

Preferential Interest Rate for the Farming sector

The Interest Compensation Fund [Fondo de Compensación de Intereses: FECI] was set up under the provisions of Act 4/1994 with the principal purpose of ensuring that all local loans to registered farm enterprises and to agroindustrial businesses exporting non-traditional goods would be entitled to a discount on the rate of interest of loans taken out with a bank or financial institution.

Lenders were compensated with the withholdings that banks and financial institutions carry out on all personal and business loans for sums over USD5,000 being earmarked for allocation to an Interest Compensation Fund (FECI).

The Government has been promoting agri-food production and to that end has made agricultural loans available at zero rates of interest. The large number of applications received in the last year came to over 200% of the funds allocated to the Farming Development Bank [Banco de Desarrollo Agropecuario: BDA].

In response a bill has been drafted that modifies Act 4/1994 in order to:

- Find a solution to the existing financing problem.

- Protect micro, small and medium sized producers, driving improvements in their production and productivity levels.

- Raise financing for farming, increasing the funds allocated, starting a process of recovery in this sector and considering new strategies.

- Guarantee the country's food security.

Loans at 0%

The Bill proposes that "loans originated by the Farming Development Bank, by Farming Credit Cooperatives or by any natural or legal person with funds lent by the FECI, will not be subject to the interest rate discounts provided for under Act 4/1994".

FECI Commission

The Bill mentions that the commission for this law (once it has been enacted) will be appointed by another commission called the FECI Commission, to be made up by representatives from the Ministry for the Economy & Finance, the Ministry for Agricultural Development and the Banking Supervisor or the person in whom they delegate this responsibility.