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## EAFRD financial instruments in Emilia – Romagna



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# EMILIA-ROMAGNA



## Geographical surface

ITALY Km<sup>2</sup> 302,073

7.4%

E-R Km<sup>2</sup> 22,453

## Utilised Agricultural Area (UAA)

ITALY ha 12,856,048

8.3%

E-R ha 1,064.213

## No. of farms

ITALY n. 1,620,884

4.5%

E-R no. 73,466

## Average UAA/farm

ITALY ha 7.96

E-R ha 14.49



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# Added value by farming, forestry and fishing



Current values (,000) **2016**

ITALY **31,815,390**

E-R **3,402,782**

10.70%

Current values (,000) **2017**

ITALY **33,047,839**

E-R **3,471,878**

10.51%



In 2017 too, Italy ranked first within UE28 in terms of added value in farming.

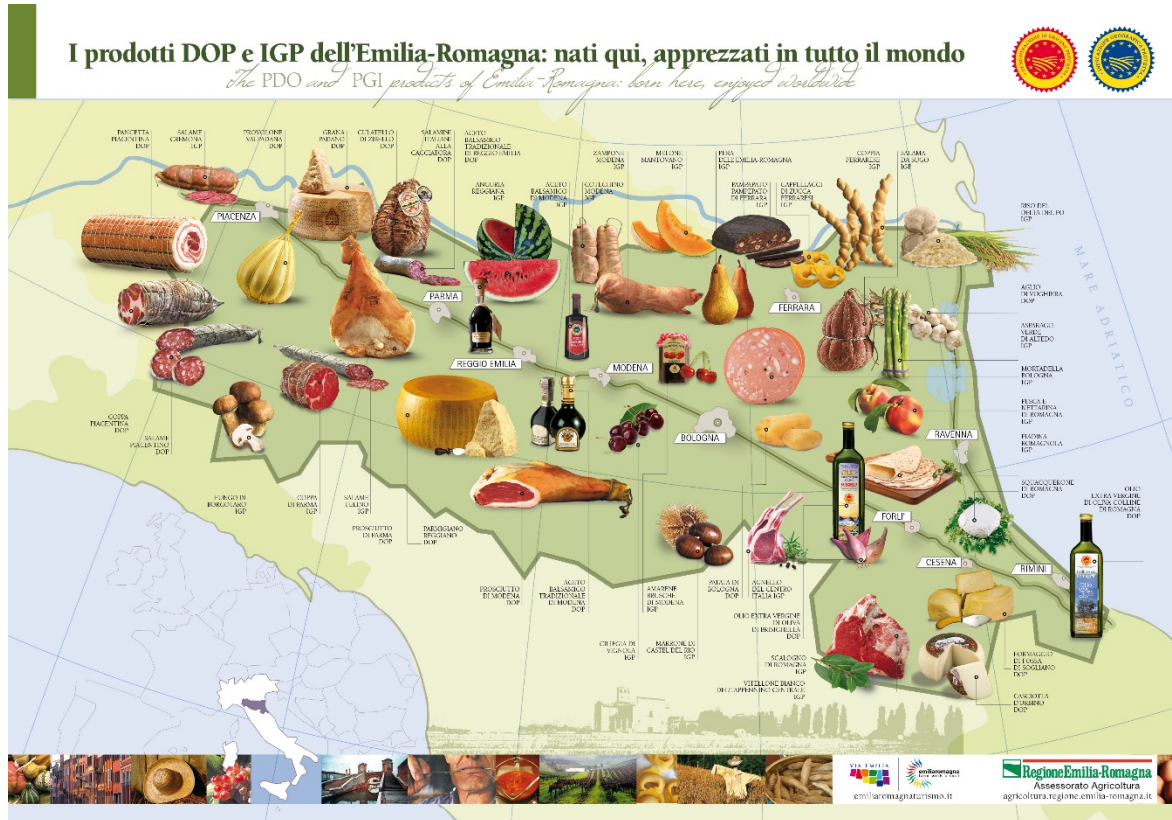


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# QUALITY AGRI-FOOD PRODUCTS



