

“Establishment of the Credit Fund using opportunities offered by EAFRD”

Jurmala
January 19, 2010

Agenda

9.30-10.00	Necessity to establish the Credit Fund and a vision of applicants on the Credit Fund Mr. Aivis Reinholds , Head of Rural Development Support Division, Ministry of Agriculture of Latvia
10.00-10.30	Requirements laid down by the European Commission concerning the use of financial engineering in Rural Development Programs and the current experience. Mr. Nivelin Noev , European Commission, DG Agriculture and Rural Development, G1 "Consistency of Rural Development"
10.30-10.50	Coffee break
10.50-11.20	Experience of Romania and Italy
11.20-12.00	Experience of Lithuania in the establishment of the Credit Fund and conditions of its operation Mrs. Jolanta Žutautienė , Head of Unit (Axis I and II) Rural Development Department, Republic of Lithuania
12.00-13.00	Lunch
13.00-13.40	Discussions – Prerequisites for establishment of the Credit Fund
13.40-14.20	Discussion – Mechanisms of the Credit Fund operation
14.20-14.40	Coffee break
14.40-15.20	Discussion – Risks involved in operation of the Credit Fund and possibilities to diminish these risks
15.20– 16.00	Discussion – Operation of the Credit Fund and State Aid procedures

Necessity to establish the Credit Fund and a vision of applicants on the Credit Fund

Aivis Reinholds

Head of the
Support Division,
Ministry of Agriculture of Latvia

Necessity to establish the Credit Fund and a vision of applicants on the Credit Fund

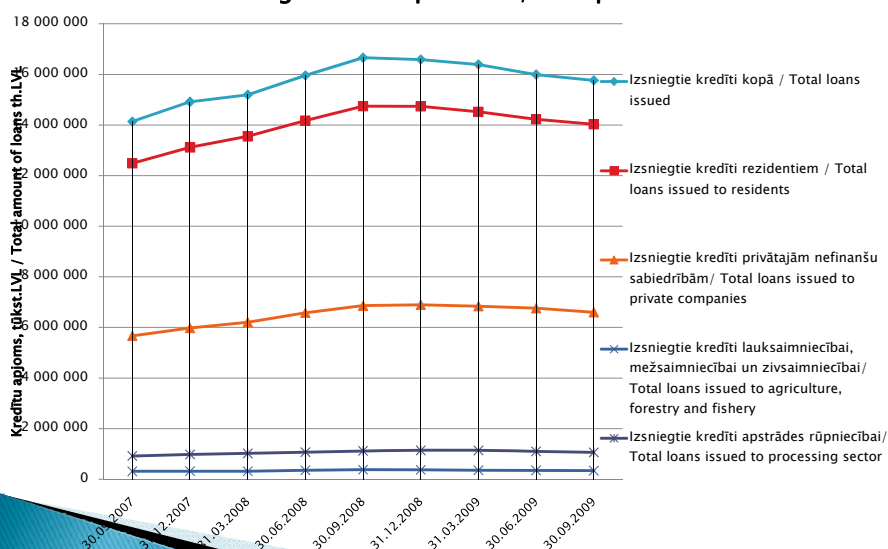
First signs in the market – approved investment projects under EAFRD is not being implemented because unable to receive a loan

Loan availability

- ▶ Reduced financial resources in the banking sector;
- ▶ High interest rates
- ▶ High risk profile of beneficiaries

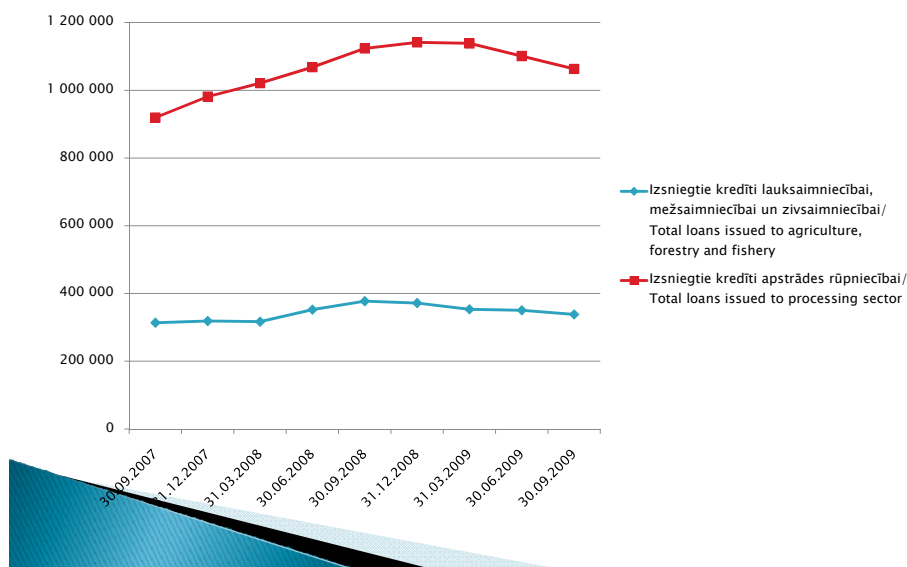
Changes in the loan portfolio –whole economy

Izsniegto kredītu portfelis / Loan portfolio



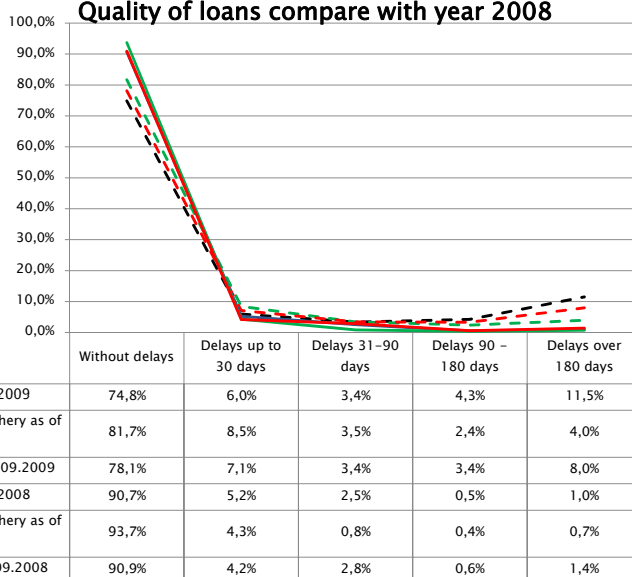
Changes in the loan portfolio – agriculture, forestry fishery and processing sector

Loan portfolio by 30.09.2009



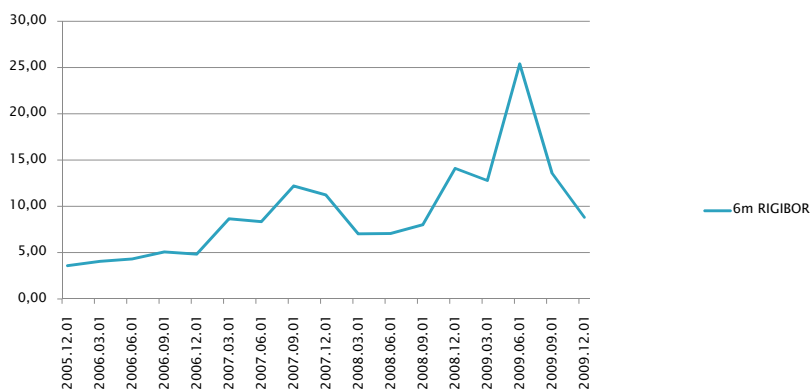
Risk profile

Quality of loans compare with year 2008



Interest rates– financial resources

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Interest rates for beneficiaries

		The credit fund provides resources	The credit fund provides resources and shares the risk
LVL		LVL	LVL
Total about 18%		Total about 8%	Total about 5%
Profit margin 0,5%		Profit margin 0,5%	Profit margin 0,5%
Administration costs 1,50%		Administration costs 1,50%	Administration costs 1,50%
Risk margin 1% - 6%	➔	Risk margin 1% - 6%	Risk margin shared 3% (instead of 1% - 6%)
Cost of resources 8-12%		Cost of resources 0%	Cost of resources 0%

The Credit fund.....

- ▶ Will the Credit fund increase loan availability and reduce the interest rates for the beneficiaries?
- ▶ What should the Credit fund do – provide resources only or accept part of the credit risk too?

