



AGRI Financial Instruments – The FOSTER Occitanie Experience

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Context - Occitanie



- Occitanie Region was created 1st January 2016, by the merging of Languedoc-Roussillon (transition region) + Midi-Pyrénées (competitive region)
- 5.7 million inhabitants, Population growth +52,000 per year
- GDP Eur 162 bn
- Twice the area of Belgium with large cities: Toulouse and Montpellier
- Dynamic and competitive ecosystem: 430,000 SME
 - 1st in creation of new companies: +60,000 per year
 - High technology industry: information technology, aerospace industry, healthcare...), headquarter of Airbus, ATR
 - Traditional: agriculture and forestry, tourism, crafts
- **First employer: agriculture & agrifood industry**
- **50% of territory is cultivated**
- **262 agricultural products under quality label**



Occitanie : the European California

- Research and innovation : 1st region in France.
- **1st rate for GDP invested in R&D: 3,7%**
- 247,000 students at 35 institutions for higher education
- 30,000 researchers
- 8 clusters, including Aerospace Valley and AgriSudOuest Innovation

But also

- **140,000 farmers and agrifood industry**
- **1st for organic products**
- 123,000 employees in craft enterprises
- 110,000 working in tourism
- 85,000 working in aerospace

Context – European funds



EUR 3bn directly managed by the Occitanie Region (Managing Authority) for :

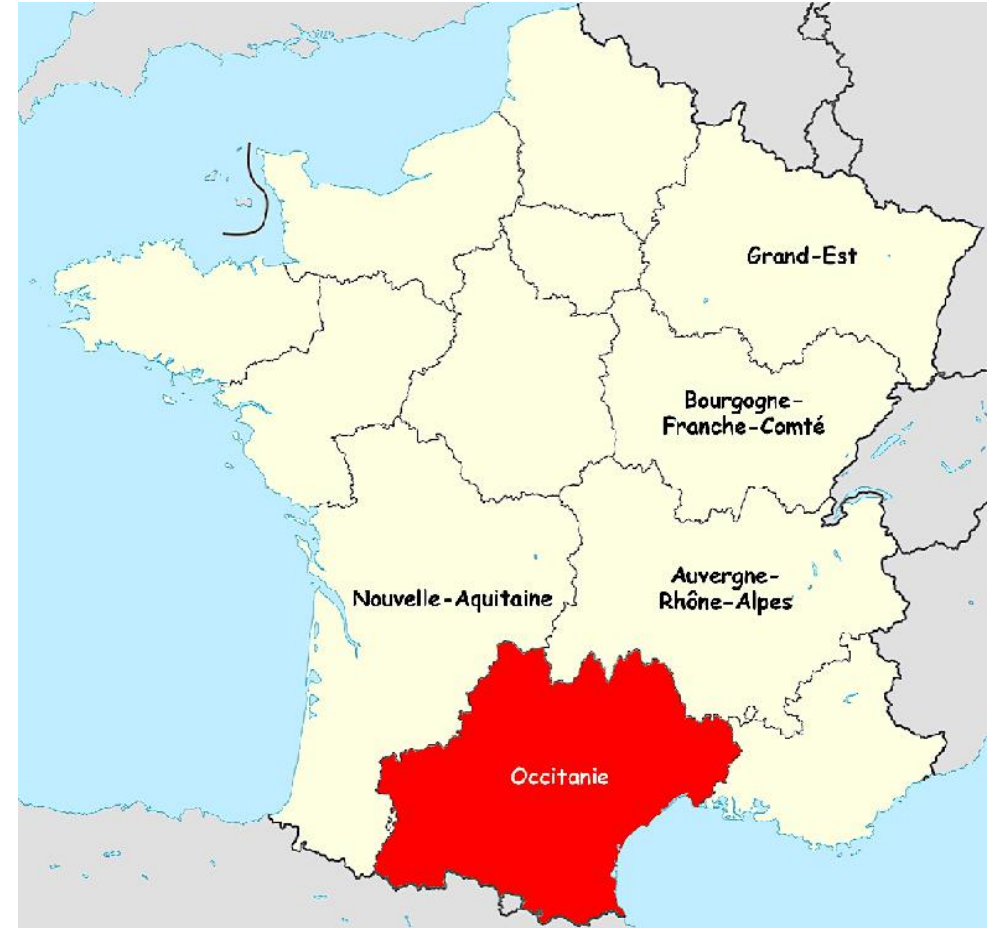
- **2 Operational Programmes ERDF/ESF** (for the former territories of Languedoc-Roussillon and Midi-Pyrénées)
- **1 Operational Program ERDF** over the Pyrénées (mountain range)
- **2 Rural Development Programmes EAFRD** (for the former territories of Languedoc-Roussillon and Midi-Pyrénées) : EUR 2.1bn