Italy has **291** quality agri-food products recognized as at December 31, 2016 (+ 13 versus 2015); among these, the active ones are 279 (95.9% of the total)

In Emilia-Romagna: **45** productions have the European certification

The list and the map of the quality productions are available on this site

<http://agricoltura.regione.emilia-romagna.it/produzioni-agroalimentari/temi/qualita/dop-igp-stg>



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# Import-Export



## ITALY Foreign trade



## EMILIA ROMAGNA Foreign trade



Italy 2017 (milion euro)	Import	Export
PRIMARY SECTOR	14,451.6	7,145.7
FOOD & BEVERAGE INDUSTRY	29,780.6	33,755.6
AGRI-FOOD TOTAL	44,232.2	40,901.3

E-R / Italy	Import	Export
PRIMARY SECTOR	11,3%	13,5%
FOOD & BEVERAGE INDUSTRY	15,9%	15,6%
AGRI-FOOD TOTAL	14,4%	15,3%

E-R 2017 (milion euro)	Import	Export
PRIMARY SECTOR	1,636.7	968.0
FOOD & BEVERAGE INDUSTRY	4,741.4	5,271.6
AGRI-FOOD TOTAL	6,378.2	6,239.6

# Bank loans and bad loans up to 2015



Between 2013 and 2015 bank **loans** in the private sector:

- ↓ decrease by over 10%
- ↑ increase of bad loans by over 30%

	Farms not guaranteed by Confidi	Farms guaranteed by Confidi
<b>Loans to farms with &lt; 20 employees (2012 – 2015)</b>	0.8%	4.2%
<b>Bad loans index (2015)</b>	11.6%	4.5%

Credit Crunch		
	Estimate 3-year period (2010-2012)	Annual average (2010-2012)
Emilia-Romagna	40,000,000 €	13,000,000 €
Veneto	25,000,000 €	8,500,000 €
Friuli Venezia Giulia	10,000,000 €	3,500,000 €
Trentino Alto Adige	15,000,000 €	5,000,000 €

## “Ex-ante assessment” *outcomes*



- **3-year period credit crunch** among the highest in absolute terms of the Italian regions which led to the estimation of a **gap between supply and demand** thus justifying the use of financial instruments to support credit in agriculture;
- **Loans** in the region amounts to approx. 12% of the national loan volume;
- Lower **incidence of bad loans** on loans guaranteed by Confidi (lower than the average in the North-western area and national average).

The financial instrument that could address the investment needs in the agricultural sector in the region is mainly represented by a **guarantee fund**.





# “Ex-ante assessment” *some recommendations*



- Focusing on a limited number of Measures (in the first stage of implementation);
- Strengthening the cooperation with the credit system;
  - Identifying training opportunities to expand human resources' skills on financial instruments;
- Identifying ad hoc working-groups devoted to analyse and possibly review the investment strategy;
  - Promoting the integration among the instruments;
  - Testing tranching cover in agricultural sector, on a few investment lines.



# Where we are with the RDP as at April 2018: 36 months of implementation



Resources for Tenders: **999 million**

85% of resources featured  
in RDP

Published tenders (*public announcements, technical assistance procedure, direct leader approach procedures*): **242**

