

The added value of guarantees for the agricultural sector

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AECM – The European Association of Guarantee Institutions



Founded in 1992 by 5 members from

- Belgium, France, Germany, Italy & Spain

In 2016

- 41 members in 25 countries (21 = EU)

Total volume of outstanding guarantees (end of 2015)

- approx. 81.6 billion EUR

Number of outstanding guarantees (end of 2015)

- around 3.1 million guarantees

Number of AECM members working in the agricultural sector

- 21 member out of 41

AECM's mission



**Representation of
interests of
member
organizations**

(particularly at EU / EIB
/ EIF level)



**Platform to
exchange best
practices /
knowledge /
experience among
the members**

(also around the world)



**Promotion of the
guarantee
instrument at all
levels**

(EU / OECD / World
Bank / FAO / G20...)



AECM's members: types of ownership



- **Fully mutual, i.e. entrepreneurs**
e. g. SOCAMA/France, Confidis/Italy
- **Funded by private bodies who are representing businesses or have a strong interest in SMEs**
e.g. VDB/Germany
- **Fully public**
e.g. aws/Austria, ACGF/Lithuania, KredEx/Estonia
- **Mixed, i.e. private / mutual and public elements**
e.g. SPGM, SGM/Portugal; SGR, CERSA/Spain;
MCAC/Luxembourg

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ACGF - The Agricultural Credit Guarantee Fund



- Established in **1997**
- Legal Form – **Closed Stock Company, Ltd**
- Operating as a **financial institution**
- ACGF guarantee scheme **is notified as not state aid** guarantee scheme
- In **partnership with 87 financial institutions** such as banks, credit cooperatives and leasing companies

Why a credit guarantee?

Access to finance

Improvements in
lending
conditions

Credit history
for economic
entities

Risk sharing with
credit institution

Specialized
knowledge in
risk assessment

Capital relief for
the banks

Efficient way to
implement
policy objectives

Leveraging and
recycling of EC
and public funds

Building synergies between State and Market



- ACGF has a long standing experience in the Primary sector and Agri-business
- Has a role of aligning policy objectives with market needs through efficient instruments
- State ownership - 100 % - Ministry of Agriculture (MoA) responsible for the supervision of ACGF
- Initial capital from the State and PHARE
- Fulfilment of the ACGF guarantee liabilities is ensured by the State

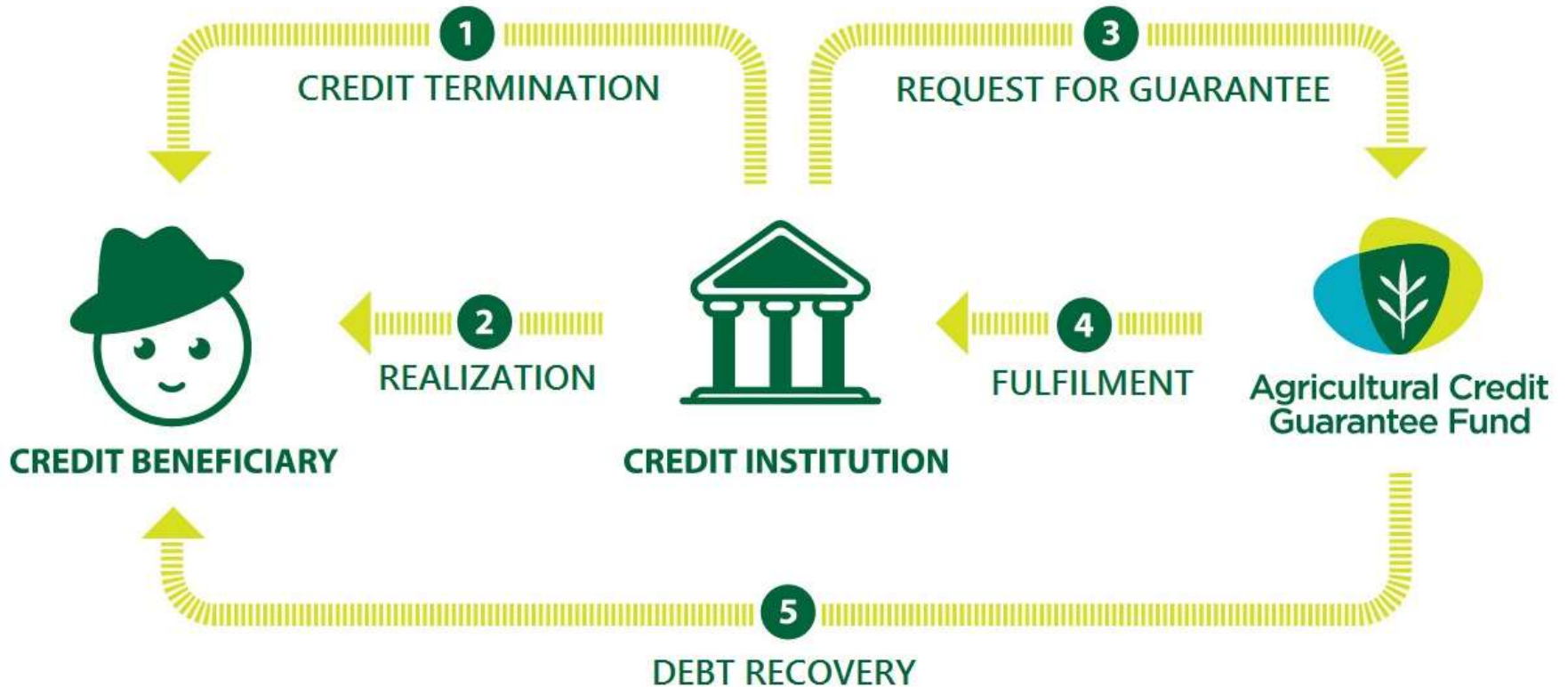
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Business model



