



## Case studies: Guarantee Instruments

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**EIB**



# Occitanie, France

# 2014-2020 FOSTER project (1)



**On the basis of positive past experience and after ex-ante assessments, Region Occitanie decided to increase the size of FI for 2014-2020:**

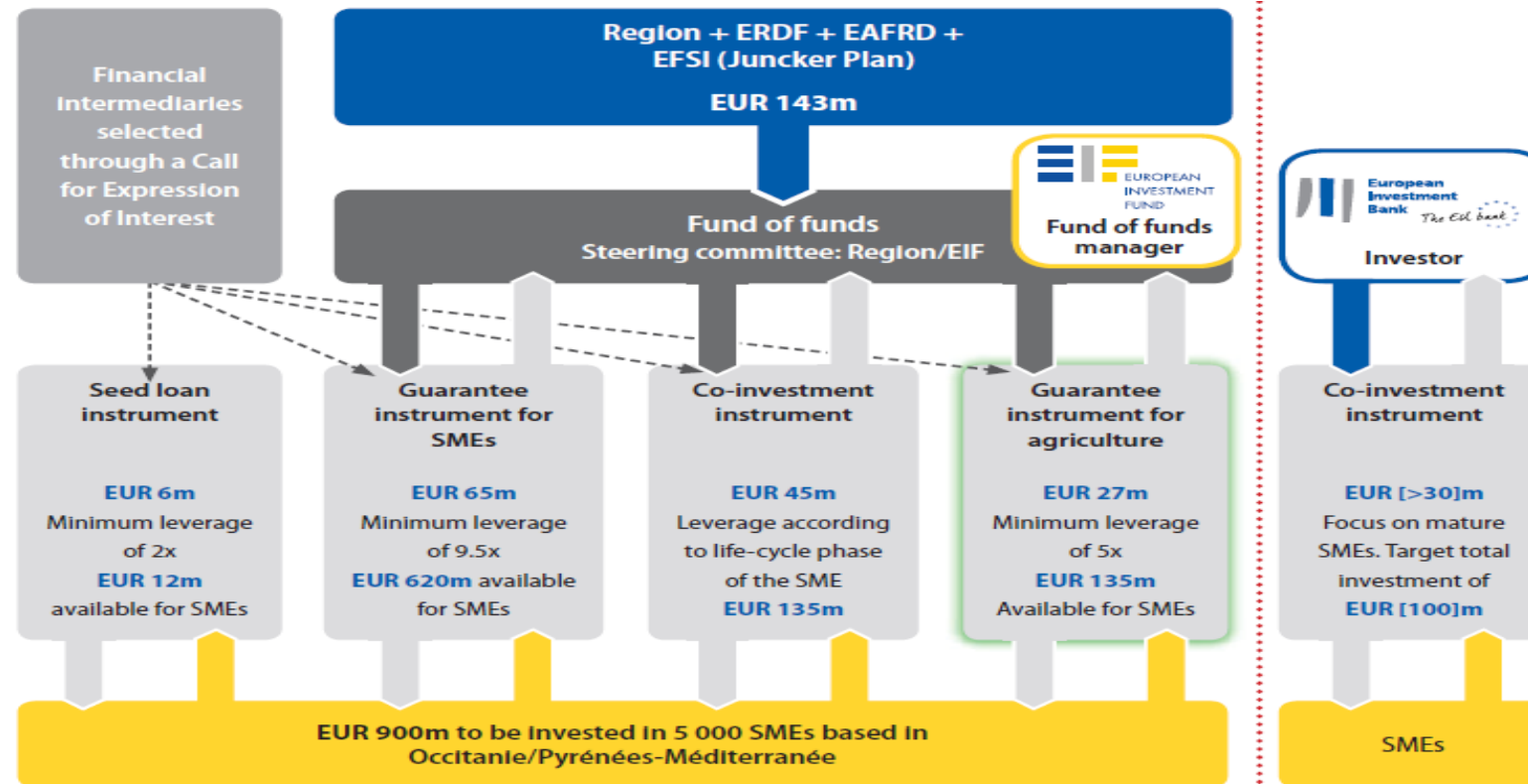
**EUR 143 m in a new TPE-PME Fund of Funds: The FOSTER project**

**Focus on ex-ante assessments:**

- A global approach of SME needs covering all sectors, including agriculture & agrifood industry
- Region OCCITANIE chose EIB Group:
  - strong experience with market assessment;
  - FI implementation;
  - and knowledge of EU regulations.



# 2014-2020 FOSTER project (2)



Languedoc-Roussillon RDP **EUR 15m**  
Midi-Pyrénées RDP **EUR 12m**

# Guarantee instrument for agriculture (1)



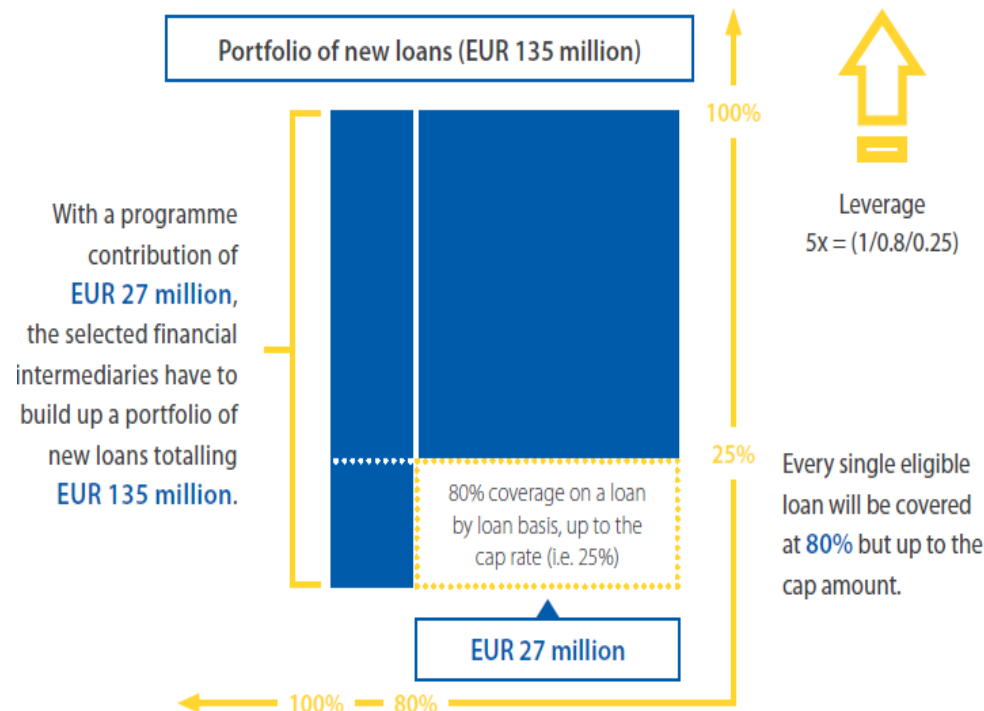
Measure	Type of operation	Languedoc-Roussillon	Midi-Pyrénées
<b>MEASURE 04</b> Physical investments	4.1.1 – 'Investment in agricultural holdings'	✓	
	4.1.1 – 'Investment in livestock modernisation'		✓
	4.1.5 – 'Investment in specialised crops'		✓
	4.2.1 – 'Development of agricultural holdings that process and market farm products'	✓	✓
	4.2.2 – 'Investment in enterprises that process and market farm products'	✓	✓
<b>MEASURE 06</b> Development of agricultural holdings and enterprises	6.4.2 – 'Development of primary wood processing enterprises in the market of wooden construction'	✓	
<b>MEASURE 08</b> Investments in the development of forest areas and to improve the viability of forests	8.6 – 'Support for logging and wood mobilisation enterprises'	✓	
<b>EAFRD resources</b>		EUR 9.45 million	EUR 6.36 million
<b>Public resources</b>		EUR 5.55 million	EUR 5.64 million
<b>Total</b>		EUR 15 million	EUR 12 million

# Guarantee instrument for agriculture (2)



First-Loss Portfolio Guarantee instrument for agriculture, agrifood industry and forestry RDP Languedoc-Roussillon	
Body implementing the financial instrument	European Investment Fund
Financial intermediary	Banque Populaire du Sud
Amount of public funds	EUR 15 million (Banque Populaire du Sud manages EUR 13.5 million)
Agreed portfolio of loans	EUR 67 million
Guarantee	80% [covering final losses on individual loans up to the cap]
Cap rate	25%
Period	36 months (to build the loan portfolio, starting from signature of the operating agreement)
Eligibility	Agricultural holdings, food industry and forestry SMEs in Languedoc-Roussillon
Maximum loan (assuming a guarantee rate of 80%)	<ul style="list-style-type: none"> <li>• Up to the aid intensity and state aid</li> <li>• EUR 930 000 (&lt; 10 years)</li> <li>• EUR 1 875 000 (&lt; 5 years)</li> </ul>
Term of loans	12-120 months
Number of loans signed	50 loans signed and disbursed for the amount of EUR 8 m

# Guarantee instrument for agriculture (3)



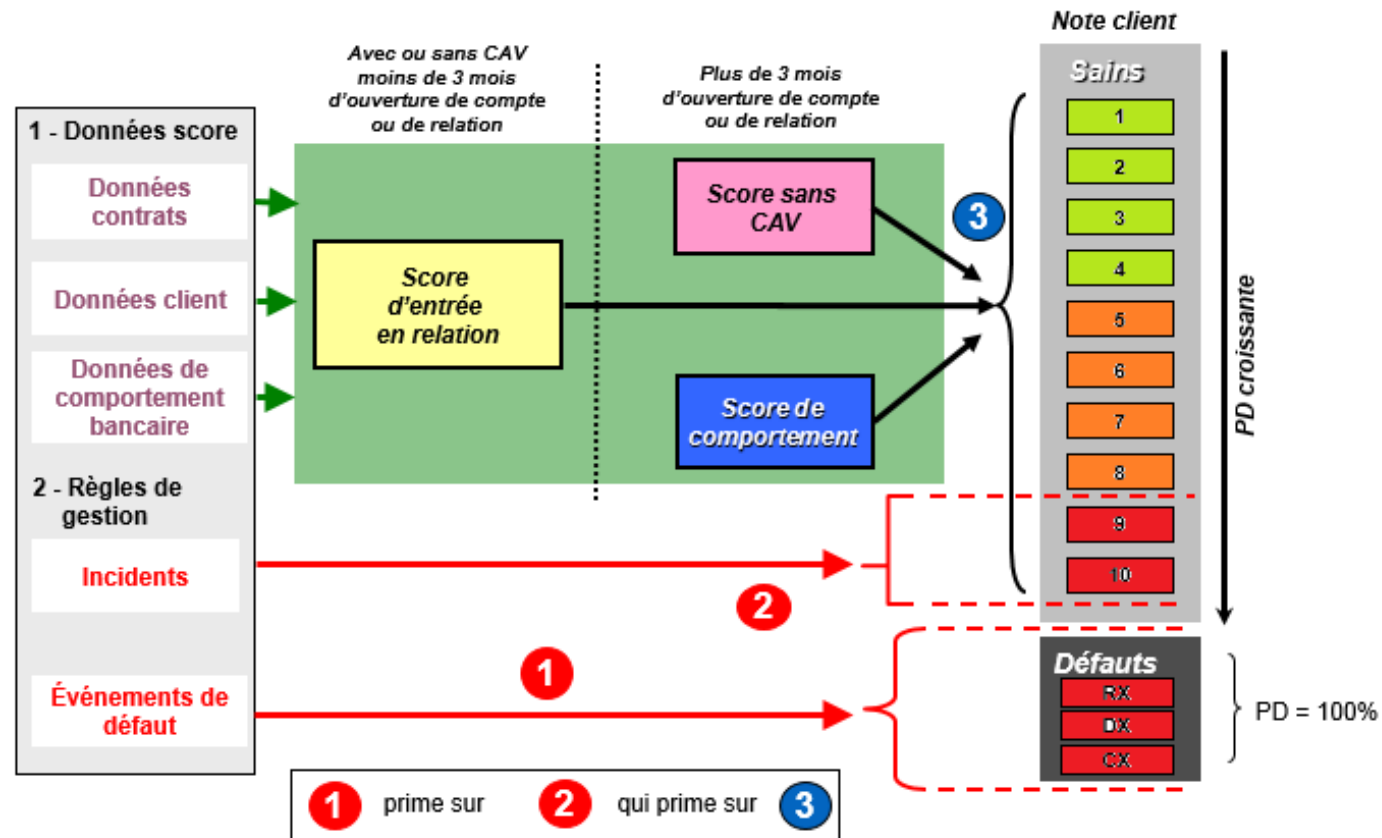
- EIF guarantee up to 80% of the eligible loan within a certain cap
  - Min: EUR 25.000,00
  - Max: accordingly to applicable rules on maximum intensity/ *de minimis*
- **Advantages for SMEs**
  - 0,40% reduction on average interest rate
  - Reduction on requested collateral (on securities and personal collateral)
  - No guarantee fee
- Working capital: maximum 30%

# Added value of the FI



<b>For Final Recipients (i.e. farmers / SMEs)</b>	Easier/better access to bank financing enhancing their competitiveness	Significant transfer of financial advantage to entrepreneurs (interest rate reduction as well as collateral requirements reduction)	More opportunities for final recipients to invest	Helps mitigate financial market deficiencies by improving credit conditions
<b>For the Occitanie/ Pyrénées-Méditerranée Region</b>	Significant leverage (doing more with less resources)	Efficient answer to both regional and EU key objectives to diversify public intervention. Clear governance structure (managing authority is in the “driving seat”)	Final recipient credit growth may drive economic growth	More efficient use of EAFRD Transition from a subsidy culture to revolving financial instruments
<b>For financial Intermediaries</b>	Excellent risk protection (80% of up to 25%, Guarantee free of charge, 60 days for payment)	More comfort for the financial intermediary to issue loans to final recipients	Access to new clients/segments	High visibility for Agri support





**FICHE D'ELIGIBILITE DE LA GARANTIE FOSTER**

BPS Département Marché des Entreprises et Institutionnelle

Agence Test  
Conseiller Test

L'emprunteur :

Matricule 0000000

Compte courant (021) 00000000000

Nom de l'entreprise Test

Catégorie juridique Société d'exploitation (EI, EIRL, EURL, SARL SAS, SA, SNC)

Ancienneté de l'entreprise

Activité (code nace)

Effectif total de toutes les sociétés du Groupe

Chiffre d'affaire (en €)

Total bilan (en €)

Segment Mac Donough

Note Mac Donough

Le lieu d'investissement

Département du lieu de l'investissement

Adresse

Code postal 34000 Ville

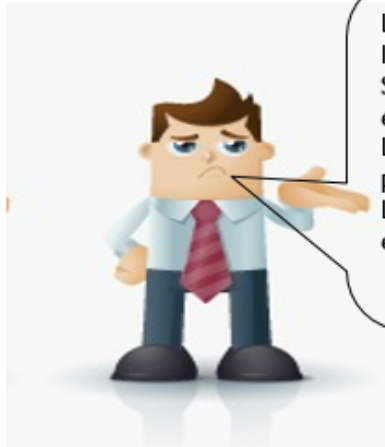
Dans le cas des groupes de sociétés, il faudra prendre en compte les éléments cumulés de toutes les sociétés constituant le groupe.

Ces éléments vous permettront de vérifier le statut de PME européenne, seul type d'entreprise éligible à FOSTER

CA, Total Bilan, effectif

Le chiffrage du besoin :

Besoins / Objets		
<u>Incorporel*</u>		
Bail / Licence (Création)		
Bail / Licence (transmission avec lien familial)		
FDC / Parts sociales (transmission)	10 000,00	(1)
FDC / Parts sociales (cession entre tiers)		
Droits d'enregistrement		
Frais d'établissement		
<u>Immobilier*</u>		
Construction d'investissement	10 000,00	(2)
Construction d'Exploitation		
Achats de murs		
Terrain	5 000,00	(3)
Promotion immobilière		
Reprise de végétal		
<u>Corporel / Equipement</u> <b>neuf uniquement</b>		
Travaux aménagement / installation		
Matériel		
Mobilier		
Equipement informatique		
Véhicule		
Plantations pérennes nouvelles (hors vignes plans/ocm)		
<u>BFR / Trésorerie / Divers</u>		
Eligible si part minoritaire (≤ 30%)		
<b>TOTAL</b>	<b>25 000,00</b>	


Ressources	
<u>Apport</u>	
<u>Prêt FOSTER</u>	
Type de prêt	Crédit Bail (4)
<u>Autre</u>	
 <p>Les opérations patrimoniales ou avec lien familial sont exclues (1), Seul l'immobilier d'exploitation est éligible (2). Le foncier ne peut pas représenter plus de 10 % du prêt sollicité (3). Le crédit-bail et les prêts relais sont exclus (4).</p>	
<b>TOTAL</b>	<b>0,00</b>



La durée du prêt peut dépasser 10 ans mais la garantie du FEI ne sera plus acquise au-delà de cette limite. Il conviendra donc de garantir le prêt au-delà de la 10<sup>ème</sup> année (1). Les garanties SOCAMA ou BPI ne peuvent être envisagées que dans un dossier séparé (2).



Le financement sollicité :

Nature de l'investissement	<input type="text"/>	Equivalent Subvention Brute (ESB)	<input type="text"/>	(B)
Devise de l'investissement	<input type="text"/>	Subventions européennes déjà	<input type="text"/>	(C)
Montant du financement	<input type="text"/>	perçues hors prêts BPS (N-1+N-2)	<input type="text"/>	
(1) Durée en mois	<input type="text"/>	(D) Subventions perçues via les prêts BPS	<input type="text"/>	+ - (E)
Si franchise : Durée en mois	<input type="text"/>	Prêts JEREMIE octroyés en N-1 & N-2	<input type="text"/>	
(A) Règle des minimis :	<input type="text"/>			
Financement pouvant être sollicité	<input type="text"/>			
(2) Garantie SOCAMA ou BPI	<input type="text"/>	Respect des minimis	<input type="text" value="0,00"/>	

Le montant pouvant être emprunté dépend des subventions ou équivalents perçus en N, N-1 & N-2 (C & D). La calcullette (E) vous permet de calculer le montant d'ESB des prêts BPS. Le montant de l'ESB relatif au prêt sollicité est mentionné dans le point (B). Le point (A) vous indique le prêt pouvant être obtenu si le montant maximum d'ESB est dépassé avec le montant sollicité.



Eligibilité de la garantie FOSTER réalisée le vendredi 10 mars 2017

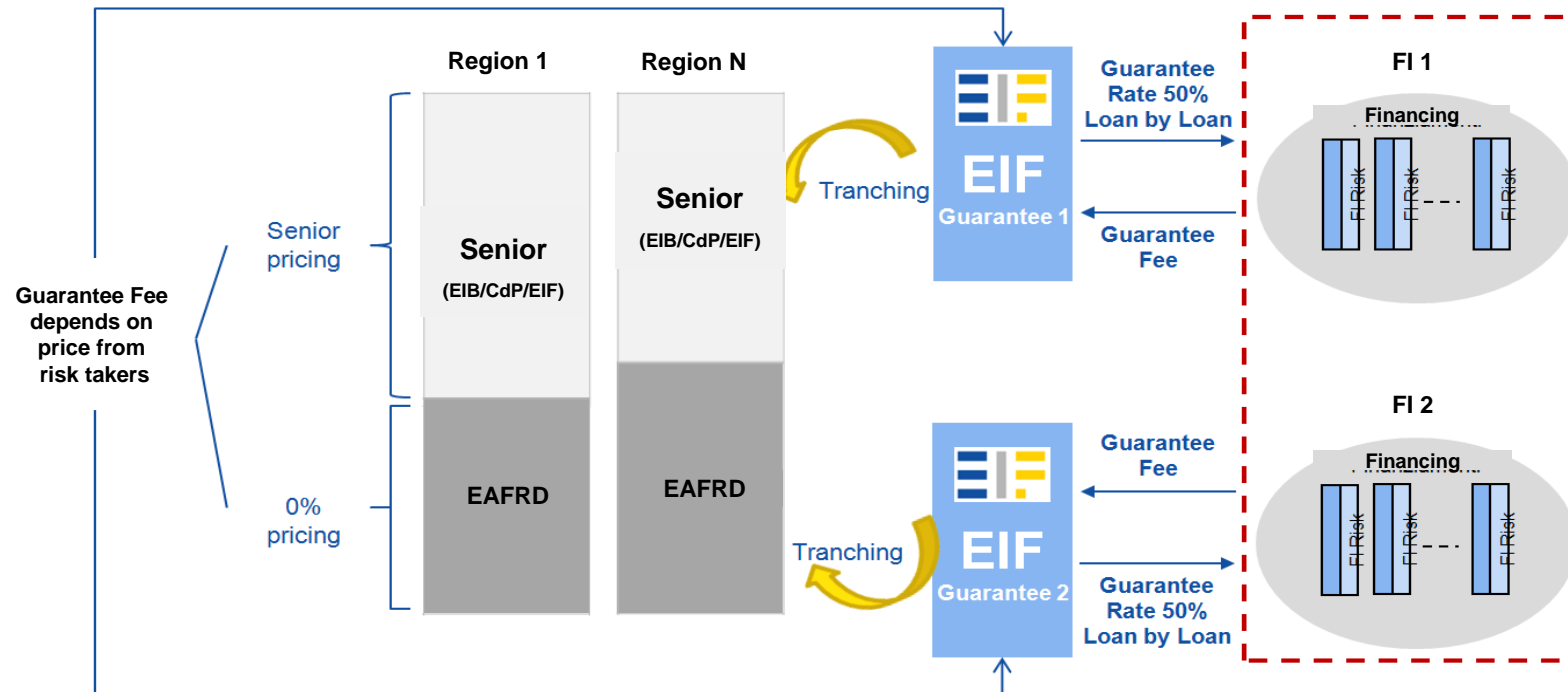
# Case studies



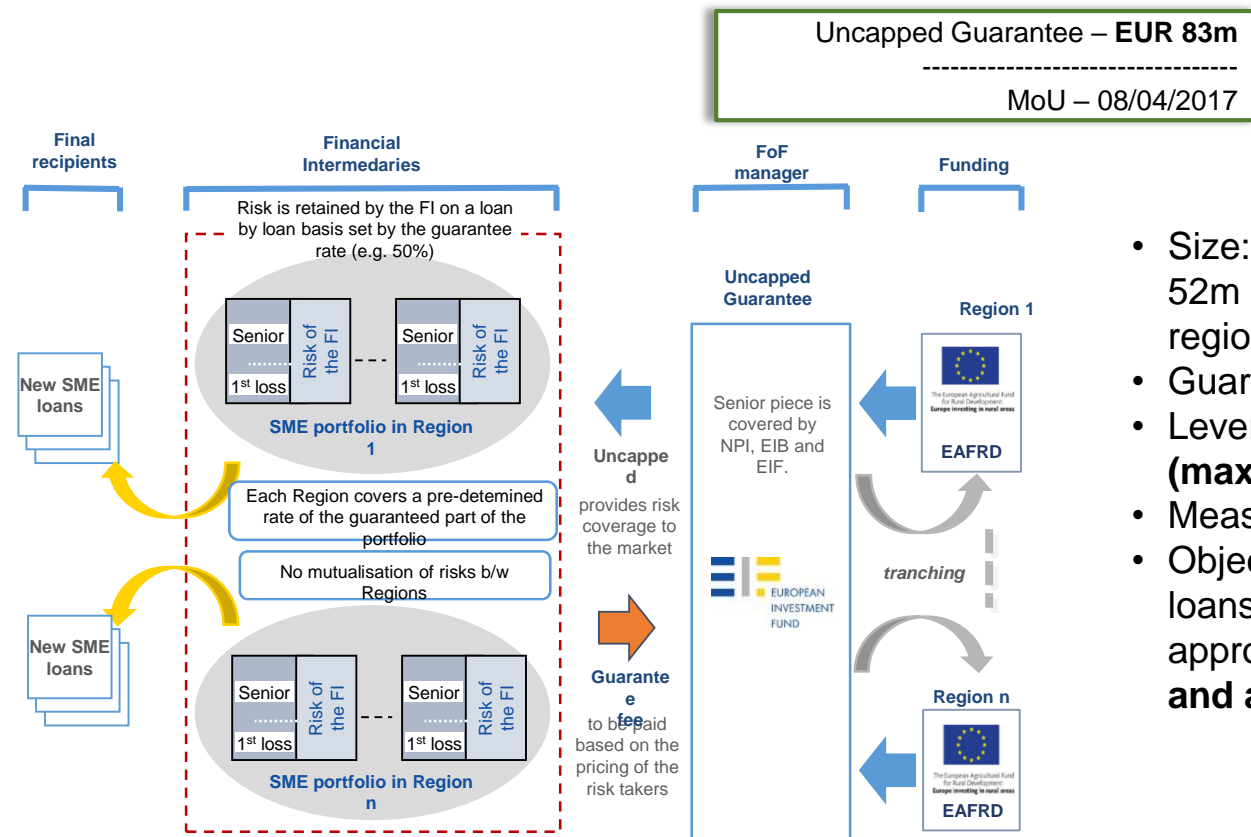
## Italy



# AGRI – EIF guarantee



# EAFRD platform in Italy: uncapped guarantee



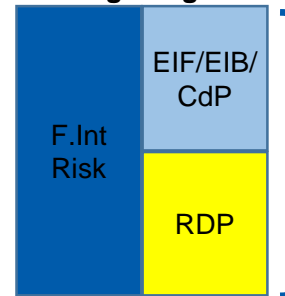
- Size: **exp. EUR 83m** (~ EUR 52m EAFRD + ~ EUR 31m regional contribution)
- Guarantee rate: **50%**
- Leverage effect: **(min.) 5x – (max.) 6.9x**
- Measures: **4.1, 4.2**
- Objective: portfolio of new loans of up to **EUR 500m** for approximately **4000 farmers and agricultural SMEs**

# Minimum and additional potential leverage – Puglia region example



- The funding agreement, with the specific terms for Puglia, foresees a **minimum leverage of 4x**, with the following **initial risk-sharing structure** on the part covered by the guarantee: first loss segment (junior risk cover) of 50% using RDP resources; the remaining 50% (senior risk cover) covered by EIF, EIB, CDP.
- When the minimum leverage is reached, the EIF will verify the actual risk of the regional portfolios built up by the financial intermediaries and might be able to increase the senior risk cover, with a **potential leverage target of 6x** and a **target risk-sharing structure** of 33.4% for the RDP and 66.6% for EIF, EIB, CDP.

Leverage target 4x



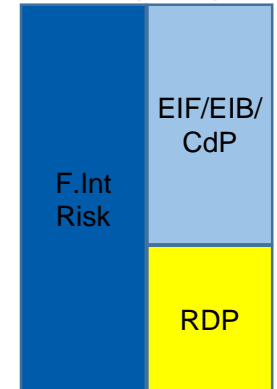
RDP Funds net of management fees = EUR 9 m.

Minimum loan portfolio = **EUR 36 m.**

Junior risk cover: 50% = EUR 9 m.

Senior risk cover: 50% = EUR 9 m.

Leverage target 6x



Loan portfolio = **EUR 54 m.**

Junior risk cover: 33,4% = EUR 9 m.

Senior risk cover: 66,6% = EUR 18 m.



# Next steps



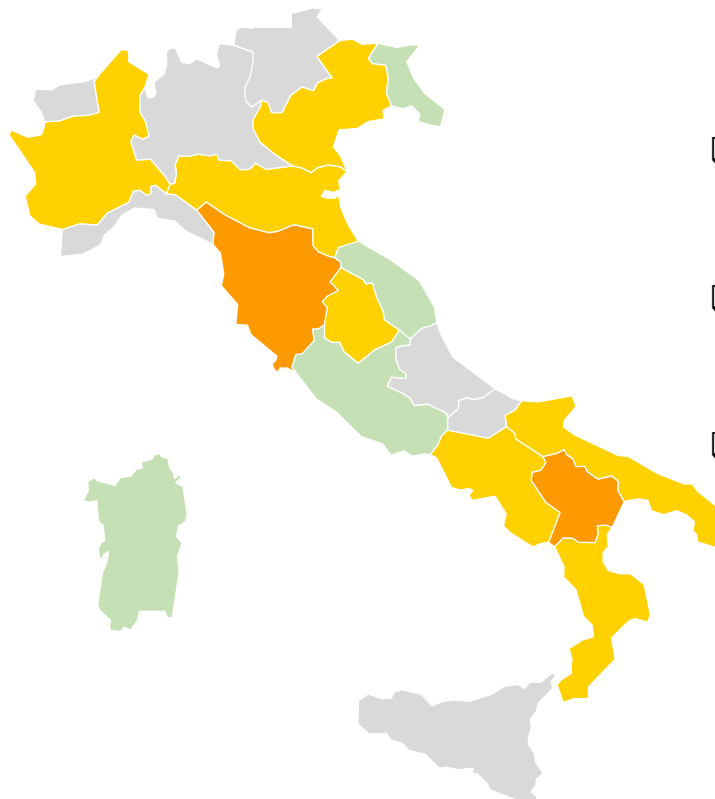
## Participation in AGRI platform

Available in all the Regions

Current potential candidates

FA to be signed with MA

FA signed with MA



- ❑ The condition to launch the platform was to have at least three regions willing to participate. At the moment, 7 Regions (Veneto, Umbria, Puglia, Emilia-Romagna, Calabria, Campania and Piemonte) have signed with EIF a Funding Agreement contributing a total amount EUR 61m to a multi-regional guarantee fund.
- ❑ Another two regions (Basilicata and Toscana) are in the process of signing and others are considering to contribute..
- ❑ The first Investment Board took place on 4 December 2017, where the Call for Expression of Interest was also approved.
- ❑ The Call for Expression of Interest was published on 24 January 2018. The deadline for the submission of expression of interest is set at 15 October 2018.



# Focus on SME initiative

# SME Initiative

## General overview

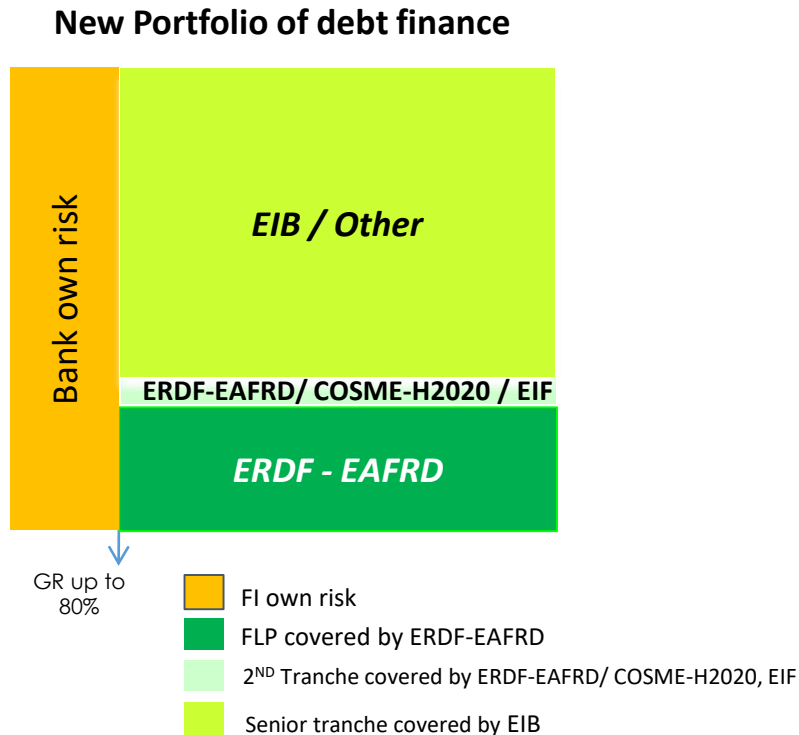


- Legal basis of the SME Initiative : Article 39 CPR
- Key objectives
  - Leverage EU budget by mobilising private resources
  - Incentivise financial intermediaries to extend new debt instruments (loans, leases, guarantees) to SMEs
  - Enhance access to SME finance through a reduction of the overall interest rate charged (transfer of financial benefit)
  - Provide loan loss protection and capital relief on the portfolio to be originated
- Two risk-sharing instruments endorsed by the European Council:
  - **Option 1: Uncapped portfolio guarantee facility** for portfolios of new SME loans/leases up to 80% guarantee rate
    - Signed mandates in Spain, Malta, Bulgaria, Finland and Romania
  - **Option 2: Securitisation** instrument for portfolios of both new and existing SME loans, where the originators undertake to provide new financing
    - Signed in Italy



# Option n°1

## *Uncapped Guarantee instrument*



### Option n°1:

Provides uncapped portfolio guarantees and envisaged partial capital relief to banks building up new portfolios of loans

#### Description:

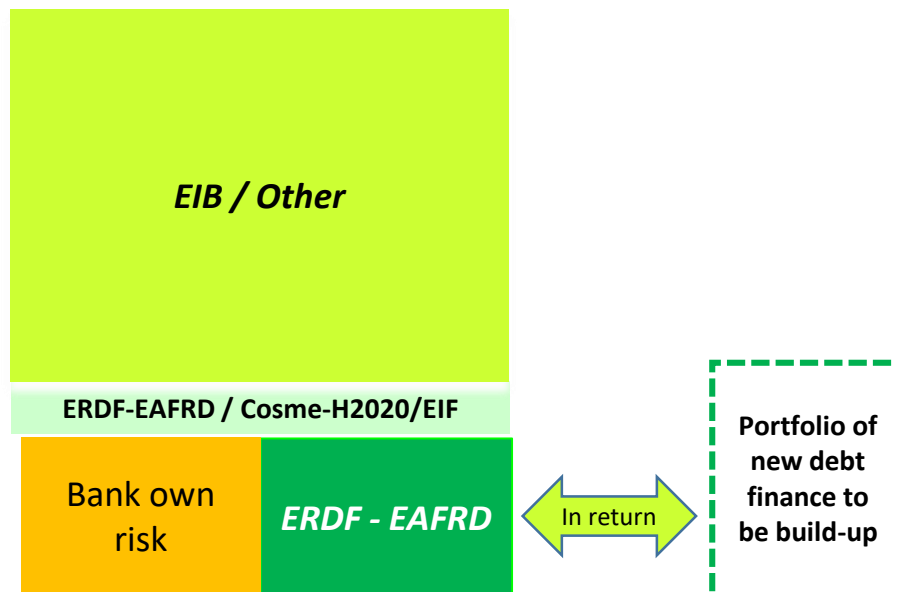
- Originators (*gradually*) builds-up a portfolio of new SME loans;
- EIF issues uncapped portfolio guarantees (up to 80%) and shares the risk with banks;
- ESIF are used to cover the first-loss piece;
- EU funds from Horizon 2020 and the EIF join to absorb, along with ESIF, the second-loss piece;
- EIB and possibly NPB guarantee the senior tranche.

**In return** the originators will have **to transfer benefits of the instrument to the SMEs** in the form of acceptance of higher risk clients, reduction of collateral requirements and/or reduced pricing

# Option n°2 Securitization



Existing portfolio (on the book of the Bank) → Creation of a New Portfolio



## Option n°2:

Securitization instrument can be backed by portfolio of existing SME loans

### Description :

- A portfolio of existing SME loans is identified.
- 50% of the first-loss piece is retained by the originator and 50% is covered by ESIF
- The risk of the second-loss piece is covered by ESIF, EU funds from Horizon 2020 and the EIF. Originator possibly retains 5% of the risk
- EIB and ICO/third-party investors purchase or guarantee the senior tranche up to agreed maximum amounts

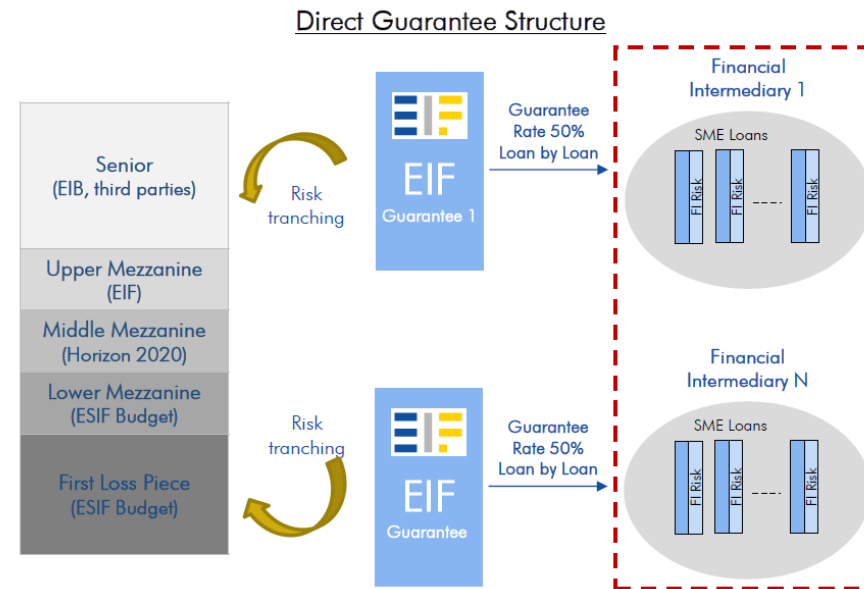
**In return** the originators explicitly undertake to **provide new financing** (amounting to multiple of the EU Funds contribution) to SMEs in the relevant regions in line with the eligibility criteria the EU funds contributed in the structure

# The SME initiative

## Schematic allocation of risks (Guarantee Facility)



- Portfolios created from eligible SME loans
- Tranches associated with different risks
- Instrument based on a risk-sharing structure
- Adapted to strong and weak SME credit environments
- ESIF deployed for local use
- ESIF complemented by EC central budget



### Description:

- EIF issues uncapped portfolio guarantee (50%) and shares the risk with banks.
- Originators (gradually) build-up a portfolio of new SME loans.
- ESIF are used to cover the first-loss piece.
- EU funds from Horizon 2020 and the EIF join to absorb, along with ESIF, the second-loss piece.
- EIB guarantees the senior tranche.

→ The EIF (AAA rated, MDB status) uncapped portfolio guarantee provides loss protection and potentially partial capital relief for new portfolios of debt finance

# SME Initiative

## *Main Benefits of the SME Initiative*



<b>For SMEs</b>	Easier/better access to bank financing	Significant Transfer of F. Advantage: ESIF have a zero cost on the equity tranche	More opportunities for innovative SMEs and new technology-based firms	Helps to mitigate financial market fragmentation in the EU in terms of credit cost
<b>For Member States / Region</b>	No national co-financing required  State Aid is cleared, no additional negotiation of state aid schemes required	Ex ante assessment already done by the EC  Clear governance structure	Aligned to MS priority objectives  SME credit growth may drive economic growth	More efficient use of ESIF  Transition from a subsidy culture to revolving financial instruments
<b>For Financial Intermediaries</b>	Credit protection	Capital relief	Access to new clients/segments	High visibility for SME support

# SME Initiative: Implementation overview



All loan data as at 30 September  
2017

