

The European Bank for Reconstruction and Development

Financial Instruments in Agribusiness: EBRD and
International Experience with Guarantee Instruments

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“Towards Open and Evidence based Land Reform in the Ukraine”

04 December 2017



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EBRD key statistics



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Objective: To foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative.

Key facts

Established in **1991**

Capital base of **€30b**

Owned by **66 countries** + EU + EIB

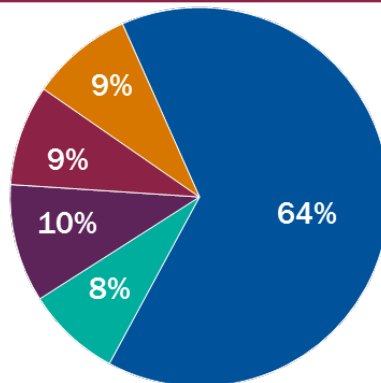
Active in **38 countries**

Triple A rating

Private sector & policy reform

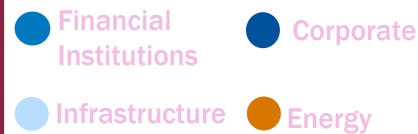
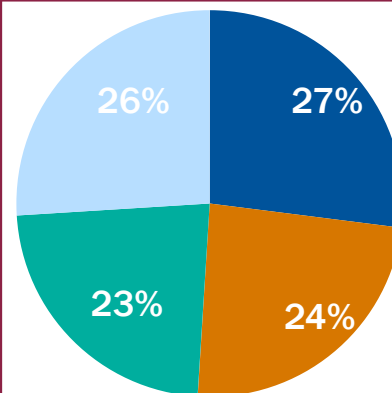
80% of investment in **private sector**

Ownership



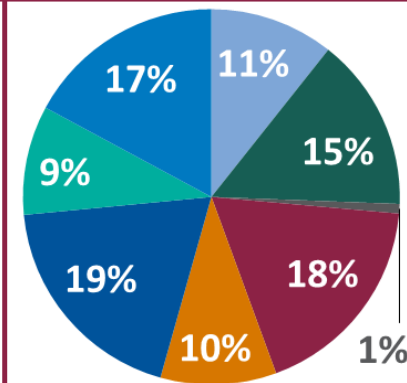
As at January 2017

Sector focus



As at January 2017

Region focus



As at January 2017

Agribusiness at the EBRD



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€11.74bn
invested through
608 projects
since 1991

Active **portfolio**
of **215 projects**
or **€2.9 billion**

2016:
€817 million
invested through
51 projects
in **31 countries**



What we do:

- Direct financing for companies (e.g. farms, cooperatives as well as food manufacturing companies)
- Client advisory support
- Focused policy dialogue with authorities to improve legislation
- Facilities at national level combining credit lines and TC

The end product is usually a loan combined with advisory support to farms / beneficiaries

International Experience with National Guarantee Schemes



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Examples of national Guarantee Funds specializing in the Agricultural Sector



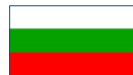
ISMEA Italy



FGCR Romania



AVHGA Hungary



National Guarantee Fund Bulgaria



ACGF Lithuania



HAMAG-BICRO Croatia



Agrogarante Portugal



ALTUM Latvia



MES Estonia

Overview of existing National Guarantee Funds



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Types of ownerships

- Fully Mutual-cooperative structure (SOCAMA France, Confidi Italy)
- Funded by private bodies who represent SMEs or have strong interest in SMEs (VDB Germany)
- Fully Public (ACGF Lithuania, Kredex Estonia)
- Mixed combining private public and mutual (SPGM Portugal)

Diverse legal forms

- Cooperative Societies (Confidi Italy)
- Limited liability companies (German Guarantee Funds)
- Funds (Romanian Guarantee Fund)
- Development Banks or Agencies (Invega Lithuania)

Types of Guarantees

- Individual or portfolio guarantees
- Guarantees for investment or working capital loans, leasing, factoring, exports/imports

The Agricultural Credit Guarantee Fund, Lithuania



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- Established in 1997
- State ownership - 100 % - Ministry of Agriculture (MoA) responsible for the supervision of ACGF
- Initial capital from the State and PHARE
- Legal Form – Closed Stock Company, Ltd
- Operating as a financial institution
- In partnership with 87 financial institutions such as banks, credit cooperatives and leasing companies
- ACGF has a long standing experience in the Primary sector and Agri-business
- Fulfilment of the ACGF guarantee liabilities is ensured by the State



- ACGF guarantee: investment / working capital
- 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)

Benefits of Guarantee Schemes



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Access to Finance

Improving lending conditions

Creating Credit History for Companies

Risk Sharing with Banks

Specialized knowledge in risk assessment

Capital Relief for Banks

Efficient Way to Reach Policy Objectives

Recycling of Public Funds

Challenges for Guarantee Schemes



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- **Legislative Framework:** A successful scheme requires up to date legislative frameworks focused on companies and commercial loans. Usually old fashioned legal frameworks were created to protect individual guarantors. These old frameworks discourage banks from participating in such schemes.
- **Credibility:** Credibility and good rating of the guarantor is necessary. Banks will only participate if they will achieve capital relief on the one hand but also if they are certain that they will receive the money in case of default.
- **Consultation:** Extensive consultation is required with the banking sector and other stakeholders to create the right scheme. Details such as the level of down-payment after a default or the requirements imposed to banks (interest rates of loans-collateral requirements) can prove critical.
- **Marketing:** Guarantees are not always known in a market so it is necessary to inform the market and more importantly the beneficiaries for the existence of such instrument and which banks are providing guaranteed loans.
- **Capacity building/Technical support:** Especially in the agricultural sector it is important to provide such support to banks (and bank branches in rural areas) and beneficiaries to help them apply for a loan and create a business plan.