Operational Programs focusing on:

- Supporting and fostering innovative projects
- Supporting SMEs

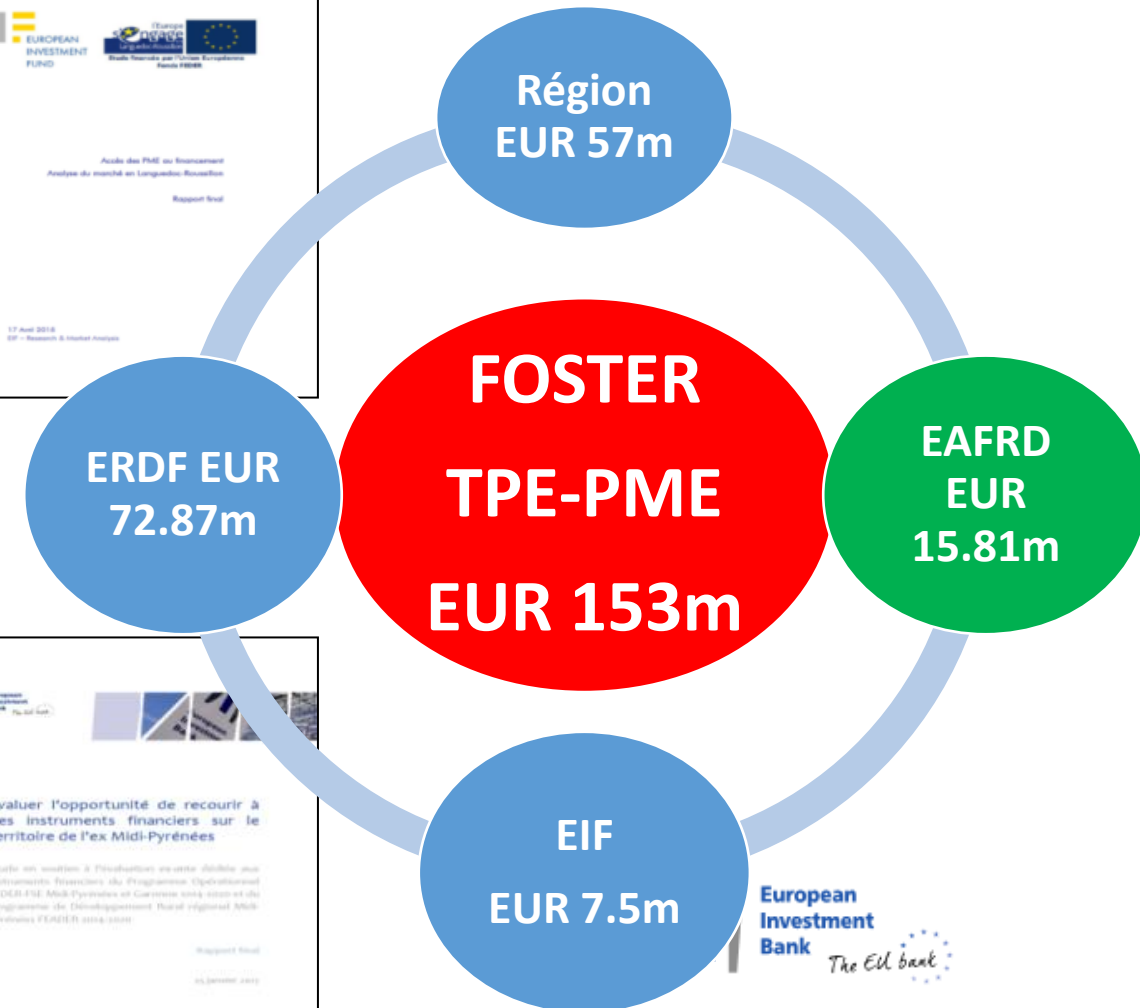
But also

- 1 European Maritime and Fisheries Fund programme
- Interreg POCTEFA and Interreg Sudoe

