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Reflection on Financial Instruments with EAFRD in Languedoc- Roussillon (FR)

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- Introduction

- What is the experience of Languedoc-Roussillon in agriculture and rural development support ?

- How were the demand and needs assessed?

- What were the the market needs (suboptimal investment situation) / reasons behind setting up the instrument? What is the economic situation of farmers, agri-food industry and forestry sectors ?

- Progress to date ? Advice ?

Introduction: Languedoc-Roussillon Region



Key figures:

- 2,7 million inhabitants in 2013
- One challenge: +30,000 inhabitants/year
- GDP/inhab. (2013) : 23,500 €/inhab. (10th of France)
- 220,000 SMEs (with 97% micro-entreprises)
 - Whose 19 % in agriculture and forestry sector (1st sector in SMEs number, 2nd in GDP after tourism)



Key figures of agriculture, forestry and agri-food sectors



Agriculture and forestry

- 29 400 farmers set up in the Region
- main production sectors : viticulture, fruit and vegetables, ranching, crops and cereals (hard wheat), forestry
- 1st french producer of wine, 2nd french producer of organic products (1st for wine), farmhouse

Agri-Food

- 1 200 enterprises (mainly SMEs)
- 8,6 billion of turnover

Main features to conclude: Agriculture represents a significant part of the Languedoc-Roussillon economy, 350 cooperatives (9600 employees and 3 billion turnover)

(agreste 2012)





Over the period 2007-2013, as delegated managing authority

Support for strategic projects of SMEs and farmers

- Tangible and intangible assets
- The need to finance working capital
- EAFRD co-financing projects only with products of Annex I of the treaty of union and sourced locally

In total, almost 450 SMEs projects supported

€ 27 million of Region credits

€ 29 million of EAFRD credits

€ 12 million of repayable advance

Target for 2014-2020

- Maintaining Strategic Project requirements (3 years)
- Supported through Region own funds and EAFRD by common rules specifically for selectivity

The JEREMIE experience in LR: a True success which encourage us to replicate with EAFRD

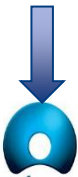


Europe (ERDF)
EUR 15m

Region:
EUR 15m



JEREMIE Holding Fund (JHF) : EUR 30m
EIF HF manager



CRÉALIA
ACCELERATEUR D'INNOVATION

Seed loans Instrument:

EUR 2m
Leverage of 2
i.e.
EUR 4m for LR's SMEs



JEREMIE-LR
capital investissement

Co-investment Instrument:

EUR 11m
Leverage of 2
i.e.
EUR 22m for LR's SMEs



Guarantee Instrument:

EUR 14m + 0.9m (treasury)
Leverage of 8.4
i.e.
EUR 117m for LR's SMEs



i.e. a TARGET of EUR 143m for LR's SMEs



As 31 December 2014, EUR 151.1m have supported 1,300 SMEs



Evaluation of demand and needs : AFMA methode



In 2014, the ex ante assesment was carried out for SMEs both for ERFD and EAFRD.

The common ex ante study was

- An outcome of JEREMIE for EFRD
- A special focus on EAFRD

To assess the market needs, the methodology was:

- assessment of the studies and date available
- interview of the main players in the market (stakeholders)
- online survey carried out (representative of the SMEs in the L.R : more than 513 SMEs)





The needs identified for farmers, forestry and food industry sectors

- Access to financing more difficult and deteriorating financial situation of SMEs but less than in other sectors
- A single banking
- No or very little culture about financial instruments
- Low diversity of funding and a strong preference for loan
- A need for funding both for working capital and for the acquisition of equipment
- Loans limited to corporate contributions constraining the development

Evaluation of demand and needs : results



- A strong dependence of agriculture and the agro -food sector to the banking sector (mainly driven by the food industry)
- 62 % of SMEs in both sectors have used the medium and long - term loans to modernize and invest in new machinery and equipment in recent years.
- SMEs in those two sectors have increased their use of public subsidies (26 % of them) compared to all SMEs in the region
- A main recommendation of the study was to improve the access to finance of SMEs in the agriculture and agri-food sectors by targeting them through a pilot guarantee instrument.

PwC Online Survey SMEs in the agricultural sector and food of the Languedoc- Roussillon region , 2014



Evaluation of demand and needs : proposal



Work in progress to integrate Financial Instrument in Languedoc-Roussillon Rural Development program

- building a guarantee type of instrument (First Loss)
- pilote project with EIF
- for an initial contribution around 15 M€ , 9,5 M€ of EAFRD and 5,5 M€ of Region own funds
- expected leverage around 4 x a portfolio of 60 M€ of loans

Objectives

- for MA : switch from grant type of support to a more revolving approach
- for the final recipient :
 - acces to finance at better condition
 - lower interest rates, reduction of the personal collateral,
 - alignment of interest between private and public
 - share the risk between private and public investment





Introduction of the guarantee type of instrument into :

- Operation Type (OT) :

–4.1.1 « support for investments in agricultural holdings »

–4.2.2 « support for investments in processing/marketing and/or development of agricultural products »

–6.4.2 « support for investments in creation and development of non-agricultural activities »

–8.6 « support for investments in forestry technologies and in processing, mobilising and marketing of forest products »

Mode of implementation (two steps approach)

–The Region LR entrusts the task to the EIF (as fund of fund)

–Transparent and competitive selection process of underlying financial intermediary



Thanks for your attention !

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