bias towards positive outcome in the case of self-assessments, it can nonetheless be useful to "pre-emptively" consider employing practices that can help minimize any potential for such a bias. An obvious way to avoid such a bias towards positive outcome in self-assessments is to involve independent researchers in the evaluation. Such practise is already adopted by many respondents to this survey, and it is also consistent with the commentaries of the explanatory notes to the World Bank/FIRST Initiative Principle 16. In this context, it should also be noted that results of evaluations of independent researchers might also be subject to a bias, although of a somewhat different kind. In fact, the results of academic studies might be biased towards identifying statistically significant results as such results are easier to publish in peer-reviewed journals (Easterbrook et al., 1991).[19]

35. To the extent that the CGS is involved in the assessment, a robust governance framework helps avoiding any potential bias. This framework might involve appropriate "Chinese walls" separating evaluators from the operational arm, as is the case in at least one self-evaluation covered by this survey.

36. Yet another helpful practice would involve increasing transparency and availability of relevant data, e.g. by making them available to third parties, including research institutions, to enable them to conduct their own assessment. The data should be sufficiently disaggregated, and ideally include information both on successful and unsuccessful credit guarantee applicants. In this context, it should be noted that the US Small Business Administration makes a considerable amount of data publicly available that could and does form part of such analyses.[20]

[19] Easterbrook et al. (1991), analysing 487 research projects of which 52% had been published, finds that studies with statistically significant results were more likely to be published.

[20] These data are very detailed at loan level and cover the name and address of the beneficiary company, the name of the bank granting the loan, the amount of the loan together with the amount covered by the guarantee, the interest rate and the maturity of the loan. It is also noteworthy that the data is published with only a few months of delay. See: https://www.sba.gov/content/sba-7a-504- loan-data-reports.

Table 5: Outcome of the study and identity of the entity(ies) undertaking the evaluation

		Overall outcome of the CGS evaluation			
		Negative	**Negative/ mixed**	**Positive/mixed**	**Positive**
Who conducted the study?	**Research institution/university**			Belgium, UK(2013)	Chile, Finland, Germany, Japan, Portugal 1, Portugal 2, Switzerland, UK(2009)
	Research institution/ university with CGS			Austria	
	Research institution/ university with CGS and public authority			France	Korea
	Public authority			Estonia, Italy(SGS)	Canada(CSBFP), Italy(Confidi)
	Public authority with CGS				Turkey
	CGS			Canada(EGP), Hungary, Romania	Lithuania, Mexico

Note: The table is constructed based on the replies to questions number 17 and 19.

Portugal1 and Portugal2 both refer to evaluations of SNGM (Sistema Nacional de Garantia Mútua), undertaken by different evaluators, UK(2009) and UK (2013) to the assessments of the Enterprise Finance Guarantee 2009 and 2013, respectively. For the other entries see Table 1.

How often should evaluations been undertaken?

37. The survey responses (question 15) suggest that evaluations are in many cases undertaken regularly, although in other cases not. In some cases, only one-off evaluations are available and in yet other cases, no evaluations are available. According to the two sets of high-level principles, evaluations should be undertaken regularly (G20/OECD principles) or at least periodically (World Bank/FIRST Initiative principles). Thus, it appears that there is scope in several countries to increase the frequency of evaluations undertaken.

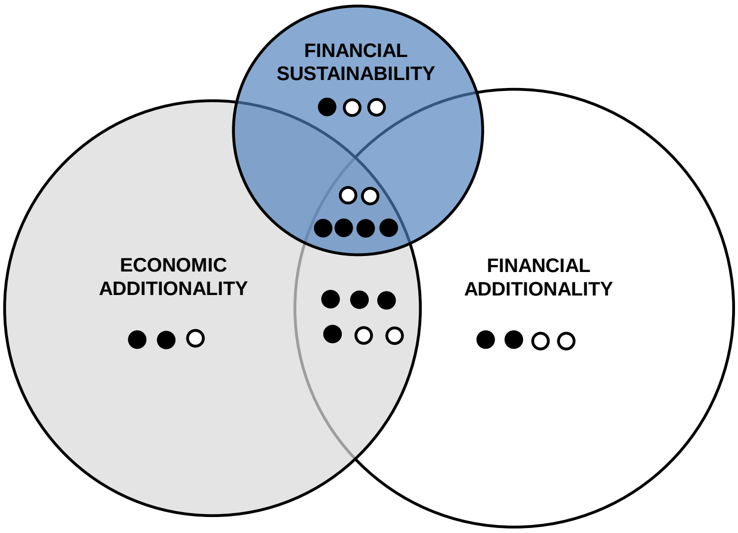
How to construct the counterfactual?

