



# The added value of guarantees for the agricultural sector

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## AGENDA

**AECM - facts, figures & role**

**Guarantee institutions in general**

**Guarantee institutions for agriculture: example of ISMEA / Italy**



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# **AECM - FACTS, FIGURES & ROLE**



## AECM - facts, figures & role:

Founded in 1992 by 5 members from

- Belgium, France, Germany, Italy & Spain

In 2015

- 41 members in 25 countries

Total volume of outstanding guarantees (end of 2014)

- approximately 79.2 billion EUR

Number of outstanding guarantees (end of 2014)

- about 2.9 million active guarantees



## AECM - facts, figures & role:



### Legal background:

- Registered office: in Brussels
- Statute: International non-profit association (AISBL) - Open, democratic, independent Association
- Structure:
  - Members : full + associates
  - General Assembly
  - Board of Directors
  - Technical Working Groups
  - Secretariat General



## AECM - facts, figures & role



AECM's members  
working in the  
agricultural sector:



ISMEA / Italy



AVHGA / Hungary



Garfondas / Lithuania



Agrogarante / Portugal



FGCR / Romania



German guarantee  
banks / Germany



National Guarantee  
Fund / Bulgaria



HAMAG-BICRO /  
Croatia



Altum / Latvia



## AECM - facts, figures & role



AECM's mission consists of:



### Representation of interests of member organizations

- towards EU institutions and multilateral bodies (banking legislation,
- EU support programs, SME policy, state aid regulation, etc.)



### Platform to exchange best practices / knowledge / experience among the members (working groups, seminars, training, etc.)



### Promotion of guarantee instruments towards EU institutions

**Cooperation** with multilateral bodies (e.g. OECD, World Bank / IFC) and other guarantee organizations (e.g. REGAR – Latin America, ACSIC - Asia, Mediterranean basin, Africa)





II

# **GUARANTEE INSTITUTIONS IN GENERAL**





## Guarantee institutions in general: who is involved?





## Guarantee institutions in general: characteristics

### ❑ Ownership:

- ❑ **fully mutual**, i.e. entrepreneurs (ex. TESKOMB / Turkey)
- ❑ **private**: funded by bodies who are representing businesses or have a strong interest in SMEs (ex. German guarantee banks)
- ❑ **mixte / private and public** (ex. MCAC / Luxembourg)
- ❑ **Public** (ex. Bpifrance / France)

### ❑ Public support:

- ❑ some **benefit** from a public counter-guarantee (ex. Spanish guarantee societies)
- ❑ some have **no public support** at all / fully private (ex. SIAGI / France)
- ❑ some are **fully public** (ex. INVEGA / Lithuania)
- ❑ some **receive contributions** to own funds (ex. MGSs / Portugal)



## Guarantee institutions in general: characteristics

### ❑ Legal form:

- ❑ **cooperative** or **mutual** societies (ex. Confidi / Italy)
- ❑ companies with **limited liability** (ex. German guarantee banks)
- ❑ **Associations** (ex. SOCAMA / France)
- ❑ **Funds** (ex. Romanian Guarantee Fund for Private Entrepreneurs / FRGC)
- ❑ **Development banks, agencies, others** (ex. RVO / Netherlands)

### ❑ Banking supervision:

- ❑ some are **supervised** (ex. 60 larger Confidis / Italy)
- ❑ some are **not** (ex. 202 smaller Confidis / Italy)

### ❑ Organisation:

- ❑ some operate fully independently (ex. German guarantee banks)
- ❑ others **benefit from partly centralised services** (ex. Portuguese guarantee societies)



## Guarantee institutions in general: characteristics

### ❑ Area of activity:

- ❑ some work in a **specific region** only (ex. Belgian „société de cautionnement mutuel“)
- ❑ some operate **nationally** (ex. SIAGI / France)

### ❑ Beneficiaries:

- ❑ in some cases = **SMEs in general** (ex. Romanian Guarantee Fund for Private Entrepreneurs / FRGC)
- ❑ in some cases = **certain group of companies** (ex. Luxembourg – respective chamber related only)
- ❑ in some cases = **certain sector(s)** (ex. OINARRI = Spanish guarantee society for the social economy)