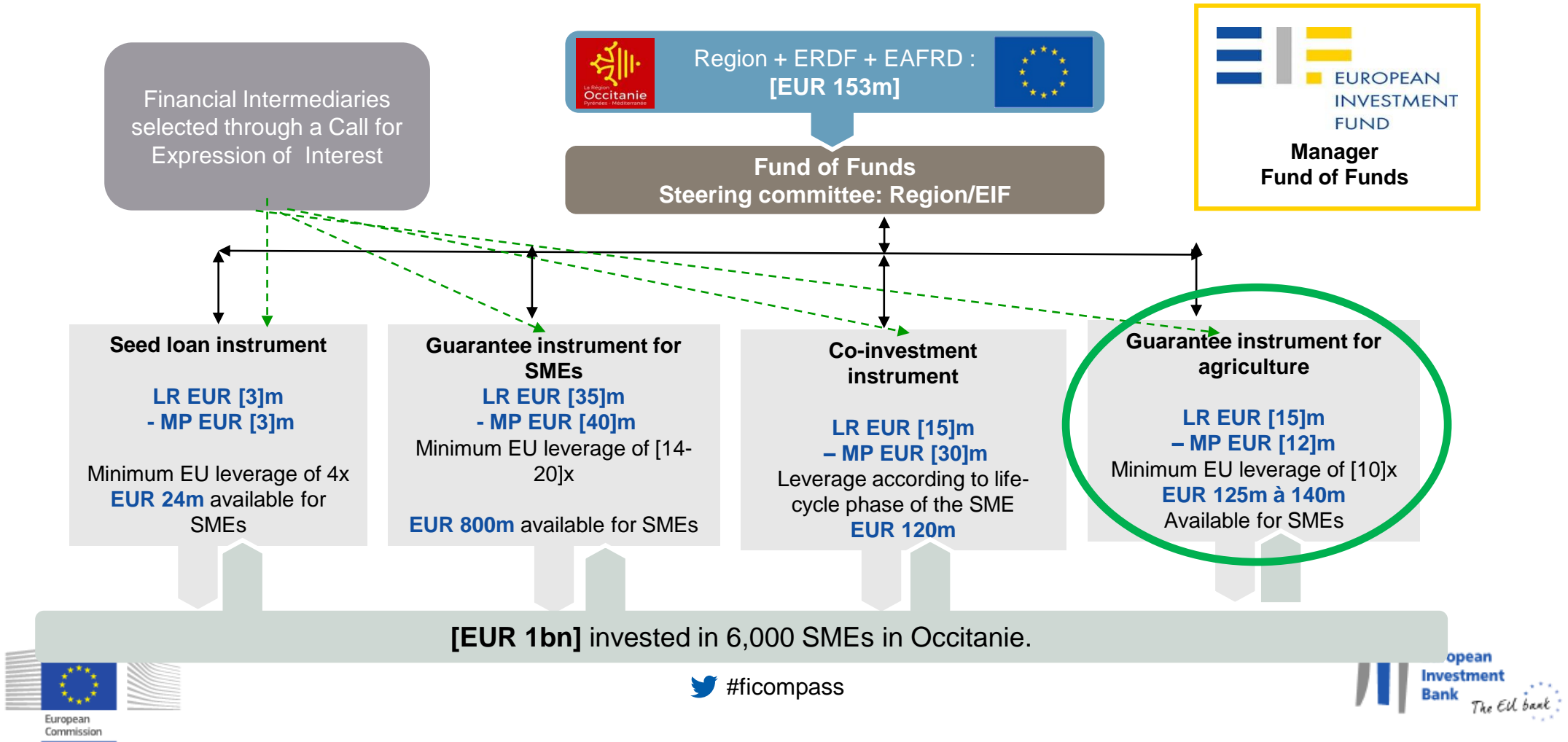


2014-2020 – The FOSTER project

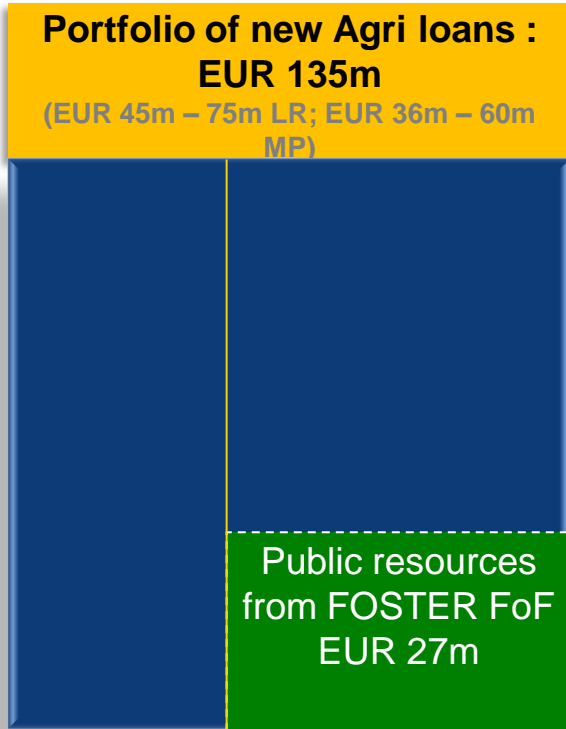
- The region pioneered the use of financial instruments to support – in a sustainable and revolving fashion – productive investments.
- On the basis of positive past experience (2007-2013 JEREMIE Experience) and after ex-ante assessments, Occitanie Region decided to set-up new FI for 2014-2020
- **FOSTER TPE-PME EUR 153m** public funds until 2023, a new generation of Fund-of-Funds aiming 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



2014-2020 – The FOSTER project



The FOSTER Agri First Loss Portfolio Guarantee



Leverage [3x – 5x]

→ Cap: [25%]

Guarantee rate: [80%]

