

“Financing opportunities for projects in agriculture and rural areas – The Investment Plan for Europe”



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Development of the investment idea

No offer of guarantee schemes for agricultural enterprises

- gap in the support of small and medium-sized enterprises (SME's)

No offer of guarantee schemes for non-commercial horticulture businesses

Rentenbank offers as conveyor advances with favourable interest rates through house banks

- Offer of an effective instrument with a reduced risk for house banks

Generally, access to and advice on loan for agricultural operations is still good

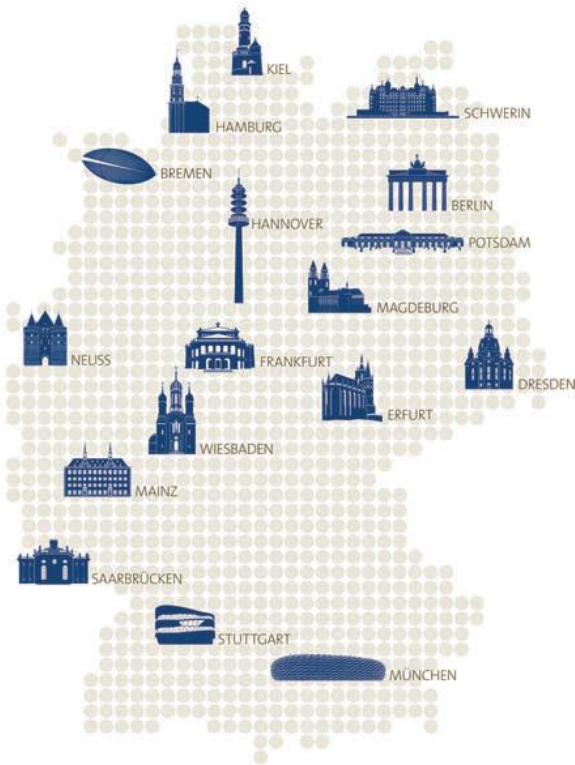
Agricultural companies are targeted customers of credit banks / savings banks

Farmers' association and agricultural bank/chambers see need for guarantee

schemes in the future

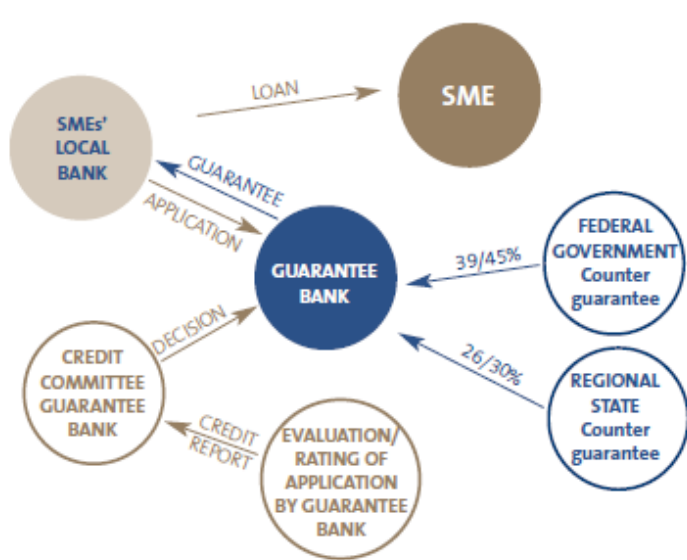
The German guarantee banks

Guarantee banks in Germany



- Guarantee banks support small and medium-sized companies (SMEs), as well as founders of new business enterprises, in their respective federal state.
- The association of German guarantee banks (Verband Deutscher Bürgschaftsbanken, VDB) represents 17 guarantee banks (Bürgschaftsbanken) in Germany
- It represents their interests towards government, politicians, industry and the general public.
- The VDB is a member of the [European Association of Guarantee Institutions \(AECM\)](#).

The German guarantee banks



Distribution of guarantees according to sector

24 %	CRAFTS
23 %	OTHERS / SERVICES
22 %	TRADE
11 %	INDUSTRY
9 %	FREELANCERS
8 %	HOTELS/CATERING
2 %	TRANSPORT
1 %	HORTICULTURE

A guarantee bank will grant guarantees for any type of short-, medium- and long-term loan: Guarantees may be as high as Euro 1.25 million per company

Guarantee banks provide guarantees for commercial enterprises and freelancers

Guarantee banks operate in a competitively neutral way

The government of the Federal Republic of Germany and the governments of the federal states provide counter-guarantees.

Guarantee banks support approximately 50,000 companies with a total of Euro 5.8 billion.

History, recent and future developments, especially with regard to SME lending

Principle of subsidiarity/promotional mandate

- Part of general funding law → self-help approach
- The granting of state assistance should always be subordinated to self-help
- Services provided by the federal government/state may only close existing financing gaps (market failures)
- Promotional mandate: “to reduce size-related disadvantages faced by small and medium-sized enterprises regarding access to finance and to thereby increase their growth and innovative capacity as well as to allow them to change their structure including setting up businesses”

Implementation at the Bürgschaftsbank

- Existing standard bank collateral must be used appropriately
- This is usually in the form of personal liability (sureties)
- Further approaches: building up of equity/restrictions on withdrawals
- Integration of network know-how

Characteristics of the products offered to SMEs (purpose, maturity, collateral requirements, etc.)

Financing phases:

- **Setting up businesses** (start-ups, franchises) - scope: total investment needs/working capital requirements, market development costs
- **Company successions** - (complete takeover, MBO, MBI), purchase prices, shares, goodwill, asset deals, working capital
- **Existing enterprises** - business expansion/relocation, modernisation, rationalisation, development costs, market development costs, financing of working capital (pre-financing of orders, guarantees, warranties)

Sureties are accepted:

for enterprises from all sectors of the economy and for virtually all business financing purposes (start-up, growth and investment financing, working capital, start-up/market launch costs, purchase prices for takeovers, product development, R&D, etc.).

Credit assessment systems and procedures

Lending process

Required documents depending on the size and complexity of the project include:

- Annual financial statements for the last three years and figures for the current financial year
- Project description
- Liquidity plan
- Profit forecast (best/worst case) for at least 2 years
- Information about capital requirements/financing arrangements
- Debt servicing schedule for previous liabilities
- Financial circumstances (management/management team)
- Positive opinion of the Chamber of Industry and Commerce (IHK) or Chamber of Craft Trades (HWK)
- Key agreements (depending on the project)

Project Development

Project development :	Kick off: October 2014
Project planner :	VDB, DBV, LR-Bank, BB-NRW
Concept:	VDB
Sole-lead manager:	Bürgschaftsbank NRW supported by working groups
Financing partner :	Landwirtschaftliche Rentenbank
Back guarantor :	EIF
Supporter:	The German Farmers' Association

Application for counter guarantee at the EIF

Application by regional guarantee bank „BB-NRW“

- in writing with extensive documents in November 2014

Due Diligence (EIF, BB-NRW, LRB)

- after check of the application in January 2015

Internal check of the documents

- processing of key documents by the EIF

Decision

- by the Board of the EIF in March 2015

Contract

- sending draft
- announcement of various conditions
- compilation of contract, general terms of business
- signing 29.09.2015

Start **01.10.2015**

Proposed features for the products to be covered, and how they differ from the existing product portfolio

The focus is placed on business start-ups, investments and takeovers

- Extensions and modifications of farm buildings
- New investments, replacement needs and modernisation/rationalisation (equipment, production facilities)
- Measures for improving energy efficiency and reducing emissions
- Investments for improving livestock conditions in agriculture
- Complete acquisition of an agribusiness
- “Entry” into business operations: acquisition of shares in existing companies in the agricultural sector (majority and minority shareholding)
- Successor arrangements
- Costa for start-ups and market launch in new business fields
- Cooperation arrangements, marketing measures as well as training

„Future Agri COSME“

Programme design/Framing conditions „Agri - Guarantees“

<u>Amount:</u>	1,0 Mio. EUR for existing businesses 0,5 Mio EUR for foundations
<u>Rate:</u>	60 % (of which 30% guarantee bank and 30% counter guarantee under COSME)
<u>Period:</u>	According to the period of the loan of the Rentenbank, max. 10 years
<u>Programme period:</u>	Pilot phase of 3 years with the opportunity of extension of the programme
<u>Volume:</u>	Credit volume under guarantee up to bis EUR 670 Mio. during the pilot phase (Volume of the guarantee = EUR 400 Mio of which EIF: 200 Mio)

Proposed features for the products to be covered, and how they differ from the existing product portfolio

Surety commission:	Risk-based depending on price class (the surety improves the collateral class). The borrowing terms are paid directly by the borrower to the BB. A processing fee is not charged.
Collateral:	Standard bank collateral (collateral proposal of the house bank), generally pro rata joint and several guarantee of the borrower
Application/process:	Application: solely by electronic procedure
Decision:	The decision is made under a shortened procedure when all documents are available, usually within 10 working days.
State aid relevance:	None (risk is assumed by the Bürgschaftsbank without a state counterguarantee; COSME support scheme: state-aid regulations are not relevant).

Proposed features for the products to be covered, and how they differ from the existing product portfolio

The following financing arrangements are not guaranteed:

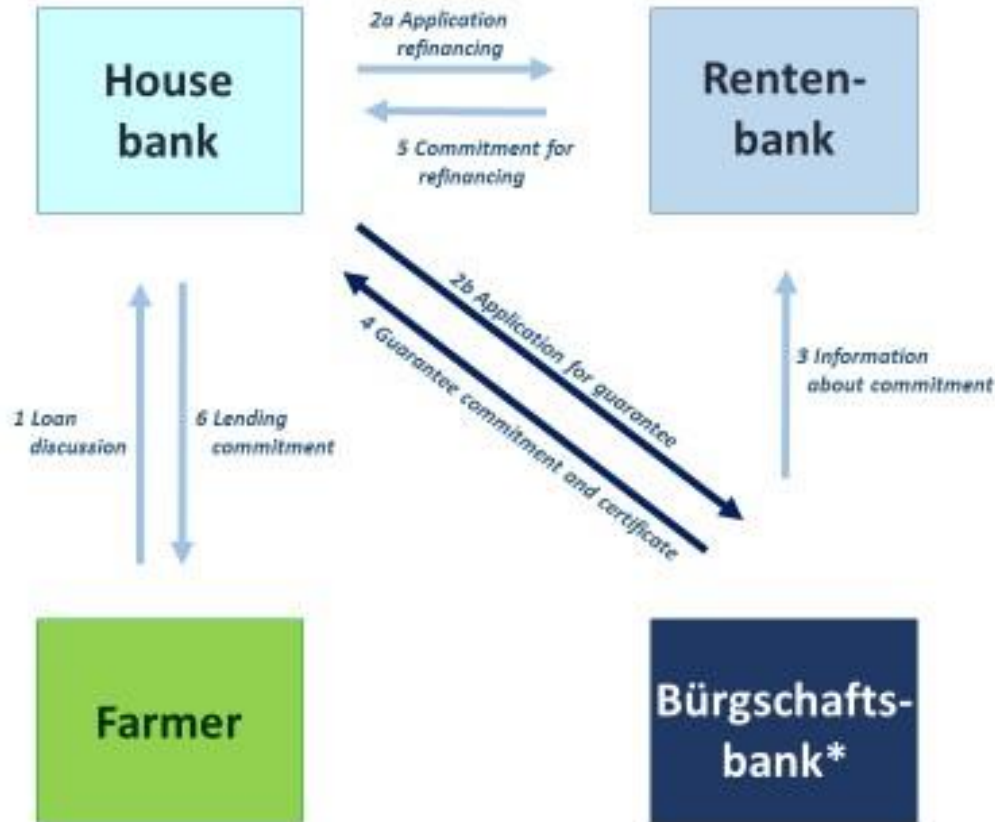
- Rescheduling of financing arrangements
- Involvement in recovery plans is not possible
- Pure working capital projects
- Pure capital investment properties (that are no directly related to the development of the business)

SME products to be supported under COSME

Projects that comply with the terms of the Rentenbank programme and with those of COSME/ the EIF:

SMEs in the following areas are eligible:

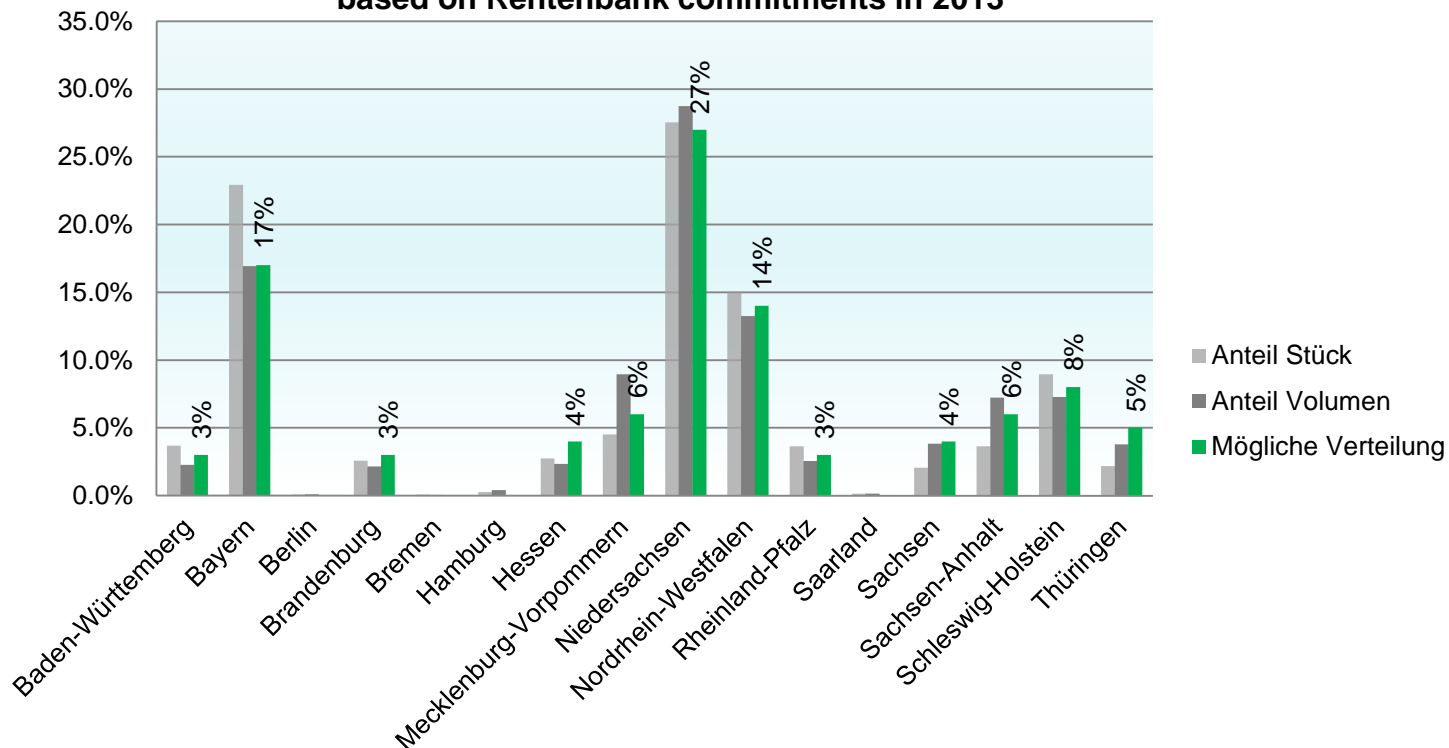
Primary agricultural production, fishing industry, non-commercial horticulture, forestry



Expected annual volumes of operations (and basis for estimation)

Possible distribution of new business – COSME agricultural surety

based on Rentenbank commitments in 2013



Promotion and marketing of the products to be covered by the guarantee

Publicity work carried out by LR-Bank, the Farmers' Association and VDB

(Association of German Guarantee Banks)

- Information events including networking (DIHK [Association of German Chambers of Industry and Commerce], ZDH [German Association of Skilled Trades], DBV [German Farmers' Association], all three banking associations and other industry associations)
- Presentation of the programme in circulars, through committees and at specialised conferences and events held by DBV and Rentenbank
- Integration into the respective websites
- Public relations (supplements in daily newspapers, press releases, reports)
- Information materials (flyers)
- Articles in newsletters and trade magazines of the associations and Chambers of Agriculture

“Future Agri COSME“

Result:

- Offer of guarantees for all agricultural companies
- Better conditions of the conveyor loan by additional security (The costs of the guarantee cover discharge with improvement of the price range)
- Support under COSME: state-aid and de-minimis rules are not relevant
- Financing appropriate for company of future-laden projects
- Online/ Electronic application
- Uncomplicated and quick decision
- Enlargement of the conveyor activities from LRB and guarantee banks

Cumulation of EIF instruments/agri guarantees with means of agri-investment support under the EAFRD

Problem formulation:

- The provision of agri-investment support under the EAFRD (as a rule subsidies for reducing beneficiaries' expenses) is a widespread conveyor product in the area of the agriculture in Germany.
- Projects, which are supported under other public support programmes may not be promoted at the same time under COSME/EFSI.

Importance for the provision of agri-guarantees: The guarantees from the agri-guarantee programme will be provided on the basis of the COSME regime which is covered temporarily by EFSI. Against this background these means according to the definition of the “other union means“ and thus a cumulation with EAFRD instruments is excluded.

Efforts of VDB: The VDB has already turned to the farmers' association and the European Commission. The basic attempt is based on the fact that EIF instruments are basically not evaluated as an aid; therefore a combination with other support measures should be possible.

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