38. To assess the effects of policy interventions in a rigorous way, it is essential to construct a counterfactual. In fact, without the development of a counterfactual, evaluation studies that exploit data covering treated firms only can test whether the performance of the SMEs has improved after receiving the guaranteed loans or not, but not whether that improvement is due to the policy intervention. Comparing, for example, pre-intervention period and post-intervention period levels of investments by SMEs is not informative about the value added of the program, as a change in the performance can be affected either by the policy intervention or by other factors. That said, the construction of the counterfactual is recognised in general to be challenging, and also by the recently developed high-level principles (see also discussion below on data requirements).

39. The OECD/EC survey reveals that a counterfactual analysis is conducted as part of more than half of the evaluation studies (question 29). Typically, a counterfactual is constructed in evaluations where the CGS is evaluated against the objective of economic additionality. In principle, counterfactual analysis can also be used in cases where the objective of CGS evaluation is to identify financial sustainability or financial additionality. For instance, the Korean CGS is evaluated only against the objective of financial

sustainability and the Swiss CGS is evaluated only against the objective of financial additionality; both CGS evaluations are however based on an analysis of the counterfactual. Figure 12 also shows that many evaluations consider economic additionality in combination with financial additionality and some also in combination with financial sustainability.

Figure 12: Objectives against which the CGS have been evaluated



Note: Based on answers to question 18. Each dot represents one evaluation. The size of the circles are proportional to the number of evaluations falling under the given category. Black (white) dots indicate that the evaluation (does not) includes a counterfactual analysis (see question 29 of the survey).

What data should be collected for the evaluation?

40. The responses to the OECD/EC survey suggest that no single database is sufficient to conduct a rigorous evaluation of costs and benefits of CGS activities. Combinations of e.g. administrative and commercial databases need to be used, and are being used (question 24). Survey responses also suggest that combinations of primary and secondary data may be needed, including e.g. to construct the counterfactual (question 22). Ideally, the CGS should ensure that it collects and keeps relevant data pertaining to its own operations, to facilitate future evaluations (World Bank and First Imitative, 2015), although that is not always the case in practise, as highlighted by the responses to the OECD/EC survey. In fact, the responses to question 29 and the companion literature review suggest that limited availability of appropriate data continues to be a major impediment to the proliferation of rigorous evaluation studies of SME support programmes.

41. As regards the level of aggregation at which data should be considered, it is preferable to perform evaluations based on firm level data, as opposed to data at higher levels of aggregation. Alternatively, both types of data should be used. The advantages of considering firm-level data are multiple. First, considering firm-level data facilitates efforts to redesign existing programs, which are essentially targeted at firms. In fact, considering firm-level data could facilitate the understanding of what specific parts of programmes work and what not, and which firms should be targeted and which ones not. Second, the impacts of the programmes are much easier detected using firm-level data, especially as analysis at a more aggregated level might fail to identify significant effects, as a result of measurement

problems.[21] Third, conducting counterfactual analysis on firm-level data provides more reliable estimates, given the potentially larger number of observations available. In fact, the assumption that the entities in the "treated" and "untreated" group are identical is more plausible if made at the level of a firm than in the data at higher levels of aggregation, e.g. at the level of regions or countries, etc.[22]

42. Another issue that needs to be taken into consideration is that any evaluation including counterfactual analysis requires data to be collected not only about the main variable of (policy) interest, but also on additional variables. These are necessary to control for differences in observable characteristics between beneficiary and non-beneficiary firms. Controlling for such variables enables one to disentangle the impact of the programme from effects due to "pre-treatment" heterogeneity. Sufficiently homogeneous data on such control variables tend to be more easily available at the level of the firm as compared to regional or country level.

