



FOGAPE

AECM: “General Assembly & Seminar”

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Panel: “Recent development of guarantee schemes across the world: Africa and America”



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FONDO DE GARANTÍA PARA EL PEQUEÑO EMPRESARIO

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¿ CHILE ?

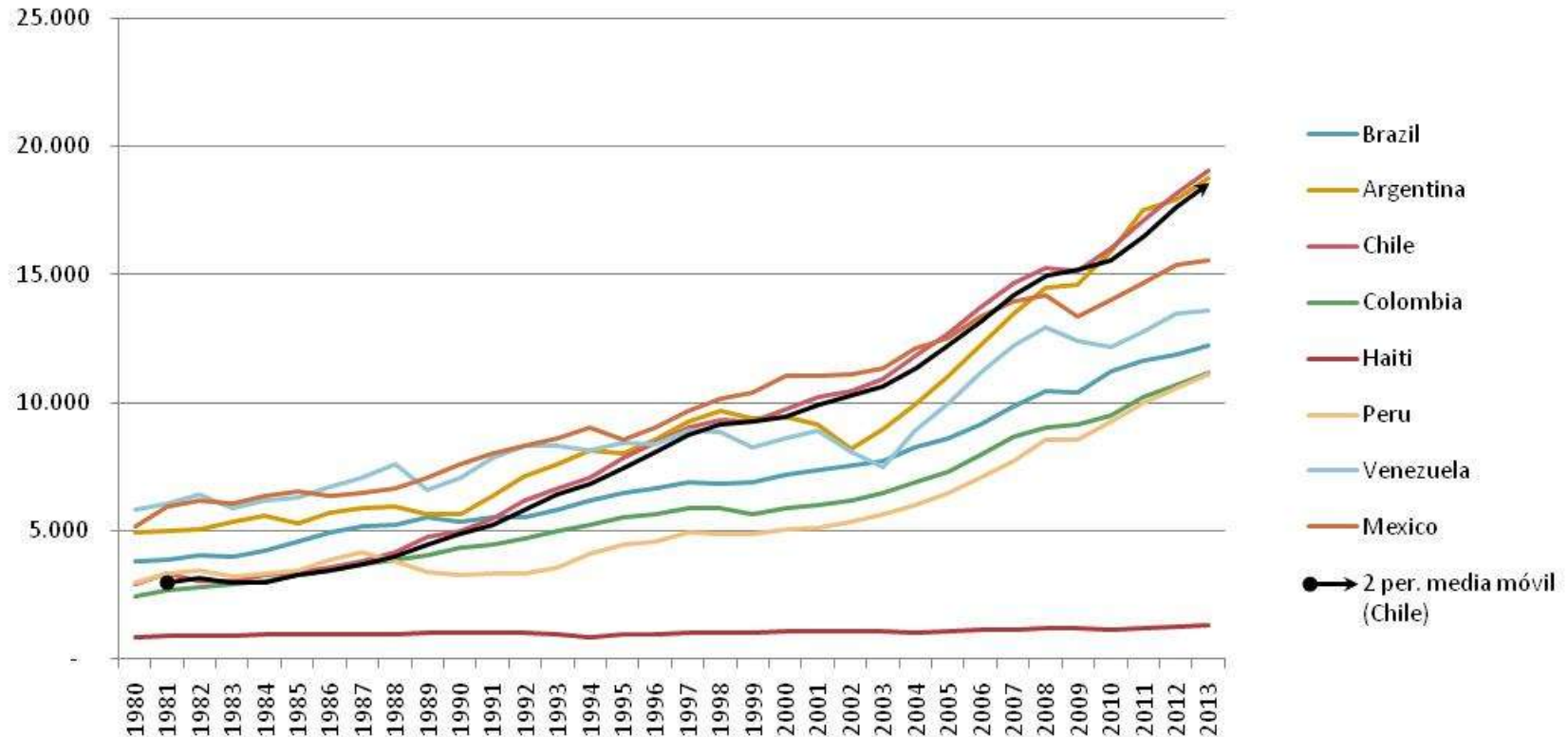


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- 17.000.000 inhabitants
- 1,500,000 companies
- GDP: US\$ 320,000 million
- GDP - per capita (PPP) : US\$ 19,000
- Gross national saving : 20,8% of GDP
- Labor force : 8,400,000
- Unemployment rate : 6%
- Population below poverty line : 15,1%