### ❑ Partners:

- ❑ **all banks** (ex. Belgian „société de cautionnement mutuel“)
- ❑ **mono-banking** (ex. SOCAMA / France)

### ❑ Profit:

- ❑ some are **non-profit** (ex. TESKOMB / Turkey)
- ❑ some are **profit oriented** (ex. Romanian Guarantee Fund for Private Entrepreneurs / FRGC)



## Guarantee institutions in general: characteristics

### ❑ **Distribution:**

- ❑ via **all banks** (ex. KredEx / Estonia)
- ❑ **direct** guarantees (ex. HAMAG-BICRO / Croatia)
- ❑ **individual approval** (ex. Bürgschaftsbanken / Germany)
- ❑ **portfolio guarantees** (ex. Waarborgbeheer / Belgium)

### ❑ **Products:**

- ❑ **Loan default** guarantees
- ❑ Guarantees for VC, **mezzanine, leasing, projects,**  
export, student loans, housing, cultural and creative sector, etc.
- ❑ other SME support instruments like **coaching, mediation services,** etc.



III

## **GUARANTEE INSTITUTIONS FOR AGRICULTURE: EXAMPLE OF ISMEA / ITALY**



## ISMEA

- Established as a Public Economic Body in May 1987
- Supervised by Ministry of Agricultural, Food and Forestry Policies (MIPAAF)
- Included within the National Statistics System (SISTAN), and takes part in the National Agricultural Information System (SIAN)
- Releases studies and researches and performs information activities on agro-food markets
- Works as a **land agency**, within the scope of regional planning for land management
- Provides **insurance services**
- Offers **technical assistance** to central and regional administrations
- Carries on credit **rating activities** on agricultural holdings
- ***Creates credit and financial guarantee instruments (through its limited liabilities company SGFA) to the benefit of agricultural holdings***





## First call guarantee fund

Started-up  
in 2008

The guarantee

A preliminary  
assessment is  
needed

If the guarantee  
is granted then  
it cannot be  
cancelled or  
revoked

During the  
assessment the  
expected  
default rate is  
calculated and,  
on this basis,  
the guarantee  
fee is  
communicated  
to the borrower

Short,  
medium  
or long-  
term loans

Cap

Up to 70% of  
the loan  
amount

1 million  
euros (micro  
and small  
enterprises)

2 million  
euros  
(medium  
enterprises)





## First call guarantee fund

Non aid scheme. The farmer pays a one time fee that is tuned to:

- The risk taken by the fund
- The loan maturity

The fee covers:

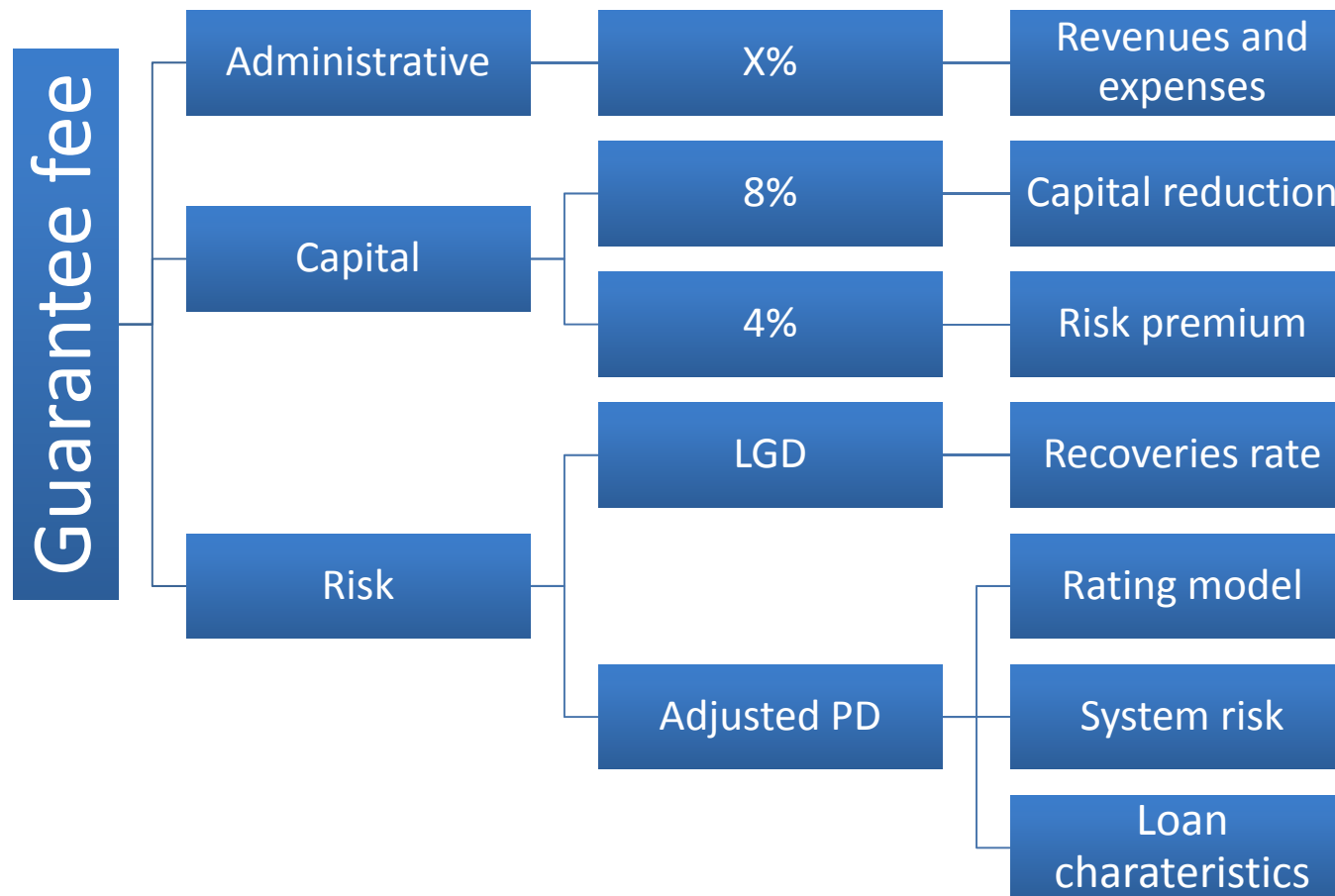
- Risk expenses (based on expected probability of default)
- Administrative costs (flat percentage set up yearly)
- Equity reduction remuneration (based on the European Commission communication)

State counter-guarantee:

- For ISMEA/SGFA the State counterguarantee is foreseen by a decree
- The State surrogates the Guarantor (ISMEA/SGFA) just in case of lack of financial resources
- It is meant as a 'last resort' guarantee
- No payment from the State is foreseen in case of guarantee cancellation or revocation