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

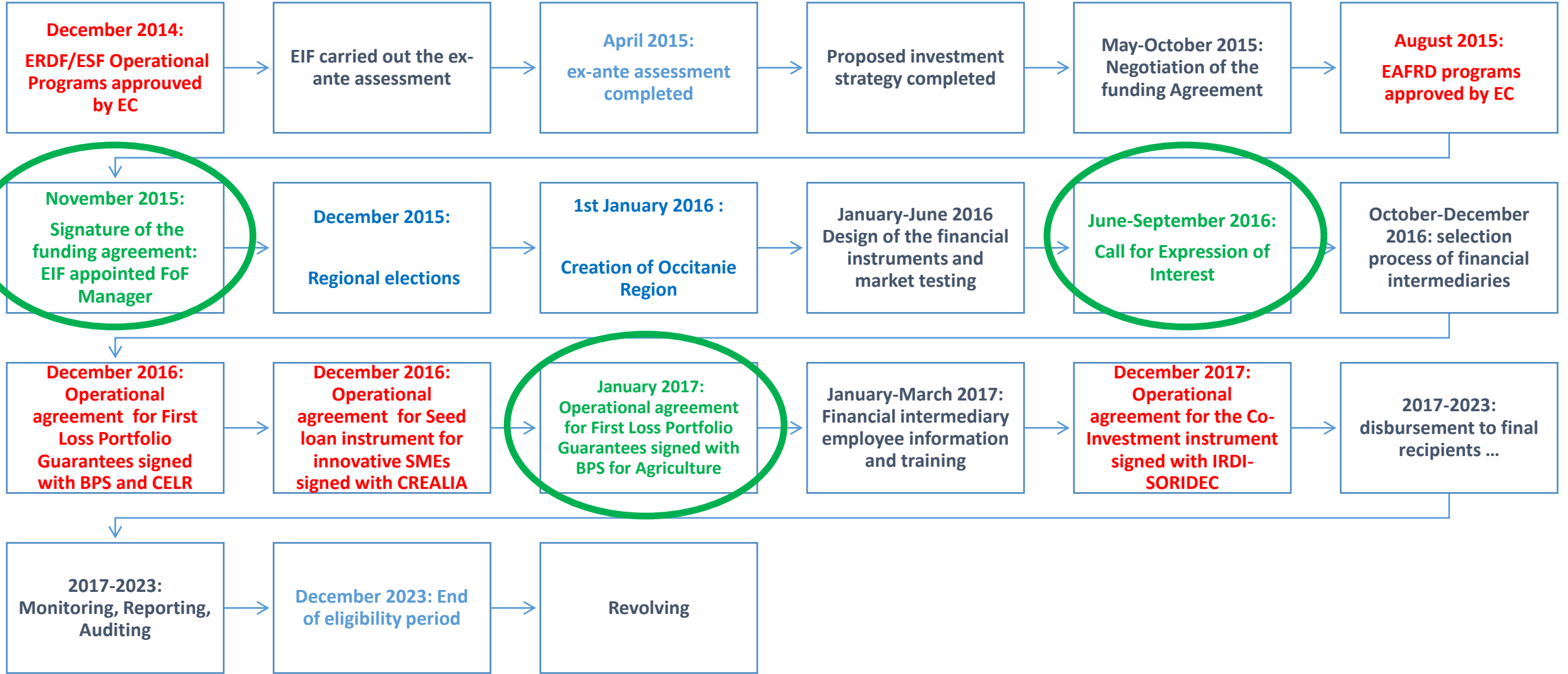


- Purpose : Ease access to finance for farmers and agro companies;
- Guarantee rate: 80%;
- Cap Rate: 25%;
- Structure: Each loan is covered at 80% within the limit of the Cap Rate;
- Transfer of benefits: Financial Intermediary has to pass the advantage onto SMEs (20 to 40 bps lower interest rate, lower 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





