



Italy Multi-Regional AGRI Guarantee – Regione Veneto's experience

Mr Giuseppe Pan, Regional Minister for Agriculture and Fishery, Regione Veneto
Mr Mauro Trapani, Director for Economic and Rural Development, Regione Veneto
Mr Alessandro Gargani, European Investment Fund



 #ficompass



Financial Instruments in the Veneto RDP



- Access to Finance identified as a key factor to support agriculture
- Investment Measures emerged in the ex ante assessment as the measures that could benefit most of a financial instrument
- Policy objectives: high risk coverage to be offered to the Banks; high leverage to be achieved for the RDP's resources
- Uncapped guarantee with additional resources provided by the EIB Group and CDP SpA (The Italian NPI) was identified as the best possible financial instrument



The Italian Multi-Regional Guarantee



- In Italy, 11 regions are rapidly progressing towards achieving a single instrument for a total target portfolio of more than EUR 500 million of new loans to farmers and agri-business SMEs, with an overall contribution by their RDPs of EUR 82 million. Regione Veneto is the first and biggest contributor with EUR 15m.
- EIB, EIF, and CDP (The Italian NPI) will contribute to the instrument with up to EUR 465 million
- Differentiated regional portfolios and no loss sharing
- Managing Authorities have received full support from the EIF and the EC DG AGRI attaining clarity on regulatory issues.
- The instrument's design has been carried out through frequent communication with the European Commission and the regions which maintain total control of their contributions to the platform.



AGRI Multi-regional Guarantee

Structure of the Product

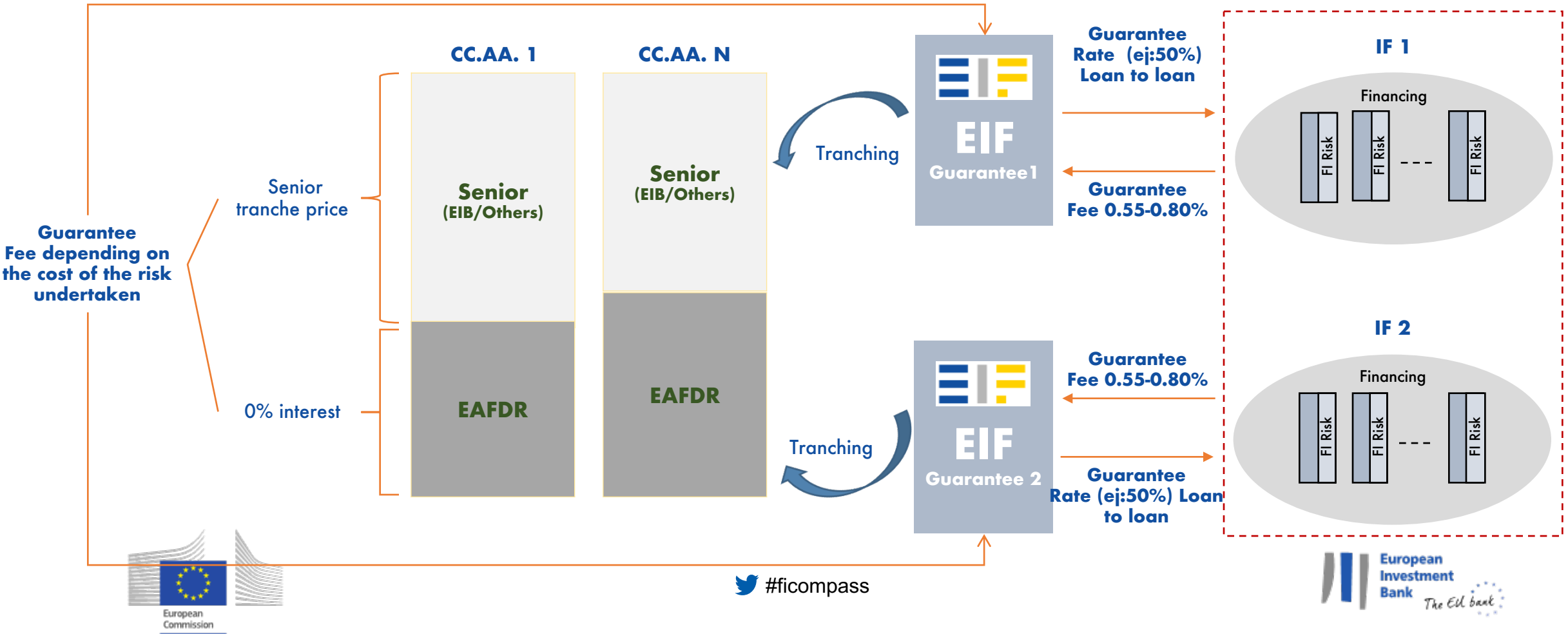


■ Unlimited portfolio guarantee (or «Uncapped»)

