



# **Establishing a SME Credit Guarantee Scheme in Ukraine: Updated Recommendations**

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Berlin/Kyiv, December 2018

# Structure

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# 1. Introduction

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- The “Strategy of Development of Small and Medium-sized Businesses in Ukraine for the period until 2020” approved by the Cabinet of Ministers of Ukraine in May 2017 assumes the development of a loan guaranty scheme for SMEs with a participation of the international financial institutions at the initial stage.
- This is a follow-up to our policy briefing PB/02/2016 where we analysed rationale for credit guarantee schemes, described how credit guarantee schemes work, provided an overview of international best practices and suggested how to organise a SME credit guarantee fund in Ukraine.
- This presentation:
  - Provides an update on EU SME policy on lessons learned
  - Discusses if SME credit lines and guarantees can be combined in one fund, as is currently discussed with the participation of the German-Ukrainian Fund (GUF)
  - Describes supervisory treatment of guarantees
  - Updates policy recommendations

## 2. International Experience: Update on EU policy

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- In PB/02/2016 we described details of EU support for SMEs. A special Audit Report on EU-funded loan guarantee instruments was issued in November 2017. It reviewed almost 20 years of extensive SME loan guarantee experience. Below we provide its main findings and conclusions.
- Loan guarantees are provided to financial intermediaries, which are expected to increase their lending to viable businesses that would otherwise experience difficulties in obtaining loans. To help these enterprises, the EU provides funds for two centrally managed guarantee instruments.
- These instruments are:
  - the Loan Guarantee Facility under the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), and
  - the InnovFin SME Guarantee Facility under the Horizon 2020 Programme.
- Over the 2014-2020, it is expected to provide EUR 1.78 bn to cover both potential losses on loans and the costs of running these instruments which the European Commission has delegated to the European Investment Fund (EIF) for an agreed remuneration.
- In 2015 the European Fund for Strategic Investments (EFSI) was established. In 2016 the Commission, the European Investment Bank (EIB) and the EIF decided to make part of EFSI's budgetary resources available to top up the EU contribution for the two centrally managed instruments. The Loan Guarantee Facility will be topped up with EUR 0.55 bn and the InnovFin SME Guarantee Facility will be topped up with EUR 0.88 bn. Therefore total EU resources will increase from EUR 1.78 bn to EUR 3.13 bn.

## 2. International Experience: Update on EU policy (cont.)

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- The Loan Guarantee Facility aims to support smaller businesses facing difficulties in accessing debt financing due to perceived high risk or lack of sufficient available collateral. The InnovFin SME Guarantee Facility aims to support businesses that are innovation- and/or research-and-development-driven, while having fewer than 500 employees.
- The EIF selects financial intermediaries (such as commercial banks, national promotional institutions or mutual guarantee institutions) and signs guarantee agreements with them. The intermediaries either lend directly to businesses or issue guarantees to other financial intermediaries providing loans to businesses. When a business defaults on a loan, the EIF repays part of the loss to the intermediary as set out in the guarantee agreement.
- The EIF partially guarantees loans that intermediaries provide to small businesses (the loan portfolio). The aim is to encourage financial intermediaries to expand their lending to smaller businesses. The guarantee agreements between the EIF and the intermediaries therefore stipulate that the intermediaries have to increase their lending above a pre-set threshold. The threshold is set at the level that the intermediary would have reached without the guarantee agreement or at zero where it did not provide loans of this type in the past. Under the InnovFin SME Guarantee Facility, there is no threshold applicable.

## 2. International Experience: Update on EU policy (cont.)

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- In both cases, the EIF compensates the financial intermediaries up to a maximum of half of the losses they incur on the individual loans in their portfolios (i.e. guarantee rate of maximum 50 %). However, under the Loan Guarantee Facility, the total amount of compensation is contractually capped (for guarantee agreements signed up to 31 December 2016 the cap rates range from 4 % to 20 % of the guaranteed loan portfolio amount). The loss above the cap is borne in full by the intermediary.
- In other words, for each loan defaulted on, the EIF reimburses the loss at the guarantee rate until the cap amount is reached which in turn is reimbursed by the Commission (referred to as the EU contribution). The cap set for each intermediary limits the risk to the EU budget. By contrast, under the InnovFin SME Guarantee Facility, there is no such cap and the EIF is obliged to cover all losses at the contracted guarantee rate, usually close to 50 %.
- To limit the amount of losses to be covered by the guarantee under the InnovFin SME Guarantee Facility, the intermediaries have to commit to maintaining a minimum level of loan quality in their portfolios.

