Feasibility study for the use of Financial Instruments under the CAP Strategic Plan 2023-2027 in Greece

Final Report

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Abbreviations Table

Abbreviation	Definition
CAP	Common Agricultural Policy
CLLD	Community-led local development strategies
CPR	Common Provisions Regulation
EAFRD	European Agricultural Fund for Rural Development
EaSI	Employment and Social Innovation
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortization
EIB	European Investment Bank
EC	European Commission
EIF	European Investment Fund
EIPs	European Innovation Partnership
EFSI	European Fund for Strategic Investments
ESIF	European Structural and Investment Funds
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FIs	Financial Instrument(s)
FoF	Fund of Funds
GDP	Gross Domestic Product
GVA	Gross Value Added
HDB	Hellenic Development Bank
LSU	Livestock Units
MA	Managing Authority
MAPA	Ministry of Agriculture, Livestock and Food Supply
MFIs	Monetary Financial Institutions
NRRP	National Recovery and Resilience Plan
PDO	Protected Designation of Origin
RES	Renewable Energy Sources
R&D	Research & Development
RDP	Rural Development Programme
RRF	Recovery and Resilience Facility
SAECA	Sociedad Anónima Estatal de Caución Agraria
SME(s)	Small and Medium-Sized Enterprise(s)
SO	Standard Output
SP	Strategic Plan
SWOT	Strength – Weaknesses - Opportunities – Threats
UAA	Utilized Agricultural Area

Executive Summary

This feasibility study is conducted in support of the ex-ante assessment for the use of Financial Instruments ("FIs") in the agriculture and agri-food sectors in Greece, in the context of the CAP Strategic Plan ("CAP SP") for the 2023-2027 programming period. The study consists of two key building blocks:

a) A **Market Assessment**, which comprises an update of the previous ex-ante analysis for the programming period 2014-2020 and builds on the work conducted by fi-compass in relation to the financial needs of the agricultural sector in Greece. This first part of the study analyses the overall market situation compared to the previous programming period, the investment needs of the sector, the supply of financing, and the barriers limiting access to finance in order to identify market needs and provide an estimation of the financing gaps. Moreover, considering emerging issues related to climate change and increased risk management needs, special focus is given to the market appetite for climate-related investment while a high-level analysis of a potential reinforced risk management system is provided. In addition to desk research, interviews with both demand and supply side stakeholders have been conducted to support the findings of the study.

b) An **Investment strategy,** which includes the proposed strategy and governance of the financial instruments to be implemented under the CAP Strategic Plan for the period 2023-2027. The proposed investment strategy is based on the findings of the market assessment and the intention of the Managing Authority to maintain the FIs from the 2014-2020 Rural Development Programme (RDP) and potentially introduce new ones. The investment strategy considers recent regulatory changes that allow for more flexibility, including combining grants and FIs, in order to increase the attractiveness of the FIs and address market needs.

A summary of the key findings of the market assessment and the proposed financial instruments is presented below.

MARKET ASSESSMENT

Market outlook compared to previous period

Greece's economy has been on a recovery trajectory since the financial crisis of the previous decade. Economic indicators such as fiscal surpluses and employment rates have improved, though rural areas face challenges due to population decline and aging. The banking sector has also shown improvements, with better profitability, higher liquidity, and a decline in non-performing loans. These improved market conditions have created a favourable environment for investment in the agriculture and agrifood sectors, while international trends such as agri-tourism and healthy dieting provide new growth prospects. Despite these positive developments, structural reforms in agriculture remain necessary, especially in areas such as crop selection and energy efficiency. Climate change continues to be a pressing issue for the sector, necessitating strategic adaptations. At the same time, the observed decline of population in rural areas poses a long-term challenge in attracting workforce and encouraging new entrants in these sectors.

Demand for financing and investment needs

The agricultural sector relies heavily on grants for investments. Hence, the demand for financing is mainly driven by national and EU grant programmes, complemented by bank financing and by financial instruments implemented through the banks as intermediaries. Farmers primarily seek financing for working capital (60% of surveyed farmers), followed by the need for investment to expand production capacity or enhance economic efficiency. However, investments in modernizing agricultural practices through digital tools or advanced machinery remain limited (7% of surveyed farmers receiving loans for such purposes). Younger farmers are more inclined to invest in organic farming and digital solutions, but the average loan amount requested is relatively low, at a median of €30,000. Lastly, the need to finance the acquisition of land was also recorded as important in efforts to increase the overall size of agricultural holdings and support economies of scale.

The unfulfilled demand for bank financing remains significant. The lack of credit history, collateral and financial literacy remain the key barriers for farmers to access bank financing. The rates of rejection of applications for finance in Greece are high compared to the rest of the EU, which is likely to cause the fear of rejection that is often cited by the farmers as a key reason for not approaching financial institutions. Despite these challenges, 42% of surveyed farmers expressed interest in future investments, which based on the computations in the study could indicate an approximate demand for financing of EUR 8.8 billion up to 2027, for both investments and working capital.

Similar to agriculture, grant support from national and EU programmes plays an important part in the demand for financing also for the agri-food sector. However, for agri-food enterprises, their financial know-how is more developed due to their entrepreneurial nature and as enterprises, they appear to have easier access to finance compared to agricultural holdings. About half of these enterprises apply for financing at any given time, and of these about half seek working capital. More than 60% of companies report that they expect growing financing needs in the future. Climate change is increasingly recognised as a business risk and investments in environmental sustainability are becoming a key driver of future financing needs. The sector's demand for financing up to 2027 is estimated at EUR 445 million.

To summarize, the estimated investment needs for both sectors up to 2027 are outlined below:

Investments and working capital for farms and agri holdings	**EUR 8.85 billion**
Investments and working capital for companies in agri food	**EUR 0.45 billion**
Total	**EUR 9.3 billion**

Supply of financing and public funds

Since 2018, Greece's banking sector has improved significantly, with the end of capital controls, recapitalization programs, and new schemes for managing non-performing loans (NPLs). The four major systemic banks—Piraeus, National Bank of Greece, Eurobank Ergasias, and Alpha Bank—dominate the market, while cooperative banks focus on rural areas. Foreign banks remain hesitant in retail, though investment banks are gaining interest. Piraeus Bank, having absorbed the former agricultural bank, remains the leader in the financing of the agricultural sector, however the remaining systemic and cooperative banks show willingness to increase their market share.

Banks are offering specialised agricultural loans, green financing, and co-financing for EU programs. Microloans and cooperative banks play a key role for small farmers, while support for young farmers is growing. A substantial part of loans provided to agricultural holdings is linked to grant programmes, particularly to operations under Measures 4.1.1 and 4.1.5 (Improvement Plans), indicating a strong state driven factor in the bank financing of this market segment.

Overall, banks appear now to be more willing to finance agricultural activities and they recognise the potential of the sector but acknowledge that the entrepreneurial culture of the farmers still needs to be developed. With improved conditions, new agricultural loans are expected to increase in size and frequency, particularly with Piraeus Bank projecting EUR 1.8 to 2 billion in new loans for 2024-2027. The total offer of the market is estimated to be around EUR 2.3-2.5 billion.

In addition to private sector financing, the public sector is gradually increasing investment to the agricultural sector. The agricultural sector has been traditionally dependent on grants, and these remain the primary driver for investment and growth. The CAP 2023-2027 is the main source of grant financing complemented by the Greek Recovery and Resilience funds and the national budget grants deployed via the Development Law. In total, almost EUR 3 billion public funds are expected to be allocated to the agricultural sector during the years 2024-2027.

To summarize, the estimated supply for financing from public funds and banking financing up to 2027 (without taking into account the forthcoming implementation of FIs) is the following:

Grants from CAP for investments	EUR 1.3 billion
RRF for agri investments	EUR 1.0 billion
Research-Innovation Programme	EUR 45 million
Development law for agri investments	EUR 600 million
Bank financing	EUR 2.5 billion
Total	**EUR 5.5 billion**

Financing Gap

The estimated financing gap for Greece's agricultural and agri-food sectors ranges between EUR 3.1 billion and EUR 3.8 billion. This estimate is based on three approaches: the difference between supply and demand (upper bound – EUR 3.8bn), data from fi-compass, and an internal estimate for validation (lower bound – EUR 3.1bn). All methods converge on similar figures, highlighting a persistent financing gap. Notably, this gap remains almost identical to the estimate provided in the ex-ante assessment of 2018, underscoring the ongoing challenges despite various economic changes.

Risk Management in Agriculture

The increasing frequency and severity of climate hazards, in addition to the pressure on prices caused by market volatility, render necessary the consideration of additional risk management schemes to safeguard the agricultural sector in Greece. The sector faces growing risks stemming from climate change, with an increasing need for green technologies and improved risk management systems. In this context, a multi-level insurance system could potentially be introduced, comprising mandatory ELGA insurance, a voluntary mutual fund to cover additional risks or stabilize income, and a financial instrument for enterprises not participating in the fund but still needing working capital to remain viable in the event of a climate hazard. The study presents a high-level investment strategy for such a financial instrument, as an indicative base for additional analysis outside of the present report.

Green Financing and Climate Investments

Interest in green financing is gradually increasing within Greek agriculture, driven by the CAP 2023-2027's green architecture. Areas of demand include organic farming, agro-ecological practices, digital solutions, and renewable energy. Although Greece lags broader EU trends in green investment, the sector's focus on sustainability is growing, spurred by specific calls for proposals and the need for more efficient and environmentally friendly practices.

INVESTMENT STRATEGY

The investment strategy presented in this study reflects the identified market needs, the amount allocated in the CAP Strategic Plan for the funding of financial instruments and the possibility to combine grant support with the instruments in a single operation. The proposed characteristics and implementation of the financial instruments, including the allocation amounts, guarantee and cap rates, co-financing rates, grant support and governance structure, are indicative.

During the previous programming period, two financial instruments were introduced and are still implemented:

- An EAFRD Capped first loss portfolio guarantee instrument, and
- An EAFRD Risk-sharing micro-loan instrument.

The initiative to implement FIs in a grant dominated sector was a breakthrough and served as a learning tool for market stakeholders both on the supply and demand side. The results achieved through this experience and the persevering market barriers, provide strong rationale for the continuation of the FIs in the 2023-2027 period and potential introduction of new ones. Based on the findings of the study, two additional financial instruments are proposed:

- A First Loss Portfolio Guarantee Instrument for Young Farmers, and
- A Risk Management Instrument for Farmers

Certain challenges occurring during the implementation of the FIs also provided important lessons that should be taken into consideration for the new programming period. These include, among others, the need for better communication on eligibility criteria and a better coordination with the grant programmes. Considering the strong reliance of the sector on grants, the combination of the financial instruments with grant support in a single operation is recommended in most cases, to increase the attractiveness of the FIs and facilitate deployment.

A short overview of the proposed FIs is presented below, including allocation amounts (based on the CAP Strategic Plan) and the estimated leverage effect. The risk management instrument is still in consultation and the table below is only indicative.

1. FLPG for Agricultural Entrepreneurship	
Financial product	• **Type of product:** Guarantee for the first losses of a portfolio of new loans (investment loans or stand-alone working capital) to agricultural and agri-food final recipients, • **Guarantee rate:** 80%, **Cap rate:** 25% • **Estimated leverage effect:** x4
Final recipients	• Greek agricultural producers (Π3-73-2.1) • Greek food processors (Π3-73-2.3).
Planned allocation	EUR 47.04 million (covering FI, grant component and management fees)
Total amount available for final recipients	EUR 149.59 million
Grant support within a single operation	• **Form:** interest rate subsidy (or investment grant) and technical assistance. • **Indicative level of grant support:** Interest rate subsidy of up to 5% p.a. for the first 5 years of the new final recipient transaction.
2. Risk sharing micro-loan instrument	
Financial product	• **Type of product:** Risk-sharing micro-loan instrument for a portfolio of new loans (investment loans or stand-alone working capital) to agricultural and agri-food final recipients. • **Risk sharing rate:** 50%, in “pari-passu” terms • **Estimated leverage effect:** x2 – x2.5
Final recipients	• Greek agricultural producers (Π3-73-2.1) • Greek food processors (Π3-73-2.3).
Planned allocation	EUR 15.16 million (covering FI, grant component and management fees)
Total amount available for final recipients	EUR 25.97 – 32.42 million
Grant support within a single operation	• **Form:** interest rate subsidy and technical assistance • **Indicative level of grant support:** Full interest rate subsidy for first two years.
3. FLPG for Young Farmers	
Financial product	• **Type of product:** Guarantee for the first losses of a portfolio of new loans to young farmers • **Guarantee rate:** 80%, **Cap rate:** 25% • **Estimated leverage effect:** x4 – x6.25
Final recipients	Π3-75.1. Installation of young farmers
Planned allocation	EUR 10 million (covering FI and grant component)
Total amount available for final recipients	EUR 20.04 – 31.31 million
Grant support within a single operation	• **Form:** investment grant

	• **Indicative level of grant support:** Between 30% - 50%. The maximum amount of aid provided for the combined financial instrument with grant support should not exceed EUR 100 000.
4. Risk Management instrument for Farmers	
Financial product	• **Type of product:** Guarantee for Working capital Loans. The FI would be activated under specific conditions: disasters occurring due to specific risks or income loss. • **Option A:** Loan-to-loan guarantee of up to 70% • **Option B:** Portfolio guarantee with cap rate 50% and guarantee rate 80% **Estimated leverage effect:** • **Option A:** x1.43 • **Option B:** x2.5
Final recipients	Greek agricultural producers not covered by public or private insurance schemes, or for damages exceeding the compensation disbursed by such schemes.
Proposed allocation	Up to EUR 10 million
Total amount available for final recipients	EUR 14.3 – 25 million depending on the selected Option

1. Introduction

This study (also referred to as feasibility study) aims to provide an analysis and guidance to the Ministry of Rural Development and Food of the Hellenic Republic to support the use of Financial Instruments ('FIs') in the context of the Common Agricultural Policy Strategic Plan ('CAP SP') for the 2023-2027 programming period.

The Ministry of Rural Development and Food of the Hellenic Republic is the Managing Authority (MA) of the CAP SP for 2023-2027 and the National Authority responsible to oversee the use of European Agricultural Fund for Rural Development ('EAFRD'). Under the Article 58 (3) of the new Common Provisions Regulation (CPR)[1], the decision to finance support measures through FIs should be determined on the basis of an ex-ante assessment. This feasibility study is conducted as an update of the ex-ante assessment conducted in 2018, and its findings shall be utilized by the MA as an ex-ante assessment for the use of FIs co-funded by EAFRD in the 2021-2027 programming period.

Financial instruments co-funded by EAFRD are an efficient way to invest in agriculture, forestry, and natural resources management, as well as in the sustainable development of the rural economy. In the previous Programming Period, the MA had established two financial instruments (still under implementation when the present report was being drafted), in the scope of Rural Development Programme (RDP) 2014-2020[2]. More specifically

- the Rural Development Guarantee Fund (RDGF), a **capped-guarantee** financial instrument implemented by the European Investment Fund (EIF) facilitating access to finance by guaranteeing loans to farmers, livestock breeders and processing enterprises, and
- the Rural Entrepreneurship Small Loan Fund (RESLF), a **microloan** financial instrument promoting access to finance through the provision of small loans to farmers, livestock breeders and processing enterprises.

Ahead of the upcoming Programming Period, the Ministry of Rural Development and Food aspires to maintain, and possibly replenish, the existing financial instruments, while potentially launching new ones taking into consideration the new features and flexibilities introduced in the CPR and CAP SP regulations[3].

1.1 Objectives & Description of the Study

The **overarching aim** of this feasibility study is to provide support to the Ministry of Rural Development and Food of the Hellenic Republic in updating the findings of the previous ex-ante assessment[4]

[1] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1060).

[2] 'Assessing the potential use of Financial Instruments in Greece in agriculture', a study in support of the ex-ante assessment for the deployment of EAFRD resources through financial instruments during the 2014-2020 programming period, European Investment Bank (EIB), Final Report, 18 May 2018.

[3] Examples include the enhanced potential for grant combination, eligibility of working capital, young farmers support including land purchase, as well as liquidity support for risk management.

[4] Op.cit.

for the use of financial instruments in the EU programming period 2021-2027, with the aim to design and implement efficient Financial Instruments with optimal impact in the market.

In this context, the present report also encompasses specific **objectives** as follows:

- Update of the market assessment of the previous ex-ante assessment and relevant studies performed for the 2014-2020 programming period, including material related to gap analysis and survey for the agriculture and agri-food sectors in Greece published by fi-compass.
- High level assessment of the performance of currently implemented financial instruments, considering lessons learned and changes in market conditions when establishing new financial instruments.
- Provision of insights on opportunities emerging from the updated EU regulatory framework, particularly focusing on the combination of grants and financial instruments in a single operation.
- Delivery of an updated investment strategy encompassing the continuation of existing, and introduction of new financial instruments.

Considering the aforementioned objectives, the ex-ante assessment of 2018 will be used as a basis for the updated analysis. The current feasibility study splits into two Building blocks, the 'Market Assessment' and the 'Delivery and Management'. The first part of this study includes the Market Assessment report and consists of the outcomes from the desk research and interviews, as well as an overview of market conditions, needs, and financing options.

The 'Market Assessment' analysis embodies the following elements[5]:

a) Analysis of market failures, suboptimal investment situations and investment needs of the agricultural sector, the demand and supply side of agricultural financing and the gap between them.
b) Added value of the financial instruments, in consistency with other instruments or other forms of public interventions.
c) Lessons learnt from previous FIs and by other Member States to enhance the performance of the FIs.

Apart from the lessons learnt, the study also includes a SWOT analysis that will allow the MA to promptly identify key success determinants and potential risks for the proposed Fis. Taking into account the outcomes of the SWOT analysis, the MA will be able to assess the risks associated with the potential deployment of future designed FIs. Additionally, the MA can identify opportunities that contribute to improved financial management and benefit the final recipients.

1.2 Definition of Financial Instruments and their benefits

Financial Instruments present a resourceful and effective way to invest in the growth and enhancement of both individuals and businesses. According to the Financial Regulation (EU Financial

[5] 'Ex-ante assessment for ESIF financial instruments', Quick reference guide, a study in support of European Investment Bank, May 2014.

Regulation 2018/1046, Part 1, Article 2)[6], FIs are defined as: *'Union measures of financial support provided from the budget to address one or more specific policy objectives of the Union which may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and which may, where appropriate, be combined with other forms of financial support or with funds under shared management or funds of the European Development Fund (EDF)'*.

In terms of addressing a financial gap, financial instruments are often used as an alternative to grants. Unlike grants, financial instruments offer two main advantages, namely the revolving nature, and the potential for leverage. The 'revolving asset' describes a financial instrument's capacity to generate additional funds/produce extra monetary streams, either through repayments or through the realisation of investments with the objective of further reutilisation. When combined with the leverage effect, it can provide the opportunity to draw in additional resources from both the public and private sector.[7] FIs can, also, play a vital role in terms of addressing a financing gap in the market. In contrast with grants, FIs are income-generating or/and cost-saving, enabling the initial support to be repaid. They have lower fundraising expenses and can encourage increased entrepreneurial adaptability, thus giving incentives for better business performance. Conclusively, financial instruments are considered more sustainable as they require the funds to be repaid, creating a cycle of reinvestment.[8]

During the 2021-2027 Programming Period, there is the possibility to combine financial instruments with grants. The main modification of the new CPR compared to the previous one is the expansion of available methods to implement financial instruments and various forms of grants into a single operation. This includes capital grants and performance-based grants, extending beyond the previous period's options of interest rate subsidies, guarantee fee reductions, and technical support grants.[9]

The opportunity of combining repayable with non-repayable funds offers several advantages, most significant among them the provision of flexible financial solutions tailored to the needs of final recipients. It can even encourage entry into new or high-risk markets by bridging the financial gap for impactful projects with low returns or high risks. It can also make projects more attractive to private investors by reducing risks and ensuring long-term market viability, potentially attracting private capital. Lastly, this combination fosters the development of a pipeline of viable and sustainable investment projects, as it increases economies of scale, providing stronger incentives for investments and ensuring sufficient revenue generation for repayment, and accelerating the financial instrument deployment timetable.

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[6] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32018R1046)

[7] 'Introducing financial instruments for the European Social Fund', a study in support of European Union, 2016.

[8] 'Financial Instruments in Practice: Uptake and Limitations', a study embedded in EC-OECD Seminar Series on Designing better economic development policies for regions and cities, 28 June 2017.

[9] Combination of financial instruments and grants under shared management funds in the 2021-2027 programming period, Factsheet, May 2021.

The new CPR now includes provisions for addressing working capital needs. Recipients who do not find sufficient funding from market sources are offered the opportunity to use a financial instrument for working capital expenses, separate from larger investments in production capacity or other needs. Additionally, young farmers are eligible for support that encompasses land purchase, an option that is expected to be further investigated by the MA in the forthcoming period.

1.3 Methodological Approach

The present study is structured along the following analytical levels.

- The analytical foundation of the present feasibility study derives from the analytical findings of two important studies conducted in previous years, namely (1) the ex-ante assessment[10] of the 2014-2020 programming period conducted in 2016 (and covering the period up to 2016), and (2) a feasibility study[11] conducted in 2018 as an update of the ex-ante assessment covering the period from 2014 to 2018. Both documents serve as foundational references for the present feasibility study. This level is the first one and provides insights about the past situation, laying the foundation for the present period analysis.
- In addition to the studies conducted up to 2018, the present analysis builds on findings of a fi-compass survey[12] for the agriculture and agri-food sectors published in 2023, alongside conducted interviews and focus groups with relevant stakeholders from the sector. This constitutes the second level and represents the present period analysis, including a high-level assessment of the efficiency of implemented financial instruments that were recommended by the two previous studies.
- Subsequently, a comparative analysis is conducted between the previous and current periods highlighting the results of the previous ex-ante assessment (and its update) with those of the present feasibility study, through specific key socioeconomic indicators. It is followed by a SWOT analysis, in which success factors of the past are identified alongside with barriers in the performance of the FIs. An analysis of the financing gap and market failures are also ensued.
- In addition to the baseline analytical elements required for the formulation of an ex-ante assessment, the present report provides additional analysis in the following three topics (1) risk management in agriculture, (2) examples and lessons learned from other FIs implement in agriculture in the EU, and (3) green financing and climate related investment opportunities in agriculture. These additional analytical elements are provided in a complementary way in order to provide additional inspiration and guidance for the MA to make the best- informed decisions going forward.

[10] 'Update of the ex-ante assessment for the redesign and implementation of the financial instruments of the FP 2014-2020 based on the new data of the Greek economy', Grant Thornton, November 2016.

[11] 'Assessing the potential use of Financial Instruments in Greece in agriculture', a study in support of the ex-ante assessment for the deployment of EAFRD resources through financial instruments during the 2014-2020 programming period, European Investment Bank (EIB), Final Report, 18 May 2018.

[12] fi-compass (2023), Survey on financial needs and access to finance of EU agricultural enterprises, Report. Available at: Survey on financial needs and access to finance of EU agricultural enterprises

- Ultimately, the formulation of an Investment Strategy is produced in the present report to help the MA make informed decisions and implement impactful FIs.

The data and information are collected by various research methods and employed across the individual tasks, including:

- **Desk research** encompassing documents and information sourced by publicly available reports, EU studies - strategies, manuals, guidance, academic articles, data, and statistics. As mentioned above, the 2014-2020 ex-ante assessment[13] and the EAFRD feasibility study in 2018[14] constitute the foundation of this study, alongside with EU agriculture economic series issued by the European Commission, Organization for Economic Co-operation, and Development (OECD) series and documentation provided by the Managing Authority[15];
- **Interviews and Focus Groups** with key stakeholders (32 in total)[16] who are involved in the management of FIs implemented in the agricultural sector, as well as in the demand and supply side of financing. Such representatives include managing authorities, government entities, public institutions, scientific institutions, cooperatives, legal chambers, financial institutions, and private companies. The primary purpose of interviews is to collect the views and future intentions of managing authorities, as well as qualitative and quantitative data on the demand and supply side. Focus groups with key stakeholders and representatives are also conducted for further discussion on their experiences, needs, preferences, and knowledge.

