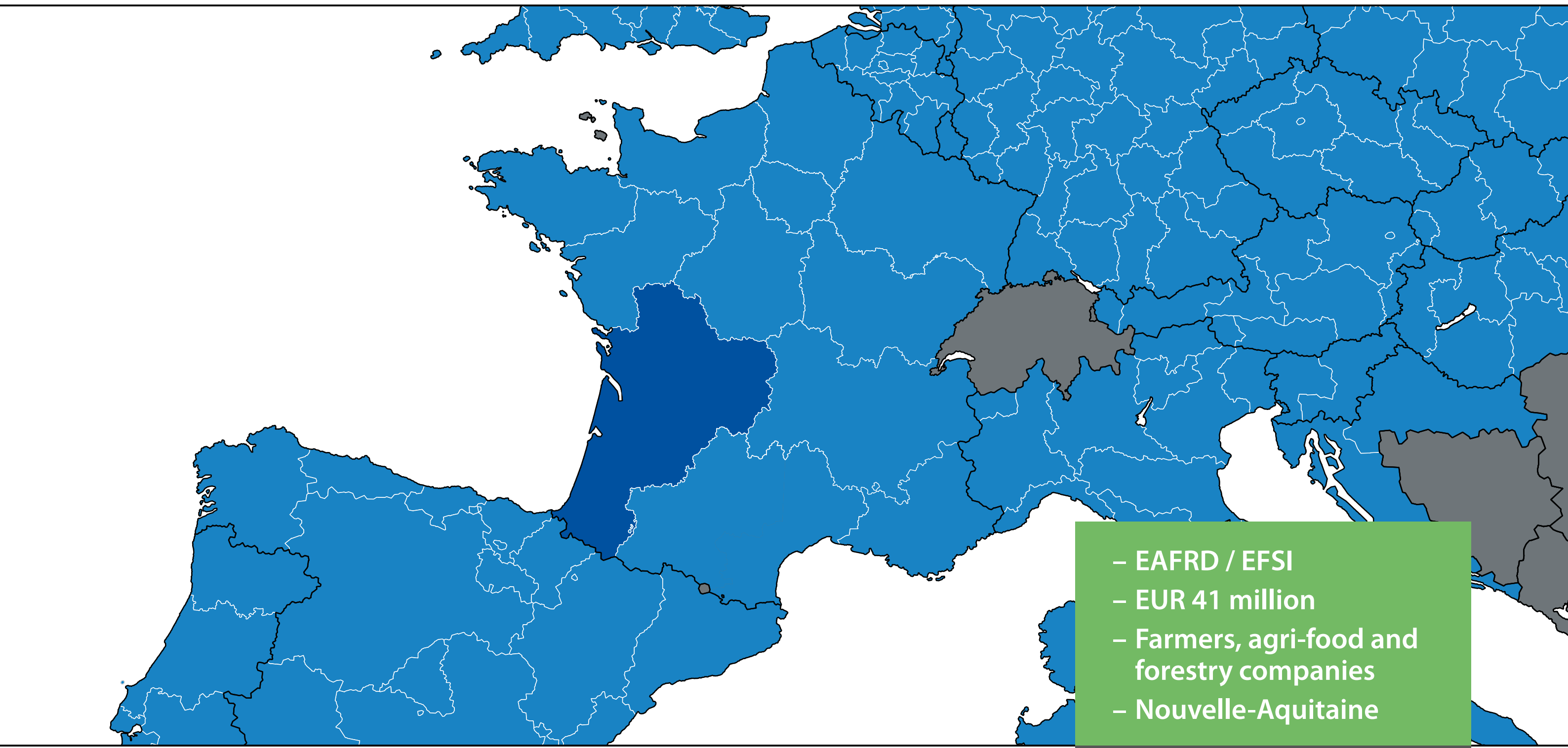


- EAFRD / EFSI
- EUR 41 million
- Farmers, agri-food and forestry companies
- Nouvelle-Aquitaine

... supporting the agricultural green transition, the creation of added value and the generational renewal in the primary sector ...

Alter'NA EAFRD Guarantee Instrument 2014-2020 Nouvelle-Aquitaine, France

Case Study

European Commission

European Investment Bank The EU bank

DISCLAIMER

Abbreviations

Abbreviation	Full name
CPR	Common Provisions Regulation
CRII	Coronavirus Response Investment Initiative
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EFSI	European Fund for Strategic Investment
EIB	European Investment Bank
EIF	European Investment Fund
ESIF or ESI Funds	European Structural and Investment Funds
FoF	Fund of Funds
GDP	Gross Domestic Product
GGE	Gross Grant Equivalent
ha	Hectares
RDP	Rural Development Programme
SMEs	Small and medium-sized enterprises

Table of contents

1. Summary

This case study presents the European Agricultural Fund for Rural Development (EAFRD) financial instrument introduced in the Region of Nouvelle-Aquitaine in France. This region was created in 2016 with the merger of Limousin, Poitou-Charentes and Aquitaine regions. The Region decided to use part of its Rural Development Programme (RDP) resources from the 2014-2020 programming period to implement a financial instrument in the agricultural and agri-food sector (later extended to certain non-agricultural activities and to the forestry sector). Due to the recent merger of the regions, the financial instrument is supported by three RDPs in a fully harmonised way.

The financial instrument was set up in 2018 and became operational in 2019. Funding for the financial instrument comes from the regional RDPs (EUR 18.55 million of EAFRD resources and EUR 16.45 million national co-financing), and up to EUR 6 million from the European Fund for Strategic Investment (EFSI), for a potential total of EUR 41 million. This makes it one of the largest regional agri-focused financial instruments in the EU.

As pointed out in the ex-ante assessment, both the primary sector and the agri-food industry face difficulties in obtaining finance from the banking system. The main obstacles are a lack of credit history, collateral and own funds as well as the perceived credit risk for financial intermediaries. Sometimes, financing difficulties are also due to the high indebtedness of potential beneficiaries. In the agri-food sector, while financing needs are generally well covered, SMEs have difficulties to access bank finance for certain types of projects, such as investments in intangible assets, non-productive investment or working capital.

The ex-ante assessment estimated a financial gap in the agricultural and agri-food sector of EUR 440 million to EUR 887 million. To mitigate the market failure and address the financing gap, the managing authority decided to implement a financial instrument and appointed the European Investment Fund (EIF) as the manager of a Fund of Funds (FoF) that was later named Alter'NA - for *Alternatives Nouvelle Aquitaine*. The objective was to facilitate access to finance and improve financing conditions for farmers through one or more financial instruments, in cooperation with financial institutions in the region.