## 2. International Experience: Update on EU policy (cont.)

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- This level is defined in terms of (i) a minimum credit rating of the borrowers and (ii) other portfolio characteristics. Furthermore, whereas the partial guarantees under the Loan Guarantee Facility are provided free of charge, the intermediary is charged a guarantee fee at a rate of 0.5 % or 0.8 % per annum (depending on the size of the borrower) on the outstanding guaranteed amount under the InnovFin SME Guarantee Facility.
- Since there is no cap under the InnovFin SME Guarantee Facility, the Commission and the EIF agreed to share the associated risks with the EIF being entitled to an agreed risk fee.
- The EIF maintains the list of loans that the intermediaries have chosen to include under the guarantee, and monitors intermediaries' compliance with the guarantee agreements. The EIF also regularly reports to the Commission on the progress in implementing the instruments.
- Over the 2014-2020 period, the EU budget is expected to provide EUR 1.78 bn to cover both future losses on the guaranteed portfolio and the costs of managing the instruments. As of 31 December 2016, the average expected loss in relation to the guarantee agreements already signed was 9 %.

## 2. International Experience: Update on EU policy (cont.)

### Financial data for EU centrally managed instruments (in EUR bn)

Instrument and period	EU contribution	Guaranteed amounts	Sum of the intermediaries' loan portfolios covered by the guarantee (max. portfolio amount)
<b>Previous instruments</b>			
SME Guarantee Facility 1998-2000	0.14	2.40	6.17
SME Guarantee Facility 2001-2006	0.27	4.68	10.22
SME Guarantee Facility 2007-2013	0.64	7.34	14.40
Risk-Sharing Instrument 2012-2013	0.27	1.13	3.18
<b>Current instruments *</b>			
Loan Guarantee Facility 2014-2020 · Situation as of 31.12.2016	-	6.71	13.67 (expected lending to businesses is 18.90) **
· Situation expected once the EU contribution is fully used	0.72	7.31	14.89 (expected lending to businesses is 20.59)
InnovFin SME Guarantee Facility 2014-2020 · Situation as of 31.12.2016	-	4.08	8.65 (= expected lending to businesses)
· Situation expected once the EU contribution is fully used	1.06	4.76	9.53 (= expected lending to businesses)
<b>Total current instruments</b> · Situation as of 31.12.2016	-	10.79	22.32 (expected lending to businesses is 27.55)
· Situation expected once the EU contribution is fully used	1.78	12.07	24.42 (expected lending to businesses is 30.12)

\* For the previous instruments, the date until which guarantee agreements could be signed has passed. For the current instruments, guarantee agreements can be signed until 30.6.2021 under the Loan Guarantee Facility and until 0.6.2022 under the InnovFin SME Guarantee Facility. Therefore, for the situation as of 31.12.2016, the amounts guaranteed and the portfolio of loans concern the guarantee agreements signed as of that date.

\*\* Expected lending to businesses is higher than the maximum portfolio amount, since the EU guarantee is provided also to guarantee institutions that themselves guarantee again part of the loans provided by financial intermediaries.



## 2. International Experience: Update on EU policy (cont.)

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- The audit aimed to assess whether EU loan guarantees supported smaller businesses' growth and innovation by improving their access to finance.
- Accordingly auditors reviewed the following:
  - whether the current guarantee instruments had been set up appropriately;
  - whether the beneficiaries would have struggled to obtain a loan without a guarantee;
  - whether the guarantee instruments met their objectives or reached their intended recipients; and
  - whether the Commission's evaluation system provided evidence of the effectiveness of the guarantee instruments.
- Main lessons learned:
  - *Overall setup.* When setting up a financial instrument estimate the market needs (i.e. the financing gap), the size of the instrument and the cost of managing the instrument.
  - *Target Beneficiaries.* Loan guarantee instruments should sufficiently focus on businesses struggling to obtain a loan (i.e. through well-crafted eligibility criteria). Charging interest rates that are above the average market level is an alternative approach to ensure that mostly "viable businesses lacking access to finance" apply for the guarantee. Businesses not lacking access to finance can obtain loans at market rate and are therefore discouraged from applying for a more expensive guaranteed loan.