[13] 'Update of the ex-ante assessment for the redesign and implementation of the financial instruments of the FP 2014-2020 based on the new data of the Greek economy', Grant Thornton, November 2016.
[14] 'Assessing the potential use of Financial Instruments in Greece in agriculture', a study in support of the ex-ante assessment for the deployment of EAFRD resources through financial instruments during the 2014-2020 programming period, European Investment Bank (EIB), Final Report, 18 May 2018.
[15] All documents from Desk Research are cited in Annex.
[16] The detailed list of the interviewed stakeholders is cited in Annex.

2. Overview of market conditions, findings, and investment strategy of the ex-ante assessment for the previous programming period (2014-2020)[17]

This chapter provides a comprehensive summary of the assessment conducted in the previous programming period, focusing on key elements and findings from

- the 2014-2020 ex-ante assessment[18] conducted in 2016 and
- the EAFRD feasibility study in 2018[19].

It contains a thorough overview of the Greek market situation during the preceding programming period, highlighting both challenges and opportunities within the agricultural sector. A condensed summary of the significant findings derived from these two studies is then presented to provide a clear understanding of past conditions and insights, laying the groundwork for further analysis and discussions in subsequent sections.

2.1 Overview of market conditions for the period 2014-2020

According to the previous assessment, from 2005 to 2015, the Greek agricultural sector experienced a decline in its relative size and workforce. The number of agricultural holdings decreased, but the Utilized Agricultural Area (UAA) expanded, reflecting a shift towards more extensive farming. Despite economic challenges, agriculture remained vital, comprising 2.9% of Gross Domestic Product (GDP), 3.8% of Gross Value Added (GVA) and 14% of the workforce in 2014. Structural issues, such as the dominance of small and scattered family-owned holdings, and limited economies of scale, were placing Greek farmers at a cost disadvantage compared to their European counterparts. Additionally, there was limited organization into collective schemes (e.g., cooperatives), and the sector was lagging behind in integrating technological innovation. Financially, farms faced fluctuating investment and decreasing cash flow, though total assets per farm increased by over 50% in the period from 2004 to 2015.

In 2014, the Greek Food and Drink industry, or agri-food processing sector, was a crucial driver of economic growth. Despite the economic crisis, the sector showed robust growth, contributing significantly to GVA (3.5%) and GDP (7%), with food processing alone being a major contributor to manufacturing. The industry included over 14 000 companies, generating substantial revenues, and employing more than 84 000 people. However, it faced challenges, mainly from the concentrated domestic grocery retail market, leading to pricing pressures and greater working capital needs. Exports remained stable, with products like olive oil, nuts, dairy, and ice cream leading the market. Small family businesses (13 684) dominated the sector, making up 95% of the companies but

[17] Additional information can be found in Annex 2.

[18] 'Update of the ex-ante assessment for the redesign and implementation of the financial instruments of the FP 2014-2020 based on the new data of the Greek economy', Grant Thornton, November 2016.

[19] 'Assessing the potential use of Financial Instruments in Greece in agriculture', a study in support of the ex-ante assessment for the deployment of EAFRD resources through financial instruments during the 2014-2020 programming period, European Investment Bank (EIB), Final Report, 18 May 2018.

contributing only a small portion of total revenues, while larger enterprises, though fewer, generated the majority of the income. Investment declined in 2013 and 2014.

During the preceding programming period, Greece's agricultural sector **encountered significant challenges in addressing its financing needs**, relying heavily on limited and often informal sources such as loans from family and friends alongside public grants. Producers/farmers highlighted the need for accessing both short-term and medium-to-long-term financing, expecting that public grants would substantially supplement their financial requirements. In contrast, processors found it relatively easier to access the banking system, however maintaining a large appetite and need for public grants. Despite this success in funding for processors, challenges persisted, particularly with Measure 16-Cooperation, which faced difficulties in maturity and scheme formation. Conversely, the Leader Initiative under Measure 19 of the previous Rural Development Programme achieved remarkable success through its bottom-up approach, despite obstacles such as a lack of private funding and difficulties accessing the banking system, especially for small-scale enterprises.

Regarding the supply of financial products for agricultural and agri-food processing sectors during that time, their financing was primarily secured from public funding which included direct support and grants, as well as from the traditional financial system, such as credit cards, short-term, medium-to-long-term loans, and various co-funded loans.

Public financing was crucial for sustaining these sectors, with combined public funding, including grants and direct support, totalling EUR 9 399.67 million for 2007-2013 and EUR 14 199.59 million for the period 2014-2020. Significant investments were made through the Rural Development Programmes (RDP) in improving processing and marketing agricultural products, supporting operational groups under the European Innovation Partnership (EIPs), and promoting horizontal and vertical cooperation in supply chains, local markets, and promotion activities.

Finally, the previous assessment on financing needs revealed important insights into the market gaps. This information guided later the development of a customized investment strategy aimed at addressing gaps for both agricultural producers/farmers and food processors. Specifically, agricultural producers/farmers showed a notable demand for micro-loans, especially for working capital and small-scale investments, as well as a need for bank guarantees against credit risks and technical assistance for business plan development and financial planning. On the other hand, agrifood processors, excluding micro-processors, had a limited need for microfinance but a substantial requirement for short-term loans. Guarantees were crucial to cover medium and long-term financing needs, reducing banks’ risk aversion and making access to finance easier. Additionally, there was a recognized need for support in equity financing.

Specifically, for the 2014-2020 period, the following financing gaps were identified from different sources and methodologies:

- The update of the ex-ante assessment conducted in 2018 identified the following financing gaps:
    - For agricultural producers from **EUR 2.1 billion to EUR 2.4 billion**
    - For companies in agri-food sector from **EUR 951 million to EUR 1.5 billion**
- The fi-compass study[20] on the financial needs in the agriculture and agri-food sectors conducted in 2020 identified the following financing gaps:
    - For agricultural producers from **EUR 4.5 billion to EUR 14.3 billion**
    - For companies in agri-food sector **EUR 1.8 billion**

2.2 Investment strategy and FIs proposed in the period 2014-2020

Based on the findings of the survey and interviews conducted under the framework of the assessment of the previous programming period, three financial instruments (FIs) were recommended for different market segments, offering comprehensive solutions to identified market failures. These included a first-loss portfolio guarantee instrument (capped guarantee) covering M4.1, M4.2, and M19.2, an equity co-investment facility for high-potential producers and processors, and a risk-sharing micro-loan instrument for producers and micro-processors. The four major Greek commercial banks interviewed during the soft market testing phase confirmed the relevance of these financial instruments in addressing the identified market needs. They also indicated strong interest in implementing both the first-loss portfolio guarantee instrument and the risk-sharing micro-loan instrument.

The setup of an equity co-investment facility was proposed as a pilot initiative to test and validate the use of a dedicated equity co-investment structure, particularly to support the equity financing of small but high-potential agri-food processing SMEs. Additionally, the proposed co-investment facility could finance a limited number of agricultural cooperatives or producers’ groups with strong organization, management, and solid business plans. However, it was not materialised.

Two approaches were proposed for the governance structure of the FIs; (1) all financial instruments could be under one Fund of Funds (FoF) with one fund manager, and (2) different FoFs with different fund managers. Under the first approach, the first-loss portfolio guarantee, the equity co-investment facility, and the risk-sharing micro-loan instrument would fall under a Fund-of-Funds structure, implemented by an entrusted mandated entity such as the European Investment Fund (EIF). Alternatively, the risk-sharing micro-loan instrument could be set up by a mandated entity outside the EIF Fund-of-Funds scheme, subject to finding an experienced fund manager within the Greek market. The choice between these options was left to the MA. Eventually, the second approach was chosen with the set up and implementation of 2 FIs, which will be described in more detail later on in the present report. These two instruments were namely (1) the Microloan Fund for Agricultural Entrepreneurship and (2) the EAFRD Guarantee Fund.

[20] fi-compass (2020), ‘Financial needs in the agriculture and agri-food sectors in Greece’, Study report. Available at: https://www.fi-compass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_Greece.pdf

2.3 Summary of the previous key findings and investment strategy

This section provides a summary of the aforementioned information about the preceding programming period in a codified way. Specifically:

Table 1: *Market findings for the period 2023-2027*

Previous Market Findings	
Analysis of the supply of financing to agricultural and agrifood companies .	Despite the structural crisis that dominated the Greek banking system for several years related to the financial crisis and eventual default of the country (including the imposition of capital controls in the banks in 2015 and recapitalisation of remaining systemic banks), the remaining banks started gradually showing a moderate interest in financing the agri sector. A milestone event that created a turmoil (with negative and positive effects) in the agri sector was the absorption of the state-owned Agriculture Bank by the private commercial bank Piraeus bank. The latter gradually re-positioned itself as the main financier of the agri sector causing positive spillovers in the banking sector. As a result of the gradual recovery of the economy and the banking sector, various financial products, such as agro-carta, contract farming programmes, working capital and investment financing, were gradually becoming available to the agricultural sector through commercial and cooperative banks.
	Public funding for agriculture and agri-food processing was substantial, with an estimated EUR 14 200 million for direct support and EUR 463 million for sector investments under the RDP 2014–2020. The implementation of two financial instruments (as will be further described later on in the report) also provided additional financing options for the sector.
	Banks were expected to provide around EUR 206.4 million in financing to farmers by 2020, which would be complemented by the two implemented financial instruments.
	The agricultural sector encountered challenges accessing bank financing, due to insufficient collateral, unresolved tax and social security obligations, and a lack of credit history.
	While all farmers faced obstacles in obtaining bank financing, small farmers encountered greater difficulties compared to their larger counterparts. Similarly, in the agri food sector small processors experienced greater difficulties, whereas large processors had easier access due to their established credit history and availability of collateral.
Analysis of the demand of financing for agricultural and agri-food companies	During the past programming period, the agricultural sector in Greece faced structural challenges accessing finance, including insufficient collateral. Producers, regardless of size, heavily relied on informal financing sources, such as family/friends' loans and public grants, with restricted access to banking products (with the exception of microloans).
	Public grants have been seen for many years as the main source of funding for farms and agri food companies. These grants remain the driving force and motivation for companies to seek additional financing via the banking system. Micro-loans are also seen as positive. Companies in the sector emphasised the importance of short-term financing for working capital and medium to long-term financing for investments, anticipating public grants to cover significant portions of their needs.
	Specifically for processors in agri-food, during the same period, access to the banking system was relatively easier for them as compared to farms. However, they also still relied on capital contributions, family/friends' loans, and public grants.

Previous Market Findings	
	Regarding Measure 16 of the Rural Development Programme– market stakeholders reported severe challenges, while financial instruments have not effectively supported its implementation during the past period.
	In contrast, the Leader initiative in Measure 19 of the previous Rural Development Programme was successful. Some challenges remained and included a lack of private funding and difficulties accessing the banking system, particularly for small-scale processing and tourism enterprises. Stakeholders proposed the use of Financial Instruments with simplicity, less bureaucracy, and complementary publicity actions for future success.
Market needs and barriers to access finance	<u>Market needs of Agricultural producers as expressed in surveys and interviews:</u> • Significant demand for micro-loans, particularly for working capital and small-scale investments; • Guarantees are important to offset collateral requirements from banks; • Technical assistance for business plan development and financial planning is also seen as crucial to improve access to finance. <u>Main barriers to accessing finance:</u> • Lack of guarantees/collaterals; • Outstanding tax and social security liabilities; • Lack of credit history - historical track records in the financial system. **Identified financing gap ranged between EUR 2.4bn and 2,1bn**
	<u>Market needs of Food processors as expressed in surveys and interviews:</u> • Substantial needs for short-term loans and limited need for microfinance (except for micro-processors); • Guarantees seen as crucial for covering medium and long-term financing needs, reducing banks' risk aversion, and facilitating access to financing; • There was a recognized need for support in equity financing. <u>Main barriers to accessing finance:</u> ▪ Smaller enterprises struggle with financing as government grants needed for supporting applications can be delayed by up to 2 years, they do not have sufficient own equity and cannot provide the required collateral to secure bridge financing. **Identified financing gap ranging between EUR 1.5bn and EUR 0.9bn**
Investment strategy	Three financial instruments were identified to help address the market needs: • A first loss portfolio guarantee (FLPG) instrument (capped guarantee); • A risk-sharing micro-loan instrument, including the possibility of grant combination; • An equity co-investment facility, which could potentially serve as a pilot initiative but eventually was not implemented.
	Two Fund of Funds (FoF) schemes were proposed: the guarantee and equity FIs managed by an entrusted mandated entity, such as the European Investment Fund (EIF), and the microloan FI managed by a separate entity within the Greek market, such as the Hellenic Development Bank (HDB).
	These instruments aimed to address various financing needs within the agricultural sector, with financial intermediaries selected to execute funding initiatives, facilitating distribution of funds to final recipients.

Source: EIB/EY elaboration based on reports from previous period

3. Market Assessment for the period 2023-2027

3.1 Overview of current market conditions

3.1.1 Greece key macro-economic indicators

Greece's economy has been on a recovery trajectory since the financial crisis of the previous decade. During the second half of 2023, three of the four credit rating agencies recognised by the Eurosystem upgraded the Greek sovereign credit rating to investment grade. This is an important milestone that signals recognition of the credibility of the economic policies pursued in recent years and the resilience of the Greek economy, despite the deterioration of the international environment and increased uncertainty.

Key factors behind these upgrades were a steadily improving fiscal performance, supported by positive and strong economic growth rates above the European average, as well as rating agencies' assessment that the election outcome led to political stability with prospects for maintaining the reform efforts. In 2023, the Greek economy grew at a slowing but robust rate of 2%, significantly higher than the euro area average. Exports, private consumption, and investment were the main drivers of growth[21].

Several key indicators underscore the evolving landscape within Greece:

Table 2: *Key socioeconomic indicators at a glance*

GDP Per Capita	Greece's 2023 GDP per capita[22] has risen to EUR 21 086, surpassing the EU 27 average, reflecting positive economic growth and resilience in the face of previous challenges. Greece expected to continue overperforming the Euro area.
Public Economics	Return to primary fiscal surpluses; according to the Bank of Greece, the primary surplus is expected to turn out at 1.4% of GDP in 2023 or higher, significantly exceeding the budget forecast[23].
External sector	Domestic demand-driven recovery and high energy prices led to current account deficits; improvement in January 2023 to November 2023[24].
EU initiatives/funding	Close to EUR 100bn available to Greece from EU initiatives. Significant boost to growth ahead from RRF funds.
Financial conditions	Private sector's deposits continue to increase; net credit growth remains positive on an annual basis[25].
Foreign Direct Investments	(Net) Inflows of Foreign Direct Investment in Greece for the year 2023 reached 5 billion euros (5 022 million EUR), compared to 8 billion (8 026 million EUR) for the year 2022[26].

[21] Annual Report of the Governor of the Bank of Greece 2023.
[22] Figures for 2018 and 2022, as per Agridata figures for C.08.
[23] According to the Bank of Greece, the primary surplus is expected to turn out at 1.4% of GDP in 2023 or higher, significantly exceeding the budget forecast.
[24] Hellenic Banks Association (2024) Greek Banking System Overview.
[25] Idem.
[26] Bank of Greece, 2024.

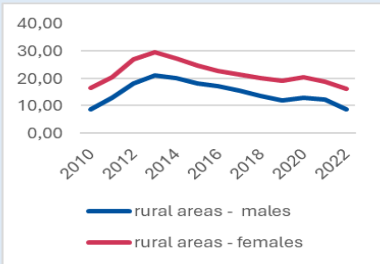
Private consumption	Now mainly supported by rising real income and set to increase at a slightly lower rate, in 2024[27].
Population Decline	The total population has decreased slightly, with rural areas experiencing a more pronounced decline of 6.0% compared to the overall decline of 2.3%[28]. This demographic shift poses challenges for rural economies reliant on agriculture.
Age Dependency Ratio	Reflecting the aging population, the age dependency ratio has increased from 56.9% in 2018 to 57.5% in 2021[29]. This demographic trend impacts labour availability and consumer demographics in rural and urban areas alike.
Employment Dynamics	While the total employment rate for the age group 20-64 has improved to 66.30%, rural employment has seen a more significant increase from 63.00% to 66.20%[30]. However, the self-employment rate for the broader age group 15-64 has decreased, indicating a shift towards salaried employment.
Unemployment Reduction	The unemployment rate has notably decreased across Greece, reaching pre-crisis levels in 2022, particularly in rural areas where it dropped to 11.80%. In 2024, the unemployment rate was 10.3% with a projection of 9.3% in 2025. This improvement signifies economic recovery but also highlights ongoing disparities between urban and rural job markets.

Source: EIB/EY elaboration from diverse sources

Table 3: *Key employment indicators in relation to rural areas and comparative analysis*

Specific indicator	2018[31]	Present situation[32]	Comparative analysis
Population[33]	Total: 10 741 165 Rural: 3 358 137	Total: 10 459 782 Rural: 3 157 292	⇩ The population of Greece is declining. The decline in rural areas is more pronounced: 6.0% vs 2.3% total.
Age dependency ratio[34]	56.9% (2018, ELSTAT)	57.5% (2021, ELSTAT)	⇧ The growing age dependency ratio reflects the aging of the population.
Territory[35]	Total area: 131 694 Rural (%): 62.65	Total area: 131 694 Rural (%): 62.65	⇦⇨ No changes.
Population density[36]	Total: 82.5 Rural: 41.0	Total: 81.3 Rural: 39.0	⇩

[27] EC, Economic forecast for Greece 2024.
[28] Figures for 2018 and 2022, as per Agridata figures for C.01.
[29] As defined by the World Bank: Age dependency ratio is the ratio of dependents--people younger than 15 or older than 64--to the working-age population--those ages 15-64. Data are shown as the proportion of dependents per 100 working-age population.
[30] Figures for 2018 and 2022, as per Agridata figures for C.05.
[31] As per previous Ex-ante assessment.
[32] As per the findings in previous chapters of the present document.
[33] Figures for 2018 and 2022, as per Agridata figures for C.01.
[34] As defined by the World Bank: Age dependency ratio is the ratio of dependents--people younger than 15 or older than 64--to the working-age population--those ages 15-64. Data are shown as the proportion of dependents per 100 working-age population.
[35] Figures for 2018 and 2022, as per Agridata figures for C.03.
[36] Figures for 2018 and 2022, as per Agridata figures for C.04.

Specific indicator	2018[31]	Present situation[32]	Comparative analysis
			Population density is dropping faster in rural areas than urban as a result of the ageing of the rural population.
Employment rate for the age group 20-64 (%)[37]	Total: 59.50	Total: 67.40	The increase in total employment outpaces the increase in rural employment, while it used to lag behind it.
Self-employment rate for the group 15-64 (%)[38]	7.50	20.40	Coupled with the increase in total employment figures, the rise of self-employment indicates a more open market, providing sound ground for risk taking.
Unemployment rate 15-74 years (%)[39]	Female: 29.40 Male: 18.00 Total: 22.80	Female: 17.70 Male: 9.50 Total: 12.90 (2023)	Unemployment has been dropping in rural areas since 2013 and in 2022 reached pre-economic-crisis levels (2010 baseline). 

Source: EIB/EY elaboration from diverse sources

Legend:
Increase – Positive Outcome, Decrease – Negative Outcome
Increase – Negative Outcome, Decrease – Negative Outcome
Stable

***Table 4:** Additional indicators and comparative analysis*

Specific indicator	2018[40]	Present situation[41]	Comments
GDP per capita[42]	EUR 16 730 (60.6% of EU average) EU 27: EUR 27 610	EUR 19 150 (66.2% of EU average) As % of EU 27: 28 930 (2023)	GDP per capita is increasing in absolute terms and relative to the EU 27 average.
ECB Interest Rates (%)	0.25	3.00-4.25	

[37] EUROSTAT, 2024.
[38] EUROSTAT, 2024.
[39] EUROSTAT, 2024.
[40] As per previous Ex-ante assessment.
[41] As per the findings in previous chapters of the present document.
[42] EUROSTAT, 2024.

			Marginal lending is constantly increasing affecting national banks interest rate
Population at risk of poverty rate (%)[43]	Total: 30.30	Total: 26.30	The poverty rate is falling (although it is subject to fluctuations year on year).

Source: EIB/EY elaboration from diverse sources

Legend:

Increase – Positive Outcome, Decrease – Negative Outcome

Increase – Negative Outcome, Decrease – Negative Outcome

Stable

3.1.2 An overview of key indicators in the agricultural sectors and comparative analysis

Table 5: *Key indicators related to agricultural and agri-food sectors and comparative analysis*

Specific indicator	2018[44]	Present situation[45]	Comment
Employment by economic activity[46]	Employment in Agriculture (%): 11.83 Employment in Agriculture ('0,000): 453.00	Employment in Agriculture (%): 10.64 Employment in Agriculture ('0,000): 440.40	Employment in agriculture is dropping in recent years, reflecting the ageing population of farmers and the ageing rural population in general.
	Employment in food processing (%): 3.48 Employment in food processing ('0,000): 133.10	Employment in food processing (%): 3.85 Employment in food processing ('0,000): 159.50	Employment in food processing has increased both in absolute terms and in terms of proportion of employed people. The increase in the number of people employed reflects the improving position of the sector within the Greek industry.
Labour productivity in agriculture as calculated by the ratio of GVA/labour force[47] in EUR	14 583.45	21 779.86	Labour productivity has improved by almost 50% since 2018 and continues to improve at rates higher than the EU average.
Labour productivity in the food industry[48] in EUR	38 607.00	38 885.00	While the 2022 figure is a drop compared to 2021's 41 006, the trend is for rising labour productivity of about 5% per annum.
Age structure of farm managers[49]	Proportion of farms managed by managers younger than 40: 0.08%	Proportion of farms managed by managers younger than 40: 0.07%	Both the proportion of young farm managers and the ratio of young to old farm managers

[43] ELSTAT, 2024.
[44] As per previous Ex-ante assessment.
[45] As per the findings in previous chapters of the present document.
[46] Figures for 2018 and 2022 (most recent available), as per Agridata figures for C.13.
[47] Figures for 2018 and 2023, as per Agridata figures for C.14.
[48] Figures for 2018 and 2022 (most recent available data), as per Agridata figures for C.16.
[49] Figures for 2016 and 2020 (most recent available data), as per Agridata figures for C.23.

Specific indicator	2018[44]	Present situation[45]	Comment
	Ratio of young (<40) to old (>65) managers: 0.25	Ratio of young (<40) to old (>65) managers: 0.19	has decreased. This could potentially indicate a reduction in the number of young farmers entering the sector and the general ageing trend of the country/rural population.
Agricultural training of farm managers represented as % of total farms[50]	Young (<40) farm managers with agricultural training (basic/full): 0.19% / 0.02% Total farm managers with agricultural training (basic/full): 0.06% / 0.01%	Young (<40) farm managers with agricultural training (basic/full): 0.19% / 0.03% Total farm managers with agricultural training (basic/full): 0.05% / 0.01%	The figures show very small changes – young farm managers are better trained in 2020, whereas farm managers in total are less trained in the same year.
Agricultural factor income[51] in real terms, Euro per AWU	16 375.53	21 259.53	There is an almost 30% increase in the income per AWU between 2018 and 2023, with crop output making up almost 40% of the total amount.
Agricultural factor income[52] Average income per worker (FNVA/AWU)	12 917	13 978	There is an increase over time. It is worth noting how employees of large farms (>100ha) considerably outperform those of the smaller farms by a factor of almost 2.
Agricultural land cover as % of total land cover[53]	39.02%	38.99%	There is a very slight drop in land cover for agricultural use.
Gross fixed capital formation in agriculture[54] - share of GFCF in total GVA (%) and total GFCF in Agriculture (million EUR)	Share: 27.57 Absolute value: 1 587.50	Share: 30.48 Absolute value: 2 089.88	A 30% increase in the GFCF has increased the share of agriculture in the total GVA by 3% over the last five years, indicating the strengthened position of the sector in a Greek economy which is also growing.

