



The Credit Fund in the region of Lombardy, Italy

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Promoting partnership and co-operation
between enterprises in agriculture
supply chain in Lombardy Region



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Thematic focus

Improve the competitiveness of primary producers, including better integration in the agri-food chain through quality schemes, **creating added value for agricultural products, promoting products in local markets with short supply chains**, associations and producer organizations and inter-branch organizations

Type of financial products

Investment loans combined with grants

Financial size

EUR 54 million RDP resources (EUR 23.3 million from EAFRD and 30.7 million from regional resources), of which:

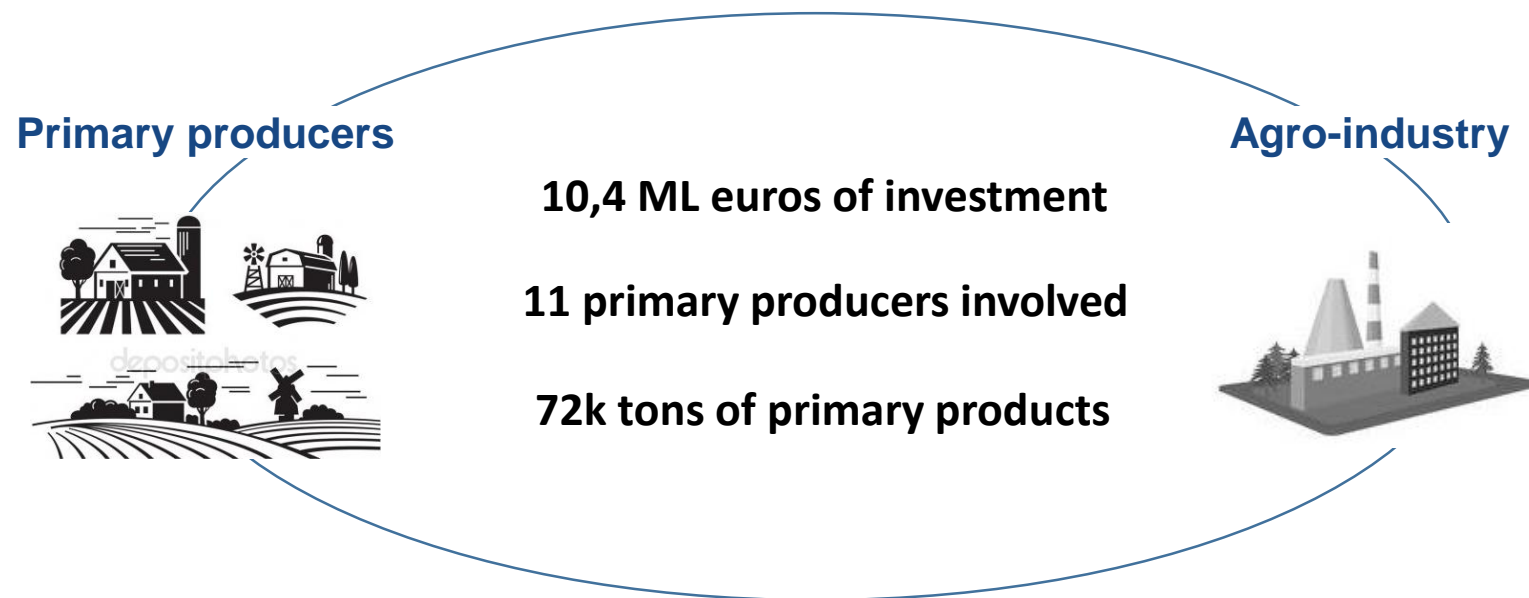
- EUR 33.2 million under the financial instrument and
- EUR 20.8 million as grant support

An additional EUR 49.8 million of private investments from co-investors is expected. This would be 60% of each project loan or 48% of the total eligible investment cost.



