Ex-ante Assessment Methodology for FIs in Agriculture under the EAFRD

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S. Beigblock (OIR)

CONTENT

- Setting the frame – why ex-ante assessment of FIs in Agriculture
- Content of the ex-ante assessment (compulsory elements according to CPR)
- Methodological guidance – some juicy bits from the handbook

Before MAs support FIs in the agricultural sector, they are required to conduct an ex-ante assessment, *'which has established evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported'*. CPR, Regulation (EU) No 1303/201, Article 37 (2).

Agriculture the special case*:

• banks' reluctance to agricultural risk exposure (due to seasonality, low level of predictability, insufficient level of guarantees);

• low profitability;

• lack of credit history of farmers;

• financial service providers are often not interested in micro enterprises and investment loans less than 100 000 EUR

• long term (7+ years) investment loans are sometimes not offered;

• Different opinion of valuating the collateral fairly;

• no sector specific knowledge in banks;

• alternative financing options (venture capital etc) are missing.

* presentation at the Financial instruments under ESI Funds 2014-2020 conference, Brussels, 19/01/2015
Martin Scheele, Head of Unit H.1 "Consistency of rural development", DG AGRI

- **Step 1 on the market analysis** addresses policy areas and priorities relevant to agriculture and provides the reader with guidance on the assessment of the macroeconomic context, type and size of market failures and suboptimal investment situations, farm structures, the demand and supply gap and specifics of agriculture subsectors.

- **Step 2** advises on carrying out a **check of the value added** of an agricultural FI as well as state aid implications and advices on minimising distortion and overlap.

- **Step 3** advices methodologies to **estimate additional public and private resources** potentially to be raised by the FI (leverage effect) and provides the reader with appropriate methods.

- **Step 4** offers advice on identifying **lessons from** ex-ante assessments or similar instruments carried out in **the past** and provides guidance on implementing these lessons in a structured and systematic way for the agricultural sector.

- **Step 5** draws specific attention to the achievement of consistency between the FI and the RDP's strategy , delivers guidance on developing a **proposed investment strategy and describes advantages and disadvantages of different types of financial products** or combination of support; furthermore it draws specific attention to the achievement of consistency between the FI and the RDP's strategy .

- **Step 6** advises the reader on how **results** should be specified in the context of **contributing to the RDP's objectives**; and finally

- **Step 7** provides advice on **revising and updating the ex-ante assessment** in case of changing market conditions.
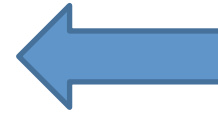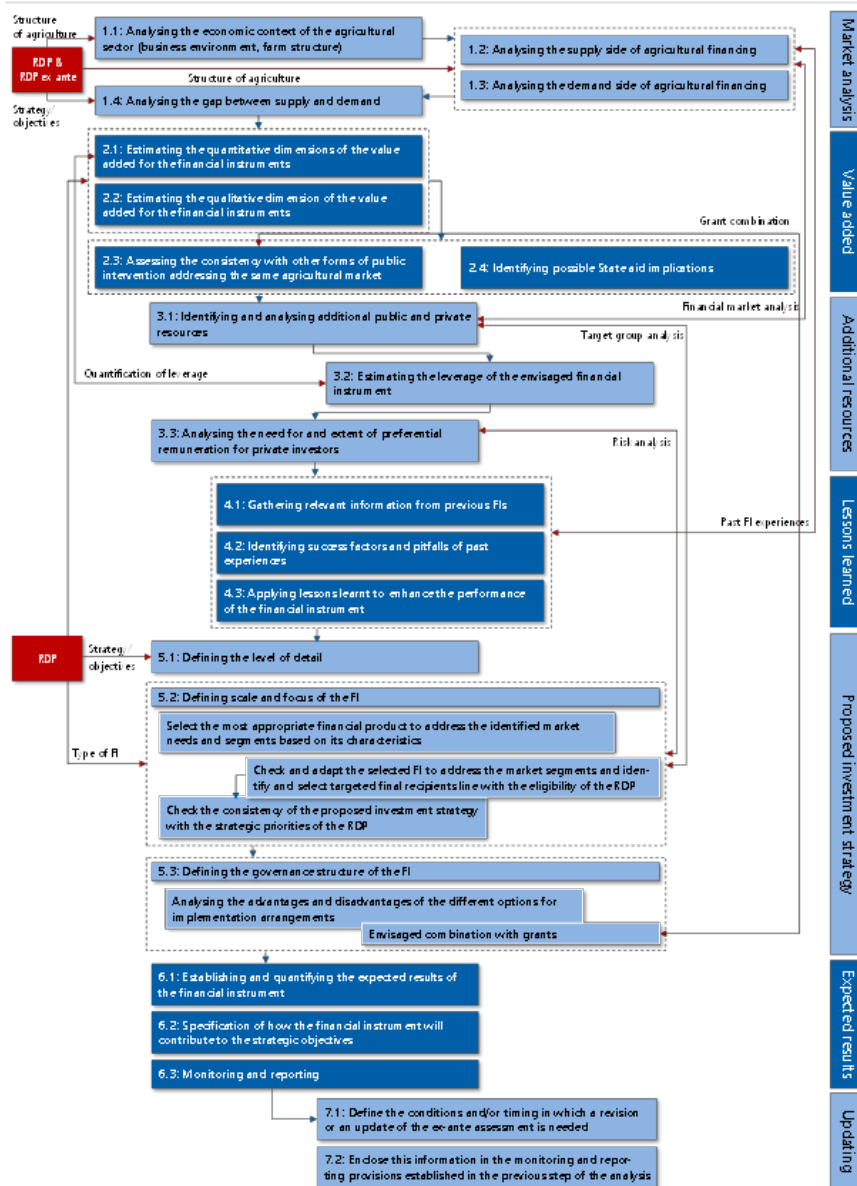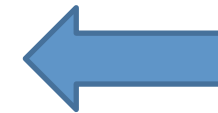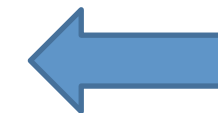
Step-by-step guidance through the process of the ex-ante assessment
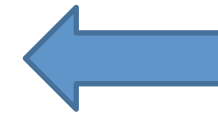
Agricultural and agricultural sub-sector specifics pointed out (e.g. annual crops, dairy farming, horticulture etc.)
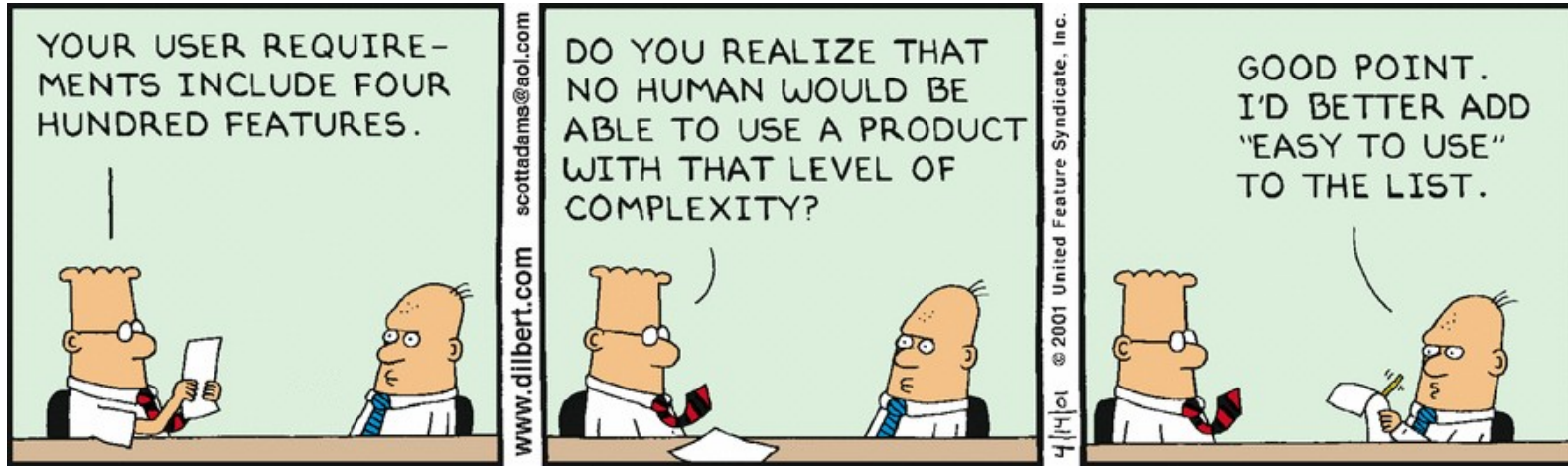
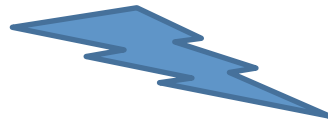Practical examples to illustrate each step (partly from MA experiences)

Agriculture specific sources and templates (surveys, ToR) for the ex-ante assessment

Major problem with guidance like this:

Findings from practical applications of ex-ante assessments in the EAFRD context show → very little experience (8 MS in the 2007-13 period), little budgets for the ex-ante assessments, high path dependency in terms of which type of FI selected

„Make it easy to use but still comprehensive!"

„needs" in rural areas & agricultural situation

EAFRD Articles

RDP

FIs foreseen

Investment Gap &/or Suboptimal investment

- Lack of data
- Agri-sector specifics (e.g. farm net worth, RoA, liabilities)
- Etc.

- FADN data
- Survey (demand side)
- Focus group (supply side)
- Etc.

Thank you

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