GDP (PPP) Gross Domestic Product purchasing-power-parity (PPP) per capita USD (IMF)

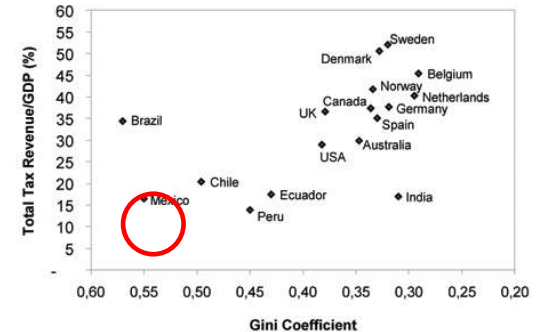


- Chile = from last place to first. With 19,000 USD PGDP. In 2018 expected 24,000 USD => a developed nation
- Poverty reduction. 45% to 11% (1990-2011). CEPAL
- Status of Media Income in 2003. (4,6% of anual increasing. Average in 20 years
- The Strongest Democratic institutions in the Region (World Justice Project). and Last Military Government
- Economy more closed in the region to the more open and modern

Current Political Situation



- Government changed recently: (President Bachelet)
- Inequality is the main national challenge
 - Since now, focus has been on Growth, rather than redistribution
 - Chile has a very bad GINI index (52.1 / Worldbank)
 - Most of the political spectrum agrees on this – must be faced
- For this, the new Government will push large structural reforms:
 - Tax system : increase in taxes, higher income people and companies will pay more.
 - National education system: huge reform
- All political sectors agree on the general ideas, but strong discussion in the details / specific policies / impact of the reforms in investments, savings, financial markets, etc
- Energy is also a big challenge, we are in a crisis, high prices, strongly dependent on imported fossil fuels
- New government should be 'greener', Renewables should be key part of the National Energy Strategy





- INTRODUCTION
- EVOLUTION
- STUDY of FOGAPE IMPACT



It is a State-owned Institution, created by Law in 1980, with its own capital. Fogape must not have personnel, is managed by BancoEstado and supervised by SBIF.

Purposes:

1th Role: Grant Partial Guarantees for financing given by public and private Financial Institutions (Supervised) to SMEs.

2nd Role: Since 2007 it has a second role; reinsurance of guarantees given by Reciprocal or Mutual Guarantee Institutions (private) backing credit for SMEs.

Specifics Laws:

- DL N° 3.472 dated 1980. Amendments, Law 20.179 (2007) for SGR and Law 20.318 (2009) due to financial crisis.

GENERAL CONDITIONS



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People who have access to the guarantee

- *Micro and small entrepreneurs*
- *Exporters*
- *Temporarily during the years 2009 and 2010, medium-sized and large enterprises. (Special Measures Anti crisis)*
- *New modifications in process 2014 (medium enterprises, size of credit, capital)*

Destinations of the funding

- *Working Capital*
- *Investment Projects*

Type of Credit

- *Credits in cash in installments or bullet (special in agriculture),*
- *Contingent Credit (line of credit, Banks guarantees, factoring, letter of credit),*
- *Leasing*
- *Reinsurance of Certificates of Guarantee emitted by SGR's*
- *Other financing mechanisms authorized by the SBIF.*

Term of each Guarantee:

- Up to 10 years of coverage.