43. Survey responses reveal shortcomings in the collection of data for control groups. In fact, responses reveal that data on firms that are not beneficiaries of CGS programmes are rarely collected (question 29, second part). It would however be desirable for CGSs to collect information also on *unsuccessful applicants*. Lacking such data, an alternative approach is to construct the control group using data for firms that have *not benefitted from the programme*, although this approach does not allow one to differentiate between unsuccessful applicants and non-applicants. Differentiating between these two groups is however important, as it facilitates efforts to redesign the programme taking into account information regarding previously unsuccessful applicants. Specifically, deciding on the size of a new programme could be a function of the interest shown in the past by unsuccessful applicants for a previous programme. It would appear that firms that signal a need of finance by applying to such programmes, but whose credit application has been turned down, are a natural target group for a new programme.

To what extent evaluation results can be used for operational decisions?

44. The final aim of an assessment is to provide policy makers with sound evidence on the effectiveness of the programme in different dimensions. It should help policy makers taking informed operational decisions on the design elements of the programmes, potentially adjusting them as a function of the outcomes of the evaluation results. The OECD/EC survey responses reveal that, in fact, most of the assessments are actually being used for such types of operational decisions (15 out of 23, question 33). Combining the information collected from the responses to question 33 with the information on the frequency of evaluations and on the level of data considered, Figure 13 suggests that important pre-conditions for the results of the analysis to be used for operational decisions might be that the evaluations are being conducted regularly and that firm level data is considered. That said, one response suggests that well-informed operational decisions can be made even in the absence of regular assessments using firm-level data.

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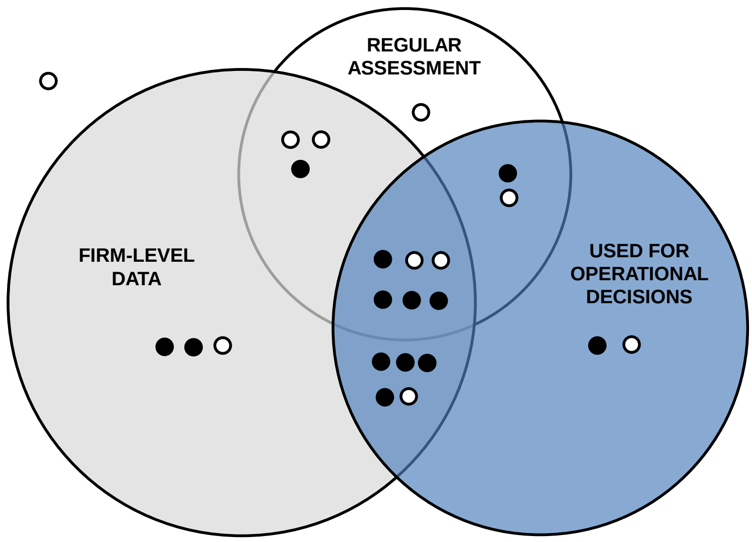
[21] An example illustrates this point: consider a firm A has some old machinery with book value reduced to zero that is bought by firm B. As a result, there will be an increase in fixed assets on firm B's balance sheet, while no disinvestment will be recorded for firm A, given that the book value of the asset was already zero. As noted by Endresz et al. (2015), such reallocation might lead to increased overall efficiency as existing capital is better employed. At the level of macro data, this transaction would not appear however, as only new investment is measured. Thus, if the acquiring firm financed the acquisition of machinery with guaranteed credit, the potentially positive effect on investment would not appear in investment data collected at the macro level.

[22] In principle counterfactual analysis is possible also using data at higher levels of aggregation, although it requires more restrictive assumptions and is done very rarely.

