

**European Union**



**European Agency for Reconstruction**

**Government of Montenegro**



**Directorate for SME Development**

## **WORKSHOP ON CREDIT GUARANTEE FUNDS**

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**Public and Economic Affairs manager – CRIF (Italy)**

# ***Credit Guarantee Funds in Agriculture: The Case of Italy***

***Advisory Support for Transformation of the Development Fund  
An EU funded project managed by the European Agency for Reconstruction***

# Table of Contents

- 1. Rural CGF: Salient Features**
- 2. Rural CGF: Operations**
- 3. Recent Developments: Consolidation**
- 4. Recent Developments: AgriRating**

## Rural CGF: Salient Features

In Italy CGF are mostly **private organizations**, established by SME. However, the **public sector** also contributes to the capitalization of CGF.

**Business associations** (and chambers of commerce) play an instrumental role in promoting the establishment of CGF. They often host CGF and/or provide others form of support

There are **hundreds of CGF**, active in the various sectors (industry, handicrafts, trade and **agriculture**).

## Rural CGF: Salient Features

In Italy there are some **30 CGF active in agricultural sector** (broadly defined: not only farmers but “rural businesses”)

These CGF (“Agrifidi”) are registered as **cooperatives or consortia**

Two thirds of all Agrifidi have been **promoted by Coldiretti**, Italy’s largest a agricultural business association.

# Rural CGF: Salient Features

**Coldiretti**



Created in 1944 and represents 54% of all Italian rural businesses.

**1.4** Million Members

**115** Regional/Sub-regional Federations

**724** Local offices

**5,668** Sections

# Rural CGF: Salient Features

## Coldiretti's Agrifidi



<b>Members (&amp; customers):</b>	25,000
<b>Number of operations in 2007:</b>	8,323
<b>Volume of financing provided:</b>	€ 350 mln
<b>Volume of guarantees:</b>	€ 180 mln
<b>Average amount of a single financing:</b>	€ 48,000
<b>Number of banks involved:</b>	80

# Rural CGF: Operations

CGF are created by agricultural SME, with support from Coldiretti (and other agricultural associations).

Agricultural SME **contribute financially** to the capital of CGF.  
Additional financing provided by **public sector** (and EU programs in support of rural development).