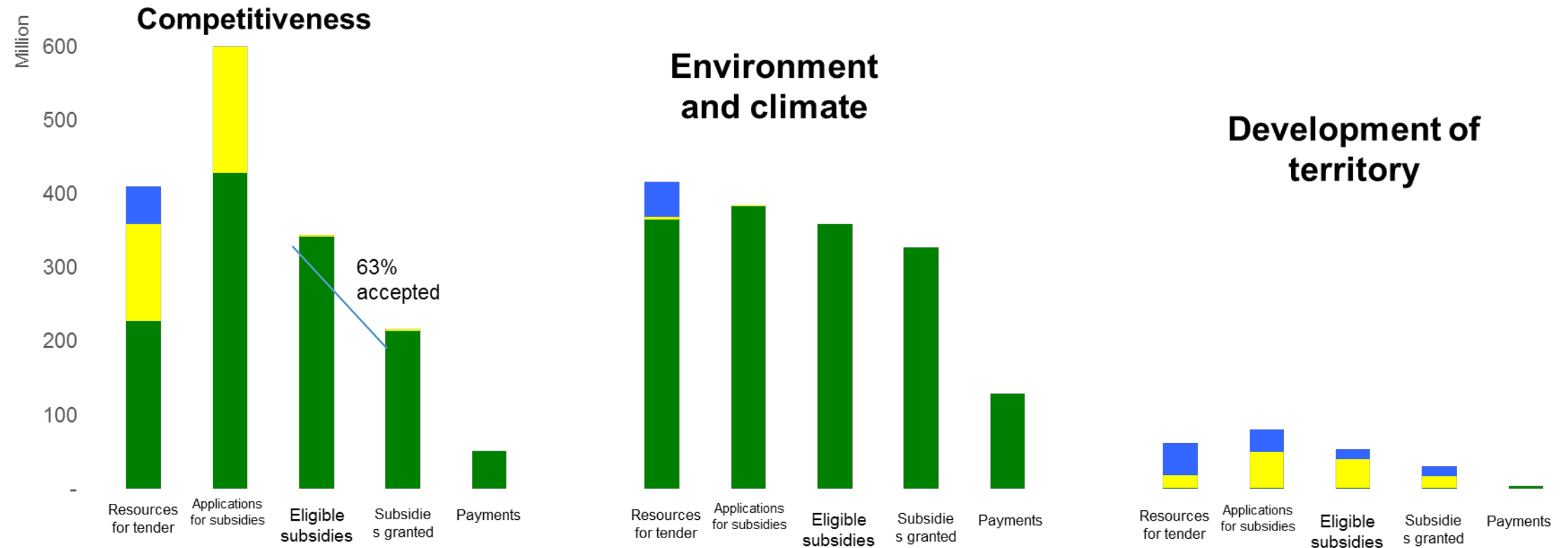
Subsidies applied for by beneficiaries: **1,2 million**

