



The EAFRD Guarantee Fund in Occitanie region, France FOSTER

Nathalie Dauder, Directorate of Agriculture, Agri-food and Forestry, Occitanie region, France



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FOSTER at a glance



- Région Occitanie is the **4th French Region** by GDP (5th by population) with one of the most **dynamic and competitive SME ecosystems**. At the same time, **agriculture and agro-industry constitute the first source of employment** while most of the land area is cultivated;
- The region **pioneered the use of financial instruments** to support – in a sustainable and revolving fashion – productive investments. Capitalizing on the 2007-2013 JEREMIE experience, the region partnered with the EIF to leverage its significant experience and successful track-record;
- With this in mind, FOSTER (**Fonds Occitanie de Soutien Territorial aux Entreprises Régionales**) was designed to address the market failure highlighted in the ex-ante assessment by facilitating access to finance for final recipients in cooperation with selected financial intermediaries active in the region;
- The **largest fund of funds in France**, with contributions of EUR 156 million from the region, the ERDF, EAFRD, and EIF(RCR mandate), FOSTER foresees supporting more than 6 000 final recipients through investments totaling more than EUR 1 billion;
- With respect to agriculture, **EUR 27 million were allocated to a First Loss Portfolio Guarantee**, of which EUR 15 million comes from the Languedoc-Roussillon RDP and EUR 12 million from the Midi-Pyrénées RDP. This provides risk-coverage for loans, enabling financial intermediaries to improve access to finance for targeted final recipients (such as farmers and agricultural holdings).
- After two years of activity, EUR 13m of regional resources have supported – through FOSTER Agri – **EUR 65m of financing to the final recipients for over EUR 111m of investment catalysed**. FOSTER agri has supported almost 600 farmers or agri-SME; 39% of them have less than 5 years of activity and 79% of them have less than 10 employees; 80% of the underlying loans are under EUR 150.000.



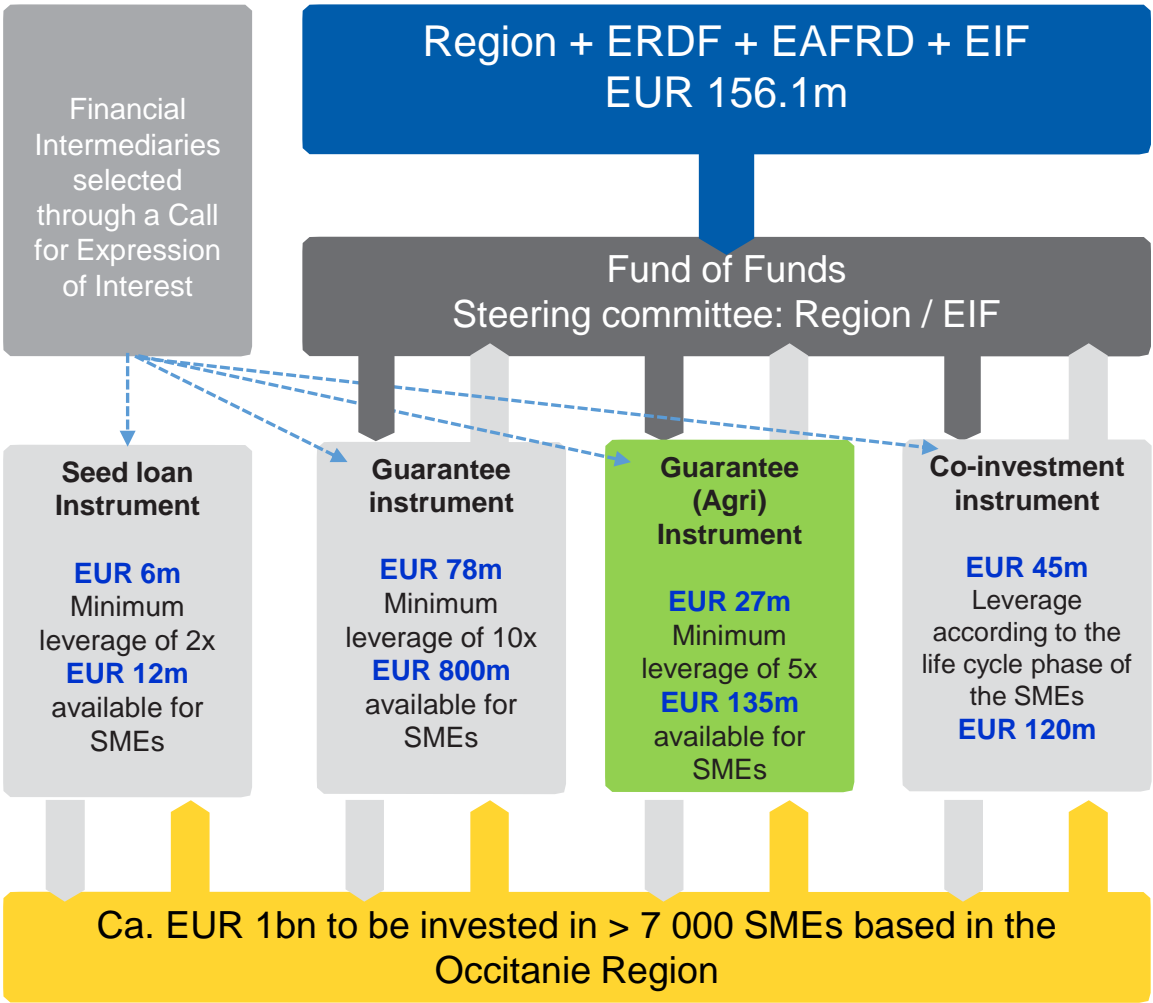
Population	6 millions
GDP	EUR 165bn
Number of SME	430,089
Investment	EUR 34bn
Value of Agri-Production	EUR 3bn



