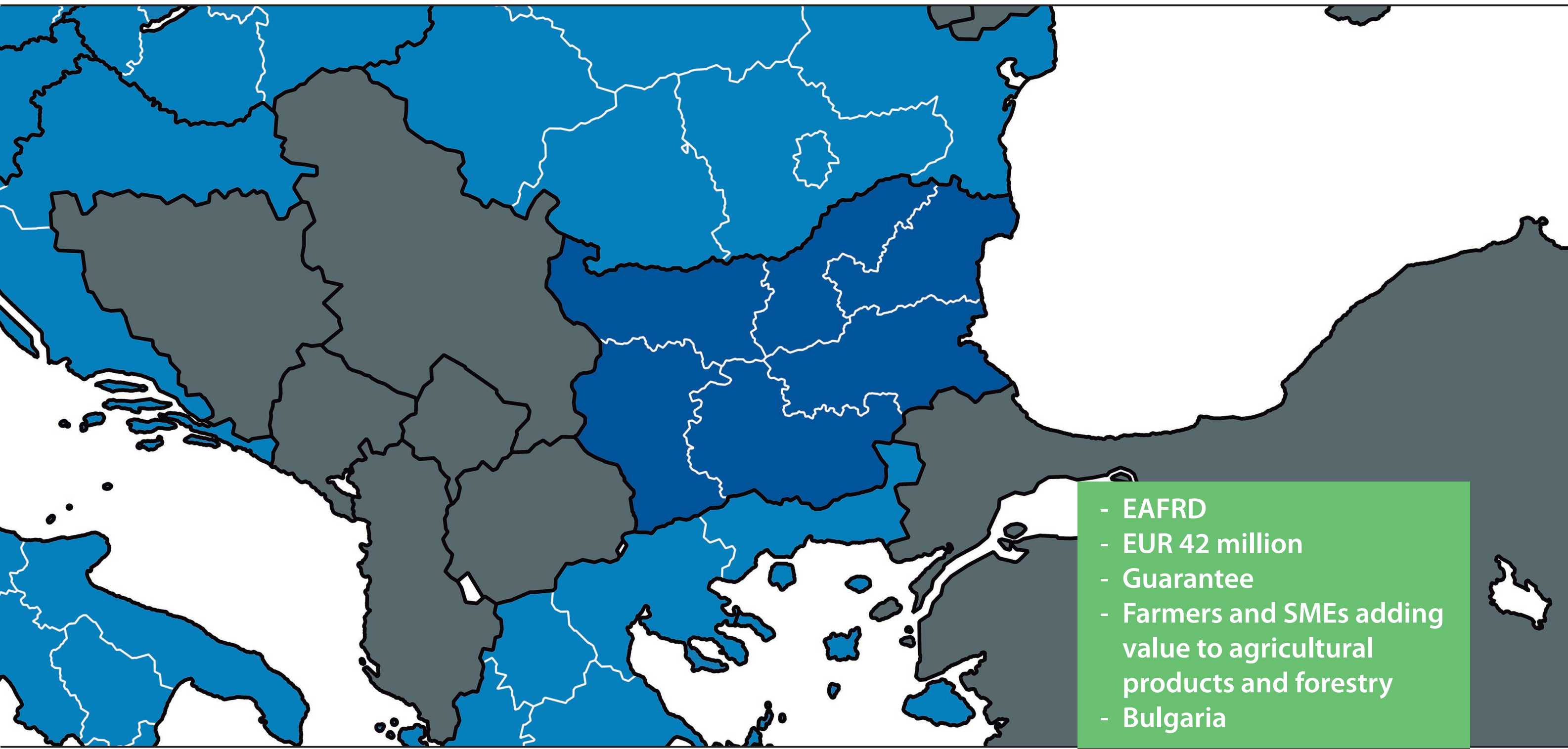

- EAFRD
- EUR 42 million
- Guarantee
- Farmers and SMEs adding value to agricultural products and forestry
- Bulgaria

...supporting agriculture and rural economic development by addressing the gap in financing due to lack of collateral...

Bulgarian Rural Credit Guarantee Fund

Case Study

European Commission

European Investment Bank
The EU bank

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The authors of this study are a consortium of five companies: Sweco (lead), t33, University of Strathclyde – EPRC, infeurope and Spatial Foresight.

