

Rural Pact Conference

15-16 June 2022



Financial Instruments to support Rural Areas

Making a difference in Rural Areas by supporting access to finance



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Doing more and better with less

Grants



Financial instruments



*On aggregate based on 2020 transactions. Depending on the instrument and the transaction, the leverage achieved can range from 4x to 40x.
Source: EIF Annual Report 2020.

Addressing the market gaps

Factors adversely affecting access to finance, usually even more in Rural Areas

Market driven solutions for lenders and investors in small businesses

Information asymmetry

Small businesses are often too small (lacking information) for banks to assess their risk

Highly innovative small businesses may be too disruptive for banks or funds to be able to assess risk and potential

Sharing risk

Regulatory environment

Bank capital adequacy ratios have led to a scarcity of capital and a decline in lending to higher risk small businesses

Providing capital relief

Economic environment

Smaller banks can face liquidity issues

Private investors can shy away from venture capital and private equity asset classes, especially in times of market downturn

Providing funding

Convergence & EU competitiveness

Small businesses in emerging sectors can lack access to funding opportunities or specialised financing partners

Europe remains structurally behind other major markets in terms of the scale of VC investments

Building ecosystem

A financial instrument for Rural Areas

Capped Guarantee supported by EAFRD combined with EFSI and EIB Funding



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InSmall



European
Investment
Bank

Funding to the selected FIs

Guarantee Rate
Loan by loan (70/80%)

Risk retention of the
Financial
Intermediaries

Farmers and
Rural SMEs

Interest

Losses

Cap Rate

EFSI Second Loss Piece

First Loss Piece from
the Member State
Rural Development
Programs

Losses/recoveries

Risk retention of the Financial Intermediaries

Portfolio originated by the
FIs selected by the EIF (new
eligible debt finance)

