



# Guarantees for Agriculture and Rural SMEs under the EAFRD

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# FI in NRDP 2007-2013

## *programming and implementation (1)*

**RO introduced two guarantee schemes funded under NRDP designed to facilitate access to credit for RDP applicants, in order to co-finance their investment projects**

- implemented on the basis of Art. 50-52 of Regulation (CE) no. 1974/2006 and Commission Notice 2008/C 155/02;
- compliant with state aid rules;
- operational since April 2010.



# FI in NRDP 2007-2013

## *programming and implementation (2)*

### NRDP Guarantee schemes:

- **Agriculture** – supporting loans co-financing projects under the following measures:
  - 121 “Modernization of agricultural holdings”
  - 123 “Adding value to agricultural and forestry products”
- **Small and Medium Enterprises (SMEs)** - supporting loans co-financing projects under the following measures:
  - 312 “Support for the creation and development of microenterprises”
  - 313 “Encouragement of tourism activities”
  - 123 (covered by the state aid scheme)



# FI in NRDP 2007-2013

## *operating principles (1)*

- **Fund manager:** selected through an open public procurement procedure
- **Financial intermediaries:** any commercial bank involved in financing NRDP beneficiaries that signed a guarantee agreement with the fund manager – **31 banks and non-financial institutions**
- **Final recipients:** beneficiaries of M121, 123, 312, 313 that contracted loans for co-financing their investment projects



# FI in NRDP 2007-2013

## *operating principles (2)*

### Features related to FI:

- guarantees provided by the fund manager on a loan by loan basis on request by financial intermediaries;
- guarantee combined with grant;
- the guarantee is irrevocable and unconditional;
- guarantee cover - 80% of the loan;
- beneficiary pays a risk based guarantee fee.



# FI in NRDP 2007-2013 *results - 06.11.2015*

Measure	Allocation (MEUR)	Number of guarantees granted	Value of guarantees (MEUR)
121	62.51	604	173.85
123	34.61	259	141.36
<i>guarantees for agriculture</i>	<i>97.12</i>	<i>863</i>	<i>315.21</i>
123	10.55	61	20.11
312	6.47	324	23.76
313	1.17	59	5.10
<i>guarantees for SMEs</i>	<i>18.19</i>	<i>444</i>	<i>48.97</i>
<b>Total</b>	<b>115.31</b>	<b>1,307</b>	<b>364.18</b>



# FI in NRDP 2014-2020 *ex-ante assessment (1)*

## Ex-ante assessment completed

### Main findings:

- perpetuation of some of the issues identified in the past:
  - banks' reluctance to risk (due to seasonality, low level of predictability, insufficient level of guarantees, lack of specialized lending personnel);
  - low profitability, average area of agricultural holding in Romania under the level of economic viability;
  - lack of credit history;
- lack of private co-financing:
  - main cause for cancellation of projects in the previous programming period.



# FI in NRDP 2014-2020

## *ex-ante assessment (2)*

### Conclusions and recommendations:

- proposed FI for the current programming period:
  - guarantee instrument – tailor made guarantee scheme
  - risk sharing loan instrument
- implementation strategy:
  - implementing in a first stage the guarantee instrument
  - combination with grants
  - entrusting implementation tasks to a fund manager
  - compliance with state aid rules
- expected results:
  - maximizing the rate of finalized investments under RDP





# FI in NRDP 2014-2020

## *state of play*

- Implementation of the guarantee instrument
  - allocation: 61.7 M EUR
  - co-financing projects carried out under NRDP investment measures (4.1, 4.2, 6.4 and Leader)
  - work in progress - preparation of the selection procedure for the fund manager
- Challenges and opportunities ahead
  - using the new set of provisions in order to improve performance of FIs - new and detailed provisions related to FI included in specific delegated and implementing acts
  - enhancing the administrative capacity: specialized personnel; streamlining public procurement process



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**Thank you**

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