In case of default



Administrative needs

- The implementation of guarantee schemes requires a flexible yet efficient organizational structure
- Requires close proximity to the market and the needs of the beneficiaries
- But also administration and implementation capacity
- Administrative tasks include:
 - ✓ Guarantee applications
 - ✓ Cooperation agreements with financial institutions
 - ✓ Management of guarantee fees
 - ✓ Monitoring
 - ✓ Marketing of instruments and raising awareness
 - ✓ Management of risk and defaults-recoveries

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ACGF guarantee



- ACGF guarantee: **investment/working capital/ start-ups/ fishery /leasing**
- **Maximum 80 %** guarantee coverage - average coverage ratio 60 %
- **Maximum guarantee amount** per beneficiary **€ 1.16 million** - average guarantee € 78 000
- Duration is coherent credit duration - average 4.5 years
- ACGF fulfilled 165 guarantee liabilities to the banks and paid out € 9 million, recovered € 1.3 million
- **Guarantee fee: depending on risk** and other factors – average **2.8-3 %** (a one-off guarantee fee)

Credit Fund - Preferential Loans



- Established in 2009
- Funds: **€ 39 million** (75 % EAFRD + 25 % National Budget)
- Availability: **only for investments under 2 RDP measures**
- **Indicators**
 - ✓ Maximum credit maturity – 7/10 years
 - ✓ Maximum amount – € 300 000/€ 4 million
 - ✓ Bank's margin could not exceed 3 %, administrative fee – 0.5 %,
 - ✓ 100 % risk of Financial Intermediaries
- **Results**
 - ✓ 18 financial intermediaries, 475 credit agreements for € 39 million
 - ✓ Average: credit amount – € 83 thousand, credit interest rate – 3.9 %, credit maturity – 4.5 years