Máximum Coverage:

- Up to 80% of the credit. (depend of the tender)

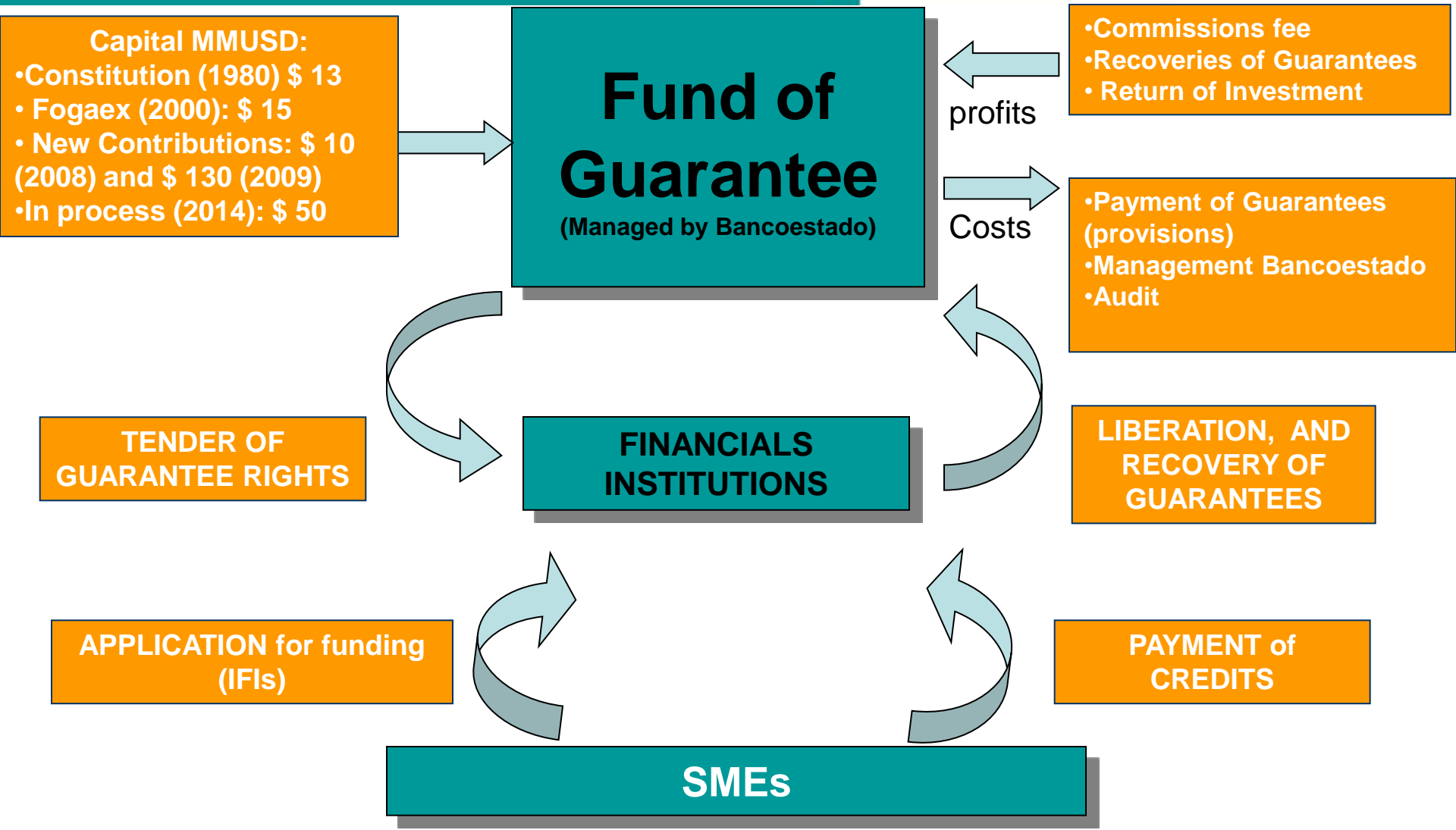
Cost of the Guarantee:

- Up to a maximum of 2% per annum on the amount guaranteed. (Limit established by the SBIF in Regulation).
- Differentiated by risk (of each financial institution).

Payment of the guarantee:

- Against demand and notification to the debtor.
- Review of compliance with regulations

1st Bussines Model: Tender Guarantee Righ (Partial Guarantees)



Model based on operators: they evaluate, decide and give loans guaranteed by the Fund.

