EIF managed EAFRD financial instruments and the options for the future

Liliana Rodean, Mandate Manager, Northern CEE, European Investment Fund
We help improve the funding environment for small Agri businesses

Factors adversely affecting access to finance

<table>
<thead>
<tr>
<th>Information asymmetry</th>
<th>Small businesses are often too small (lacking information) for banks to assess their risk</th>
<th>Highly innovative small businesses may be too disruptive for banks or funds to be able to assess risk and potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory environment</td>
<td>Bank capital adequacy ratios have led to a scarcity of capital and a decline in lending to higher risk small businesses</td>
<td></td>
</tr>
<tr>
<td>Economic environment</td>
<td>Smaller banks can face liquidity issues</td>
<td>Private investors can shy away from venture capital and private equity asset classes, especially in times of market downturn</td>
</tr>
<tr>
<td>Convergence &amp; EU competitiveness</td>
<td>Small businesses in emerging sectors can lack access to funding opportunities or specialised financing partners</td>
<td>Europe remains structurally behind other major markets in terms of the scale of VC investments</td>
</tr>
</tbody>
</table>

We deliver market driven solutions for lenders and investors in small businesses

- Sharing risk
- Providing capital relief
- Providing funding
- Building ecosystem
Our unique approach

We do not invest or lend directly. We are not a bank.

We use financial instruments to address gaps, foster sustainability, multiply resources and in doing so, improve access to finance.
Our solutions

Our financial Agri-instruments share risk

Complementing existing grant schemes, our solutions share risk with our partners and increase the supply of finance

Grants

- Single use finance at a fixed amount
  - €1 public resources

Financial instruments

- Equity risk sharing
  - Our investments help kick start ecosystems and attract other investors to back funds investing in small businesses
- Debt risk sharing
  - Our loan guarantees provide protection against expected losses, incentivising lending at better terms and to small businesses that would otherwise be too risky
- Leverage
- Potential for refloWS

€1 public resources

€5 reaches small businesses

*On aggregate based on 2020 transactions. Depending on the instrument and the transaction, the leverage achieved can range from 4x to 40x.
Our unique approach

Benefits of our approach

**We multiply resources**
We design financial instruments that share risk with banks and funds and, as a result multiply resources

**We target funding gaps**
We help our investors support new segments and target specific gaps at a European, national and local level

**We nurture ecosystems**
We partner with established and new providers of equity and debt financing, often taking a cornerstone position when required

*Increasing the overall supply of finance for small businesses*

*Increasing financing options especially where markets don’t work well*

*Increasing the number of local partners lending to and investing in small businesses*
Our thematic focus

In our continued commitment to supporting SMEs across Europe and beyond, we are aligned with InvestEU and the Paris Agreement.

1. Competitiveness, growth and cohesion
   - Supporting SME growth & expansion as well as internationalisation.
   - Helping to build the financial ecosystem further.

2. Innovation
   - Across crucial sectors such as life sciences and health.
   - Harnessing disruptive technologies and fostering digital transformation.

3. Social impact, skills and human capital
   - Promoting social inclusion, diversity & wellbeing.
   - Nurturing impact & focusing on skills & education as well as cultural & creative sectors.

4. Sustainability and green transformation
   - Stimulating sustainable industries, products and services as well as energy efficiency and renewable energy endeavours.
We design debt financial instruments that share risk facing the financing needs of EU agriculture sector.

These solutions encourage lending and investment in riskier small businesses and, as a result, increase the supply of finance.
Our solutions

The financing needs of EU agriculture

Great Needs for Financing and Limitations

Growth in Agri financing is needed to facilitate:

- Expansion of farms
- Necessary modernization and innovation
- Adaptation to climate change
- Promote biodiversity

Limits

Main Obstacles limiting access to finance:

- Low and volatile economic margins
- Lack of credit history or financial data, especially on innovative investments or new production practices
- Lack of assets that can be used as collateral and lack of equity capital
Our Business Plan

Our Strategy

Facilitate access to finance at better conditions for the final beneficiaries of the agricultural sector by sharing the credit risk with Financial Intermediaries and by limiting the level of collateral required as well as the interest rate.

Create a real impact on the market by supporting particular projects relating to the upscaling, the creation of added value, and the transformation of production systems.

Facilitate complementarity with grants.

Expand even further our offer and activity for financial instruments supported by EAFRD.

Our Objectives

Improve competitiveness
To strengthen the position of farmers in the supply chain and boost the competitiveness of the agri-food sector.

Address environmental and climate objectives on supporting investments on biodiversity, water and air quality, less greenhouse gas emissions, alternative ways of energy.

Support:
✓ Employment and create new jobs
✓ Income diversification for farmers
✓ Upgrade assets that no longer meet international best practices
✓ Innovation
✓ Investments to improve working conditions
✓ Educational reception, and
✓ Farm tourism
## EIF and decentralised FIs in agriculture

**EAFRD/national mandates and pipeline – update Q2 2021**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Expected Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>21/12/2018</td>
<td>EUR 117.3m+394.7m</td>
<td>EUR 640m</td>
</tr>
<tr>
<td>12/11/2018</td>
<td>EUR 35m+6m</td>
<td>EUR 272m</td>
</tr>
<tr>
<td>12/06/2017</td>
<td>EUR 19m</td>
<td>EUR 99m</td>
</tr>
<tr>
<td>03/05/2019</td>
<td>EUR 20m+15m</td>
<td>EUR 370m</td>
</tr>
<tr>
<td>27/11/2015</td>
<td>EUR 15m</td>
<td>EUR 65.5m</td>
</tr>
<tr>
<td>15/11/2017</td>
<td>EUR 71m+132m</td>
<td>EUR 283m</td>
</tr>
<tr>
<td>05/09/2019</td>
<td>EUR 80m+20m</td>
<td>EUR 480m</td>
</tr>
<tr>
<td>28/11/2017</td>
<td>EUR 94m</td>
<td>EUR 162m</td>
</tr>
<tr>
<td>31/01/2019</td>
<td>EUR 60m+45m</td>
<td>EUR 1.1bn</td>
</tr>
</tbody>
</table>

### Notes

- **EAFRD**
- **National**
- **EFSI**

**Our Work**

The map shows the distribution of EIF and decentralised FIs in agriculture across different countries, with amounts ranging from EUR 15m to EUR 1.1bn. The expected portfolio values are also indicated for each date.
Our work

EIF financing in agriculture

Principal amount of financing in the Agri sector*

**Principal amount financed to SMEs**

**EUR 21.9bn**

*up 6.2% from last quarter*

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<th>Program</th>
<th>Amount</th>
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<tr>
<td>COSME-LGF</td>
<td>12.1bn</td>
</tr>
<tr>
<td>InnovFin SMEG</td>
<td>3.9bn</td>
</tr>
<tr>
<td>CIP SMEG</td>
<td>0.8bn</td>
</tr>
<tr>
<td>Other</td>
<td>5.1bn</td>
</tr>
</tbody>
</table>

- **COSME-LGF**: 12.1bn
  - 25% AGRI
- **InnovFin SMEG**: 3.9bn
  - 18% AGRI
- **CIP SMEG**: 0.8bn
  - 4% AGRI
- **Other**: 5.1bn
  - 10% AGRI

**280k SMEs supported**

**370k Final Recipient transactions signed**

**EUR 59k Average financing**

*as at 30 June 2021, including NACE codes defined according to EIB holistic approach*