



Experience of Lithuania in the establishment of the Credit Fund and conditions of its operation

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Legal Basis

- Council Regulation (EC) No 1698/2005 art. 71(5);
- Commission Regulation (EC) No 1974/2006 Art. 50-52).



Why Credit Fund

Preconditions for the establishment:

- Diminished accessibility of credits for agricultural enterprises;
- Danger for the implementation of RDP;

Targets:

- Increase accessibility of credits;
- Improve economical situation of the applicants;
- More rapid and effective absorption of funds;
- Dissemination of support for bigger number of applicants.

Prior steps

- Change of RDP 2007-2013 (MoA – 15-04-2009)
- Administrative rules (MoA - 14 July, 2009)
- Define the Credit Fund Manager(MoA – 17-07-2009)
- Business plan (CF) and evaluation (NPA)
- Triangular agreement (MoA, NPA and CF – 03-08-2009)
- Selection of Financial Intermediates (CF – 14-09-2009)



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Business plan

“the targeted market, the criteria, terms and conditions of financing; the operational budget of the fund, the ownership and part-financing partners, the requirements as to the professionalism, competence and independence of the management, the fund’s by-laws, the justification and intended utilisation of the EAFRD contribution, the investment exit policy, and the winding-up provisions of the fund, including the re-utilisation of returns attributable to the EAFRD contribution.”

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Credit Fund

- Credit might be given in Litas or Euro
- Credit Fund loans capital to Financial Intermediates for target purpose – to loan preferential credit with agreed conditions to final beneficiary.
- Eligibility to receive support (credit) is assessed based on normal practice of Financial Intermediates and the Note issued by NPA.



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Credit Fund

Resources:

- 75 % EAFRD
- 25 % National budget
- Planned budget of Credit Fund – 450 ml Lt (130 ml EUR) (first installment in 2009 – 100 ml Lt (29 ml EUR).

Measures, max amount of credit:

- „Modernization of agricultural holdings“: min 10 358 Lt (3 000 EUR) max 1 035 840 Lt (300 000 EUR);
- „Processing of Agricultural Products and Increasing of Added Value“: max 13,8 ml Lt (4 ml EUR), for cooperation in milk sector - max 34,5 ml Lt (10 ml EUR).

Credit maturity period – up to 7 years (for cooperation in milk sector up to 10 years)



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Interest rates:

- Credit in Euro - 6 month EURIBOR minus 1 % point, but not less than 1 % and not more than 3 %, plus margin of financial agent that can not be bigger than 3 %.
- Credit in Litas - 6 month VILIBOR minus 4 % points, but not less than 2 % and not more than 7 %, plus margin of financial agent that can not be bigger than 3 %.
- Low administration fees that shall not exceed 0.5 % of credit amount.



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Credit Fund

Possibilities of applicant and risk of credits:

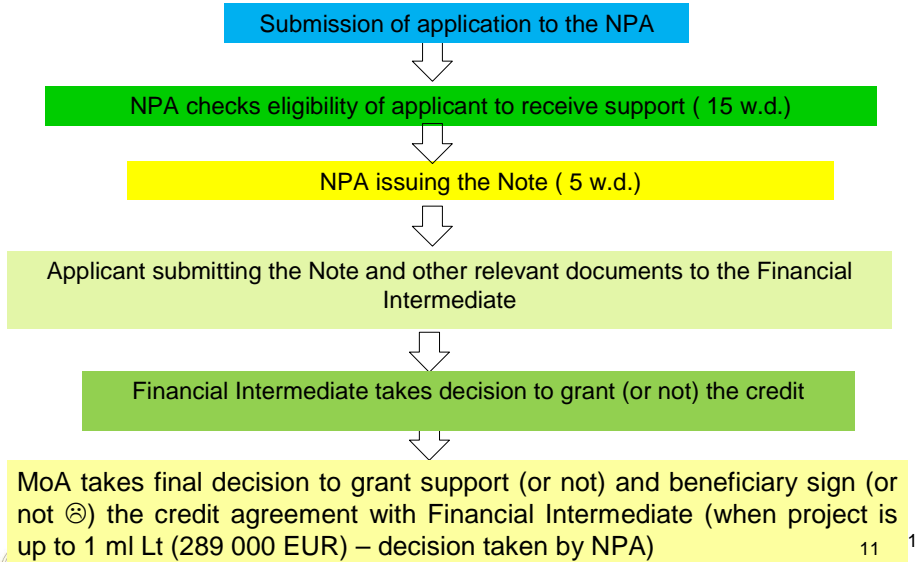
- Apply only for investment support or only for loan;
- Apply for investment support and loan. In this case Gross Grant Equivalent (GGE) will be counted and max support for investment will be reduced by that amount.
- Applicant have possibilities to receive 70 % guarantee from the Rural Credit Guarantee Fund (RCGF);
- Financial Intermediate take risk of loans, but this risk is minimized, because:
 - Applicant can receive investment support,
 - Applicant can receive 70 % guarantee,
 - Lower interest rates than in the market (easier to return loan).

Gross Grant Equivalent

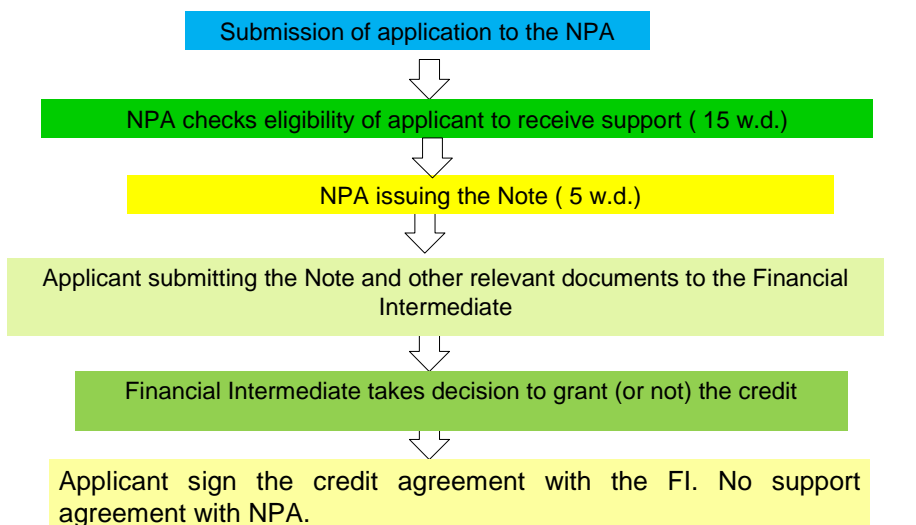
An example:

- The cost of investment project – 300 thousand Lt.
- The farmer asks for investment support under “I. Modernisation of Agricultural Holdings – investment support” in LFA area. Intensity rate – 50 per cent (150 thousand Lt.).
- The farmer asks for the credit under “II. Modernisation of Agricultural Holdings – credit support” (150 thousand Lt.).
- Period of credit repayment – 5 years.
- Interest reference rate – 11,73 per cent
- Discounted value – 2,393
- Credit interest rate foreseen – 7 per cent.
- Investment share, for which the credit issued – 0,5
- Gross Grant Equivalent = $2,393 \cdot (11,73 - 7) \cdot 0,5 = 5,659$ per cent.
- In this case, the investment intensity rate under “I. Modernisation of Agricultural Holdings – investment support” will be reduced by 5,659 per cent and will amount to 44,341 per cent.

Administrative chart (applying for investment support and credit)



Administrative chart (applying for credit only)





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Statistics

Possibilities to apply under measures:

- Modernization of Agricultural Holdings from October 23, 2009;
- Processing of agricultural products and increasing of added value from 28 October, 2009.

Up to 31 December 2009:

- **129 applications** received under measure Modernization of Agricultural Holdings (**99** of it applying under “Small project scheme”).
- **4** applications received under measure Processing of agricultural products and increasing of added value



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Problems

- Credits only for investment projects. No possibilities to get credit for working capital.
- No possibilities to use credit for re-financing means.
- No interest rate support.
- A lot of questions and not so many answer 😊



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Thank You for Your attention
and good luck !



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