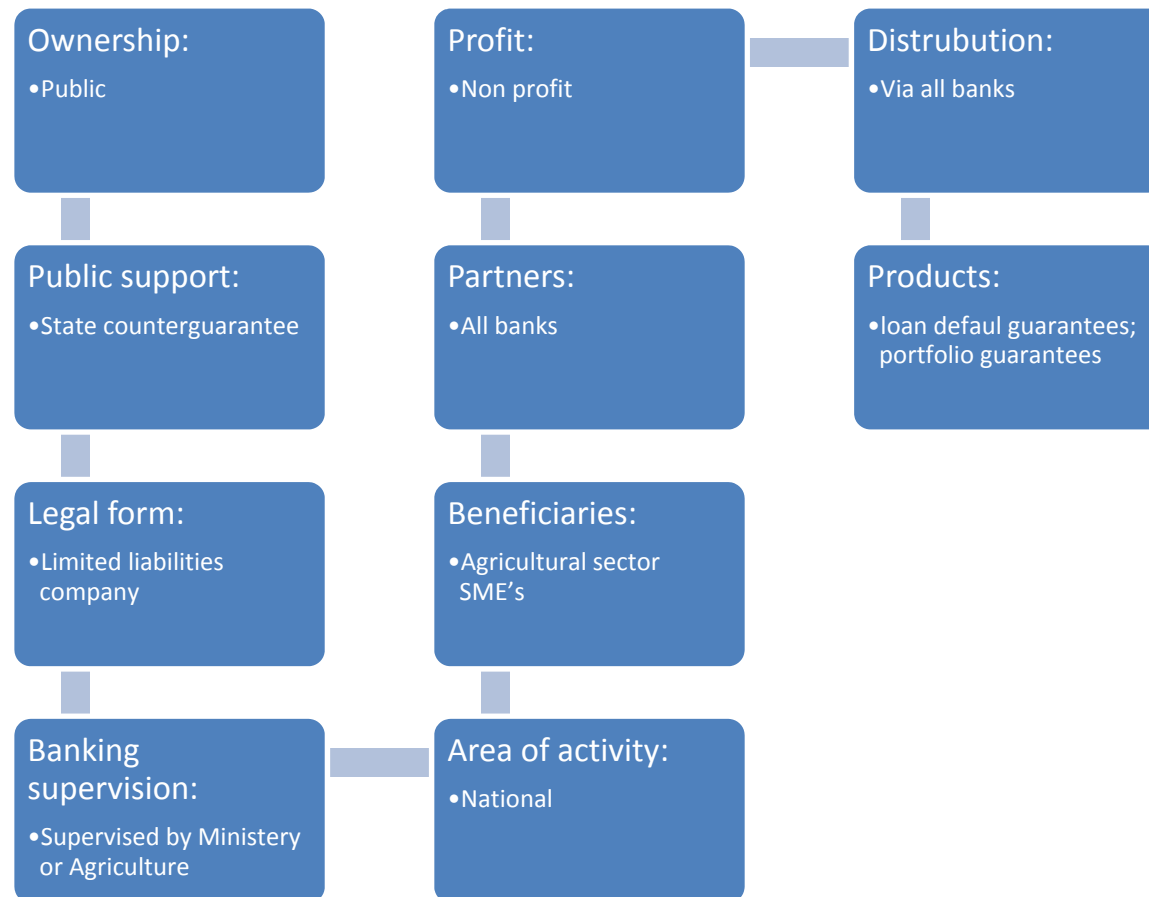


## Price calculation method