Figure 13: Evaluation used for operational decisions, use of firm-level data and frequency of assessment



Note: Each dot represents one evaluation. A black dot indicates that the evaluation does include a counterfactual analysis; a white dot indicates that the evaluation does not include a counterfactual analysis (see question 29 of the survey). One evaluation does not i) conduct a counterfactual analysis, (ii) use firm-level data, (iii) find itself being part of a regular schedule, (iv) foresee its results being used for operational decisions. This evaluation is captured in the figure by a white dot that falls outside of all three circles. Sizes of circles are proportional to the number of evaluations falling under the r category. Data shown in the figure is based on answers to questions 15, 20, 29 and 33.

5 Conclusions

45. Policy makers have recognised the need for evaluating the costs and benefits of publicly supported CGS. Such evaluations can be helpful in changing the design of existing financial guarantee programmes, so as to make them operate more effectively and to reinvigorate policy support for SMEs. The present report synthesises 32 responses received from altogether 23 countries to the OECD/EC survey on evaluating publicly supported financial guarantee programmes for SMEs.

46. The collected responses highlight that there is a wide range of different evaluation approaches across evaluated CGS and across countries. Taking also into account the results of the companion literature review, as well as recently developed high-level principles, the present synthesis report suggests that evaluations should be undertaken regularly or at least periodically. Key features of a rigorous and systematic evaluation include the following.

- A *clear objective against which the added value of the programme is measured*. In particular, three different objectives should be considered. Perhaps the most straightforward is financial additionality, which captures the added value of CGS activities in terms of increasing flow of funds (or reducing their costs) towards credit-constrained SMEs. More importantly, one should consider the effect of these activities on the economy (e.g. change in employment, investment, growth, etc). Also, it is important to assess whether the programme is financially sustainable, i.e., whether the CGS activities are designed and managed in a way that they do not generate substantial financial losses (e.g. where premiums collected are not sufficient). It is suggested here that what can be considered "good evaluation practises" involves not just assessing financial but also economic additionality, as well as fiscal sustainability. In addition, a more ambitious evaluation would also verify whether the initially diagnosed market failure that the CGS is supposed to address still persists, as well as what the effect of alternative policy choices might be.

- To ensure effectiveness, *independent evaluation* is preferable to self-evaluations. The effectiveness of self-evaluations can be ensured through having an appropriate governance framework in place, although collaborative efforts with independent research or other institutions are also conducive to the effectiveness of evaluations.

- *Counterfactual analysis* needs to be developed to understand what would have happened in the absence of the policy intervention. In this context, it is key to collect detailed *data* on both beneficiary and rejected firms, both on the variable of key policy interest (e.g. employment, growth) and on other control variables (e.g. age of the firm). Firm-level data is preferable to using data at higher levels of aggregation, as it facilitates a more rigorous analysis and the results lend themselves more naturally to changes in programme design. It is well understood however that the construction of a sound counterfactual remains a critical challenge.

47. The synthesis of responses suggests that several evaluations follow such "good" practises.

  - Many respondent countries do evaluate the cost and benefits of CGS activities.
  - More than half of the studies evaluate the CGS against at least two objectives and 25% considers both financial and economic additionality, as well as the financial sustainability of the programme.
  - Only few respondents rely exclusively on self-evaluations, as opposed to independent evaluations.
  - Several evaluations are performed regularly.
  - Several evaluations are conducted using rigorous state-of-the art policy effect evaluation approaches, including measurement of the counterfactual.
  - Several evaluations – in particular those based on firm-level data, involving the construction of a counterfactual and being conducted regularly – lead to operational changes in the design of the programmes.

48. The synthesis report also identifies areas for improvement.

  - Not all respondent countries do undertake cost-benefit evaluations.
  - Not all evaluations are conducted against the objective of economic additionality, and even fewer against the objective financial sustainability.
  - Some evaluations are exclusively self-evaluations.
  - Some evaluations are one-off or undertaken at irregular intervals.
  - Some evaluations are not rigorous, in the sense that they do not undertake an analysis of what would have occurred in the absence of the programme ("the counterfactual").
  - Specific individual databases tend to be insufficient to be relied on alone for a rigorous evaluation, and presumably, the costs involved in merging separate databases are non-trivial.

