



# EFSI Combination Product for Managing Authorities of EARDF

Guarantee Features and Implementation Issues



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# Background EIF and EAFRD



## Italy Agri Platform 8 Regions

Uncapped Guarantee – EUR 71m

## Languedoc Roussillon

FLPG – EUR 15m

## Romania

PRSL – EUR 92m

## Midi-Pyrénées

FLPG – EUR 13m

## Nouvelle-Aquitaine

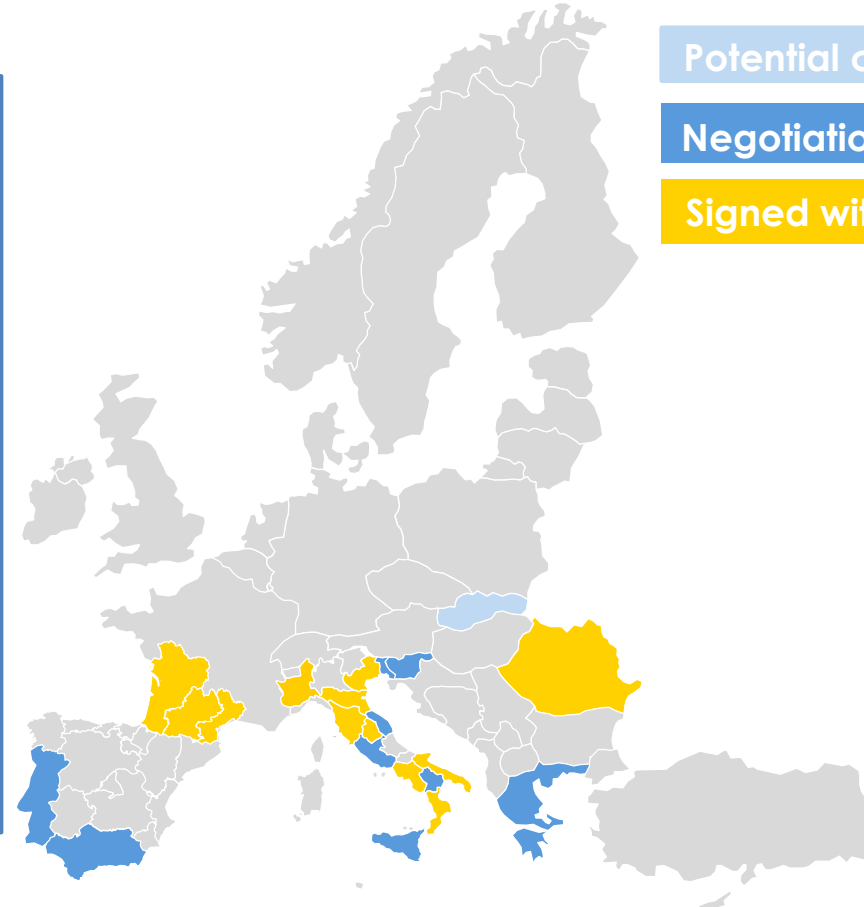
FLPG – EUR 30m

EUR 221m  
of RDP resources  
for  
more than  
**EUR 1 billion**  
available to  
Farmers/Agri SMEs

Potential candidates

Negotiation with MA

Signed with MA



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# The EIF approach to Regional Mandates



- Offer of standard financial products tested in the 2007-2013 Programming Period + Delegated and Streamlined Implementation
- Market Testing to complement the results of the ex-ante and to acquire specific information on the appetite of Financial Institutions for the specific Financial Instruments envisaged
- Open Call for Expression of Interest to select Financial Institutions
- Due Diligence and Operational Agreements



# The EAFRD/EFSI Initiative



Combination of Technical Assistance by the EIB Advisory Services – *fi-compass* (Feasibility Studies), EFSI Funding by the EIF, EIF possibly managing the Financial Instrument:

1. Provision of Technical Assistance Services to Managing Authorities to raise awareness and enhance knowledge about financial instruments. Potential delivery of a Feasibility Study on the possibilities offered by the EAFRD-EFSI combination.
2. EIF and Managing Authorities explore the potential for implementation of a FI. Possible extension to other Managing Authorities of the EFSI still available
3. Discussion with different Managing Authorities throughout Europe and testing of the three EIF standard products (all deployed in the EAFRD Pilot Projects): First Loss Portfolio Guarantee, Uncapped Guarantee, Portfolio Risk Sharing Loan
4. Selection of one specific product (First Loss Capped Portfolio Guarantee) to be supported by EFSI: the EFSI Combination Product included in the SME window of EFS