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The FOSTER Approach



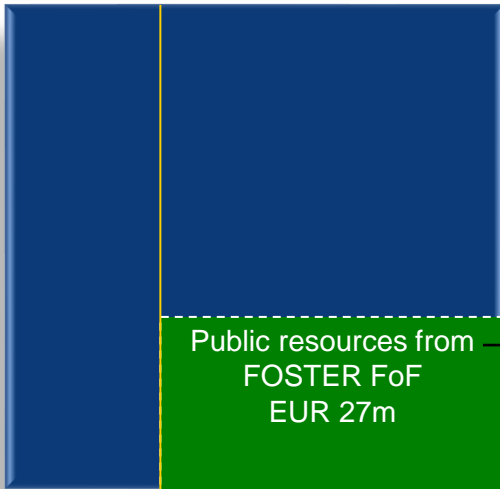
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The FOSTER Agri First Loss Portfolio Guarantee



**Portfolio of new Agri loans :
EUR 135m**
(EUR 45m – 75m LR; EUR 36m – 60m MP)



↑
Leverage
[3x – 5x]

→ **Cap:**
[25%]



Transparent and competitive selection of the Financial Intermediary (Banque Populaire du Sud, Banque Populaire Occitanie, and Crédit Agricole) carried out by the EIF

- **Purpose** : Ease access to finance for farmers and agro companies;
- **Guarantee rate** : 80%;
- **Cap Rate** : 25%;
- **Structure** : Each loan is covered at 80% within the limit of the Cap Rate;
- **Transfer of benefits** : Financial Intermediary has to pass the advantage onto SMEs (20 to 40 bps lower interest rate, lower collateral requirements);
- **Eligible investments** : Finance tangible and intangible investments as well as working capital;
- **Thematic objectives:**
 - Primary production (vegetal and livestock);
 - Development, processing and marketing of agricultural products as well as the creation and development of non-agricultural activities in rural areas and forestry technologies both by farmers and agricultural holdings as well as agri-SME



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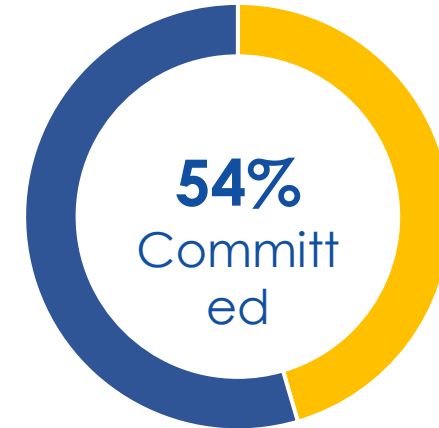
State of Play as of the end of September 2020