Comprehensive market testing explored stakeholder interests and assessed the potential absorption capacity and expected risk profile of a financial instrument. As a result, a capped portfolio guarantee instrument was launched, with guarantees for financial institutions selected via an open call for expression of interest. Three financial institutions were selected: Banque Populaire Aquitaine Centre Atlantique (BPACA), Crédit Agricole and Crédit Mutuel - CIC.

The financial instrument provides loss protection for financial institutions via a free of charge capped guarantee of 80% on a loan-by-loan basis, up to a maximum amount (cap) at portfolio level. This cap is agreed with each financial institution (approximatively 18% for the aggregated portfolio). In exchange for the guarantee, the financial institutions commit to build a portfolio of new loans and transfer the benefit of the guarantee to final recipients through reduced interest rates and lower collateral requirements as well as longer maturities. The financial instrument aims to finance investments in agricultural holdings, in processing and marketing of agricultural products, non-agricultural activities (such as agro-tourism, leisure activities in rural areas and renewable energy production) and investment in forestry technology. These latter two were included as eligible operations with the second amendment of the funding agreement in June 2021.

The expected portfolio volume with full absorption of the funds is EUR 270 million. The first disbursement to final recipients took place in November 2019 and as of 30 November 2021, 600 loans totalling EUR 94 million have been committed.

Alter'NA EAFRD Guarantee Instrument 2014-2020

Nouvelle Aquitaine, France

THE FINANCIAL INSTRUMENT

Funding sources

RDPs 2014-2020 of Regions Limousin, Poitou-Charentes and Aquitaine
EFSI

Type of financial products

First Loss Portfolio Guarantee for loans

Financial size

EUR 35 million contribution from the RDPs (of which EUR 18.55 million is from EAFRD and EUR 16.45 million from the regional budget) plus up to EUR 6 million from EFSI.
The financial instrument is expected to support a portfolio of up to EUR 270 million.

Thematic focus

Investments supporting ecological transition in livestock operations and vegetable production, fruit and vegetable production in greenhouses, on-site farm processing and marketing, processing and marketing of organic food, agro-tourism, rural leisure activities, renewable energy production and forestry technology

Timing

From 2019 to end 2024

Partners involved

Nouvelle-Aquitaine Region (managing authority)
European Investment Fund (FoF manager)
Banque Populaire , Crédit Agricole, Crédit Mutuel (financial institutions)

ACHIEVEMENTS

EU leverage[1]

14 times

Leverage of public resources[2]

7 times

Main achievements

As at 30 November 2021, 600 loans had been committed to final recipients with reduced interest rates and collateral requirements for a total of EUR 94 million, of which the guarantee cap amount is EUR 13.1 million. The average loan so far is for about EUR 150 000. Even though the guarantee covers the first 10 years, 2/3 of the loan portfolio has a maturity exceeding 10 years. The large majority of final recipients are micro enterprises and 95% of final recipients have a balance sheet of less than EUR 1 million. 48% of final recipients are young farmers[3] and 40% have been in business for less than three years.

1 EU leverage is calculated as the total amount of finance to eligible final recipients, i.e. EUR 270 million (based on the maximum portfolio size), divided by the total EAFRD allocation to this financial instrument, i.e. EUR 18.55 million, gross of management fees. It does not include the reuse of resources returned to the instrument.

2 Leverage of public resources is calculated as the total amount of finance to final recipients, i.e. EUR 270 million (based on the maximum portfolio size), divided by the total public resources allocated to the financial instrument, i.e. EUR 41 million, gross of management fees. It does not include the reuse of resources returned to the instrument.

3 A Young Farmer is no more than 40 years old, has had an agricultural holding for less than 5 years and has benefited from business start-up aid (Dotation Jeune Agriculteur) or subsidised agricultural loans (Prêt Bonifié).

2. Objectives

Nouvelle-Aquitaine is the third largest region in France and one of Europe's leading agricultural territories, with 70 000 farms and 180 000 people employed in the sector. The agricultural sector contributes 6% to the Region's GDP and the agro-processing industry almost 18%.

Despite the economic focus on agriculture and the food industry, there is a significant shortage of finance in these sectors. The ex-ante assessment[4] estimated the financing gap to be between EUR 440 million and EUR 887 million.

The financing gap is related to insufficient collateral and a lack of credit history for farmers and SMEs along with a reluctance of banks to finance riskier projects. The ex-ante assessment concluded that tangible investments, such as production equipment and new buildings require long term financing that banks would provide only if supported to a significant degree by own funds and/or significant collateral. Such obstacles to finance are even more relevant for intangible investments such as meeting environmental standards or certifications for biological/organic products and production methods. These are often considered by banks as non-productive expenditure and it is hard to gauge the financial impact. In addition, there is a lack of bank financing related to setting up a new holding.

Under these circumstances, the key policy objective for the managing authority was to improve access to finance for new investments which create added value and increase the resilience of farms, while balancing production and sustainability. In doing so, Alter'NA is fully aligned with the Region's ambitious agro-ecological transition plan for 2030, 'Neo Terra'[5], which focuses on climate and environmental objectives. In particular, Alter'NA aimed at contributing to the ecological transition by supporting sustainable investments especially in animal husbandry, organic farming and crop production as well as shorter supply chains. In 2019-2020, the agricultural sector faced many challenges including a rising cost of inputs, while farm turnover remained the same.

Before the Alter'NA financial instrument, the Region's financial support for farmers was predominantly grant based and the managing authority had no previous experience of implementing EAFRD financial instruments. As part of the preparations for the instrument, the managing authority participated in fi-compass targeted coaching in 2017 in cooperation with DG AGRI. This helped deepen their capacity and knowledge related to using this form of support. Shortly after the coaching sessions and to benefit from additional resources, the managing authority decided to join the EAFRD-EFSI Initiative that was launched in 2016 by DG AGRI in cooperation with the EIB Group. The goal of the initiative was to deepen the focus on financial instruments in the agricultural and agri-food sectors and to stimulate greater allocations of EAFRD resources to financial instruments. This initiative offered a comprehensive package for managing authorities, including a free of charge feasibility study prepared by EIB (under fi-compass), as well as the potential to mobilise EFSI resources and EIF expertise for product deployment and mandate management[6].

4 Évaluer l'opportunité de recourir à des instruments financiers sur le territoire de la Région Nouvelle-Aquitaine (Evaluation of the access to financing in Region Nouvelle-Aquitaine).
5 Further information is available at: https://www.neo-terra.fr/.
6 Further information is available at: https://www.fi-compass.eu/news/2016/12/new-eu-investment-initiative-boost-financing-rural-economy.

3. Design and set-up

The managing authority published the ex-ante assessment in September 2018. In parallel, they submitted RDP amendments to the EC to ensure consistency with the financial instrument.

