Guarantee systems for the agricultural sector: Conceptual framework, origin, development, and evolution

"Those who control guarantees control credit." This motto has been widely used for more than 25 years to highlight the role and importance of guarantee systems.



Source: FAO

This article analyzes the development and evolution of guarantee systems, paying particular attention to the role they play in facilitating access to finance for small and medium-sized enterprises and in helping to meet investment, working capital, and liquidity needs, with special reference to the agricultural sector.

The activity of guarantee systems does not respond to a temporary or passing trend—it is not a "fad"; like credit, guarantees constitute a structural and permanent necessity of the financial system.

INTRODUCTION

The motto "Those who control guarantees control credit" is based on the diagnosis that, within financial institutions, there is an initial phase of risk analysis and prequalification. However, the final decision to grant credit is not based solely on that analysis, but is complemented by guarantee coverage. This means that risk policy has been strongly influenced by the Basel Committee Agreements since 1988[1].

Guarantee systems have a long tradition in Europe, with origins dating back to 1917 in France, with the Law on Mutual Guarantee Societies (Sociétés de Caution Mutuelle – SCM) for artisans—self-employed workers—and small enterprises; in other words, more than a century of evolution. Their subsequent development and expansion have been shaped by various circumstances and events, giving rise to heterogeneous models (public and mixed). This evolution shows that it is not in less developed countries, but rather in more developed ones, where guarantee systems are used most intensively.

To address this topic from a contemporary perspective, it is essential to understand that guarantee coverage is directed at financial institutions, while the users of guarantee systems are self-employed professionals and SMEs. Both elements—the credit granted by the financial institution and the guarantee coverage issued by the guarantee scheme—are inseparable, like two sides of the same coin. Consequently, the activity of guarantee systems does not respond to a temporary or passing trend; like credit itself, guarantee coverage constitutes a permanent need.

However, this message may be misinterpreted. It is necessary to make it clear that guarantee systems are not designed to facilitate access to inefficient projects. On the contrary, their purpose is to support viable, efficient, and sustainable initiatives. This principle is especially relevant in the current context, marked by climate, health, and geopolitical crises, as occurred in previous crises. Today, more than ever, this message must be conveyed and perceived with absolute clarity.

The need for solid and active guarantee schemes should not be underestimated. Since the 1990s, various studies have shown the existence of a positive correlation between credit flows and guarantee coverage, and economic growth as measured by Gross Domestic Product (GDP). This relationship suggests that credit expansion, supported by adequate guarantee mechanisms, contributes significantly to economic dynamism and the strengthening of productive activity. Their implementation and reinforcement are not optional, but rather an essential strategy to ensure the flow of credit and the economic and financial resilience of firms. Countries or territories with well-established guarantee systems and consolidated activity have been able to provide rapid and effective responses to emerging needs.



Source: FAO

Guarantee coverage plays a strategic and essential role in scenarios of instability—crises—by ensuring the flow of credit and protecting business continuity. The critical importance and usefulness of guarantee coverage and credit guarantee systems have become more visible than ever in recent crises—such as COVID-19. Their impact has been so significant that their relevance is now unquestionable. These mechanisms have been referred to as "countercyclical instruments" due to their capacity to reverse the negative effects of crises, allowing credit to continue flowing to firms.

Guarantee coverage is not merely a legal-technical financial instrument, but a fundamental strategic tool to protect economic and financial stability, both under normal conditions and in adverse scenarios. This is its greatest value: to provide guarantee coverage, integrated into the financial system, that facilitates access to financing under the best conditions for entrepreneurs, self-employed professionals, microenterprises, and SMEs.

One of the main objectives of guarantee systems and their representative associations worldwide is to move toward integrated and formally recognized guarantee coverage within the financial system, thereby establishing themselves as a subsystem of it. This integration should be valued as a risk mitigation factor by financial institutions, with an impact on the calculation of regulatory capital and provisions.

Ultimately, facilitating guarantee coverage means enabling credit to flow from financial institutions to firms. Solid regulation and supervision, together with the integration of guarantee coverage into the financial system, are key factors in ensuring an institutionalized channel for access to credit under optimal, non-discriminatory, transparent, stable, and efficient conditions.

THE ACTIVITY OF GUARANTEE SYSTEMS IN EUROPE AND LATIN AMERICA: REFERENCES TO THE PRIMARY SECTOR

Guarantee systems play a fundamental role at the global level. The years 2020 and 2021 were particularly significant due to the need to support business sectors affected by the COVID-19 pandemic. According to the Asociación Red Iberoamericana de Garantías (REGAR), in 2024 the total volume of outstanding guarantees worldwide amounted to the significant figure of US$893,080 million (19% in the United States; 36% in Japan, Korea and Taiwan; 40% in Europe; and 5% in Latin America), benefiting 28,472,237 enterprises (37% in Latin America, 41% in Europe, 8% in the United States, and 14% in Japan, South Korea and Taiwan).

With regard to Europe, the Asociación Europea de Instituciones de Garantía

(AECM) currently has 49 member organizations from 32 countries. Its members include both public and mixed (public–private) guarantee systems. In 2024, AECM member organizations managed a guarantee portfolio of €217.9 billion and nearly 5.3 million operations, supporting 6 million SMEs. In addition, they formalized a total volume of nearly €34.9 billion in new guarantees through 784,000 operations, reaching approximately 730,600 SMEs.

In 2024, AECM members reached €21.9 billion in outstanding guarantees for agricultural SMEs, representing 9% of the total volume, and more than €3 billion in newly formalized guarantees. This was the highest volume recorded since 2016, when AECM began collecting agricultural data, and it represented a 7.4% increase compared to 2023 (with Saeca registering an increase of 37.46%). Overall, this support reached 204,240 agricultural SMEs, including 18,957 new beneficiaries in 2024. Also in 2024, the five AECM guarantee institutions specifically oriented toward agriculture collectively supported 152,510 agricultural SMEs, including 13,098 new beneficiaries.

With regard to Latin America, the 22 REGAR members from 11 countries, together with other non-member institutions, held a guarantee portfolio of US$43,981 million in 2024, mobilizing US$51,416 million in loans, supporting 5.5 million enterprises, issuing a total of US$31,261 million in new guarantees during the year, and supporting 2.2 million SMEs.

In addition to the fact that some Latin American guarantee institutions operate across the entire primary sector (including fisheries and forestry), three public institutions can be identified that operate in the agricultural sector from a sector-specific perspective: Colombia's Fondo Agropecuario de Garantías (FAG) of Finagro, Mexico's FIRA, and El Salvador's PROGARA. In 2024, these three institutions accounted for 14.7% of the total guarantee portfolio, amounting to US$6.45 billion, and supported 3 million enterprises.

OBJECTIVES, MISSION AND ACTIVITY OF SAECA

In Spain, the Sociedad Anónima Estatal de Caución Agraria (Saeca) was created in 1988 as a public company aimed at providing guarantees and bonds to facilitate access to financing for the agricultural sector as a whole. It is a state-owned public company whose shareholders are the Sociedad Estatal de Participaciones Industriales (SEPI), holding 80% of the capital, and the Fondo Español de Garantía Agraria (FEGA), holding the remaining 20%, and it operates under the supervision of the Ministry of Agriculture, Fisheries and Food (MAPA).

Saeca's activity as a guarantee institution for the agri-food sector consists of facilitating access to financing under the best possible conditions through the provision of all types of guarantee coverage (guarantees and bonds) for individuals or legal entities, public or private, with the aim of supporting financing for activities in the forestry, agricultural, livestock, agri-food and fisheries sectors. Saeca carries out its guarantee activity through four main lines:

- **Investment and Working Capital Line:** a guarantee line aimed at financing investments in the primary sector and rural areas, as well as providing working capital and liquidity to the productive processes of self-employed workers, SMEs and enterprises.
- **Agroseguro Line:** a guarantee line aimed at financing the installment payment of premiums for agricultural insurance policies.
- **Irrigation Communities Line:** a guarantee line aimed at irrigation communities to undertake modernization and consolidation works in Spanish irrigation systems through SEIASA/SARGA and other public companies.
- **MAPA ICO Saeca Line:** a guarantee line, with the cost of the guarantee and a percentage of capital amortization subsidized, aimed at strengthening the viability and normal functioning of agricultural holdings and operators in the fisheries and aquaculture sectors under exceptional circumstances.

Through these lines, during 2024 guarantees totaling €417 million were formalized through 7,991 operations. This represents an increase of 10.9% in the number of operations and a 65% increase in the amount of guarantees formalized compared to 2023.

In 2024, outstanding risk reached €905 million, a historical maximum, supporting 21,022 SMEs. This figure is equivalent to 5.3% of the total indebtedness of the country's primary sector and had an impact on 2.5% of agricultural holdings.

Particular emphasis should be placed on the Saeca Investment and Working Capital line, with 52% of guarantees granted to young farmers and 38% under the MAPA ICO[2] Saeca line.

However, Saeca's activity does not end there. Due to its experience in the rural environment and the financial sector, since 2019 it has participated in the management of the Centralized Management Financial Instrument, specifically designed for the rural sector. This instrument is a trust fund constituted with resources from the European Union, the Autonomous Communities, and MAPA, aimed at

promoting rural development programs. In 2024, it maintained outstanding risk of €136.2 million across 1,039 operations.

Finally, it is worth highlighting the role of the Compañía Española de Reafianzamiento (CERSA), a public company under the Ministry of Industry, Trade and Tourism. Through its counter-guarantees, CERSA regularly covers a percentage of Saeca's risks, and an even higher proportion during times of crisis. For this reason, CERSA forms part of the national guarantee system, together with the 18 mutual guarantee societies (SGR), of mixed (private–public) nature, and the public entity Saeca.

CONCLUSIONS AND FINAL CHALLENGES

The purpose of Saeca is, essentially, to support—through guarantee coverage—the financing needs of enterprises in the agricultural, livestock, forestry, fisheries and agri-food sectors, addressing investment, working capital and temporary liquidity requirements, as well as, more broadly, any activity that contributes to improving rural areas.

Within Saeca's 2022–2026 Strategic Plan, one of the medium-term priorities identified is to consolidate its role as a strategic financial instrument for the implementation of public policies. These include generational renewal, business succession, support for young and women entrepreneurs, tackling rural depopulation, digital and technological transformation, environmental sustainability, and the fight against climate change. All of this is pursued by offering the most favorable conditions for accessing project financing.

Saeca's activity evolves in parallel with developments in the primary sector, where digital transformation, environmental protection and action against climate change have become indispensable factors in any strategic decision related to agricultural, livestock, forestry and fisheries activities. Professionals in the primary sector play a key role in addressing these challenges, as they are on the front line and are capable of generating the greatest impact. This is reflected in the investments they make in their operations, for which Saeca is, in many cases, an indispensable partner.

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Ultimately, credit—like guarantee coverage—is a permanent requirement for enterprises, both at the stage of creation and throughout their development and growth. In the current context, SMEs are required to undertake additional efforts beyond their usual activities, which demands adequate resources. In this regard, Saeca must continue supporting self-employed professionals and SMEs in the primary sector, as it has done throughout its more than 37 years of operation.

Likewise, guarantee systems—in this case, Saeca—must also integrate financial institutions into this process, generating synergies and developing tailored products that effectively respond to emerging needs and challenges. It can therefore be concluded that Saeca constitutes a strategic financial instrument: a state-owned tool, overseen by the Ministry of Agriculture, Fisheries and Food (MAPA), that supports the primary sector and generates a significant multiplier effect in terms of wealth creation and employment in rural areas.



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President of Saeca[3]

1. The Basel Committee on Banking Supervision (BCBS) is the global body responsible for the prudential regulation and supervision of banks, particularly with regard to their solvency.
2. Instituto de Crédito Oficial (ICO).
3. Pablo Pombo is the current President of Saeca. He served as Secretary General of the Asociación Red Iberoamericana de Garantías (REGAR) (1998–2020), is the founding President of the Asociación Europea de Instituciones de Garantía (AECM), and was President of the Confederación Española de Sociedades de Garantía Recíproca (CESGAR) (1991–1996). In addition, he was a consultant to the World Bank (2015–2020) and a member of three Task Forces between 2015 and 2020. He was also a professor at the University of Córdoba (Spain) (2010–2020). In 2007, he received the Unicaja Prize for Economic Research, together with Professors H. Molina and J. Ramírez, for the work "Conceptual contributions to a classification of guarantee systems." With 44 years of professional activity in the guarantee systems sector, he was awarded the Order of Civil Merit in 1995.

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