



EVALUATING PUBLICLY SUPPORTED FINANCIAL GUARANTEE PROGRAMMES FOR SMES

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Sebastian Schich*

* OECD Financial & Enterprise Affairs Directorate. Presentation reflects joint work with Jessica Cariboni and Sara Macaferri from the European Commission Joint Research Centre. Views expressed here do not necessarily reflect the views of the OECD, EC or their member countries



Overview: Presentation...

- ...provides some background to the OECD/EC survey on evaluating publicly supported financial guarantee programmes for SMEs.
- ...highlights some selected challenges in evaluations
- ...draws on an *ad hoc* literature review to illustrate how challenges are addressed
- ...invites OECD partner countries from Asia to participate in the OECD/EC survey



Background (1)

- “Boosting growth by enhancing contribution of financial markets to SME financing” is one work priority of CMF Programme of Work and Budget 2015/16.
- CMF agreed to examine relative costs and benefits of financial guarantee support programmes for SMEs.
- In collaboration with European Commission.
- OECD/EC draft survey on *evaluating publicly supported credit guarantee schemes* (CGS) discussed in October 2015; final survey circulated and responses invited by end-April 2016; results to be discussed in October 2016.



Background (2)

- CGS considered a “structural element of financial markets” (OECD Scoreboard 2014); also used as countercyclical instrument.
- Assessing cost-effectiveness prerequisite for decisions how to spend limited resources; fiscal consolidation pressures put premium on cost-effective use of public funds. Costs not only fiscal (e.g. crowding-out).
- *G20/OECD High-level Principles on SME Financing* and *World Bank High-Level Principles for the Design, Implementation and Evaluation of Public Credit Guarantee Schemes for SMEs*.
 - Encourage regular evaluations, but...
 - stop short of providing guidance as to how to conduct evaluation.



Background (3)

- OECD/EC survey to collect information on evaluation studies undertaken in OECD and EU countries and...
- identify approaches to evaluation of SMEs CGS that are widely used and...
- those that are less widely used, but that are innovative and potentially particularly effective...
 - to reinvigorate policy support for SMEs
 - to ensure the most efficient use of public fund



Evaluation challenges addressed in the OECD/EC survey

- Who is undertaking/commissioning evaluation?
- Against what objective is evaluation being undertaken?
- How are causal effect identified and counterfactual constructed?
- What policy inputs and outcomes are considered as factors in evaluation?



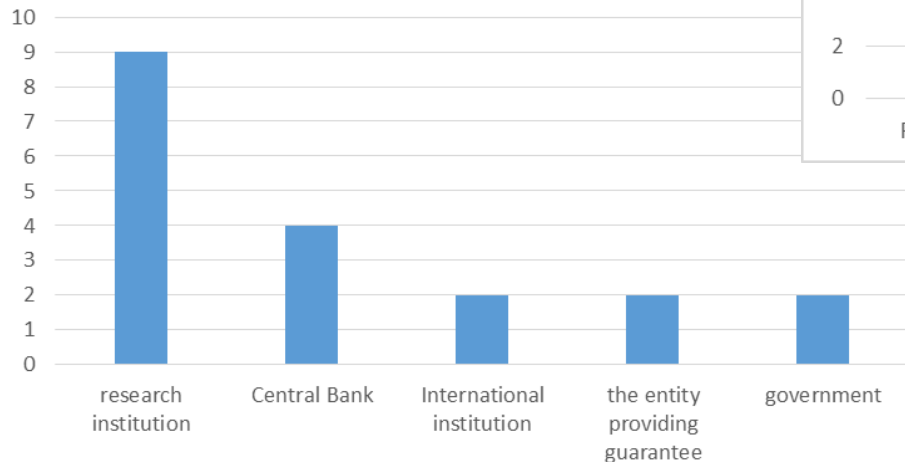
Preliminary observations from an ad hoc literature review (1): Objectives