INSTITUTIONS THAT CAN PARTICIPATE IN THE TENDERS



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Financial
Institutions
supervised by
SBIF

Credit
Unions(*)

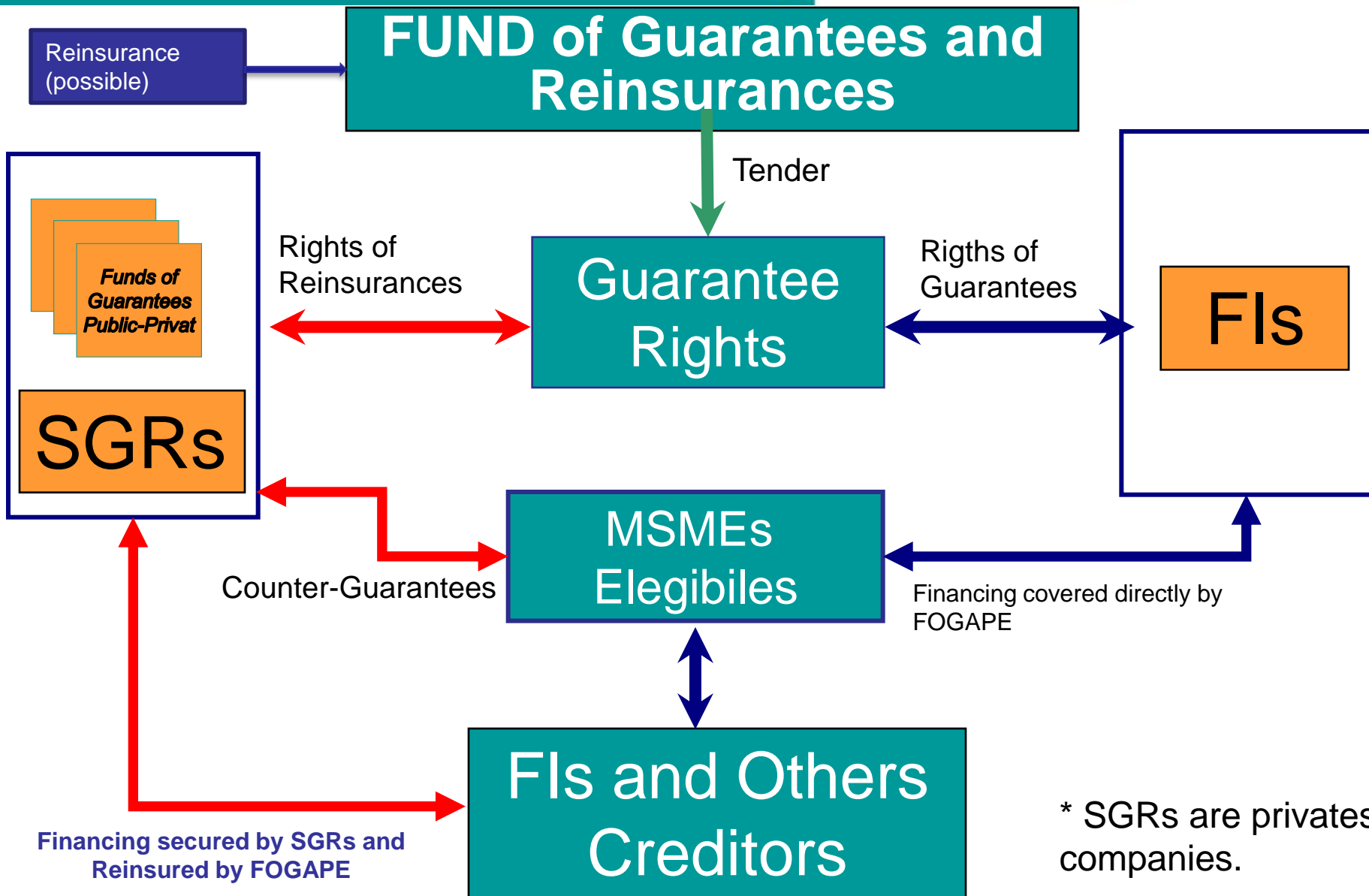
Reciprocal
Guarantee
Societes
SGRs
(2007)

(*) Supervised by SBIF or those who compliance with Decoop Supervision (Ministry of Economy).