Implementation timeline Foster LR December 2014 – December 2017



Implementation timeline – Foster MP

June 2016 – October 2018 - Significant time reduction

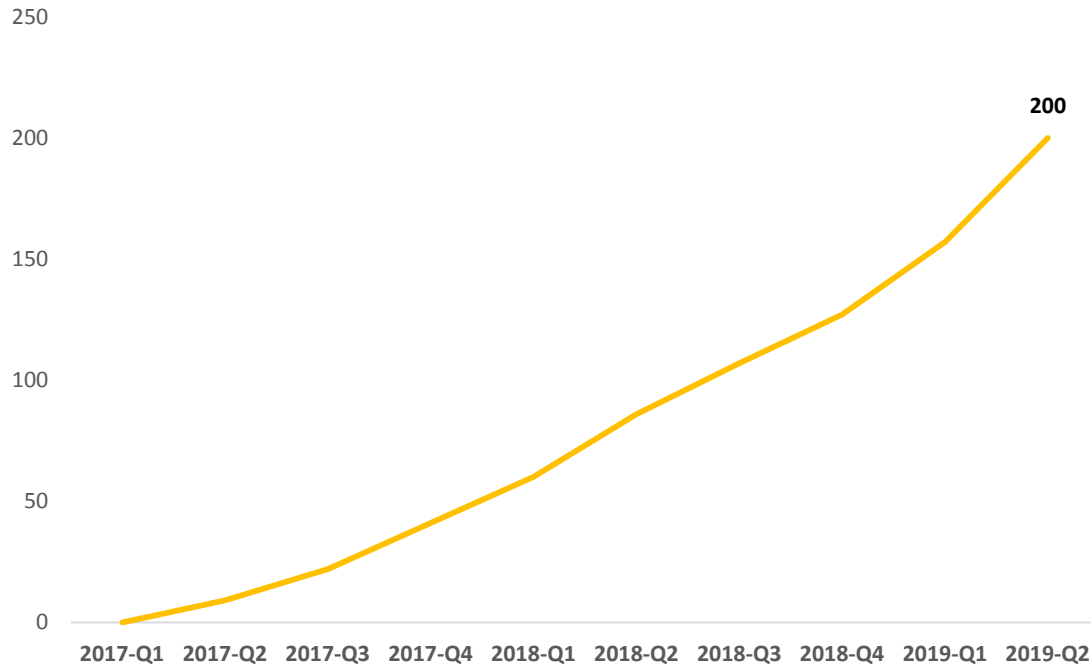