Potential investment volume: **1,7 million**

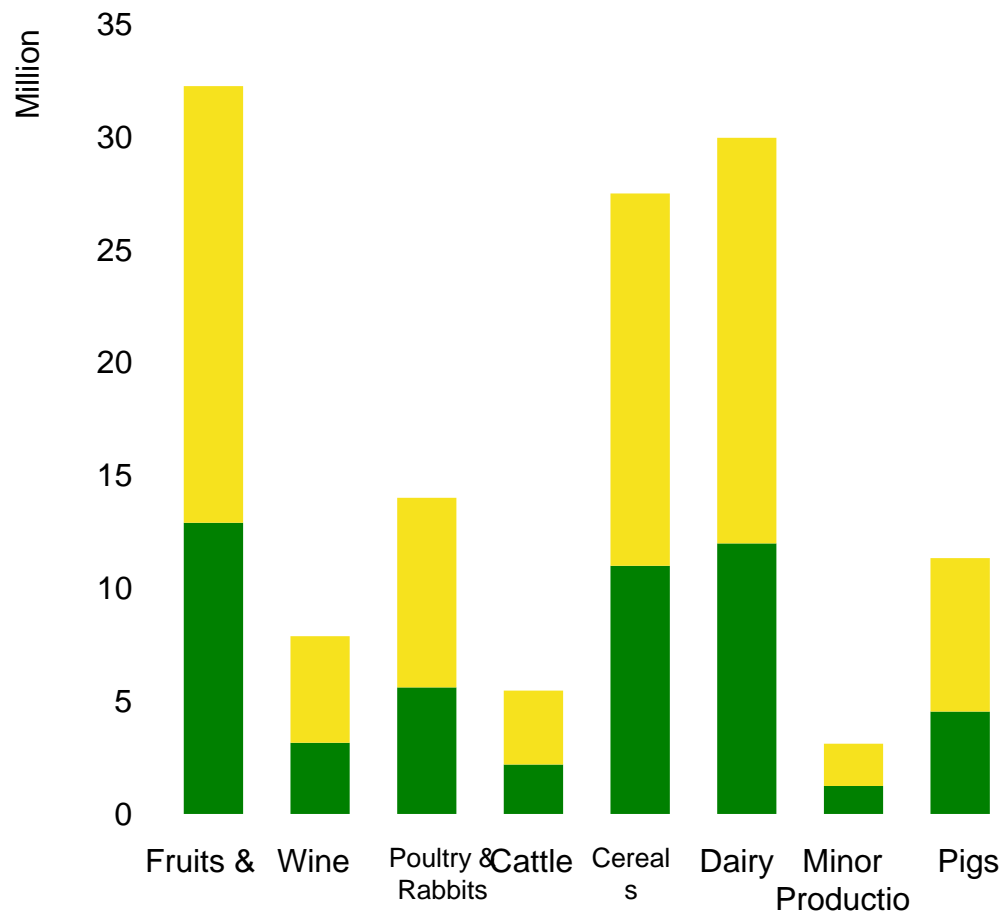
Granted: **612 million**

Payments: **240 million**

# Progress based on macro-themes



# Tenders «Investments in farms»



922 Eligible Projects

540 Funded Projects

Percentage  
granted  
59%

52,6 million of subsidies granted

ca. 140 million of investments activated

Leverage  
2.7%



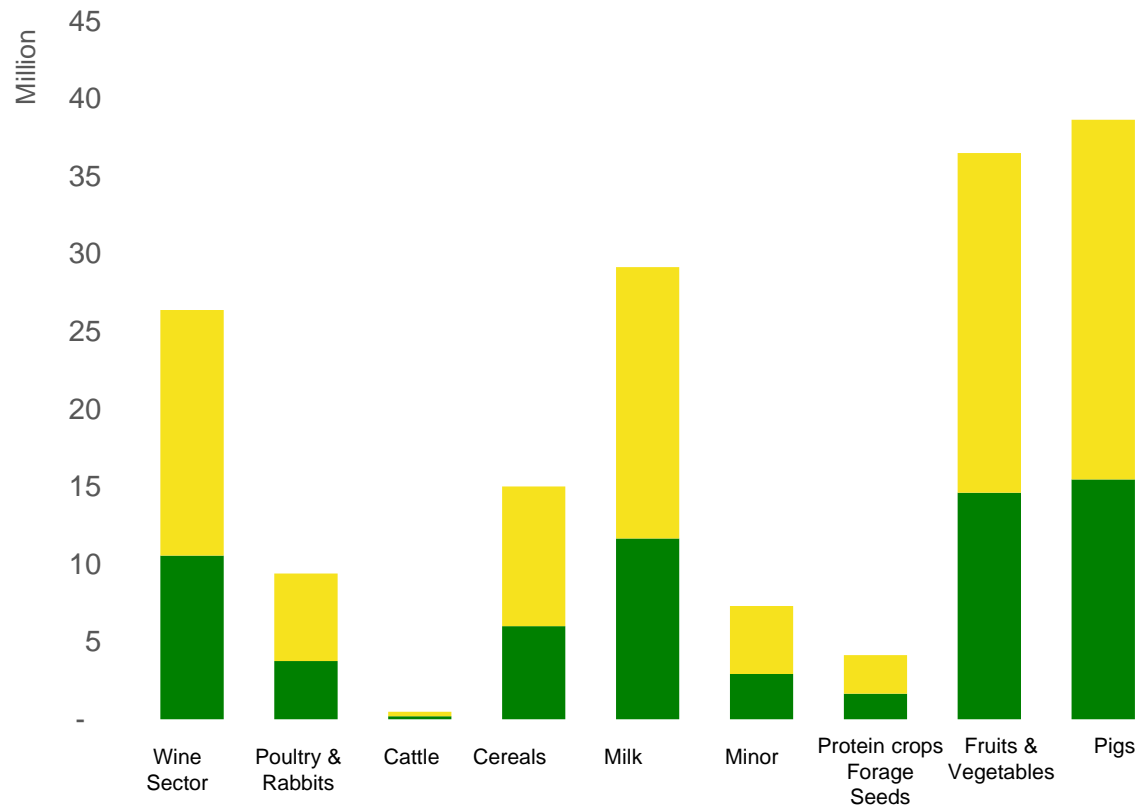
Investments activated  
Amounts Granted

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# Tenders «Investments in agri-food companies»



