

**ERDF REGIONAL GUARANTEE FUND FOR SMES**

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**1. SUMMARY OF GOOD PRACTICE**

▪ **Overview & Aims**

The economic structure of Sardinia makes it difficult for SMEs and micro businesses to access credit channels. Set up in 2009 as a result of regional policies, the Regional Guarantee Fund aims to facilitate access to credit for Sardinian based SMEs. The Fund enables co-counter and/or direct guarantees on financial transactions granted by Consortia Fidi (guarantee consortium), banks or leasing for business companies. Guarantees can be used to enable viable SMEs to access new sources of funding or refinance existing loans.

The management of the Fund is entrusted to SFIRS, the in-house financial company of the Autonomous Region of Sardinia set up to implement the guarantee policies and plans of the Regional Centre for Planning.

▪ **Key Resources**

– **Programme Partners**

The Regional Centre for Planning  
SFIRS – the in-house holding company  
13 ‘Consortia Fidi’ (Guarantee Consortium)  
9 Banks and Leasing Companies

– **Funding: Funding Body & SME Contribution**

The Fund is supported by a total budget of €243.2M; €5M from regional resources, €5M from national resources and €232.2M from the EU

The fund provides guarantees, (not finance i.e. loans or grants). Guarantees issued to SMEs by the Fund are subject to value limits of €1.5M per transaction subject to ‘De Minimis’ criteria and €2.5M per business subject to criteria associated with the State guarantee scheme.

▪ **Eligibility Criteria**

Open to sectors in the trade, manufacturing, construction, tourism, service industry and in some cases the agricultural sector, SMEs must have their headquarters in the Sardinian region and be up to date with tax and social security contributions.

The criteria used to assess applications is determined by the length of time a company has been trading, with newly constituted companies (newco) operating for <3 years, start-up companies operating for 3-5 years and consolidated companies active for > 5 years all eligible for the scheme.

▪ **Terms & Conditions**

- The percentage of guarantee awarded depends on the nature of the guarantee:
- Direct guarantees can reach 60% of the loan granted and up to a maximum of 80% in cases of innovative investments
  - Counter-guarantee can achieve up to 80% of the guarantee granted by the Consortia ConFIDI
  - The co-guarantee system grants up to 40% of the credit guaranteed equal to the guarantee granted by ConFIDI. (This guarantee can be free of charge if it applies to the aid status associated with De Minimis).

**2. IMPLEMENTATION**

Businesses seeking funding can apply to one of the 13 Consortia Fidi for co/counter guarantees and to one of 9 Banks/Financial Institutions participating in the scheme for direct guarantees. The Consortium Fidi or Bank concerned undertake an initial assessment of the application and if considered a viable proposition, submit a request for a guarantee of the financial instrument selected to SFIRS for the final assessment.

**Eligible transactions for ERDF Regional Guarantees include:**

**Lending/Re-Financing**

- To consolidate or extend short-term debt/ bank finance and unused loan potential
- To renegotiate loans/funding for rate reduction and reduce the cost of instalments

**New Funding**

- For financial transactions of any kind – to obtain additional finance to that already in place for a minimum of 12 months and a maximum of 18 months or until the natural expiry date, whichever happens first
- Financial transactions with a lifetime of not less than 18 months and not more than 144 months
- To cover investment programmes aimed at supporting processes of growth and innovation

The current turnaround time for assessment and notification of decisions is 45-60 days with the application process considered to be of medium difficulty. Marketing activity has been used to publicise the availability of the Guarantee Fund and the Banks/Financial Institutions involved provided with training and coaching to strengthen their knowledge of the scheme.

▪ **Key Stats**

- Results from September 2010 (the programme start) to 31<sup>st</sup> December 2012 are as follows:

KEY MEASURE	ESTIMATED TOTAL
Applications Submitted (1573 Counter Guarantees/102 Direct Guarantees)	1675
Nos of Applications Submitted for Assessment	1637
Applications Approved	1332
Value of guarantees granted to successful SMEs (80% of the amount requested)	€75.5M
Value of credit lines issued as a result of guarantee investment	€249.8M

DIFASS Workshops Good Practice Fact Sheet 10 Guidance to Finance and Loan Guarantee Schemes.

95% of applications are for counter guarantees, with direct guarantees launched in March 2012 accounting for 6% of applications received to date.

### 3. KEY LEARNING POINTS & OPPORTUNITIES

- **Key learning points:**

- **What worked well/strengths**

Accreditation process for Consortia Fidi

Agreements with banks and credit institutions

- **What didn't work so well/challenges/what would you change?**

There were a number of challenges involved in setting up the scheme:

It took a lot of time to create the network with consortia and banks so although the instrument was set up in 2009, it didn't become operational until September 2010.

Operational requirements for banks included formal accreditation and the signing of a general agreement with the national bank association enabling banks to operate the scheme.

Other aspects that didn't work so well included the use of postal application procedures and the development of a web based support service and database, (not used as anticipated by stakeholders/businesses).

- **Planned Improvements to implementation procedures include:**

- an agreed definition of the criteria of outstanding loans / credit lines capable of being secured together by banks and CONFIDI;
- an online application process and marketing and awareness raising of the Guarantee Fund;
- amendments to the 'Rules of Implementation' of the Fund and an in depth review of the application process for agricultural companies

- **Legacy**

A formal assessment of the impact and legacy benefits will be undertaken this year. With one third of the resources of the instrument used to date, partners expect requests for guarantees to increase 'at a time of economic crisis'

- **Transferability**

Networking with the main stakeholders involved, particularly banks who have direct relationships with businesses is a very crucial point

Reliant on funds from ERDF

**FURTHER INFORMATION:**

<http://www.youtube.com/watch?v=sfnu9JygopY>

<http://www.sfirs.it>

<http://www.regione.sardegna.it>