



U.S. DEPARTMENT OF THE TREASURY  
INTERNATIONAL AFFAIRS  
OFFICE OF TECHNICAL ASSISTANCE (UST/OTA)

## **UST/OTA TECHNICAL ASSISTANCE FOCUS**

- Review and Assessment of the legal and regulatory framework to identify constraints to small business lending
- Assistance to local banks in identifying and advancing best practice financial intermediation practices to improve the overall climate of small business lending
- Assistance to supervisors and regulators in their supervision of credit and service providers



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## **Review and Assessment of the legal and regulatory framework to identify constraints to small business lending (SBL)**

- **How Governments can support an inclusive financial sector**
  - Create legal and regulatory environment to encourage market entry and competition
  - Maintain macro-economic stability through appropriate monetary and fiscal policies
  - Involve the private sector in formulating SBL strategies
  - Interest rate liberalization
  - Adjust legal regulatory frameworks to permit appropriate types of Financial Institutions to engage in SBL



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- **Government intervention that constrains the deepening of small business lending – Crowding out effect**
  - Interest ceilings
  - Directed Lending
  - Direct provision of credit at the retail level
  - Subsidized lending programs
  - Political interference
  
- **Enforcement of prudential standards and norms – When to apply them**
  - Timing and the state of the banking industry
  - Regulate institutions or institutional activities
  - Set appropriate prudential standards
  - Focus on regulating SBL as a set of activities



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**Assistance to local banks in identifying and advancing best practice financial intermediation practices to improve the overall climate of small business lending**

- Credit Administration and Management
  - Credit and collateral underwriting
  - Loan and interest pricing
  - Loan servicing and classification
  - Financial and market analysis
  - Forbearance and loan recovery
- Transparent disclosure of loan terms and conditions
- Legal and regulatory requirements for loan closing
- Credit bureau information on borrowers and loan status



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## **Assistance to supervisors and regulators in their supervision of credit and service providers**

- The challenges of supervision
  - Supervisory tools and their limitations – capital call, cease and desist orders
  - Cost of supervision
  - Prudential norms and standards for SBL providers e.g. minimum capital, unsecured lending limits, single and related borrower limits, loan documentation, collateral, reserves against deposits, etc.
  - Regulations as a promotion – to improve existing Financial Institutions (FIs) and attract new FIs into the SBL market
  - Where to locate SBL supervision



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- Alternative approaches to supervision
  - Self-supervision
  - Delegated supervision
  - Supervision by deposit insurance agencies