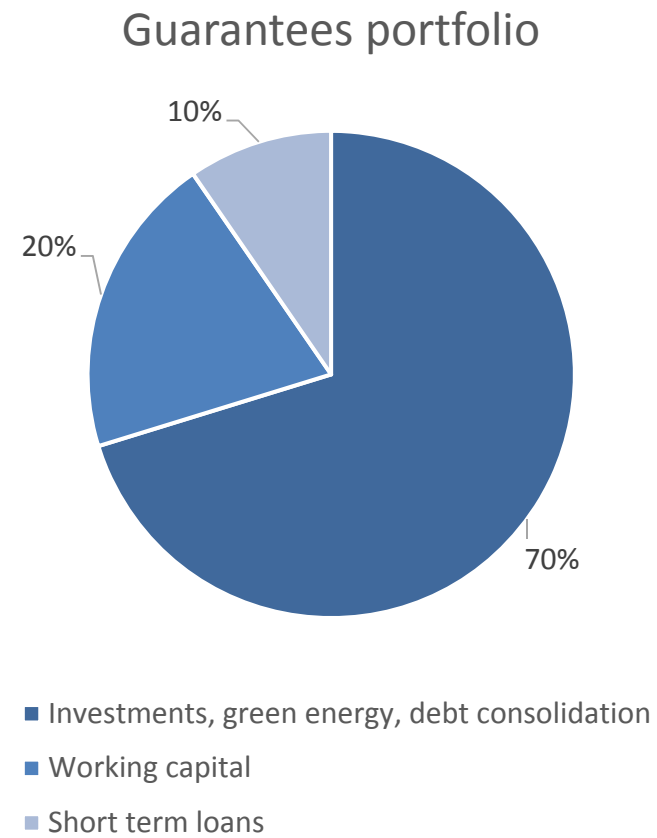
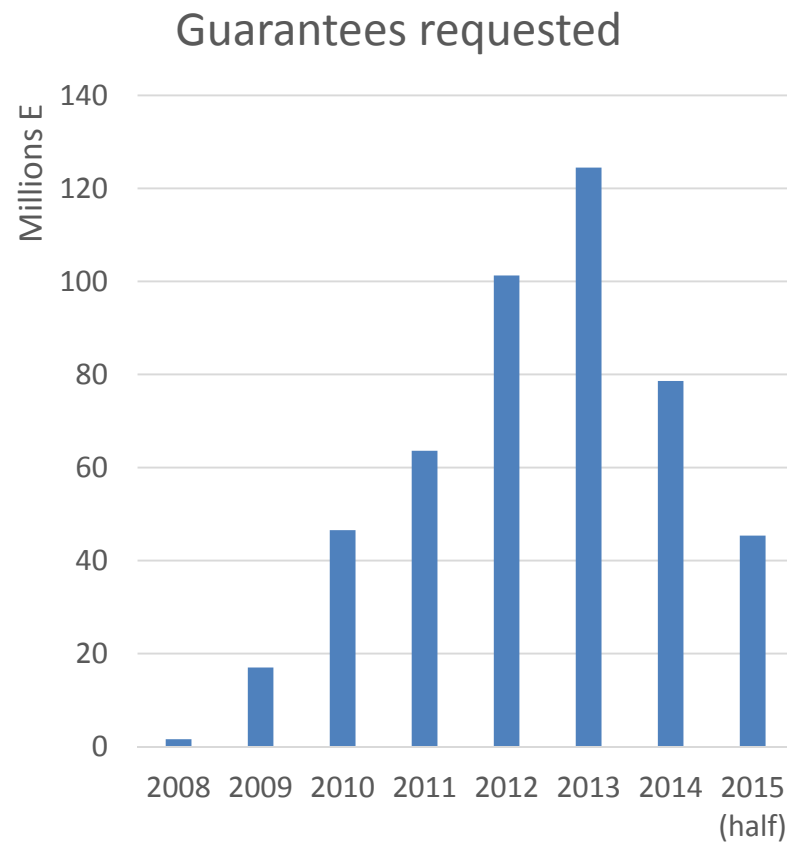