Abbreviations

Abbreviation	Full name
BGN	Bulgarian Lev, the national currency
BNB	Bulgarian National Bank
EAFRD	European Agricultural Fund for Rural Development
EFF	European Fisheries Fund
ESIF	European Structural and Investment Funds 2014-2020
Measure 121	Modernisation of agricultural holdings
Measure 122	Improvement of the economic value of forests
Measure 123	Adding value to agricultural and forestry products
NGF	National Guarantee Fund
NPISH	Non-profit institutions serving households
RDP	Rural Development Programme
SME	Small and medium-sized enterprise

Table of contents

1 Summary

This case study describes a Bulgarian guarantee financial instrument co-funded by the European Agricultural Fund for Rural Development (EAFRD). The financial instrument targets farmers, agro-food processors and small and medium-sized enterprises (SMEs) with projects approved within the Bulgarian Rural Development Programme (RDP) 2007-2013. It was implemented because bank perception of the high risk for projects implemented by farmers and micro-companies often resulted in collateral requirements or interest rates that were prohibitive for beneficiaries of the scheme. Through guarantees, beneficiaries under the RDP such as the beekeeper described in this study obtained financing for their projects, which was otherwise unavailable.

Set up under the 2007-2013 RDP, the financial instrument issued over 582 guarantees through the National Guarantee Fund (NGF) between early 2013 and September 2015, providing EUR 117 million in loans for SMEs. The instrument was allocated EUR 42.1 million, of which EUR 33.7 million, or 80%, was from EAFRD and the rest from national funds. The scheme's rationale is simple, as farmers and SMEs receive guarantees under the product to cover up to 80% of the loan amount for their projects. Conditions are attractive, especially for start-ups with no prior credit history. Guarantees are provided for loans of up to EUR 1.5 million with a maturity of up to 10 years, while interest rates on loans averaged 6.6%. The loans and guarantees were provided with no commissions or taxes.

A key challenge of the scheme was that it took almost one year from the market assessment study to establishment of the scheme. There was an amendment of the RDP, as well as later changes concerning adjustment of the dedicated funds under the RDP. This was one of the reasons why the fund was initially over-capitalised. Later on the resources allocated to the financial instrument were reduced, as there were less potential final recipients and the financial conditions in the country changed.

These challenges were overcome by close collaboration between the managing authority and the fund manager, especially through the advisory committee set up for that purpose. In addition, involving 14 financial intermediaries with an intense information campaign launched at the very beginning of the scheme ensured that potential recipients were well informed.

Bulgarian Rural Credit Guarantee Fund

THE FINANCIAL INSTRUMENT

Funding source

EAFRD, Bulgarian RDP 2007 - 2013

Type of financial products

Guarantees

Financial size

EUR 42.1 million = RDP resources (EUR 33.68 million from EAFRD and EUR 8.42 million from national public co-financing)

Thematic focus

Support for modernisation of agricultural holdings, adding value to forestry and agricultural products and enhanced economic value of forests

Timing

December 2011 to December 2015

Partners involved

Ministry of Agriculture and Food (managing authority)
National Guarantee Fund of Bulgaria (guarantee fund manager)
Bulgarian Development Bank (owner of the guarantee fund manager)
14 commercial banks (financial intermediaries)

ACHIEVEMENTS

EU leverage

4.5 times[1]

ESIF programme multiplier

3.6 times[2]

Re-investment

n.a.

Main results

Over 582 guarantees issued to 520 companies/beneficiaries covering EUR 91.5 million of the total EUR 117 million lent as of September 2015. The projects supported by these loans were worth EUR 185 million.

Exchange rate: EUR 1 = BGN 1.9558

1 EU leverage is calculated as the total amount of finance to eligible beneficiaries, i.e. EUR 153 million divided by the total amount of EAFRD allocation to this financial instrument, i.e. EUR 33.68 million. It does not include the reuse of resources returned to the instrument.

2 ESIF programme multiplier is calculated as the total amount of finance to eligible beneficiaries, i.e. EUR 153 million divided by the total amount of public resources to this financial instrument, i.e. 42.1 million. It does not include the reuse of resources returned to the instrument.

2 Objectives

Bulgaria's 2007-2013 National Strategy Plan for Rural Development had objectives for the development of competitive and innovative agriculture, forestry and food industry, the conservation of natural resources and the environment, as well as improving the quality of life and diversifying employment opportunities in rural areas. Within this framework, the Bulgarian RDP aimed at establishing a competitive, modern and dynamic agriculture sector based on sustainable development. The RDP contained measures from all four rural development axes, of which this financial instrument falls under the first, '*Improving the competitiveness of the agricultural and forestry sector*'. This axis focused on modernising physical assets and production factors, fostering investment, adapting farm structures and improving human potential. This required access to finance for beneficiaries.