NEW BUSINESS MODEL WITH PARTICIPATION OF SGRs & FIs



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* SGRs are private companies.



Management of the FUND. (3 to 5 professionals)

- Manager
- Control Manager (experts in Risk, information and data bases)
- Systems specialist





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FOGAPE Evolution



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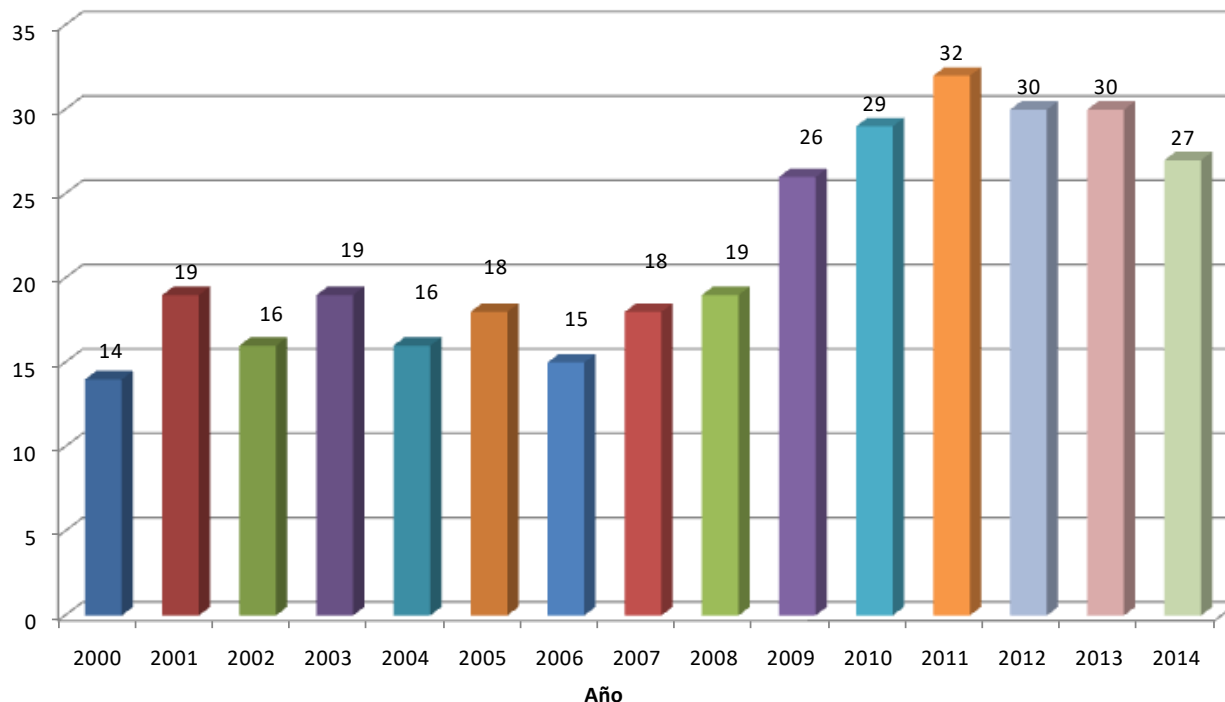
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Participating institutions in years 2000-2013 and first semester 2014, bids.