EUR 65.1m
Committed



574
Transactions



- ✓ **574** Final Beneficiaries financed
- ✓ **+/- 2,500** jobs supported
- ✓ **EUR 100m** of investment catalyzed
- ✓ More than **40%** of the Final Beneficiaries have less than 3 years of activity
- ✓ Nearly **90%** of the Final Beneficiaries have less than 10 employees and EUR 1m of turnover
- ✓ **60%** of the underlying loans have a maturity of more than 10 years and **90%** of them are less than EUR 250,000



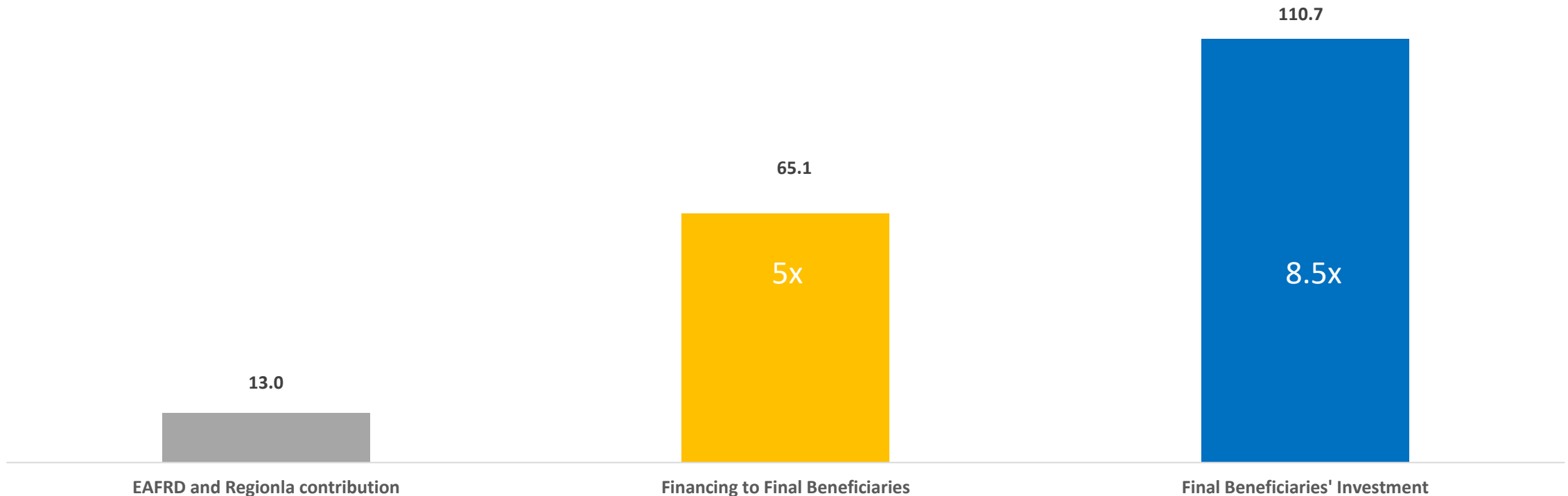
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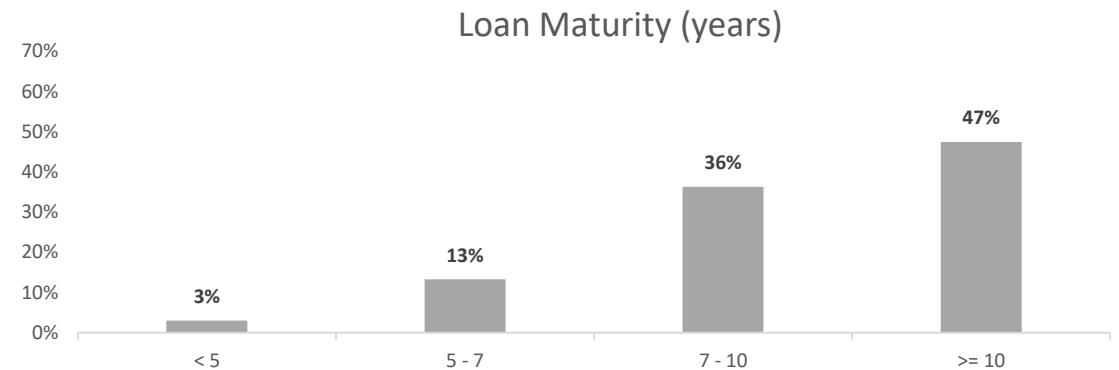
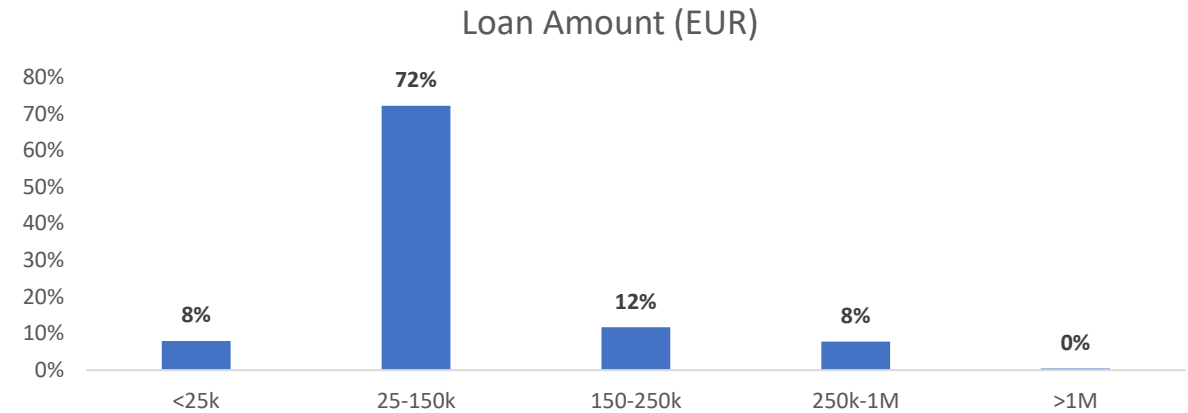
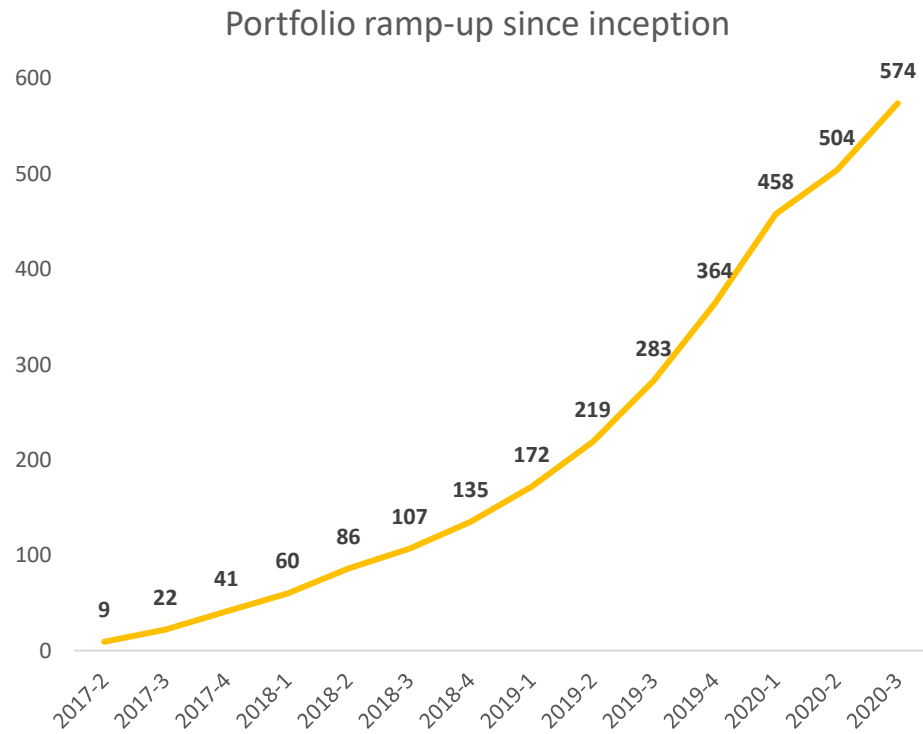
A significant (direct and indirect) leverage



Financing Catalyzed (EUR)



