



# Implementation of the financial instrument in the Rural Development Programme through the Agricultural Guarantee Fund

**Ryszard Kogut**, Deputy Director of Support for Farmers, Ministry of Agriculture and Rural Development, Poland

 #ficompass



# Basic documents:



- Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund, laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, and the European Maritime and Fisheries Fund, and repealing Council Regulation (EC) No 1083/2006 (Official Journal of the European Union L 373 of 31 December 2013). EU L 347/320, as amended) – Articles 37 to 46
- Regulation (EU) No. 1305/2013 of the European Parliament and of the Council of December 17, 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No. 1698/2005 (Official Journal of the European Union L 347/487, as amended) – articles 17 and 19
- Act of February 20, 2015 on supporting rural development with the participation of the European Agricultural Fund for Rural Development under the Rural Development Programme for 2014–2020 (Off. J. 2021, item 182)
- The Rural Development Programme 2014–2020

# Basic documents:



- The basis for starting the work on the financial instrument in the agricultural sector was the ex-ante appraisal of the appropriateness of using financial instruments under the Rural Development Programme 2014–2020 – an update was completed in February 2019
- EU co-financed financial instruments have been introduced in the Polish RDP 2014–2020 in 2019 with a budget of **EUR 50 million for guarantees**
- Agreement on Financing of the Financial Instrument in the Form of Agricultural Guarantee Fund concluded on July 30, 2019 between the Minister of Agriculture and Rural Development – the Managing Authority and Bank Gospodarstwa Krajowego
- In view of the COVID-19 pandemic, the financial instruments of RDP-2014–2020 were revised in May 2020, with easier access to working capital loans with guarantee and the possibility of obtaining interest-rate subsidy for a period of 12 months
- Budget increase of **EUR 18.6 million** for interest-rate subsidies

# FI budget



Total (PLN)		Guarantees (PLN)		Interest-rate subsidies (PLN)	
Total	EAFRD	Total	EAFRD	Total	EAFRD
291,800,000	185,672,340	207,500,000	132,032,250	84,300,000	53,640,090

Total amount (EUR)		Guarantees amount (EUR)		Interest-rate subsidies (EUR)	
Total	EAFRD	Total	EAFRD	Total	EAFRD
68,600,000	43,650,180	50,000,000	31,815,000	18,600,000	11,835,180

# Ex-ante risk appraisal for the application of the guarantee-like FI under RDP 2014–2020



The analysis was performed in order to fulfil the obligation resulting from the EU regulations, which require, in the case of establishing a guarantee instrument capitalised with the resources from the Common Strategic Framework Funds, to perform a complementary ex-ante appraisal of the guarantee risk (i.e. to estimate the guarantee disbursement rate) and to determine the expected multiplier effect of the application of the guarantee instrument. On the basis of the conducted study on the quality of the portfolio of loans granted to farmers and entrepreneurs in the agri-food processing sector, it was estimated that:

- 23% risk related to guarantee disbursement, assuming the share of loan guarantees in the target portfolio:
  - for farmers 30%
  - for agri-food processing 70%
- the value of the financial multiplier (financial leverage) has been estimated at 5.8, assuming that the average share of the guarantee in the loan secured by it is 75%
- on this basis, a credit growth of over PLN 1.1 billion was foreseen



