



Case studies: Occitanie (France) and Italy

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Occitanie



Previous experiences in Occitanie



Long experience with Financial Instruments in Occitanie:

- Two venture capital companies created in early 80s IRDI and SORIDEC
- Nowadays merged in one Equity management company - EUR 300m of assets
- **2007-2013:** Midi-Pyrénées ERDF Operational Program
- → long experience with guarantee funds and seed loans instruments using ERDF
- **2007-2013:** Languedoc-Roussillon ERDF Operational Program
- → JEREMIE funds EUR 30m (EUR 15m ERDF + EUR 15m Region)



2014-2020 FOSTER project (1)



On the basis of positive past experience and after ex-ante assessments, Region Occitanie decided to increase the size of FI for 2014-2020:

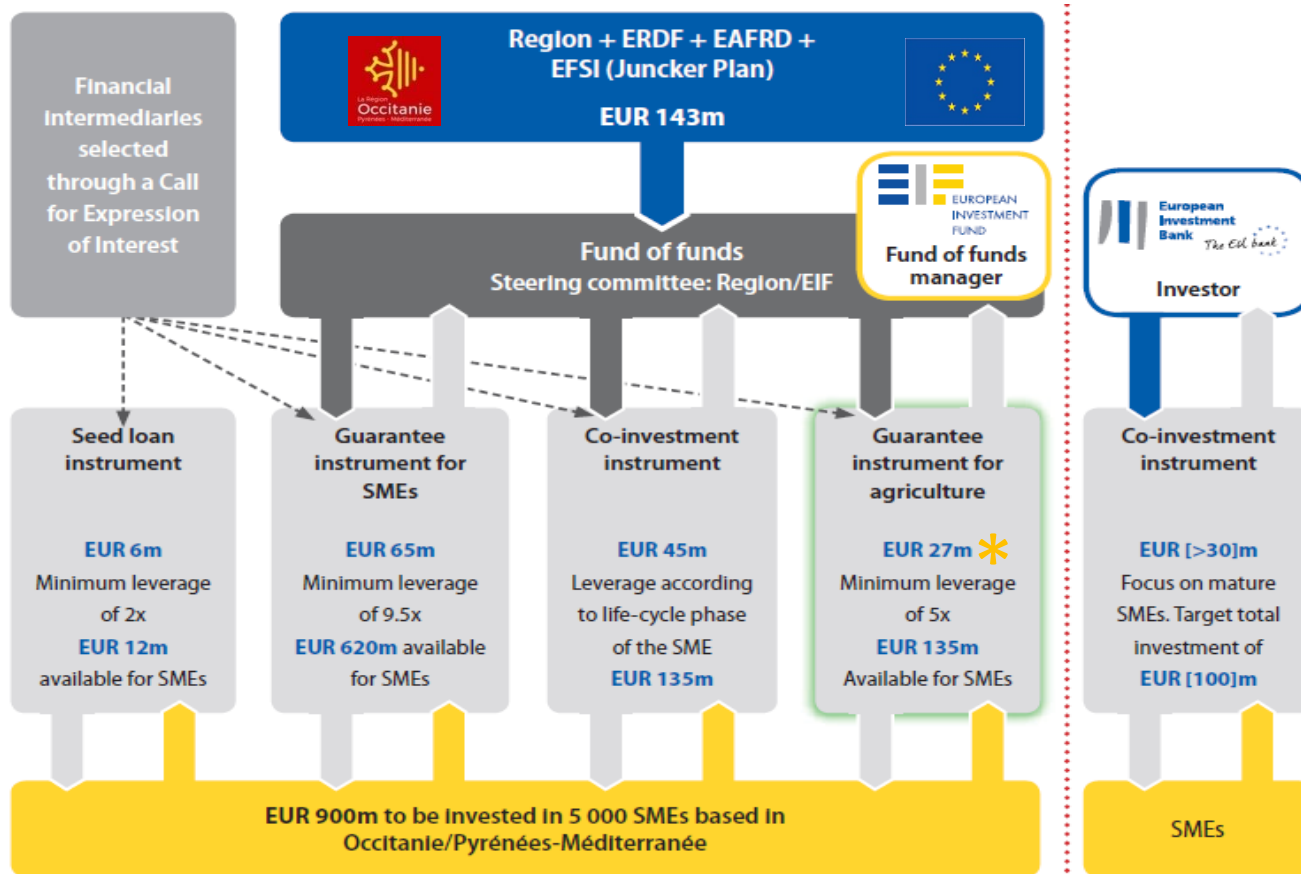
EUR 143 m in a new TPE-PME Fund of Funds: The FOSTER project

Focus on ex-ante assessments:

- A global approach of SME needs covering all sectors, including agriculture & agrifood industry
- Region OCCITANIE chose EIB Group:
 - strong experience with market assessment;
 - FI implementation;
 - and knowledge of EU regulations.



2014-2020 FOSTER project (2)



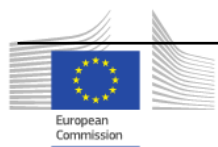
Languedoc-Roussillon RDP **EUR 15m**
Midi-Pyrénées RDP **EUR 12m**



Guarantee instrument for agriculture (1)



Measure	Type of operation	Languedoc-Roussillon	Midi-Pyrénées
MEASURE 04 Physical investments	4.1.1 – 'Investment in agricultural holdings'	✓	
	4.1.1 – 'Investment in livestock modernisation'		✓
	4.1.5 – 'Investment in specialised crops'	!	✓
	4.2.1 – 'Development of agricultural holdings that process and market farm products'	✓	✓
	4.2.2 – 'Investment in enterprises that process and market farm products'	✓	✓
MEASURE 06 Development of agricultural holdings and enterprises	6.4.2 – 'Development of primary wood processing enterprises in the market of wooden construction'	✓	
MEASURE 08 Investments in the development of forest areas and to improve the viability of forests	8.6 – 'Support for logging and wood mobilisation enterprises'	✓	
EAFRD resources		EUR 9.45 million	EUR 6.36 million
Public resources		EUR 5.55 million	EUR 5.64 million
Total		EUR 15 million	EUR 12 million



Guarantee instrument for agriculture (2)

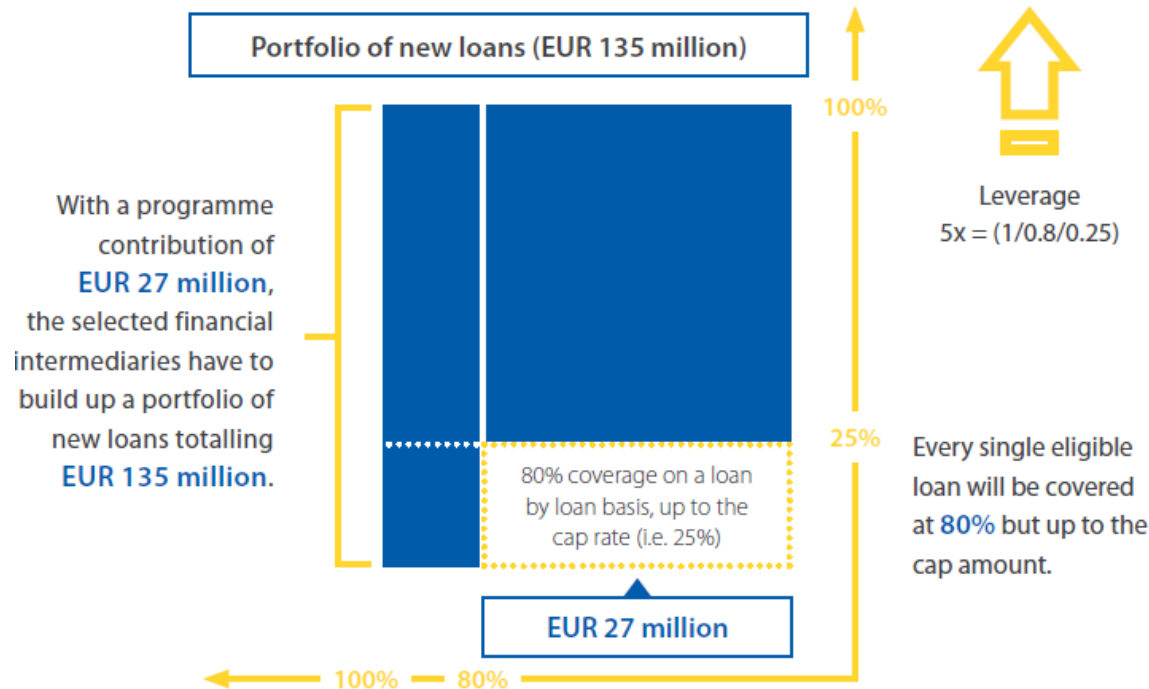


First-Loss Portfolio Guarantee instrument for agriculture, agrifood industry and forestry RDP Languedoc-Roussillon

Body implementing the financial instrument	European Investment Fund
Financial intermediary	Banque Populaire du Sud
Amount of public funds	EUR 15 million (Banque Populaire du Sud manages EUR 13.5 million)
Agreed portfolio of loans	EUR 67 million
Guarantee	80% [covering final losses on individual loans up to the cap]
Cap rate	25%
Period	36 months (to build the loan portfolio, starting from signature of the operating agreement)
Eligibility	Agricultural holdings, food industry and forestry SMEs in Languedoc-Roussillon
Maximum loan (assuming a guarantee rate of 80%)	<ul style="list-style-type: none"> • Up to the aid intensity and state aid • EUR 930 000 (< 10 years) • EUR 1 875 000 (< 5 years)
Term of loans	12-120 months



Guarantee instrument for agriculture (3)



- **EIF guarantee up to 80% of the eligible loan within a certain cap**
 - **Min: EUR 25.000,00**
 - **Max: accordingly to applicable rules on maximum intensity/ *de minimis***
- **Advantages for SMEs**
 - **0,40% reduction on average interest rate**
 - **Reduction on requested collateral (on securities and personal collateral)**
 - **No guarantee fee**
- **Working capital: maximum 30%**



Added value of the FI



<p>For Final Recipients (i.e. Farmers / SMEs)</p>	<p>Easier/better access to bank financing enhancing their competitiveness</p>	<p>Significant transfer of financial advantage to entrepreneurs (interest rate reduction as well as collateral requirements reduction)</p>	<p>More opportunities for final recipients to invest</p>	<p>Helps mitigate financial market deficiencies by improving credit conditions</p>
<p>For the Occitanie/ Pyrénées-Méditerranée Region</p>	<p>Significant leverage (doing more with less resources)</p>	<p>Efficient answer to both regional and EU key objectives to diversify public intervention. Clear governance structure (managing authority is in the “driving seat”)</p>	<p>Final recipient credit growth may drive economic growth</p>	<p>More efficient use of EAFRD Transition from a subsidy culture to revolving financial instruments</p>
<p>For financial Intermediaries</p>	<p>Excellent risk protection (80% of up to 25%, Guarantee free of charge, 60 days for payment)</p>	<p>More comfort for the financial intermediary to issue loans to final recipients</p>	<p>Access to new clients/segments</p>	<p>High visibility for Agri support</p>

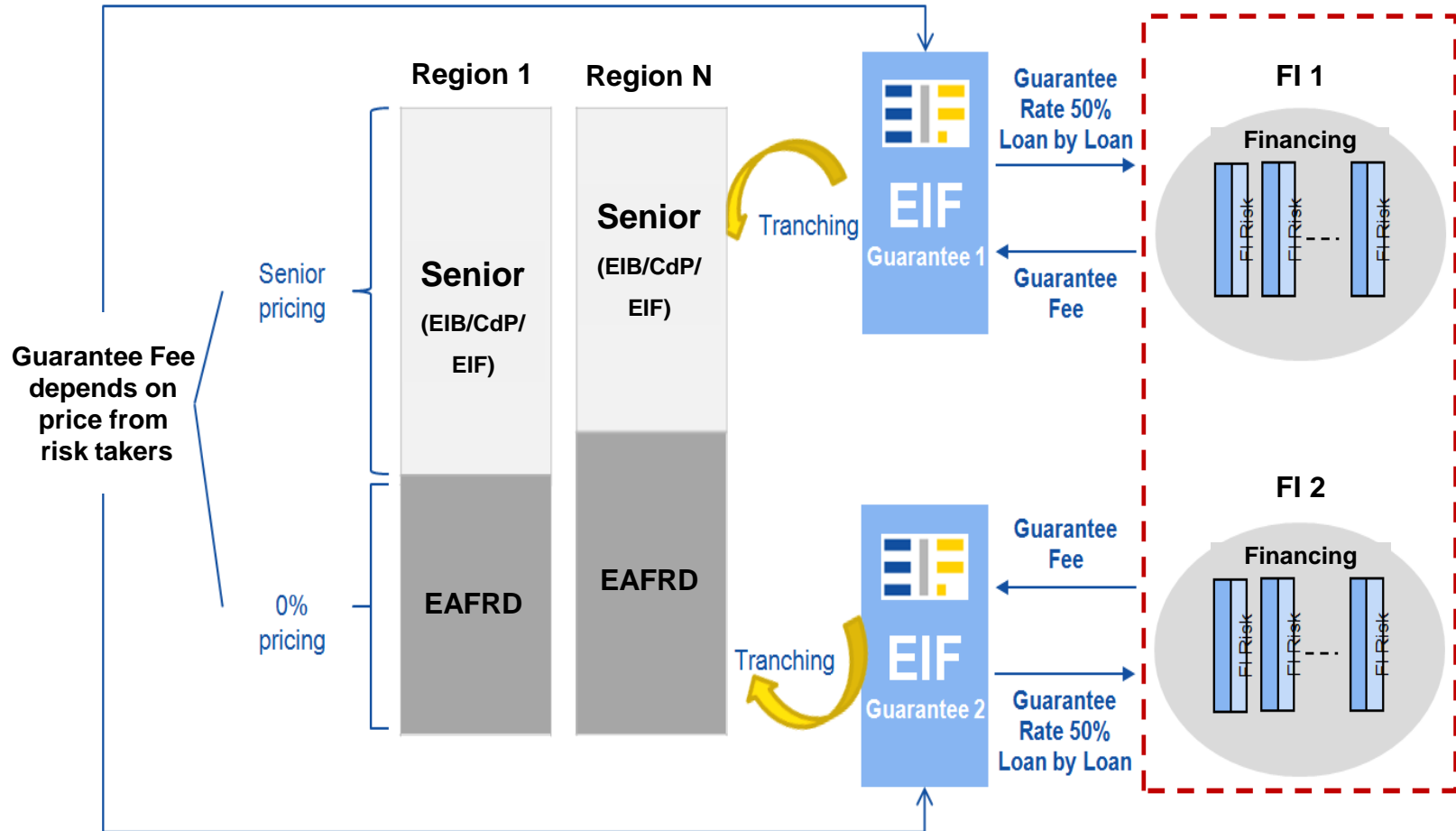




Italy



AGRI – EIF guarantee

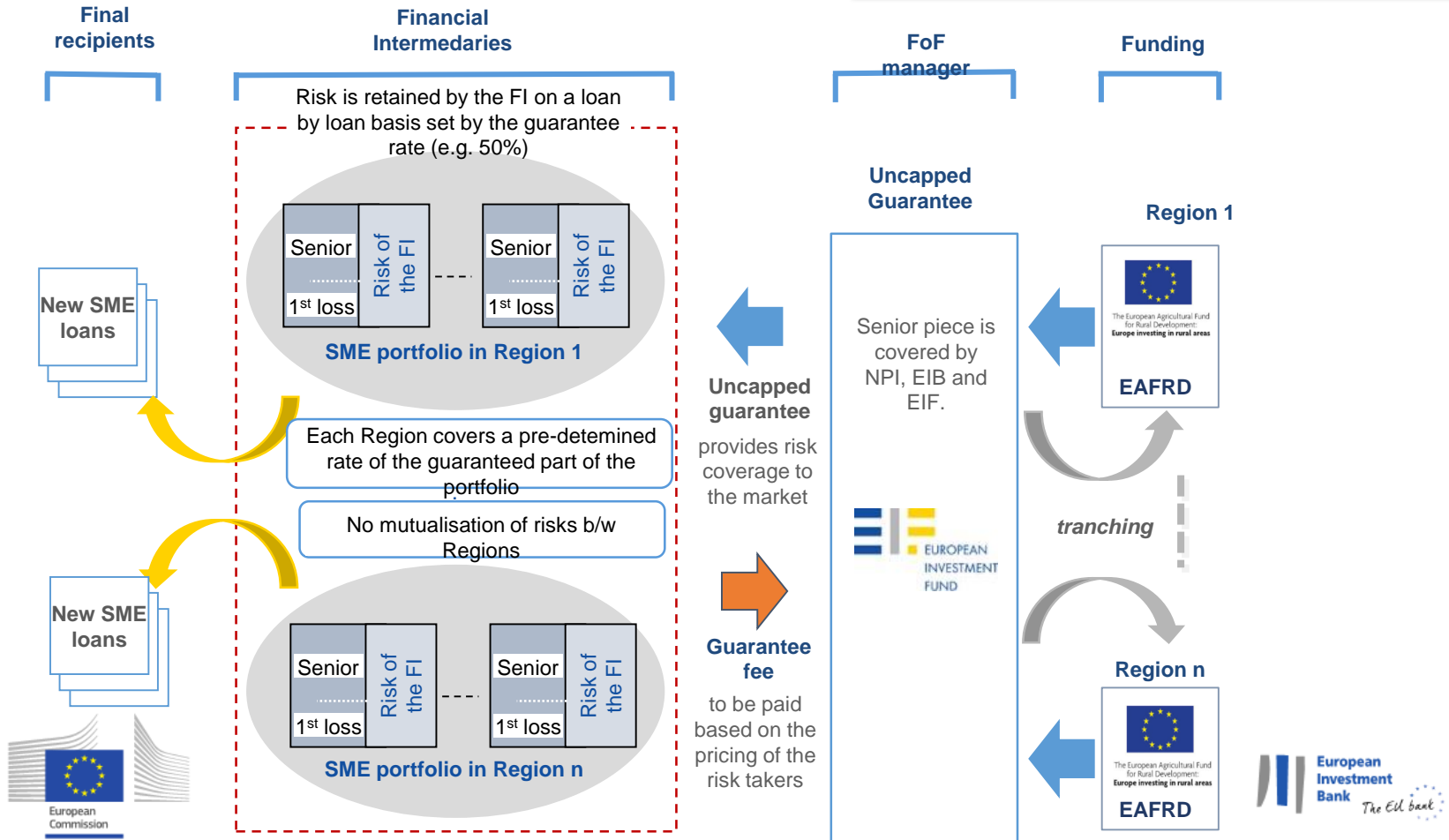


EAFRD platform in Italy: uncapped guarantee



Uncapped Guarantee – EUR 83m

MoU – 08/04/2017

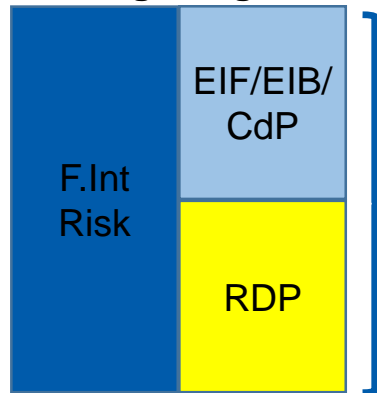


Minimum and additional potential leverage – Puglia region example



- The funding agreement, with the specific terms for Puglia, foresees a **minimum leverage of 4x**, with the following **initial risk-sharing structure** on the part covered by the guarantee: first loss segment (junior risk cover) of 50% using RDP resources; the remaining 50% (senior risk cover) covered by EIF, EIB, CDP.
- When the minimum leverage is reached, the EIF will verify the actual risk of the regional portfolios built up by the financial intermediaries and might be able to increase the senior risk cover, with a **potential leverage target of 6x** and a **target risk-sharing structure** of 33.4% for the RDP and 66.6% for EIF, EIB, CDP.

Leverage target 4x



RDP Funds net of management fees = EUR 9 mil.

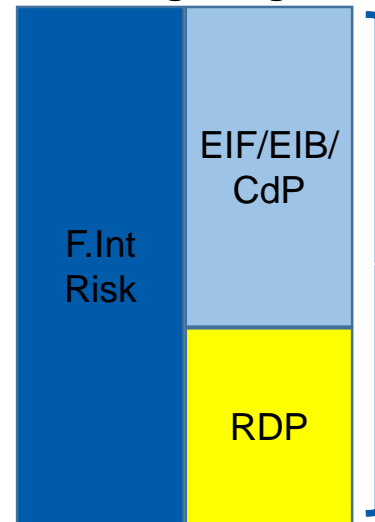
Minimum loan portfolio = **EUR 36 mil.**

Junior risk cover: 50% = EUR 9 mil.

Senior risk cover: 50% = EUR 9 mil.



Leverage target 6x



Loan portfolio = **EUR 54 mil.**

Junior risk cover: 33,4% = EUR 9 mil.

Senior risk cover: 66,6% = EUR 18 mil.



Next steps



Participation in AGRI platform - September 2017 -

- Participation approved
- Participation being approved
- Participation being evaluated



- The condition to launch the platform was to have at least three regions willing to participate. At the moment, six regions approved the funding agreement and authorized the signature (Apulia, Veneto, Umbria, Emilia Romagna, Campania and Calabria).
- Another two regions (Basilicata and Toscana) started the approval process within the decision-making body.
- Three further regions (Piemonte, Friuli Venezia Giulia, and Trentino) are interested to participate.
- By October, the following activities are expected:
 - signature of the funding agreement between the managing authority and EIF;
 - first meeting of the Investment Board;
 - Call for Expression of Interest for financial intermediaries.