Source: EIB/EY elaboration from diverse sources

Legend:

Increase – Positive Outcome, Decrease – Negative Outcome

Increase – Negative Outcome, Decrease – Negative Outcome

Stable

3.1.3 An overview of the banking sector development

Throughout 2023, the sector showed improvements across several key metrics. Profitability strengthened thanks to higher net interest and fee income, alongside reduced provisions for loan

[50] Figures for 2016 and 2020 (most recent available), as per Agridata figures for C.24.
[51] Figures for 2018 and 2023, as per Agridata figures for C.25.
[52] Figures for 2016 and 2020, as per Agridata figures for C.25.
[53] Figures for 2012 and 2018 (most recent available), as per Agridata figures for C.31.
[54] Figures for 2018 and 2022 (most recent available), as per Agridata figures for C.28.

losses amid a decline in non-performing loans[55]. Liquidity ratios remained robust, surpassing those of Eurozone peers despite reduced Eurosystem funding, while capital adequacy ratios improved, albeit still below the Eurozone average. Moreover, the quality of loan portfolios continued to improve, although non-performing loans remained higher than the Eurozone average.

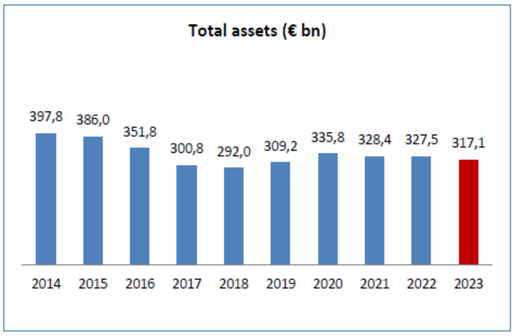
***Figure 1:** The Greek banking system in 2024*

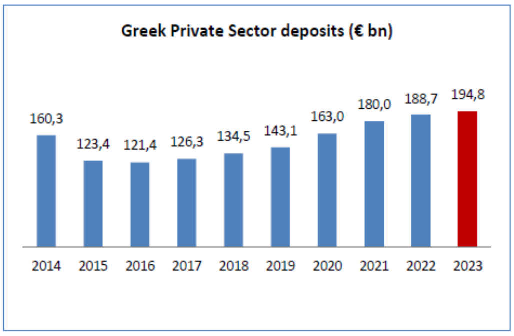
Greek Banking System today

	2023	2022	2021	2020
Total assets [1] (€ bn)	317	328	328	336
Private sector deposits[1] (€ bn)	195	189	180	163
Private sector gross loans[1] (€ bn)	118	115	110	142
NPL ratio - 3Q23[2]	7.9%	8.7%	13%	30%
CET 1 ratio - 3Q23[2]	14.3%	14.5%	12.6%	15%
Coverage ratio of NPEs[3]	48.4%	45.3%	43%	49%

- Employees [4]: 29,341 in 2022 from 39,383 in 2018
- Branches [4]: 1,483 in 2022 from 1,981 in 2018
- ATM [4]: 5,953 in 2023 from 5,594 in 2018
- Active debit/credit/prepaid cards in 2023 [4]: 20,9m (o/w: 75,4% debit, 13,6% Credit, 11% Prepaid) - 2018: 17.5m
- Domestic Debit/credit/prepaid cards payment transactions in 2023 [4]: 2,009m – 2018: 841m
- Domestic Debit/credit/prepaid cards value payments in 2023 [4]: 56,4€ bn – 2018: 34,5€ bn

1. *BoG, Aggregated balance sheet of financial institutions excl. BoG*
2. *BoG, Monetary Policy Interim Report, December 2023 and BoG, Governor's Annual Reports 2021, 2022*
3. ECB, Banking Structural Financial Indicators
4. *ECB, SSI-Banking structural statistical indicators & HBA data for ATMs, and active debit/credit/prepaid cards*





Source: BoG, Aggregated balance sheet of financial institutions excl. BoG

Source: Bank of Greece (2024) and Hellenic Banks Association (2024)

These improved conditions in the banking sector could positively impact and improve access to financing and facilitate investments in the technological adoption and modernization in all Smart Specialisation sectors, including agri-food. Farmers and agribusinesses now seem to have improved chances to access finance, enabling them to invest in advanced equipment, sustainable practices, and infrastructure improvements. Additionally, banks have developed specialised financial products tailored to the needs of the agricultural sector, supporting export growth, and enhancing competitiveness in international markets.

Some additional data on the recent performance of Greek banks is provided below:

- The cost of credit risk e.g., the ratio of credit risk provisions(y-o-y) over loans after accumulated provisions, was further de-escalated in September 2023. Impairment charges stood at EUR 1.180 million, compared with EUR 1.328 million in the first nine months of 2022.
- As a result, Greek banking groups recorded pre-taxes and after taxes profits. More specifically in the first nine months of 2023, Greek banks recorded profit after taxes and discontinued operations amounting to EUR 3 billion, against profits of EUR 2.88 billion over the same period of 2022.

[55] Annual Report of the Governor of the Bank of Greece 2023.

Higher net interest income contributed positively to this development. Concurrently, operating and credit risk costs remained low.

- In the first half of 2023, the RoA and RoE ratios, after tax and discontinued operations, amounted to 1.2% and 12.5% respectively.
- In the third quarter of 2023, Loan-to Deposit ratio stood at 59,24% compared to 104,44% of Euro Area significant banks average.
- In the third quarter of 2023, the leverage ratio slightly increased to 7,1%, from 6,9% in December 2022. In Q3 2023, the leverage ratio (fully phased-in definition) of the four Greek significant credit institutions was higher than the average of significant credit institutions in Austria, France, Germany, Italy, Spain, and Euro Area.

3.1.4 Challenges and Opportunities for the agricultural sectors deriving from the overall market environment

The evolution of Greece's market conditions and macroeconomic environment presents both challenges and opportunities for the sectors under analysis.

Opportunities:

- The economic stability and increased investor confidence, as evidenced by the rising Athens Stock Exchange and improved fiscal metrics, create a favourable environment for investment in various sectors. This favourable investment momentum might positively affect also the agricultural sectors helping to introduce innovation and modernization in areas such as agri food.
- Improved credit conditions, due to a healthier banking sector, facilitate access to financing for businesses, enabling them to adopt advanced technologies and improve productivity. This new banking landscape could also benefit the agricultural sector that struggled greatly to access finance during the crisis years.
- The growing demand driven by tourism and an expanding real estate market also opens up new opportunities for locally produced, high-quality products. New international trends related to healthy dieting and agri tourism should be seen as an opportunity for the Greek agricultural landscape.

Challenges:

- The agricultural sectors in Greece remain in need of continued structural reforms in terms of selecting and investing in crops that can compete in international markets.
- Energy prices and inflationary pressures in general have created concerns and insecurity in energy intensive sectors such as agricultural. Some support measures have been offered these sectors to offset for high prices but overall, the uncertainty related to energy prices needs to be further monitored to evaluate its impact in the market.
- Climate change and the unforeseen events related to the changing climate conditions also need to be taken into account in order to strategize more efficiently in the agricultural sectors. The volatility of the weather conditions that lead to floods, draughtiness in the summer,

wildfires and others need to be taken into account when designing public intervention schemes and long-term strategies for the sectors.

- The population decline related to aging and tendency of young people to move to urban areas will pose a long-term challenge for the agri sectors to attract workforce and motivate the new generation to return to rural areas and engage in agricultural activities. Additional motives to reverse these trends will need to be designed.

Overall, the present analysis has identified a positive economic trajectory and favourable market conditions that can significantly bolster the potential for investments in the agriculture and agrifood sectors, paving the way for enhanced productivity, sustainability, and growth in these vital areas of the Greek economy.

3.2 Analysis of the demand for financing in the agricultural sector

3.2.1 An overview of the agricultural sector including farms and agri-food companies

Agriculture and Agri-Food are robust, resilient and important sectors for Greece:

According to ELSTAT (2021 data), 37.2% of legal entities in Greece were engaged in the sector of agriculture, forestry, and fisheries. The sector produced 2.9% of the national turnover and employed 7.7% of the workforce. In 2021, the contribution of the agricultural sector to the total Gross Value Added GVA was 4.2%[56]. The sector contributed 3.8% of the country's Gross Domestic Product in 2022[57] and currently shows an increasing trend. However, direct payments (EUR 1 982.6 million in 2020) play an important role in Greek agricultural income (making up approximately 31% of it), compared to the EU average (approximately 28%) for the period 2015-2019[58].

In 2021, the food, beverages, and tobacco sector were key job providers within the Greek manufacturing sector and accounted for the greatest number of enterprises (19 328 enterprises of a total of 64 881 – or 29.8% within the sector). In 2023, the sector was the largest employer within the national manufacturing sector, employing 39.8% of the total employees in manufacturing[59].

The Greek agricultural sector has demonstrated its resilience throughout the financial crisis of 2010s, and the subsequent Covid-19 pandemic. The total overall productive size of the sector has remained the same during the past decade, while, due to the large decrease in Gross Domestic Product, its importance to the overall economy has increased[60]. Labour productivity in the

[56] *'Gross value added by Industry / 2021, published in January 2024* (https://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_Mr0GiQJSgPHd&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=3&_documents_WAR_publicationsportlet_INSTANCE_Mr0GiQJSgPHd_javax.faces.resource=document&_documents_WAR_publicationsportlet_INSTANCE_Mr0GiQJSgPHd_ln=downloadResources&_documents_WAR_publicationsportlet_INSTANCE_Mr0GiQJSgPHd_documentID=115355&_documents_WAR_publicationsportlet_INSTANCE_Mr0GiQJSgPHd_locale=en).

[57] World Bank https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=GR .

[58] *'How can the Agri-food sector meet the challenges of tomorrow, today?'* Survey, EY and Piraeus Bank, 2022 (https://www.piraeusbank.gr/el/agrotes/agrotika-nea-enimerosi/ekdoseis-meletes#1).

[59] Eurostat data for 'Employment by sex, age and detailed economic activity (from 2008 onwards, NACE Rev. 2 two digit level)' - https://ec.europa.eu/eurostat/databrowser/bookmark/68948529-73f8-4f57-b167-0ef10ada0a6c?lang=en, own analysis; and 'Enterprises by NUTS 2 regions and NACE Rev.2 activity' - https://ec.europa.eu/eurostat/databrowser/bookmark/08a087af-a72b-4272-82ca-4914c48d09bb?lang=en, own analysis.

[60] *Prospects and opportunities for the primary sector in Greece*, M. Skilakaki, Dr. T. Benos, Dianeosis, July 2022.

agricultural sector has improved by 50% between 2018 and 2022, while in the agri-food sector the trend is also increasing[61].

Crop production dominates agricultural output, milk accounts for the highest volume of animal product output, while Agri-food enterprises primarily manufacture food products in the dairy, bakery, and oil subsectors:

According to Eurostat (2020 data), 4 065 710 ha of Greek farmland is used for crops (representing 2.1% of the total EU28 farmland used for crops). There are 1 961 620 livestock units (LSU) in Greece, representing 1.73% of total LSU in EU28. Approximately 90% of agri-food enterprises manufacture food products and the milk and dairy, bakery, and oil sub-sectors accounted for around 50% of total agri-food production[62].

The largest share of agricultural products is wheat (1 222 tons in 2021, an increase of 14% compared to 2020), followed by cotton, oranges, must and olive oil. As regards livestock, sheep make up the majority (9 052 units in 2021, an increase of 2,2% compared to 2020), followed by goats and bee-hives. Milk accounts for the highest volume of animal product output, followed by meat and cheese.

Most Greek farms are small in size, managed by farmers of older age on the basis of practical experience, and operate using an older labour force. Most Greek agri-food enterprises are small and family-run:

In 2020, 54.9% of the main agricultural labour force was over 55 years old, and only 4.9% was under 35 years old[63]. The Greek agricultural labour force totals 1,380,870 people, of which 36.2% are fe-male. The majority of farm holdings are managed by over 55-year-olds (65% in 2020, up from 61% in 2016)[64]. Of the total 530 680 farm managers in Greece, 32.3% are female[65]. The Greek holdings with farm managers who have training (whether basic or full agricultural training) are 31 260, or 5.9% of the total number of holdings, compared to 27.6% of EU28 holdings (Eurostat). 93.2% of farm managers operate solely on the basis of practical experience[66]. The majority of Greek farms are small-sized and family-run, while the physical geography of the country imposes diversity and small-holding. In 2020, the country had just under 700 000 farms[67]. These were of a small size (approxi-mately 73% of farm holdings are under 5 hectares[68] and 67% produce less than EUR 8 000 p.a.[69]).

In 2020, 10.15% of agricultural land was dedicated to organic farming, and there were 30 124 pro-ducers of organic produce (an increase of 28.5% over the past decade)[70]. The use of technology and IT solutions is low, with expenditure in research and development for agriculture at lower rates than

[61] As per as per Agridata figures for C.13 and C.14.
[62] Fi-compass, 2020, 'Financial needs in the agriculture and agri-food sectors in Greece', Study report (https://www.ficompass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_Greee.pdf).
[63] Eurostat https://ec.europa.eu/eurostat/databrowser/view/ef_lf_main__custom_10613517/default/table?lang=en.
[64] Eurostat https://ec.europa.eu/eurostat/databrowser/view/ef_m_farmang__custom_10622088/default/table?lang=en .
[65] Eurostat https://ec.europa.eu/eurostat/databrowser/view/ef_lf_main__custom_10679954/default/table?lang=en .
[66] EC Agri-Food Data Portal https://agridata.ec.europa.eu/extensions/CountryFactsheets/CountryFactsheets.html?memberstate=Greece and *Prospects and opportunities for the primary sector in Greece*, M. Skilakaki, Dr. T. Benos, Dianeosis, July 2022.
[67] '*How can the Agri-food sector meet the challenges of tomorrow, today?*' Survey, EY and Piraeus Bank, 2022.
[68] Eurostat https://ec.europa.eu/eurostat/databrowser/view/ef_m_farmleg__custom_10617042/default/table?lang=en .
[69] *Prospects and opportunities for the primary sector in Greece*, M. Skilakaki, Dr. T. Benos, Dianeosis, July 2022.
[70] Prospects and opportunities for the primary sector in Greece, M. Skilakaki, Dr. T. Benos, Dianeosis, July 2022.

the global and EU averages[71]. Organic farming in Greece is done in line with European Regulation on Organic Products, Regulation (EU) 2018/848, which includes strict rules for plant and animal production, the processing of organic products, and their labelling. The bodies in Greece responsible for certifying the organic status of food in line with Ministerial Decision 245090/2006, which defines the requirements for the production, processing, and marketing of organic products in Greece, include the Organization for the Certification and Inspection of Biological Products (DIO) and BIOHELLAS.

In Agri-Food, firms employing over 50 people represented only 2% of all firms but accounted for 63% of total industry turnover. Most Greek agri-food enterprises (90%) were small family-run businesses employing fewer than 10 people, however, they accounted for only 18% of the industry's turnover. It is hard for small-sized enterprises to generate economies of scale and to comply with the demands of international markets in terms of volume and variety of assortment[72].

The number of farms is decreasing, while the size of remaining farms is increasing, improving the bankability of the sector and viability of farming enterprises:

The number of farms decreased by approximately 22.5% between 2016-2020[73], while the size of the remaining farms increased, resulting in more viable farming enterprises and improved bankability of the sector, as larger farms are more likely to have a greater need for finance. However, farm holdings over 100 ha still represent less than 0.2% of the total holdings in Greece[74]. In 2020, the total number of farms in Greece was just under 700 000, on average, and of small size (approximately 73% of farm holdings are under 5 hectares and 67% produce less than EUR 8 000 p.a.[75]).

While the trend is positive, both the Agricultural and Agri-Food sectors remain overwhelmingly composed of small-size farms and small firms. These are at a disadvantage when seeking external financing and cannot benefit from the economies of scale that make their larger counterparts more competitive. The demand for financial instruments that would permit the purchase of land for the purposes of consolidating and expanding holdings has been noted while conducting the field research for this study.

Although organised cooperatives can limit the negative effects of fragmented agricultural production and increase the bargaining power of small-sized farms, the level of organisation in cooperatives is low. Agricultural cooperatives have a very low market share of overall farm sales[76].

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[71] EC Agri-Food Data Portal https://agridata.ec.europa.eu/extensions/CountryFactsheets/CountryFactsheets.html?memberstate=Greece .

[72] Fi-compass, 2020, 'Financial needs in the agriculture and agri-food sectors in Greece', Study report (https://www.fi-compass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_Greece.pdf).

[73] Eurostat https://ec.europa.eu/eurostat/databrowser/view/ef_m_farmleg__custom_10616907/default/table?lang=en.

[74] Eurostat https://ec.europa.eu/eurostat/databrowser/view/ef_m_farmleg__custom_10616907/default/table?lang=en.

[75] ELSTAT Greece in Numbers, October to December 2023 (https://www.statistics.gr/documents/20181/18074233/GreeceinFigures_2023Q4_GR.pdf/816ff9de-4b4d-a0ca-3c8d-4d1796a3e635).

[76] Fi-compass, 2020, 'Financial needs in the agriculture and agri-food sectors in Greece', Study report (https://www.fi-compass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_Greece.pdf).

Box 1: *Agricultural cooperatives*

Agricultural Cooperatives in Greece
Agricultural cooperatives are organizations formed by farmers aiming to collaborate and provide mutual support in various aspects of agricultural production and marketing. Cooperatives allow farmers to pool resources, share costs, and have greater bargaining power in markets. In Greece, there are numerous agricultural cooperatives active in different sectors of agriculture, such as livestock, fishing, arboriculture, and organic farming. Some of the well-known cooperatives include the Naoussa Organic Products Cooperative and the Kalamata Olive Oil Producers Cooperative. The institutional framework for agricultural cooperatives in Greece is regulated by Law 4384/2016. This law outlines the procedures for establishing, managing, and operating cooperatives, as well as the rights and obligations of their members. Additionally, the law promotes transparency, efficiency, and the financial sustainability of cooperatives. The main functions of agricultural cooperatives include: ▪ **Collective production and marketing**: Cooperatives assist farmers in joining forces for the production and marketing of their products. ▪ **Education and training**: They provide training programs for their members to improve agricultural practices. ▪ **Supply of agricultural inputs**: They offer members access to agricultural inputs at lower costs. ▪ **Financial support**: They facilitate farmers' access to financial tools and subsidies. Before the 2016 revision of the legal framework for the cooperatives, cooperatives had fallen out of favour following the adverse effects of political interference and unionisation during previous decades. In recent years, cooperatives have been addressing issues important for the development of agriculture in Greece, such as differentiation of products and services. The cooperatives are increasingly diversifying their offerings, moving beyond traditional crops to include organic products, processed foods, and services such as agritourism and more direct to consumer sales. This diversification has brought with it a more developed focus on quality and certification, with many cooperatives pursuing certifications to enhance their products' marketability and trustworthiness. The influence of the digital transformation is also being felt within the cooperatives, bringing with it the adoption of agricultural technologies such as precision farming. New practices supporting sustainability are also being adopted, as environmental sustainability increasingly becomes a priority, with many cooperatives implementing sustainable farming practices, water conservation techniques, and turning to renewable energy sources. Finally, cooperatives are reaching out to research institutions and private companies for the purpose of sharing resources, knowledge, and technology. Among the challenges, many cooperatives struggle with limited access to credit and financial services. Intense market competition from large agri-businesses and imports also constitutes a challenge as it undermines the competitiveness of smaller cooperatives. Management and governance issues, in conjunction with the ageing of members of cooperatives, can also act as challenges since the lack of professional management skills poses a threat to the sustainability of cooperatives and the lack of youthful members poses a threat to the ability to innovate. Finally, the impacts of climate change, such as extreme weather conditions and fast-changing seasons, cause long term challenges to agricultural productivity and sustainability which also impact cooperatives.

Greek farmers and agri-food enterprises have experienced the impact of climate change on their enterprises:

Agricultural greenhouse gas emissions in Greece were lower than the EU average in 2019. The percentage of agricultural land in danger of erosion is above the EU average, while the use of irrigated water is still high[77].

[77] *Prospects and opportunities for the primary sector in Greece*, M. Skilakaki, Dr. T. Benos, Dianeosis, July 2022.

More than half of Greek farmers have experienced climate-related impacts to their business activity. Extreme weather events were experienced by 85% of Greek farmers in the past 3-5 years. Drought, pest infections and animal diseases, and fires have all impacted the sector to a significant degree. There has been some interest in investments to improve environmental sustainability and the climate resilience of their farms, with measures targeting energy and fuel consumption reduction being implemented by about a quarter of farmers. Measures to manage the effects of climate change and/or digital and technological measures to improve productivity have been implemented by about a fifth. The main factors holding back further investment are the low level of knowledge or capacity for incorporating the measures, while the costs, both in terms of the upfront cost and the low rate of return also act as barriers for such investments[78].

Agri-food businesses are investing in climate and environmental sustainability primarily as regards to energy efficiency and reduced GHG emissions. They face obstacles such as insufficient knowledge and capacity, high costs and lack of finance, and lack of reliable technical solutions.

Box 2: Thessaly

Agriculture in Thessaly and Climate Change Resilience

Thessaly produces approximately 25% of Greece's overall agricultural output, contributing 5% of national GDP. Its overall agricultural area is approximately 430 000 ha, of which approximately 250 000 ha are irrigated land. The main sectors are livestock and the cultivation of cotton, maize, wheat, pasture, fruits, and vegetables: farmers in Thessaly produce 30% of Greece's cotton, a third of chickpeas, lentils, and pistachios, 20% of the hay utilized in livestock farming, and 50% of all industrial tomato production. The region accounts for approximately 16% of pork production, one third of lamb and mutton, 50% of all cheese production and approximately one-fifth of total milk production.

However, the intensification of farming practices has put substantial pressure on water resources: the agricultural sector uses over 90% of the total annual water usage in Thessaly (approximately 1 500 million m^3). The region's annual water deficit is around 345 million cubic meters. The current water consumption for irrigation in Thessaly is unsustainable, double what would be sustainable. The groundwater in the Almyros Aquifer is being depleted at a rate of 500 million m^3 p.a. (an estimated 33 000 boreholes have been drilled), and saltwater intrusion is already happening.

Climate change will likely reduce rainfall by over 30% in Thessaly, while rising temperatures will increase the irrigation needs of various crops by over 10%. There is reduced natural resilience to droughts and floods, rivers and streams are wedged between dykes to maximize cultivated areas.

Thessaly is increasingly susceptible to both floods and droughts. Coupled with the escalating impact of global climate change, Thessaly faces increased vulnerability to extreme weather events, amplifying the urgency of addressing and mitigating these challenges. Soil degradation and water scarcity are critical issues exacerbated by intensive farming and outdated irrigation methods. The economic impact of these challenges is profound, affecting the productivity and sustainability of crops like cotton, corn, wheat, and various fruits and vegetables. The fact that the region faced Storm Ianos and Strom Daniel in a two-year period, rather than decades apart, drives home the importance and urgency of preparing and adapting to extreme weather conditions[79].

Storm Daniel, the most recent natural disaster (September 2023), caused catastrophic flooding, especially in the Region of Thessaly, with fatalities as well as extensive physical destruction of crops, farmland, livestock, machinery, and

[78] These sentiments collected during the fieldwork phase of this study are echoed in the findings of the study by fi-compass, 2023, Survey on financial needs and access to finance of EU agricultural enterprises, Report (www.fi-compass.eu/publication/market-analysis/survey-financial-needs-and-access-finance-eu-agricultural-enterprises).