# Main results of the ex ante appraisal:

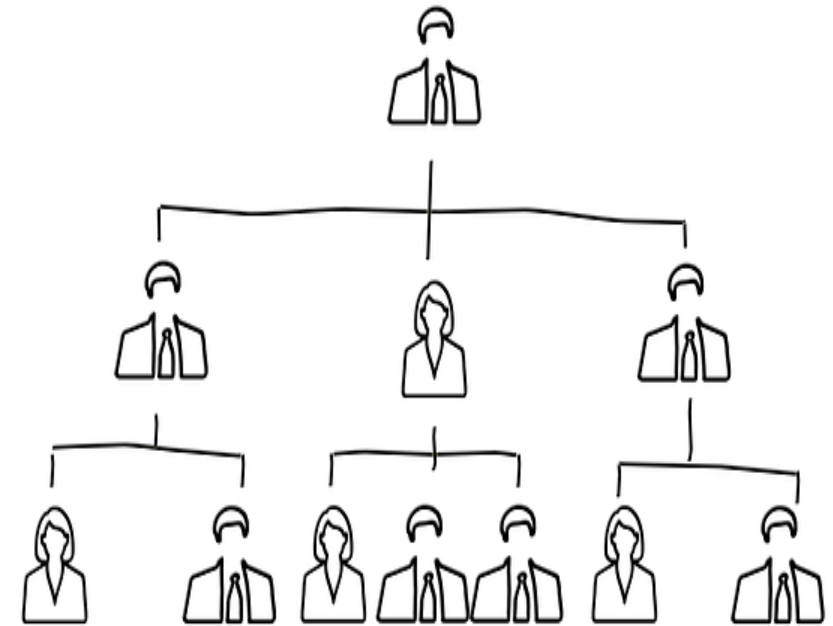


Estimated financing gap	approx EUR 2.77 billion
Suggested contribution of RDP to FI	not less than EUR 50 million
Final recipients (target recipients)	<p>SME sector under two types of sub-measures of RDP 2014–2020:</p> <p>4.1 "Support for investments in farms" for the operation type "Modernisation of farms"</p> <p>4.2 "Support for investment in the processing, marketing and or development of agricultural products" for the operation type "Processing and marketing of agricultural products".</p>
Instrument type:	<p>a guarantee with a maximum guarantee amount:</p> <p>PLN 5 million (farmers) or</p> <p>PLN 10 million (processors)</p>
Type of State aid:	<ul style="list-style-type: none"> <li>– State aid under RDP</li> <li>– de minimis</li> </ul>
Guarantee amount:	– up to 80%
Loan period:	<ul style="list-style-type: none"> <li>– up to 183 months for investment loans</li> <li>– up to 51 months for working capital loans</li> </ul>

# Organisational structure



- Ministry of Agriculture and Rural Development – the Managing Authority
- The Agency for Restructuring and Modernisation of Agriculture (ARMA) – the Paying Agency
- Bank Gospodarstwa Krajowego – the Implementing Entity
- Lending banks – commercial/co-operative banks



# Implementation steps



- July 2019 – signing of the financing agreement with BGK
- Signing of BGK operational agreements with lending banks September – October 2019
- First loan with guarantee from AGF granted in November 2019
- Annex to the funding agreement with BGK introducing amendments in relation to COVID-19 (working capital loans without the need to combine them with investing activities along with interest-rate subsidies) – May 2020
- BGK starts signing annexes with commercial banks – June 2020
- In June 2020, the first "COVID-19" loan was granted
- Additional marketing campaign including national television and the creation of the official FI logo – November 2020
- Webinar on the FI in PL organized by BGK for banks / media / potential recipients – 2020
- Annex no. 2 concerning the extension of the term for granting COVID-19 working capital loans – January 2021



# Changes in view of COVID-19



To mitigate the impact of the COVID-19 pandemic, changes were made to the guarantee instrument and interest-rate subsidies on working capital loans were introduced:

## Working capital loan:

- for financing day-to-day operations with interest-rate subsidies up to 2 p. p. (for a period of 12 months) and a guarantee of their repayment
- no need to combine a working capital loan with investing activities under RDP
- no need to document expenditures (funding of current expenditures)
- introduction of a working capital loan on running account (overdraft limit)

Budget increase of EUR 18.6 million for interest-rate subsidies on working capital loan

# Information and promotional activities

The Ministry's campaign for the dissemination and promotion of the Agricultural Guarantee Fund as a financial instrument providing support to farmers covered

- production and TV broadcast of an information and educational spot on the Agricultural Guarantee Fund between October and November 2020
- preparation and distribution of an informational poster and banner to be presented on the websites and social media sites of the Ministry of Agriculture and Rural Development, its subordinated and supervised entities, agricultural chambers, etc.



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Więcej informacji wraz z listą banków kredytujących znajdziesz na: [WWW.BGK.PL](http://WWW.BGK.PL) **Zadzwoń: 801 598 888 lub (22) 475 88 88**

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# What in the new perspective...?

In draft Strategic Plan – a preliminary proposal



- Continuation of the FI support to **farmers** (Investments in farms to enhance competitiveness) and **processors** (Development of cooperation along the value chain, including through the involvement of agricultural producers in the sector of agricultural product processing and improving its competitiveness);
- Extension of the scope to include on-farm investment in the field of RES and energy efficiency improvement, and investments contributing to environmental and climate protection.

Under the new perspective, the Ministry of Agriculture and Rural Development commissioned an additional analysis on the legitimacy of the application of financial instruments (e.g. loan guarantees, loans) in the new programming period. The outcome of this analysis will be taken into account in the next version of the CAP Strategic Plan 2023–2027 for the final design of the financial instruments.





Thank you!

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