Amounts Granted  
Investments activated

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147 Eligible Projects

59 Funded Projects

Percentage granted  
40%

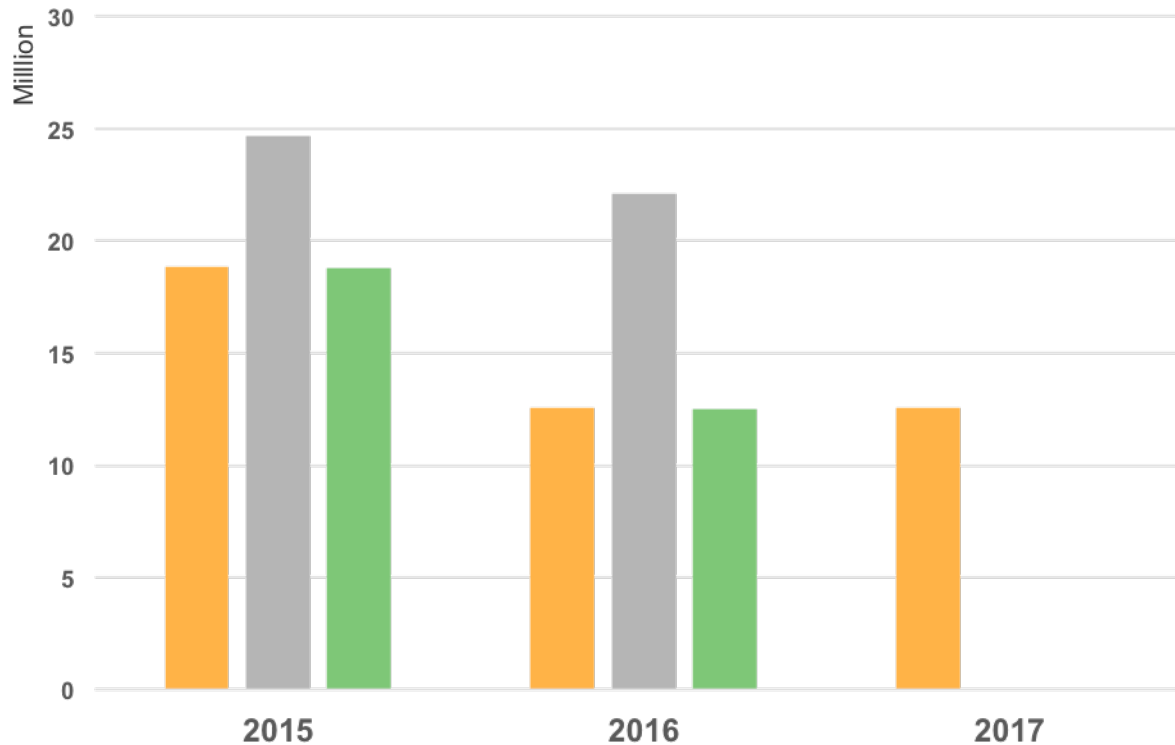
66,7 million od subsidies granted




ca. 179 million of investments activated

Leverage  
2.7%



# Tenders «Investments in young companies»



-  Resources for tenders
-  Eligible subsidy
-  Subsidy granted

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588 Eligible Projects

312 Funded Projects

31,2 million of subsidies granted

ca. 78 million of investments activated

Percentage  
granted  
53%

Leverage  
2,5%

# Tender «Value chain projects»



On-going procedures

No. value-chain projects	Types of operations	Number of applications	Investments (Eur)	Applications for subsidies (Eur)	Total availability (Eur)	Amount that cannot be served (Eur)
70	16.2.01	64	13,048,033	9,128,661	10,000,000	
	4.1.01	1.497	324,689,157	116,849,794	72,400,000	- 44,449,794
	4.2.01	127	144,257,323	50,490,063	53,364,000	
<b>Total</b>		<b>1688</b>	<b>481,994,513</b>	<b>176,468,518</b>	<b>135,764,000</b>	



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# The choice of the AGRI Platform



The Region decided to access to the AGRI Platform proposed by the EIF instead of a regional guarantee fund, in order to:

- attract **additional resources** in addition to those allocated by the RDP, thus benefiting from a financial leverage between 4 and 6.4% to be reached in the Region;
- **reduce the cost of bank financing** for farmers or agro-industry entrepreneurs: the selected financial intermediaries shall lower interest rates and/or collateral requirements;
- allow the provision of **working capital** to final recipients where strictly connected to the investments eligible under the financial instrument.