The funding agreement was signed by the Region and the EIF on 12 November 2018. It set out the investment strategy and business plan for implementation of a first loss capped portfolio guarantee instrument.

The call for expression of interest to select financial institutions active in the target market was launched on 23 November 2018 and closed on 15 February 2019.

Following the selection process, three operational agreements were signed between the EIF and the financial institutions in September and October 2019. Disbursements to final recipients started in November 2019. In June 2021 the funding agreement was amended to broaden the scope and increase the budget.

The main implementation steps are summarised in Table 1 below.

Table 1: Timeline for setting up the financial instrument

Date	Event
September 2018	Ex-ante assessment
September 2018	Submission of RDP amendments to the EC
November 2018	Funding agreement signed by the EIF and the managing authority
November 2018	Publication of the call for expression of interest to select financial intermediaries
February 2019	Deadline for applications for the selection of financial intermediaries
February – September 2019	Selection by the EIF
July 2019	First amendment of the funding agreement including the EFSI contribution
September-October 2019	Operational (guarantee) agreements signed by the EIF and selected financial institutions
November 2019	First disbursement to final recipients
June 2021	Second amendment of the funding agreement including an additional RDP contribution, extended scope of eligible operations and increased aid intensity threshold
December 2024	End of the eligibility period

3.1 Ex-ante assessment

The ex-ante assessment for the potential implementation of financial instruments under EAFRD in Nouvelle-Aquitaine Region relied to a large extent on the findings and conclusions of the feasibility study carried out by the EIB under the EAFRD-EFSI Initiative.

The ex-ante assessment verified the existence of market failures and sub-optimal investment situations in the agricultural and agri-food sector. This included reviewing financing needs and existing debt products with their costs and other requirements.

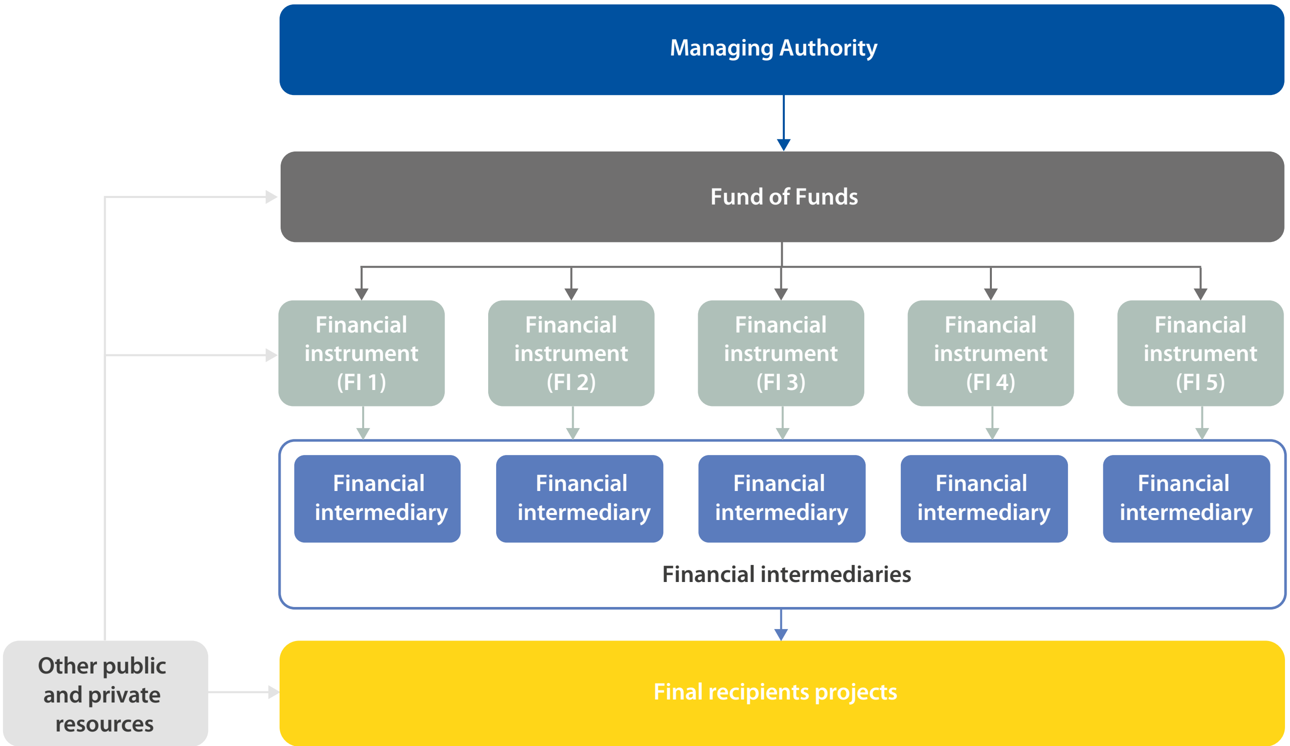
For the primary sector, the ex-ante assessment concluded that while short-term financing needs were well covered by the available products, there was a significant shortage of medium and long-term financing. Based on a survey carried out for the feasibility study, 48% of small enterprises and 33% of medium and large enterprises had encountered difficulties in accessing bank financing. This was mainly due to a lack of collateral, or own funds and/or higher risks associated by the banks to the investment project or the agricultural holding. For medium and large enterprises, financing difficulties arise also from their high indebtedness. Furthermore, based on the response of the farmers and farming businesses, there is a general need for technical assistance, particularly for business plan preparation and searching for financing.

For the agri-food sector, the ex-ante assessment pointed out that although financing needs are generally well covered in the Region, for certain types of projects it is difficult to get bank financing. This especially concerns investments in intangible assets (such as R&D, patents and certificates), or non-productive investment (for example meeting environmental standards, or improving energy efficiency). In addition, the ex-ante assessment identified a significant market failure in financing for working capital.

In this context, the ex-ante assessment recommended a guarantee instrument that would encourage banks to finance projects that would otherwise be considered too risky. The guarantee instrument would complement grant schemes under the Common Agricultural Policy. These would remain an essential source of support for agricultural producers and processors. However, the financial instrument would be a major step in the transition from relying exclusively on grants towards a more diversified use of complementary refundable and non-refundable support.

Based on the ex-ante assessment recommendations, the managing authority decided to implement an FoF structure, where the FoF manager coordinates multiple financial instruments.

Figure 1: Proposed governance structure



Source: Ex-ante assessment, 2018.

3.2 Selection of the implementing body

With the signature of a funding agreement, the EIF was appointed by the managing authority as an FoF manager pursuant to Article 39a(5)(b) and Article 38(4)(b)(i) of the Common Provisions Regulation[7] (CPR). In July 2019, the funding agreement was amended to allow for an additional contribution to the financial instrument through EFSI. The legal basis for setting up the instrument was Article 38(i)(c) of the CPR (as amended by Regulation No. 2018/1046[8]), which enables managing authority contributions to be combed with EFSI resources. The possibility to benefit from a free of charge ex-ante assessment as well as a contribution from EFSI was a key factor for the managing authority to implement the financial instrument with the EIF.

Prior to signing the funding agreement, comprehensive market testing explored stakeholder interests and assessed the potential absorption capacity and expected risk profile of the financial instrument. Based on a positive response from the banks, particularly on support for ecological transition (from standard practices to more resilient, green and sustainable agriculture) as well as the possibility of a free guarantee, the test highlighted significant interest for the financial instrument. Accordingly, the investment strategy and business plan in the funding agreement proposed a 'First Loss Portfolio Guarantee'.

7 The managing authority may entrust implementation tasks, by directly awarding a contract to the EIB Group.
8 Regulation (EU, Euratom) No. 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No. 1296/2013, (EU) No. 1301/2013, (EU) No. 1303/2013, (EU) No. 1304/2013, (EU) No. 1309/2013, (EU) No. 1316/2013, (EU) No. 223/2014, (EU) No. 283/2014, and Decision No. 541/2014/EU and repealing Regulation (EU, Euratom) No. 966/2012 referred as the 'Omnibus regulation'.

Following signature of the funding agreement, the EIF launched a call for expression of interest to competitively and transparently identify, evaluate and select financial institutions to implement the financial instrument. A pre-selection phase involved evaluating the expressions of interest according to eligibility criteria (e.g. place of operation, financial standing) as well as the quality of the application (e.g. implementation strategy, credit processes). This was followed by a due diligence process which also assessed applicants' track record in the agricultural sector and their ability to build up a new portfolio. Special attention was given to how much their strategies matched other (national) instruments, their approach to transfer benefits to final recipients and their focus on value-added projects. The EIF then either selected, placed on the reserve list or rejected each expression of interest.

Following this process, three financial institutions were selected, namely Banque Populaire Aquitaine Centre Atlantique, Credit Agricole, Crédit Mutuel, and the operational agreements were signed in September and October 2019.

3.3 Funding and governance

Since the regional resources were not sufficient to fill the market gap identified by the ex-ante assessment, the managing authority decided to take advantage of the EAFRD-EFSI Initiative allowing the combination of resources to increase leverage. The initial contribution from the Region was EUR 30 million, which was topped-up by an additional EUR 5 million during implementation (the funding agreement was amended in June 2021), as a result of the successful development of new loans (40% of the envisaged portfolio volume has been built up by the end of 2021).

The EFSI funding via the EFSI SME Window is additional to the RDP contribution. Its risk coverage is senior to the first loss piece covered by the RDPs and its use is subject to reaching a certain portfolio volume, justifying the need for additional coverage. Thanks to the EFSI resources, an additional EUR 30 million in new loans can be offered to final recipients, increasing the potential total to EUR 270 million.

Table 2: Funding sources and amounts

Funding source	Amount
RDP Contribution	EUR 35 million
of which, EAFRD	EUR 18.55 million
of which, national co-financing	EUR 16.45 million
EFSI	Up to EUR 6 million
Financial institutions	Up to EUR 229 million

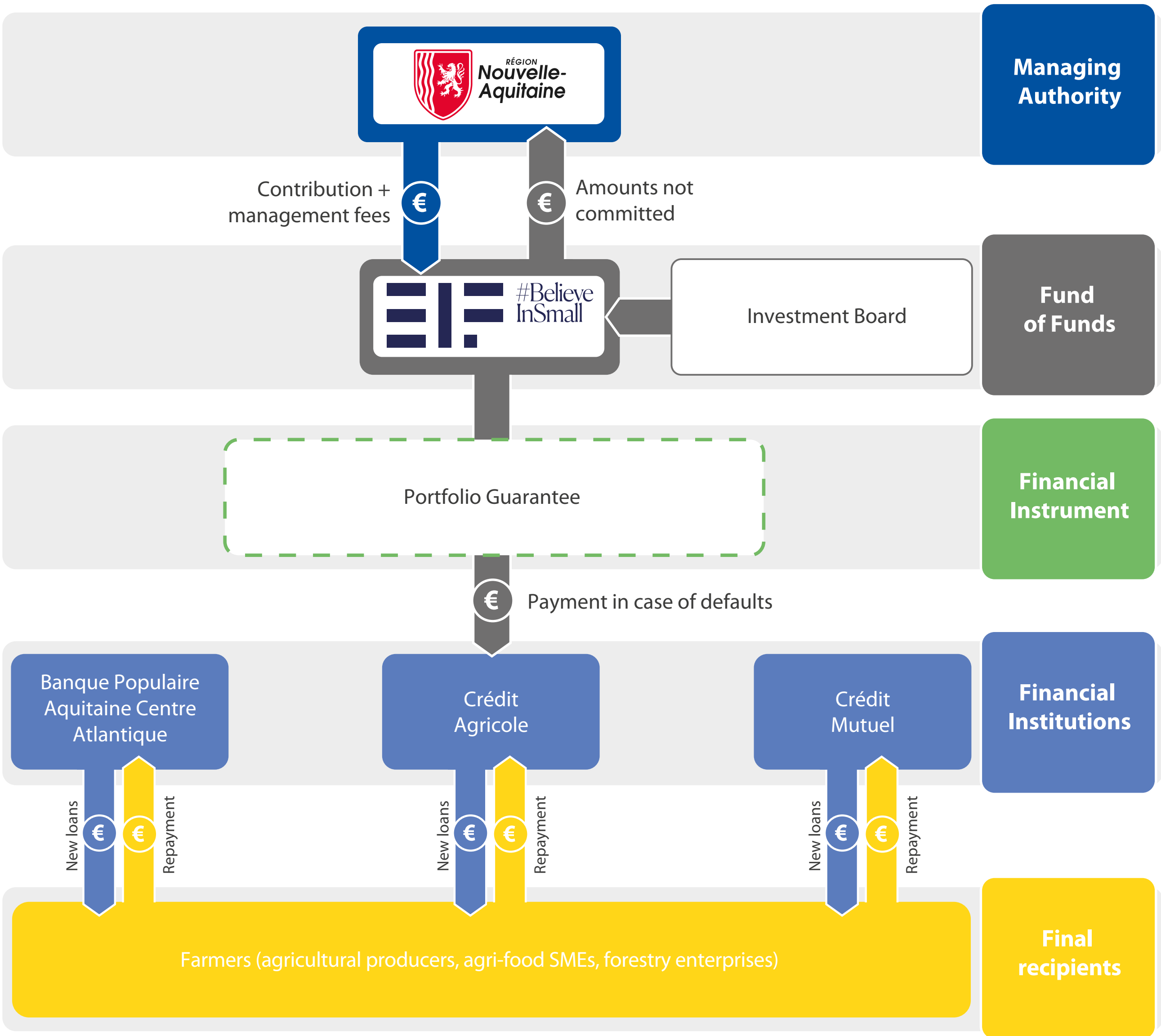
Source: Funding Agreement, Operational Agreements.

Under the funding agreement signed by the Region and the EIF, the latter manages the FoF bank accounts, pursues the investment strategy, selects financial institutions and negotiates operational agreements with them, as well as auditing and monitoring implementation of the financial instrument.

Due to the merger of the three regions in the middle of the programming period, Nouvelle-Aquitaine is in charge of three separate RDPs. However, for Alter'NA, the three RDPs are fully harmonised and the portfolio risk is at FoF level. This means the resources of the three RDPs form a single envelope to be used across the Region and credit risk protection is provided to the portfolio of loans irrespective of the location of the defaulted transactions.

Governance is through an investment board with three members and three alternate members, appointed by the Regional Council and operating under terms in the funding agreement. The investment board is a coordinating body and point of communication between the EIF and the Region. Its responsibilities include supervising implementation of the financial instrument, communication of national rules and regulations related to FoF activities and approving amendments to the investment strategy.

Figure 2: Governance structure



Source: Funding Agreement, Operational Agreements.

4. Implementation

The operational agreements with financial institutions set a target portfolio volume for each bank based on amounts committed by the FoF. The financial institutions have from 36 to 48 months from signature of the agreements to build up their loan portfolios.

In the context of the COVID-19 recovery measures and based on the successful deployment of the guarantee instrument as well as significant market demand, the managing authority modified the investment strategy. Details of these modifications are in Section 4.1 below.

At the same time, the financial instrument, following market trends and keeping its policy focus on investment operations, did not deploy the flexibility measures under the Commission's Coronavirus Response Investment Initiative[9] (CRII) for stand-alone working capital.

4.1 Financial products and terms

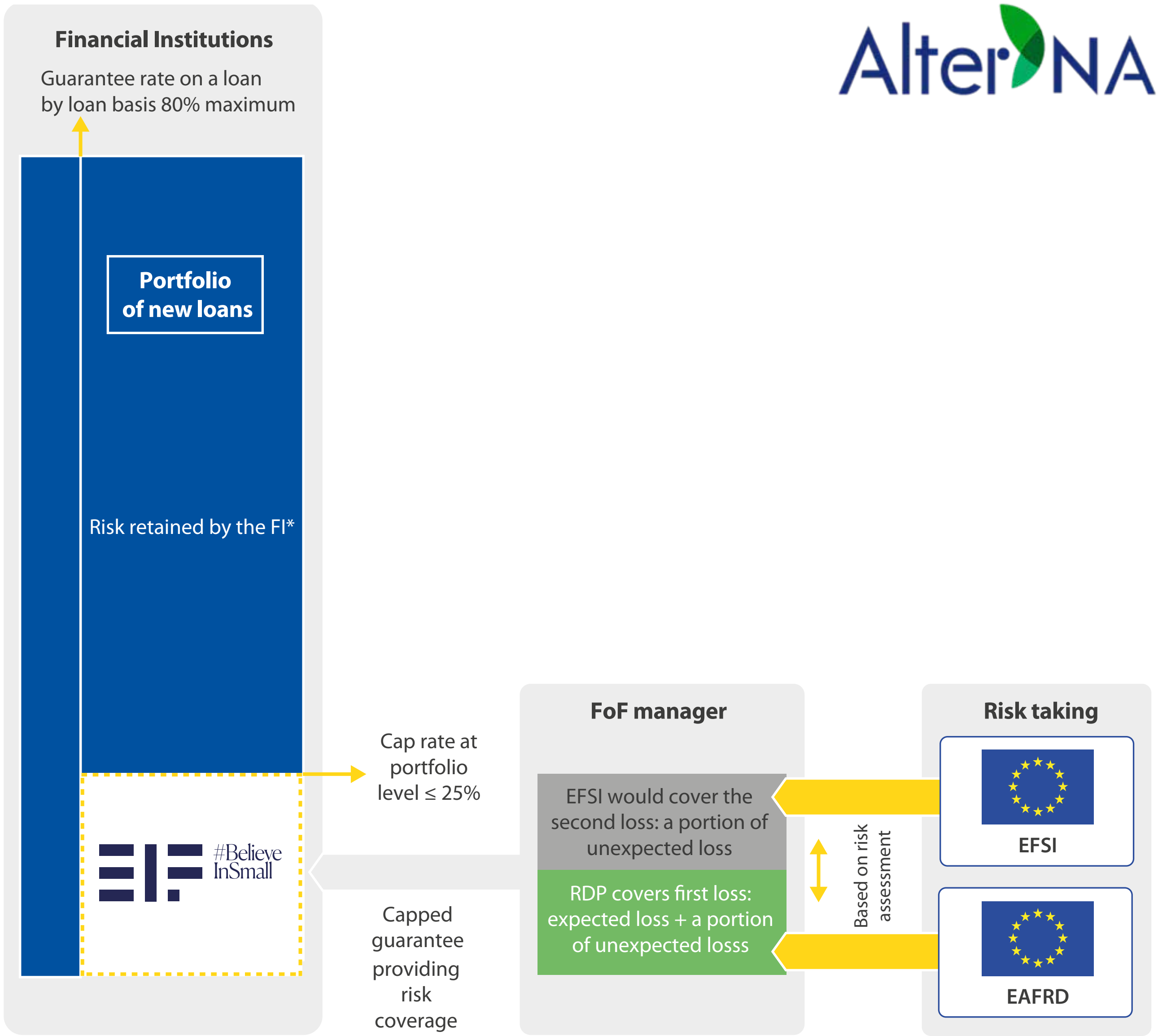
The financial product is a first loss portfolio guarantee with an 80% guarantee rate. The managing authority in looking for the best interest of final recipients set up a free of charge guarantee. The selected banks are required to transfer the benefits of the guarantee to final recipients. This transfer is through better financing conditions such as longer maturities, reduced interest rates and lower collateral requirements, compared to standard loans that are not covered by the guarantee.

The guarantee covers each eligible loan in the portfolio on a transaction-by-transaction basis. The liability of the FoF is limited to a cap, which is a share of the portfolio agreed with each financial institution (i.e. between 16.8% and 19% for this instrument). In the event of default by the final recipient, 80% of the amount not reimbursed is covered by the guarantee until the cap at portfolio level is reached. Since the guarantee is linked to a share of the portfolio built up by the bank, the cap amount at any time is proportional to the portfolio size.

The banks may only include transactions in the portfolio approved during the availability period. The guarantee cover is provided for the principal amount disbursed by 31 December 2024.

9 To rapidly mobilise ESI Funds to combat the COVID-19 health and economic crisis, European co-legislators approved amendments to the CPR as part of the CRII and CRII Plus package. The first amendments set out in Regulation (EU) No. 2020/460 came into force on 31 March 2020, while the second amendments implemented by Regulation (EU) No. 2020/558 came into force on 24 April 2020.

Figure 3: The product mechanism



Source: Funding Agreement.

Note: *Financial Institution (FI).

The guaranteed loans support investments and costs eligible under the RDPs. Originally, the guarantee would cover operations falling under sub-measure M4.1 'Support for investments in agricultural holdings' and sub-measure M4.2 'Support for investments in processing/ marketing and/or development of agricultural products'. With an amendment of the funding agreement in June 2021, the scope of the fund was extended also to sub-measure M6.4 'Support for investments in creation and development of non-agricultural activities' and sub-measure M8.6 'Support for investments in forestry technologies and in processing, mobilising and marketing of forest' (more details are in Table 3).

The loans supported by the guarantee instrument can be provided to economically viable final recipients in Nouvelle-Aquitaine.

Table 3: Financial product key characteristics

Loan amount	Up to 5% of the Maximum Portfolio Volume of each bank (between EUR 2.25 million and EUR 5 million depending on the bank)
Guarantee rate	80% of final losses on each loan, up to the cap
Cap rate	16.8%-19% as agreed with each financial institution
Duration	Between 1 and 10 years. The loan maturity can exceed 10 years, but after that the outstanding loan is at the bank's own risk
Eligible final recipients	Farmers, farming businesses (including young farmers), groups of farmers as well as SMEs active in storing/packaging, processing and/or marketing agricultural and agri-food products, small enterprises[10] engaged in forestry activities preceding industrial wood processing
Eligible operations	Supporting the ecologic transition of farms in the livestock sector under sub-measure M4.1 Supporting the ecologic transition of farms in vegetable production under sub-measure M4.1 Supporting the development of fruit and vegetable production in greenhouses under sub-measure M4.1 Supporting on-site farm processing and marketing under sub-measure M4.2 Supporting processing and marketing by agri-food companies of certified organic farming products / production methods under sub-measure M4.2 Supporting non-agricultural activities, including agro-tourism, leisure activities in rural areas and renewable energy production under sub-measure M6.4* Supporting investments in forestry technology under sub-measure M8.6*
Availability Period	Until 31 December 2024 (to build up the loan portfolio)

Note: *Following an amendment to the funding agreement in June 2021.

Loans under the instrument can support investments in tangible and intangible assets, also covering general costs[11] and working capital linked to the investment project[12]. The purchase of land can be supported for up to 10% of the eligible expenditure of the investment, as defined by EU rules.

The financial instrument has a specific environmental focus, as seen in the eligibility requirements for investments under the scheme. For example, vineyards must have a High Environment Value or organic farming certification to be eligible for Alter'NA support. Similarly only agricultural SMEs with an organic certification are eligible.

10 Enterprises employing less than 50 people and with an annual balance sheet not exceeding EUR 10 million. Eligible enterprises include SMEs providing forestry services, forest operators and forestry cooperatives.
11 General costs include architect, engineer and consultation fees, and advice on environmental and economic sustainability, including feasibility studies.
12 The expenditure for working capital cannot exceed EUR 200 000, or 30% of the total eligible costs for the investment, whichever is higher.

As mentioned, the modification to the funding agreement in 2021 included broader eligibility criteria to further improve access to finance and financial conditions for farmers, consequently promoting investments contributing to sustainable agriculture. The corresponding amendments to operational agreements with the financial institutions entered into force in August 2021. These enable investments in agro-tourism as well as renewable energy production (photovoltaic systems and biogas methane production) to also be eligible for financing.

In line with the RDPs, the instrument does not support irrigation projects, investments focusing on equestrian activities, the purchase of second-hand equipment, the acquisition of proprietary rights within a family, or projects concerning fishery or aquaculture products. Pure financial transactions, including consumer credit and real estate development as a financial investment are also excluded from the scheme.

Ineligible costs include fines, financial penalties, legal and litigation costs, recovery costs, bank charges, or other financial costs, including for leasing. However, VAT is an eligible cost which it is not for RDP grants.

4.2 State aid

For agricultural activities supported by the EAFRD that involve the production or processing of agricultural products[13] support is exempted from State aid rules under Article 108(3) of the Treaty on the Functioning of the European Union and in compliance with EAFRD Regulations. This means that for investments under sub-measure M4.1, as well as investments under sub-measure M4.2 if the project involves processing an agricultural product into an agricultural product, State aid rules do not apply. However, RDP aid intensity thresholds should be respected, which means the cumulative public aid for each loan should not be higher than a pre-defined share of the eligible costs of the investment. The cumulative public aid should consider any grant received for the same investment, as well as aid under the guaranteed loan, calculated in the form of a Gross Grant Equivalent (GGE). The current aid intensity thresholds are 75% of the eligible expenditure for investments under sub-measures M4.1 and M4.2. In contrast, the aid intensity is 40% for investments under sub-measures M6.4 and M8.6. The percentage of aid intensity was extensively discussed by the parties to ensure the selected intermediaries could easily implement the financial instrument.

When the supported project involves non-agricultural activities, including investments to transform agricultural products into non-agricultural products under sub-measure M4.1, as well as any investments under sub-measure M6.4, the financial instrument has to comply with the *de minimis* rules set out in Commission Regulation (EU) No. 1407/2013, while not exceeding the maximum aid applicable to the project, as described above. The *de minimis* rules require that the sum of GGE and any other *de minimis* aid received by the final recipient in the current and two preceding fiscal years do not exceed EUR 200 000. The banks require declarations from final recipients regarding any other *de minimis* aid when signing the loan agreement.

13 'Agricultural Products' means products listed in Annex I to the Treaty on the Functioning of the European Union, with the exception of fishery and aquaculture products covered by Regulation (EU) No. 1379/2013.

4.3 Financial flow and appraisal process

According to the CPR[14], the Member State can request the first interim payment of up to 25% of the instrument budget from the EC after signature of the funding agreement. Submission of subsequent interim payments are conditional on proof that 60% of the initial contribution, then 85% of all subsequent payments have been used by the financial instrument. However, the CPR only regulates the financial flow between the Member State and the EC. The EC then allows a different payment schedule between the managing authority and the implementing body. To ensure uninterrupted funding for building up the loan portfolios, the funding agreement with the FoF defined the payment schedule between the Region and the EIF. The first tranche of 25% of the total RDPs contribution was paid on signature of the funding agreement, while the subsequent tranches are paid each year by the anniversary of the signature.

The financial instrument is implemented under a delegated model, which means financial institutions appraise loan applications prior to commitments to final recipients. Individual loans have to comply with eligibility criteria in the operational agreements concerning final recipients, the investment project, expenditure and RDPs thematic operations.

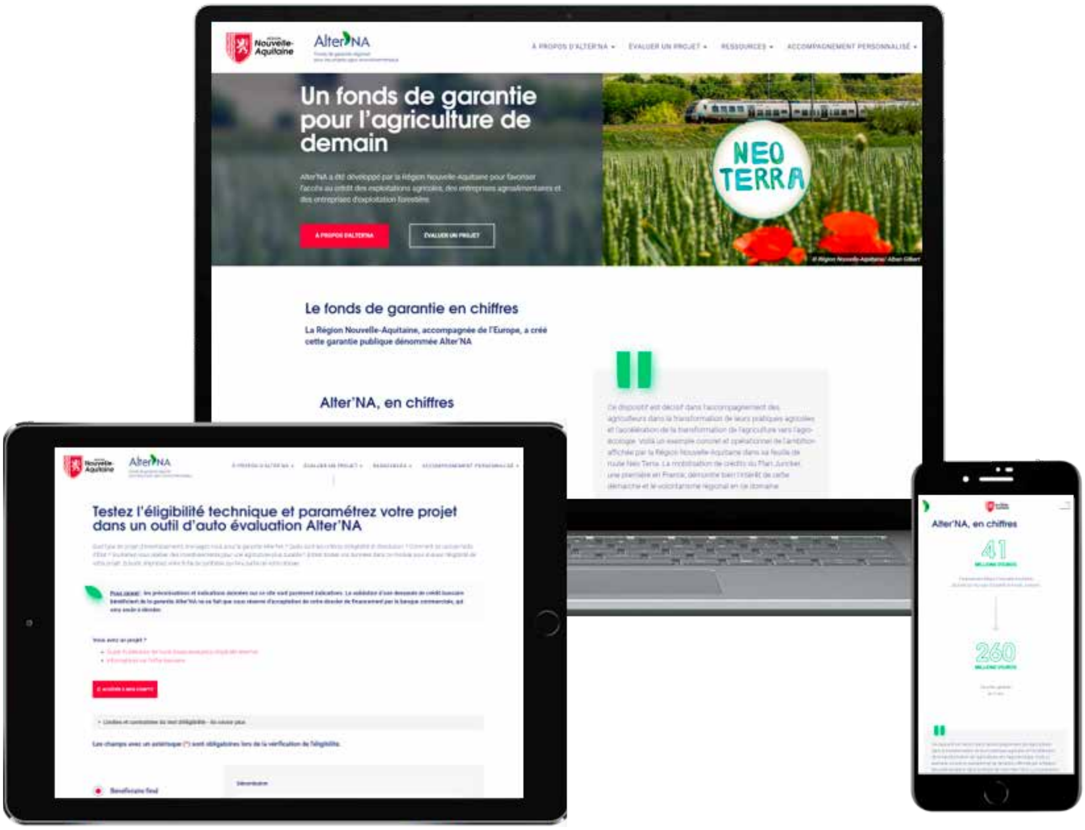
Certain supervisory tasks are carried out by the EIF as FoF manager, including monitoring visits. The EIF also provides a control report[15] to the managing authority to support interim payment claims by the Region to the EC according to Article 41 of the CPR. This control report includes a list of loans as reported by the banks, amounts committed and their state of implementation, a progress analysis and a summary of monitoring activities and any follow-up actions.

The guarantee under the financial instrument is unconditional and irrevocable. In case of default, within 60 days the financial institutions receive the default amount of each covered loan, multiplied by the guarantee rate, until the guarantee cap on the portfolio is reached.

14 Article 41(1) of Regulation (EU) No. 1303/2013.
15 As defined by Implementing Regulation (EU) No. 2019/1140 referred to in article 40(1) of the CPR.

4.4 Webtool

The Region, with support from the EIB under the European Investment Advisory Hub, has developed a website[16] dedicated to Alter’NA. This disseminates information about the financial instrument and provides technical support for both participating banks and applicants. The website includes a user-friendly self-assessment tool[17] and comprehensive guidance on the webtool.



Source: https://www.alter-na.fr/.

The self-assessment tool enables stakeholders to assess the eligibility of an investment project. It also helps final recipients to categorise their investment project within the scope of the instrument, as well as to understand the eligibility and exclusion criteria and the way State aid is calculated. Applicants can enter data to acquire an immediate preliminary assessment of their project. A complete assessment and summary sheet can be exported to accompany the application submitted to the banks.

To improve accessibility and support use of the webtool, the EIB conducted training sessions with the three banks, clarifying details regarding eligibility. Webinars also presented the webtool which is also accessible to local correspondents within the Farm Advisory System who provide advice to farmers on their applications.

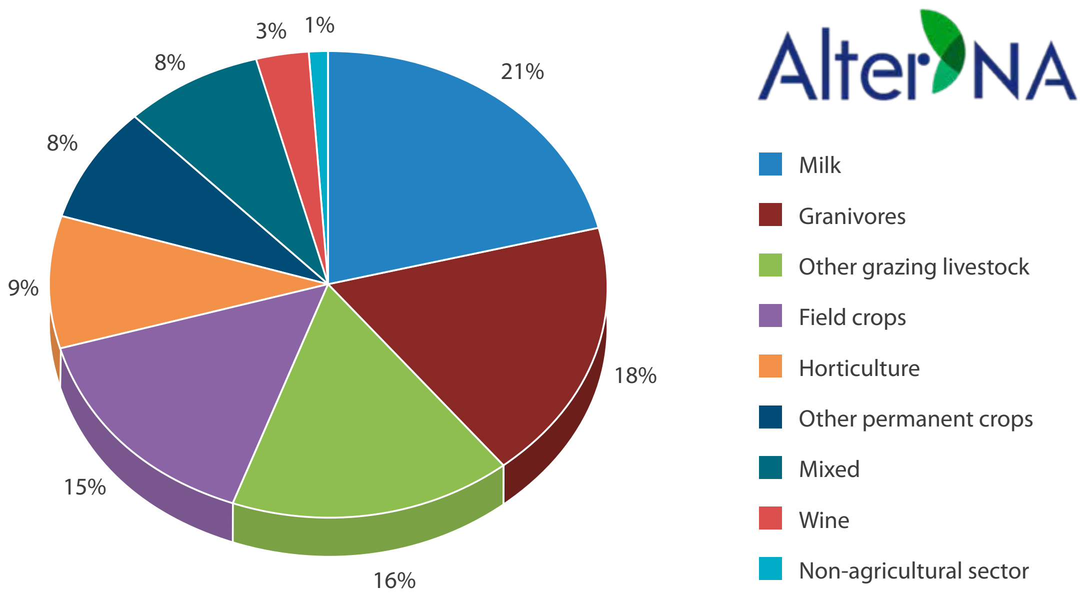
16 Further information is available at https://www.alter-na.fr/.
17 Available at https://www.alter-na.fr/node/add/investment_project.

5. Output

Disbursement of loans started in November 2019 and by 30 November 2021, 600 final recipients had received loans totalling EUR 94 million, catalysing EUR 145 million of investment in the Region. The average loan is for approximately EUR 155 000. The instrument has supported many new agricultural businesses, as 51% of final recipients are young farmers and almost 41% started their farming activities less than 3 years and 32% less than a year before their application. Even though the guarantee covers the first 10 years, 79% of the loan portfolio has a maturity exceeding 10 years.

Most of the financing (86%) has been allocated to investments under sub-measure M4.1, while 14% has contributed to investments under sub-measure M4.2. More specifically, 62% of the loans supported investments related to the transition of livestock farms, 15% related to the ecological transition of farms in vegetable production, 13% provided support to on-site farm processing and marketing, while 9% supported the development of fruit and vegetable production in greenhouses. Investments in processing and marketing by agri-food companies for certified organic farming products/ production methods currently account for only 1% of loans. The financial instrument has supported businesses across a range of sub-sectors including horticulture, field crops, other permanent crops, wine, granivores, other grazing livestock, milk, mixed, as well as non-agricultural activities. Figure 4 shows the distribution of investments.

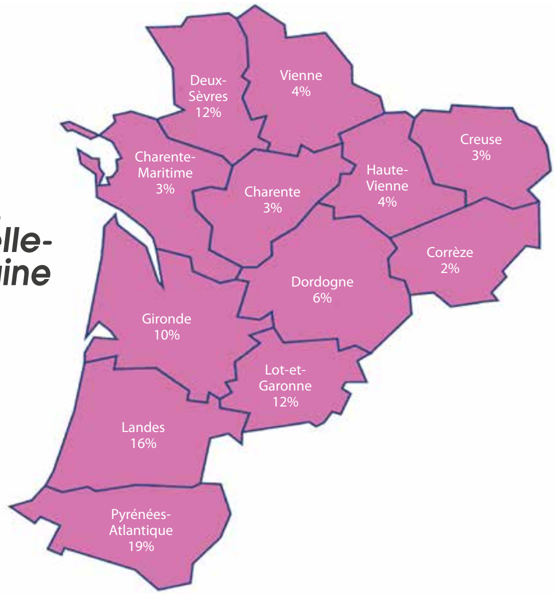
Figure 4: Investments by agricultural sub-sector as of 30 November 2021



Source: EIF, 2021.

One notable achievement is the relatively balanced territorial distribution of final recipients in every department of the Region, which can be seen in Figure 5. The most supported departments are Pyrénées-Atlantiques and Landes in the south and Deux-Sèvres in the North.

Figure 5: Territorial distribution of investments as of 30 November 2021



Source: EIF, 2021.

Goat breeder / cheese producer in Landes

Type of finance: Investment loan

Purpose of the loan: Construction of a building, purchase of livestock and acquisition of land*

Total value of the investment: EUR 195 000

Loan amount: EUR 84 000

Maturity: Up to 180 months

The final recipient is a young farmer, setting up his agricultural holding as a goat breeder together with dairy farming and cheese making.

The loan from Crédit Agricole was used to acquire 8.5 ha of land for the business, plus renting 5 ha and the right to use 97 ha of pasture, to purchase livestock (45 goats, 30 kids and 1 buck) and to construct a building to process cheese.

The produce is sold on site and on farmers' markets as well as via a local cheese retailer.

The investment contributes to the development of value-added products, the promotion of short supply chains and to generational renewal in agriculture.

Note: *Limited to 10% of the eligible cost of the investment.

Beekeeper in Corrèze

Type of finance: Investment loan

Purpose of the loan: Construction of a building, purchase of equipment and hives

Total value of the investment: EUR 237 000

Loan amount: EUR 107 000

Maturity: 180 months

The final recipients are a couple of beekeepers established under a GAEC (association of producers). Their 425 beehives produce organic honey which is sold exclusively via direct sales.

The loan from Crédit Mutuel – CIC supported by Alter'NA was used to increase the number of beehives to 600, support the construction of a functional building with a lab and to purchase equipment.

The investment allows the final recipient to respond to strong and growing demand for biological produce and contributes to the promotion of a short supply chain as well as to ecological transition in the agriculture sector.

6. Lessons learned

Alter'NA was the first financial instrument for agriculture launched by the Region and is the first financial instrument in Europe implemented under the EAFRD-EFSI Initiative. So, the Region has been a pioneer in experimenting with such combination products. The experience has shown that blending various resources enables managing authorities to do more with less, building a larger loan portfolio with limited own funds, achieving greater market impact. By crowding-in additional resources from the private sector, the financial instrument contributes to various EU policy objectives, particularly regarding innovation, competitiveness and sustainability in the agricultural and agri-food sector.

Before the launch of Alter'NA, financial support measures offered to farmers by the Region were predominantly grant based. Recognising the importance of financial instruments to support productive investments under the RDP, the managing authority has taken an important step towards the transition to combining refundable and non-refundable support. The market response to the instrument has been very positive, which justified the increased contribution during implementation and paves the way for the continuation of Alter'NA in the 2023-2027 programming period and the use of subsequent instruments going forward as well.

Two important elements for the success of the instrument were: 1) the excellent quality of the guarantee provided by the EIF in its own name but on behalf of the Region, at 80%, irrevocable and unconditional, payable within 60 days and 2) the simplicity of the instrument. The managing authority and the EIF have made a special effort to define the product to be easy for the banks to deploy while also being attractive for agricultural businesses. At the same time, the webtool is accessible to all interested parties and offers additional guidance regarding the eligibility of potential investment projects.

Equally important to achieving positive results early on was the transfer of benefits. The operational agreements with the banks ensure the guarantee enhances access to finance and improves conditions for final recipients. This means better pricing and collateral requirements compared to similar loans not covered by the guarantee, which proved to be important incentives for farmers. This has also encouraged banks to lend larger amounts and/or for longer to potentially for riskier projects.

An important added value of the financial instrument is its policy objectives. The policy goals of Alter'NA were defined so the instrument could be embedded in the Region's agro-ecological transition strategy, contributing significantly to sustainable agriculture. Eligibility requirements in line with thematic objectives supporting agricultural transition ensure that final recipients and their investment projects comply with environmental standards such as organic farming certification.

Notes

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