[79] Master Plan Water Management in Thessaly in the wake of Storm Daniel: How to Address Thessaly's Water-Related Agricultural Challenges,Vol. 1, HVA, February 2024. . The masterplan aims to rebuild Thessaly's agricultural sector with a focus on resilience, sustainability, and economic growth. By prioritizing crops that yield higher economic returns per unit of water, the plan seeks to balance water use with agricultural profitability.

infrastructure. According to the EU's Copernicus service, Storm Daniel's floods damaged over 700 km^2 of land[80] of which, approximately 70% was agricultural land. The crop most affected was cotton, while in terms of livestock over 14 000 ornithoids and 21 500 sheep and goats were affected[81]. The disaster is very recent and not yet fully studied, so although studies such as the HVA study referenced above have been conducted, the exact impact of the flooding will only become apparent in the long term.

In the wake of the disaster, the Greek government prepared a draft master plan for Water Management. The master-plan proposes a series of potential solutions, with a six-year transitional period to implement changes, focusing on the most affected areas to minimize impacts on farmers. It introduces advanced irrigation systems and technologies to optimize water use, adoption of high-value, water-efficient crops to improve economic returns and reduce water consumption and the construction of upstream dams to harness rainwater, reduce groundwater extraction, and lower energy costs associated with deep well pumping. Strategic combinations of these dams would also serve as preventive measures against extreme weather events, mitigating flood risks.

The masterplan emphasizes the need for systemic change, aiming to make Thessaly's agriculture more water-efficient and economically viable. It also encourages investments in the agricultural value chain, such as in storage facilities and logistics, to support large-scale contracts with international buyers. New technologies and vertical integration processes, such as IQF (Individual Quick Freezing) lines, are suggested to enhance the agricultural value chain.

Measures targeting individual farmers focus on improving the economy of scale by promoting family farms through a national agriculture and livestock development program aimed at promoting family-based enterprises. The program includes initiatives such as:

- **Prioritising financial assistance such as low-interest loans, grants and subsidies;**
- **Ensuring market access and market information;**
- Capacity building and skills development;
- **Technology adoption and innovation;**
- **Integrating family-based enterprises into broader value chains to create opportunities for value addition.**

The Russian invasion of Ukraine has impacted both the agricultural and agri-food sectors:

Higher fuel and energy costs have impacted almost all Greek farmers. A full 90% indicated that this has been an issue, while smaller proportions have seen increased costs and unavailability of necessary raw materials. At the same time, they are also affected by an increased cost of labour. The impacts have to some degree been passed on to the customers, with many farmers declaring increased revenues in 2023 compared to 2022, to cover the increased costs of production, which in some cases exceeded. The Agri-Food sector was impacted in a similar way, but with more firms indicating increased costs than the farmers. The increased fuel and energy costs led to increased costs of operating machinery, transportation, and input prices[82].

[80] European Flood Awareness System (Copernicus service): https://www.efas.eu/en/news/storm-daniel-affects-greece-bulgaria-and-turkiye-september-2023.

[81] He, K., Yang, Q., Shen, X., Dimitriou, E., Mentzafou, A., Papadaki, C., Stoumboudi, M., and Anagnostou, E. N.: Brief communication: Storm Daniel Flood Impact in Greece 2023: Mapping Crop and Livestock Exposure from SAR, Nat. Hazards Earth Syst. Sci. Discuss. [preprint], https://doi.org/10.5194/nhess-2023-173, in review, 2023.

[82] Information on the impacts of the Russian invasion of Ukraine on the Agricultural sector was drawn from interviews and supported by the findings of the study by fi-compass, 2023, Survey on financial needs and access to finance of EU agricultural enterprises, Report (www.fi-compass.eu/publication/market-analysis/survey-financial-needs-and-access-finance-eu-agricultural-enterprises). The equivalent information for the Agri-Food sector was corroborated by the fi-compass, 2023, Survey on financial needs and access to finance of EU agri-food micro, small and medium-sized enterprises, Report (www.fi-compass.eu/publication/market-analysis/survey-financial-needs-and-access-finance-eu-agrifood-micro-small-and-medium-sized-enterprises).

The sector relies on the high quality of Greek agricultural products, while its weaknesses include its fragmentation:

As also observed in the ex-ante of 2018, the Greek agri-food sector has been negatively affected by the increasing concentration of the domestic grocery retail sector, leading to price pressures, shrinking margins and rising working capital needs. Despite the 2018 report's observation that that consolidation and restructuring in the sector would be a distinct possibility, this has failed to materialise, and the difficulties identified, including the increased working capital needs, persist[83]. The main strengths of the primary sector in Greece are the quality of Greek agricultural products[84] and the ideal conditions of production, while the high production costs and the fragmentation of agricultural holdings are considered its main weaknesses[85], as small enterprises cannot generate economies of scale and comply with the demands of international markets. Consumer trends which directly impact the agri-food sector include the increased importance which consumers attach to transparency regarding the source and origin of products, and the priority given to healthy products[86].

Looking forward, the new CAP (Pillar II) is expected to support the modernisation of productive units and the entry of young farmers into the sector, while e-commerce and the development of Contract Farming are also expected to impact the sector.

The new Common Agricultural Policy (Pillar II) is expected to impact the sector primarily through support for investments in the modernization of productive units, and facilitation of the entry of young farmers in the sector. The most important global trends affecting the agri-food sector are changes in consumer habits, and the effects of climate change and new environmental conditions. The dominant business models expected to emerge in the Greek market, which will affect the sector of agri-food, are e-commerce and the development of Contract Farming. Agri-food enterprises are looking forward to more favourable financing terms and enhanced public sector services to support their growth[87].

3.2.2 Analysis of the Agriculture sector (farms)

3.2.2.1 Demand for financing in agriculture and investment needs

Demand for financing of agricultural activity is driven by national and EU, complemented by bank financing products and from financial instruments operating through the banks as intermediaries (e.g., Pillar I). The levels of financial know-how within the sector are limited, deriving from the elevated average age of farmers and the low levels of education prevalent in the sector. Even those farmers having some form of education connected to their work have limited experience and understanding of the way banks operate and remain reluctant to apply for financing on the basis of well-prepared business plans. Critically, although farmers are treated as businesses by the banks, the farmers do not always perceive themselves as entrepreneurs, creating a miscommunication

[83] Fi-compass, 2020, 'Financial needs in the agriculture and agri-food sectors in Greece', Study report (https://www.ficompass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_Greee.pdf).

[84] However, it is noted that the emphasis on quality in Greek agricultural production is not supported by investments in the primary sector. *Prospects and opportunities for the primary sector in Greece*, M. Skilakaki, Dr. T. Benos, Dianeosis, July 2022.

[85] '*How can the Agri-food sector meet the challenges of tomorrow, today?*' Survey, EY, and Piraeus Bank, 2022.

[86] '*How can the Agri-food sector meet the challenges of tomorrow, today?*' Survey, EY, and Piraeus Bank, 2022.

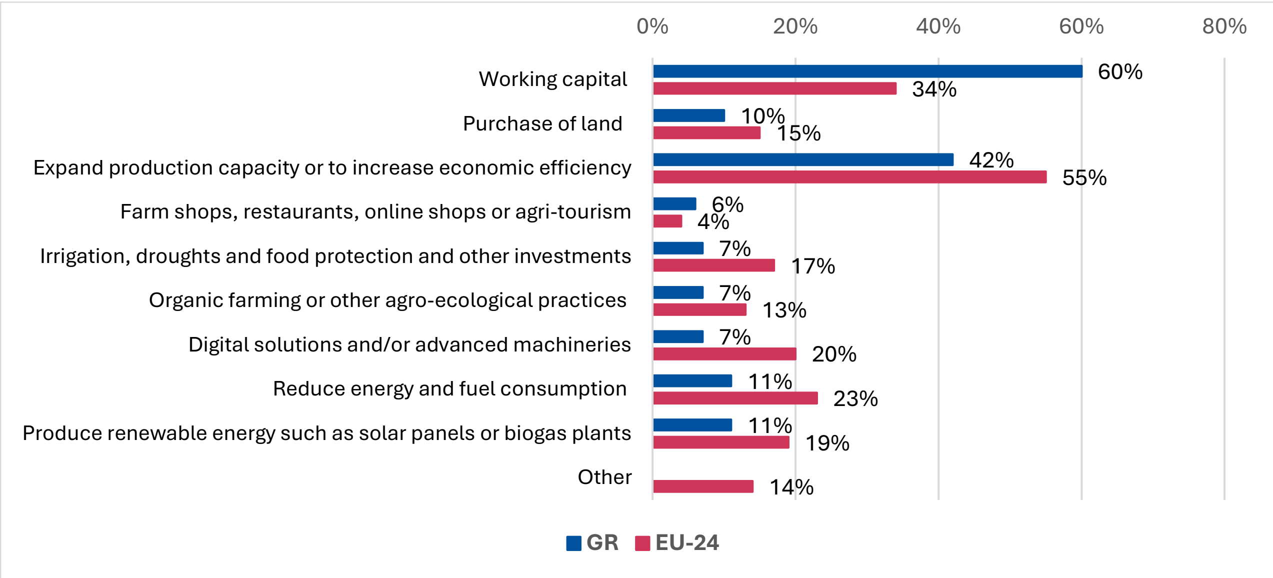
[87] The first has been recorded during the fieldwork phase of the present study, while both were also reported in the '*How can the Agri-food sector meet the challenges of tomorrow, today?*' Survey, EY, and Piraeus Bank, 2022.

between the demand and supply sides for financing.

Based on all sources of data, the key driver of the demand for finance remains the need for working capital. More specifically, finance is sought primarily for working capital needs, **with 60% of surveyed farmers indicating that this was the reason for applying for finance**. While this represents a slight decline from the figure recorded in 2017 (78%), it remains substantially higher than the EU 24[88] average of 34%. The difficulty of accessing working capital finance will have knock-on effects on the ability to repay loans and therefore the success of concluding loan agreements in a favourable way for all parties. According to fi-compass (2020), the need for working capital is highly significant as fodder and energy are both vulnerable to international price pressures.

The next most significant driver of demand for finance is the **need for investment to expand production capacity or enhance economic efficiency**, evidenced by a notable 20% increase since 2017, reaching 42% of farms in 2022. Despite this growth, the figure remains below the EU 24 average of 55%. However, this finding is strong evidence that demand for financing investments is on the rise and additional support in the form of financial instruments will be needed.

Figure 2: *Percentage of farms that received or partially received loans according to purpose of loan*



Source: fi-compass (2023a)

As can be seen in the figure above, **investments for modernizing agricultural practices through digital solutions or advanced machinery remain limited**. Only 7% of Greek farms surveyed received loans for investments made in digitalisation and digital solutions, significantly lower than the EU 24 average of 20%. Furthermore, farms receiving investments in diversified ventures such as farm shops, restaurants, online commerce, or agri-tourism accounted for only 6% of the total, surpassing the EU 24 average of 4%. The low percentage of companies acting in agritourism, and similar fields is extremely important for a country with the profile of Greece and should be explored further. According to stakeholder, the figure does not fully reflect the reality, as many companies do not report on this type of activities or avoid reporting multiple activities for tax and grant eligibility

[88] EU24 represents EU27 without Luxembourg, Malta and Cyprus.

purposes. This is an important market failure that would need to be further analysed by the relevant authorities[89].

Additionally, **the need to finance the acquisition of land** was recorded from both the farmers' side and the banks' side as important in the effort to increase the overall size of a farmer's holdings and allow economies of scale to operate in the sector. The number of farms receiving or partially receiving loans for this purpose increased from 6% in 2017 to 10% in 2022.

Information deriving from surveys and interviews confirm that young farmers show a stronger preference for loans to **support organic farming and to introduce digital solutions and advanced machines to optimise the use of fertilisers or crop protection products**.

During the fieldwork phase of the study, stakeholders expressed a preference of designing future instruments on a sectoral basis as **demand for financing differs across macro sectors in agriculture** According to findings of the survey, animal producers apply for more loans than other macro-sectors, while perennial crop producers prefer credit lines and overdraft. Non-perennial crops are twice as likely to apply for medium term loans than any other type of financial product. According to findings, **animal production would benefit from larger loans** for their improvement plans, on account of their different needs.

Another topic frequently brought up during interviews, was related to environmental investments, and the difficulty in expecting the farmers to initiate investments in this field without tangible financial motives (better financing conditions, larger grants etc). This finding is important for future elaboration of financial instruments, for instance, introducing forms of support such as capital rebates could be seen as a form of reward towards final recipients when implementing their environmental plans.

The reluctance towards changing the traditional ways of doing business is very strong amongst the farmer community. Representatives of the agri-food sector are more open to innovation and change. As per interviews with representatives of all stakeholder groups, the **inclusion of environmental criteria** when evaluating either applications for grants or loans, which would be voluntary but nevertheless highly marked during evaluation, would be very beneficial in persuading adoption of new practices (though without a financial incentive, perhaps still not beneficial enough). Technical support and building capacity for the older generation of farmers should also be seen as important tools for improving access to finance in the sector and further promoting climate action and environmental sustainability in the business plans of farms.

[89] In Greece, the legal status of a farmer is crucial for accessing certain grants and subsidies. If a farmer engages in additional economic activities that change their primary occupation, they might risk losing their eligibility for agricultural grants and support. This is governed by: **Law 3874/2010** – which outlines the requirements for registering as a professional farmer in Greece. According to Article 2, a professional farmer must derive at least 50% of their total income from agricultural activities and spend at least 30% of their annual working time on farming; **Ministerial Decision 329/78917/2018 (FEK B' 2090)** – which specifies the criteria for the certification of professional farmers. It underscores the necessity for farmers to primarily engage in agricultural activities to maintain their status and eligibility for various supports and subsidies. This aligns with the CAP Guidelines, which provide a framework for subsidies and grants in the EU, including Greece, and permit member states to impose additional eligibility criteria, such as maintaining the status of a professional farmer to receive certain types of support.

The fields which are relevant to environmental sustainability are investments in organic farming and agro-ecological practices; digital solutions and advanced machinery; reduction of energy and fuel consumption, and production of renewable energy. The survey results support this, showing that across the board, in the next three years, more farmers plan to invest in such fields supporting environmental sustainability than have already invested in them[90]. This finding could help guide a possible environmental dimension for future instruments to be proposed.

Young farmers

As mentioned by representatives of the MA and Geotechnical Chamber during the field survey interviews, **there is a very large number of young farmers who are essentially extensions of their farmer parents**, seeking funding for continuation of their parents' operation without having the knowledge or independence to upgrade and improve their products or production techniques. This finding is also confirmed by banks and representatives of young farmers. At the same time, those with family backing do not need to make their first venture independently sustainable in the same way a new entrant would need to.

The size of the funding provided by the currently available instruments is not considered sufficient. More information on the financing needs of young farmers is provided in the box below.

Box 3*: Young farmers*

Young farmers and their financing needs

- Young farmers are eight times more likely to seek financing for organic farming, digital solutions and advanced machines to optimise the use of fertilisers or crop protection products;
- Young farmers are less likely to invest in reducing energy and fuel consumption and in production of renewable energy;
- Young farmers are more likely to seek out short term loans than long- or medium-term loans;
- Young farmers are far more likely to avoid taking out loans above EUR 1 million, but more likely than older farmers to seek loans between EUR 100 000 and EUR 1 million;
- The main reasons given by young farmers for not applying for any kind of loan were fear of rejection (very common for short-term loans), the cost of the financing, and the uncertainty presented by the economic conditions (common for medium- to long-term loans);
- Any instrument targeting young farmers should incorporate Technical Assistance (TA) elements to support project promoters in designing and implementing their investment plans. This element could take the form of a TA grant that would cover the cost of advisory/consulting support or such costs being directly eligible under the loan (provided in the context of the financial instrument).

[90] Organic farming is expected to grow least as a field for investment. Respondents show that they expect to make a 50% increase in the number of investments for the purposes of installing digital solutions to optimise the use of fertilisers or crop protection products, while a smaller increase in investments for reducing energy and fuel consumption are also foreseen by respondents. The respondents expect to greatly increase the number of investments for production of renewable energy, with the number of loans increasing approximately five times over the next three years, with more than ten respondents expecting to make investments of over EUR 1 million in this field in the next three years. The figure for investments of this size realised in the previous period was about half of that. The survey data is presented in Annex.

In order to estimate the investment needs for agricultural activities in the coming years, the following intervention logic has been implemented using some proxies:

- **The number of farms and agricultural holdings most likely to request financing for investments:** The total number of farmers/agricultural holdings is about 530.000 for 2021, according to ELSTAT (2024) of which only **36.74% have annual turnover of more than EUR 8,000** and are considered having the capacity to proceed with investments. From this population, 42% have expressed the willingness to invest in their business in the following years (fi-compass). As such, the present analysis considers that about, 81.700 agricultural holdings are more likely to proceed to investments.
- The average requested amount of loans: According to the Ministry of Agricultural Development & Food's Common Agricultural Policy (CAP) 2023-2027, a notable characteristic of the demand for investment loans is the relatively low median loan amount requested, standing at €30,000. However, according to both farmers and banks **this figure should increase at least to €50,000 in order to meet the growing financial demands for agricultural investments** in Greece.
- Based on these two numbers, **a demand for investment of EUR 4.0 billion is estimated, however an average increase based on GDP growth projections is also integrated in the computation** (according to IMF economic forecast for Greece (2024[91]), leading to a projection of investment needs of **EUR 4.3 billion up to 2027**.
- For working capital, the average amount of loans reaches EUR 23.000[92]. Considering the same intervention logic, the financing needs for working capital loans are estimated at **EUR 4.479 billion up to 2027**.

<u>In total, up to 2027 almost EUR 8,853 billion, both for investment and working capital will be needed in the sector.</u>

Table 6: *Estimation of investment needs for agriculture up to 2027*

	2021*	2022*	2023*	2024	2025	2026	2027
Agri GFCF	43	49	52	GDP growth rate forecast			
Growth rate %	-65%	13,5%	**4,8%**	**2.0%**	**1.9%**	**1.7%**	**1.3%**
Agri GVA	6,673	7,778	8,339	Farmers' investment needs			
Growth rate %	-1,4%	14,2%	**6,7%**				**€ 4,374 million**
National GVA	181 500	206 620	220 303				
Growth rate %	9,1%	12,2%	**6,2%**				

**million EUR*

Source: EIB/EY elaboration

[91] https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies_en, 2024

[92] Average demand according to the implementation of the Microloan FI in Greece (statistical analysis)

3.2.2.2 Access to finance

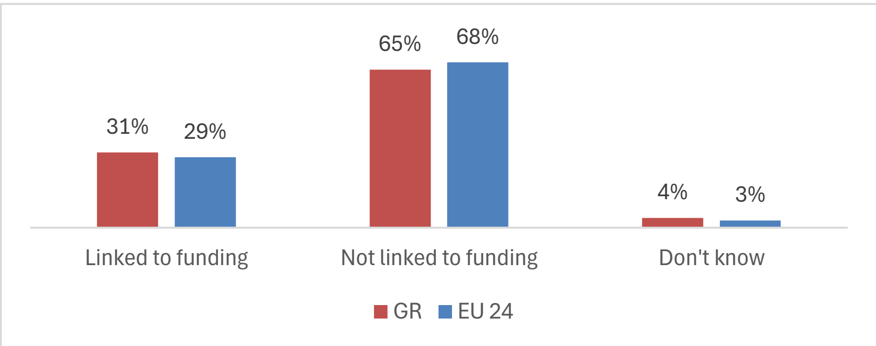
The rates of rejection of applications for finance in Greece are high, more so than in the rest of the EU, and this is likely to cause the fear of rejection that is often cited by the farmers as a key reason for not approaching banking institutions at all. While young farmers are better informed and more open to the possibilities of seeking financing, their **non-existing track record and lack of collateral** work to their disadvantage when approaching banks, while they themselves are wary of losing their land or homes if these are brought forward as guarantees for a loan. Representatives of the agricultural sector have mentioned the **lack of transparency of the eligibility criteria** on the part of banks against which their loan applications will be judged to be a key difficulty in the preparation of their application. **The need for counselling for the applicants** has also been identified through the interviews, with numerous stakeholders proposing improvements to the consultant networks supporting farmers and the agri-food sector alike.

Against this backdrop of mutual hesitation on the part of the banks and the sector, despite declining from the levels encountered in 2017, **the unfulfilled demand for bank financing remains high**.

The ability of farmers to access finance is dependent to a large extent on the availability of grants. Most loan applications are conducted as complementary financing to investment grants. Despite limitations deriving from lack of collateral and lack of financial experience and credit history from the side of farmers, the presence of grants remains the main driving force to allow farms to access bank financing.

This finding stems from the fieldwork conducted, where the representatives of the banks confirmed that it is easier for a loan to be approved if the investment is connected to a grant under the CAP/EAFRD or some other programme, because the investment has already been positively evaluated as viable by another authority. The benefits to the farmers rests on the proper presentation of the investment for funding, following their application for grants.

Figure 3: *Distribution of loans that were linked to CAP/EAFRD funding*



Source: fi-compass (2023a)

Greece has the EU's second lowest percentage (67%) of **fully approved applications** in 2022, with partially approved applications for bank finance accounting for a further 2.3%. The combined full and partial success rate for Greece, at 69% is the lowest in the EU despite showing a 29% increase from 2017 (from 40% to 69%). The EU average stood at 81.7% for the same period. On the positive side, Greece has the **second highest increase in approval rates** compared to the 2017 survey figures.

Concerning the **types of loans that were most sought after**, an increase in applications for all types of loans was observed between the two surveys of 2017 and 2023[93], which likely reflects the uptake of the Financing Instruments made available through CAP/EAFRD from 2020 onwards. When farm size is taken into account, **a preference for medium term loans is evident in medium-sized farms**, while the small farms were equally likely to prefer bank loans (of any maturity) to leasing or informal financing from friends and family. **Long term loans were less popular in medium and large sized farms**, reflecting again the preference of farms for working capital loans. The findings concerning the applications for financing, by farm size of the survey are given in Annex.

3.2.3 Analysis for the Agri-food sector

3.2.3.1 Demand for financing in agri-food sector and investment needs

Similar to agriculture, the demand for financing of agri-food activity is dominated by grants from national and EU programmes, bank financing and from financial instruments operating through the banks as intermediaries. The level of financial know-how within the sector is more advanced compared to farmers, due to the **entrepreneurial nature of the agri-food enterprises.** About half of the enterprises operating in the sector apply for financing in any given period, and of these about half request working capital, indicating that the sector is subject to similar pressures to the ones that farmers face.

The unfulfilled demand for financing in 2022 is much reduced when compared to 2017, showing that the sector has responded to the financial instruments offered under the CAP of the previous programming period. Despite the reduced financing gap, persisting difficulties are still faced by small enterprises and start-ups, which face the same pressures as any start-up and small enterprise operating in Greece[94]. **On the positive side, 60% of enterprises expect that their financing needs will grow in the coming years**.

As per Eurostat data available at time of writing, in 2021 investments undertaken focused on the following sectors:

- **machinery and equipment (EUR 535 million),**
- **transport equipment (EUR 28 million),**
- **buildings (EUR 117 million), and**
- **R&D (EUR 38 million)**.

In terms of projected investment needs, for agri-food working capital, the average amount,

[93] In 2017, Greek farmers mainly applied for short-term loans (EIB, 2018). In that year, about 5.5% of the total surveyed had applied for short-term loans. In 2022 there had been an increase of short-term loan applications, reaching 13%. However, the most sought-after type of finance was the medium-term loans which had increased to 16% (fi-compass 2023a), from the 3.4% figure of the previous survey. The applications for long-term loans also increased from 3.4% to 14% in 2023. The respective EU averages for 2022 are slightly lower than the statistics for Greece. Credit lines, bank overdrafts and factoring make up only 3% of applications at the same time which is below EU 24 average of 9% (fi-compass 2023). The supporting information concerning the distribution of agricultural enterprises applying for various types of finance, by financial product may be seen in Annex.