During the 2007-2013 period, access to credit for farmers and forestry enterprises was more difficult than for businesses operating in other sectors. The financial crisis increased the uncertainty of the value of farmland and agricultural assets typically used as collateral for loans. Many RDP beneficiaries, whose projects were approved and who had signed contracts with the Paying Agency, were unable to obtain credit to cover their project costs because of high collateral requirements, interest rates and fees. This further deterred many other potential beneficiaries from applying for funding under the RDP since they relied on bank overdrafts and short-term loans. These difficulties led to a decrease in the demand for EAFRD assistance and to a risk of not achieving programme objectives.

The problem of credit constraints for RDP beneficiaries was raised several times at the annual RDP monitoring committee meetings, while farmers' unions put forward proposals for establishing a guarantee fund. Credit access was especially problematic for smaller beneficiaries, who were refused loans because they were too risky or had no expertise with financial issues or of dealing with banks. Such small farmers often could not define their land clearly, making it difficult to know the exact value of their collateral. Their projects also seemed riskier for banks as they often lacked detailed accounting systems and it was difficult to assess the inherent risk.

Since public administrations were affected by similar financial problems, in early 2011 the government allowed municipalities with projects under the RDP to receive interest-free loans from budgetary funds. Later in the year, the government established the rural credit guarantee fund to also offer support to non-public beneficiaries under three specific measures (measure 121: '*modernisation of agricultural holdings*', measure 122: '*improvement of the economic value of forests'* and measure 123: '*adding value to agricultural and forestry products*'). The practice of pre-financing grants with guarantees from a financial instrument is no longer allowed in the 2014-2020 programming period.

Beekeeper in south-east Bulgaria: objectives

One of the final recipients is about 30 years old and is regarded as one of the most skilled beekeepers in south-east Bulgaria. He has 400 beehives in three municipalities. Since he started running his own farm in 2009, he has gradually rented more farmland, pastures and meadows, and has currently leased over 300 hectares, of which 150 are pastures and meadows, 130 hectares are canola and 20 are arable land. The different crops make it possible to him to practice mobile beekeeping, moving his hives depending on the pasture.

The beekeeper has always been an innovative entrepreneur. At present, his six apiaries are monitored remotely by text message, allowing him to get daily information on, for example, the condition of the bees, the temperature and the honey produced.

Although the beekeeper wanted to further develop his business, he regarded the investment he wanted to make as not affordable without public support. Thus he submitted a project under the RDP that was selected for EAFRD financing. However, he could not manage to obtain the resources needed to pre-finance the costs of the project and provide his own contribution.

3 Design and set-up

The financial instrument design and set-up relied on close cooperation between the managing authority (the Ministry of Agriculture and Food) and the fund manager (the National Guarantee Fund). This could benefit from previous experience under the 2007-2013 European Fisheries Fund (EFF) programme, when the EFF managing authority, at that time also under the Ministry, set up a guarantee scheme run by the same fund manager.

The involvement of many financial intermediaries ensured broad availability of the guarantees to potential recipients, while governance arrangements provided the basis for smooth implementation and information exchange between the parties.

3.1 Preceding events

EU co-financed financial instruments were initially not considered under the 2007-2013 RDP. However, the worsening economic situation in the following years changed priorities of policy action, and led to an ex-ante gap analysis being carried out in 2011. On that basis, an amendment to the RDP was introduced in 2011 envisaging that the NGF would provide guarantees under three RDP measures.

The NGF had been established in August 2008 by the Bulgarian Development Bank as a separate state-owned financial institution and legal entity to facilitate access to finance for SMEs. In mid-2010, the NGF started its first experience under EU-funded programmes, when it was appointed to provide guarantees under the EFF national programme. This earlier experience became a reference during the design of the financial instrument, taking into consideration also the fact that the managing authority of the EFF and EAFRD programmes were both within the Ministry of Agriculture and Food.

After a funding agreement was signed between the managing authority and the NGF in December 2011, the amendment of the RDP was officially approved by the European Commission in May 2012, allocating EUR 121.1 million of EAFRD and national co-financing to the financial instrument. In line with Regulation (EC) No 1974/2006 the new financial instrument was established as a separate block of finance.