## 2. International Experience: Update on EU policy (cont.)

- *Evaluation of Results.* The results of the study are positive in relation to all analyzed outcome variables. Beneficiary companies grew more than the control group in terms of total assets, sales and the wage bill. After an initial decline in productivity, they also became more productive than the control group. The initial decline in productivity is consistent with the fact that it takes time for investments to become fully productive. While the loans boosted assets almost immediately, the effect on sales and the wage bill took an additional 2-3 years to materialize. The guaranteed loans put the companies further into debt, but the additional debt did not make them more vulnerable.

### Effects for smaller businesses according to different studies

Study	Focus	Effect on employment	Effect on sales
Bertoni, Colombo and Quas (2016)	EU loan guarantees provided to smaller French businesses in the 2002-2012 period	7.9 % in year 4	6.7 % in year 4
Lelarge, C., Sraer, D. and Thesmar, D. (2010)	French guarantee scheme for start-up businesses mainly in the 1995- 2000 period	16 % in year 6	--
Asdrubali and Signore (2015)	EU loan guarantees provided to smaller businesses in Central, Eastern and South-Eastern European countries in the 2005-2007 period	17.3 % in year 5	19.6 % in year 5

Source: #3 in Annex 4

## 2. International Experience: Update on EU policy (cont.)

- *Fees.* The Commission capped the EIF administrative fee and performance fee (of 6%) and treasury management fee (of 1-1.5%) during lifetime of each facility.

### Maximum amount of management costs and fees payable over lifetime of two facilities (in EUR m)

	Loan Guarantee Facility	InnovFin SME Guarantee Facility	TOTAL
EU contribution	717.00	1,060.00	1,777.00
Total management costs and fees of which	50.18	79.50	129.68
- Administrative fee	20.07	29.68	49.75
- Performance fee	22.94	33.92	56.86
- Treasury management fee and other costs	7.17	15.90	23.07
EU contribution net of costs and fees	666.82	980.50	1,647.32

- In addition to the above-mentioned fees, for the InnovFin SME Guarantee Facility, the EIF is entitled to receive a risk fee as compensation for sharing part of the risk for this instrument.
- The risk fee is set at 1.25 % per annum on 80 % of the outstanding guaranteed amount (as the EU's contribution is expected to correspond to 20 % of the total guaranteed amount to all intermediaries taken together). The maximum total amount of risk fee chargeable by the EIF during the lifetime of the Facility is 10 % of the EU's contribution.
- Financial intermediaries must pay a guarantee fee which is an income for the Facility. The EU contribution will only be used for paying the risk fees when the guarantee fee is insufficient to cover the full amount of the risk fee that the EIF is entitled to.

### 3. Combining SME credit lines and guarantees?

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- Setting up a dedicated SME credit guarantee fund takes time and bears many risks
- An alternative way would be to use an already existing, established SME financial support fund and add credit guarantees as a separate product line
  - Choosing “One-window” or “Two-window”-model?
- This is indeed currently under discussion in policy circles in Ukraine, with the German-Ukrainian Fund (GUF, [www.guf.gov.ua](http://www.guf.gov.ua)) as the possible basis
  - GUF\* was established as a non-profit financial institution by Presidential Decree in 1998 and operates according to GoU’s Regulation since 1999
  - Current ownership structure of GUF: NBU 31.25%, GoU 31.25%, KfW 37.5%; GUF reform is currently under discussion - optimal timing for such a move
  - State agency “Office of Administration of International Financial Cooperation Projects” ([www.ifcp.gov.ua](http://www.ifcp.gov.ua)), which is subordinated to the Ministry of Finance, carries out administration of the GUF activities.
- The main tool of GUF activity is credit programmes. GUF implements them as a second tier institution, providing financial resources to SMEs through selected partner banks. The partner banks provide loans to SME target groups, which are described in the GUF programs.