CGF provide **guarantees to banks to support loans granted to members**



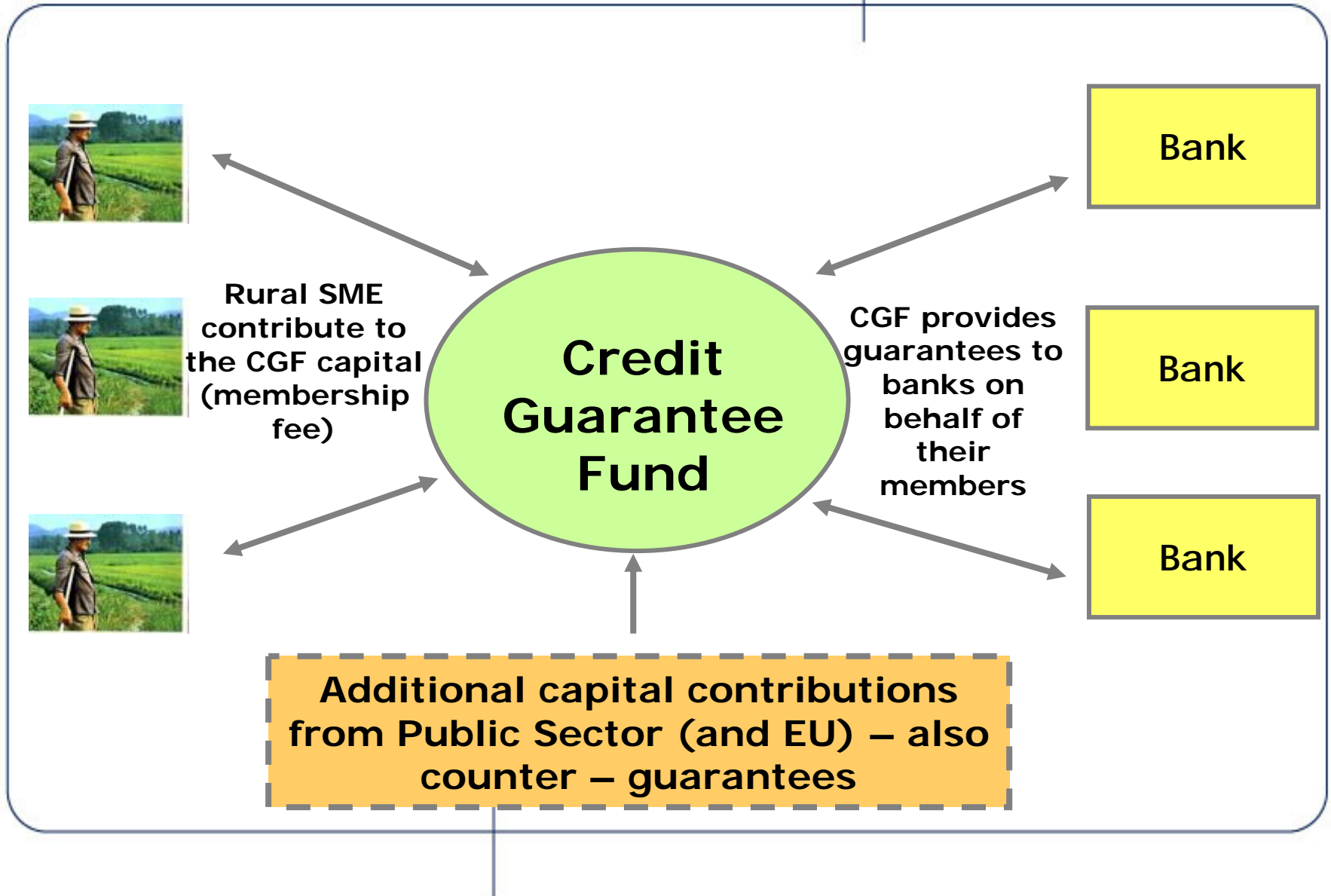
## **KEY CONCEPTS:**

**MUTUAL ASSISTANCE ("SELF HELP")**

**PUBLIC PRIVATE PARTNERSHIP**

**COOPERATION WITH BANKING SECTOR**

# Rural CGF: Operations





# Rural CGF: Operations

## How does it work in practice?

- Agrifidi carries out **technical & financial analysis** (value of business, land capital, management, etc.)
- Information is **shared with banks**
- If the appraisal is positive, **Agrifidi issues the guarantee** (approval by Guarantee Committee or Agrifidi Board)
- Agrifidi **constantly monitors** status of loans & guarantees (close contacts with SME and banks)
- In case of problems, Agrifidi steps in and **tries to sort out problems**
- If problems persist, **Agrifidi pays the bank and starts recovery procedure vis-à-vis SME**

