

RISK MONITORING SYSTEM OF PUBLIC GUARANTEES INCLUDING COVID-19 RELATED MEASURES

Cristina Collura - European Economic Affairs,
Director (Department of the Treasury)
Ministry of Economy and Finance

Roberto Morea - Head of Macroeconomic Forecasting
and Modelling, Public Debt and Statistical Analysis
Sogei SpA

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Outline

1. **MANAGEMENT POLICY OF THE ITALIAN PUBLIC GUARANTEES**
2. **MAIN FIGURES OF PUBLIC GUARANTEES**
3. **THE «GOVERNMENT GUARANTEES» PROJECT**

1. MANAGEMENT POLICY OF THE ITALIAN PUBLIC GUARANTEES: MAIN MEASURES

Public guarantees are one of the key measures adopted by the Italian Government to mitigate the **negative impact of the COVID-19 crisis** to the real economy, and to preserve companies' access to credit.

MAIN MEASURES

The SME Fund

The “Healing Italy” Law Decree has strengthened the “**Fondo centrale di garanzia per le Piccole e Medie Imprese**” (SME).

The subsequent law decrees, “Liquidity” and “Relaunch”, **enlarge the Fund operation** and its **provisions**.

«Garanzia Italia» & «Garanzia a Mercato»

The “Liquidity” Law Decree introduces new guarantees in favour of banks and financial intermediaries which provide loans to companies up to an **overall maximum amount of EUR 400 Billion** - EUR 30 Billion of which are allocated to small and medium companies (through the funds “**Garanzia Italia**” and “**Garanzia a Mercato**”).

Other measures

The “Liquidity” Decree enhances the role of the Ministry of Economy and Finance (MEF) in internationalization and export. A new **system of co-insurance** between **MEF** and **SACE** to **support the Italian export** has started in 2021. The Government will guarantee **90 percent** of SACE’s overall portfolio exposure. It represents an **additional measure** to sustain Italian companies during the COVID-19 crisis.

A **task-force** was set up to **promote** and **monitor** the implementation of **public liquidity measures** adopted to counter the Covid-19 crisis.

1. MANAGEMENT POLICY OF THE ITALIAN PUBLIC GUARANTEES: KEY POINTS

KEY POINTS

Temporary Framework

In the context of the current Temporary Framework, we expect that **companies will continue using the available financial support**. That will lead to a growth in exposures covered by government guarantees.

Focus on SMEs

The **Italian SMEs have been mostly** exposed to the effects of the Covid-19 crisis; for these companies a **deterioration of creditworthiness** has accompanied the need of more liquidity. Therefore **guaranteed loans have been essential to overcome the crisis**.

Tourism sector

The crisis in the **tourism sector**, and specifically in the **cruise companies** sector, requires a specific risk monitoring of **SACE** Export Fund.

2. MAIN FIGURES OF PUBLIC GUARANTEES: OVERVIEW OF THE SME FUND

Nominal exposure from 17th March 2020¹

Financed amount
EUR 140.8 billion

operations
1.74 million

*Focus on operations with 100 percent cover ratio and
EUR 30,000 financed maximum cap*

Financed amount
EUR 21.3 billion

operations
1.09 million

Budgetary Provisions

17.6

*€ billion allocated
from 2020 onwards*

EUR 5.8 bil 2020
EUR 0.5 bil 2022
EUR 4.1 bil 2023
EUR 4.1 bil 2024
EUR 2.6 bil 2025
EUR 0.5 bil 2026

*As provided by DL
23/2020, DL 34/2020,
DL 104/2020 and 2021
Budget Law*

¹ Data source: [Liquidity Support Task-Force report, 24th of February 2021.](#)

2. MAIN FIGURES OF PUBLIC GUARANTEES: OVERVIEW OF «GARANZIA ITALIA»

Current Nominal Exposure¹

Financed amount
EUR 21.6 billion

operations

1,561

*EUR 8.8 billion related to
the Top 8 operations*

Budgetary Provisions

29.3 *€ Billion allocated*

*The provisions are referred to
both «Garanzia Italia» and
«Garanzia a Mercato»
maximum potential exposure*

¹ Data source: [Liquidity Support Task-Force report, 24th of February 2021.](#)

2. MAIN FIGURES OF PUBLIC GUARANTEES: OVERVIEW OF SCHEMES TO FACE THE COVID-19 CRISIS ¹

141
€ Billion

Guaranteed loans from 17th March 2020 under the
SME Fund

200
€ Billion

Maximum potential plafond under “**Garanzia Italia**”

200
€ Billion

Maximum potential plafond under “**Garanzia a Mercato**”

* Not yet operational

¹ Data source: [Liquidity Support Task-Force report, 24th of February 2021.](#)

2. MAIN FIGURES: LOANS CURRENTLY COVERED BY PUBLIC GUARANTEES¹

162.4

€ Billion – 9.8 percent of GDP

Current amount of loans covered by guarantees to face the COVID-19 crisis

140.8

€ Billion – 8.5 percent of GDP

Guaranteed loans from 17th March 2020 under the **SME Fund**

21.6

€ Billion – 1.3 percent of GDP

Guaranteed loans under “**Garanzia Italia**”

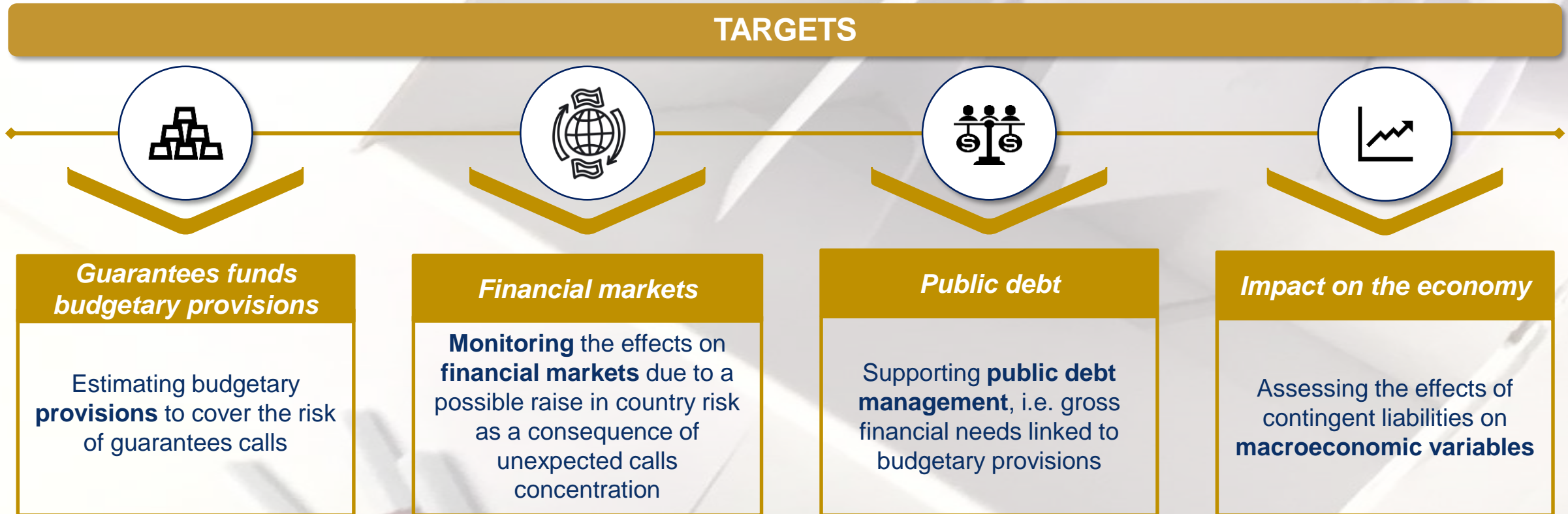
¹ Data source: [Liquidity Support Task-Force report, 24th of February 2021](#).

GDP percentages calculated on the basis of the nominal GDP published in NADEF 2020 (Update to the Economic and Finance Document)

3. THE «GOVERNMENT GUARANTEES» PROJECT: MAIN GOALS

In **2019** the Department of the Treasury started a project to improve the framework and the tools for public **guarantees management**.

In **2020**, the **project gained priority and strengthened its mission** - considering the significant economic impact of the COVID pandemic and the policy response.



In particular, the aims of the project are:

- improving **governance & policy making** capability of MEF;
- boosting up MEF **risk analysis tools**, to mitigate impacts on public finances;
- centralising **guarantees data management**.

3. THE «GOVERNMENT GUARANTEES» PROJECT: CREDIT RISK MODELLING



Fund Cashflows

Fund cashflows are mainly related to **payouts** due to firms' default, **premiums** income and **recoveries** from defaults¹.



Implemented Model

An actuarial model has been developed to estimate the **expected loss** of the Funds.



Model Input

Probability of Default

Probabilities of default are adjusted considering the **COVID-19 crisis**.

Rating

Companies rating are **provided** by the Funds managers or **estimated** when missing.

Scenario analysis

Base Scenario

“As is” scenario, considering the **actual pandemic situation**.

Stressed Scenario

Worsening economic outlook due to the pandemic emergency. Slower recovery of the economy. Delay on the Covid-19 vaccination campaign.

¹ The **SME Fund** does not envisage premiums under the Temporary Framework.

² Scenarios are evaluated also considering a recent **paper by Cerved (“Evolution and impacts of the Covid-19 pandemic emergency on Italian non-financial corporates”, May 2020)** related to the evolution and the impacts of the Covid-19 pandemic emergency on Italian non-financial corporates.

THANK YOU