\* Please see detailed information about GUF in Annex 3

### 3. Combining SME credit lines and guarantees? (cont.)

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- Establishing SME credit guarantees by turning the GUF into a two-window agency seems a sensible approach to follow
  - Second window (CGS) should be kept in a separate legal structure (subsidiary)
  - Such a two-window-model further requires full transparency of all activities, balance sheet items, etc. Risks must be made clear to all stakeholders
- Thereby, GUF can be further developed into a full-fledged state institution for financial support of SMEs in Ukraine
- However, policy and its implementation shall be performed by another state agency, the SME Development Office (SMEDO)\* that was established in October 2018 within the framework of the EU-funded FORBIZ project, supported by the EU4Business Initiative
  - Clear division of labor needed
- Given its compact size, GUF should run a pilot CGS, which can be up-scaled in case of success
- The role of IFIs in the shareholder structure of the GUF is important and should be preserved

### 3. Combining SME credit lines and guarantees? (cont.)

#### Summary of comparison

Two-window approach	One-window approach
Possible to use already functioning agency (e.g. GUF as a non-profit financial institution)	Need to set up a new entity (Credit Guarantee Fund), establish legal basis
GUF already works with partner banks	CGF should find partner banks
GUF has an established corporate governance structure (amendments needed)	CGF has to establish corporate governance structure
Accumulated credit expertise	Separated credit expertise
Requires less capital	Requires more capital
Saves running costs	Doubles running costs

Source: Own research

## 4. Supervisory Treatment of Guarantees

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- Any non-banking legal entities providing guarantees to third parties as a service should be licensed according to the Law of Ukraine 'About Financial Services and State Regulation of the Financial Services Market' #2664-III dated on 12.07.2001.
- Activities of such legal entities are supervised by the National Commission of the Financial Services Market Regulation (NCFSMR).
- GUF has a license for providing loans only. To allow GUF to issue guarantees it should be amended by adding it to the list.
- According to Regulation #3384 dated on 08.08.2017 the NCFSMR sets requirements to financial companies on solvency, asset quality and liquidity.
- GUF obtained NBU's general license for foreign currency transactions #2 dated on 05.07.2006 and an individual license to use foreign currency for payments in Ukraine.

## 5. Updated policy recommendations for Ukraine

#	Subject	Explanation	Example
1	Mission	Define a core purpose and long term focus that normally remain unchanged over time	<p>GUF's main objectives should additionally include:</p> <ul style="list-style-type: none"> <li>▪ to help SMEs which do not have sufficient collateral and financial resources to develop by providing favorable borrowing conditions</li> <li>▪ to encourage lending</li> <li>▪ to seek that state priorities are implemented</li> </ul>
2	Operational characteristics	Identify the following:	
		▪ types of services	▪ credit and leasing guarantees for prioritized projects
		▪ borrower eligibility	▪ SMEs and private entrepreneurs (headcount <250 and annual turnover <EUR 50 m) with at least 3 years of experience
		▪ maximum amount	▪ 0.125 m EUR
		▪ maximum tenor	▪ 3 years (for working capital), 5 years (for investments)
		▪ pricing	▪ ideally risk-dependent pricing; international benchmark is 0.8 -2.3% p.a. of guaranteed volume
		▪ coverage	▪ up to 50% of a loan
		▪ guarantee assignment process and risk management system	▪ through GUF's partner banks
	▪ currency	▪ both local and foreign currency loans can be covered	



## 5. Updated policy recommendations for Ukraine (cont.)

#	Subject	Explanation	Example
3	Funding	Determine sources and amount of funding	<ul style="list-style-type: none"> <li>Current equity of the GUF is 710 m UAH. This capital seems enough for the start (pilot project)</li> <li>Counter-guarantee mechanism can be used in addition</li> <li>New funding can be then arranged by shareholders at a later stage.</li> <li>Equity can be invested in (liquid) assets for additional returns</li> </ul>
4	Governance	Develop how the scheme is set up and governed	<ul style="list-style-type: none"> <li>GUF has a statute and operates according to GoU's regulation.</li> <li>The general meeting of shareholders, the supervisory board and the executive director of the fund are the managing bodies.</li> <li>The state agency "Office of Administration of International Financial Cooperation Projects" (<a href="http://www.ifcp.gov.ua">www.ifcp.gov.ua</a>), which is subordinated to the Ministry of Finance of Ukraine, carries out administration of the GUF activities.</li> <li>On 31.12.2015 OAIFCP approved Rules on Provision of Financial Services for GUF.</li> </ul>
5	Legal and regulatory framework	Follow legal and regulatory requirements	<ul style="list-style-type: none"> <li>Any non-banking legal entities providing guarantees to third parties as a service should be licensed according to the Law of Ukraine 'About Financial Services and State Regulation of the Financial Services Market' #2664-III dated on 12.07.2001.</li> <li>Activities of such legal entities are supervised by the National Commission of the Financial Services Market Regulation.</li> <li>GUF has a license #3305 dated on 27.07.2017 for providing loans. It should be amended by adding guarantees.</li> <li>New Statute should be developed and approved.</li> </ul>