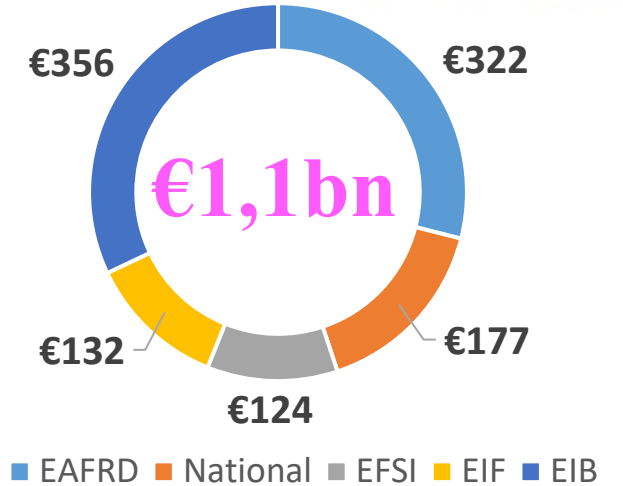
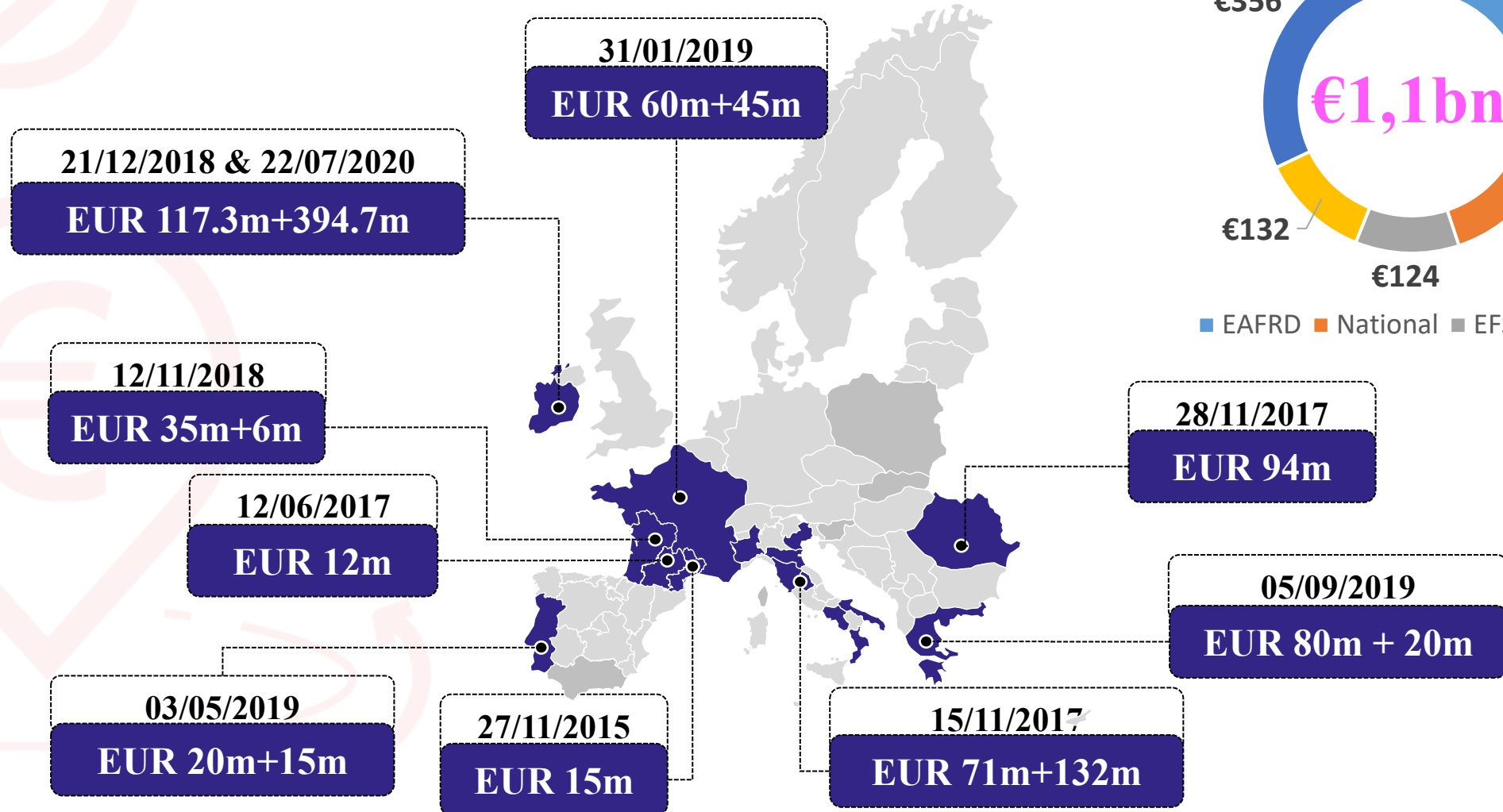
Financial
Instrument
implemented in
France, Greece,
Portugal

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EAFRD/national mandates – update Q4 2021



EAFRD/national mandates – update Q4 2021

FIS CONTRACTED



34

LEVERAGED TO SMES



€
3bn

SMES SUPPORTED



7,030

Member State / Region	Leveraged to SMEs	SMEs supported	Committed to SMEs
Languedoc-Roussillon	EUR 67.5m	396	EUR 45.1m
Midi-Pyrénées	EUR 54m	421	EUR 47.3m
EAFRD Romania	EUR 162m	735	EUR 96.2m
AGRI Italy Platform	EUR 391m	53	EUR 11m
ALTER'NA (Nouvelle-Aquitaine)	EUR 190m	571	EUR 89.9m
EAFRD Portugal	EUR 315m	164	EUR 63m
EAFRD Greece	EUR 460m	228	EUR 15.2m
INAF (FR)	EUR 1,100m	3,189	EUR 396.8m
Future Growth Loan Scheme (IE)	EUR 320m (EUR 800m total)	1,273*	EUR 247.3m*

Lessons learnt

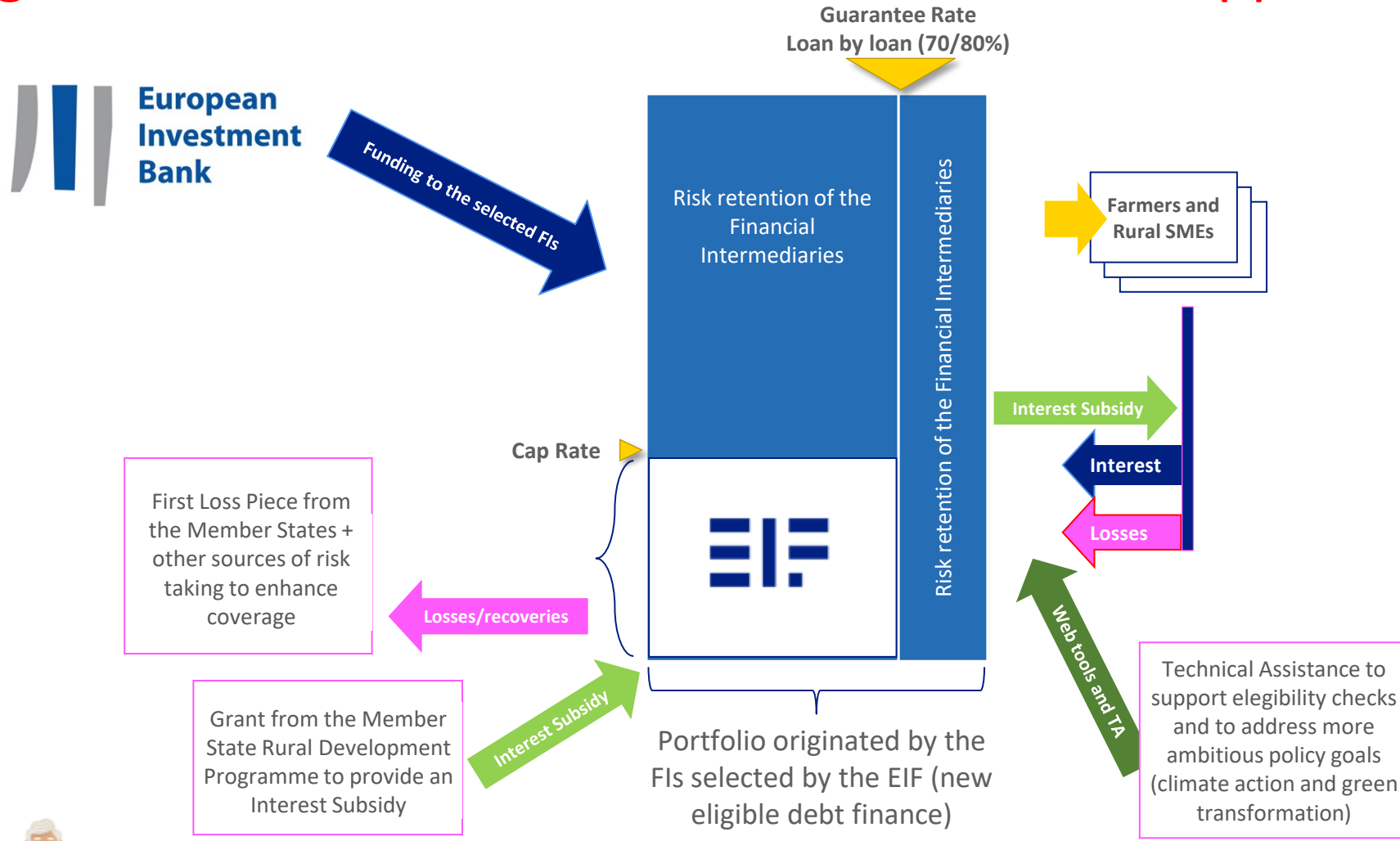
- ✓ Combination is difficult and cumbersome (regulatory framework, administrative requirements)
- ✓ Farmers and Rural SMEs need support, but the market gap requires also Financial Intermediaries to build capacity
- ✓ Market assessment and positioning of the financial instrument
- ✓ More combination is needed, in particular of different – systematically integrated – forms of support

What's next

Combining Financial Instruments with other forms of support



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A scenic landscape featuring rolling hills, a small village with red-roofed houses, and distant mountains under a cloudy sky. The foreground is filled with golden-brown grass. The text "Thank you" is overlaid in the center in a large, white, sans-serif font.

Thank you