# Rural CGF: Operations

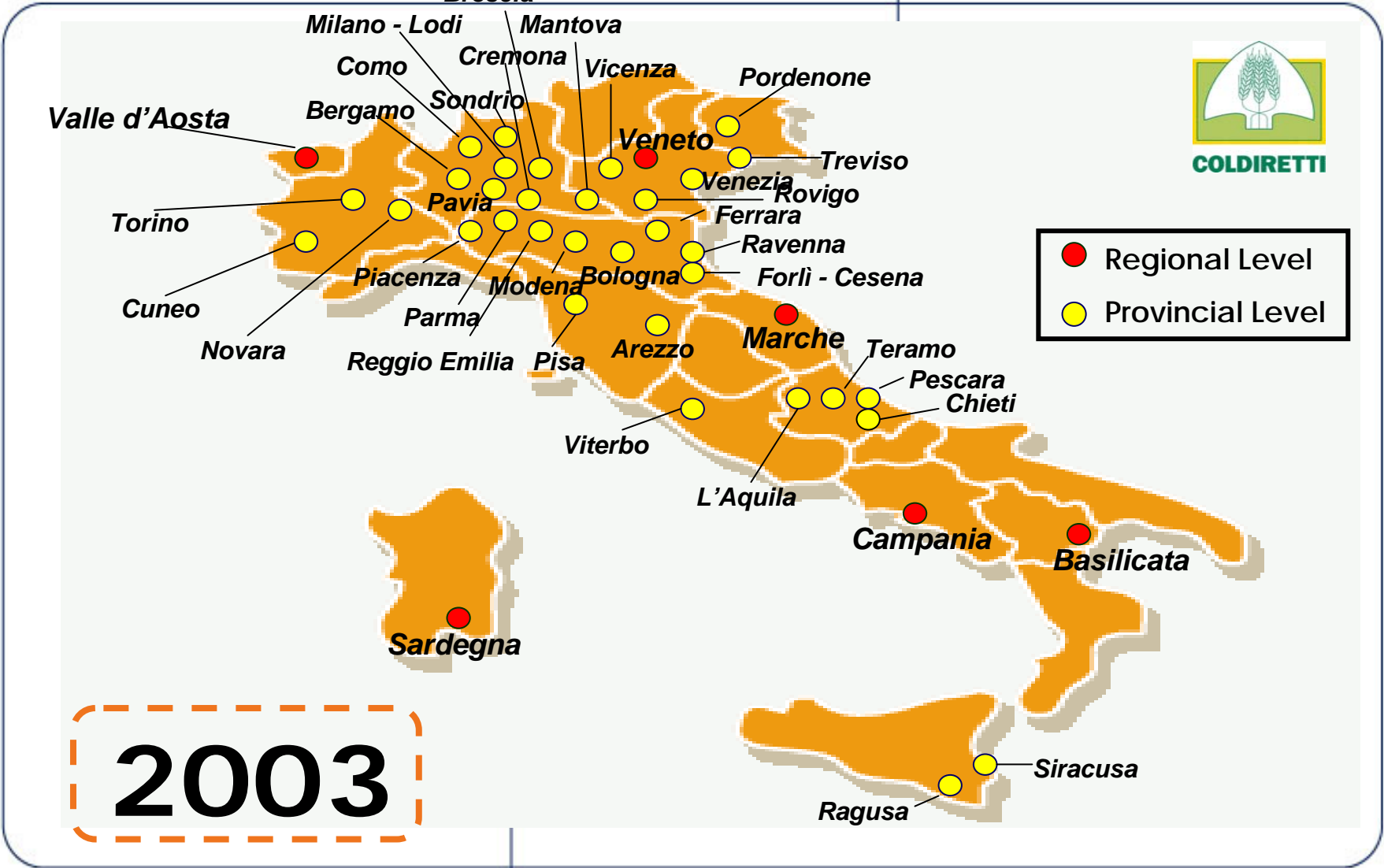
## Main Terms and Conditions

- **Coverage of Agrifidi guarantee:** typically, 30-50% of the loan
- **Duration:** ST (12 months) and MLT (up to 5 years)
- **Maximum amount of loan:** varies (Bologna: € 80,000 ST; € 150,000 LT)
- **Interest rate:** determined by the bank (but Agrifidi normally negotiate better conditions for their members/clients)
- **Guarantee fee:** ranges between 0,5-1%

## Recent Developments: Consolidation

- Agrifidi used to operate at the **provincial level**. This was good, as it allowed to be close to rural SME (“intimate knowledge” of SME member/clients and of their problems)
- New regulatory framework (following adoption of Basel 2) requires the adoption of **better risk appraisal and monitoring systems**
- Therefore, certain functions can be effectively discharged only at a large scale. Hence, a **trend towards consolidation**, with establishment of **regional Agrifidi**
- But will remain in contact with member/clients through a **vast network of local antennae**

# Recent Developments: Consolidation



# Recent Developments: Consolidation



**Regional Agrifidi retain a  
network of 700 local  
branches**

- Regional Level
- Provincial Level

**2008**

# Recent Developments: AgriRating

- Basel 2 requires banks to develop **rating models**, to better assess the risk and credit worthiness of clients.
- The same applies to CGF, who have to improve their **appraisal methodologies**, in order to comply with regulations issued by the Bank of Italy.