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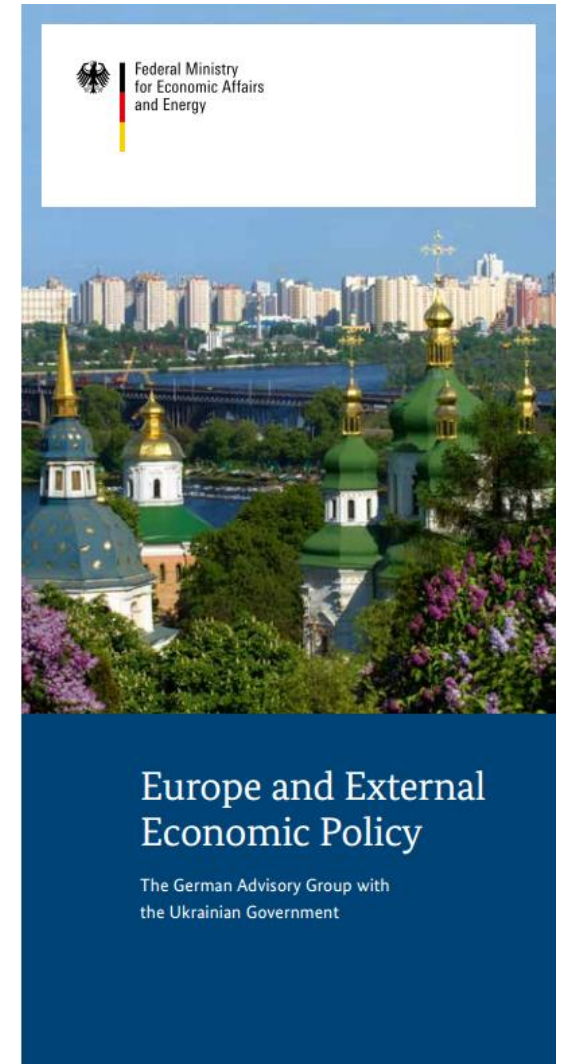
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# Annex

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Annex 1. Fondo de Garantía y Fomento para la Agricultura (FIRA), Mexico

Annex 2. Entrepreneurship Development Fund Damu, Kazakhstan

Annex 3. German-Ukrainian Fund (GUF)

Annex 4. References

# Annex 1. Fondo de Garantía y Fomento para la Agricultura (FIRA), Mexico

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- Trust Funds for Rural Development *FIRA* ([www.fira.gob.mx](http://www.fira.gob.mx)) was established in 1954 by Mexico's federal government. It is a second-tier development bank that offers credit and guarantees, training, technical assistance and technology-transfer support.
- It targets agriculture, livestock, fishing, forestry and agribusiness sectors in Mexico and includes four funds with the following tasks:
  - FONDO: Focused on mobilizing resources to the primary sector through short-term financing, targeted for working capital.
  - FEFA: Financing, subsidies and other services for production, recollection and distribution of goods and services through long-term financing for the acquisition of machinery, equipment, installations, etc.
  - FEGA: Identification, evaluation, guarantees, technical assistance, supervision, training and technology transfer services targeted to improve sector's development and credit payback.
  - FOPESCA: Focused on channeling FIRA's resources towards the fishing sector

# Annex 1. Fondo de Garantía y Fomento para la Agricultura (FIRA), Mexico (cont.)

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- FIRA's offices are structured geographically as follows: headquarters in Morelia, Michoacán, Office in México City, 5 Regional, 31 State and 100 Local Offices, 5 Technology Development Centres.
- FIRA is governed by a board of directors comprised of representatives from the Federal Government, regulatory bodies, commercial banks, agricultural industries, and a wide array of agricultural organizations representing small and big farmers.
- Throughout its history, FIRA had experienced much greater management continuity than most public sector entities in Mexico. It is seen as a highly professional and technical organization with a reputation for integrity, and, accordingly, enjoys greater insulation from outside political interference.
- FIRA's strategy includes 5 approaches to fulfill FIRA's objective to stimulate the agricultural sector in México, as follows:
  - Focus on smaller producers with no access to credit lines.
  - Strengthen projects' structuring by offering training and technical assistance to small producers' projects.
  - Broaden funding flow through the participation of rural private financial intermediaries.
  - Promote a gradual private financial intermediaries financial independence, so they can provide funding with their own resources to producers with an existent credit history.
  - Preserve Institutional assets.