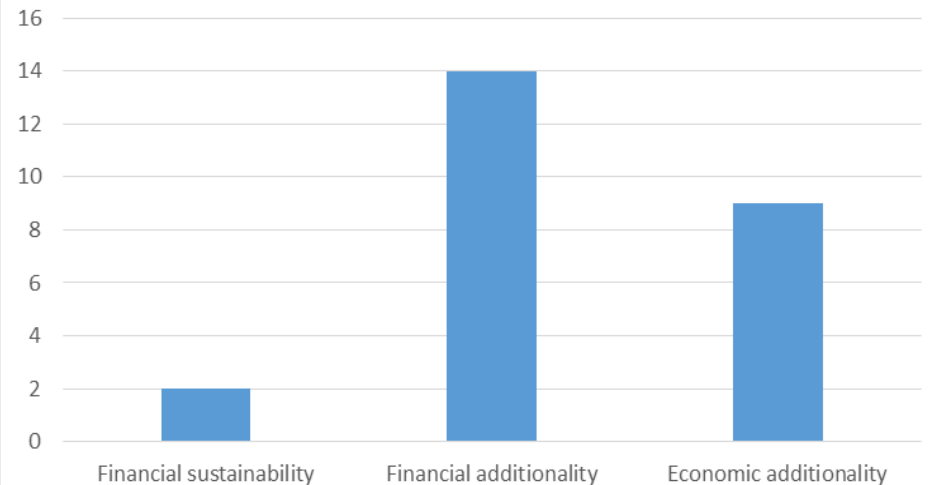
17 studies:

- 3 for Canada
- 1 for Central, Eastern and South-Eastern European countries
- 1 for France
- 5 for Italy
- 2 for Japan
- 1 for South Korea
- 1 for Malaysia
- 1 for Turkey
- 2 for the US.

Entity conducting the study



Objectives against which the CGS was evaluated





Preliminary observations from an ad hoc literature review (2): Robust impact assessment

Score	Method	Description	Number of studies in ad hoc literature review using method
5	Randomised experiments	Full randomization of programme participation, treatment and control groups are randomly assigned	0
4	Quasi-randomised	Randomness has not been deliberately imposed but arises because of some other reason. Treatment and control group are similar on pre-treatment characteristics or well controlled for using e.g. OLS.	1
3	Existence of counterfactual	Non-random choice of treatment and control group, though there is some evidence presented on comparability of the two groups	10
2	Before and after studies	No comparison group used to provide a counterfactual.	5
1	No control variables	No use of control variables in statistical analysis	2

Notes: Adaptation from Maryland Scientific Methods Scale to assess robustness of impact evaluations. Assessments in last column involve a considerable degree of judgement.

Source: Authors' assessment based on <http://www.whatworksgrowth.org/public/files/Scoring-Guide.pdf>



Preliminary observations from a literature review (3)

Table: Factors considered in the costs-benefits analysis where the analysis was conducted at the SME level

	Considered in evaluation	CGS significantly affected the factor in desired direction	CGS significantly affected the factor in undesired direction	Effect inconclusive or insignificant
Amount of bank debt	3	2	0	1
Amount of total debt	8	7	0	1
Share of long-term debt	2	2	0	0
Cost of credit	2	2	0	0
Investments	3	0	0	3
Total assets	1	1	0	0
Employment maintained or created	7	5	1	1
Growth performance	1	1	0	0
Turnover	2	2	0	0
Sales	3	2	1	0
Probability of default	7	0	6	1
ROA	3	0	2	1
Salary	1	1	0	0
Revenues	1	1	0	0
Profit	1	0	0	1
Productivity	1	1	0	0
Cash and deposits	1	0	0	1
Operating costs	1	0	1	0

Source: Authors' assessment based on ad hoc review of 17 evaluation studies.



Preliminary observations from an ad hoc literature review (4)

- Some evidence:
 - Positive for firm access to debt finance
 - Effect on economic variables (e.g. investment) mixed
 - Some evidence of increase in default risk
- Lack of evidence:
 - Evidence of improved firm performance weak
 - Hardly any consideration of costs



Concluding remarks

- Ad hoc review of academic literature suggests that evaluation approaches differ.
- There may not be a single best approach for all countries/programmes; OECD/EC survey to identify national approaches.
- Asian partner countries are invited and encouraged to participate in the survey.



Thank you for your attention!

Contact: sebastian.schich@oecd.org

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