Integration within the agri-food chain through product quality schemes

Integrated supply chain projects allow Lombardy Region to evaluate the ability of the financed projects to achieve the objectives of public policy. Through product quality schemes Beneficiaries demonstrate the formalization of a specific number of supply contracts with primary producers and underlying volumes. Below some key figures of a financed project:





Ex-ante assessment

- The ex-ante assessment estimated the investment gap in the sector between 1.3 and 1.8 billion of euro due to the negative macroeconomic scenario and credit crunch;
- The high level of uncertainty and low liquidity amplified the fall in investments while impacting individual components of the supply chain to different stages;
- Given the objective to address this lack of credit, the ex-ante assessment identified food processing enterprises as the most suitable target to maximize the effectiveness of public support.

Food processing enterprises appeared to provide a higher level of long-term sustainability due to their financial soundness in repaying debt, which would maximize the revolving use of public funds while also generating positive effects for farms.

Structure of financial product

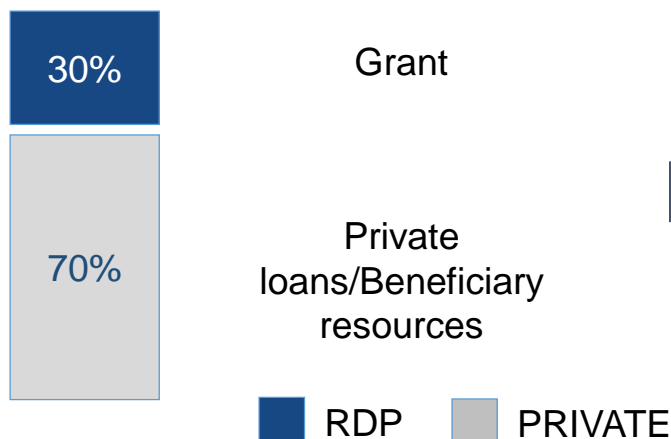


The Financial Instrument combines a grant with a soft loan

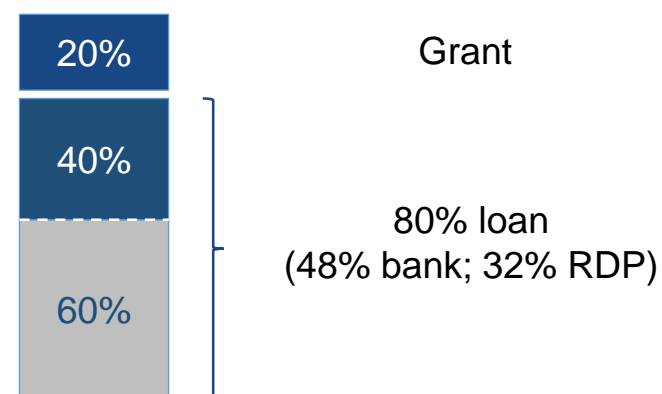
The financial instrument pays the 100% of the eligible investment's costs with:

- a grant that covers up to **20%** of eligible investments;
- medium to long term soft loan (until 10 years more 3 years of grace period) Finlombarda-Financial Intermediary that covers up to 80% of the eligible investment on:
 - ✓ **40%** from **RDP's resources** (interest rate **0,5%**)
 - ✓ **60%** from resources of accredited financial intermediaries selected by enterprises (market interest rate).
- In line with the State aid regulatory framework the aid intensity is expressed in gross grant equivalent (**max. 30%**);
- Eligible investments: **min. 500.000 € - max. 10 M€**

«Misura 123»