# «Garanzia Agri» a multi-regional platform

Emilia-Romagna, Veneto, Umbria, Puglia, Campania and Calabria signed the Funding Agreement in November 2017 establishing the Italian AGRI Platform;

The Platform is open to other Italian regions: **Piemonte** became part to the Platform in February 2018; **Toscana** is about to sign the Platform accession letter with EIF; other Regions are interested in joining the Platform.

The senior risk is covered by EIF and other third parties investors such as EIB and Cassa Depositi e Prestiti.



EAFRD	(EUR)
Calabria	10ml
Campania	10ml
Emilia-Romagna	6ml
Puglia	10ml
Umbria	6ml
Veneto	15m
Piemonte	5m
Toscana	9.8m
<i>total</i>	71.8



# Main features of the guarantee instrument



- Un-capped guarantee covering 50% of the risk of the new loans to final recipients
- Platform risk allocation among investors:
  - “subordinated risk (junior)” covered by the Region (using the RDP resources) in relation to the loans to final recipients originated in its territory,
  - “senior risk” covered by the EIF and the other senior investors (EIB and CDP).

## Leverage guaranteed at 4%

Resources invested (net of costs)		Risk	
5.4 ml	EIF	senior	50%
5.4 ml	Region – RDP	junior	50%
10.8	Financial intermediaries		
<b>21.6 ml</b>	<b>Platform in total</b>		

## Possible Leverage a 6.4 %

Resources invested (net of costs)		Risk	
6.3 ml	EIF	senior	68.51%
5.4 ml			
5.4 ml	Region – RDP	junior	31.49%
17.1 ml	Financial intermediaries		
<b>34.3 ml</b>	<b>Platform in total</b>		



# Beneficiaries and final recipients



- Beneficiaries: the **financial intermediaries** which will be selected by the EIF
- Final recipients :
  - **Professional farmers** (IAP) based on the definition of the national law  
*(type of operation 4.1.05 – Investments in farms with financial instruments)*
  - **Micro, small, medium enterprise and small mid-caps**, operating in the sector of processing and marketing of the products as per Annexe I of the Treaty on the Functioning of the European Union, with the exclusion of fishery products;
  - Professional **Farms** if the agricultural product to be processed and marketed is sourced outside the farm.  
*(type of operation 4.2.02 - Investments for agro-industrial enterprises with financial instruments)*



# Main steps to implement the financial instrument



Ex Ante Assessment

Allocation 6 ml Euro: P2A e P3A

Involvement of the surveillance committee and of the EC

Amended RDP Version 5.1 to add Operations (4.1.05 and 4.2.02)

Funding Agreement signature: Region (MA EAFRD) and European Investment Fund (EIF)

Application for support

On-going

Selection of financial intermediaries and signature of the operational agreements



# Conclusions



Main expectations from the implementation of the financial instruments:

- Disseminate the culture of financial instruments in the Region;
- Deploy a pilot project that thanks to the leverage effect is expected to serve a wide range of final recipients, especially farms;
- Make available to final recipients also working capital linked to the investment;
- Test the functioning of the financial instrument with a view to implement larger scale financial instruments in the future;
- Further increase the synergy and cooperation among regional, national and European institutions.



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financial instruments capacity building Farming  
Rural development funding agreement EU guidance  
added technical support co-financing ex-ante assessment final  
value seminars governance intermediaries recipients  
leverage EAFRD fi-compass case studies  
Agriculture thematic objectives Targeted coaching  
business plan equity  
advisory services RDP guarantees life cycle combination  
of support  
fund of funds loans microfinance CAP  
DG AGRI Agricultural products investment strategy EIB Group