EX POST EVALUATION OF CEB JOB CREATION PROGRAMMES
Programme for small and medium enterprise support through leasing services
December 2008
Abstract

The Administrative Council of the CEB approved in October 2004 a loan of 20 m€ to a leasing company to finance a sector-wide programme for job creation and preservation. This programme was to support small and medium-sized enterprises in a central European country through leasing finance, notably in areas with above average unemployment rates. The total programme cost was estimated at a minimum of 40 m€, out of which the CEB was to finance a maximum of 50%.

Evaluation findings: The relevance of the programme was satisfactory, thanks to the efficient institutional arrangements and the suitability of leasing to reach small SMEs. Competition among suppliers was encouraged, as the borrower offers services that are not limited to leasing products from one single manufacturer. Design quality could have been better, as the specific objectives and value added expectations at project approval were reflected only along broad lines in the Framework Loan Agreement (FLA). Disbursements were fully and timely allocated to eligible SMEs; most of them achieved employment expectations and some even considerably exceeded them. The portfolio quality was good; even though fewer than expected newly-created SMEs were reached, beneficiary SMEs were, overall, of a size class considerably below the EU definition permitted by the FLA. Stakeholders were highly satisfied. Programme management was very efficient. Implementation went according to schedule, project management was built on the professional experience and regional branch network of the leasing company. No maturity mismatch existed and the interest rate margin over CEB rates for SMEs was satisfactory. Cost control and reporting were timely and complete. The overall impact of the programme is sustained in all its dimensions. The economic impact stems from the beneficial characteristics of leasing compared to loans for small SMEs. This advantage was reinforced by tax incentives. A positive environmental impact is noted, as the new machines and vehicles resulted in more environmentally friendly production and services.

The sustainability of the programme is likely despite the recent removal of tax advantages for leasing, as the borrower had a strong position and a long presence in the national leasing market. Even though the refinancing market had started to become more difficult at the time of the evaluation, access to refinancing was not mentioned as a sustainability risk. Technical sustainability of the programme is likely, building on the existing structure for lease provision and the existing branch network; at the beneficiary level it is assured by an obligatory insurance during the leasing period.

The programme overall is rated **satisfactory**. However, CEB value added can be considered only marginal; initially the programme was to reach the smallest SMEs and with specific financial advantages, but these were not clearly agreed upon with the borrower. The programme funds did not allow for additional costs to find new SMEs with specific characteristics and could therefore only cover the target group which was within the reach of the existing marketing network of the borrower.

Recommendations:

- Intended benefits and added value for the final beneficiaries as stated at project approval should be more precisely reflected in Framework Loan Agreements.
- Eligibility criteria for SME selection could be defined more closely in line with the local business structure. This would provide a clearer profile of the intended social effects of an SME programme, especially where this can be done in dialogue with – and without placing additional costs on – the borrower. The financial advantage stemming from the CEB loan could be used to target socially vulnerable groups or cover the risks involved in reaching such clients instead of being spread to all beneficiaries.
- The procedures for monitoring and reporting for leasing programmes could be adjusted: the CEB should allow, for all tranches, reporting on final beneficiaries after, instead of before, disbursements. This would facilitate a quick signature of lease agreements between borrower and SMEs as required in the competitive leasing market.

Ratings are on a four-point scale: poor-marginal-satisfactory-very satisfactory