# The EFSI Combination Product – Main Features



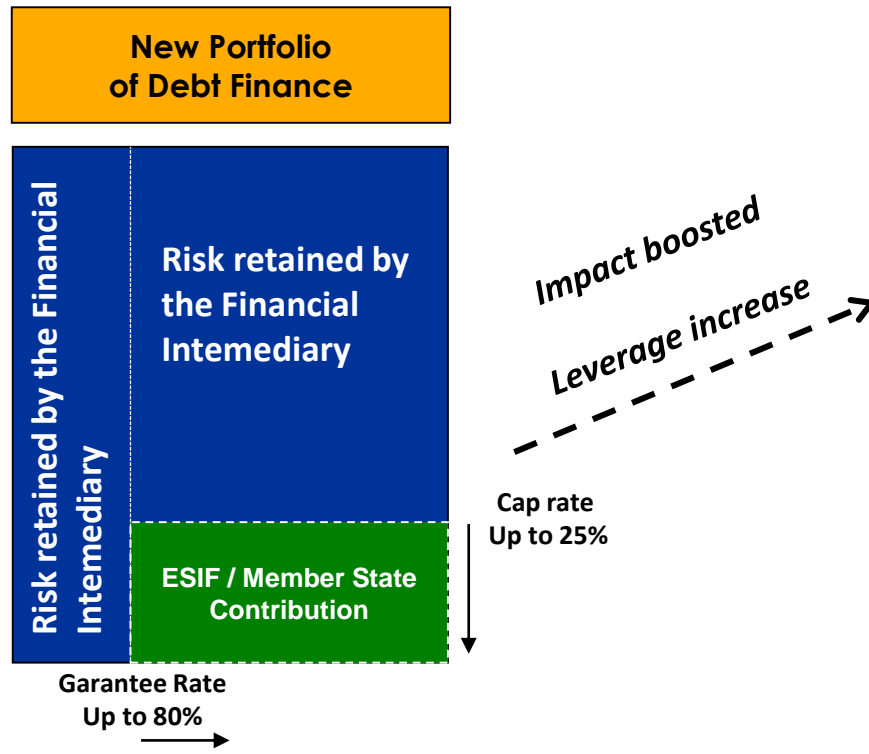
- Guarantee Rate  $\leq 80\%$
- Cap Rate at portfolio level  $\leq 25\%$
- Guarantee can be offered free of charge to Financial Institutions
- Substantial loss coverage: Expected and (possibly) Unexpected Losses at Portfolio Level covered by the guarantee
- EFSI topping the RDP contribution ( $\geq 20\%$  up to 100%)



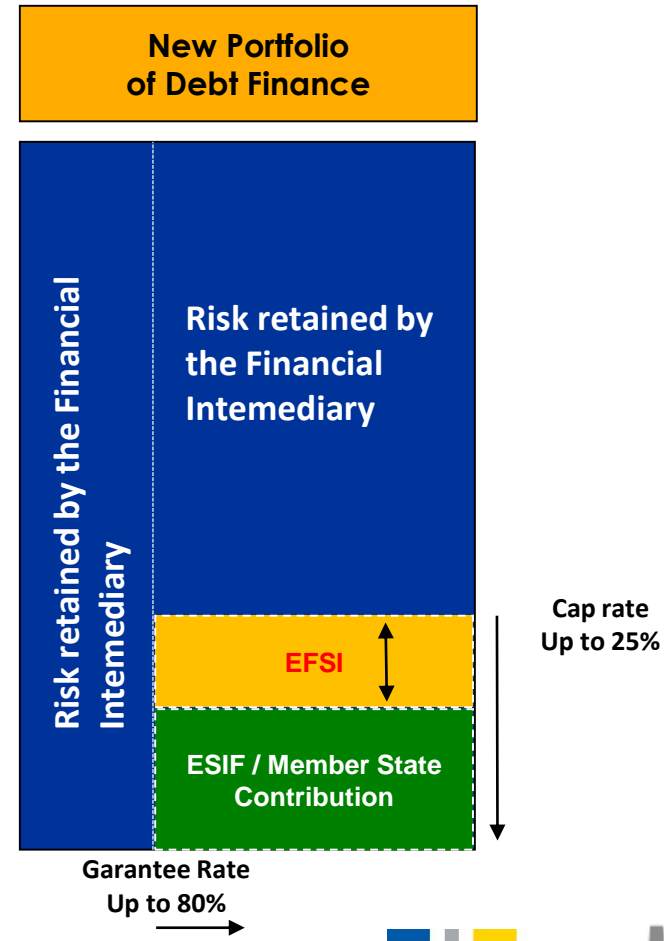
# The EFSI Combination Product - Structure



*Without EFSI:*



*With EFSI*



# The EFSI Combination Product – Eligibility



- Eligibility conditions set in the RDP
- Final Recipients = SMEs for at least 75% of the Portfolio
- Maximum loan amounts: EUR 5m (Agriculture); EUR 10m (Transformation); EUR 2,5m (Others, e.g. Transformation non Annex I)
- EFSI can cover up to 50% of the expected losses, on a *pari passu* basis with EAFRD, IF the guarantee covers ONLY the expected losses
- EFSI can cover unexpected losses when the RDP contribution covers ALL the expected losses



# The EFSI Combination Product – FIs Selection 1/3



Key features of the Portfolio Capped Guarantee Financial Instruments are set as a result of the selection process of Financial Institutions that will benefit of the Guarantee, based on the due diligence carried out by the EIF:

- Expected losses and cap rate (up to 25%). The unexpected loss covered (if any) will be = cap rate – expected loss
- Transfer of Benefit (i.e. specific policies in terms of interest rate reduction, reduction in collateral, possible higher risk profile, other criteria for “additionality”)





# The EFSI Combination Product – FIs Selection 2/3



Selection on a “First come first assessed” basis, on the following key criteria:

- Business overview, funding and financials of the FI
- Historical data – risk profile and origination track record in the relevant sectors / with the relevant final recipients
- Origination /monitoring / recovery procedures and management (specific focus on previous experience in managing publicly supported schemes)
- Transfer of Benefit (qualitative and quantitative assessment at portfolio level and – to the extent possible – taking into account the individual financial institutions’ policy)



# The EFSI Combination Product – FIs Selection 3/3



## TWO-STEPS process

1) Pre-selection based on the evaluation desk of the application and a scoring based on two dimensions:

- Qualitative assessment of the proposal (1,2,3)
- Risk profile assessment (A, B, C)

with the FI's getting A1, A2, B1 being pre-selected, and the FI's getting lower score being put in reserve-list or rejected.

2) Due diligence process to further assess the proposal and processes of the FI and verify the content of the application



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