In September 2012 the guarantee fund launched an open procurement procedure to select financial intermediaries to build and manage portfolios of guaranteed loans. The procedure was completed at the end of 2012, and in January 2013 the first operational agreements with eight financial intermediaries were signed.

The first guarantees were approved in late February 2013, while the fund manager was expected to increase volumes substantially in each following quarter. To achieve this, the fund manager launched a second public procurement procedure to include as many additional financial intermediaries as possible. By August 2013, 14 commercial banks were involved. In September 2014, after re-evaluating the scheme's potential, the allocated funds were decreased, as explained in Section 4.4.

Table 1: Timeline related to the financial instrument

Time period	Action taken
2011	Ex-ante gap analysis
November 2011	Eighth notification for the RDP's amendment, including the financial instrument, submitted to the European Commission
December 2011	Funding agreement signed between the managing authority and the fund manager
May 2012	Official approval of the eighth notification for amendment of the RDP by the European Commission
May 2012	Annex 1 to the funding agreement signed between the managing authority and the fund manager. The guarantee fund was set at EUR 121.1 million with an estimated leverage of five. The guaranteed portfolio limit was set at EUR 605 million.
May 2012	Start of preparatory work for the financial intermediary procurement process
September 2012	Start of the procurement process for financial intermediaries
January 2013	Selection of financial intermediaries and first operational agreements signed
February 2013	First guarantees issued
January to August 2013	Procurement procedure for selection of additional financial intermediaries launched
September 2014	Decision to decrease the guaranteed portfolio to EUR 153 million
August 2015	The guarantee fund transferred EUR 79 million back to the RDP

Beekeeper in south-east Bulgaria: financing gap

While the beneficiary already had an approved project under the RDP, he also had a number of other outstanding loans and could not find the collateral needed to obtain financing for his new farm project. In his words, '*my credit exposure is quite high, and because of that I cannot be considered for a standard loan*'.

He did not have assets that could be used as collateral. According to him, appraising the 400 beehives at BGN 400 each (EUR 200) would total BGN 160 000 (EUR 80 000), enough to obtain financing. However, he explains that in Bulgaria there is no commonly accepted approach to appraise beehives, and banks do not accept these as collateral.

3.2 Funding and partners

The partners in the Bulgarian Rural Credit Guarantee Fund are the **managing authority** (the Ministry of Agriculture and Food), the **fund manager** (National Guarantee Fund of Bulgaria) and the 14 **financial intermediaries**.

The **managing authority** is responsible for implementation of the RDP and the financial instrument, as well as for monitoring and evaluation.

The **fund manager** was appointed by the managing authority to manage the guarantee scheme. It does not charge fees to final recipients or to financial intermediaries, nor seeks fees for performing its activities, but is reimbursed for its costs.

The 14 **financial intermediaries** are commercial banks selected through three public procurement procedures carried out in 2013. Together the 14 banks offered the product in over 1 800 branches throughout the country, keeping accounts for the resources provided under the scheme separate from their other lending activity, in line with EU requirements.

Table 2: The funding sources for the guarantee fund as of August 2015

Funding sources	EUR
EAFRD	33.68 million
Public – national	8.42 million
TOTAL	42.1 million

3.3 Investment strategy

The investment strategy was part of the funding agreement signed between the fund manager and the managing authority in 2011 and specified, *inter alia*, the target guarantee portfolio, criteria, terms and conditions for funding, the fund's operational budget, the exit policy from investments and winding-up rules of the fund, including the re-use of resources attributable to the EAFRD contribution.

As proposed by the ex-ante gap analysis carried out in 2011, the financial instrument was designed to give farmers and SMEs adding value to forestry and agricultural products access to finance with lower collateral requirements for projects already approved for a grant under the RDP.

Each financial intermediary signed an operational agreement with the fund manager, specifying limits for portfolio guarantees and the total potential portfolio. The operational agreements also contained clauses to amend the agreed portfolio limits in case that the approved amounts were not reached. Such a case happened in September 2014, when the initial guarantee limit was significantly reduced, as explained in Section 4.4.

The agreements imposed conditions on financial intermediaries to best achieve RDP objectives. Among these, banks had to reduce collateral requirements, extend the maximum repayment periods, reduce interest rates and fees, give priority to approved projects under the RDP, simplify and speed up loan authorisation procedures.