## ISMEA Guarantee fund ID



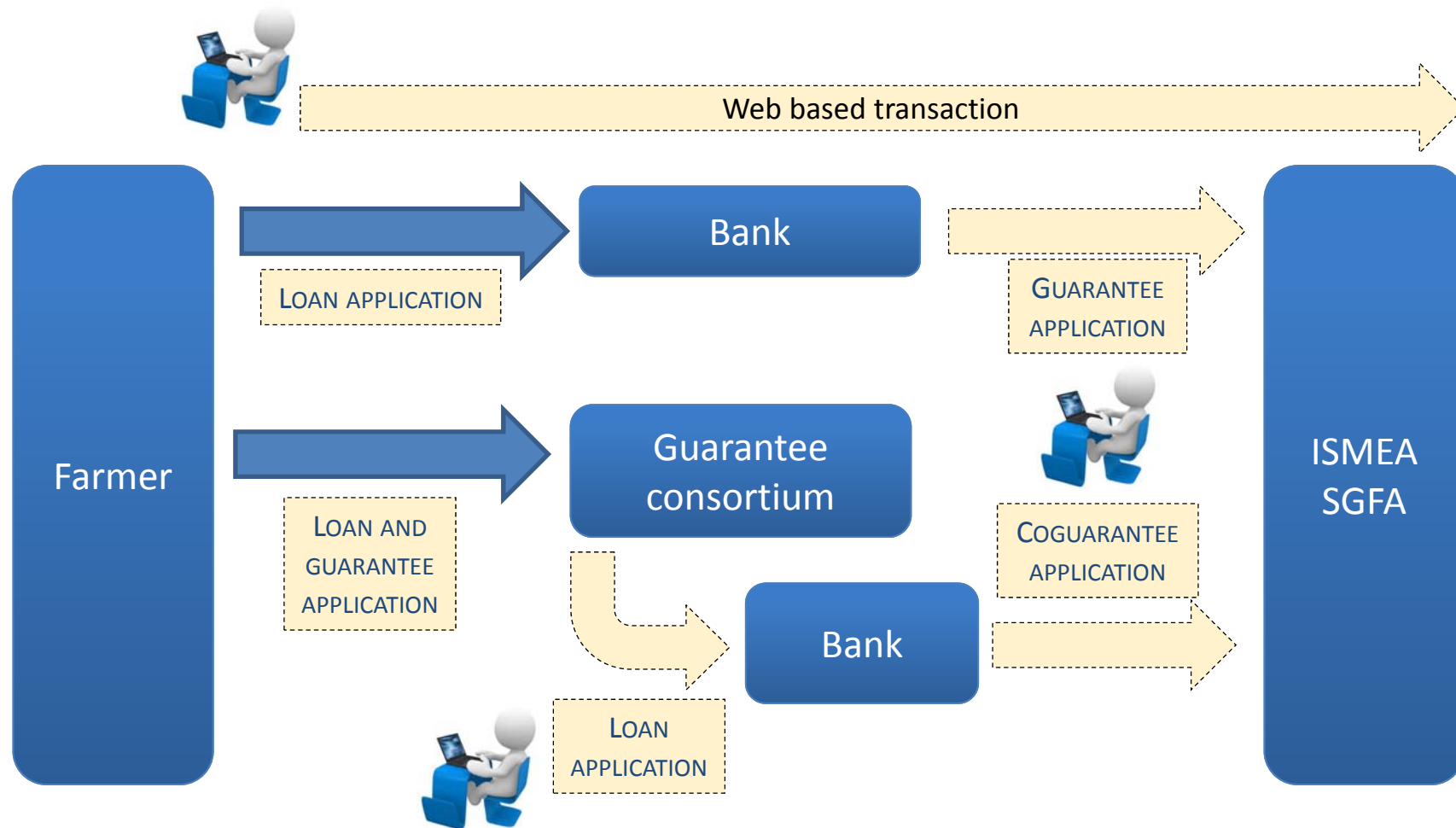


## Some figures



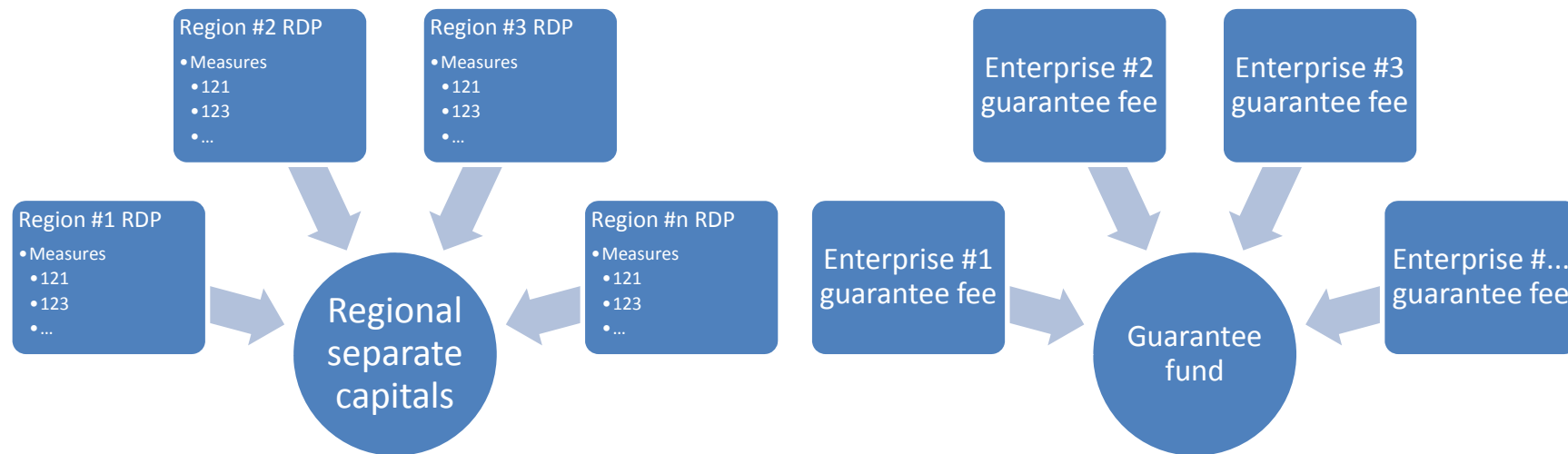


## Business model



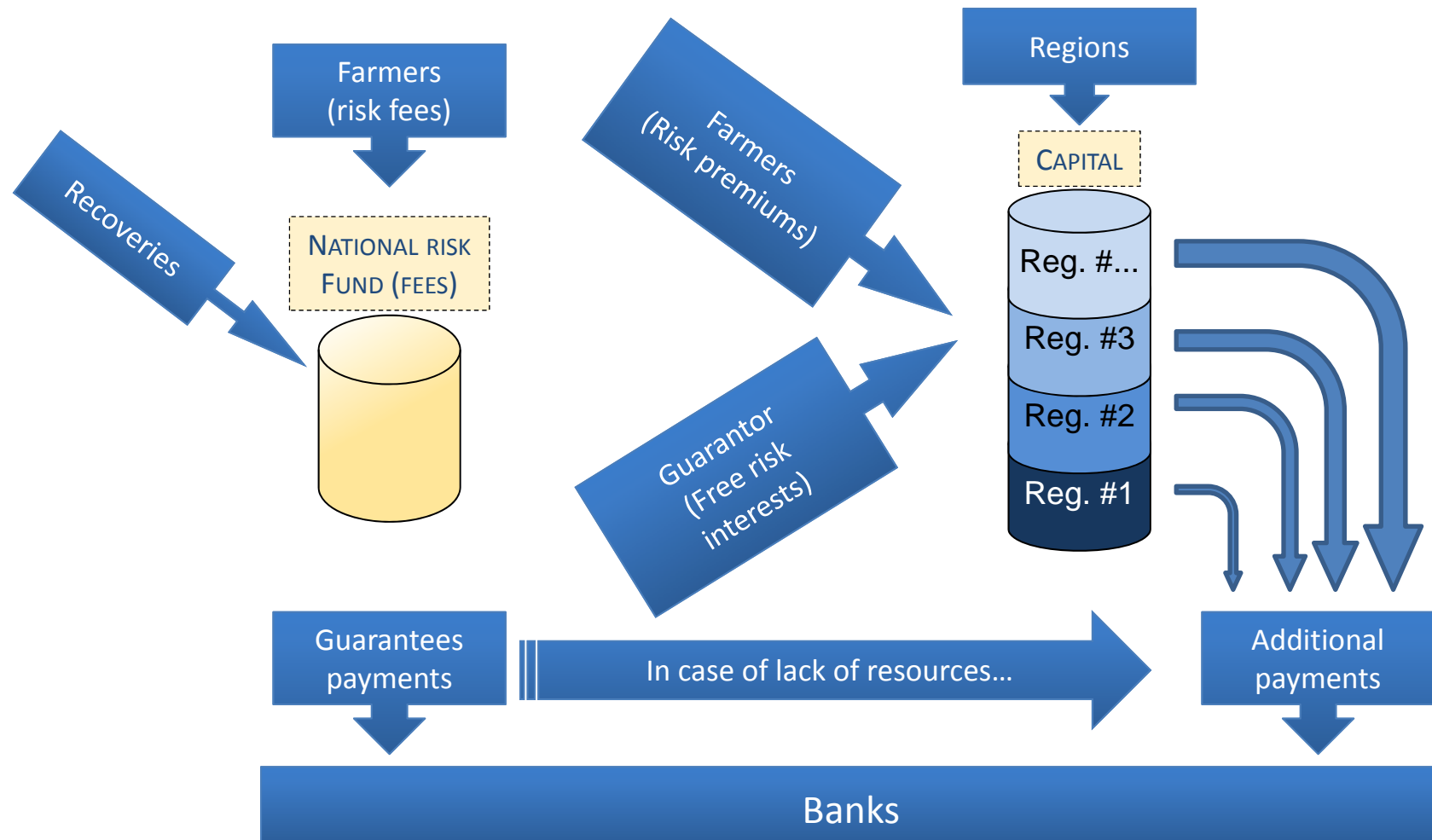


## National fund and Regional RDP 2007 - 2014





## National fund and Regional RDP 2007 - 2014





## Lessons learned

- Ex ante assessment. Assess the market failure, define the issues and set the solution. One issue, one financial instrument
- Financial leverage. The financial resources recovered (not only) at the end of the programming period can be used more than one time
- Increase of the project success probability. Less credit crunch risk. Partnership with the financial intermediaries.





**Thank you**

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