

HOW DOES RESEARCH HELP IN DESIGNING BETTER POLICIES?

BETTER EU FINANCE MEANS MORE JOBS

HOW RESEARCH EXPANDED THE USE OF GUARANTEES IN LOANS TO SMEs

Pierfederico Asdrubali and his team showed how EU loan guarantees help create jobs, increase turnover and productivity. Pierfederico's groundbreaking paper has been used by institutions worldwide, including the European Commission, to justify increasing the use of these instruments.

WHAT ARE SME LOAN GUARANTEES?

Loan guarantees help deliver finance to small and medium enterprises (SMEs) in the EU by insuring lenders such as commercial banks against losses in case a business is not able to fulfil the loan repayment schedule.

The guarantee lowers the financing cost of banks and other financial intermediaries that pass on these savings to firms.

1

€100+ B
in guaranteed
loans to EU
SMEs

2014

1

"SHOULD WE INCREASE THE USE OF LOAN GUARANTEES?"

That was the question both the Director and the Head of Unit in charge of managing the EU guarantees programme asked Pierfederico Asdrubali, a member of their staff who represented the European Commission in a Working Group of the Vienna Initiative 2.0 dedicated to assessing the financial stability of Central, Eastern and South-Eastern European Member States and its post-2008 recovery.

"WHAT IF SMEs DID NOT BENEFIT FROM LOAN GUARANTEES?"

This was the question Pierfederico's team posed themselves when examining the dataset on the Multi-Annual Programme for enterprises and entrepreneurship (MAP). The counterfactual analysis creates a fictitious scenario wherein firms did not benefit from the loan guarantee and assesses their performance by comparing the scenario with reality.

2

2014

2

WORKING WITH YOUTH

Pierfederico led the Market Intelligence team staffed by three trainees – Simone Signore, Dario Prencipe and Matteo Pallini – who had graduated from Bocconi University and had expertise in methods of counterfactual analysis.

4 The number of colleagues working in the Market Intelligence team led by Pierfederico

COLLABORATE, CONNECT, INNOVATE AND DISCOVER

Pierfederico and the Market Intelligence team worked with the European Investment Fund (EIF) to satisfy the strict confidentiality requirements and explore previously restricted administrative data on EU-guaranteed loans.

By using this data, the team was able to establish whether firms benefitting from scheme outperformed non-beneficiaries.

3

2015

3

TRUST

The EIF resisted sending the MAP dataset to the Directorate-General for Economic and Financial Affairs (ECFIN) as it was obliged by contracts signed with financial intermediaries not to disclose the identity of beneficiary firms.

"The greatest difficulty was convincing the EIF that ECFIN would correctly anonymise and protect the data", says Pierfederico.

4

2016

4

SURPRISING FINDINGS, INTERNATIONAL RECOGNITION...

Surprisingly, the team found productivity in beneficiary firms was initially lower before increasing as employees learned how to use new investments. The research led the Commission to strengthen the use of loan guarantees.

The counterfactual evaluation methodology has since been used by institutions such as the European Court of Auditors and the European Investment Bank (EIB), which together with the Organisation for Economic Co-operation and Development (OECD) and the World Bank quote Pierfederico's work.

AND BRIGHT CAREER PROSPECTS

"The paper is, to my knowledge, the first state-of-the-art counterfactual estimation of the economic additionality of a centrally-managed EU financial instrument" claims Pierfederico who continued working at the Commission.

Simone Signore was hired by the EIF to conduct impact assessments.

The EIF launched a new work stream entirely focused on assessing the impact of loan guarantees and other financial instruments benefitting SMEs.

RESEARCH HELPS TO BUILD A BETTER EUROPE
RESEARCH IS MADE BY PEOPLE