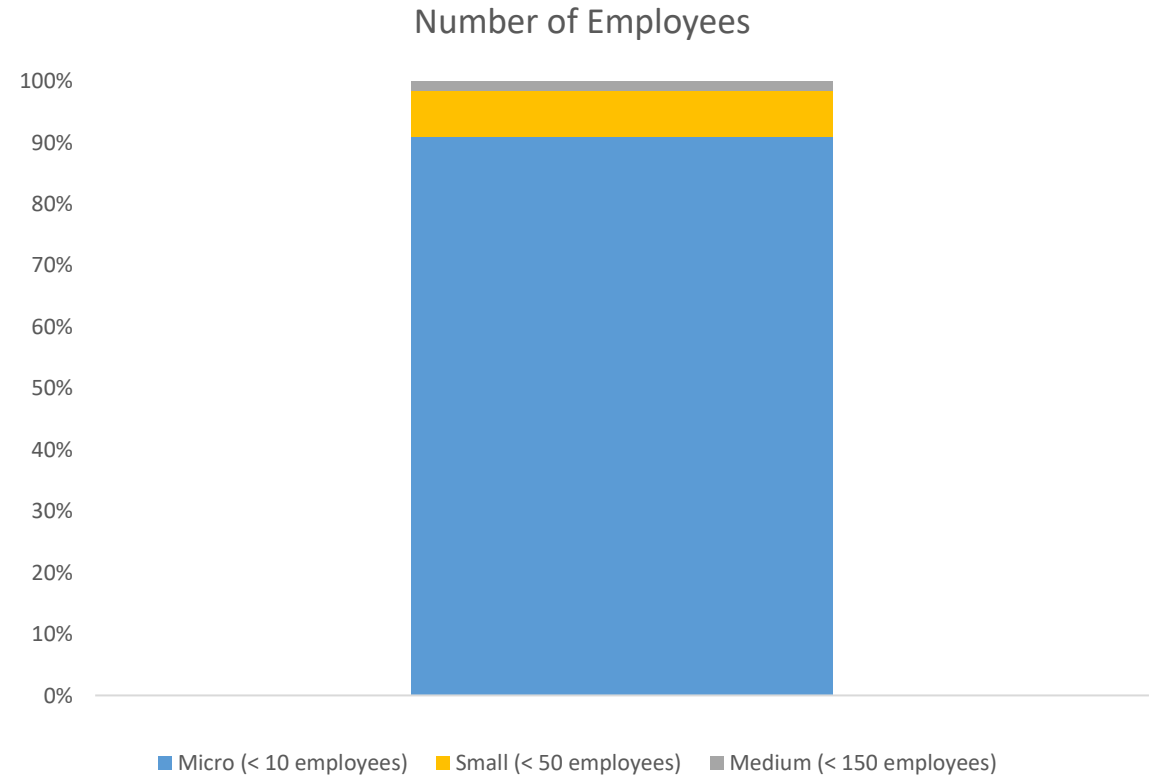
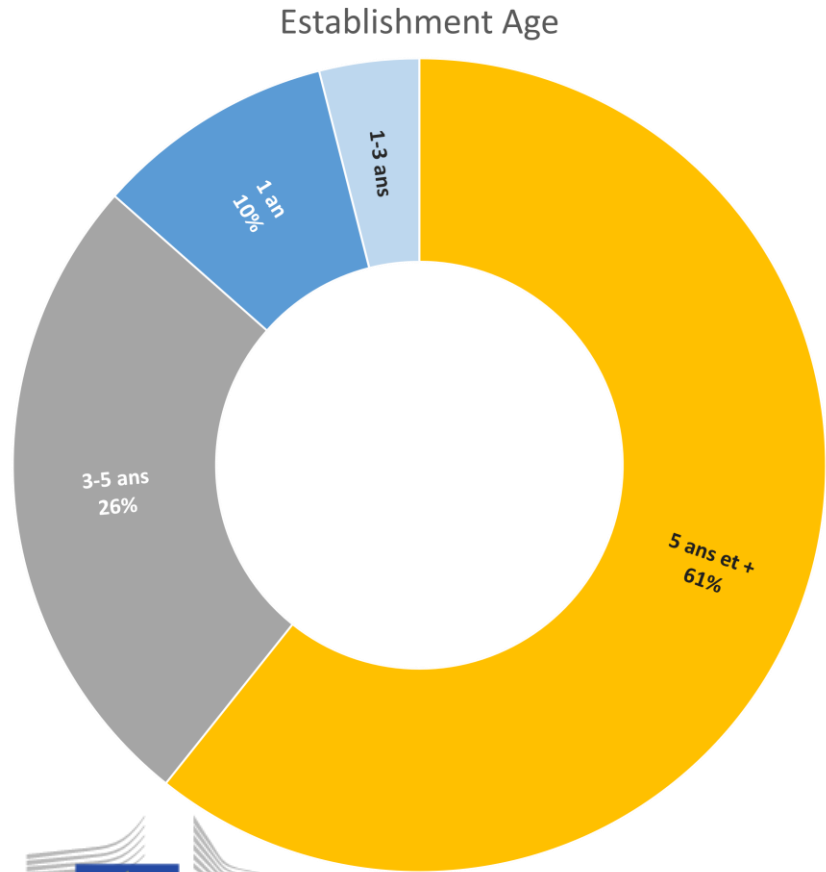
A smooth ramp-up driven by long term, small-size transactions



