

# **EMGN AUTUMN ACADEMY 2021**

4 to 7 October 2021

## **FUTURE THINKING AND STRATEGY TRANSFORMATION FOR CGI's IN THE MENA REGION**

**The Future of Credit Guarantee Business II: A Global Perspective**

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Special Honorary Chairman of AECM – European Association of Guarantee Institutions



Hello!

# I am José Fernando

I am here because **I love to discuss** the future of Credit Guarantee Institutions with colleagues and friends. **Our Future!**

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*“We need to permanently challenge ourselves if we want to keep being the leaders in the future.”*

# Agenda

- 1. Where we are now: a VUCA environment**
- 2. Challenges and risks the CGIs sector face**
- 3. Opportunities and ways forward**

# 1. Where we are now: a VUCA environment

- Historically, Credit Guarantee Institutions (CGIs) play a critical role in helping SMEs and Entrepreneurs getting access to credit financing
- CGIs are particular important as a countercyclical tool, as was proved during the current pandemic crisis, with huge increases in CGIs exposures, and specially a demonstrated capacity to react fast and comprehensively,
- Nevertheless, important issues arise as the global economic environment, and in particular the financial sector environment are changing at a very fast pace, due to many known factors, namely:
  - On one hand the increasing levels of regulation and regulatory controls,
  - But on the other hand the fast technology evolution that create new players and ways/forms of work,
  - AI, big data and fast computing provide a wide range of potential solutions to better predict credit ratings and probabilities of default/loss,
  - The advent of ecological conscience and the need for a green and sustainable strategy,
  - Gender balance and the need to proportionate equal opportunities to different segments of entrepreneurs.

# 1. Where we are now: a VUCA environment

## VUCA

Volatile

The environment demands you react quickly to ongoing changes that are unpredictable and out of your control

