

# Media Update

7 May 2015

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## UNIDO

PRESS RELEASE

### **UNIDO's Credit Guarantee Fund with Support of SMEDA to Promote SMEs by Restoring Banks Confidence**

Islamabad-Pakistan-7th May 2015: UNIDO successfully organized consultative workshop on “Credit Guarantee Scheme for SMEs in Pakistan” in collaboration with SMEDA, Islamabad Chamber of Commerce & industry and Italian Development Corporation on 7<sup>th</sup> May 2015 in Islamabad.

Muhammad Ashfaq Ghuman (Joint Secretary, Ministry of Industries & production), Muhammad Alamgir Chaudhary (CEO SMEDA), Muzammil Hussain Sabri (President Chamber of Commerce & Industry Islamabad), State bank of Pakistan officials, representatives of international development agencies, bankers and SMEs attended the workshop. The workshop is follow-up of study of “Feasibility Study for Setting up A Pilot Guarantee Fund for SME Sector in Pakistan” which was conducted through private sector consultant under the UNIDO project “Investment Promotion Unit”. The objectives of the workshop were to share the findings of the study and to get the feedback from commercial banks, public sector as well private sector organizations before taking this study to development donors and Government of Pakistan.

Mr. Mukesh, National Project Coordinator, UNIDO welcomed the participants and briefed on different initiatives of UNIDO in Pakistan and particularly explained current activities of “Investment Promotion Unit”. He also briefed the background of this study. During the year 2008, this lending was Rs.388 billion rupees, which reduced to Rs.233 billion in the year 2013. The main reason for decline in SMEs lending is increase in non-performing loans and this makes the banks hesitant in disbursing credit to SMEs. Other countries

have established many credit guarantee funds to give comfort to banks to cover the defaults by SMEs.

Mr. Alamgir pointed out that access to finance is one of the major issues of SMEs in Pakistan. He also told that more than 30 percent of SMEs consult SMEDA for their financing issues. Formal lending for SMEs in Pakistan is much less than the actual requirement only 6% of total formal lending by financial institutions whereas the share of SMEs in lending in our neighboring/regional countries is around 30%. He emphasized that credit guarantee would be very helpful for easy access to finance for those SMEs which have difficulty in getting loans because of strict requirement of collateral and others.

Mr. Imran Ahmad, Additional Director SBP shared the experience of having one Credit Guarantee Scheme, which is being managed by SBP. He emphasized that there is a need for many such schemes in Pakistan. After the discussion, there was consensus among the participants about the need of Credit Guarantee Schemes in Pakistan. SMEs were of the view that such scheme would motivate the banks to extend loans to SMEs, which would benefit the overall economy of Pakistan.

President ICCI, Mr.Hussain Sabri appreciated the role of UNIDO for this comprehensive study and requested UNIDO and SMEDA to take this initiative one step ahead by involving international donors to launch this fund. CEO SMEDA assured them SMEDA would make all efforts with the support of UNIDO to take this initiative to appropriate forums to get it launched.

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