3.4 Governance

The financial instrument's governance structure builds on the funding agreement between the managing authority and the fund manager of December 2011 and on the subsequent agreements between the fund manager and the financial intermediaries.

The managing authority and the fund manager developed procedures to verify the correct use of funds and established an advisory committee made up of members from both entities to ensure coordination. The advisory committee is responsible for determining the criteria and procedure for selecting financial intermediaries, approving the final selection and funding agreements, discussing changes in the investment strategy or operational agreements, approving the fund's quarterly implementation reports and annual summary reports, and authorising guarantees exceeding BGN 500 000 (EUR 255 650).

According to the funding agreement, only management costs incurred are reimbursed up to 2% of the average capital. These costs include the fees paid by the guarantee fund to financial intermediaries, of between 0.01% and 0.15% of the guarantees, according to the public procurement procedure.

Beekeeper in south-east Bulgaria: accessing the financial instrument

For the beekeeper, it was difficult to access the instrument at first. He regularly monitored media promoting good practices in agriculture. This is where he first heard about the National Guarantee Fund. He approached several commercial banks in his region but they were not aware of the fund, showing that lack of awareness by the branch staff was sometimes an issue. Thus he contacted directly the National Guarantee Fund, which advised him where he could find information.

4 Implementation

Implementation required close cooperation between the fund manager, financial intermediaries and final recipients. This succeeded through a clear division of tasks and responsibilities based on competences. The processes for approving guarantees and managing information flows were streamlined across all parties, leading to quick decisions on guarantee requests. Initially the financial instrument was to operate until end of September 2015. However, in September 2014 the scheme's potential was re-assessed, a new call for projects was launched by the fund manager and implementation was extended until November 2015.

4.1 State aid

Final recipients receive no State aid, as guaranteed loans are provided at rates that are not below the reference interest rate set for Bulgaria by the European Commission.

4.2 Financial products and terms

The fund manager issues guarantees to supplement collateral on loans financing projects approved under measures 121, 122 and 123 of the RDP. However, municipalities under measure 122 could not be supported by law and large enterprises under measure 123 were not eligible for this instrument, since the scheme was restricted to SMEs.

The guarantees cover up to 80% of the individual loans, but no more than BGN 3 million (EUR 1 533 900) per borrower. Guarantees can be provided for a maximum of 10 years. According to the agreement between the fund manager and each financial intermediary, the guarantees cover a maximum of up to 20% of defaults in the portfolio.