- Covers the risk of new portfolios (by region) generated by FIs to finance farmers and SMEs of the primary sector:
 - Each financing / loan is covered within the percentage of the guarantee ("Guarantee Rate", set at 50%).
 - The FIs pay an annual fee ("Guarantee Fee") to remunerate senior investors.
 - The interest rate paid by the farmer/SME is reduced
- The credit risk coverage allows banks to release regulatory capital and, in turn, encourages them to lend more and seek new clients by improving access to finance.
- EIF co-guarantees the risk coverage with FIs through:
 - EAFDR funds that cover first loss respecting regionality (only covering losses in the related region).
 - EIF, EIB or other investors that share senior risk of each regional portfolio.



AGRI Multi-regional Guarantee Structure of the Product



AGRI Multi-regional Guarantee Structure of the Product



Guarantee Rate (% of cover)	Up to 80% (min 20% - FI)
Guarantee Fee (guarantee price EIF)	0.55% - 0.80% annual (price in Italy, though variable according to the market covered)
Portfolio by region*	
Region Veneto	EUR 15m
Region ...	EUR XXm
Region N	EUR XXm
Availability period	24 months, (extendable)
Disbursement period	+ 12 months (max 31/12/2023)

** Other regions could join the platform at a later stage*



AGRI Multi-regional Guarantee Characteristics



- The loan origination process is wholly delegated to the FI, although compliance of eligibility criteria established in the RDP needs to be reached in order for the EIF guarantee be granted.
- Monitoring tasks are put in place to check compliance with eligibility criteria and, with the same objective, legal documents are drafted in such a way as to oblige FI compliance to the criteria (non-compliance would lead to loss of the guarantee).



AGRI Multi-regional Guarantee Characteristics



- **Fls are selected via a call for expression of interest with a common text for all the regions, establishing the specific amounts for each region. This call sets out the main characteristics and obligations to be undertaken, such as:**
 - Creation of a new loan portfolio which meets mandatory eligibility criteria
 - Main characteristics of the product
 - The requisite information to enter the selection process
 - Selection criteria (among them: transfer of benefit to the farmers)



AGRI Multi-regional Guarantee Characteristics



■ Benefit transfer: reduction of interest rate

- The FI should replace its credit margin and the standard cost of capital with the Guarantee Fee.
- This results in a reduction of the cost for the final beneficiary since the rate is lower when the credit risk is higher.
- In addition, the guarantee facilitates the possibility to reduce the collateral requested by the bank.

■ State Aid

- The calculation of the Gross Grant Equivalent is made by the bank using the formula provided by the EIF and is reported to the regions.
- The bank verifies that the total amount of aid does not exceed the maximum amount allowed for by the RDP (either the aid intensity of the measure or the de minimis according to Reg. 1407/2013).



AGRI Multi-regional Guarantee Characteristics



■ Final beneficiaries

- SMEs active in the production, processing and marketing of agricultural products in line with the definition of Annex I of the EU Treaty. In Italy the support through the instrument is limited to sub-measures 4.1 and 4.2. In other geographies support to sub-measures 6.4 and 8.4 is foreseen.

■ Eligible investments

- Investments to support agricultural production.
- Investments by farmers or SMEs to support the processing and / or marketing of agricultural products.
- In general, those specific to Art. 17 and Art 45 of Reg 1305/2013.



AGRI Multi-regional Guarantee Characteristics



■ Types of financing

- Senior funding: Loans, financial leasing, credit lines
 - Excluding subordinated loans, restructurings, refinancing and debt consolidation
- Term: between [2] and [12] years

■ Financing purposes

- Tangible and intangible assets
- Working capital (certain restrictions)
- Business transfers between independent parties



AGRI Multi-regional Guarantee Structure of Agreements



■ Funding Agreement between Management Authorities and the EIF:

- Defining the conditions of collaboration between the parties, the general structure of the instrument chosen, the obligations of the intermediaries, etc. It is based on the provisions of the Structural Funds Regulation. Each Region will sign its own Funding Agreement.

■ Inter-creditors' Agreement (Managing Authorities, EIF, EIB, others):

- Setting out the structure of the instrument, amounts, priority of payment, etc.

■ Guarantee Agreements between Financial Intermediaries and the EIF:

- These define the conditions and obligations of the Financial Intermediary to benefit from the guarantee. It includes aims, eligibility criteria, amounts to be attained, audit obligations, visibility, data to report, etc.





Thank you for your attention!



 #ficompass