Uncertain

The environment requires you to take action without certainty

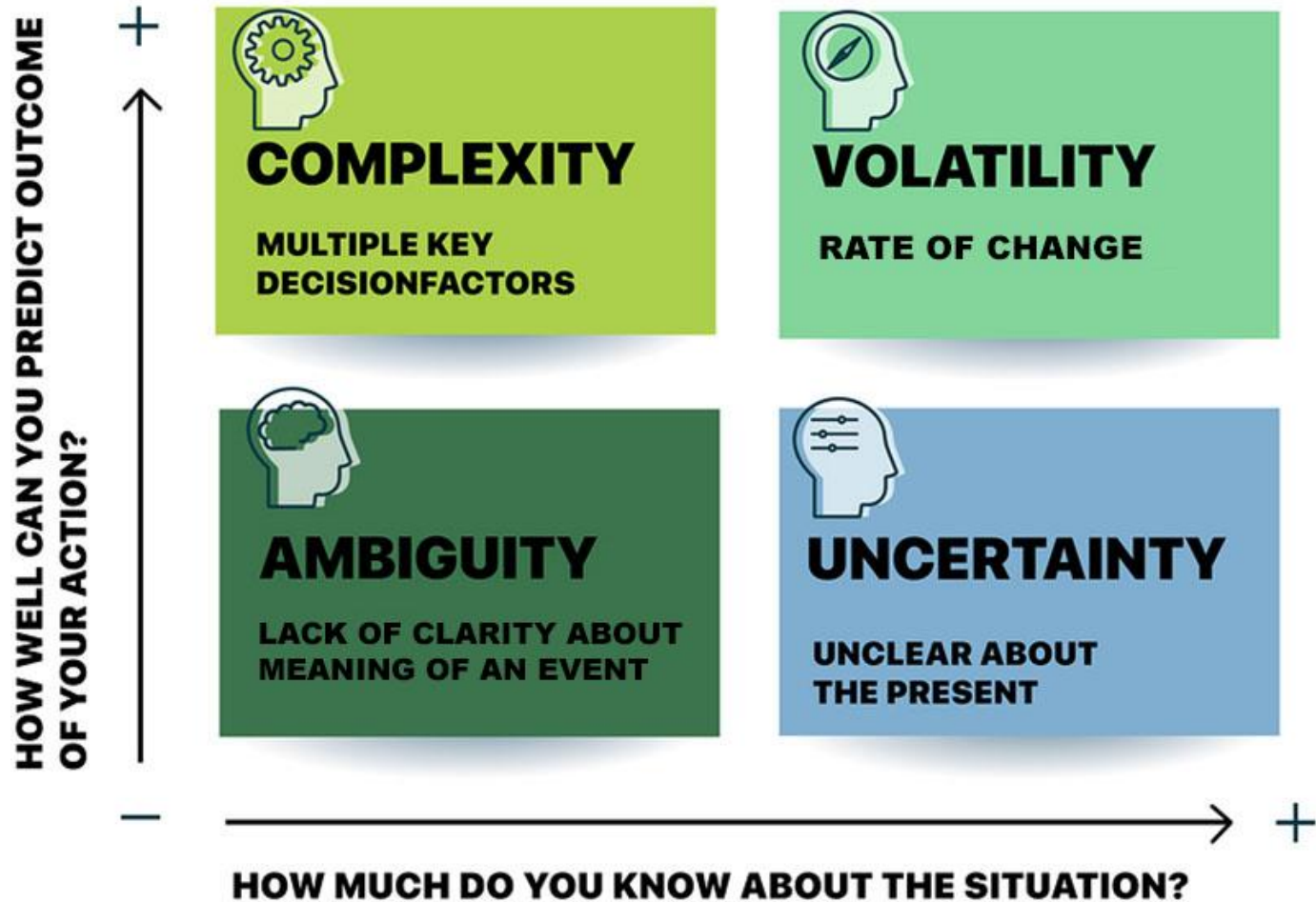
Complex

The environment is dynamic, with many interdependencies

Ambiguous

The environment is unfamiliar, outside of your expertise

# 1. Where we are now: a VUCA environment



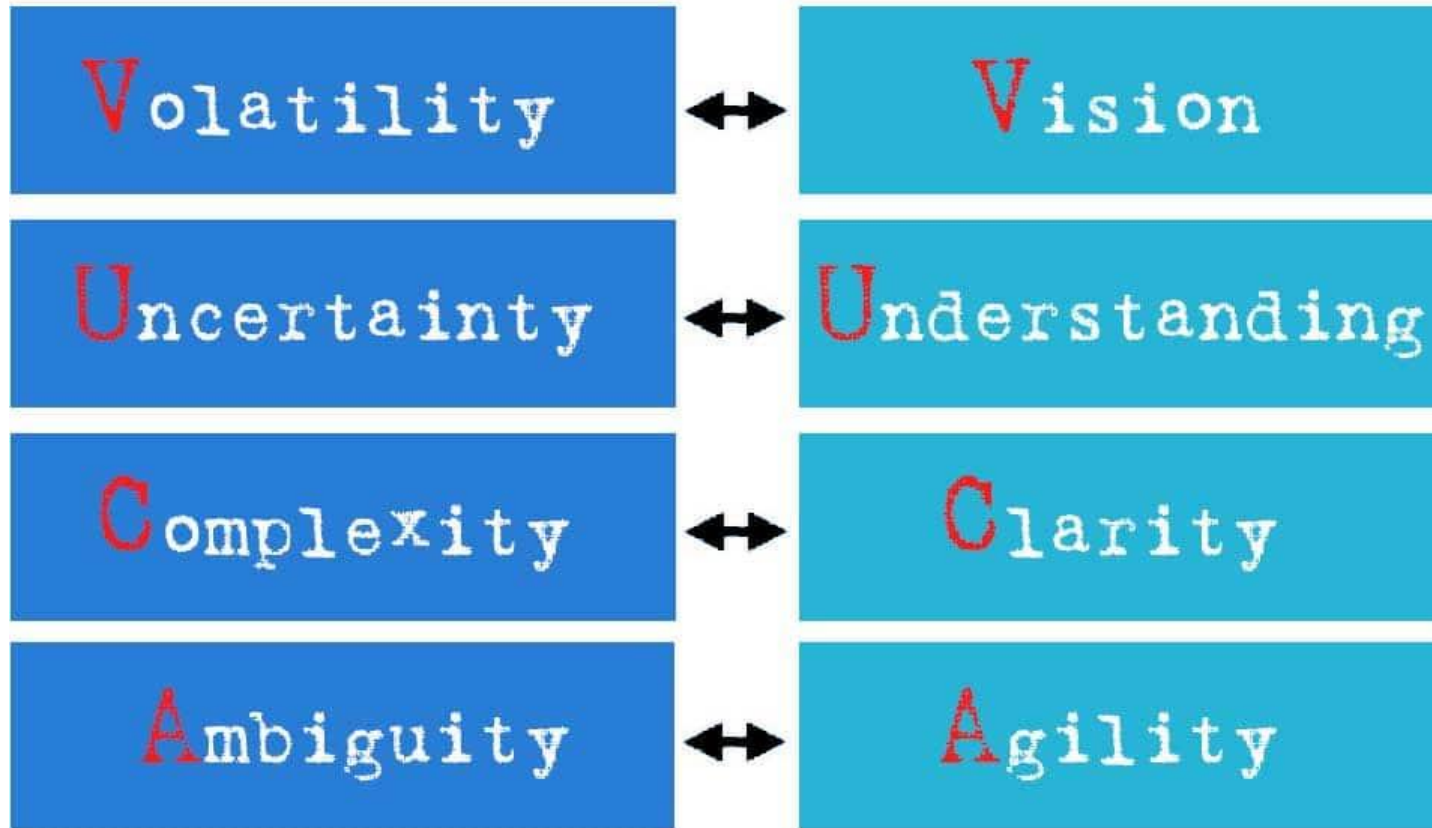
## 2. Challenges and risks the CGIs sector face