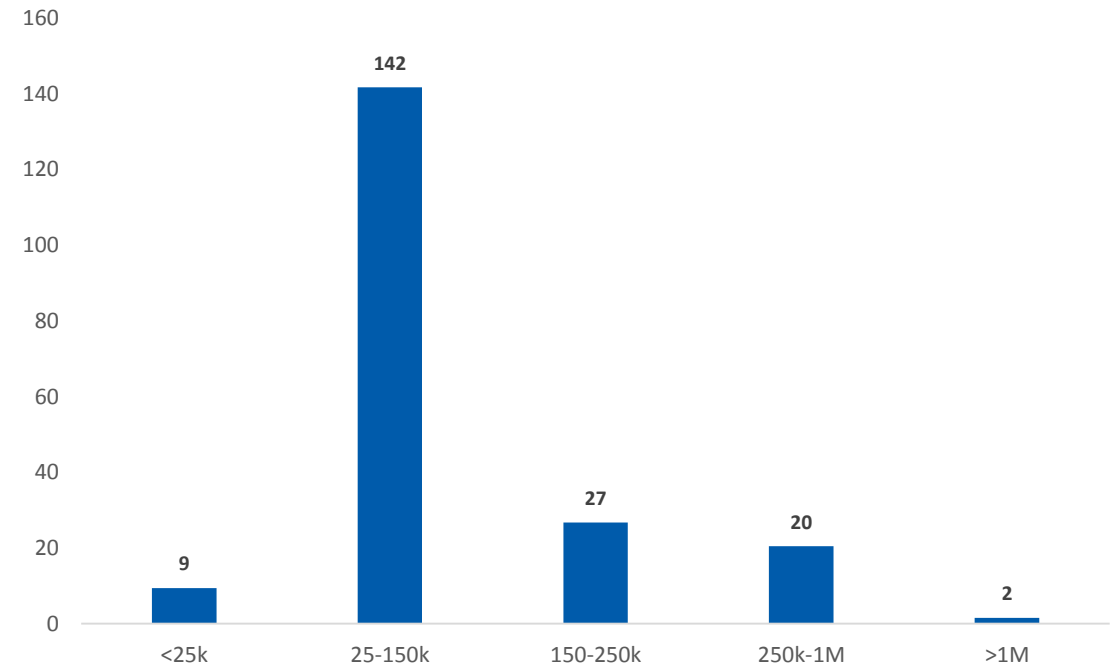
A smooth ramp-up driven by small-size transactions



Number of Transactions



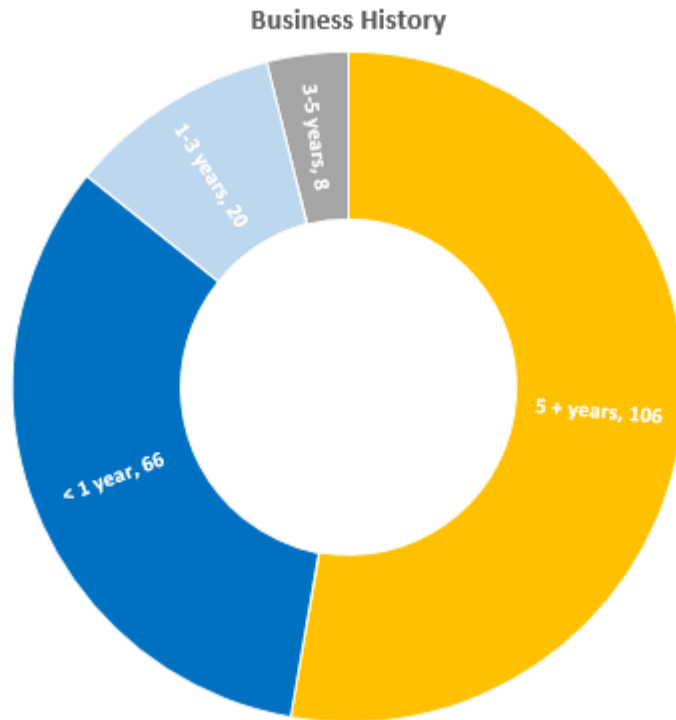
Number of transactions by size (€)



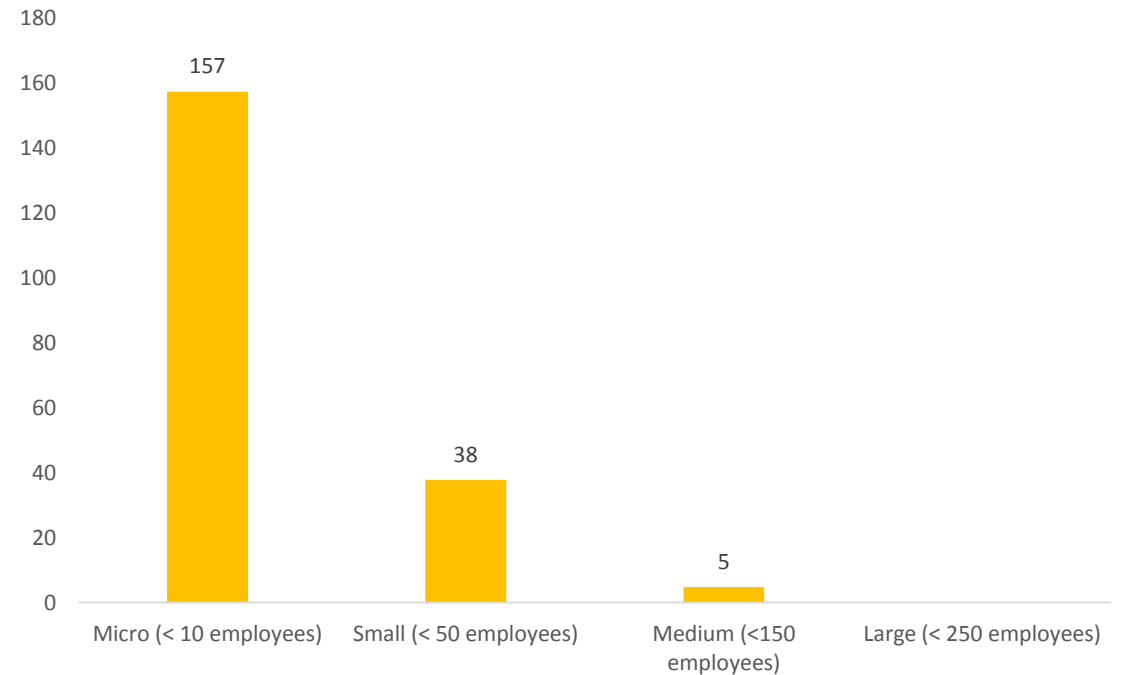
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Young and micro firms are amongst the main beneficiaries



Transactions by Business Segment



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Key messages: why to choose financial instruments



- Strong political will to implement financial instruments (10% of ERDF – 0,7% of EAFRD) in addition to grants;
- A new tool for public administrations to finance economy and boost private sector particularly interesting in the context of scarcity of resources;
- A long term instrument, with the possibility to reinvest, revolving of funds;
- A high leverage effect: cross effect of public and private investment (EUR 153m generate more than EUR 1000m in the real economy = size of the OP);
- Final Recipients see the true value of the Instrument by getting access to finance at much better conditions : lower interest rate, lower collateral requirements;
- Partner Financial Intermediaries are keen to deploy such instruments since risk is very well covered by the EIF : increase investment capacity with risk reduction.

Key messages: Why to choose to work with EIF



- Strong experience with market assessment
- Excellent knowledge of financial & EU regulation
- Significant experience in managing Structural Funds, Excellent track record (i.e. JEREMIE)
- Avoid conflict of interest
- Transparency of management and selection process
- Range of financial instruments Guarantee + Risk Sharing Loan + Equity (in line with market needs)
- Ability to negotiate with financial intermediaries to provide the best for Final Recipients
- Ability to ensure Monitoring, Reporting & treasury management of the FoF
- Safe: EIF is rated AAA

Key messages: recommendations and lessons learned



- Market testing and ex-ante assessment
- Partnership with an EU institution (like EIF) in order to deal with private sectors (e.g. banks, venture capital companies...).
- Ensure a transparent and competitive selection process of financial intermediaries
- Timing is very important. The process takes time (ex-ante, market testing, financing agreement, selection process, negotiating conditions, risk analysis for guarantees,...)
- Permanent dialogue between FoF manager and financial intermediaries
- EIF works in full cooperation with the MA steering committee (COPIL) to pursue a clear Investment Strategy and to implement FIs
- **Very good collaboration with the EIF** colleagues that I would like to thank very much for their great work



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



Pictures of the project



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- Région Occitanie : <https://www.laregion.fr/FOSTER-TPE-PME>

- FEI : http://www.eif.org/what_we_do/resources/foster/index.htm

- BPS : <https://www.sud.banquepopulaire.fr/portailinternet/Catalogue/Produits/Pages/foster.aspx>

- Banque Populaire Occitane :

- <https://www.occitane.banquepopulaire.fr/portailinternet/Catalogue/Produits/Pages/Prets-Foster-TPE-PME-BPOC.aspx>

- Région Occitanie : Vidéo relative à l'accompagne d'un agriculteur : FOSTER

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



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