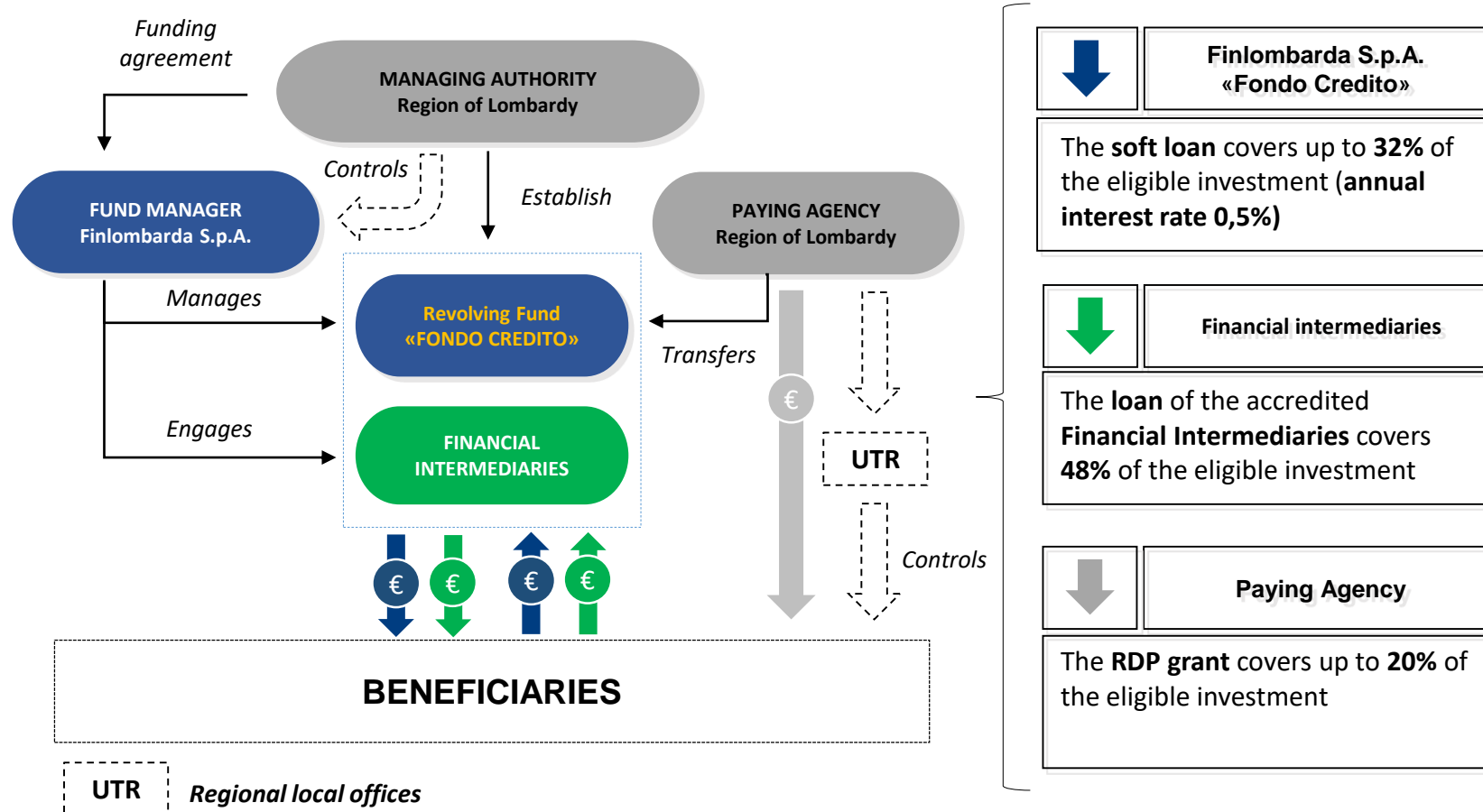
«Operazione 4.2.01»



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Governance of the financial instrument



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Partners

Role

Lombardy Region

(Managing authority)

- Receives the applications
- Verifies the formal eligibility of the applications
- Defines the ranking list of eligible projects
- Monitors and assess the initiatives
- Informs and supports targeted enterprises

Finlombarda

(Fund manager)

- Verifies the credit scoring for each enterprise and defines the gross grant equivalent
- Engages Financial intermediaries
- Collects Financial intermediaries' loan agreements and signs the soft loan agreement with beneficiaries

Paying agency

- Pays the grants
- Manages the reporting and verifies results
- Manages the control system

Credit and financial institutions

- Signs the loan agreements with beneficiaries
- To date have been engaged 11 Financial Intermediaries through a public call (for details: www.finlombarda.it)



Partners

Credit and financial institutions

1. BANCA POPOLARE DI SONDRIO
2. UBI BANCA
3. BCC AGROBRESCIANO
4. BANCO BPM
5. BPM S.p.A.
6. MPS
7. CREDIT AGRICOLE CARIPARMA
8. CREDITO VALTELLINESE
9. BCC BANCA CENTROPADANA
10. MEDIOCREDITO ITALIANO (Intesa Sanpaolo)
11. UNICREDIT

- *Beneficiaries are selected through a **double credit rating analysis** (Finlombarda-Accredited Financial intermediary)*
- *The Financial instrument schemes **increase the rivalry between credit and financial institutions allowing enterprises to access to credit at better conditions***

Selection of eligible investments



Phase		Description
Formal admission	Lombardy Region	✓ Lombardy Region verifies formal access conditions of applications
Technical admission	Technical committee	✓ A Technical committee verifies technical access conditions of applications
Technical and Administrative compliance	Lombardy Region	✓ The “RUP” (Sole Responsible of Procedures) of “Operazione 4.2” verifies the technical and administrative compliance of each project and application
Credit scoring	Finlombarda	✓ Finlombarda verifies the enterprises’ credit scoring and calculates the gross grant equivalent
Merit Ranking	Lombardy Region	✓ The RUP of “Operazione 4.2” defines a merit ranking of eligible projects
Selected projects	Lombardy Region	✓ The RUP of “Operazione 4.2” formally communicates the selected projects
Loan agreement	Finlombarda and Financial intermediaries	✓ Within 120 days from the notification of selected projects each beneficiary has to take out the loan with one of the accredited Financial Intermediaries and with Finlombarda



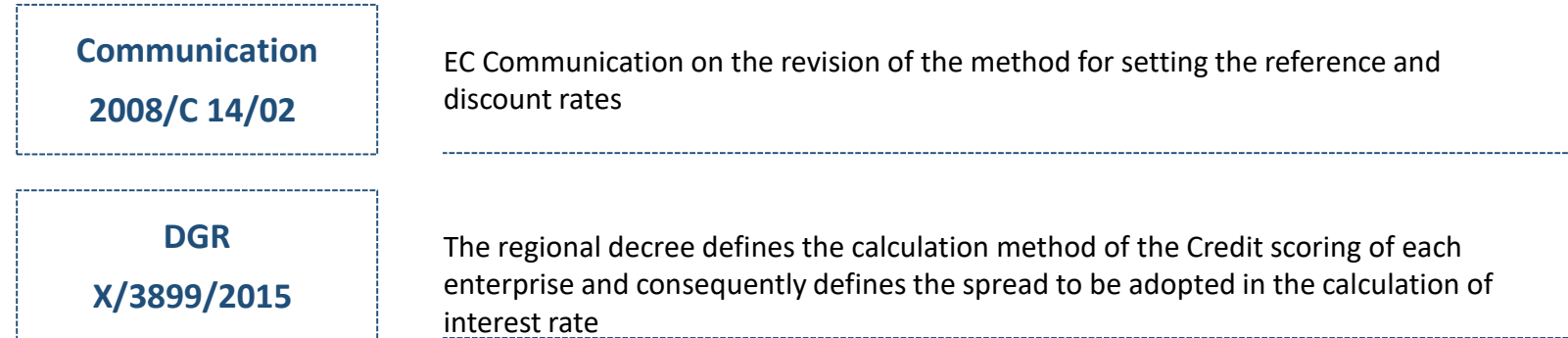
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Technical features



Finlombarda fixes the gross grant equivalent based on the EU communication 2008/C 14/02 and the Regional decree n. X/3899/2015



The gross grant equivalent, expressed as a percentage of the eligible investments' costs, is calculated as the sum of: i) the grant and ii) the actualized amount of the differences, during the amortizing period, between market interest and the soft loan interest.



Data on calculated gross grant equivalent for the first six beneficiaries shows that the average is 23,6% of the eligible costs.

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Management and control of financial instruments



In April 2018 the EU carried out the first audit on financial instruments

- In line with EU Reg. 1303/2013 the Audit has been addressed to the bodies involved in the implementation of financial instruments, including Finlombarda;
- As a matter of fact, audit at the level of final beneficiaries will be conducted only if one or more of the following situations will occur:
 - ✓ supporting documents, providing evidence of the support from the financial instrument to final recipients and of its use for the intended purposes in line with applicable law, are not available at the level of the managing authority or at the level of the bodies that implement financial instruments;
 - ✓ there is evidence that the documents available at the level of the managing authority or at the level of the bodies that implement financial instruments do not represent a true and accurate record of the support provided.