CRIF, in partnership with Agrifidi and commercial banks, decided to develop a **dedicated rating system**, to appraise agricultural SME in line with Basel 2 rules

## Recent Developments: AgriRating

AgriRating was developed following these criteria:

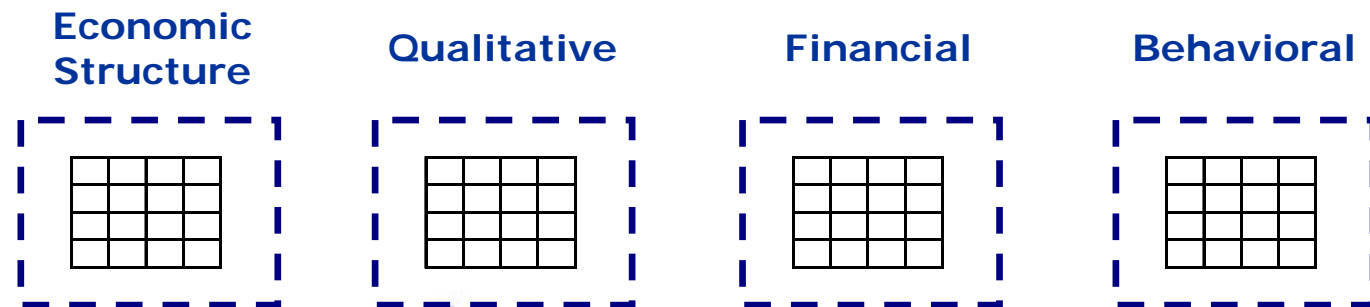
- Scientific and precise **statistical analysis**  
(*sample of 230,000 rural SME*)
- Involvement of agricultural SME experts  
(**Agronomists**)
- **Easy to use**, even for people not fully knowledgeable with agricultural sector
- **Focus on smaller rural SME**, with less than € 2,5 million turnover

# Recent Developments: AgriRating

**Agrirating is divided in four modules.** Two (**financial and behavioral modules**) are standard, and you can find them in any rating models for SME.

But CRIF with its partners decided to add two other modules, particularly relevant for agricultural SME:

- One assesses the **economic structure**: land property, machinery, equipment, etc...
- The other, more **qualitative**, assesses the management, the competitiveness and also the type of cultivation or breeding.



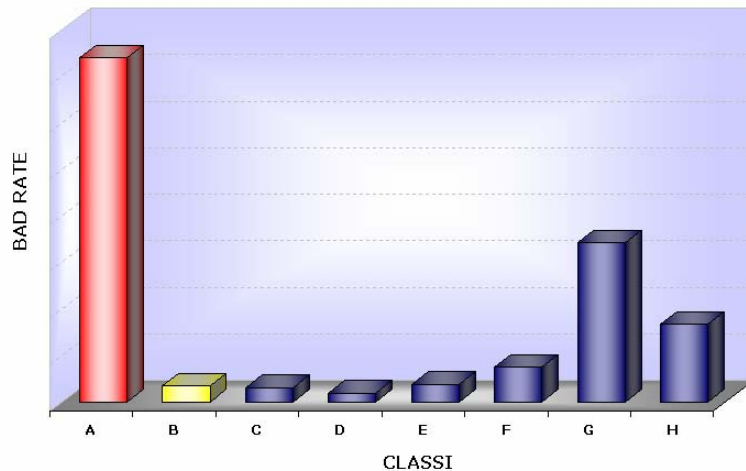


# Recent Developments: AgriRating

## Economic Structure Module

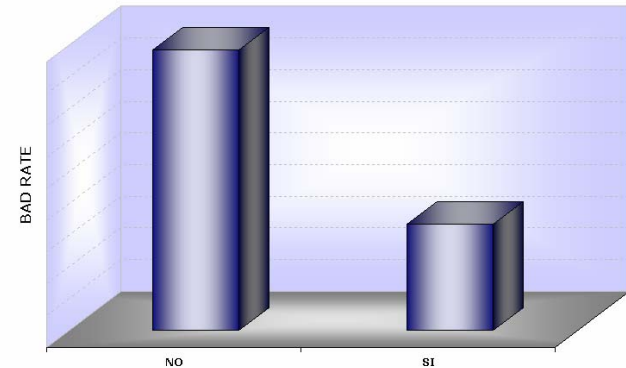
**NB: the higher the value,  
the greater the risk**

RATIO CAPITAL/VALUE ADDED

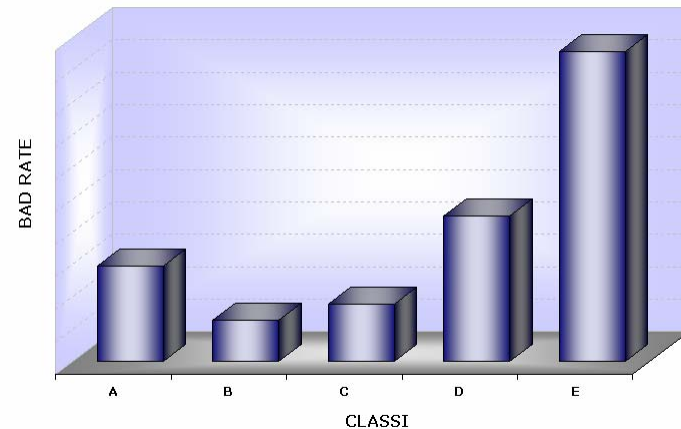


- Valore negativo
- Valore intorno allo zero o molto contenuto
- Valore positivo

INSURED?

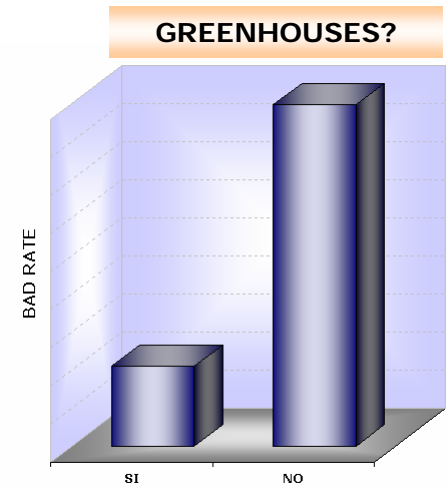
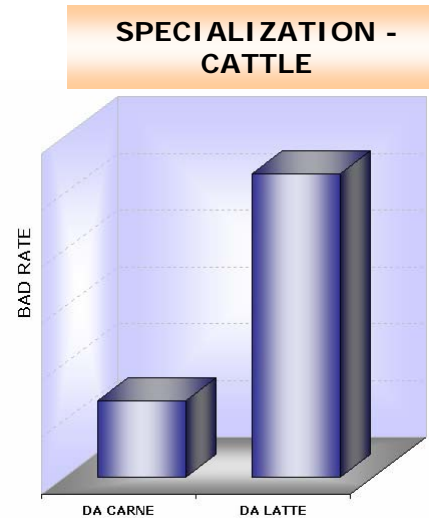
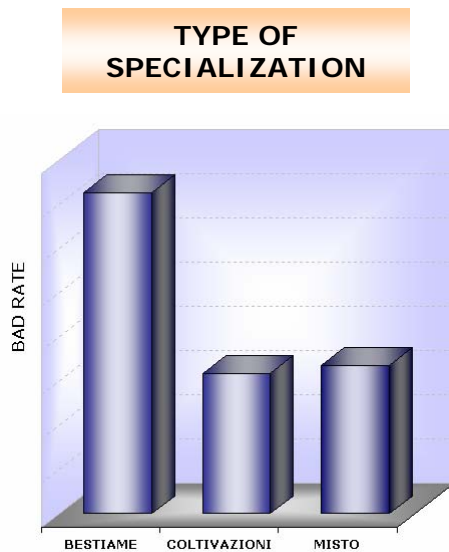


RATIO ACTUAL / POTENTIAL TURNOVER



# Recent Developments: AgriRating

## *Qualitative Module*



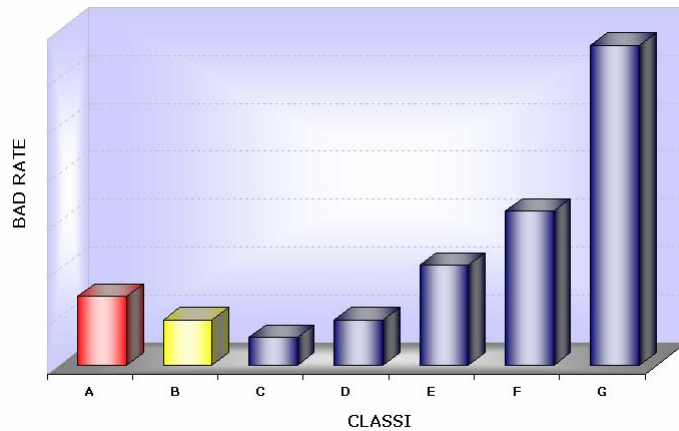
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# Recent Developments: AgriRating

## Financial Module

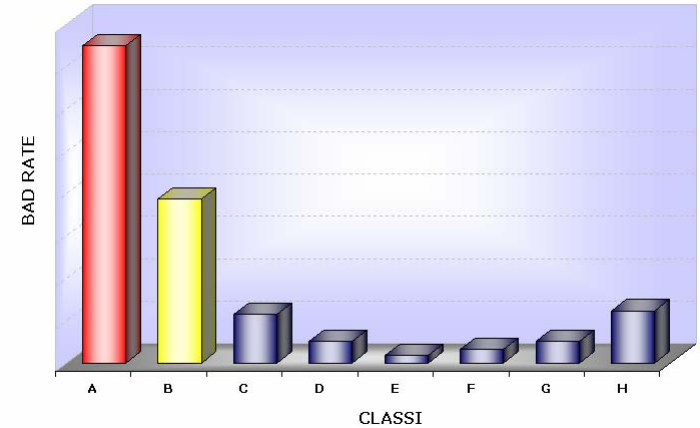
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DEBT/EQUITY RATIO

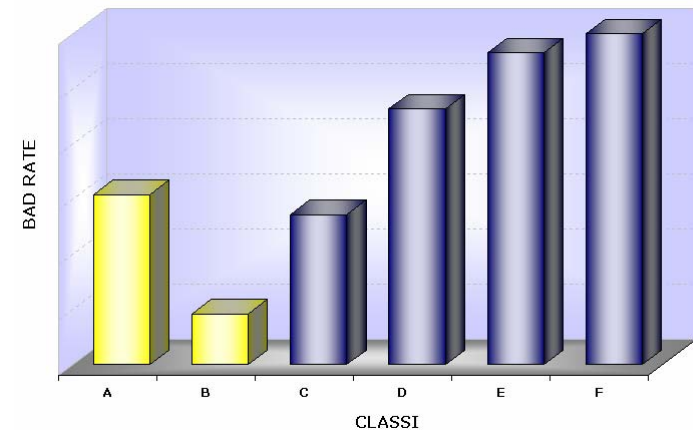


- Valore negativo
- Valore intorno allo zero o molto contenuto
- Valore positivo

GROSS MARGIN



DEBT/TURNOVER RATIO

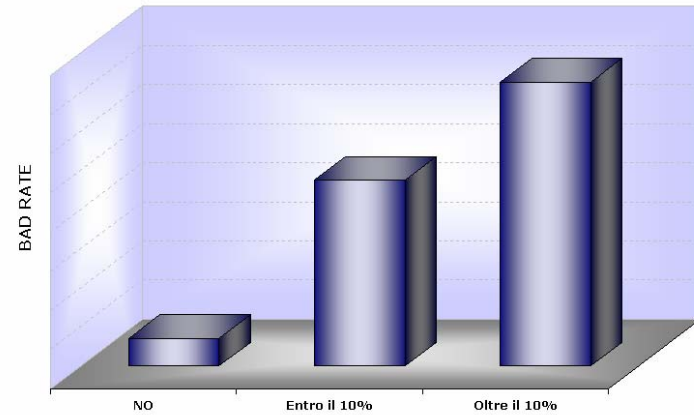


# Recent Developments: AgriRating

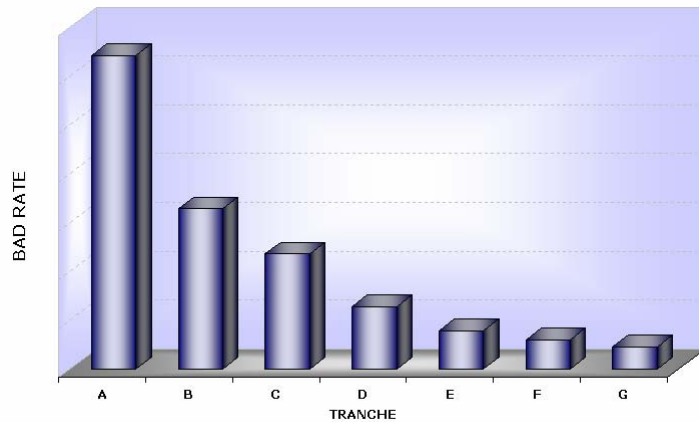
## *Behavioral Module*

**NB: the higher the value,  
the greater the risk**

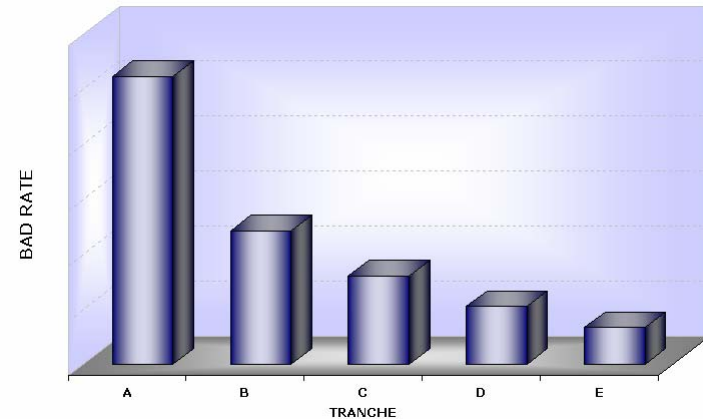
### EXCESS OVERDRAFT?



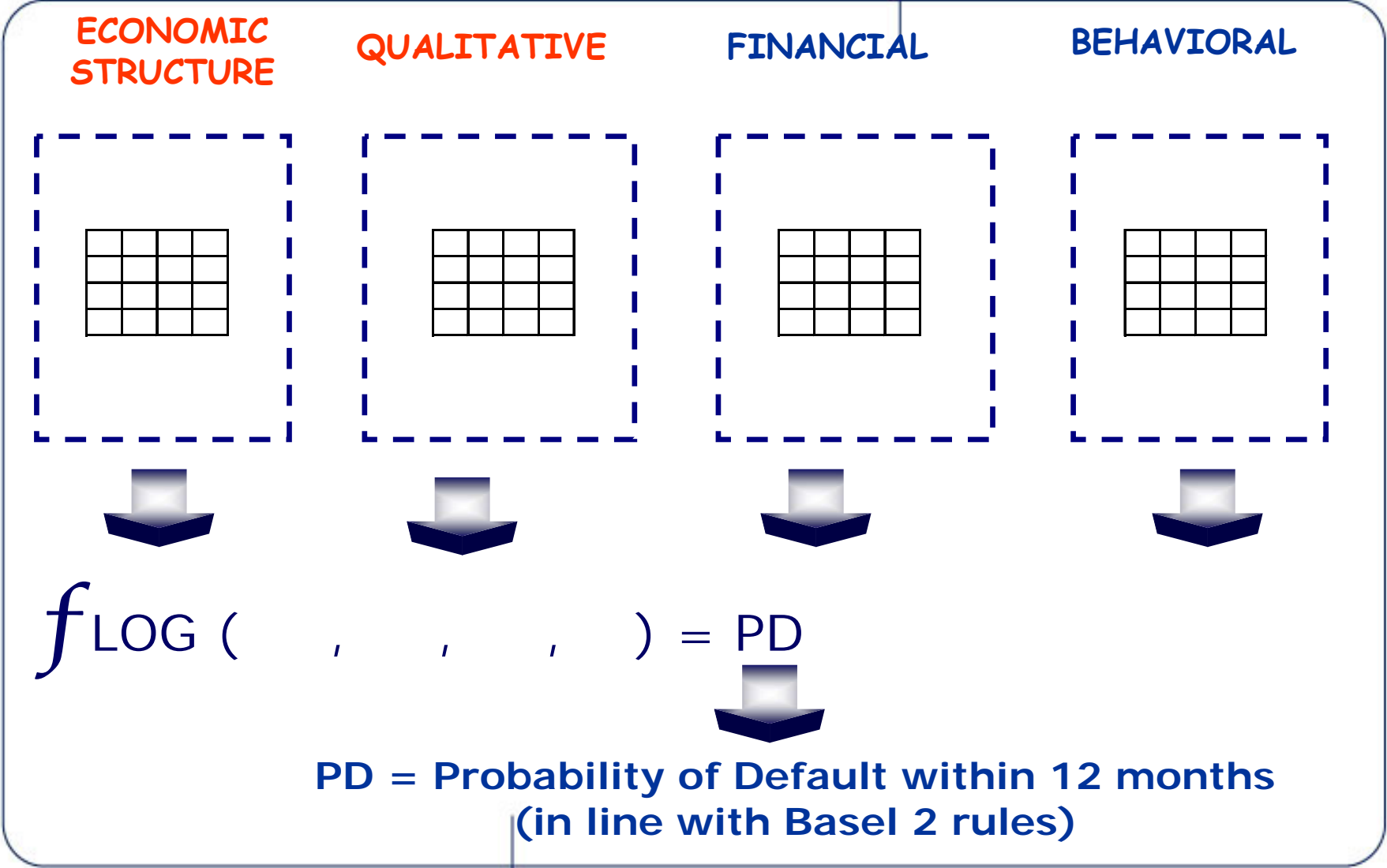
### CREDIT BUREAU SCORE - FIRM



### CREDIT BUREAU SCORE - ENTREPRENEURS



# Recent Developments: AgriRating: **Final Result**



# Recent Developments: AgriRating

**AgriRating** is now used by some banks and Agrifidi.

AgriRating:

➤ can **outsourced**

or

➤ can be **developed in house** and adapted to specific needs

## IDENTIFICAZIONE IMPRESA

Denominazione	PINCO PALLINO
Indirizzo	VIA TIZIO 2 CAP 40129
Citta' Sede	BOLOGNA (BO)
Codice fiscale e numero d'iscrizione	AKDSFJLSKDFILKSD
Partita Iva	
CCIAA-REA	BO - 123456

## INFORMAZIONI AZIENDALI

Forma Giuridica	DITTA INDIVIDUALE
Attivita' Economica	Allevamento di ovini e caprini
Data Iscrizione CCIAA	03/12/2002
Data Inizio Attivita'	14/12/2002

## DATI DELLA RICHIESTA

Codice Crif contratto	0000000000
Codice Crif anagrafico	0000000000
Identificativo richiesta	0000000000
Data elaborazione esito	09/04/2006
Data ultima modifica	
Data Richiesta Finanziamento	06/04/2006
Tipo operazione	TS - Affidamento
Importo linea di credito euro	25.000,00

## ESITI DELLA VALUTAZIONE SPRINT SECONDO LE REGOLE DECISIONALI DEFINITE DALL'ISTITUTO

Valutazione globale	VALUTAZIONE POSITIVA
Probabilita' di Default a 180 giorni:	1,5 %



## VALUTAZIONI PARZIALI

Score Economico-Finanziario	
Score Economico-Strutturale	
Score Strumentale	
Score Comportamentale	

To find out more...

If you need more information about:

- Agrifidi and other rural CGF in Italy
- AgriRating and rating models in general

**Do not hesitate to contact me!!!**

**THANK YOU FOR YOUR  
ATTENTION**

## **Piero Crivellaro**

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*We care, you can<sup>+</sup>*