# Annex 1. Fondo de Garantía y Fomento para la Agricultura (FIRA), Mexico (cont.)

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- Range of products and services include:
- FIRA Credit
  - Medium term credit (2 years max) for working capital.
  - Fixed investments up to 15 years. For forestry and long maturity projects it can be extended up to 20 years.
  - Short term credit for the commercialization of goods and services, for up to 6 months.
- Rural Financing
  - This product's objective is to foment any other economic activity, different from the agricultural, forestry or fishing activities, in rural Mexico. For instance: transportation, distribution, warehouses, bakeries, general stores, etc.
- FIRA Guarantee
  - Offered to the traditional banking Institutions and other financial intermediaries, in order to facilitate the access to producers and/or businessmen to the FIRA's financing programs by complementing their guarantees for feasible projects in the agricultural and rural sectors.

# Annex 1. Fondo de Garantía y Fomento para la Agricultura (FIRA), Mexico (cont.)

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- Structured Financing
  - The objective is to provide specific, tailor-made funding programs to companies with specific needs. These schemes are developed from identifying the credit, operative and market risks, so they can be managed accordingly.
- Special programs
  - These are specially developed schemes to address particular topics, from financial support to sugar producers to Credit Unions schemes.
- Technologic subsidies
  - Management training and technology transfer
  - Integral Technical Assistance Services
  - Strengthen Economic Organizations and Enterprises
  - Strengthen Financial and Management Competencies of Financial Intermediaries
  - Expansion of the Business Promotion Structures with FIRA

## Annex 2. Entrepreneurship Development Fund Damu, Kazakhstan

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- Joint-Stock Company Entrepreneurship Development Fund *Damu* ([www.damu.kz](http://www.damu.kz)) was established by the Decree of the Government of the Republic of Kazakhstan of 26.04.1997 № 665 "On the establishment of small business development fund".
- Since 2002, the Fund started to provide loans to small businesses directly from its own funds. Damu implemented the "Lending programme for small businesses from the national budget" and "Small towns' development programme for 2004-2006".
- In May 2005, the Government adopted the "Programme of accelerated measures for the development of small and medium enterprises for 2005-2007".
- Under this program, over the period of 2005-2007 the Fund was supporting small enterprises through implementation of project financing and leasing programmes, development programmes of microlending in Kazakhstan, and guarantee programmes for SME loans through second-tier banks.
- In accordance with the Decree of the President №571 of 22.05.2013, 100% shares in "Damu" Fund were transferred to "Baiterek" National Management Holding" JSC.



## Annex 2. Entrepreneurship Development Fund Damu, Kazakhstan (cont.)

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- Prior to this Decree, 100% shares in the "Damu" Fund JSC were owned by "Samruk-Kazyna" National Welfare Fund and from 28.12.2011 were in trust management of the Ministry of Economic Development and Trade and from 10.04.2013 – of the Ministry of Regional Development. Currently, "Baiterek" NMH" JSC is the sole shareholder the Fund.
- Since the end of 2007, the Fund has been carrying out the functions of an operator for the conditional placement of funds under the Stabilization Programme of the Government.
- Since 2010, Damu has been a financial agent for subsidization of interest rates on loans to businesses and provision of banks with guarantees on entrepreneurs' loans, and acting as an operator of training and consulting programmes as part of the "Business Road Map 2020" government programme.
- Starting in 2015, Damu has been an agent implementing and monitoring financial support (subsidies for interest rates on loans to businesses, providing guarantees to banks on entrepreneurs' loans) as part of the "Business Road Map 2020" unified business support and development program.