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Young and micro firms are amongst the main beneficiaries



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Wide geographic coverage



Geographic Coverage by Département (# of projects; € guaranteed)

All the territory is covered with a significant part of the loans disbursed in less developed areas



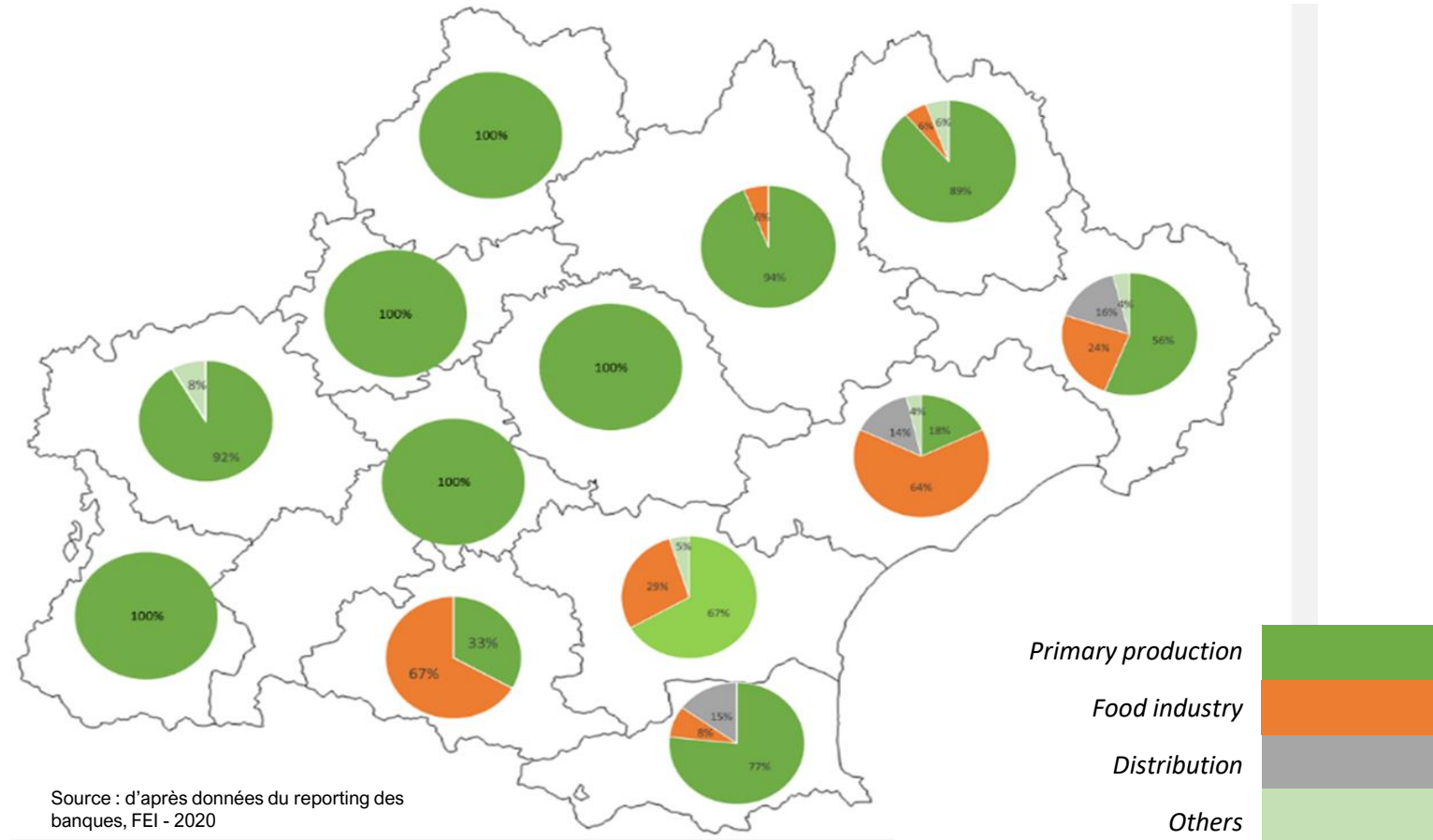
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Wide sector coverage (1)



