



The added value of guarantees for the agricultural sector - the Italian experience

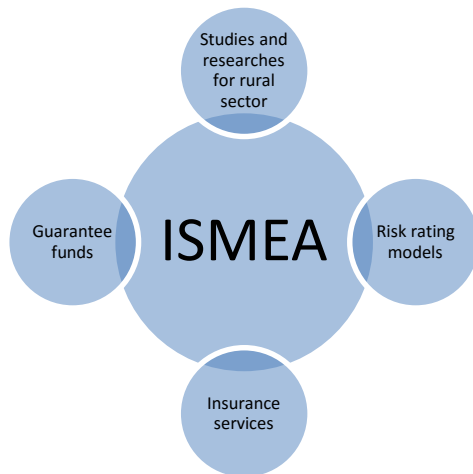
13 June 2016





ISMEA

- Established as a Public Economic Body in May 1987
- Supervised by Ministry of Agricultural, Food and Forestry Policies (MIPAAF)
- Included within the National Statistics System (SISTAN), and takes part in the National Agricultural Information System (SIAN)
- Releases studies and researches and performs information activities on agro-food markets
- Promotes and supports **young entrepreneurs** for their initial setting-up in rural business (zero interest rate loans – ISMEA/EIB agreement)
- Provides **insurance services**
- Offers **technical assistance** to central and regional administrations
- Carries on credit **rating activities** on agricultural holdings
- ***Creates credit and financial guarantee instruments to the benefit of agricultural holdings***





First call guarantee fund

Started-up in 2008

A preliminary
assessment is
needed

If the guarantee
is granted then
it cannot be
cancelled or
revoked

During the
assessment the
expected
default rate is
calculated and,
on this basis,
the guarantee
fee is
communicated
to the borrower

The guarantee

Short,
medium
or long-
term loans

Cap

Up to 70% of
the loan
amount (**80%**
**for young
entrepreneurs**)

1 million euros
(micro and
small
enterprises)

2 million euros
(medium
enterprises)



First call guarantee fund

Non aid scheme. The farmer pays a one time fee that is tuned to:

- The risk taken by the fund
- The loan maturity

The fee covers:

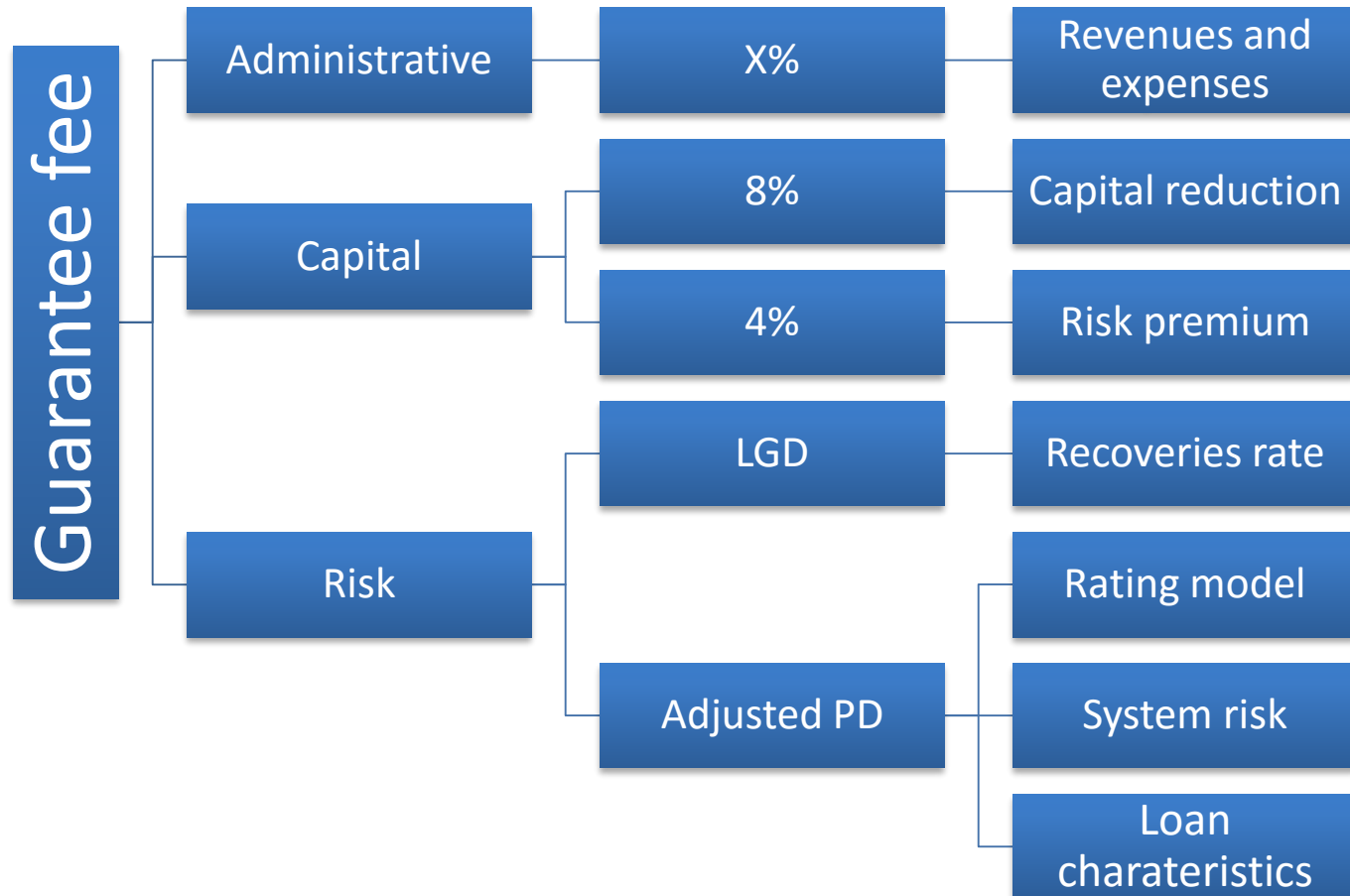
- Risk expenses (based on expected probability of default)
- Administrative costs (flat percentage set up yearly)
- Equity reduction remuneration (based on the European Commission communication)

State counter-guarantee:

- For ISMEA the State counterguarantee is foreseen by a decree
- The State surrogates the Guarantor (ISMEA) just in case of lack of financial resources
- It is meant as a 'last resort' guarantee
- No payment from the State is foreseen in case of guarantee cancellation or revocation

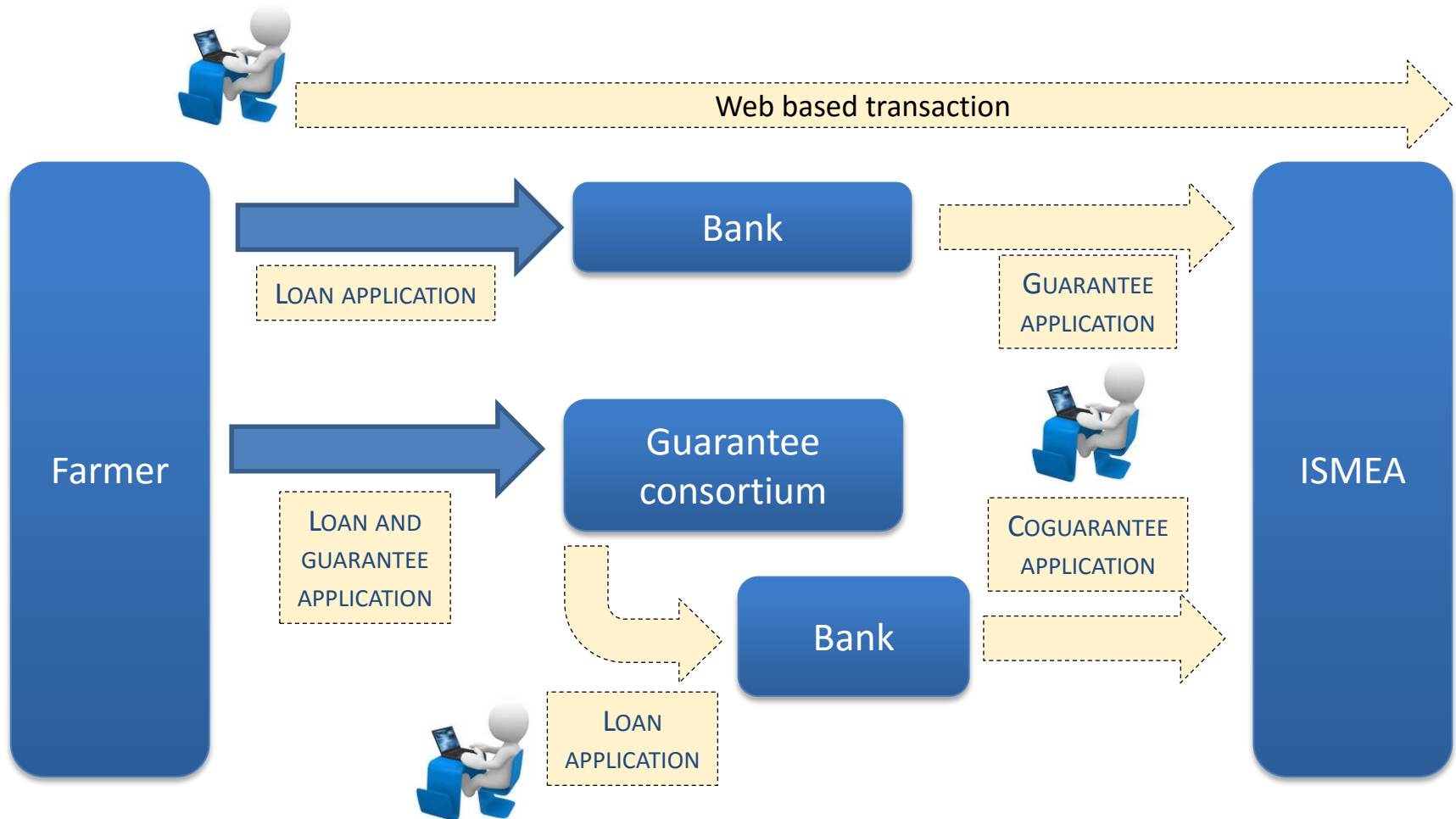


Price calculation method





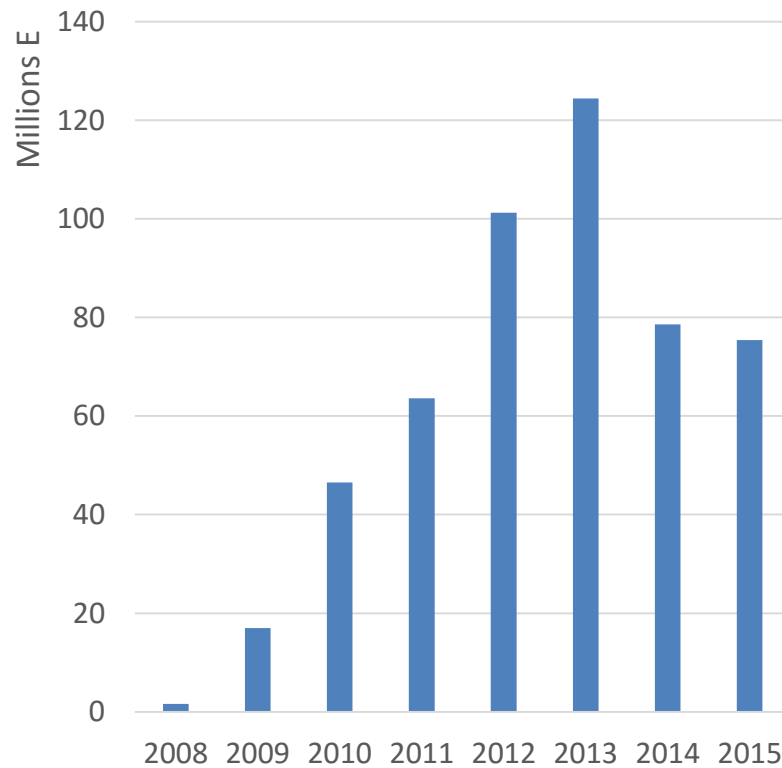
Business model



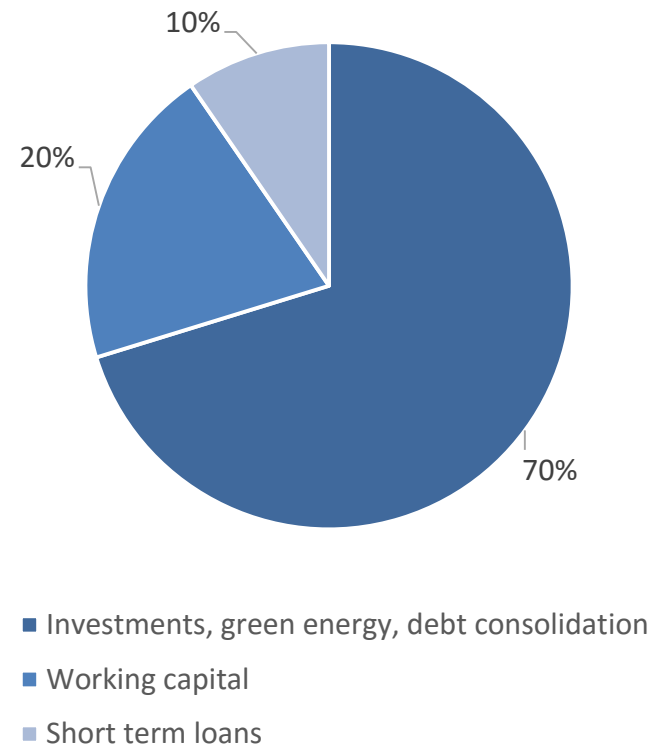


Some figures

Guarantees requested

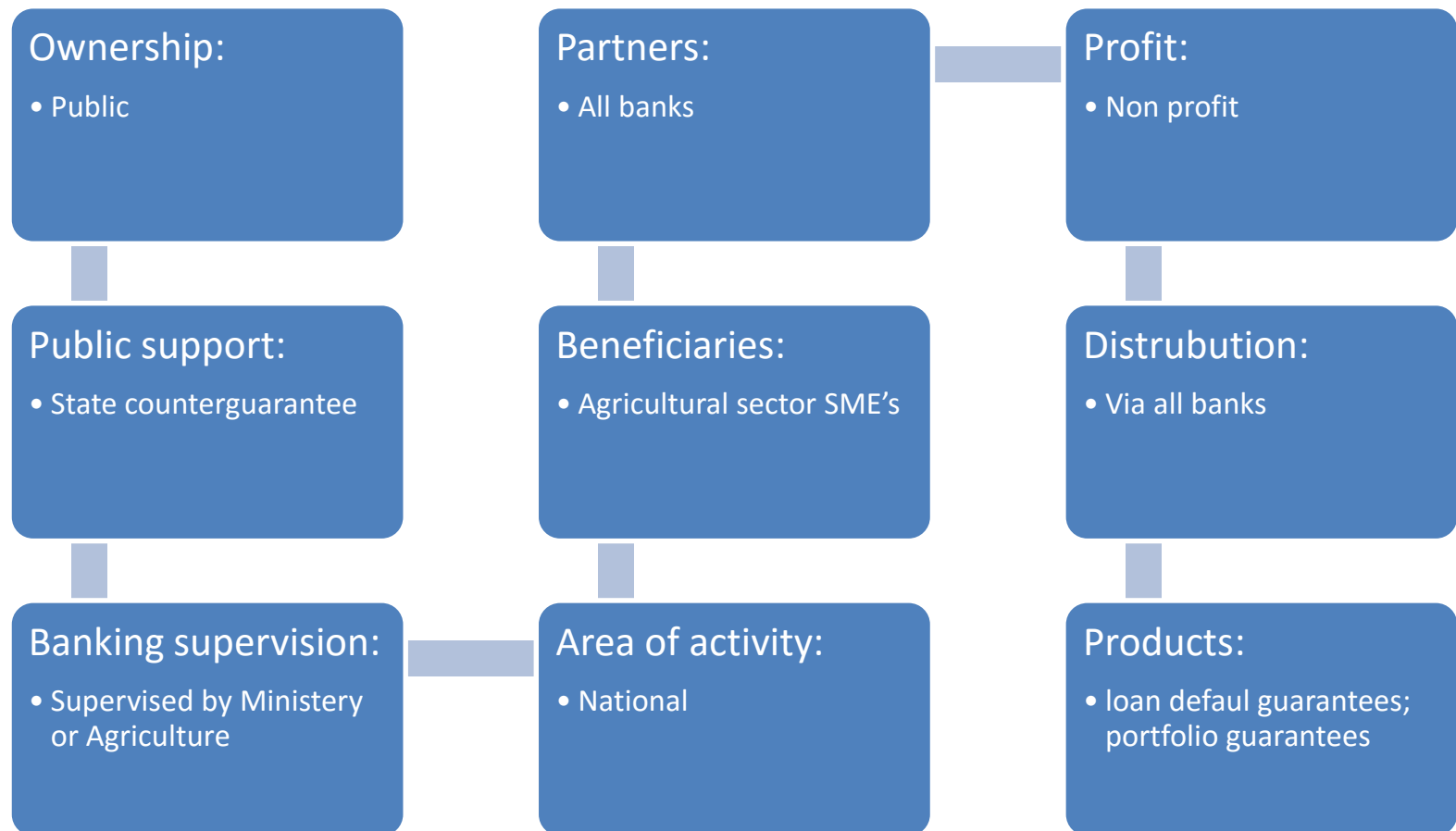


Guarantees portfolio



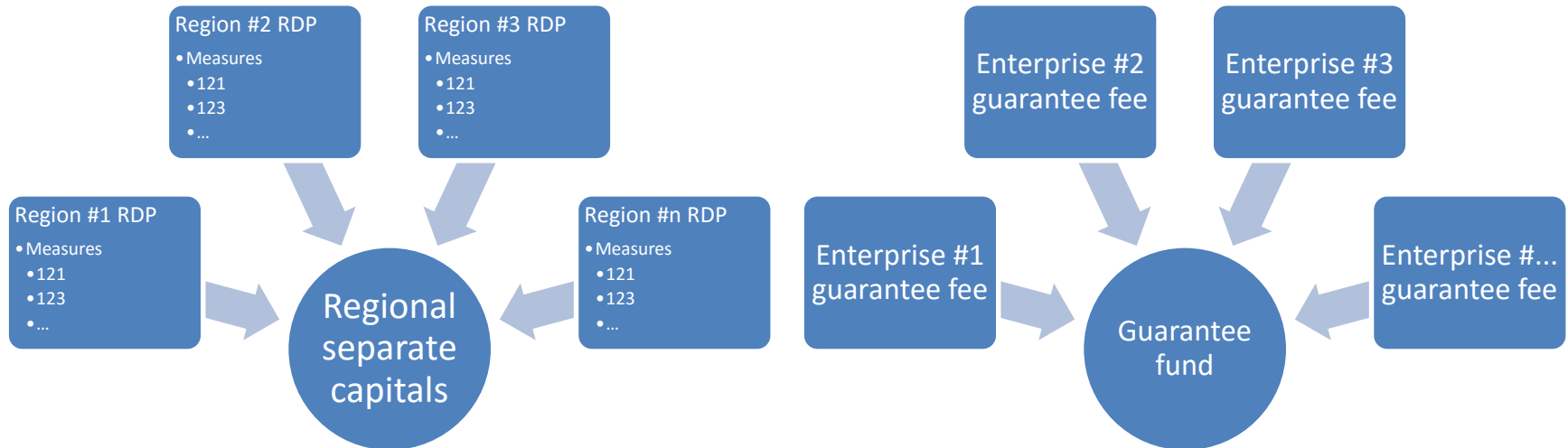


ISM EA Guarantee fund ID



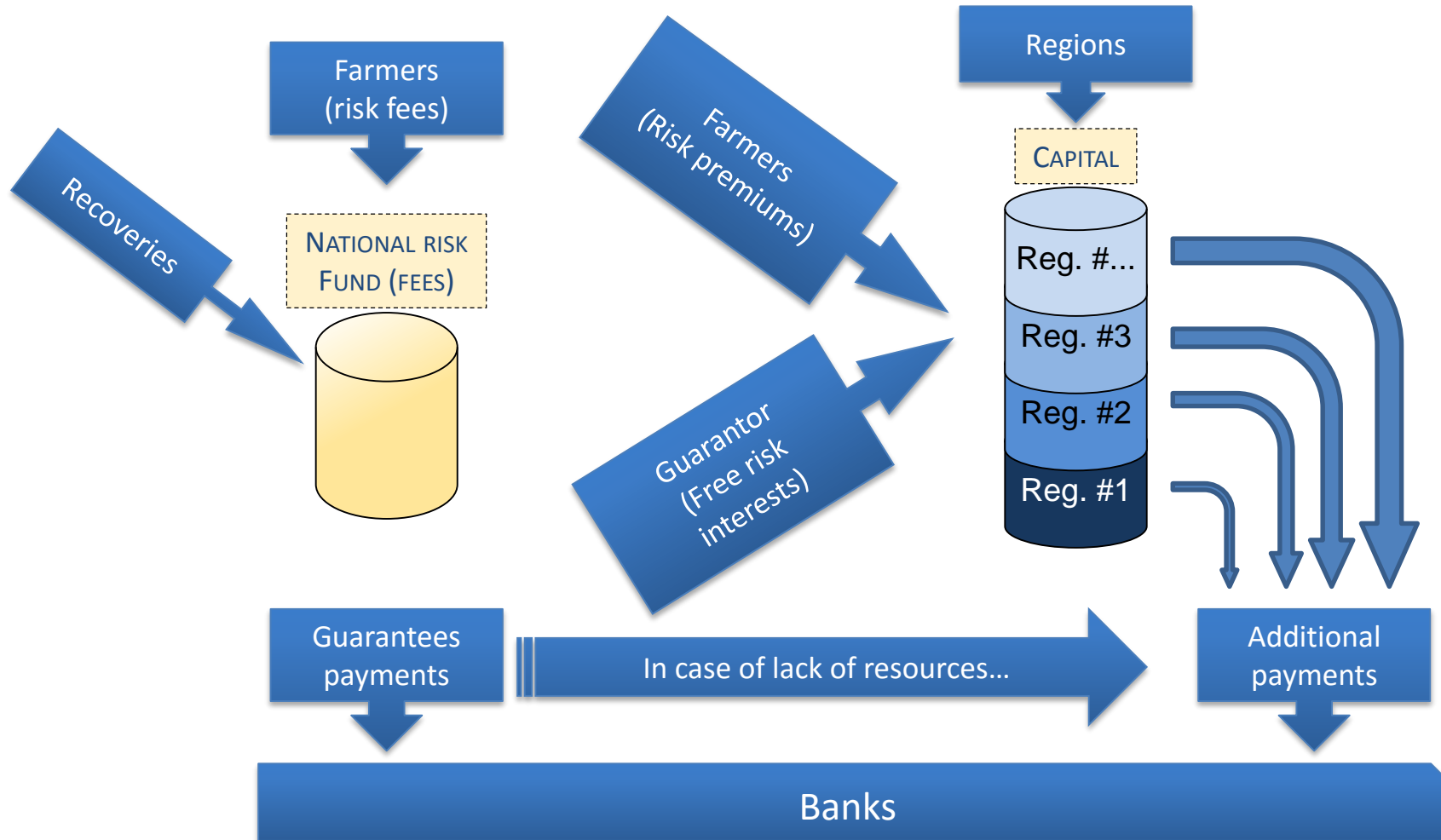


National fund and Regional RDP 2007 - 2014





National fund and Regional RDP 2007 - 2014





Lessons learned



Ex ante assessment. Assess the market failure, define the issues and set the solution. One issue, one financial instrument

Financial leverage. The financial resources recovered (not only) at the end of the programming period can be used more than one time

Increase of the project success probability. Less credit crunch risk. Partnership with the financial intermediaries.



Why financial instruments

Financial leverage

- A higher number of beneficiaries can be reached with the same amount

Revolving resources

- Once the loans are fully repaid, the resources can be used by the MA for other purposes

Financial discipline

- Both the lender and the guarantor are interested in the success of the investment



Thank you

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