Figure 1: Guaranteed loan approval process

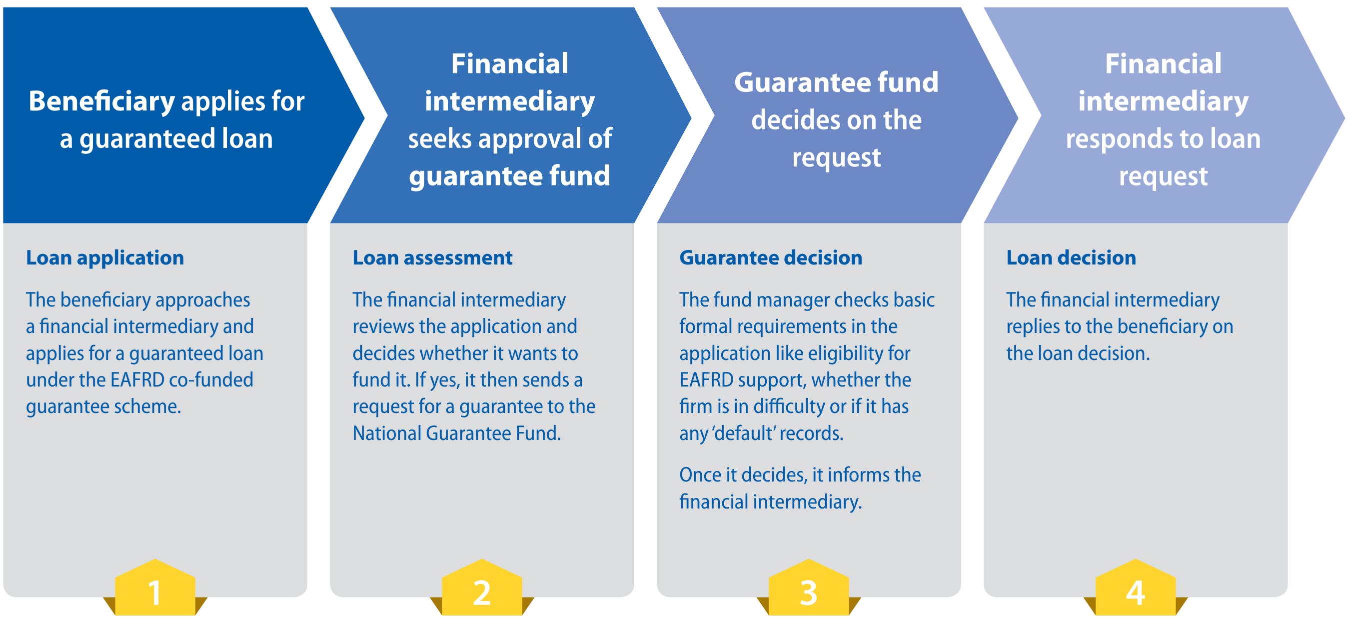


Figure 2: Monitoring and reporting process

Beneficiary sends information on the project's implementation status to **financial intermediary**

Project update

When needed, the beneficiary send updates on their project implementation status to financial intermediaries.

1

Financial intermediary forwards the details regularly to the **guarantee fund**

Information exchange

The financial intermediary regularly exchanges information with the guarantee fund in predefined templates. When project updates arrive, it includes them in these templates and sends them to the guarantee fund.

2

Guarantee fund verifies the information and modifications to approved limits

Verification

The guarantee fund verifies the information along with the managing authority. According to the funding agreement, approved guarantee limits might be changed, so this is assessed as well in these regular verifications.

3

Financial intermediary keeps contact with **beneficiary** on project implementation

Regular contact

The financial intermediary continues to collect and analyse the project implementation information it receives from beneficiaries and keeps regular contact with them in case changes occur in their projects.

4

The process of deciding on projects to fund is entirely within the hands of the financial intermediaries, as agreed with the fund manager. When a selection is made, the financial intermediary sends a request for a guarantee to the fund manager who can communicate acceptance by e-mail to speed up the process. The fund manager does not review the entire loan procedure but only checks basic requirements. These include verifying that the recipient does not have 'default' records in the central credit register, the investments are eligible for EAFRD support, the project was approved for EAFRD support by the Paying Agency, and the SME is not in difficulty. The risk assessment and administration are covered by the financial intermediary, which also ensures that the loan is only used to cover costs related to the project.

Beekeeper in south-east Bulgaria: terms of the investment

The beekeeper obtained a guarantee of 80% of the loan amount he needed. The fund manager issued a guarantee of around EUR 38 000, allowing the beekeeper to receive a loan of around EUR 48 000 at an interest rate of 5.2% (some 2% lower than the usual market rate), even though he was a completely new client for the bank. No additional fees on the loan or the guarantee were requested, making it easier to calculate the total loan costs. The main benefit, however, was that the beekeeper only had to offer the equipment he purchased with the loan as collateral.

4.3 Beneficiaries targeted

The managing authority and the fund manager handled most of the marketing, while financial intermediaries promoted the guarantee scheme under their standard policies. In early 2014, the managing authority launched a public procurement procedure for the provision of marketing services. Once selected, the contractor organised 55 informational meetings across the country, 27 regional conferences, two press conferences for the national media, six seminars and numerous public discussions with the support of the fund manager and the financial intermediaries.

In late 2014, the managing authority, the fund manager and the marketing company launched five publications featuring financial intermediary employees and supported enterprises. The publications raised awareness on how to benefit from the guarantee scheme. In parallel, the fund manager met with representatives of the financial intermediaries to discuss about the channels and procedures used to provide the guaranteed loans, and any issues faced during the approval process.

4.4 Changes in strategy

In early 2014, the fund manager sent notification letters to the financial intermediaries presenting the 2013 results together with a reminder that guarantee limits could be reviewed if guarantees were not used.

In September 2014, the scheme's potential was reassessed. There were EUR 446 million worth of projects approved under the RDP being implemented, of which EUR 305 million were projects under measure 121 and EUR 141 million under measure 123 that could apply for the guarantee. There were no eligible SME beneficiaries under measure 122.[3]

To calculate the potential support needed to implement the approved grant projects to the amount of EUR 446 million under the RDP, several assumptions were made, including the following:

- Based on the portfolio, it was estimated that an average of 42% of project costs would be borne by beneficiaries for both measures.
- It was estimated that 50% of the projects yet to be realised would use guarantees under the scheme. This was based on the fact that in 2013, grants for measures 121 and 123 were for 50% of the value of realised projects.
- The guarantee was estimated at 80% of the loans, as until then the average guarantee was for 79%.