- To cope with such a complex environment CGI's need to adapt to the “new world”, namely by:
  - Adopting a digital strategy and improving their internal systems and processes to be capable to process files and answer clients in a fast and cost efficient way,
  - Creating or Improving their predictive models (ratings, scorings, ..), in order to be capable to reduce losses in the guarantees issued, thus reduce capital requirements and (in case of public credit guarantees) the tax payers efforts to cover those losses,
  - Maintain very skilled and updated Teams,
  - Keep the proximity with the SMEs and micro borrowers, as well as with the banks and State, in order to assure its main long term distinctive feature: the deep knowledge of the needs of its clients and of the market.
- Nevertheless, this is a short term path. In reality, CGIs risk to be to slow adapting and to be overcome by modern forms of financing,
- Also, there is the risk to fall into a situation were they cannot understand properly the changings in clients needs and preferences.



2. Challenges and risks the CGIs sector face

# VUCA

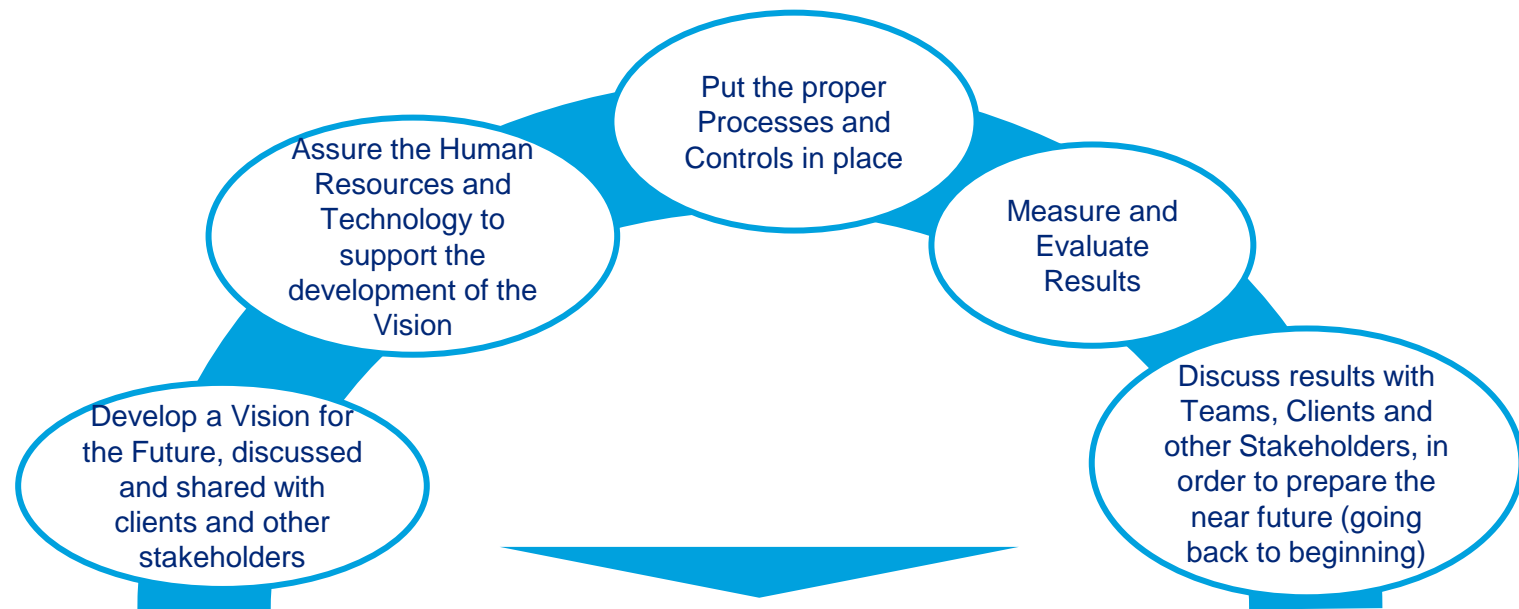


### 3. Opportunities and ways forward

- Of course, like in all challenging moments risks and challenges bring a lot of opportunities :
  - A good digital strategy will help us to be prepared for the future way of delivering guarantees, online, fast, efficiently, but still in an effective way,
  - With adequate processes and modern controlling techniques our institutions can perform at the level of the best, namely compete with Fintechs and modern digital banks,
  - With proper internal and independent impact evaluation programs we will be capable to keep convincing our “investors” (namely policy makers) of the global advantages of our systems and to prove the positive macroeconomic impacts on job creation, taxes recollection and global wealth creation of the existence of credit guarantees,