Diversity of agri activities supported across areas, related to local economic specificities as well as banks' customer base



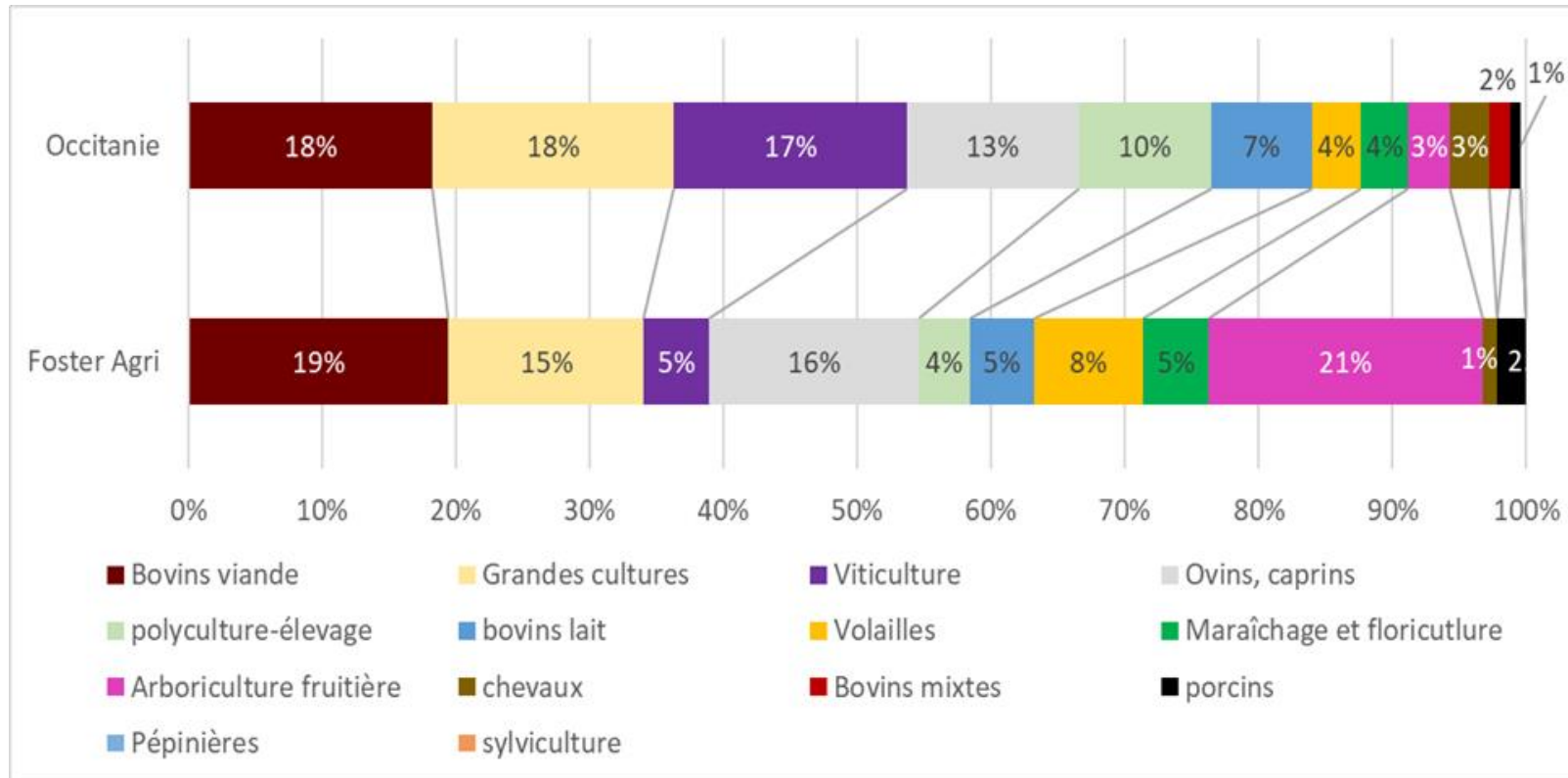
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Wide sector coverage (2)