Upcoming Instruments



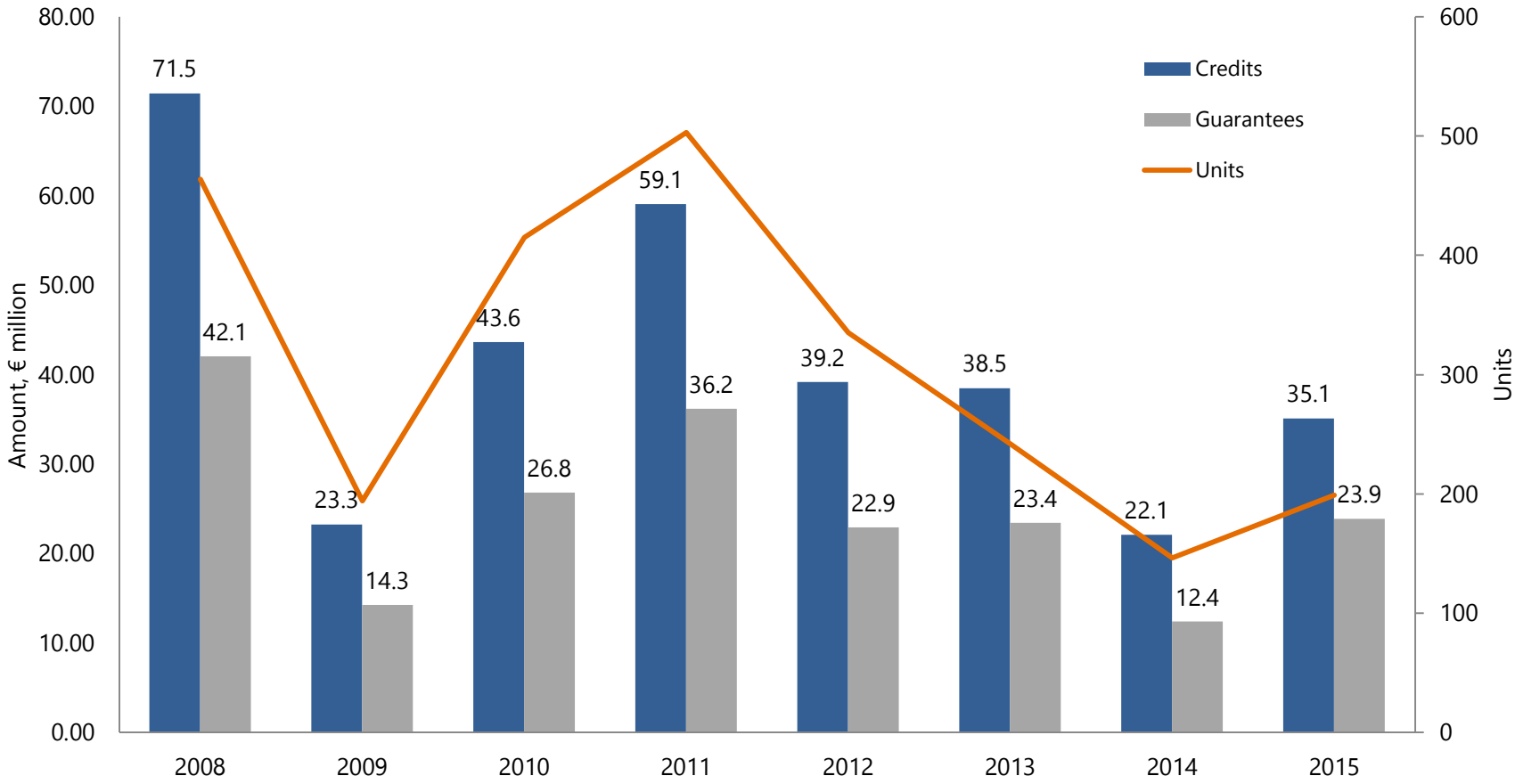
Reflows Fund

- Ex-ante assesment: Ernst & Young Baltic. Direct contact with stakeholders of the sector
- GAP: **milk sector's beneficiaries**
- Type of financial instrument: **Loan Fund** managed directly by the ACGF
- Planning Fund: **€ 6 million** (reflows from 2007-2013 RDP financial instruments)
- Target figures : **working capital loan, up to € 25 000, 2 years duration, preferential interest rate**
- **Possible risk sharing** scheme and private investment