3 Although the measure intended to strengthen the private initiative and support private SMEs enhancing the economic value of forests, expectations were not met. The main beneficiaries were municipalities thus not eligible to EAFRD financial instrument support.

These assumptions led the fund manager to adjust the guaranteed portfolios of the financial intermediaries to BGN 299 million (EUR 153 million). When it became clear that the scheme had over-estimated requirements, the managing authority requested a change in the RDP to transfer money from the guarantee fund back to the programme. In August 2015, approval was granted to transfer EUR 79 million.

The initial strategy of the guarantee fund was to operate with EAFRD co-financing until 30th September 2015. Following the decision to open a last call for projects under measure 121, the fund manager extended the deadline by two additional months, to November 2015. Resources after the release of guarantees and interest on payments from the RDP to the fund are considered as national resources after closure of the RDP and will be used to support individual undertakings. The managing authority intends to channel some of these resources to operations under a nationally run guarantee scheme.

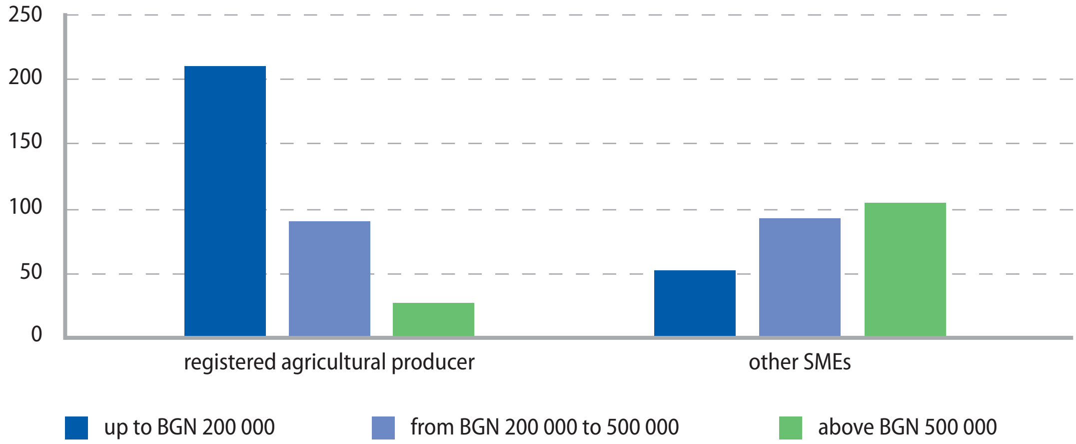
Beekeeper in south-east Bulgaria: advantages and challenges of the financial instrument

Although, at first, accessing the financial instrument was difficult, the beekeeper contacted several banks until finally he obtained a guaranteed loan. The beekeeper is very positive about the scheme, stating that, as in his case, turning entrepreneurial ideas and knowledge into business development would not be possible without public intervention to improve access to finance.

5 Achievements

Between February 2013 and September 2015, the guarantee fund issued guarantees to 520 final recipients, unlocking EUR 117 million loans with an average interest rate of 6.6%. The total amount of the related projects is worth EUR 185 million.

Figure 3: Number of guarantees by type of SME and approved guarantee limit



Source: National Guarantee Fund, 2015

Although the scheme mainly supported micro companies of up to five people (70% of the guarantees), the default rate until September 2015 was 0.03%, with only one guarantee being called on. The low default rate shows that the problem of access to finance is more linked to a lack of collateral rather than the credit risk of the final recipients. The relatively low interest rates also confirm that financial institutions assumed a lower risk for such beneficiaries.