[94] Greek small businesses and start-up businesses face significant challenges, such as the difficulty of accessing funds, the lack of skills and the unstable economic situation. According to the European Commission, small and medium-sized enterprises in Greece are struggling with late payments, high energy and raw material costs, and a lack of investment and skilled personnel. In addition, the regulatory environment and bureaucratic processes remain obstacles to their development, as per the European Commission's staff working document, 2023 Country Report for Greece (SWD(2023) 608 final - https://economy-finance.ec.europa.eu/system/files/2023-06/ip232_en.pdf).

according to interviews with the banks, reaches EUR 50,000 and for investment EUR 350,000. In addition, based on fi-compass 2023 survey data, almost two thirds (64%) of agri-food enterprises appear willing to proceed with long-term investments. Considering the number of entities (~1,507 agri-food enterprises according to ELSTAT 2024), an additional proxy of 64% for the enterprises interested in long-term investments, and assuming that working capital would be sought by all enterprises, this leads to a **demand for investment of EUR 338 million and for working capital of EUR 75 million (EUR 413 million in total) for 2023.**

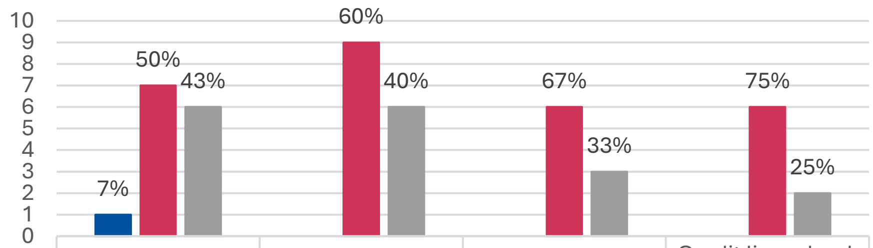
Under the same assumptions for forecast (see para 3.2.2.2), using as proxy GDP estimated increase rate, the expected investment and working capital demand up to 2027 is expected to reach EUR 445 million.

3.2.3.2 Access to finance

The reliance of the Greek agri-food sector on short term loans and credit lines which was recorded in 2017 has become much reduced in the intervening years, with the 2022 data showing an even distribution in the use of financial products by the enterprises of the sector[95.] These preferences are also in line with the EU average figures with very small differentiation being recorded, in contrast to the divergences observed in 2017 between Greek agri-food enterprises and their EU 24 counterparts.

The agri-food enterprises make use of financial products in parallel with grants from CAP/EAFRD in about 40% of cases for short term and medium-term loans, while less so for long-term investments and not particularly in conjunction with credit lines, bank overdrafts and other short term products covering working capital. The responses to the survey's question 14a[96] support this observation. As with the agricultural sector, **the link to an approved grant facilitates the application and approval of financial products from the banks**.

Figure 4: *Distribution of applications linked to any form of financial support or grant from the CAP/EAFRD*



	Short-term loans	Investment (medium-term) loans	Long-term loans	Credit lines, bank overdraft, credit card overdraft, factoring
Don't know	1			
No	7	9	6	6
Yes	6	6	3	2

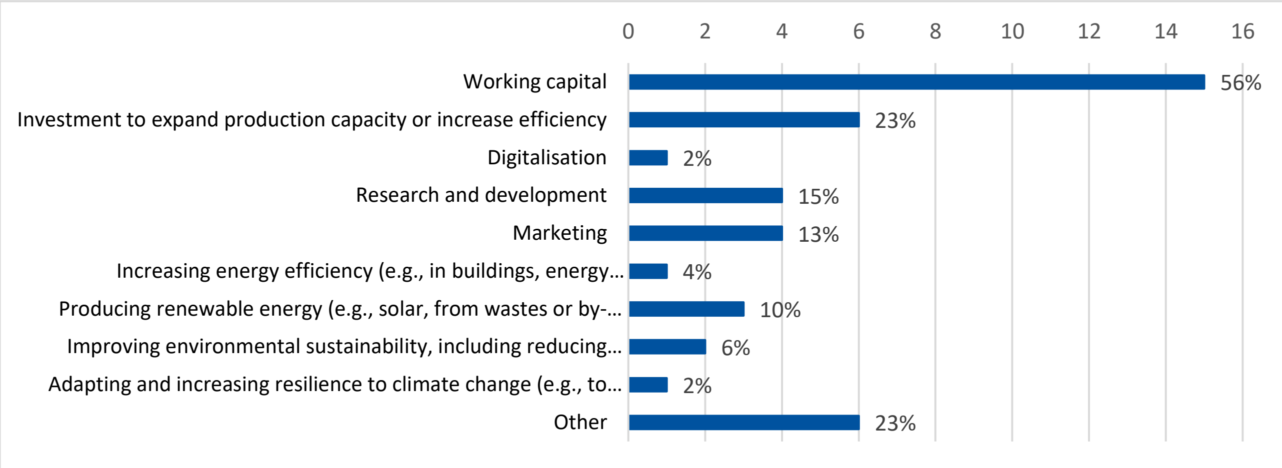
[95] The figures are published in fi-compass (2023b) and fi-compass (2020) with an analysis presented in Annex.

[96] Question 14a - Thinking about your most recent application for such a loan, was the application linked to any form of financial support or grant from the CAP/EAFRD?

Source: Fi compass Survey[97] and EY elaboration

The size of the investments applied for is between EUR 100 000 and EUR 100 million for the vast majority of the food and beverage producers who responded to the survey, with **short-term and medium-term loans being the preferred product for this size of loan**. The breakdown is given in Annex.

Figure 5: *Distribution of loans obtained in the past year, by main purpose of loan*



Source: Fi-compass survey[98] - and EY elaboration

The loans applied for by food processors were more than 56% for **working capital**, with investments **to expand capacity** and other purposes making up the second and third places. The enterprises involved in beverages production also drew loans predominantly for working capital, but the second most frequent purpose was **research and development**.

More than 70% of the agri-food enterprises recognise the impacts of climate change and the demand for finance for **investments connected to environmental sustainability** also shows interesting trends which could help guide a possible environmental dimension for future instruments to be proposed. The fields which are relevant to environmental sustainability are increasing energy efficiency; producing renewable energy; improving environmental sustainability including reducing greenhouse gas emissions; and adapting and increasing resilience to climate change. The survey results which may be found in Annex are summarised below.

Most fields supporting environmental sustainability over the next three years will see double the number of investments compared to the number who have already invested in them[99], while the category of investments concerned with the reduction of greenhouse gasses is likely to see a smaller increase of about 50%. The **value of the intended loans also increases** across all fields of intervention compared to the self-reported investments already made.

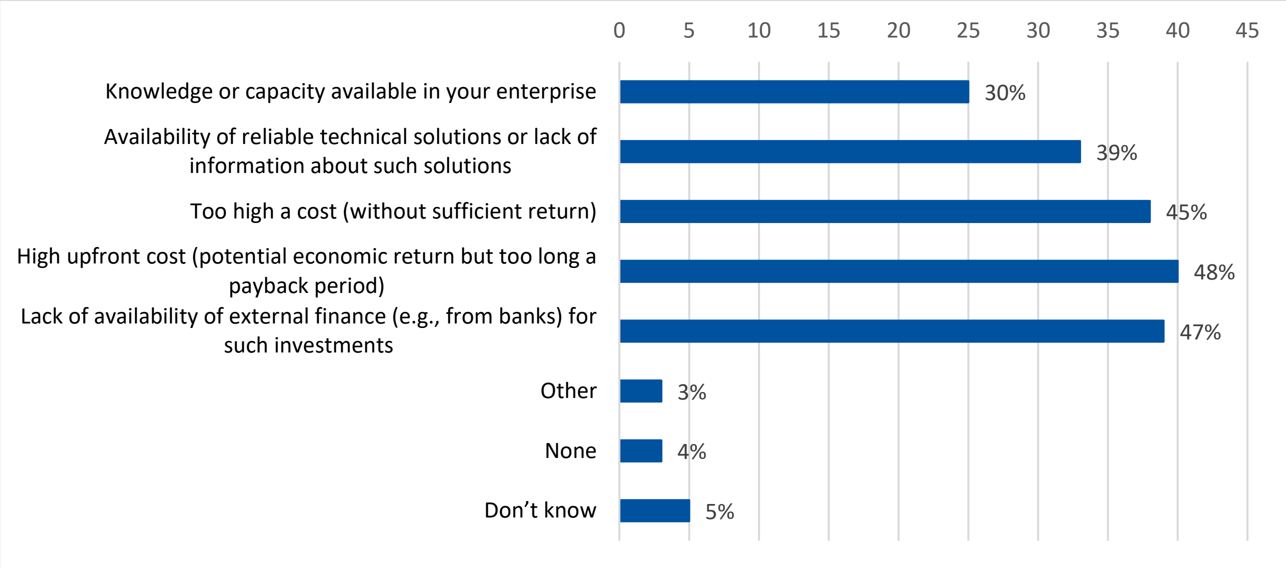
The main barriers to investment in environmentally sustainable investments, as reported in the survey, are given below:

[97] Question 14a - Thinking about your most recent application for such a loan, was the application linked to any form of financial support or grant from the CAP/EAFRD?

[98] Question 15 - Considering your loan applications in the last year, what was the main purpose of these loans?

[99] Survey data is presented in Annex.

***Figure 6**: Barriers agri-food enterprises face in terms of climate and environmental sustainability investments, by investment type*.



Source: Fi-compass survey[100] and EY elaboration

The pattern follows that of the farmers – with the cost benefit of the investment being brought into question, as well as the general cost of the investment/external finance.

3.2.4 Overview of investment and working capital needs for agriculture and agri food

Based on the computations conducted in this section the investment needs up to 2027 are outlined below:

***Table 7:** Investment needs up to 2027 for agriculture and agri-food*

Investments and working capital for farms and agri holdings	**EUR 8.85 billion**
Investments and working capital for companies in agri food	**EUR 0.45 billion**
Total	**EUR 9.3 billion**

3.3 Analysis of the supply of agricultural funding

3.3.1 Bank financing

3.3.1.1 Overview of banking system - Structure and key players

The banking sector in Greece has evolved significantly since 2018. Capital controls imposed in 2015 have come to an end, trust in the banking system has been restored with savings gradually increasing, banks have benefited from extensive recapitalization programmes and have also benefited from new schemes (introduced by the state) to manage non-performing loans. Overall, these improved conditions seem to have enhanced the risk appetite of banks in diverse sectors including the agricultural sectors.

The structure of the banking sector remains similar to 2018, with two segments namely domestic commercial banks, and cooperative banks. It is important to mention that foreign banks remain reluctant

[100] Question 24 - In your view, what are the most significant barriers for your business in terms of climate and environmental sustainability investment?

to operate in Greece in retail banking (HSBC was absorbed by Pancretan bank, and Procredit is focusing on Northern Greece, however investment banks have recently shown greater interest in the country which might lead in the short term to attracting new players. Large market concentration remains with the four major commercial banks also called systemic banks. The major commercial banks are the Piraeus Bank, the National Bank of Greece, Eurobank Ergasias, and Alpha Bank. The cooperative banks are the Pancretan Cooperative Bank, the Cooperative Bank of Karditsa, the Cooperative Bank of Hepirus, the Cooperative Bank of Thessaly, and the Cooperative Bank of Chania.

Table 8: *An overview of banks' financial products' portfolio, targeting farmers and agri-food enterprises.*

Piraeus Bank	As Piraeus Bank acquired Agricultural Bank including the bank's portfolio and client historical records, the majority of farmers have loans to the former Agricultural Bank with many bad debts and many collaterals and property mortgages. The agricultural sector identifies Piraeus Bank as the key bank that provides financial products to farmers. For these reasons, 80% or more of farmers have loans to Piraeus Bank according to estimations derived by the interviews with commercial and cooperative banks. The bank acts as an intermediary for OPEKEPE disbursements (Pillar I direct payments: *prefinancing / 4 million transactions per year*) The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship and in the EAFRD Guarantee Fund 2014-2020.
Eurobank Ergasias	EUROBANK finances mainly the sectors of processing companies and less in the primary sector. Nevertheless, the bank recently entered the agricultural sector and does not have contract farming programmes. The bank is seeking to collaborate with large processing companies. The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship and in the EAFRD Guarantee Fund 2014-2020.
Alpha Bank	Alpha Bank has shown interest in gaining a more substantial market share in the agricultural and food processing sectors, offering several products targeting these segments. However, despite its gradual interest, the agricultural sector remains a new field for Alpha Bank, with a low market share and small participation to the financing of the agricultural sector.
National Bank of Greece	National Bank of Greece has a low market share to the financing of farmers. The bank has no significant relationship with farmers but is interested in being part of a productive trading chain with the European Investment Bank and being stable in cooperation with processing companies. The bank has participated in the EAFRD Guarantee Fund 2014-2020.
ProCredit Bank (Thessaloniki Branch)	The bank decided to open activities in Greece during the crisis and is focusing mainly on Northern Greece via the Thessaloniki branch, with a focus on small corporate banking in areas such as EE and RE. The bank has participated in the EAFRD Guarantee Fund 2014-2020.
Pancretan Cooperative Bank	The bank has significant market share on the island of Crete and has recently absorbed the HSBC retail branches making a wide expansion in the Athens area. The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship and in the EAFRD Guarantee Fund 2014-2020.

Cooperative Bank of Karditsa	The bank finances at a large-scale SMEs but focuses also on the agricultural sector. The bank focuses on sectors with small production variations. It has a leading role in the Thessaly area. The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship and in the EAFRD Guarantee Fund 2014-2020.
Cooperative Bank of Thessaly	The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship and in the EAFRD Guarantee Fund 2014-2020.
Cooperative Bank of Hepirus	The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship.
Cooperative Bank of Chania	The bank has participated in the Micro-loan Fund for Agricultural Entrepreneurship.

Overall, the banks have managed to improve their balance sheets and appear capable of steadily financing the economy going forward. More specifically:

Non-Performing Loans

Greek commercial banks are on track to meet NPL Euro Area average. In 2023 NPL reduction continued, mainly through sales to the secondary market. NPLs of Greek significant banks stood at EUR 8.27 billion in the third quarter of 2023, down by EUR 1.59 billion from end December 2022. All four significant banks have now reached their single-digit NPL targets, with one of them below 5%. Banks' asset quality continued to improve[101].

Liquidity Coverage and Net Stable Funding Ratios

Private sector deposits continued to grow to increase in 2023 (by EUR 6.1 billion), keeping Greek banks' liquid assets at a high level, despite the substantial repayment of a large part of European Central Bank (ECB) funding via the Targeted Longer-Term Refinancing Operations.

The Liquidity Coverage Ratio (LCR) stood at 211.75% in the third quarter of 2023, more than double compared to the supervisory requirement of 100% and remained significantly higher than the corresponding European average for banks in the Single Supervisory Mechanism (Q1 2023: 161.25%, Q2 2023: 158%, Q3 2023: 158.78%).

The Net Stable Funding Ratio (NSFR), after its significant increase in 2022, **stood at 135.01%** in the third quarter of 2023, from 128.76% in Q3 2022, reflecting the adequate coverage of banks' long-term liabilities without requiring excessive use of short-term funding.

3.3.1.2 Bank positioning and strategy in the agricultural sector

Regarding the systemic banks, Piraeus remains the leader in the agricultural sector, with the remaining banks however trying to increase their market share and competitive pressure. Cooperative banks are also trying to increase their shares by taking advantage of their proximity to rural areas. Overall, the findings suggest an increase in the risk appetite of banks for financing the agricultural sector.

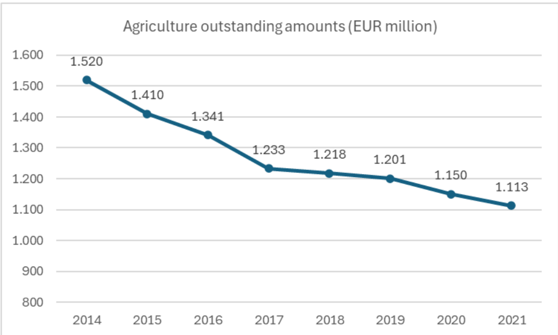
[101] Source: Hellenic Bank Association (2023).

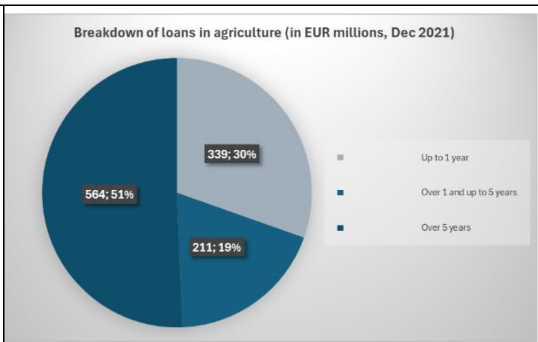
Outstanding loans in the agricultural sector

Up to 2021, the fact that outstanding loans have decreased in the period 2014-2021 by more than EUR 400 million (reaching EUR 1.113 million in 2021) demonstrates that the sector was deleveraging. The decreasing portfolio reflects **(a) the increase of repayments and (b) the overall improvement in the financial stability of the sector**. Thus, the provision of financing may not have necessarily decreased: many farmers can repay their previous loans reflecting an overall recovery in the agriculture sector. With this improvement, and with the forthcoming EAFRD support for 2023-2027 programming period, the financial sector expects the outstanding loan portfolio to start growing again in the coming years as new loans are expected to be larger and disbursed more frequently[102].

***Figure 7:** Agriculture outstanding loans (2021)*

End of Period	Total (non-financial corporations)		Agriculture	
	Outstanding amounts (EUR million)	Annual percentage change (%)	Outstanding amounts (EUR million)	Annual percentage change (%)
2014	95.198	-3.3	1.520	-6.5
2015	89.141	-1.2	1.410	-4.4
2016	87.502	0	1.341	0.1
2017	82.114	0.4	1.233	-5
2018	76.379	0.3	1.218	4.1
2019	67.349	0.2	1.201	0.2
2020	66.594	11,4	1.150	6.9
2021	58.112	3.2	1.113	11.5



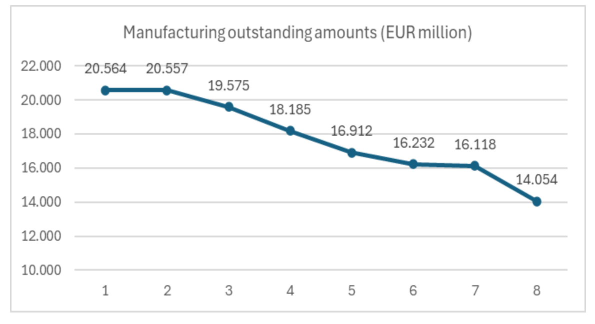


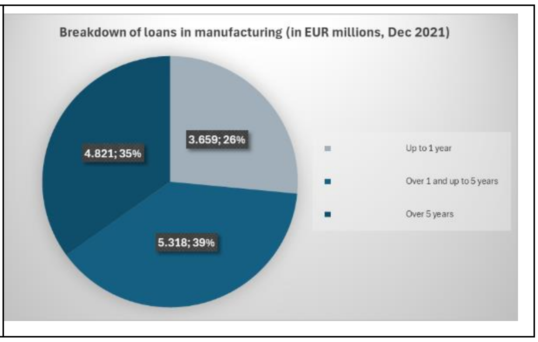
Source: Central Bank of Greece (2022)

***Figure 8**: Manufacturing outstanding loans (2021)*

Total (non-financial corporations)		Manufacturing	
Outstanding amounts (EUR million)	Annual percentage change (%)	Outstanding amounts (EUR million)	Annual percentage change (%)
95.198	-3.3	20.564	-3,3
89.141	-1.2	20.557	2,4
87.502	0	19.575	-1,5
82.114	0.4	18.185	-1,4
76.379	0.3	16.912	-0,6
67.349	0.2	16.232	0,4
66.594	11,4	16.118	8,1
58.112	3.2	14.054	4,2

102 Fi-compass (2020).





Source: Credit to domestic non-financial corporations by domestic MFIs excluding the Bank of Greece, breakdown by branch of activity, Central Bank of Greece, 2022.

Available financial products

Within the above-mentioned favourable environment, and according to the banks participating in the interviews[103], **financing perspectives have improved**, especially after COVID-19 pandemic. **Greek banks currently seem to be more open in providing financing to the agricultural sector, expressing stability acquired and improved risk appetite**. For this reason, banks, with traditionally limited interest in the agricultural sector during the last years, now consider attracting more clients and expanding the portfolio of their services and financial products targeting farmers and agri-food enterprises (e.g., Alpha Bank, Eurobank, Procredit). Key trends in this positive course for the agricultural sector, validated by the banks interviewed, include:

- **Increased Access to Credit and Financing:**
  - ✓ **Specialized Agricultural Loans:** More Greek banks offer tailored loan products for farmers, including seasonal loans for crop production, equipment financing, and long-term investment loans for infrastructure and land purchase.
  - ✓ **EU Funding Programs:** Greek banks often act as intermediaries for European Union funding programs, such as the Common Agricultural Policy (CAP) and the Rural Development Program (RDP), along with RRF, providing co-financing and bridging loans.
- **Sustainability and Green Financing considered:**
  - ✓ **Green Loans:** Banks positively assess green and digital investments, both as part of an investment plan or a standalone application, to support sustainable farming practices, such as organic farming, technology advancement, water conservation, smart agriculture, and renewable energy projects.
- **Microfinance and Cooperative Banking:**
  - ✓ **Microloans:** Small-scale farmers and 'agripreneurs' have access to microloans to support their operations and improve productivity.
  - ✓ **Cooperative Banks:** Cooperative banks play a significant role at local level in providing credit and financial/consulting services to their members.
- **Support for Young Farmers and New Entrants:**

[103] Interviews with Piraeus Bank and focus groups with cooperative banks.

- ✓ **Startup Capital:** Financial support for young farmers and new entrants to agriculture, combining grants, low-interest loans, grace periods, and mentorship programs.

Among all the above, the current premium products offered by the Greek commercial and cooperative banks refer to:

Contract Farming Programs	Farmer's card/ Agro-carta
• The bank enters into a loan relationship at two levels: ✓ With the buyer of the plant or animal product. Working capital is approved for the payment of the raw material received from the producers ✓ With the producers who have contracted or will contract with the above buyer. Credit is granted for withdrawals-purchases using the Contract Agriculture & Livestock card • Risk exposure is very limited	• The bank issues a preferential account, directly linked to the amount of the CAP Pillar I direct payments that the farmer receives, • In practice, it discounts part of the annual agricultural subsidies to which each producer is entitled, immediately offering them the necessary liquidity for their production needs, • Usually, there are no issuing costs for the card, no annual fee and no collaterals required.

However, the following also need to be considered:

- Following many recovery actions, **Greek banks now appear to be following strict lending policies**. In interviews, it was mentioned that banks are unable to renegotiate terms and conditions, such as grace periods, repayment schedules, loan amounts or interest rate levels, to better meet the needs of their clients.
- **The offered loans need to be in line with banks' policies and procedures** as banks fear that issuing too many loans to farmers not fully complying with the required thresholds (in terms of profitability, credit history or indebtedness) could result in more clients defaulting on their loans.
- **Greek financial institutions offer loans to farmers for both investment and working capital needs**, but with no great diversity, except for interest rate and grace period variations. Piraeus Bank proceeds with a more integrated approach to agri-financing, responding to the needs of its large clientele and leading the sector.
- **Operations under Measures 4.1.1 and 4.1.5 (Improvement Plans) by the Ministry drive the demand and supply for investment loans**, since, as stated by the banks, they reach almost 80% of the approved loans (related to approved plans in the framework of CAP funding combined with grants). This indicates a strong state driven factor that has created a traditional approach for loan disbursement by the banks. While there is typically one call for proposals, it remains at the discretion of the Ministry to issue an additional call based on prevailing demand.
- **'Farmer's Card'** and **'Contractual Agriculture'** are both schemes aiming to facilitate short-term funding and to enable farmers to prepare their cultivation season. The Farmer's Card is open to any farmer, whereas the contractual agriculture scheme is usually available only through cooperatives, producer groups or processing units. These schemes often cover 80% of working capital needs and they use direct payments or output value as collateral.