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APPENDIX: OECD/EC SURVEY ON EVALUATING PUBLICLY SUPPORTED FINANCIAL GUARANTEE PROGRAMMES FOR SMES

Part 1: Contact information

1. Country:

2. Name of authority of lead respondent:

3. Type of institution of lead respondent:

Central bank	☐
Treasury	☐
Agency/institution administering the credit guarantee arrangement	☐
Other (please specify):	☐

4. Name of contact person:

5. Contact details:

6. Other authorities or institutions consulted (Please specify):

Part 2: Main characteristics of Credit Guarantee Schemes

7. Do specific initiatives exist in your jurisdiction to address the credit financing needs of small and medium-sized companies (SMEs) by providing credit guarantees?

☐ Yes ☐ No

8. If yes, please provide the relevant information so that Appendix 1 could be corrected or complemented:

9. What particular identified weaknesses are the credit guarantee arrangements targeting? (Please tick as many as apply)

i) Lack of sufficient collateral	
a) General lack of sufficient collateral	☐
b) Lack of sufficient collateral for specific firms	☐
c) Lack of sufficient collateral for firms in specific sectors	☐
d) Lack of adequate type of collateral (e.g. immovable versus movable)	☐
ii) Inadequate skills for producing financial statements of the quality and detail required by lenders	☐
iii) Lack of transparency or sufficient historical data to arrive at standard credit risk assessments	☐
iv) Other economic or social shortcomings (e.g. export performance, social cohesion, etc., please specify):	☐

10. Following the outbreak of the financial crisis, were changes to the existing CGS made (e.g. objectives) or new ones introduced?

☐ Yes ☐ No

Have stated objectives of existing CGS changed?

☐ Yes ☐ No

Were new CGS introduced?

☐ Yes ☐ No

If yes, please provide a short description of any relevant change or list the new arrangements.

11. As regards the success of these arrangements in addressing the identified market failures, has an evaluation of their costs and benefits been ever conducted?

☐ Yes ☐ No

If no, please summarize the reasons (e.g. lack of adequate data, lack of expertise, etc..):

If yes, please proceed to Part 3.

Part 3: Evaluation of costs and benefits of credit guarantee schemes

Part 3.a: General overview

12. If you have evaluated more than one programme or arrangement of those listed in appendix 1, please identify to what programme or arrangement the responses in the remainder of this survey apply (kindly enclose the relevant document to your response if feasible):

13. Please identify which of the following types of SMEs are covered by the evaluated arrangement (please tick as many as apply)

SMEs that meet certain criteria in terms of…			
i)	employment	☐	Criteria:
ii)	turnover	☐	Criteria:
iii)	gender/ethnicity of entrepreneur	☐	Criteria:
iv)	balance sheet total	☐	Criteria:
v)	EU SME definition[6]	☐	
vi)	other (please specify):	☐	Criteria:
SMEs in certain sectors:			
i)	manufacturing	☐	
ii)	services	☐	
iii)	export-oriented	☐	
iv)	high-tech	☐	
v)	research	☐	
vi)	agriculture	☐	
vii)	all sectors	☐	
viii)	other (please specify):	☐	

14. Which forms of support are granted by the arrangement under evaluation?

i)	partial individual guarantees	☐
ii)	full individual guarantees	☐
iii)	overall guaranteed loan portfolio, or	☐
iv)	specific programmes	☐

15. Frequency of the assessment: has the evaluation been...?

i)	…a one-off assessment	☐
ii)	… part of more than one assessment conducted at irregular intervals, or	☐
iii)	…part of regular assessments	☐

[6] SMEs definitions typically differ across countries. The EU definition of SMEs can be found in the European Commission Recommendation http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:EN:PDF

16. Has the evaluation been *commissioned* by…?

i)	…the government/a ministry	☐
ii)	…the agency providing the guarantees	☐
iii)	…an industry body	☐
iv)	…*conducted independently* by a research institution	☐
v)	…other (please specify):	☐