Table 3: Macroeconomic indicators for Bulgaria

Macroeconomic indicators - BNB statistics	2010	2011	2012	2013	2014
Gross internal product (annual real growth rate) %	0.7	2.0	0.5	1.1	1.7
Consumer price index - period over period change %	4.5	2.8	4.2	-1.6	-0.9
Unemployment %	9.2	10.4	11.4	11.8	10.7
Claims on non-government sector (annual growth rate) %	1.3	3.8	2.8	0.3	-7.7
Claims on households and NPISH's (annual growth rate) %	-0.8	-0.4	-0.1	-0.2	-1.6
Interbank money market	0.3	0.2	0.1	0.05	0.06
New business - interest rates on long-term loans	11.3	10.7	9.7	8.9	8.1
Defaulted and restructured company loans %	19.4	23.3	24.9	24.6	27.7

Source: Bulgarian National Bank, 2015

Support from the scheme was important when looking at nationwide market developments. While lending to non-financial enterprises in all sectors increased by about 5% in both 2011 and 2012, it remained almost unchanged in 2013 (+0.1%, the smallest increase for five years) before substantially reducing in 2014 (-11.5%). Meanwhile, loans for the agricultural, forestry and fisheries sector grew by 5.1% in 2013 and 5.8% in 2014, mainly due to credits underwritten by this guarantee scheme. The latter helped unlock EUR 117 million of loans, compared to a total bank exposure to the agriculture, forestry and fisheries sector of EUR 770 million.[4]

Beekeeper in South-East Bulgaria: achievements

The guaranteed loan helped the beekeeper to implement his initial plans to expand his business and create a larger, market-oriented, competitive and well-structured modern farm. The beekeeper intends to build a modern workshop and demonstration centre next to one of his apiaries, together with a guesthouse, for ecotourism. This should increase employment at his farm and benefit his local area.

4 According to the Bulgarian National Bank data, as of June 2015.

6 Lessons learned

Throughout implementation, the partners had a lot to learn, especially since this was the first EU-funded financial instrument for agriculture and the food industry in Bulgaria.

All stakeholders recognised the importance of the ex-ante **gap analysis** preceding the instrument, which helped to design the investment strategy. However, initial expectations were too high, particularly because there was a lack of experience with such instruments. This led to the fund's initial **over-capitalisation**, corrected in September 2014 when the fund amount was set at EUR 42.1 million, with the remaining funds flowing back to the RDP. Due to downsizing, expectations of financial intermediaries, which initially envisaged a much larger loan portfolio and higher economies of scale, were also revised down, reducing their willingness to lend.

6.1 Main challenges

Late start of the scheme and optimistic expectations were a challenge. The funding gap was quantified using figures from November 2011, and initially assumed that: (a) there were EUR 1 billion of projects potentially eligible for guarantees; and (b) that 75% of them would use guarantees.

However, the revision in September 2014 showed that this approach was optimistic, as: (a) the first guarantees were issued only in February 2013, reducing thus the potential number of projects; and (b) fewer projects applied for the scheme than expected.

The scheme's late start also reduced the interest from potential RDP beneficiaries. Without having this support from the beginning, many farmers and SMEs did not apply for RDP support knowing that they would not be able to borrow the money to finance the costs.

6.2 Main success factors

The involvement of 14 **financial intermediaries** and their 1 800 branches helped distribute the financial products across the country and this was certainly an important reason for success. This also resulted in some difficulties, as the branch staff was not always fully aware of the guarantee scheme. However, potential recipients could call up the fund directly and be given additional information or be directed to different branches. In addition to providing extensive local coverage, the use of many banks promoted competition on loan terms, ensuring better conditions for borrowers.

The **prior experience of the fund manager**, with a guarantee scheme in 2009 for SMEs and another in 2010 for firms in the fisheries sector, was also useful. Additionally, responsibilities were shared according to competences. As a public entity, the fund manager did not have in-depth knowledge of SMEs, especially in agriculture and forestry, so it relied on bank expertise to assess loan applications and to closely monitor project implementation.

The **simple administrative procedures** of the fund manager helped smooth implementation. For instance, the fund manager has easy-to-use electronic forms, which banks and final recipients use as part of their credit documentation. Other measures also helped to minimise administrative costs for all parties involved and ensure a quick reply, even on the same day, when the fund receives guarantee requests. In addition, banks use their standard credit assessment procedures, which makes it easy for them to deliver the product.

Finally, **marketing activities,** under the supervision of the managing authority and the fund manager, were effective in making potential recipients aware of the availability and benefits of the scheme.

6.3 Outlook

Under the 2014-2020 ESIF framework, and building on experience from the previous programming period, the managing authority is considering the use of financial instruments to support economic development in agriculture and rural development.

In 2015, the Ministry of Agriculture and Food commissioned an ex-ante assessment on the implementation of financial instruments under the EAFRD and the RDP for the 2014-2020 programming period.

Financial instruments under the RDP will be set up if the ex-ante assessment, as adopted by the managing authority, will confirm the need for this type of support under the relevant focus areas.

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