Número de Instituciones que participaron en Licitaciones FOGAPE por año

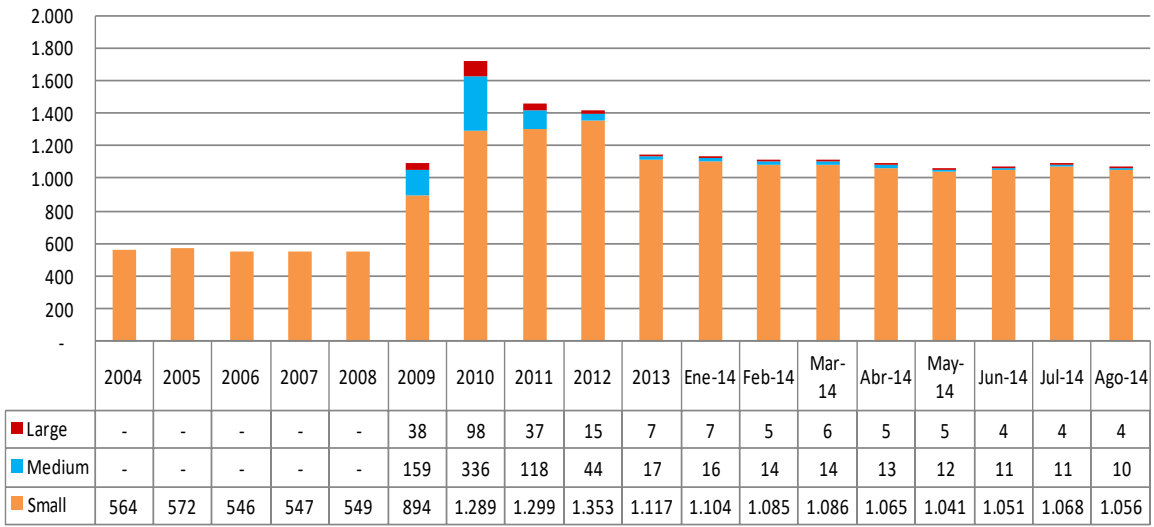


2014:
• fusions of Banks and SGRs

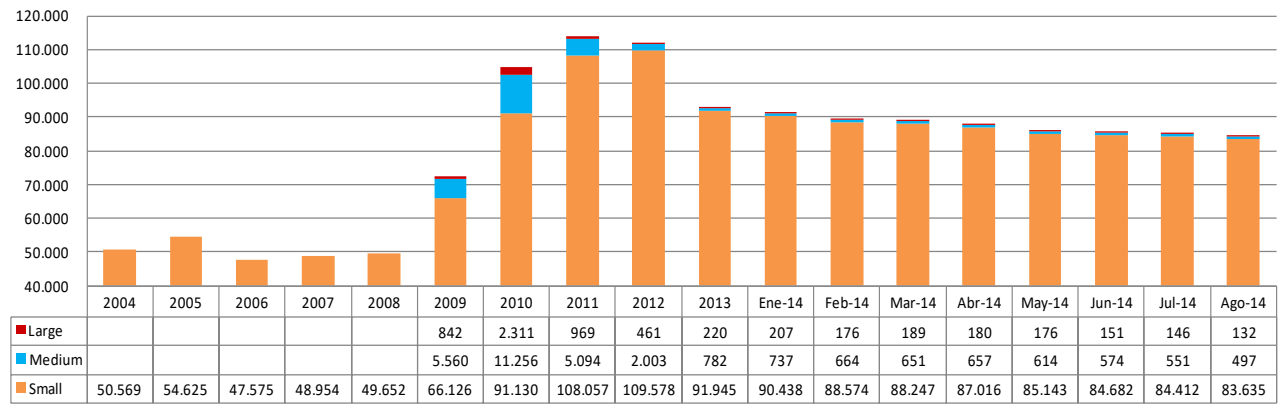
Stock of Guarantees 2004-2013 - June 2014



Guarantees Stock Amount (USD million)



Guarantees Operation Stock Number



The mid-sized and larger enterprises were authorized temporarily by law in 2009 and 2010, in support of the chain of payments between companies (global financial crisis)



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Study of FOGAPE's Impact



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Study of FOGAPE 's Impact in SMEs. Conclusions

Quiroz, Larrain, J. M. Benavente (2005)



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- FOGAPE has a positive and significant impact on the volume and the likelihood of access to credit in the formal financial system in the metropolitan region (40% population):
 - The volume of credit increased by 40% (20,000 USD) on average for each beneficiary (**additionality type II**).
 - 14% Of the customers accessed to credit for first time in the formal financial system, because of FOGAPE. (**additionality type I**)
 - There are significant and positive impact on sales and profits, which increased by 6% and 4% annually respectively in the presence of a credit FOGAPE

This means that the program would have a very high social profitability.

Experience indicates that it is not easy to find public programs whose social profitability is so high.

All these effects, however, could only be identified for the metropolitan region. In regions only statistically significant effects on access to credit (type I) could be detected.