- **Farmer's Card competes with informal loans provided by upstream value chain actors**. While the card performs well, there is a competition with other market actors. Suppliers of fertiliser and pesticide act as financial intermediaries, providing informal financing to farmers by ensuring the purchase of the farmers' future production with a discount on the selling price of the production.
- **Finally, Greek banks also act as intermediaries for financial instruments that aim to improve the supply of loans**. These include the 2014-2020 EU Programme for the Competitiveness of Enterprises and SMEs, the Employment and Social Innovation (EaSI) guarantee instrument, and the EAFRD financial instruments. COSME has no impact on agriculture finance in Greece. On the contrary, between 2018-2020, the EaSI guarantee instrument had facilitated access to finance for 174 Greek SMEs in the agriculture, forestry, and fishing sector for a total of EUR 3.3 million[104].
- **In 2024**, Greek banks also participate as intermediaries in the EIF InvestEU sustainability guarantee facility that also focuses on agri related investments.

Table 9: *An overview of banks' financial products' portfolio, targeting farmers and agri-food enterprises.*

Bank	Financial Product	Outstanding loans for agricultural activities (in mill. EUR)	Overall outstanding loans-all sectors (in mill. EUR) (total)[105]	Share of the outstanding agricultural loans in relation to all sectors' outstanding loans
Piraeus Bank (80% market share)	Contract Farming, Farming Loans, Bank Accounts for Farmers, Farmers Cards, Insurance	~2.500	36 126	6,9%
Alpha Bank	Contract Farming, Farming Loans, Bank Accounts for Farmers, Farmers Cards, Microcredit	n/a	38 799	n/a
Eurobank	Farming Loans, Farmers Cards, Bank Accounts for Farmers	n/a	40 650	n/a
National Bank of Greece	Farmers Cards, Farming Loans, Bank Accounts for Farmers	241 [106]	16 189	1.5%
Procredit	Farming Loans	n/a	0,6[107]	n/a
Coop. Pancretan	Farming Loans	1.7 [108]	38	4.5%

[104] Source: fi-compass (2020) Financial needs in agriculture and agri-food sectors in Greece.
[105] Source: Hellenic Banks Association (2023).
[106] National Bank of Greece Annual Financial Report, 2023.
[107] ProCredit Bank EAD Consolidated Financial Statements, 31 December 2023.
[108] Pancretan Cooperative Bank Interim Financial Report, 31 March 2023.

Bank	Financial Product	Outstanding loans for agricultural activities (in mill. EUR)	Overall outstanding loans-all sectors (in mill. EUR) (total)[105]	Share of the outstanding agricultural loans in relation to all sectors' outstanding loans
Coop. Karditsa	Contract Farming, Farming Loans, Bank Accounts for Farmers, Insurance	34.5 [109]	124	27.8%
Coop. Thessaly	Farming Loans, Bank Accounts for Farmers, Insurance	54 [110]	338	16.0%
Coop. Hepirus	Farming Loans,	24.7 [111]	287	8.6%
Coop. Chania	Farming Loans, Bank Accounts for Farmers,	47[112]	470	10.0%

Source: EIB/EY elaboration from diverse sources

As indicated in the table above, Piraeus Bank has a portfolio of EUR 2.5 billion in outstanding agricultural loans. According to the interview conducted with the bank and to relevant data provided to this end, there is an estimation of EUR 450 million for new agricultural loans, in the year 2024 for Piraeus Bank only. This objective is taken as a basis due to the leading role of the specific bank in the sector (Piraeus represents more than 80% market share). Based on the analysis conducted in the table below, the estimate for the provision of banking finance to the sector by all main banks for the period up to 2027 is EUR 2.3 to 2.5 billion.

Table 10. *Projections in new loans provided by the banking sector for 2024-2027*

<table>
<tr><td>Current Situation
• Piraeus Bank's Current Agricultural Loan Portfolio: EUR 2.5 billion.
• New Agricultural Loans for 2024 (estimated): EUR 450 million.</td><td>Future Projections (2024-2027)
• Market Share: Piraeus Bank holds approximately 80% of the total agricultural loan market.
• Range of New Loans for Piraeus Bank (2024-2027): EUR 1.8 to 2 billion in new agricultural loans during this period.</td></tr>
<tr><td colspan="2">Total Market Estimate (All Banks)</td></tr>
<tr><td>Total Market Projection for 2024-2027:
• EUR 2.3 to 2.5 billion in new agricultural loans. This includes both Piraeus Bank (80%) and other banks (20%) in the market.
• The remaining banks, holding 20% of the market, would account for approximately EUR 460-500 million (20% of the total).</td><td>Breakdown
• Piraeus Bank's New Loans (2024-2027): EUR 1.8 to 2 billion.
• Other Banks' New Loans (2024-2027): EUR 460 to 500 million.
Total New Agricultural Loans (2024-2027): EUR 2.3 to 2.5 billion.</td></tr>
</table>

Source: EY/EIB elaboration

[109] Cooperative Bank of Karditsa Annual Financial Report, 31 December 2023.
[110] Amount given by the bank during the interview.
[111] Cooperative Bank of Epirus Annual Financial Report, 2022.
[112] Amount given by the bank during the interview.

Drivers for increased risk appetite in the context of financial instruments[113]

To boost agri-financing, Greek banks have recommended several drivers to ensure (a) the sustainability of financing towards the agricultural sector, along with (b) an increased expression of interest on behalf of the farmers. These recommendations aim to improve the financial institutions' approach to supporting agriculture:

1. **Provision of working capital**, under favourable and flexible terms and under the scheme of microfinancing (< EUR 50 000);
2. **Process simplification**, to allow management costs to decrease for both sides, especially in microfinancing;
3. **Combination of loans with grants,** to reduce investment risks;
4. **Widening of eligibilities to include additional investment types under public intervention schemes such as** land purchase;
5. **Implementation of guarantee facilities**, to improve banking conditions and especially reduce collateral requirements;
6. **Implementation of technical assistance and other forms of technical support such as mentoring**, in order to help grow networks of experts in these sectors, and training to increase financial literacy, as well as to improve the quality of investment plans;
7. **Establishment of clear guidelines and complementarity mechanisms when combining grants and loans.** In the previous period, project promoters were sometimes faced with reduced grant amounts when applying for additional financing via FIs due to state aid rules. This was causing confusion and frustration in the market that was directed towards banks and creating negative reputation for the use of FIs. Clear rules need to be communicated ex ante.
8. **Streamlining Financial Instruments**, for better efficiency and impact of these instruments, support across value chains, including dynamic sub-sectors as well as to promote specific policies such as green and smart agriculture;
9. **Targeted support to new/young farmers,** since over the last years there seems to be an important increase in the relative applications (*Piraeus Bank mentioned that in 2022, 60% of the approved financing was for young farmers*);
10. **Better communication of eligibility criteria** and rules of implemented financial instruments and public intervention schemes to the farmers, to improve rejection rates.

Finally, it is important to quote that *'Greek banks have confidence in the agricultural sector and its dynamics, acknowledging that there is important potential for investment in the sector',* despite its drawbacks and barriers. The banks now seem more willing to expand their portfolio, still emphasizing that entrepreneurial culture needs to be established among farmers.

[113] As stated by the interviewed banks (HDB, Piraeus, NGB and cooperatives).

3.3.2 Public financing – Grants

The agricultural sector has been traditionally dominated by public grants and diverse forms of subsidies. Even though the abundance of such grants could sometimes lead to moral hazards, they remain an important driver for investment and growth in the sector. The gradual introduction of financial instruments will be important to gradually change mentalities and encourage stakeholders both on the supply and demand sides to explore reimbursable forms of financing. However, at this specific point in time, grants remain the primary source of financing for the sector, and financial instruments and bank financing are positioned in a way to complement these grants.

The public sector is gradually increasing investments to the agricultural sector. Its main 'tools' to this end comprise:

- **The CAP 2023-2027**
- **The Greek Recovery and Resilience Plan**
- **The Research-Innovation Programme 2021-2027**
- **The Development law**

The overall estimation on the amounts to be provided by each financial source is presented below. These amounts are intended to support primarily private sector investments, so they do not include public infrastructure works or income support measures:

Table 11: *Recap of all available public funds for investments in agricultural sectors*

Programme/Mechanism	Investment provisions
CAP 2023-2027[114]	**€ 1.339.833.815,00**
RRF (~520 investment plans with an average of € 2 million each)	**€ 1.000.000.000,00**
Research-Innovation Programme	**€ 45.000.000,00**
Developmental Law (150 million/year-over the years 2024-2027)	**€ 600.000.000,00**
TOTAL	**€ 2.984.833.815,00**

In total, almost EUR 3 billion will be allocated to the agricultural sector during the years 2024-2027, as deriving from all supporting Programmes and mechanisms.

Source: EY/EIB elaboration

The **CAP 2023-2027** is the key financing source for investments in the agricultural sector. As in the previous period, the **CAP 2023-2027** Pillar II will continue to play a leading role in financing the sector. Pillar II measures related only to investment are:

Table 12: *Public expenditure in CAP 2023-2027 related to productive investment*

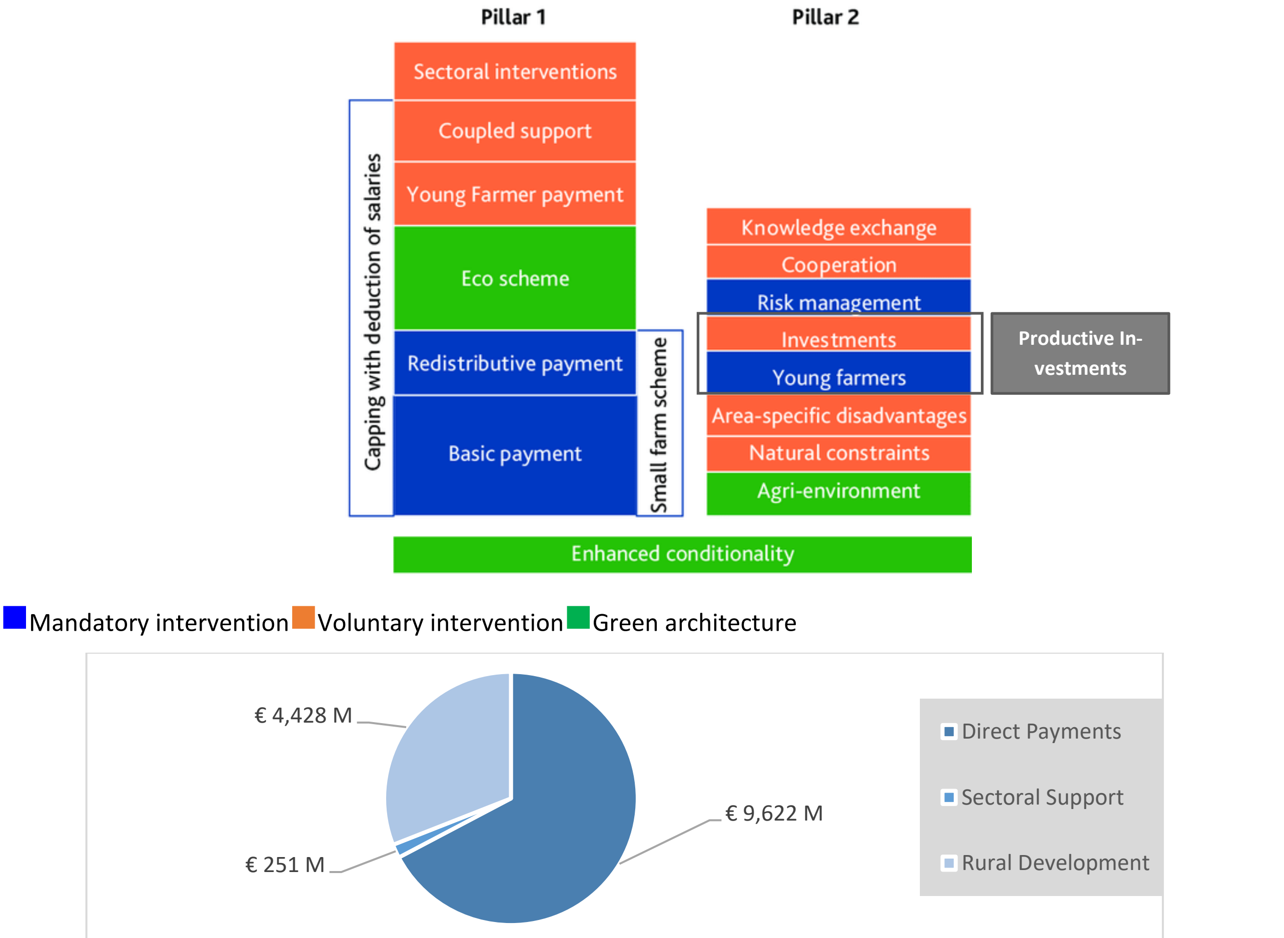
Measures	Public expenditure
INVAPI (55(1)(b))	**€ 47.126.450,00**
INVWINE (58(1)(b))	**€ 25.362.000,00**

[114] CAP 2023-2027 has specific indication as INV for those measures targeting productive and non-productive investment. From those measures only those targeting productive investments are considered for the estimation of the supply.

INVWINESUST (58(1)(m))	**€**	**95.220.000,00**
INVEST (73-74) TOTAL,	€	1.578.890.826,00
of which		
INVEST (73-74) Productive Investments	**€**	**1.172.125.365,00**
TOTAL Public expenditure	**€**	**1.339.833.815,00**

Source: EY/EIB elaboration

Figure 9: *Greece Investments' allocation in CAP 2023-2027 Pillar II*

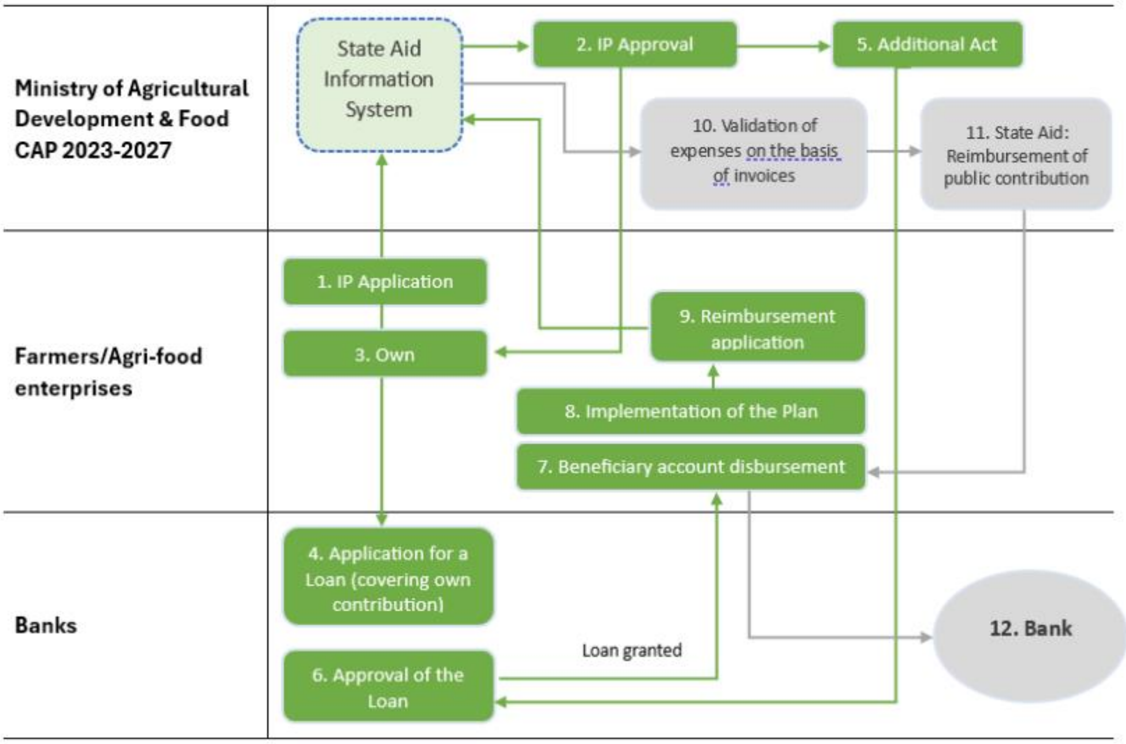


Source: DG AGRI (2024)

Within the mechanism of the CAP Pillar II, **Improvement Plans** (Operations under Intervention П3–73–2.1) constitute the nucleus for the growth and financial support sought by promoters in the agricultural sector. The quality of these plans is crucial since they instigate not only the grant financing, but also the loans provided via financial instruments and loans provided solely by commercial banks (supply side interviews indicated that most bank clients in the sector are those applying for grants). Technical support to improve the quality of these plans has been characterized as crucial, in the form of technical support grants or eligible costs under financial instruments.

The figure below outlines the mechanism for the life cycle of these plans.

Figure 10: Operations under Intervention П3–73–2.1 (Improvement Plans) in CAP 2023-2027



Source: EIB/EY elaboration

Another funding source for the Greek Agriculture is the **Greek Recovery and Resilience Plan*;*** the Plan includes major investments in the agricultural and rural development sector. The projects financed in the agricultural sector aim at its modernisation and improved resilience: they include a series of investments that will strengthen the development, improve connectivity, achieve financial and digital transformation and increase productivity in the sector. In this context, strong incentives are given to private investments for green and digital transformation of businesses, the enhancement of innovation and their extroversion.

The programme is linked to the ongoing reform to support collective schemes in order to address the structural issues of the primary sector (small and fragmented land parcels). For instance, **it is estimated that more than 520 projects in the primary sector, throughout Greece and with a total budget of more than EUR 1 billion, will be funded through the Plan** which will cover mostly collective groups and SMEs that will invest in innovation and green and digital transformations, contributing to the sustainability and competitiveness of the Greek agricultural sector (NRRP 2023).

The **2021-2027 Research and Innovation Programme** (*with a total of EUR 300 million for all industries*) continues the Research-Creation-Innovation Intervention of the programming period 2014-2020, where 16% of the total budget allocation (~EUR 87 million) was delivered to the agrifood sector[115]. In the new period, agri-food enterprises will participate in a process that links research and innovation with entrepreneurship, thus enhancing the competitiveness, productivity and extroversion of businesses to international markets. **The Programme is expected to cover all allocated**

[115] Source: General Secretariat of Research and Innovation (2023).

resources, with more than EUR 45 million being directed to agri-food businesses and partnerships with research institutions.

Lastly, the **Development Law 4887/2022** is the primary investment law designed and updated by the state every few years. It provides a financing framework for the main economic sectors of the country as defined by the national objectives and financed by the state budget. The Development law also allows for funding in the agricultural sector, as one of the thirteen eligible thematic sectors. According to the General Secretariat for Private Investment, each thematic sector is allocated EUR 150 million per year, hence, **for the agricultural sector, this provides for EUR 600 million over the period 2024-2027**[116].

The Joint Ministerial Decision 59790/2023 (Government Gazette B' 4495/13.07.2023) defines the types of investment plans in primary agricultural production that are eligible for support. These plans target very small, small, and medium-sized enterprises and may involve establishing new units, expanding existing ones, with or without relocation, and modernizing units to increase capacity, provided they comply with national or EU regulations and have the necessary licenses. The maximum aid per investment plan and per enterprise is EUR 600 000, with support rates reaching:

- 75% of eligible costs for plans on the small Aegean islands,
- 40% in the Attica Region
- 50% in other regions

Investment plans must aim to improve the overall performance and sustainability of agricultural holdings by reducing production costs or reorganizing production, enhancing the natural environment, health conditions, or animal welfare standards, and developing, adapting, and modernizing agricultural infrastructure. Eligible investment plans in animal production include livestock facilities (new, expanded, or modernized) as per Law 4056/2012, and various types of breeding units, including cattle, sheep, goats, pigs, equines, fur animals, game species (subject to forestry regulations), snails, sericulture, beekeeping, and rabbits (up to 2,000 breeding females).

Poultry units must meet specific conditions, such as alternative breeding (excluding ostriches) for organic meat and egg production, conventional breeding for egg or meat production, and modernizing existing units. Breeding or hatchery units are included only within the vertical integration of existing poultry units. For cooperatives, hatchery and fattening businesses, and collaborating poultry farmers, the total capacity post-investment should not exceed the average production or distribution of the last five years, increased by 20%. Collaborating businesses must have a cooperation agreement valid for at least five years post-investment completion.

[116] Source: General Secretariat of Private Investment (2024). https://ependyseis.mindev.gov.gr/el/idiotikes/p/genika

Public financing for investment in the agricultural sector is primarily driven by the Common Agricultural Policy (CAP) 2023-2027, the Recovery and Resilience Facility (RRF), and the Development Law. Together, these mechanisms are estimated to contribute more than EUR 3.0 billion in productive investments targeted at the sector.

- **CAP 2023-2027:** EUR 1.34 billion will be allocated through specific measures, with a focus on Investment Plans and Young Farmers as the primary mechanisms.
- **Development Law:** EUR 150 million per year will be directed to the agricultural sector, resulting in a total of EUR 600 million over the period 2024-2027.
- **Recovery and Resilience Facility (RRF):** The RRF will provide loan financing for approximately 520 projects in the primary sector across Greece, with a total budget exceeding EUR 1 billion.
- **2021-2027 Research and Innovation Programme:** More than EUR 45 million is expected to be allocated to partnerships of agri-food businesses with research institutions, fostering innovation and collaboration in the sector.

3.3.3 Financial Instruments (FIs) in the 2014-2020 period

3.3.3.1 Set-up and implementation

In Greece, during the programming period 2014-2020, two financial instruments were established to support agricultural activities, which will continue to operate until the end of 2025. Both instruments were funded by the EAFRD RDP 2014-2022 with a thematic focus on investments regarding primary agricultural production or processing, marketing and/or development of agricultural products:

1. The **Micro-loan Fund for Agricultural Entrepreneurship** featuring a risk-sharing micro-loan facility implemented by the Hellenic Development Bank (HDB).

   The Micro-loan Fund for Agricultural Entrepreneurship provides co-financing for a new portfolio of loans and shares 50% of the portfolio credit risk. The risk of non-repayment is shared by the financial intermediaries, in proportion to their own contributions. The risk-sharing loan contribution from the Micro-loan Fund is at 0% interest, reducing the aggregate interest rate of the loans to substantially below the standard market interest rate, transferring the benefit to final recipients.

2. The **EAFRD Guarantee Fund implemented by the European Investment Fund (EIF)**, a financial instrument introduced for the Greek agricultural sector featuring a portfolio guarantee, set up in 2019.

   This instrument aimed to reduce the financial gap of approximately EUR 3.5 billion, for loans, by increasing access to finance for the final recipients, encouraging the use of repayable forms of support, improving the terms and conditions of lending, and encouraging financial institutions to lend by covering part of their losses.

