



## The use/non-use of FIs in the post-2020 CAP for Austria – Findings from a preparatory ex-ante assessment

**Bernd Schuh**, Executive Director, Austrian Institute for Regional Studies



 #ficompass



# Content



- What has been done – why a „preliminary ex-ante assessment?“
- Supply side
- Demand side
- Conclusions - the issues with FIs in agriculture



# What has been done



- Preliminary assessment whether FIs shall be considered within the Austrian Pillar II post 2020.
- In principle Step I of the ex-ante assessment according to the „Methodological handbook for implementing an ex-ante assessment of agriculture financial instruments under the EAFRD” – i.e. supply side and demand side analysis
- Assessment whether a financing gap exists



# Methodology



- Analysis of CAP Strategic Plan SWOT → linking of needs and potential financing gaps
- Identification of three agricultural/ forestry sub-sectors in coordination with the MA
- Assessment of the potential financing gap
- Desk research, statistical analysis
- Interviews with multipliers and potential final recipients (tot. 15)



# Supply side



- In principle following suit the analysis of the ‘Study on financial needs in the agriculture and agri-food sectors in Austria’
- Supply of capital for agriculture/ forestry is sufficiently provided – capital market conditions are favourable for banking sector (some single exceptions)
- In EU comparison low average default rate for agricultural/ forestry sector (54.091 Euro/ per economic unit in 2018) → risk averse behaviour of farmers/ foresters



# Demand side I



## Some preliminary observations

- Demand side analysis will have to be aligned with needs as identified for Rural Development Programmes/ territorial needs of rural areas → wider set perspective than just agriculture
- In Austria starting point has been the SWOT of the Austrian CAP strategic plan
- Only three sub-sectors have been specified and identified with potential of lacking access to financing:
  - Farm succession outside the family – market entry of „new farmers/ foresters“
  - Atypical „agricultural“ producers on the verge to enterprises
  - Adjustment to working capital needs due to extreme weather events/ climate change adaptation



# Demand side II



Some findings:

- For farm succession: existing instruments sufficient, but wider target groups for non-family succession needed – alternative forms of support (e.g. farm fairs/ exchange platforms)
- Atypical agriculture: large potential, existing financing mechanisms deemed sufficient, but bridge towards other economic sectors needed → farmers become entrepreneurs and vice versa → classical “venture capital” instead of FIs
- Extreme weather event consequences → again existing risk mechanisms sufficient; Austrian agricultural structure calls for the existing system of shared risk via PPP



# Conclusions



- From the analysis of supply and demand side NO financing gap can be detected → NO programming of FIs in Austria recommended



# Conclusions II



Problems with the FI ex-ante assessment methodology:

- FIs are still a part of the EAFRD → a broader perspective on rural development is needed & „needs“ in rural areas are to be the guiding principles
- Agriculture and forestry are sectors „in transition“ → innovative behaviour from outside to be allowed, sectoral permeability to be fostered, rural areas are to be confronted with a mix of sectors and land uses (circular economy, energy, mobility, ...) → increased complexity of support, which FIs cannot serve





financial instruments capacity building Farming  
 Rural development funding agreement EU guidance  
 added technical support co-financing ex-ante assessment final  
 value seminars governance intermediaries recipients  
 leverage EAFRD fi-compass investments  
 Agriculture thematic objectives Targeted coaching case studies  
 business plan Thank you equity  
 advisory services private investors  
 RDP guarantees life cycle combination of support  
 conferences banks revolving  
 fund of funds loans microfinance CAP  
 manuals managing authorities factsheets  
 DG AGRI Agricultural products investment strategy EIB Group