The composition of the FOSTER portfolio is mostly similar to Occitanie agri holdings, with a few exceptions such as viticulture (less represented, due to coordination rules with EAFGA), arboriculture or sheep/goat (more represented)



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Project examples



EUR 985.000 to a Young Farmer taking over and constructing a building hosting 9000 organic laying hens

EUR 52.000 for 6.240m2 of greenhouses to produce all year round and meet local demand for lettuce

EUR 1.300.000 for constructing 4 buildings of 400 m2 for the breeding of 44.000 ducks/year

EUR 500.000 to convert an existing building into a fridge building so as to develop a new Melons production with direct sales

Watch the video / BRIOLA FARM supported by FOSTER

<https://www.youtube.com/watch?v=7xlo8BRZVQo>



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Key Takeaways



- Région Occitanie was the first region in the EU to develop agri-focused Financial Instruments. Following this **trailer-blazing experience, the concept has blossomed** (in other EU MS, in the neighboring Region of Nouvelle Aquitaine and/or at National Level, etc.);
- Overall, on a Grant basis, EAFRD and Regional resources are not sufficient to bridge the financing gap in the agricultural sector. **Financial instruments are therefore necessary to get more value for money**. This approach enables to ensure sufficient leverage on public resources as well as an optimal alignment of interests between the Private and the Public sectors. With this in mind, the Capped First Loss Portfolio Guarantee is a strongly advisable instrument;
- **Excellent feedback from Financial Intermediaries and Final Beneficiaries confirmed by impact survey:**
 - Final Recipients see the true value of the Instrument by getting access to finance at much better conditions, meanwhile,
 - Partner Financial Intermediaries are keen to deploy such instruments since risk is very well covered by the EIF (triple A notation) with a risk coverage free of charge, as per the Region's willingness;
 - FOSTER Agri is praised as a transformational, "new", flexible, and free of charge system
 - The facility has shown clear accompanying / facilitating effects in the agri financing process
- **Very good collaboration with the EIF** colleagues that I would like to thank very much for their great work.



How about the future?



- The **update of the ex-ante assessment** has been launched a few weeks ago;
- The ex-ante assessment, together with **the results of a study based on a survey involving final recipients and intermediaries**, will help define the post 2020 strategy;
- **The Region is working on its agricultural policy post 2020** with a strong focus on sustainable agriculture, resilience to climate change, and a local adaptation of the farm to fork strategy. Financial Instruments post 2020 will be integrated in this policy framework and will aim to address these issues;
- **Better coordination between ESIF will be sought** (in the forestry and food industry sector);
- The separation of regulations between EARDF and the other **ESIF mustn't lead to more complexity** (different rules, several sources of information);
- Region Occitanie is following carefully the evolution of the Commission proposal **regarding the funding of agricultural land for young farmers**, which is a **crucial issue for the renewal of generations**.



Contact



Nathalie DAUDER

Department Head – Région Occitanie

Nathalie.dauder@laregion.fr

Useful links

- [FOSTER, les grands moyens aux TPE-PME :](https://www.youtube.com/watch?v=HLNzHsnXozA&list=PLcGga205ikCBAhpQNwRv7oKlaJrIn6K0S)
- [FOSTER accompagne Move in Med :](https://www.youtube.com/watch?v=r32tjGSTZas)
- [FOSTER accompagne les agriculteurs :](https://www.youtube.com/watch?v=7xlo8BRZVQo)
- [FOSTER accompagne Face Verticale :](https://www.youtube.com/watch?v=gq6MDWHXRsl)
- [FOSTER accompagne Resilient Innovation :](https://www.youtube.com/watch?v=BkpsxaG6FAs)
- [Vidéo FOSTER par Banque Populaire :](https://www.youtube.com/watch?v=oJSLp1LGPll&feature=youtu.be)



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