The key features and achievements of the above financial instruments are presented in the table below:

Table 13: *Key features and achievements of the EAFRD FIs (period 2014-2022)*

	Micro-loan Fund for Agricultural Entrepreneurship	EAFRD Guarantee Fund
Type of Financial Products	Portfolio risk-sharing loan (risk-sharing micro-loan instrument in combination with interest rate subsidy and optional grant component)	Capped portfolio guarantee for loans and/or finance leases
Implemented by	Hellenic Development Bank	European Investment Fund
Intermediary banks	Piraeus Bank Eurobank Cooperative Bank of Thessaly Cooperative Bank of Karditsa Cooperative Bank of Epirus Cooperative Bank of Chania PanCretan Cooperative Bank	Piraeus Bank ProCredit Bank National Bank of Greece Eurobank Cooperative Bank of Thessaly Cooperative Bank of Karditsa PanCretan Cooperative Bank
Financial Size	EUR 21.5 million from the RDP (100% from EAFRD), of which ▪ EUR 18.7 million contribution to loans ▪ EUR 1.5 million contribution to interest rate subsidy ▪ EUR 403 125 contribution to grants ▪ EUR 860 000 management fees Contribution of financial intermediaries to loans: EUR 18.7 million. No national co-financing of the instrument. Expected to provide total financing of approx. EUR 39.3 million. As a result of quick absorption of the instrument, in September 2023 the Managing Authority initiated a budget increase of EUR 40 million.	▪ EUR 80 million from the RDP (100% from EAFRD), and ▪ up to EUR 20 million from EFSI SME Window (available via the EAFRD-EFSI Initiative) ▪ up to EUR 380 million from the financial institutions Expected to support a portfolio of up to EUR 480 million.
Max. Loan Amount	EUR 25 000	Between EUR 10 000 and EUR 5 million, taking into account aid intensity provisions
Eligible Investments	▪ Purchase or lease of tangible and intangible assets ▪ General costs linked to the eligible investment (e.g., fees for engineers,	▪ Purchase or lease of tangible and intangible assets ▪ General costs linked to the eligible investment (e.g., fees for engineers,

	Micro-loan Fund for Agricultural Entrepreneurship	EAFRD Guarantee Fund
	consultation, advice on sustainability, feasibility studies) ▪ Working capital as part of the investment	consultation, advice on sustainability, feasibility studies) Working capital as part of the investment
Main Achievements	▪ 1 825 loans contracted for a total of EUR 42.4 million, of which EUR 34.4 million had been disbursed. ▪ Loans were for small-scale investments, with additional RDP grant support in some cases. ▪ Average loan size EUR 23 000. ▪ Interest rate subsidy was EUR 2.9 million, of which 672 012 disbursed. ▪ EUR 533 100 committed for technical assistance. ▪ 99.1% of loans for farmers, 0.9% for agri-food enterprises. ▪ EUR 42.9 million the value of investment projects supported ▪ Loan approval rate reached 41.1%.	▪ 618 loans contracted for a total of 42.82 million, of which 40.93 million had been disbursed. ▪ Approx. 95% of the final recipients are microenterprises, while the remaining 5% are small enterprises. ▪ 60.7% of the loans for investments in crop production, 7.4% of the loans for processing, 31.9% of the loans for animal production (including mixed farming). ▪ Average loan amount approx. EUR 69 290. ▪ By the end of December 2023, 1 185 loan applications had been submitted, requesting a total of EUR 109 million.

Source: EIB/EY elaboration

3.3.3.2 Assessment & Lessons Learnt

Micro-loan Fund for Agricultural Entrepreneurship

The Micro-loan Fund for Agricultural Entrepreneurship FI had a very satisfactory implementation course, as acknowledged by all involved partners (MA, HDB, commercial and cooperative banks). The product seems to be highly **attractive for the target group(s), due to its design**, which ensures loans with below-market interest rates, and no collateral requirements by the participating banks.

The instrument enables recipients to benefit from grant schemes under the RDP Measure 4 in combination with the micro-loan, to cover the same expenditure. However, there has been low interest in this option, due to the relatively modest loan amounts involved. On the other hand, it has facilitated access to microfinance for small-scale professional farmers (all 511 final recipients are micro-enterprises - with 623 employees in total), acting both as working capital and/or micro investment.

Several drivers support the satisfactory course:

- **Response to the most important need of the farmers**. The instrument clearly activated farmers (99.1%), rather than agri-food enterprises, due to its microcredit/micro finance characteristics. From the demand side, short term micro loans have revealed themselves to be the most prominent financial product preferred by farmers. The average size of the disbursed loans reveals that credit ceiling could increase (*mentioned both by farmers and banks*).

- **Decreased (zero) interest rate**. This feature was key to decrease risk and sustainability of the instrument, and therefore drive increased interest from both parts (*affordability for the farmers, bankability for the banks*).
- **Relatively simplified processes for the final recipients**. The simplification affected efficiency and speed in delivery of the financing: faster decision-making and execution.
- **Activation of a consulting network supporting applications**, under reimbursable fees, bridging the financial illiteracy of the applicants to the banks' requirements.
- The Ministry staff and the implementing bodies required the necessary knowledge (provided by fi-compass) to set up the financial instrument. The key stakeholders' staff including the banks/paying agency needed to increase their technical expertise and understanding of the institutional framework, the characteristics, procedures, banking protocol and operation of the Micro-loan Fund. **Capacity building actions** (trainings, coaching, presentations, printed materials) were initiated by the Managing Authority for the staff of the key stakeholders (public authorities, banks, the Ministry staff itself), to address their limited familiarity with the implementation of the instrument.
- **Multi-faceted communication initiatives** were undertaken, with positive results:
  - ✓ Open lines of communication were established between the key stakeholders (Managing Authority, banks, advisors, the public sector). As well as fostering collaboration, this initiative has enhanced visibility and awareness of the Micro-loan Fund and contributed to its success.
  - ✓ Close partnerships and streamlined communication between these stakeholders have ensured alignment of the objectives, timely responses to enquiries and flexibility in the necessary adjustments.
  - ✓ Presentations were carried out nationally, familiarising advisors and public sector authorities with the characteristics of the Micro-loan Fund. This awareness-raising further boosted collaboration between key stakeholders and served to clarify and simplify the features of the financial instrument.
  - ✓ Publicity was also achieved through the distribution of brochures and posters. This initiative kept stakeholders informed and engaged with the instrument.
  - ✓ A Help Desk was set up by the Managing Authority, providing support to the competent authorities, improving the fund's operational efficiency and resolving obstacles as they occurred.
  - ✓ An IT Application tool was developed and tailored to the specific needs of the Micro-loan Fund, providing efficient support to the Fund's operation, enabling the calculation of the Gross Grant Equivalent to ensure state compliance, and improving the transparent management of the grant cumulation limits.

The Micro-loan Fund's swift absorption is due to its alignment with the needs of the final recipients. The specific characteristics of the financial product, i.e., the combination of loans with preferential terms and conditions together with interest rate subsidies and a grant component, have led to its success. However, any future continuation of the instrument needs to consider several challenges identified for the current implementation:

- **Potential increase of the loan amount** (< EUR 50 000). This is supported by the average loan near the current ceiling of the instrument.
- **More simplified processes** (under the regulatory provisions),
  - ✓ **for the banks**. They consider too high the managerial cost/application for the amount disbursed (EUR 25 000).
  - ✓ **for the farmers.** They consider very restrictive the payments on specific invoicing since they need a certain degree of flexibility to plan their farming activities.

EAFRD Guarantee Fund

The EAFRD Guarantee Fund was the first portfolio guarantee instrument for agriculture in Greece and served as a gateway to introduce financial instruments in a market segment that is traditionally heavily dependent on grants. The objective of this instrument was to serve as a pilot in order to educate all market stakeholders in the benefits of financial instruments. The allocated budget was deliberately ambitious to motivate the participation of financial intermediaries, provide confidence and security in the market about the credibility of the instrument, and stimulate the demand for financing from final recipients.

Following the launch of the FI, the instrument demonstrated an initial momentum, since the EIF, responsible for managing the available resources and for setting up the FoF, carried out **intensive market testing in advance** to identify market interest from financial intermediaries and final recipients and to assess potential absorption capacity as well as the expected risk profile of the product.

The instrument also demonstrated significant flexibility during the COVID-19 outbreak, which occurred shortly after the start of implementation. Following the Commission's Coronavirus Response[117], the EIF and the Managing Authority reacted swiftly and introduced two mitigation measures in the FI to support the liquidity of final recipients affected by the COVID-19 crisis, namely by enabling support for stand-alone working capital and for refinancing.

Despite its initial successful positioning in the market, the instrument exhibited slower absorption. In order to remedy this pace, the EIF was in constant communication with the financial intermediaries to identify and address the challenges.

During interviews, the market stakeholders acknowledged the efforts of EIF to reverse some weaknesses and overall, there was positive feedback from the market despite some setbacks. The following list outlines some challenges that are currently being addressed:

[117] To rapidly mobilise ESI Funds to combat the COVID-19 health and economic crisis, European co-legislators approved amendments to the CPR as part of the CRII and CRII Plus package. The first amendments set out in Regulation (EU) No. 2020/460 came into force on 31 March 2020, while the second amendments implemented by Regulation (EU) No. 2020/558 came into force on 24 April 2020.

- A weakness highlighted by some stakeholders was the fact that consulting costs were not eligible under the FI. To offset this weakness, the EIF plans to introduce an interest rate subsidy to reduce the overall cost of the financing, potentially allowing final recipients to allocate some resources to consulting services.
- As mentioned before, FIs in this market segment are driven by the availability of investment grants originating from CAP. In this context, the total eligible amount to be received under both the FI and the grant are defined by the state aid regulation. This technicality was not always clearly communicated to the final recipients, which in some cases resulted in a lower grant amount being approved and creating a negative reputation for the role of the FI. The EIF and the Managing Authority are working closely to provide a clearer guidance on the complementarity between grants and the FI and according to the Managing Authority, this is expected to no longer be an issue in the next programming period.
- In some cases, it was also communicated that existing banking clients in these sectors showed a preference in utilising existing banking products so as to avoid a lower grant approval. This problem is expected to be resolved in the next programming period.
- Overall, the financial instrument had to face inexperienced stakeholders in the specific sectors and a learning curve had to be climbed. Both the MA and the EIF are working hard to offer better communication and clearer eligibility framework for the current and next programming periods.

  In addition, in response to this need, an **IT Application tool** was developed and tailored to the needs of the financial instrument, providing important support to both final recipients and the financial institutions. It enabled the efficient submission of applications online, thus helping potential final recipients to provide complete, correct, and consistent information about their investment project.

  The **IT tool also performed automated checks and data collection for monitoring and evaluation**, maximizing the utility of the information provided to the financial intermediaries through reports and reducing the administrative burden of the instrument. The IT tool was connected to tools already used in the management of grant schemes to identify combinations of grants with the financial instrument, providing the banks and implementing bodies of grant schemes with necessary information.

To recap, the assessment of the FI should take into consideration the intended pilot character of the instrument and the impact it had on the mobilisation of market players to engage more in this sector. EIF as the FoF manager, carried out market consultations to address as much as possible, challenges that were identified during the implementation of the FI while further improvement steps are being explored by seizing the opportunities presented by the new regulation, namely:

- the possibility to combine FIs and grants in a single operation, enhancing the appeal of the FI for the final recipients, and
- the possibility to provide stand-alone working capital, without the need of an accompanying investment plan, which addresses a key demand of the market.

These features could help alleviate some of the previous challenges faced during the implementation of the FI and answer to the needs of the clients as identified during the interviews, increasing the FI's future potential. Guarantee FIs in agriculture help address a key barrier to the access to finance for the sector, that is, the limited creditworthiness and risk that is often associated with farmers due to their particular needs and vulnerability to environmental, economic and sociopolitical aspects.

Taking into consideration the experience gained from the current period, the new flexibilities introduced by the regulation and the additional improvement measures envisaged, there is significant potential for the guarantee FI to unlock substantial financing for the agricultural sector, reinforcing the rationale for the continuation of the FI in the next programming period.

By ensuring additional financing from the private sector, financial instruments played an important part in complementing grants, shifting towards a less grant driven culture, **helping to achieve EU policy objectives** especially concerning productivity, competitiveness, and job creation in the agricultural sector. There is plenty of potential for the period 2023-2027 to increase the efficiency and effectiveness of both instruments.

3.3.4 Overview of supply of financing up to 2027

Based on the analysis conducted in this section, the table below provides an overview of the estimated supply for financing from public funds and bank financing (without taking into account the forthcoming implementation of FIs).

Table 14: *Supply of financing for agricultural activities up to 2027*

Grants from CAP for investments	EUR 1.3 billion
RRF for agri investments	EUR 1.0 billion
Research-Innovation Programme	EUR 45 million
Development law for agri investments	EUR 600 million
Bank financing	EUR 2.5 billion
Total	**EUR 5.5 billion**

3.4 Market failures and Investment Gap

3.4.1 Market failures

3.4.1.1 Agriculture

Between 2017 and 2022, **the approval rate for loans to Greek farmers increased** from 40% to 70%. Although this remains lower than most EU Member States, it is a sign of significant improvement in access to finance for farmers. However, despite this increase, 44% of Greek farmers still have a significant need for financing and report difficulties accessing this financing. The following points outline the main difficulties in accessing finance and are indicated as market failures:

- **Farmers' limited collateral and lack of credit history (especially for young farmers),** significantly hinder their ability to secure loans. Young farmers, in particular, struggle with higher rejection rates and rely more on informal financing.
- **A general mistrust towards banks and the complexity of application procedures further obstruct access to finance**. Additionally, high financing costs and limited availability of finance are major barriers to environmentally sustainable investments.
- Many stakeholders identified the lack of information about available funding tools and financial products as an important market failure.
- **A large number of farmers are reluctant to apply for finance due to their business culture, and traditional ways of running their businesses**. This reluctance further fuels the fear of rejection. Overall, farmers claim that banks do not understand the specific characteristics of the sector.
- Banks highlight poor financial illiteracy on behalf of the farmers, as a main market failure in agriculture as compared to other sectors.

Interviews with professional associations also revealed a general mistrust between banks and farmers, stemming from past issues with the former Agricultural Bank. This mistrust, combined with the banking sector's traditionally risk-averse stance towards farmers, hinders applications for investments. Additional challenges include:

- **Still a lack of sufficient competition in the financial market** and dominance of one bank in the provision of finance to farmers. Although this point is widely improving in recent years and is projected to further improve, the dominance of a single bank still remains a concern and crowding in additional banks should be further explored when designing financial instruments;
- **Structural weaknesses in the sector**, such as small size of companies, low profitability, and an aging farmer population;
- **Lack of tax and insurance capacity;**
- **Limited provision of green financial products** and farmers' limited interest in them;
- **Farmers' low awareness** of available financial products;
- **Lack of technical assistance mechanisms and life-long learning in the sector**, combined with low entrepreneurial culture, particularly among small farms.

Table 15: *Challenges for farmers accessing finance*

Loan Approval by Farm Size	▪ **Short-term loans**: Higher approval for small and medium farms; 24% denial for large farms.[118] **Medium-term loans**: Medium-sized farms more successful, with all farm sizes closely clustered. ▪ **Long-term loans**: 89% approval for medium farms, 53% for small farms, 50% for large farms (30% rejection for large farms).

[118] The data in this paragraph are derived from the results of the survey and are presented graphically in Annex.

	▪ **Credit lines/Overdrafts**: 30% rejection for large farms. ▪ **Rejection Rates**: Small farms (7-13%), large farms (33%).
Green Investments	▪ Significant gap in investments for irrigation, agro-ecological practices, reducing energy/fuel consumption, renewable energy, digital agriculture.
Drivers for Finance	▪ **Working Capital**: Essential due to rising input prices (2021-2023), primary driver for 60% of applicants (higher than EU-24 average of 34%).[119] ▪ **Investment Finance**: Important for the modernisation of their farming equipment, while for livestock farmers, animal welfare improvements and modernisation of feeding and milking equipment.
Challenges	▪ **Lack of available collateral:** Loan conditions with little flexibility do not cater to the specific needs of agricultural holdings enterprises. Seasonal production cycles impact both financing periods need and repayment capabilities, adding another layer of difficulty. ▪ **Young farmers/new entrants face higher rejection** (43% of rejected applications). Farmers face high financing costs, fear of rejection, negative economic outlook, and complexity in application procedures. Additionally, **there is mistrust between farmers and banks** [120] ▪ **Preference for grants over loans:** Greek farmers predominantly favour grants due to their non-repayable nature, which supports immediate financial needs without the burden of loans. However, this reliance poses challenges for economic resilience and the banking sector by potentially discouraging financial literacy, credit history building, and the diversification of banks' portfolios away from interest-bearing products.[120]Cooperative Banks report that only around 10% of their portfolio is not linked to any grants, this percentage is slightly higher 15% for Piraeus Bank. ▪ **Financial illiteracy:** Agricultural and Agri-food sectors had the highest financial illiteracy scores, at 47 out of 100 on average[121] ▪ The economic crisis caused banks to restrict lending, even to healthy businesses. Another reason is that many **farmers lack sufficiently high levels of own equity.** ▪ **Farmers find the process of obtaining financing cumbersome due to bureaucratic procedures**, compounded by their perceived lack of expertise in preparing comprehensive business plans as suggested by banks.

[119] Financial needs in agriculture and agri-food sectors in Greece 2020
[120] Interviews with stakeholders
[121] Financial literacy in Greece, OECD, January 2024

	Moreover, farmers feel that banks often fail to grasp their specific needs and challenges. ▪ **Farmers and findings from interviewed banks highlight the absence of supportive mechanisms**, such as consulting services or guidance on financial management. The finding was also validated by banks. This deficit impedes farmers' ability to navigate financing challenges effectively.

Source: EIB/EY elaboration

3.4.1.2 Agri-food

In contrast to the agricultural sector, **the agri-food industry in Greece experiences fewer financial constraints due to its more business-oriented approach**. This sector enjoys lower rejection rates for loans, reflecting a stronger business mindset and strategic decision-making capabilities. **Agri-food businesses also hold a larger share in banks' portfolios for investments excluding grants, emphasizing their proactive approach to financial management**. Moreover, these businesses are more inclined to ensure their investments, demonstrating a heightened understanding of risk management compared to traditional farmers as well as are more inclined to make green investments.

The Greek food and beverages sector represents approximately 6% of the Gross Value Added (GVA), significantly higher than the EU average of 1.5%. Despite its growth and competitive edge in exports, the sector faces substantial financing challenges and lagging investments. **The primary drivers for finance in this sector are investments in capacity expansion, inventory and working capital needs, and new product development.**

Investments in capacity expansion include purchasing processing equipment, buildings, transport vehicles, and machinery, with the canning and pork sub-sectors having the highest needs, followed by the fruit and vegetables, bakery, and oil sub-sectors. Inventory and working capital needs are crucial mainly for small-sized businesses with significant export activity, as they need to pay in advance for production and promotion. Investments for developing new products focus on the dairy, olives, natural sweets, and honey sub-sectors, promoting the development of products such as Protected Designation of Origin (PDO) products or investments in improved packaging.

The primary factors contributing to the financing gap include demand-side constraints, lack of credit history, and unfavourable bank terms and conditions. Smaller enterprises struggle with financing due to a lack of credit history, limited sales networks, and lack of assets to serve as collateral. Additionally, low awareness of financing opportunities and perceptions of lengthy and complicated application procedures hinder access. In contrast, large processors have relatively easy access to finance due to their banking records and good track records.

Supply-side constraints include banks' risk-averse behaviour and limited competition within the banking sector, which allows banks to be selective about their clients. The financing gap for new entrepreneurs and start-ups accounts for 30% to 40% of the total gap. These enterprises would benefit from technical support to present viable business cases and strengthen their financial management skills, increasing their bankability.

In 2022, access to finance for agri-food enterprises in the EU was stable and successful, with 84% of applications fully approved. However, **in Greece, this percentage is significantly lower, at 56%**. Analysis of unsuccessful applications showed that 25.4% were rejected by banks, compared to only 5.4% at the EU-24 level. This rejection rate reveals an important point. That although these companies seemed bankable at the first stage of approval, they were eventually rejected due to a low-quality business plan. The need for technical assistance is important to help these bankable business access finance.

Additional reasons agri-food enterprises are rejected when applying for loans are similar to those in the agricultural sector: **insufficient levels of collateral, existing outstanding loans, and lack of credit history**. Banks often consider the value of existing fixed assets to be low and insufficient to cover the debt.

Banks offer **generic loan conditions with little to no flexibility**, which discourages applications and reduces the chances of receiving financing. Seasonal production affects repayment capabilities, especially for smaller and micro-processors that do not import products during winter. **Agri-food enterprises believe the cost of loans, especially long-term ones, is very high**.

Fear of rejection ranks lower than other reasons when compared to farmers, possibly due to the more entrepreneurial nature of processors. **The 50% rate for short-term loans being too costly is supported by interview results**, while the uncertain economic outlook aligns with the same reason given by farmers. When the reasons for not applying are plotted by sector, the results do not significantly differ from the total population of producers.

In short, the challenges for access to finance in the agri-food sector include:

- **Smaller enterprises struggle with financing** due to lack of credit history, shorter banking relationships, and limited collateral;
- **Limited awareness of available financing options** and perceived complexity of application procedures hinder access to finance;
- **Banks exhibit risk-averse behaviour**, limited competition, and offer generic loan conditions unsuited to agri-food enterprises' needs;
- **Lack of tailored loan terms**, high costs of loans (especially long-term), and seasonal production affect repayment capabilities.

Table 16: *Challenges for agri-food enterprises accessing finance*

Drivers for Finance	▪ **Capacity Expansion**: Processing equipment, buildings, vehicles, machinery (canning, pork, fruit/vegetables, bakery, oil). ▪ **Working Capital**: Essential for small-sized businesses with export activity. ▪ **New Product Development**: Dairy, olives, natural sweets, honey, PDO products, improved packaging.
Financing Challenges	▪ Many enterprises face challenges due to a **lack of credit history and unfavourable bank terms**. Smaller enterprises often struggle with financing

	because they lack historical records, have less extensive sales networks, shorter relationships with banks, and limited collateral. Many enterprises have insufficient collateral, or existing outstanding loans. ▪ There is **limited awareness of available financing opportunities**, and many perceive the application procedures to be overly complex. ▪ **Large processors generally have easier access to finance due to their established records and better banking relationships**. ▪ **Banks exhibit risk-averse behaviour**, making it difficult for some enterprises to secure financing. The value of farmers' fixed assets is considered low, and they consider that there is lack of bankable business plans as well as. ▪ The **limited competition within the banking sector** exacerbates these issues, allowing banks to be more selective about their clients. ▪ **Loan conditions with little flexibility do not cater to the specific needs** of agri-food enterprises. **High loan costs**, especially for long-term loans, further hinder access to necessary funds.
Approval Rates (2022)	▪ **EU-24**: 84% fully approved. ▪ **Greece**: 56% fully approved, ▪ 25.4% rejected by banks
Non-Application Reasons	▪ Unfavourable terms and conditions (40%, EU-24 average 19.6%). ▪ Negative/uncertain economic outlook (35.5%, EU-24 average 27%). ▪ Lack of interest (32.2%, EU-24 average 70.1%). ▪ Fear of rejection (14.9%, EU-24 average 8.9%).

Source: EIB/EY elaboration

3.4.2 Identified Financing Gaps

The following section attempts to provide high level estimates of financing gaps in the agricultural sector, in Greece. It is important to highlight that these estimates are based on proxies and approximations hence the figures should be viewed as indicative.

A key finding from this analysis, based on interviews and expert insights, is that although the financing gaps persist, the market conditions have largely improved and seem to be based on an increase in the financing appetite on the supply side, as well as the improved capacity and investment plans of project promoters on the demand side.

More specifically, the identified financing gaps as computed in the present report based on the estimate of the financing needs on the demand side versus the projections of available financing on the supply side up to 2027 are provided below:

Main Computation (A): Financing gap for both agriculture and agri food companies EUR 3.8 billion

Based on the analysis provided in previous sections, the investment needs in the agricultural and agri-food sectors were estimated at EUR 9.3bn for 2027, while the banking and public sectors will finance these sectors with EUR 5.5bn. This simplified approach provides an indicative gap of **EUR 3.8bn**.

Table 17: *Financing gap - main computation*

Investment needs up to 2027 (in EUR million)		Financing supply up to 2027 (in EUR million)	
Agriculture	**Agri-food**	**Public sector**	**Banking sector**
8,853	445	2,985	2,500
Total: 9,298		**Total:** 5,485	
Financing Gap (in EUR million)			
3,813			

In order to provide additional insight and to serve as a sanity check, additional computations are provided below based on other sources and methodologies.