During the Audit Finlombarda described in detail the activities carried out as Fund Manager of the Credit Fund and in particular the methodology adopted to calculate gross grant equivalent and the application of financial selection criteria

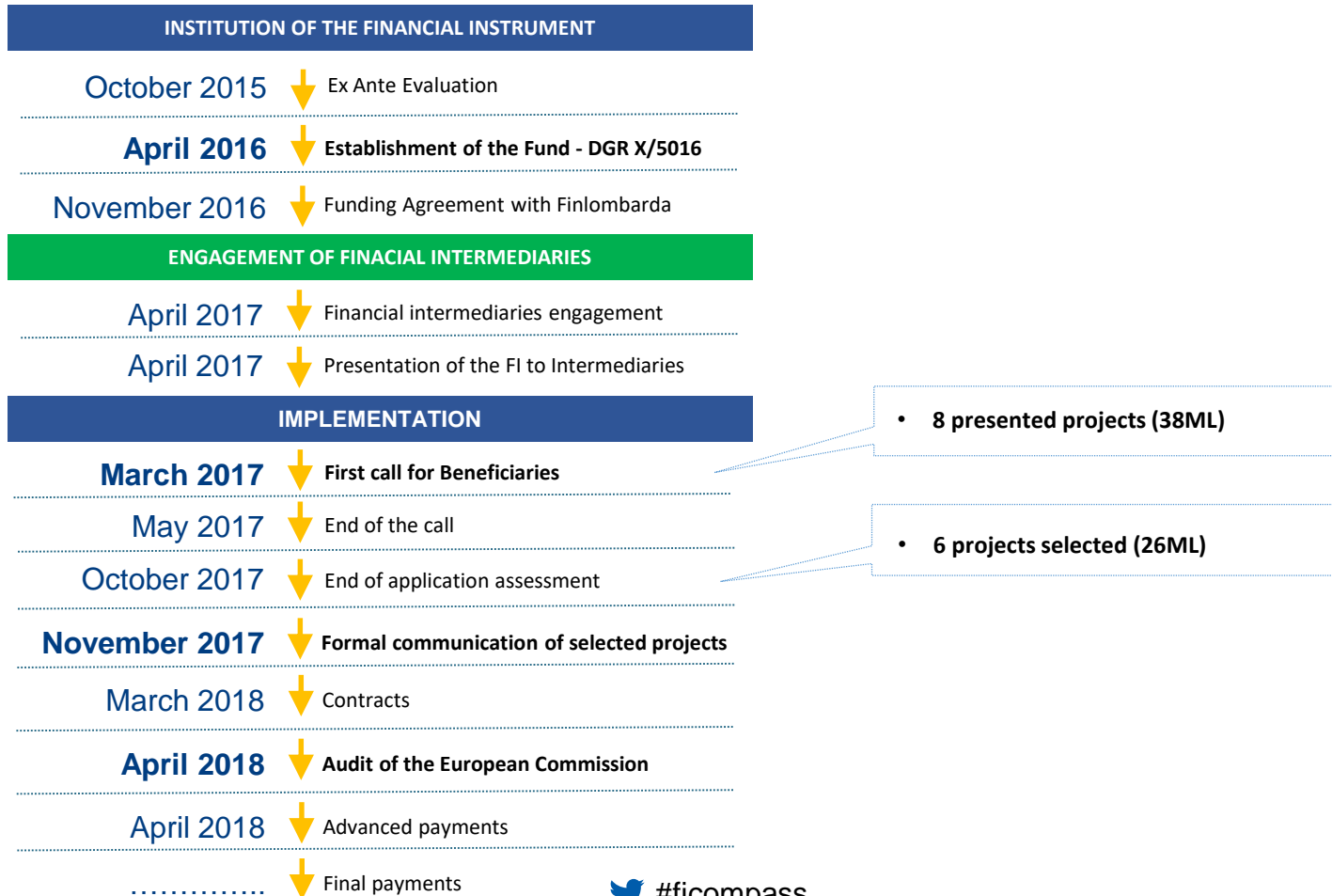


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Beneficiaries are receiving advance payment



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