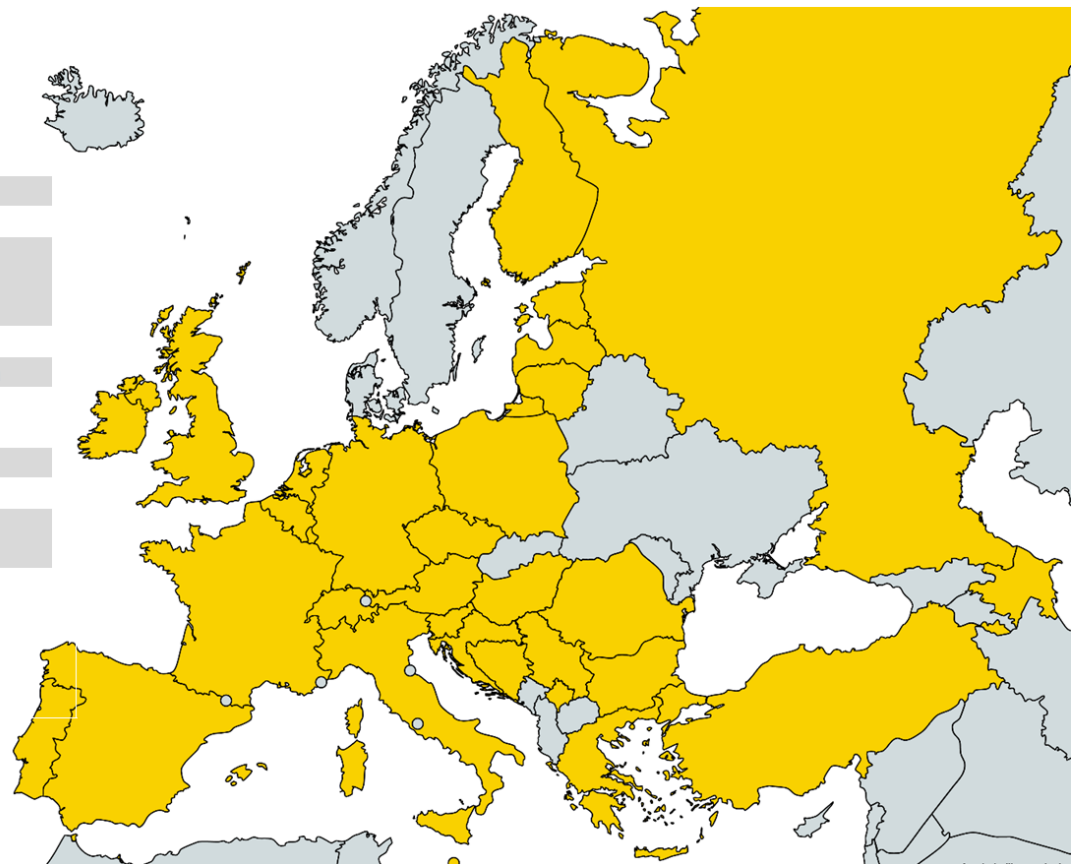
### 3. Opportunities and ways forward

**CGI's NEED TO HAVE A PERMANENT LOOK INTO THE FUTURE, TO THINK AHEAD AND TRY TO UNDERSTAND MARKETS CHANGES, CLIENTS NEEDS, TECHNOLOGY EVOLUTION, IN ORDER TO BE PREPARED TO KEEP SERVING THEM**



**YES, CREDIT GUARANTEES HAVE A FUTURE!**

# About AECM – our members



AT	aws NÖBEG
AZ	MCGF
BE	Fonds Bruxellois PMV/z Waar- borgen SOWALFIN
BA	GF Srpska
BG	NGF MGFSME
HR	HAMAG BICRO
CZ	CMZRB
EE	KredEx
FI	Finnvera
FR	Bpifrance EDC SIAGI SOCAMA

DE	VDB
GR	HDB TMEDE
HU	AVHGA Garantiqa MVA
IE	SBCI
IT	Assoconfidi ISMEA
KX	KCGF
LV	ALTUM
LT	Garfondas INVEGA
LU	MC MPME
MT	MDB
NL	RVO

PL	BGK
PT	BPF
RO	FGCR FNGCIMM FRC
RU	FSECA
RS	GF Vojvodina
SI	SEF SRDF
ES	CESGAR
CH	NSGI
TR	KGF TESKOMB
UK	BBB

Partners: REGAR, SME Finance Forum, EMGN

# About AECM - Statistics



Outstanding  
guarantee volume



of new  
guarantees  
granted in 2020



Average size of  
guarantee  
(normally around  
KEUR 35)



SMEs benefit  
from a guarantee

All data as of 31st December 2020



# Thank You!

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