17. Who has *conducted* the evaluation?

i)	a public authority (please specify):	☐
ii)	an entity providing guarantees to SMEs (e.g. self-assessment)	☐
iii)	a research institution/university	☐
iv)	other (please specify):	☐

Part 3.b: Details of the cost-benefit analysis conducted[7]

18. Against which of the following objectives was the CGS evaluated in the study[8]?

i)	Financial sustainability (i.e. ability to generate the resources required for operating)	☐
ii)	Financial additionality (i.e. increase flow of funds or improve terms of flow of funds towards viable credit-constrained SMEs)	☐
iii)	Economic additionality (i.e. effect of increased access to finance by beneficiary SMEs on economic welfare)	☐

19. What has been the general consensus of the evaluation study regarding the performance of the CGS? (please choose one)

i)	positive	☐
ii)	mixed and rather positive	☐
iii)	mixed and rather negative	☐
iv)	negative	☐

[7] More details available in Venetoklis, T. (2000), "Methods applied in evaluating business subsidy programmes: A survey", Helsinki, VATT, Government Institute for Economic Research, available at http://www.vatt.fi/file/vatt_publication_pdf/k236.pdf

8 See Appendix 2 for a definition of financial and economic additionality.

20. The data gathered to conduct the cost-benefit analysis was at the … level.

i)	…firm…	☐
ii)	…sectorial (please specify)…	☐
iii)	…regional…	☐
iv)	…national…	☐

21. If the data considered was at the firm level, was data available for:

i)	SMEs, but without discriminating whether they benefit from support or not	☐
ii)	(only) SMEs that benefit from support	☐
iii)	(both) SMEs that benefit from support and those that (applied for, but) were not granted support	☐

22. The following data were considered for the analysis…

i)	primary data[9]	☐
ii)	secondary data[10], or	☐
iii)	both	☐

23. To the extent primary data was considered, it was gathered through…

i)	… interviews/questionnaires with parties receiving support	☐
ii)	… other parties directly or indirectly involved in the process of granting the loans or providing the credit guarantees on the loans, or	☐
iii).	… regular data collection on the part of the CGS to allow evaluations, or	☐
iv)	… other (please specify):	☐

9 Data collected by the investigator as part of a study through one or more methods like questionnaires, interviews, direct observations.

10 The investigator does not directly collect the data but uses already existing sources such as databases.

24. To the extent secondary data was considered, it was gathered from… (please tick as many as possible)

i)	…project data, socio-economic indicators	☐
ii)	…case studies	☐
iii)	…commercial databases (please specify):	☐
iv)	…"administrative" databases[11] (please specify):	☐
v)	… other documentation (please specify):	☐

25. What type of method was applied in analysing the data?

i)	qualitative (e.g. descriptive)	☐
ii)	quantitative (e.g. econometric or statistical)	☐
iii)	both	☐

26. The cost-benefit analysis was developed:

i)	at the level of the guarantee arrangements itself or at macro level	☐
ii)	at the level of the beneficiaries/non beneficiaries of SMEs	☐
iii)	both	☐

11 An example of commercial database is Orbis, containing information on companies, including financial statements and selected analytical indicators. An example of an "administrative" database is the Italian Credit Register, an information system operated by the Bank of Italy that collects the data supplied by banks and financial companies on the credit they grant to their customers.

27. If the analysis was conducted at the level of guarantee arrangements (i.e. considering data describing the guarantee arrangement itself or at macro level), what factors or variables were considered in the assessment of the costs and benefits (please tick as many as apply)?

