

European Union



European Agency for Reconstruction

**WORKSHOP ON
CREDIT GUARANTEE FUNDS**



Government of the Republic of Montenegro

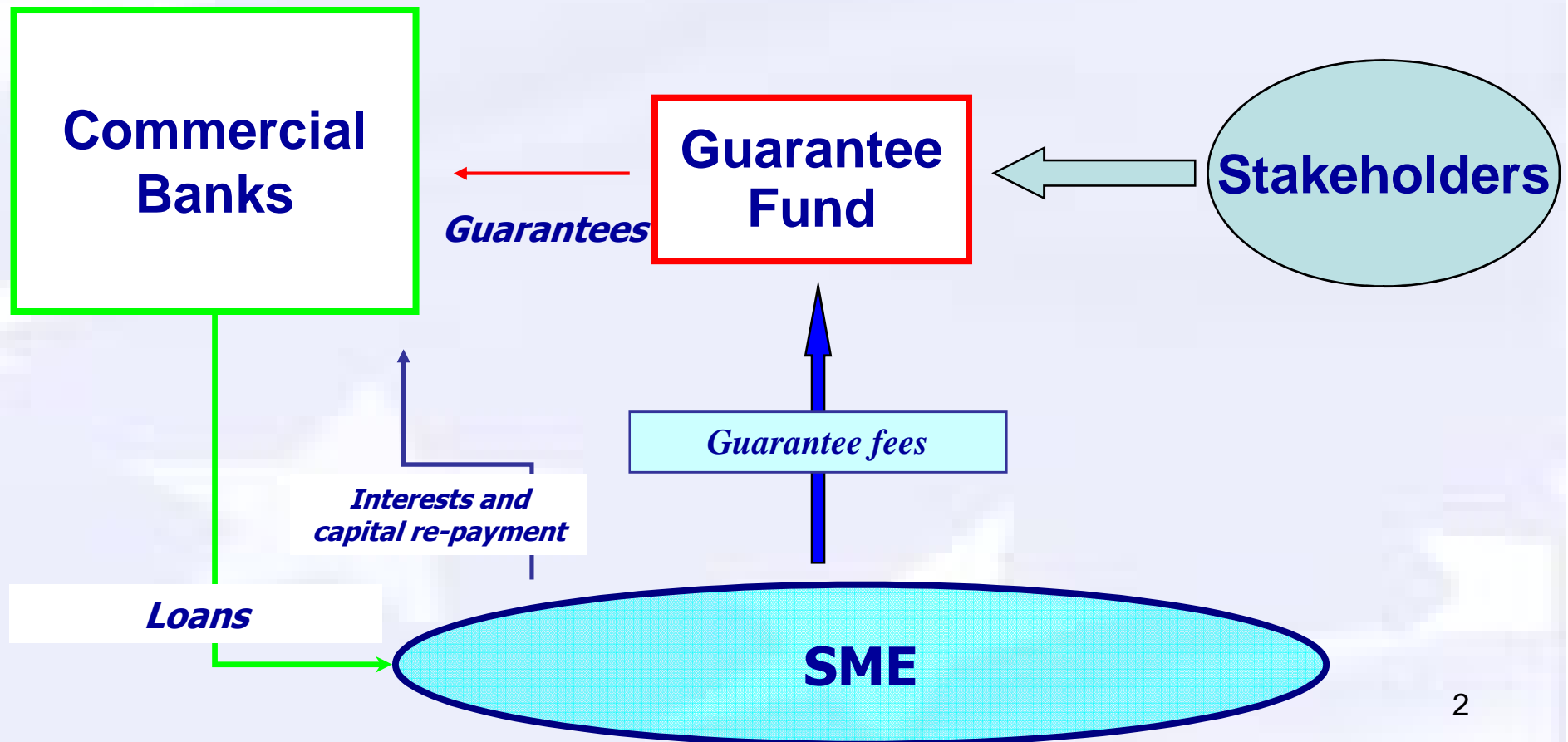
MR. ROBERTO ZAVATTA

Team Leader - EAR Project

***Proposals for a Montenegrin
Credit Guarantee Fund***

***Advisory Support for Transformation of the Development Fund
An EU funded project managed by the European Agency for Reconstruction18***

Credit Guarantee Fund - CGF



Key Issues - 1

- **Nature of the CGF:** a development financial institution targeted at SME. Hence, key role of the public sector, but SME and banks should also participate to its capitalization
- **Nature of the guarantee:** when the guarantee becomes payable? (first demand vs. subordinate guarantees)
- **Risk sharing with banks,** to avoid moral hazard (coverage typically between 50% and 80%)

Key Issues - 2

- **Regulatory framework:** recent trend towards strong regulation by Central banks (prudential regulations)
- **Operating costs:** use of public money is justified in the initial phase but budget resources cannot be counted upon for normal operations (CGF as a “self financing institution”)
- **Target market:** which clients for the CGF?
Start ups vs. established SME

Work Done so Far

- **Initial information activities**
- **Visits to some EU CGF**
- **Development of concept paper**
- **Preparation of business plan and financial model**

Consultations with stakeholders ongoing ..

Montenegrin Delegation in Portugal



Today

- **An opportunity to learn from direct (and very successful) experience**
- **Adequate time for discussion**
- **Also, opportunity for bilateral meetings**

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THANK YOU FOR YOUR ATTENTION

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