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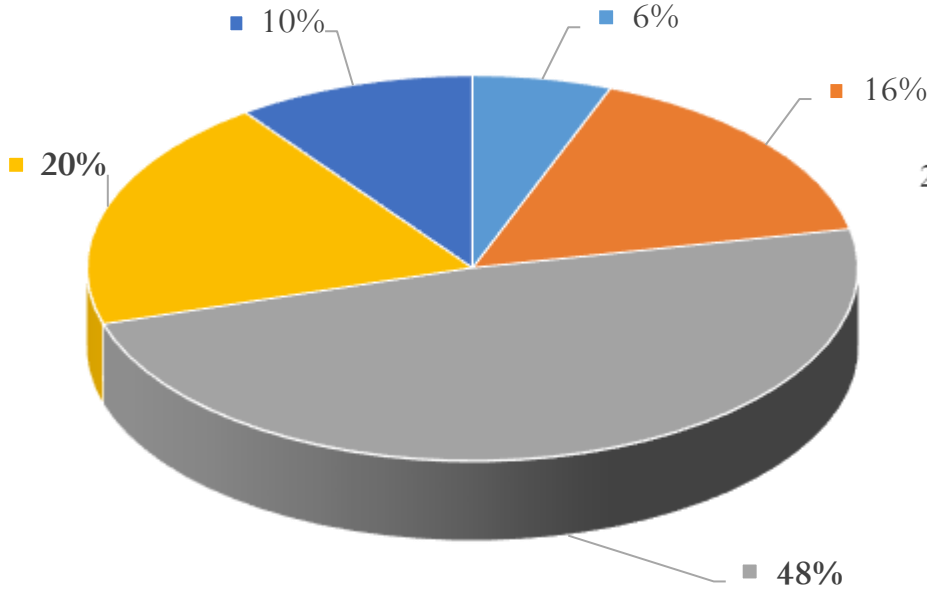
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Some figures



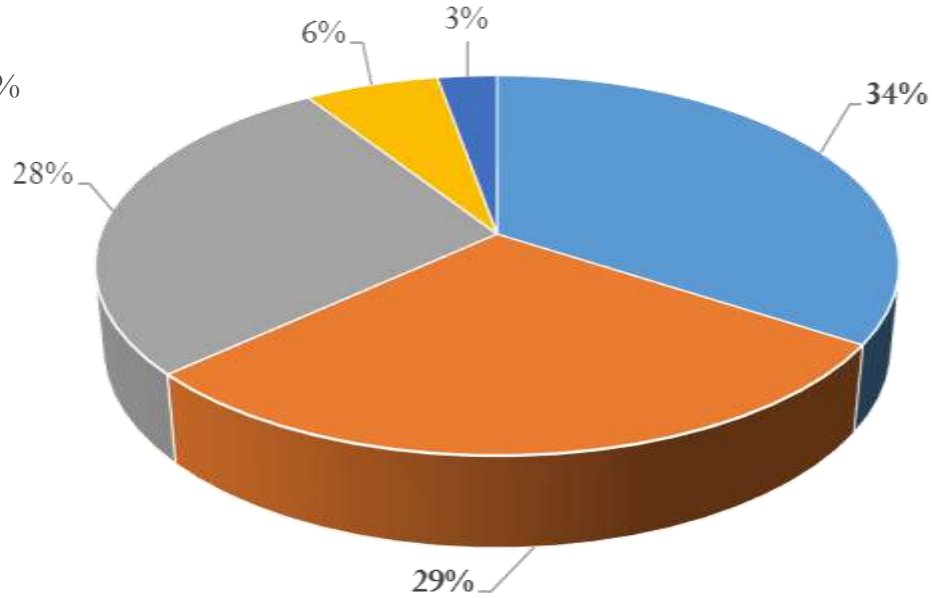
Portfolio analysis (last 5 years)