<table>
<tr><th>Category</th><th>Factors</th><th>Considered in evaluations</th><th>Considered as benefit</th><th>Considered as cost</th></tr>
<tr><td rowspan="15">(1) operating results of CGS</td><td>New guaranteed loans (amounts)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>New guaranteed loans (number)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Guaranteed loans outstanding (amounts)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Guaranteed loans outstanding (number)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Claim expense payments</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Return on financial investments</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Return on assets</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Employment</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Personal income, wages, salaries</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Number of firms</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Recovery</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Operating profits</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Cost-of-fund measures</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Losses on guarantees (amount paid out to lenders)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Other (please specify)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td rowspan="4">(2) Contributions to operating costs of CGS</td><td>Public sector contributions to funding</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Private sector contributions to funding</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Public sector guarantees or counter-guarantees to loan arrangements</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Other (please specify)</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td rowspan="4">(3) Potential effects of CGS activity at macro level</td><td>On SMEs, e.g. SME growth, employment, etc…</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>On economy, e.g. GDP growth, export performance, etc… at macro level</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Other (please specify):</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td colspan="4">To the extent potential effects of CGS activity at macro level were considered as factors in the evaluations, how was a robust link between CGS activity and these factors at macro level established? (please specify)</td></tr>
</table>

28. If the analysis was conducted at the level of SMEs or the wider economy, what factors have been considered in the assessment of the costs and benefits (please tick as many as apply)?

<table>
<tr><th rowspan="2">Category</th><th rowspan="2">Factors</th><th rowspan="2">Considered in evaluation</th><th colspan="3">What were the results?</th></tr>
<tr><th>CGS significantly affected the factor in desired direction</th><th>CGS significantly affected the factor in undesired direction</th><th>Effect inconclusive or insignificant</th></tr>
<tr><td rowspan="12">Potential effects of activity of guarantee arrangement on SMEs</td><td>Amount of bank debt</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Amount of total debt</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Share of long-term debt</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Cost of credit</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Investments</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Total assets</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Employment maintained or created</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Growth performance</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Turnover</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Sales</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Probability of default</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Other, especially measures of moral hazard (please specify):</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td rowspan="2">Potential effects of CGS activity on economy</td><td>On economy, e.g. GDP growth, export performance, etc…</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>Other (please specify)</td><td>☐</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td></td><td colspan="5">To the extent potential effects of CGS activity at firm level were considered as factors in the evaluations, how was a robust link between CGS activity and these factors established? (please specify)</td></tr>
</table>

29. Does the evaluation approach measure the counterfactual[12] (e.g. to ensure attainment of the principle that public intervention should be based on identified market failures and avoid crowding out development of private alternatives)?

☐ Yes ☐ No

If no, please summarize the reasons (e.g. lack of adequate data, lack of expertise, etc..):

If yes, please indicate what technique has been adopted to divide the sample of SMEs into treatment and control groups

i)	SMEs in the treatment group are those eligible for support by the CGS, SMEs in the control group are those not eligible	☐
ii)	SMEs in the treatment group obtained a guarantee from a CGS, SMEs in the control group did not receive any guarantee	☐
iii)	Treatment and control groups are built by means of robust statistical techniques (please specify the technique)	☐
iv)	Other (please specify):	☐

30. Please provide any additional information on the costs/benefits analysis developed in the study or other methodological details that you consider relevant:

31. Does the assessment evaluate the adequacy of the premium that SMEs/banks pay to the CGS (e.g. if the collected premium are sufficient to cover CGS expenditures)?

☐ Yes ☐ No

[12] Constructing the counterfactual means assessing what would have happened to programme participants had the programme not existed. Developing a counterfactual typically implies considering two groups of firms, one "treated" (i.e. benefitting from the guarantee) and one "non-treated" (i.e. not benefitting from the guarantee). The two groups can be constructed in different ways.

32. In addition to assessing to what extent CGS have been successful in effectively overcoming identified market failures, was the broader impact of credit guarantee arrangements on the attainment of a wider set of public policy goals evaluated?

☐ Yes ☐ No

a. If yes, what were the policy objectives?

i)	financial stability	☐
ii)	competitiveness	☐
iii)	job creation	☐
iv)	distribution of income and wealth	☐
v)	social cohesion	☐
vi)	sustainable economic development	☐
vii)	Other (Please specify)	☐

b. How did the evaluation establish how the credit guarantee arrangements contributed to that goal?

33. Have the results of the evaluation been used for any operational decision on the functioning of the credit guarantee arrangement?

☐ Yes ☐ No

If yes, please specify: