# Ex-ante Assessment Methodology for FIs supporting Agriculture

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CONTENT

- Setting the frame – why ex-ante assessment of FIs in Agriculture
- Content of the ex-ante assessment (compulsory elements according to CPR)
- Some examples from the handbook

# WHY AN EX-ANTE ASSESSMENT AND WHY IN THE EAFRD CONTEXT?

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.

* source: 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

## CONTENT OF THE EX-ANTE ASSESSMENT (AND THE HANDBOOK)

- **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.

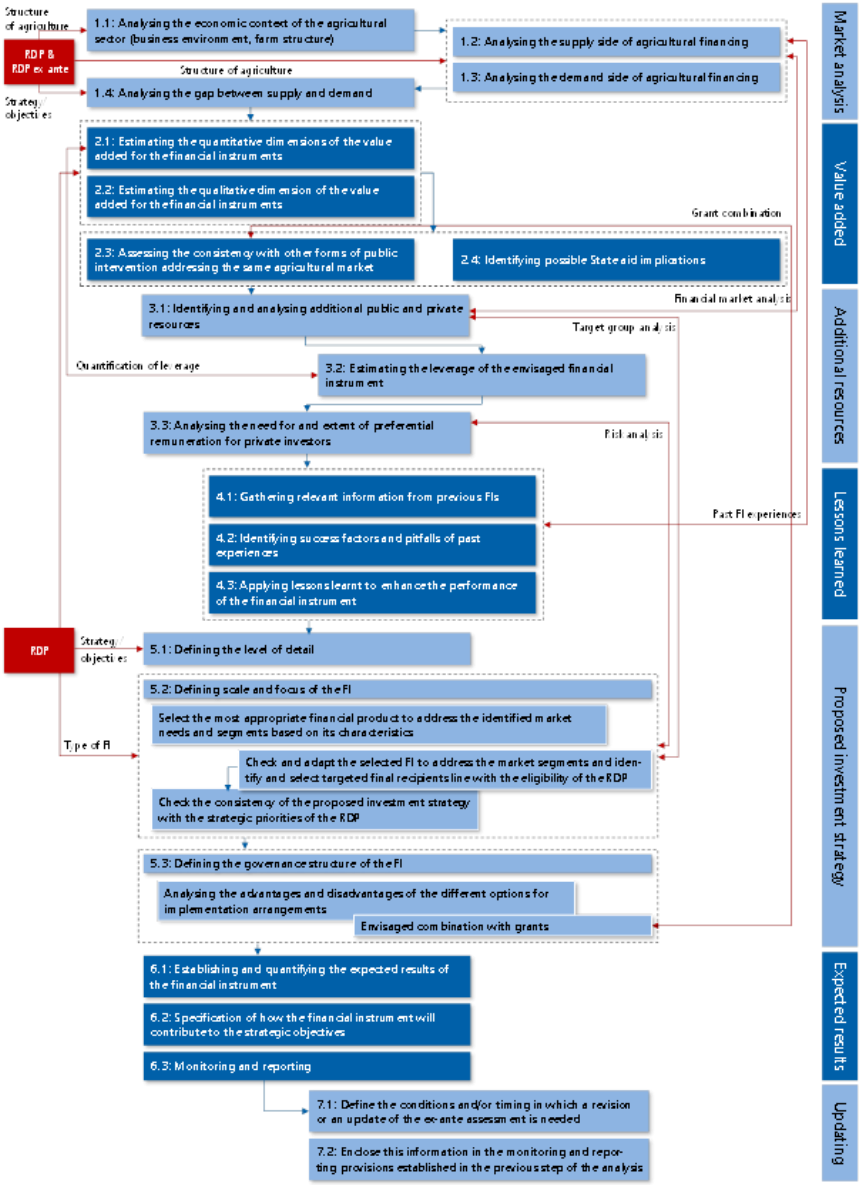
## CONTENT OF THE EX-ANTE ASSESSMENT (AND THE HANDBOOK)

- **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.

# SET-UP OF THE HANDBOOK




Step-by-step guidance through the process of the ex-ante assessment (structured sub-steps)

Agricultural and agricultural sub-sector specifics pointed out (e.g. annual crops, dairy farming, horticulture etc.)

examples to illustrate each step (partly from MA experiences)

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

# EXAMPLE: THE ESTIMATION OF THE INVESTMENT GAP

„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.

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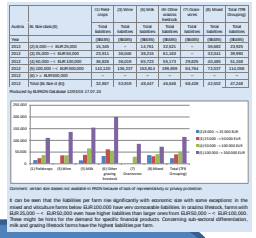
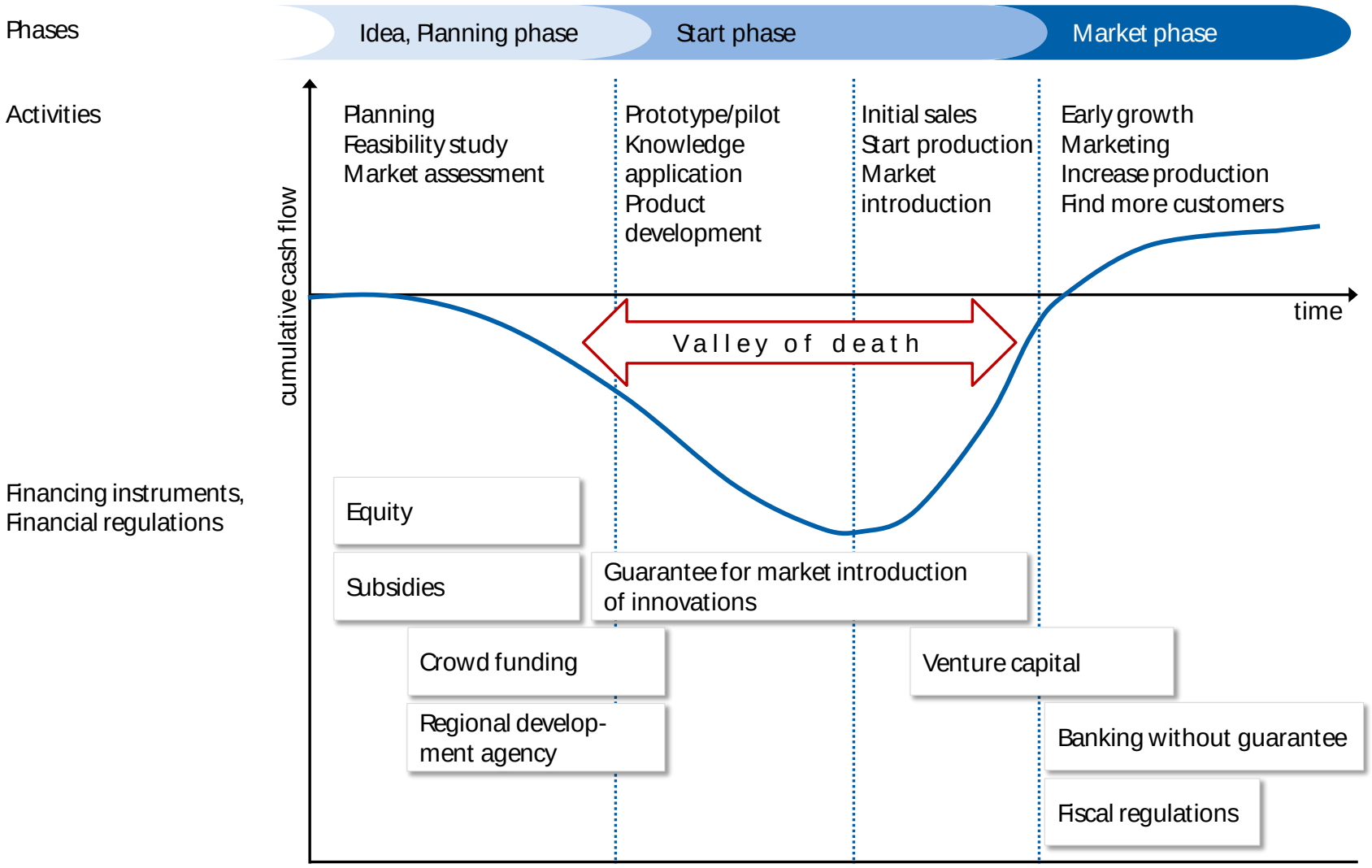
- FADN data
- Survey (demand side)
- Focus group (supply side)
- Etc.



Source: ÖIR 2015

# EXAMPLE: SCALE AND FOCUS OF THE PROPOSED INVESTMENT STRATEGY




Source: LEI Wageningen , 2014

# Thank you

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European Commission

European Investment Bank The EU bank