## Annex 2. Entrepreneurship Development Fund Damu, Kazakhstan (cont.)

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- Over 2012-2014, 18 Entrepreneur Service Centers were set up in all regional centers and cities of Astana, Almaty, Semey and Turkestan, as well as 14 mobile Business Support Centers. Nowadays, branches of Damu operate in all regions of Kazakhstan.
- Range of products and services include loans, guarantees, subsidies and training
- There are four main programmes: for beginning entrepreneurs, for active entrepreneurs, for women in business and the Unified Program "Business Road Map 2020".
- Damu issues the following types of guarantees:
  - under the program Damu Optima: Guarantees for beginners and current entrepreneurs
  - under the program of productive employment and mass entrepreneurship: Guarantees for beginners and current entrepreneurs
  - under the Unified Program "Business Road Map 2020": Guarantees for young, novice and active entrepreneurs

# Annex 3. German-Ukrainian Fund (GUF)

## Programme overview

Microloan Programme						
Borrower	No. of employees	Max loan, EUR	Max tenor	Industries	Currency	Interest Rate
Private entrepreneurs	N/A	25000	3 years (for working capital), 5 years (for investments)	Production, services, agro, trading (for PE and micro only)	EUR, UAH	Market Rate
Micro	< 20	25000				
Small	< 250	100000				
Medium	< 500	250000				
Prioritized Industries Programme						
Borrower	No. of employees	Max loan, EUR	Max tenor	Industries	Currency	Interest Rate
Private entrepreneurs	< 250	100000	3 years (for working capital), 5 years (for investments)	Agriculture, food industry, small hotels, green tourism, restaurants and public catering, light industry, projects related to energy efficiency and energy saving, import substitution, increased productivity and job creation in underdeveloped/depressed regions.	UAH	UIRD + Margin
Micro and Small	< 250	100000				
Rural Settlements Programme						
Borrower	No. of employees	Max loan, EUR	Max tenor	Industries	Currency	Interest Rate
Private entrepreneurs	< 250	250000	3 years (for working capital), 5 years (for investments)	Production, services, agro, trading (for PE and micro only) to support SMEs in rural settlements with less than 100,000 inhabitants.	EUR, UAH	Market Rate
Micro and Small	< 250	250000				
Investment Programme						
Borrower	No. of employees	Max loan, EUR	Max tenor	Industries	Currency	Interest Rate
Private entrepreneurs	N/A	250000	2 years (for working capital), 6 years (for investments)	Production, services, agro	UAH	UIRD + Margin
Micro	< 20	250000				
Small	< 250	250000				
Medium	< 500	250000				

## Annex 3. German-Ukrainian Fund (GUF) (cont.)

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Operational results of GUF :

- Volume of SME loans since start of the programme – UAH 343 m\*
- Number of loans – 105\*
- Current indebtedness – UAH 251 m\*
- Average loan amount – UAH 2.39 m\*
- Maximum interest rate – 14.9 p.a.\*\*
- Number of preserved jobs – 3807\*\*
- Number of newly created jobs (since beginning of 2018) – 236\*\*
- Partner banks – 6 (Oschadbank, Ukrgasbank, Procredit Bank, Megabank, Kredobank, Creditwest bank)
- GUF's manager charges partner banks an administration fee of 0.8-1.0% of the issued loan amount depending on the programme

Source: [www.guf.gov.ua](http://www.guf.gov.ua)

\* As of 1<sup>st</sup> July 2018

\*\* As of 1<sup>st</sup> June 2018

## Annex 3. German-Ukrainian Fund (GUF) (cont.)

### Audited financial results of GUF (in UAH m)

Balance Sheet	2017	2016
Intangible Assets	0	0
Fixed Assets	0	0
LT Accounts Receivable	884	378
ST Accounts Receivable	310	17
Cash	76	358
Total Assets	1270	753
Statutory Capital	69	69
Other Capital	459	354
Retained Earnings	182	130
Equity	710	553
LT Liabilities	550	190
ST Liabilities	10	10
Liabilities	560	200

P&L	2017	2016
Net Sales	33	11
Other operational income	17	111*
Administrative expenses	-9	-7
Other operational expenses	-40	-32
Operational income	1	83
Other income	68	13
Financial expenses	-3	-3
Other expenses	-15	-13
Net Income	51	80

\* Other operational income in 2016 included decrease of provisions due to partial repayment of non-performing loans (UAH 92 m) and FX income (UAH 19 m)

Source: [www.guf.gov.ua](http://www.guf.gov.ua)

## Annex 4. References

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