Alternative Computation (B): Financing gap for both agriculture and agri-food sectors EUR 3.5 billion *(fi-compass 2023 report)*

According to the 2023 fi-compass report estimating the financing gap for agriculture and agri-food in the EU, the **financing gap of the agriculture sector in Greece was estimated to be approximately EUR 3 billion in 2022, which has declined significantly compared to the previous estimation of EUR 14bn in 2017**. Despite the substantial decline, this gap represents 38% of the sector's GVA, ranking Greece as having the 6th highest financing gap among the EU-24 member countries. In the agri-food sector, there was a similar improvement in the gap between 2017 and 2022, which reached 80%, namely the gap was estimated to be **EUR 344m in 2022 compared to EUR 1.7bn in 2017**.

As indicated above, the financing gap for both agriculture and agri-food sectors has been estimated by fi-compass to be approximately **EUR 3,5 billion**[122].

Alternative Computation (C): Financing gap for both agriculture and agri-food sectors EUR 3.1 billion

In addition to the aforementioned analysis, an additional calculation has been conducted as a sanity check. This computation focuses specifically on the estimated unmet demand for financing investment needs. According to the table below, the estimated unmet demand for financing from financially viable companies amounts to **EUR 3.1 billion**.

[122] fi-compass, 2023, Financing gap in the agriculture and agri-food sectors in the EU, Report, Available at: https://www.fi-compass.eu/publication/factsheet/financing-gap-eu-agricultural-and-agri-food-sectors

***Table 18:** Financing gap - alternative computation*

Component	Agriculture	Agrifood
Number of farms/enterprises[123]	529,516	1,507
Percentage of financially viable with unmet demand	0.44	0.69
Average loan size	EUR 12,000[124]	EUR 250,000[125]
Financing Gap calculation	**EUR 2,795,844,480**	**EUR 260 million**

3.5 Summary of the market assessment findings and comparative analysis

The analysis of the present report reveals an overall improvement of market conditions related to the general country outlook, the demand and supply side. It can be said that there is an overall positive outlook in the appetite for demand side stakeholders to engage in investments to improve their business, and supply side stakeholders to meet these investment needs. This can be seen in the significant reduction of the financing gap. The table below provides a summary of the analysis conducted in the present chapter with additional elements relating to the comparison with the previous assessment.

***Table 19:** Summary of the market assessment findings and comparative analysis*

Field	Specific topic	Present situation[126]	Comparative analysis
Outlook of the economy		Greece is steadily recovering from the extensive financial and budgetary crisis that was affecting all aspects of economic life in previous years. The Greek economy is on a growth path that has been praised by many international stakeholders. This steady improvement has a positive effect on all aspects of economic life including investment appetite from project promoters and financing appetite from financiers	The conditions as compared to 2017 are largely improved in the economy, however new challenges that emerge should not be undermined such as high energy prices and inflation, climate change with unforeseen natural disasters, the war in the Ukraine and others.
Key indicators in the agricultural sectors		Employment in Agriculture (%): 10.64 Employment in Agriculture ('0,000): 440.40 Employment in food processing (%): 3.85 Employment in food processing ('0,000): 159.50	Employment in agriculture is dropping in recent years, reflecting the ageing population of farmers and the ageing rural population in general. Employment in food processing has increased both in absolute terms and in terms of proportion of employed people. The increase in the number of people

[123] *Source:* ELSTAT (2021)
[124] Data provided by interviews, on average loan size for farmers & enterprises
[125] Idem
[126] As per the findings in previous chapters of the present document.

Field	Specific topic	Present situation[126]	Comparative analysis
			employed reflects the improving position of the sector within the total of Greek industry.
Demand side analysis – Agriculture	Demand for financing – access to finance – investment needs	The findings suggest that the majority of companies require working capital loans, however there is a strong interest in investment loans as well. Climate action and environmental sustainability is becoming more relevant in the sector, although young farmers seem to be better educated on this topic. The need for investment grants remains the driving force for farmers to seek bank financing, however the benefits of financial instruments are better understood in the sector. The lack of credit history, collateral and financial literacy remain the main blockers for farmers to access bank financing. Investment needs in the sector are reported at EUR 8.853bn up to 2027	The demand side in agricultural is more willing to invest in their business as compared to the previous period and seek higher amounts of investment loans (rather than working capital loans). Segments of the sector such as young farmers are more willing to seek green financing and there is an overall higher awareness for financial instruments. Structural weaknesses however remain relevant in the sector and need to be addressed with technical assistance and targeted communication from the side of the state and banks to further engage the sector in new investments. New structural challenges have not been identified, however recent climate related natural disasters may affect the sector and further analysis might be required in the mid-term to estimate the real impact of those.
Demand side analysis – Agri food	Demand for financing – access to finance – investment needs	Companies in agri-food have easier access to finance although the priority for working capital loans is also prevalent in this sector. Companies are becoming more aware of the benefits of investing in environmental sustainability and in comparison, to farmers, there is a need to finance research and development. More than 60% of companies report that they will require financing for investments and investment needs are projected at EUR 440m for 2024 and 2025. The estimation of the demand on investment for the agricultural holdings, over the years 2024-2027, is EUR 0.445 billion	Similar to farmers, companies in agri food report a stronger willingness to invest and take advantage of the overall positive outlook of the economy.
Supply of financing	Banking sector	The banking sector has fully recovered from the recent crisis that peaked with the imposition of capital controls, high NPL rates and almost a bank run of savings. Piraeus Bank having absorbed the former agricultural bank remains the uncontested leader in the financing of the agri sector, however the	Compared to the previous period, there are new players in the banking sector, while all banks show a greater risk appetite to invest in the agricultural sector. It needs however to be highlighted that rejection rates remain high sending a

Field	Specific topic	Present situation[126]	Comparative analysis
		remaining systemic and cooperative banks show a strong willingness to compete and gain more significant market shares. Some important figures: • Outstanding loans in agri EUR 1.1bn • Rate of approval of loans less than 70% • 60% of loans are provided for working capital EUR 2.3-2.5 billion are expected to be delivered by the banking sector for both agriculture and agri-food sectors in the period 2024-2027	message that bankable companies pass the pre-screening phase but are eventually rejected due to low quality business plans. This reveals a need for technical assistance in the sector.
Supply of financing	Public schemes	CAP 2023-2027 remains the main source of grant financing for the sector complemented with RRF funds and the national budget grants deployed via the Development Law. EUR 3 billion in total are expected to be delivered by CAP2023-2027 (EUR 1.34 billion), RRF (EUR 1 billion) and Development Law (EUR 0.6 billion) for both agriculture and agri-food sectors	Grants remain the driving force for the financing of the sector with still strong appetite from the demand side but also an important factor for the supply side (most bank clients are applicants for grants)
Supply of financing	Financial instruments	During the previous period 2 financial instruments were introduced and still being implemented, namely • EAFRD Risk-sharing micro-loan tool • EAFRD Capped first loss guarantee tool This initiative to implement FI in a grant dominated sector was a breakthrough and immensely helped to increase awareness in the use of FIs, but also to further motivate banks to finance the sector.	The 2 financial instruments implemented in the previous period have served as a learning tool for market stakeholders both on the supply and demand side. Many weaknesses and problems occurring during the implementation also provided important lessons. Some were resolved during the implementation and others are taken into account and will be integrated in the setup of the current period. Some examples: • Better communication on eligibility criteria • Better coordination with the grant programmes • Better complementarity between the existing FIs In the current period, the number of FIs will be increased with an additional targeted instrument for young farmers and potentially also an FI focusing on risk management. There is a very strong rising trend reflecting the need for public intervention schemes answering to risks to agricultural production due to the climate crisis (more than EUR 320 m of

Field	Specific topic	Present situation[126]	Comparative analysis
			compensations were disbursed via ELGA insurance schemes) A complete investment strategy is provided later on in this report.
Market failures	Agriculture and Agri food	• The lack of sufficient competition in the financial market • Structural problems of companies related to reluctance to change, family-owned businesses with limited technical capacity, low financial literacy • Lack of guarantees/collateral • Lack of credit history • Farmers strictly perceived by banks as corporates, while farmers not having the willingness to operate more as businesses- thus creating a miscommunication between supply and demand • Low awareness of available financing products in the market • Lack of technical support in the market	Most of market failures are structural in the market and were also identified in the previous period. However, the current analysis reveals that the overall conditions have improved in the market with both financiers being more willing to support the sector and companies being more confident and experienced to seek financing for investments. Also, young farmers are entering the market with better level of financial knowledge and entrepreneurial mentality, and more aware of the need to invest in climate sustainability and new technologies. This is a positive aspect for the future that needs to be considered when designing new FIs
Financing gaps	Agriculture and agri food	The computations provided in the present report a financing gap in the market ranging from EUR 3.1bn to EUR 3.8bn	The analysis and computations report a persisting financing gap almost similar to the one estimated by the EARDF FIs' ex-ante assessment in 2018, however much lower than the estimations of the FI compass for 2017
Additional findings	Agriculture and agri food	The analysis in the present report has identified some findings that are outlined below: • There is still weak capacity in the demand side on financial aspects and entrepreneurial mentalities that need to be addressed with technical assistance • Additional technical assistance is required for more specialized topics such as green investments • Technical assistance is also required for the banking sector in order to design products better suited for the agricultural sector and also topics related to climate action where the provision of financing remains limited • Stakeholders from both the demand and supply side have highlighted a preference for guarantee instruments in order to offset the lack of collateral • The need to combine debt instrument with grants has also emerged via the research. This grant combination could take the form of capital rebates or investment grants.	

Source: EIB/EY elaboration

Legend:

Increase – Positive Outcome, Decrease – Negative Outcome

Increase – Negative Outcome, Decrease – Negative Outcome

Stable

4. Risk Management in Agriculture

In recent years, Greece has had to manage several and diverse natural disasters that are attributed to climate change, such as droughts, floods, wildfires, and others. These events are primarily influencing the agricultural sector and have introduced the need for climate adaptation measures in the public dialogue. As also shown in the present report, at company level, there is a growing awareness among businesses in agriculture for climate mitigation investments, especially amongst the newer generations of farmers. The provision of green financing products is still limited in the market, and also project promoters still request additional financial motives to invest in green. However, it can be stated that there is an overall improved understanding of the need to invest in climate sustainability in business. In addition, the effects of climate change have also generated a discussion regarding the reinforcement of risk management/insurance schemes in agriculture. The present section aims to provide more information and insight on this topic for the MA to make better informed decisions going forward for potential support schemes.

More specifically, the MA has expressed that there is a political will to introduce a three-level insurance scheme for companies in agriculture (to be further explained below). In this context, the present section will provide a high-level analysis for such an option (with pros and cons) and a high-level investment strategy. It needs however to be clearly stated that additional analysis will be required outside of the current report to produce a detailed analysis.

4.1 Overview of current Risk Management/Insurance schemes

The current risk management framework in Greece is managed by a state-owned authority called ELGA (acronym stands for Hellenic Institution for Agricultural Insurance). The present section provides more insight into the role and mechanism of ELGA, complemented by more information on the role of private insurance companies in the agricultural sector.

4.1.1 Public insurance ELGA and Disaster Aid

The Agricultural Risk Management (ARM) framework in Greece is anchored in two principal pillars:

1. **Agricultural Insurance System Managed by ELGA**, a public entity under the Ministry of Rural Development and Food (MRDF).

   This agricultural insurance system is designed to address production risks across key crops and livestock sectors, with certain exceptions such as pigs, poultry, and specific ornamental plants. The program is mandatory for producers, ensuring broad participation, and is structured around the following contribution rates:

   - **Crops**: Producers contribute 4% of the insured value, with lower rates for specific crops such as 1.5% for olives and 2% for pistachios.
   - **Livestock**: A lower contribution rate of 0.75% of the insured value applies to livestock.

   The system operates on a **mutualistic, self-financing basis**, relying on the premiums collected from producers to cover both claims and administrative costs. Any surplus from these premiums is allocated to a reserve fund to cover future claims. If the premiums collected, including the surplus, are insufficient to meet compensation needs, partial compensation is provided, with the balance to be paid from future surpluses once sufficient reserves are accumulated[127].

The **government's involvement** is limited to covering administrative costs when necessary, ensuring that the system remains primarily self-sustaining. Additionally, the system encourages risk reduction through investments in technology, helping producers mitigate potential losses.

Further support is occasionally provided in the form of **direct compensation** for market price crises, and additional interventions through the **Common Agricultural Policy (CAP)**, which focuses on risk management and mitigation strategies. These measures complement the insurance program by enhancing resilience against market and production risks.

2. **Government-Backed Disaster Aid Program**:

   Complementing the ELGA insurance scheme, the government offers a disaster aid program that provides compensation for the loss of productive assets due to catastrophic events. This program covers severe weather-related damages not addressed by ELGA, such as frost and hail. In cases where the cause of loss is consistent (e.g., frost, hail), ELGA compensates for production losses, while the Disaster Aid program covers asset losses (e.g., damaged trees). For fire-related damages, the program provides aid when the affected area exceeds 50 hectares; losses below this threshold are not covered by ELGA.

The two schemes, ELGA and state Disaster Aid, operate complementarily, avoiding overlap. Disaster aid is provided free of charge to producers.

Coverage Provided by ELGA

1. Plant Production Insurance

- **Insurable Risks:** Hail, frost, windstorm, flood, heat, excessive or untimely rainfall, snow, sea damage, and damage from wild animals (e.g., bears and wild rabbits).
- **Compensation Calculation:**

Maximum Annual Limit: *EUR 70 000 per insured farmer.*

Plot-Based Limit: *80% of the insured value of the damaged plot.*

Assessment Process: *Damage percentage and production value are evaluated by experts.*

2. Animal Production Insurance

- **Insurable Risks:** Natural risks and diseases causing death, inability to work, or the need for slaughter.
- **Compensation Calculation:**

Maximum Annual Limit: *EUR 70 000 per insured farm.*

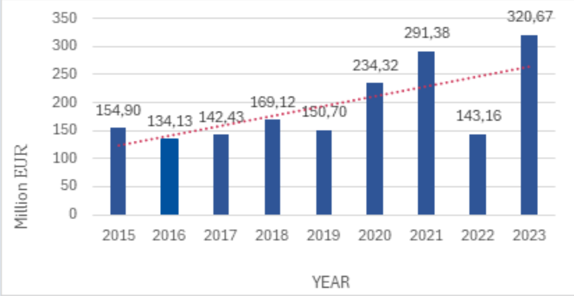
Farm-Based Limit: *Up to the insured value of the farm for the insurance period.*

Assessment Process: *Damage severity and insured value of animals are evaluated by experts.*

[127] As described in art. 23 of the joint ministerial decision 157502/27-07-2011 (OJ B' 1668) for plant production and art. 20 of the joint ministerial decision 157501/27-07-2011 (OJ B' 1669) for animal production.

Figure 11. Annual compensation of ELGA (in EUR million)

From 2015 to 2023, compensations from ELGA have doubled. The continuous annual increase highlights the growing risks in the agricultural sector due to climate change and other factors, necessitating a more robust risk management and insurance framework.



(source ELGA 2024)

ELGA has accumulated strong experience over the years and has become an important counterpart for the agricultural sector. The mandatory nature of their products combined with the transparent list of covered risks offers credibility to the process (no preferential or ad hoc payments).

However, as it can be seen in Fig. 11 above, the institution faces greatly increased costs for the payment of compensations in the recent years, while the premiums remain stable. ELGA is (rightfully) charging low premiums in order to make the mandatory nature operations, however, the growing severity and frequency of natural disasters and subsequent needs for repayments may put the financial sustainability of the system in question.

In addition to the above, the predefined list of covered risks is called into question by stakeholders who flag the need to have coverage for additional risks that are becoming market sensitive. Some complaints from stakeholders also focus on the fact that although the system is mandatory for all farmers, most payments occur in specific regions that are more prompt to natural disasters. This imbalance often leads to complaints in the market.

Overall, ELGA is a pillar in management of risks, however additional schemes and support systems will be required in the mid-term in order to provide a more complete coverage to agricultural companies.

4.1.2 Private Insurance

In Greece, agricultural insurance is also available through private insurers like ERGO and Interamerican. Additionally, Piraeus Financial Holdings SA acts as an insurance intermediary, handling insurance products on behalf of ERGO.

Private sector offerings primarily consist of 'top-up' policies designed to supplement the mandatory coverage provided by ELGA. These policies generally cover up to 85% of losses, whereas ELGA's coverage caps at approximately 75%[128]. Furthermore, private insurance covers risks not addressed by ELGA, including fire, earthquakes, and accidental death of the farmer or livestock producer. They also extend coverage to poultry and pigs, which ELGA does not insure.

These private insurance products are voluntary and come without premium subsidies. Although uptake has been limited, it has been gradually increasing since 2016, driven by rising demand from producers facing heightened risks. Many private policies are tailored to contract farming, covering

[128] Agricultural Risk Management Strategic Framework for Greece, 2021, World Bank, MRDF

crops such as cotton, tomatoes, grapes, grains, and various vegetables, which are generally considered mid-risk. There is less interest in insuring high-risk crops like peaches, nectarines, and cherries due to their perceived riskiness.

Piraeus Financial Holdings SA-ERGO insurance products		
My Agro Farm	Insurance program for livestock plan created by ERGO Insurance and addressed to animal and poultry farmers, Cooperatives and producers' group	Key insurance information: ▪ Type of holding (Cattle, Pig, Sheep and Goat, Poultry farms) ▪ Value of insured Livestock
My Agro Greenhouse		Aan integrated insurance plan that covers: ▪ Construction ▪ Equipment ▪ Greenhouse plantation Minimum annual premium €150
My Agro Land	Insurance program for Outdoor Plant Production, created by ERGO Insurance and addressed to professional farmers, Agricultural Cooperatives, producers' groups and Food and Agricultural Products Companies	▪ Key insurance information: Damage caused directly to outdoors farming is insured. ▪ It is supplementary to the coverage by the Hellenic Agricultural Insurance Organization (HAIO). ▪ It covers the quantity damage to the insured product. ▪ The coverage rate amounts (together with HAIO) to 85% of the damage. The insurance period begins on 1 April of every year and expires on 31 December, whereas inclusion of insured products to the plan may take place u**p to** and including 31 August. Conditions: ▪ Submission of an Insurance Certificate by HAIO. ▪ Insurance in the plan of the entire outdoors plant production of the insured person

Interamerican Insurance Products	
Insurance of Agricultural Buildings	Protection for buildings used in farming against various risks such as fire, theft, and natural disasters.
Insurance of Machinery "in the open" and Production - Packaging	Coverage for machinery used outdoors and equipment used in the production and packaging processes.

Liability Insurance of Agricultural Unit	Coverage for legal liabilities that agricultural units might face, such as third-party injuries or damages caused by farming activities.
Greenhouse Insurance	Protection for greenhouses against risks like weather damage, fire, and other perils.
Transport Insurance	Coverage for agricultural products during transport to protect against loss or damage.
Agricultural Vehicle Insurance	Insurance for vehicles used in agriculture, including tractors and other farm machinery, against accidents, theft, and damage.
Livestock Insurance	Coverage for livestock against risks such as disease, accidents, theft, and natural disasters.
Outdoor Plant Production Cultivation Insurance	Insurance for crops grown outdoors, protecting against losses due to natural disasters and other risks.

Overall, the involvement of the private sector in agricultural risk insurance remains limited in Greece. However, interviews with important stakeholders revealed that there is a strong willingness from the private insurance companies to participate in future public-private schemes or participate as intermediaries in financial instruments implemented by the state. According to some stakeholders, such discussions/market testing have already taken place. This prospect could be considered for any future initiatives in this topic.

4.2 Potential for a multi-level Insurance System for Agricultural Risk Management

As mentioned before, ELGA is the prime insurance body in Greece covering a specific list of primary risks at first level (compulsory insurance). However, there is a discussion/dialogue held at political and administrative levels about the establishment of a multi-level insurance scheme, on a voluntary basis, to expand the risk coverage and compensations provided.

This multi-level approach could include the following layers:

(1) First level (mandatory insurance)

The existing ELGA insurance system, which covers primary risks under a mandatory insurance scheme. ELGA is the baseline protection for farmers, focusing on essential risks, but leaves out more specific or emerging threats.

(2) Second level (voluntary system)

A Mutual Fund system, which could help address the increased risks faced by the agricultural sector linked to market price volatility and the effects of climate change on production. Specifically, the following two scenarios could be envisaged:

1st scenario: Mutual Funds for Income Stabilization

The development of a Mutual Fund system to support farmers' income could be considered. As a first step, it could be decided to pilot the mutual fund for a Cooperative or a Consortium of Cooperatives. This option was also considered in the RDP 2014–2022. In this case, the Mutual Fund would be the beneficiary of the support, and eligible costs could cover, inter alia,

a. the administrative costs of establishing and operating the Mutual Fund,
b. the amounts of compensation paid by the Fund to farmers, as financial compensation, and
c. the initial capital of the TA.

The participation of the agricultural members of the Consortium in the Mutual Fund would be on a voluntary basis. The purpose of the Mutual Fund would be to support farmers' income in the event of a reduction exceeding a predetermined percentage for a particular year.

2nd scenario: Mutual Funds for additional Production Risks

A new voluntary mutual fund system could be developed to address additional risks not covered by ELGA. Mutual funds collect resources from multiple farmers or agricultural stakeholders to invest in risk mitigation measures such as protection against adverse weather, pests, diseases, and environmental incidents. These funds, managed professionally, provide compensation mechanisms and financial stability for farmers.

Potentially supported by policy tools like the Common Agricultural Policy (CAP) and interventions like Π3-76-1.1 ("Subsidy for Voluntary Insurance Premiums"), an insurance scheme of this nature targets crops with high income variability or vulnerability. It subsidizes part of the insurance premiums for farmers covering new risks such as unfruitfulness and indirect damages (e.g., plant diseases) from rainfall. Setting up such an insurance scheme in Greece would require in-depth analysis to identify the types of crops to be included in the insurance scheme and the amount of the insurance premium to ensure that the scheme will remain viable.

(3) Third level (financial instrument)

A tailored financial instrument could be introduced to assist companies that opt out of the income stabilization tool of the 1st scenario or the insurance scheme of the 2nd scenario but still face unforeseen events. This instrument could even cover the part of the damage due to the primary risks covered by ELGA under the mandatory insurance scheme that is not compensated by ELGA, given that it is free of State Aid implications. This instrument would offer immediate working capital to viable businesses that have been temporarily impacted but can return to normal operations with financial support. To engage banks as financial intermediaries, the instrument would need to provide attractive terms, such as immediate access to funds, flexible repayment periods, low-interest rates, adequate grace periods, a simplified application process, and low management costs. This financial tool would ensure business continuity in specific regions or sectors affected by emergencies, allowing for rapid recovery and long-term sustainability in agriculture.

The experience of the Repayable Advance Payment to address the impact of COVID-19 on businesses

The "Repayable Advance Payment" action, with a total budget of €1.5 billion, was co-financed by the Operational Program Competitiveness, Entrepreneurship and Innovation – EPAnEK, with funds from Greece and the ERDF (€900 million), as well as funds from the Public Investment Program (PDE) and the state budget. It was considered as loan of public character.

It was activated as immediate financial aid to all businesses, regardless of sector, that were economically affected by the health crisis of the COVID-19 pandemic. Application procedures were flexible and simplified, allocation of the money immediate, and aid was repayable, in whole or in part, under specific terms and conditions. The amount granted was non-seizable, tax-exempt, and not offset against any existing debts.

The repayment was made by the final recipients at percentages of 30%, 40%, and 50% of the initial capital, depending on the case (conditions of income and employment), and in 40 equal instalments, with a grace period ending on 31/12/2021.

More than 450.000 enterprises benefited from the initiative to recover from COVID-19, using the aid as working capital.

Source: Joint Decision GDOU 420/23.4.2021 of the Ministers of Finance and Development and Investments (B' 1689).

As mentioned before, the present report has conducted an initial analysis of this topic following the willingness of the MA to create such a multi-level approach. A preliminary conclusion is that such a system might be beneficial to the market in order to complement the existing ELGA system. However, additional and more granular analysis is required in order to provide solid insight into this topic. Some pros and cons for such an approach are provided below:

PROS:

- