



The Apulia RDP: Territory, resources, measures

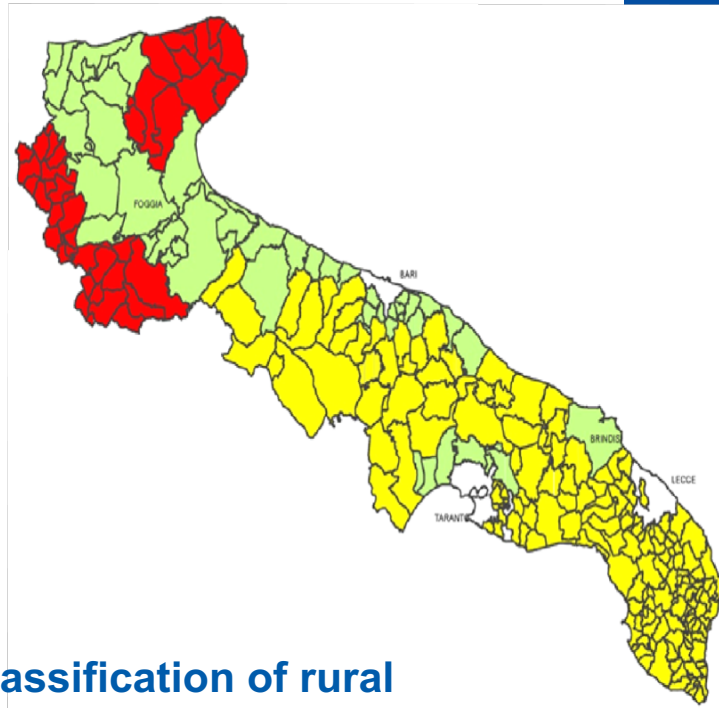
Prof. Gianluca Nardone, Head of Managing Authority of the Regional Rural Development Programme Puglia, Puglia region, Italy







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Apulia region



Classification of rural areas in Apulia

-  Urban and peri-urban areas (A)
-  Intensive/specialised agriculture (B)
-  Intermediate rural areas (C)
-  Rural areas with development problems (D)

- Apulia has a surface of 1 954 090 hectares and a population of 4 050 072 inhabitants;
- It is classified as a Less Developed Region under Regulation (EU) 1303/2013, Art. 90, par. 2, letter a);
- There are over 270 000 agricultural enterprises, with an utilised agricultural area (UAA) of over 1.2 million hectares (10% of Italy's UAA);
- Agriculture contributes to the regional wealth by 5% (higher value than Mezzogiorno and Italy);
- Apulia's agriculture is characterised by a strong variety of produce, with the prevalence of olive, wine, fruit and vegetable sectors.



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Partners' cooperation in the programming activity + SWOT analysis + recommendations of the RDP 07-13 evaluator



Regional needs assessment



Choice to activate all 6 Intervention Priorities of Reg. 1305/13

Apulia Region has foreseen 13 Measures (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 16, 19) to achieve the objectives of the 6 Priorities.

EUR 1.6 billion public resources

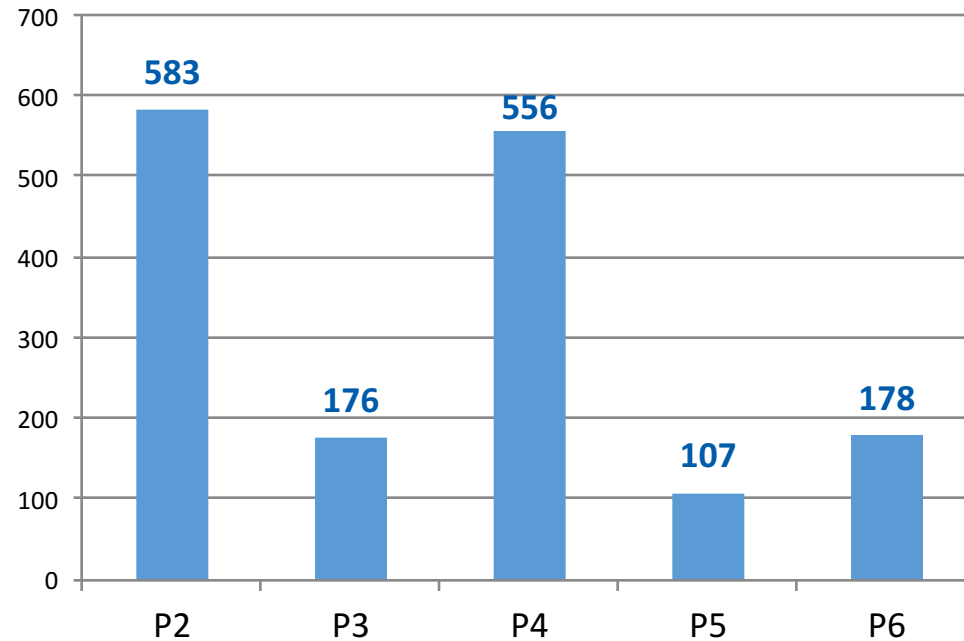
EUR 2.1 billion total investment



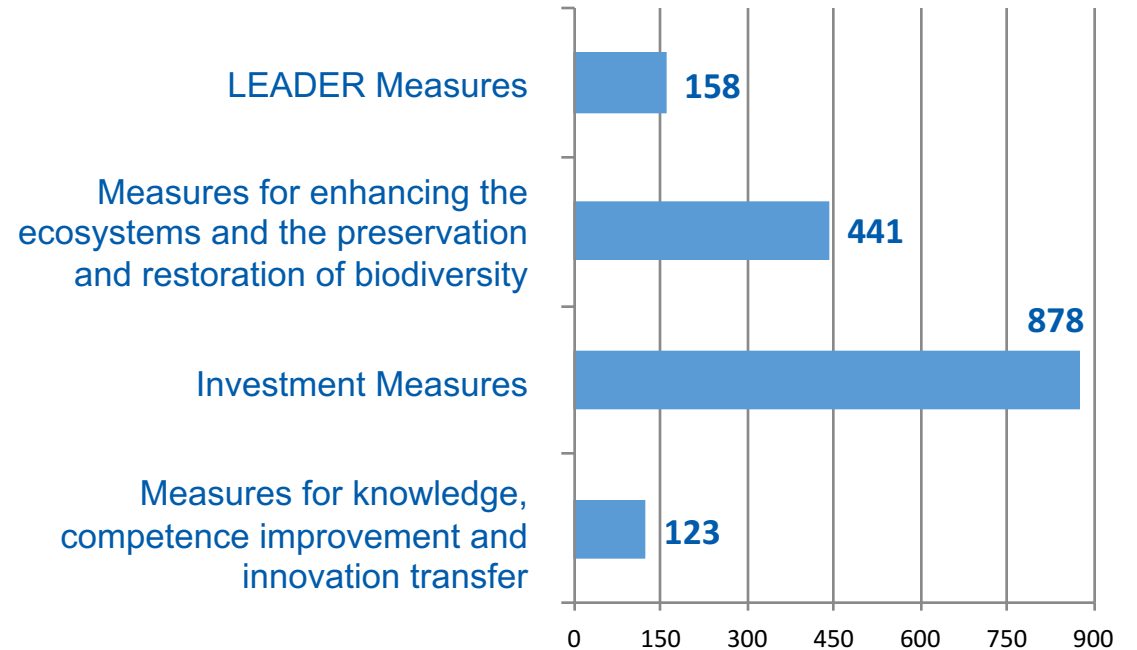
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Resources per priority (€ million)



Resources per groups of Measures (€ million)



The context analysis of the RDP has identified, among other needs, the final recipients' difficulty in accessing finance (Requirement 17), in particular for agricultural enterprises (Focus Area 2A, 2B, 3A).



- ❑ **Measure 4** – Investments in physical assets
 - **4.1** - Support for investments in agricultural holdings
 - 4.1.A - Support for tangible and/or intangible investments aimed at improving the profitability, competitiveness and sustainability of individual and associated farms (FA 2A)
 - 4.1.B - Support for tangible and/or intangible investments made by young farmers (FA 2B)
 - **4.2** - Support for investments in processing/marketing and/or development of agricultural products (FA 3A)
- ❑ **Measure 6** – Farm and business development
 - **6.4** - Investments in creation and development of non-agricultural activities (FA 2A)



The path to using FIs: Ex-ante assessment, strategy, instruments



Initial steps



- ❑ November 2015 - Approval of Apulia RDP 2014/2020
- ❑ March 2016 - Approval of the organizational structure of the MA
- ❑ May 2016 - Identification, within the organisation chart, of a person responsible for the implementation of financial instruments co-financed by the EAFRD
- ❑ August 2016 – Launch of the selection procedure for the provision of the **ex-ante assessment** of FIs in compliance with the public procurement rule
- ❑ September / October 2016 - **Targeted coaching by *fi-compass***
- ❑ November 2016 / January 2017 - Completion of the ex-ante assessment report by Lattanzio Advisory SpA
- ❑ February 2017 - Approval of the ex-ante assessment and submission to the Monitoring Committee



Meetings with *fi-compass* and EIB Group



At the same time of the preparation phase of the ex-ante assessment, the MA has contacted the EU financial institutions to explore the implementation options foreseen by **Article 38(4)(b)(i) of the CPR**: Entrustment of implementation to the EIB / EIF.

**Coaching
videoconference
7 September 2016**



- Past experiences with FIs during 2007-2013
- Areas and types of investment planned for 2014-2020
- Significant issues affecting progress
- Scope of the Targeted Coaching service (DG AGRI and EIB)

**Targeted Coaching
meeting
Bari 13-14 October 2016**



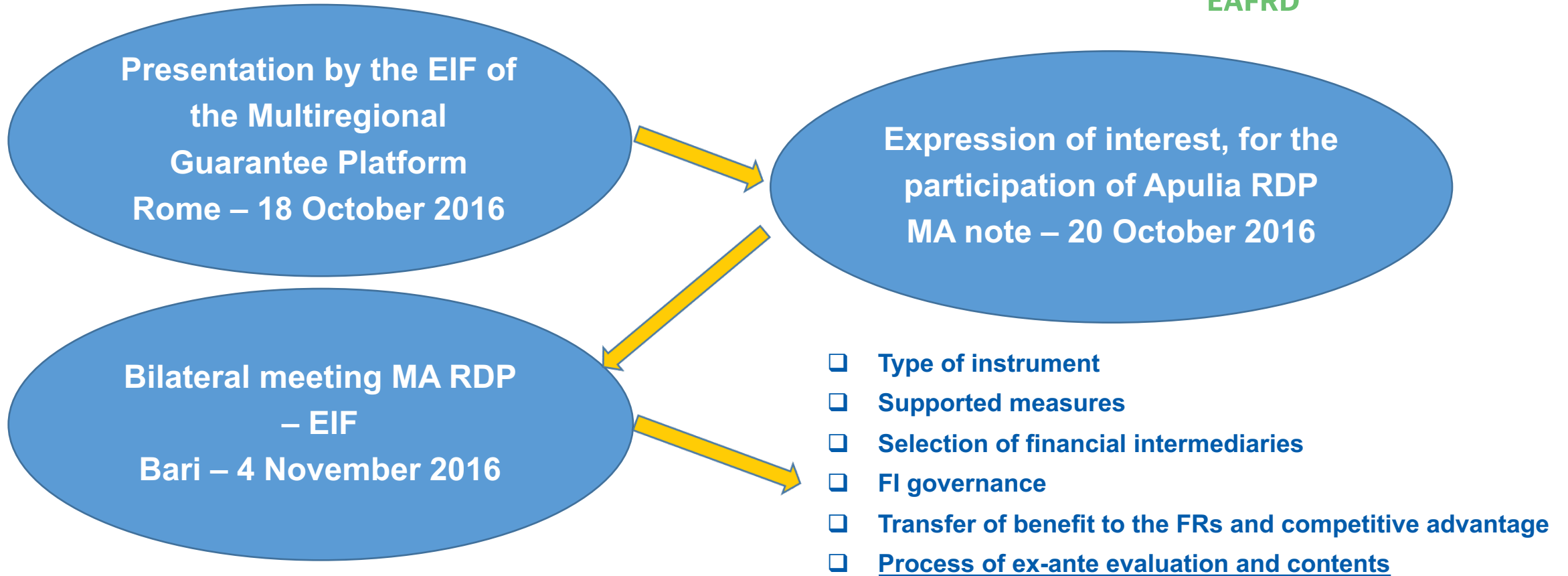
- Ex-ante assessment
- Products, structures and practices
- Governance and transfer of advantage to Final Recipients (FRs)
- Implementation options and selection of the implementing body
- Case studies



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Meetings with *fi-compass* and EIB Group



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Ex-ante assessment

- Contents and structure compliant with Art. 37 of Regulation (EU) No. 1303/2013

Summary of
the conclusions
January 2017

*Market failure in a context of high liquidity,
low interest rates but strong risk aversion from financial intermediaries*

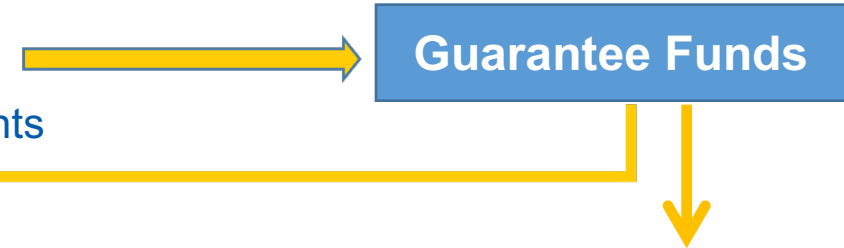
*The goal to **maximise financial 'leverage'** of RDP resources, allowing sufficiently low risk taking from financial intermediaries, makes it essential to identify investors who contribute to the instrument with their own resources*

*Traditional difficulties for agricultural entrepreneurs to access credit, due to insufficient collateral, existing liabilities and unstructured management and accounting systems, make **guarantee funds the most suitable tools** support the enterprises through the RDP.*

Strategy



- ❑ Approval of the ex-ante assessment (February 2017)
- ❑ RDP amendment to introduce FIs (March-April 2017)
- ❑ Decision C (2017) 3154 of 05/05/2017 approving the amendments



Portfolio guarantee EIF

- Investments eligible under 4.1 and 4.2
- Financial intermediaries (FIs) selected by EIF
- Final recipients selected by FIs (IAP-Professional Agricultural Entrepreneurs and SMEs)
- Transfer of the benefits linked to the guarantee through:
 - Reduced interest rates
 - Reduced collateral requirements
- GGE (gross grant equivalent) calculated by financial intermediaries
- Entire loans portfolio supported by EIF Fund guarantee to 50%
- Possibility to combine with other forms of support (grant for RDP final recipients)

Confidi Guarantee

- Supported measures: 4.1 - 4.2 - 6.4
- Implementation tasks entrusted as per Art. 38 4.b.iii), in compliance with State aid and public procurement regulations, to Confidi
- Final recipients selected by the MA
- 'safe-harbour premiums' based on rating by fund manager
- If guarantee premium is < 'safe-harbour premiums' = ESL
- Guarantee on a loan by loan basis: 70% (80% for young farmers)

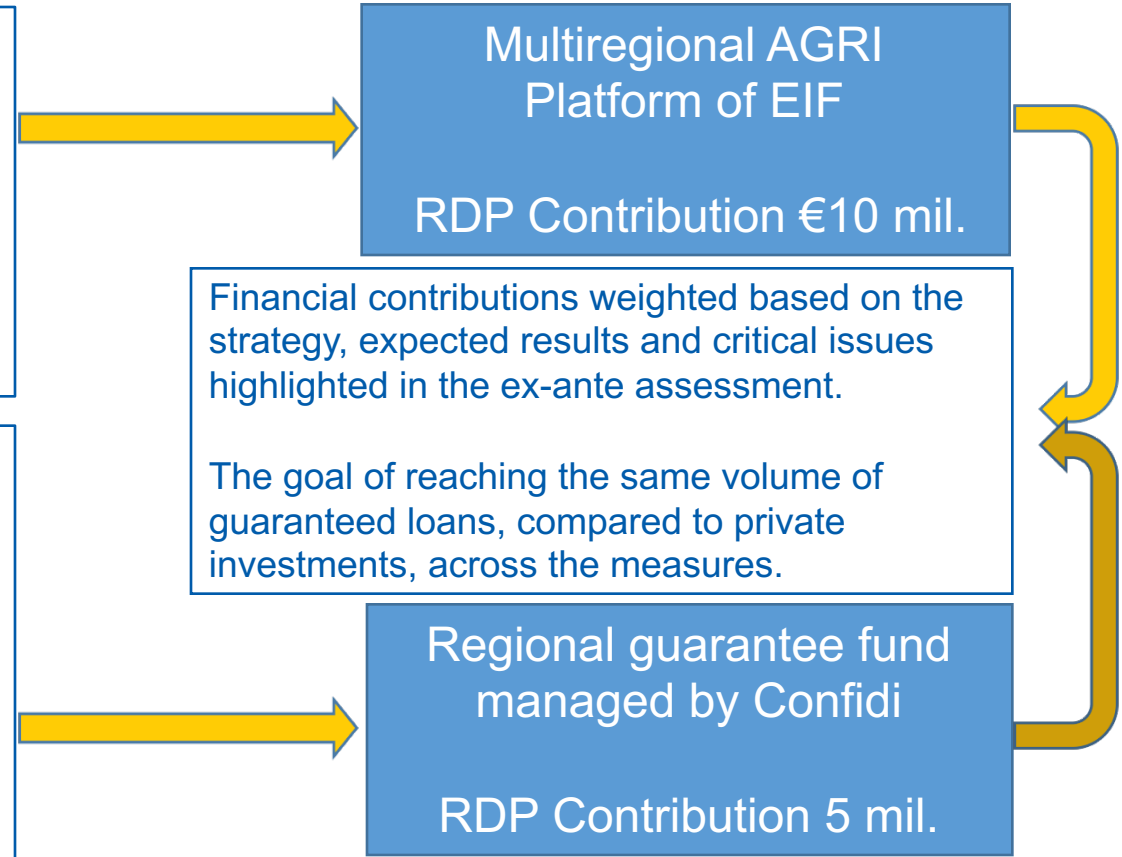


Strategy



Rationale

- Maximise attractiveness for external investors
 - Maximise financial leverage
 - Gain know-how and experience in FIs
 - Stimulate FIs to build up loan portfolios
 - Contribute to the achievement of physical targets, by using less resources as compared to grants
-
- Added value from managing the instrument through an entity that understands the needs of the area
 - Facilitate relationships with local credit institutions and reduce information asymmetry
 - Support financial coverage of the private co-financing of the investments (as a pre-requisite for providing support in the calls under sub-measures 4.1 - 4.2 - 6.4)
 - Facilitate the provision of guarantees to young farmers (also when they do not qualify as Professional Agricultural Entrepreneurs (IAP))



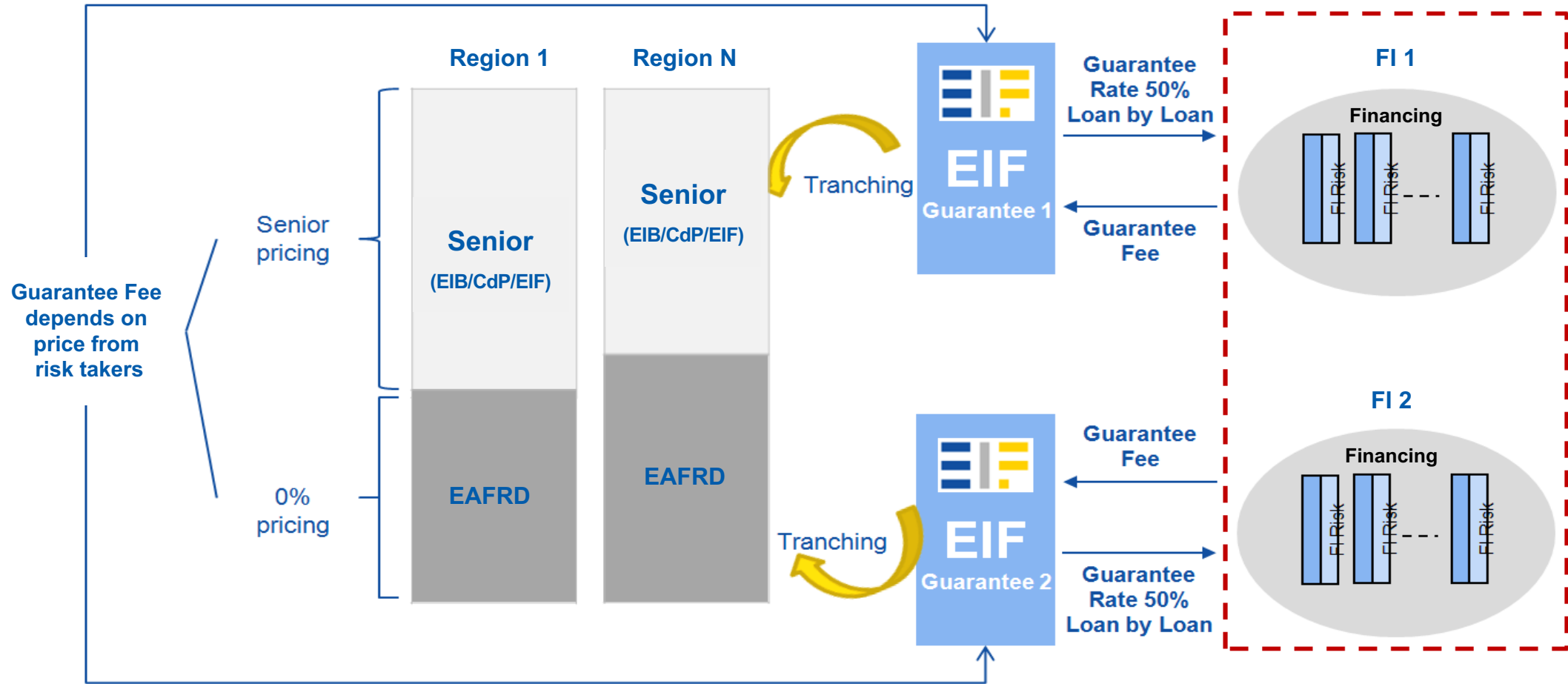
Participation in the EIF fund



- ❑ 8 April 2017 – Memorandum of understanding signed by EIF and participating Regions
- ❑ May/June 2017 – Preparation of the funding agreement to set up and manage the Guarantee Fund.
 - Meeting between EIF, interested Regions and DG AGRI (6 June)
 - Bilateral meeting between Apulia Region and EIF to agree the specific regional terms.
- ❑ 28 July 2017 – Approval of the funding agreement by Regional Council
- ❑ The funding agreement provides for a commitment of **EUR 10 million** for resources programmed under RDP Measure 4, with an **indicative allocation** of:
 - EUR 7.25 million Guarantee of Loans granted to Professional Agricultural Entrepreneurs (IAPs) for investment projects according to eligibility criteria for Measure 4.1 (Focus Area 2A e 2B)
 - EUR 2.75 million loan guarantee for SMEs for investment projects to process and market agricultural products according to criteria for Measure 4.2 (Focus Area 3 A)



AGRI – EIF guarantee



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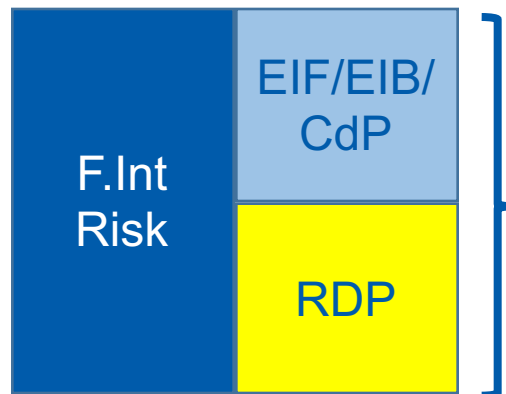
Minimum and additional potential leverage



The funding agreement, with the specific terms for Apulia, 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



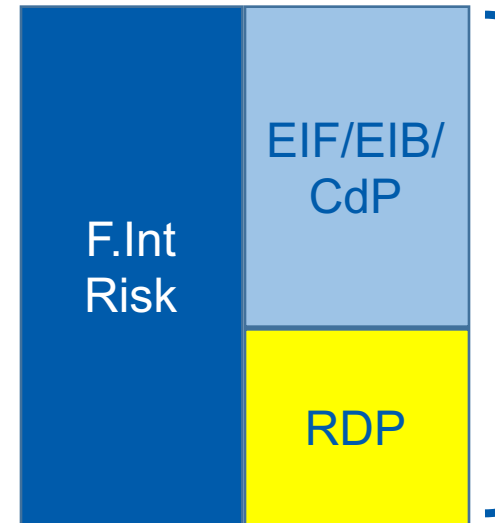
RDP Funds net of management fees = EUR 9 mil.

Minimum loan portfolio = EUR 36 mil.

Junior risk cover 50% = EUR 9 mil.

Senior risk cover 50% = EUR 9 mil.

Leverage target 6x



Loan portfolio = EUR 54 mil.

Junior risk cover 33,4% = EUR 9 mil.

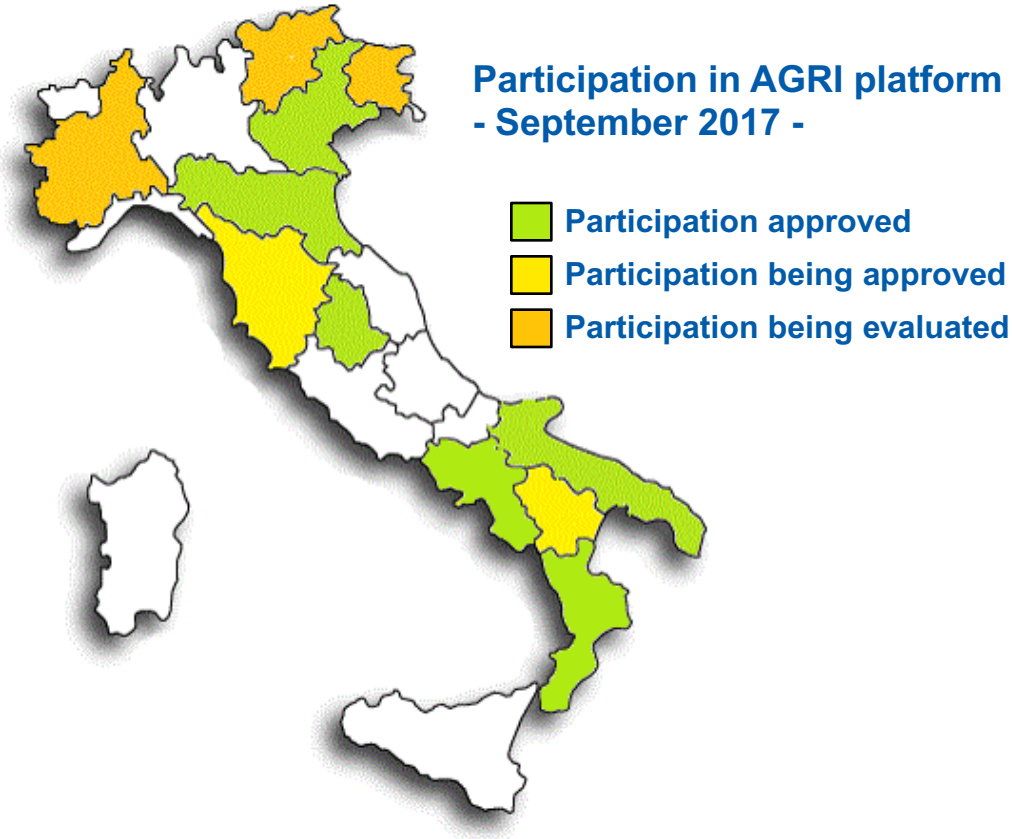
Senior risk cover 66,6% = EUR 18 mil.



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Next steps



- ❑ The condition to launch the platform was to have at least three regions willing to participate. At the moment, six regions approved the funding agreement and authorized the signature (Apulia, Veneto, Umbria, Emilia Romagna, Campania and Calabria).
- ❑ Another two regions (Basilicata and Toscana) started the approval process within the decision-making body.
- ❑ Three further regions (Piemonte, Friuli Venezia Giulia, and Trentino) are interested to participate.
- ❑ By October, the following activities are expected:
 - signature of the funding agreement between the managing authority and EIF;
 - first meeting of the Investment Board;
 - Call for Expression of Interest for financial intermediaries.



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Thank you for your attention!



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