By guaranteed credit duration



■ 0-1 years ■ 1-3 years ■ 3-5 years ■ 5-7 years ■ more than 7 years

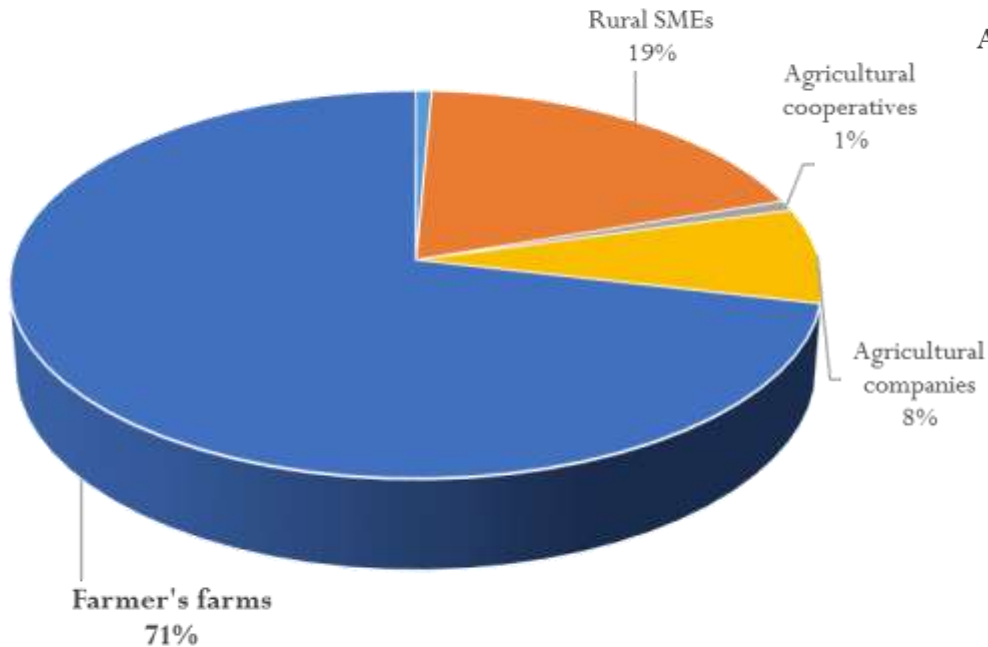
By guaranteed credit amount



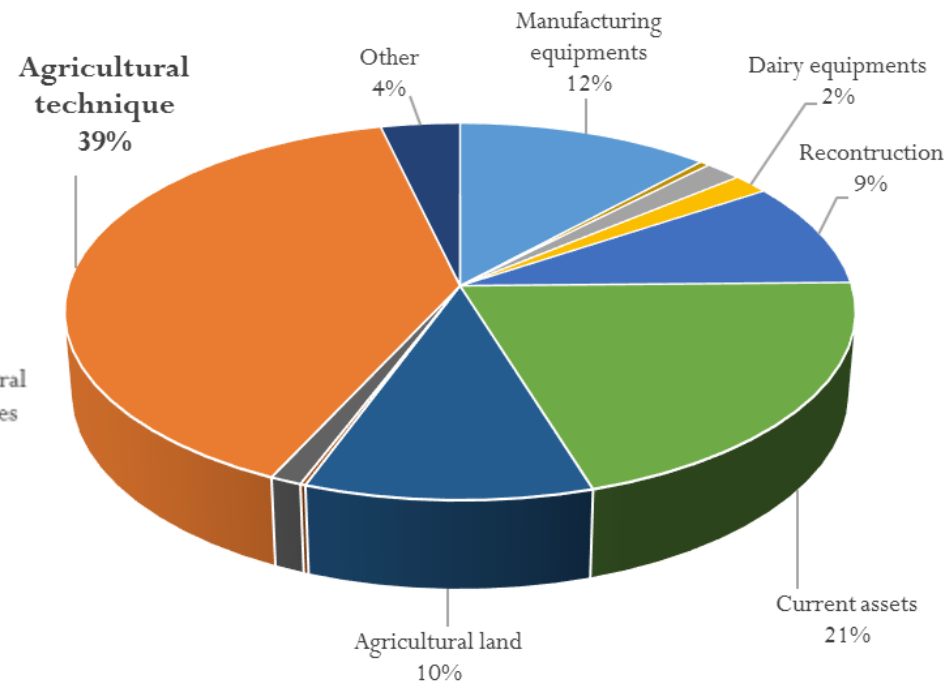
■ 0-50.000 ■ 50.000-100.000 ■ 100.000-300.000
 ■ 300.000-700.000 ■ over 700.000

Portfolio analysis (last 5 years)

By beneficiary type



By credit purpose



Key elements of success



Expertise in financing agricultural sector

Simplified procedures

Solid evaluation of the projects

Partnership with almost all financial institutions

Many years of experience

International experience (membership in AECM)

Contacts of ACGF



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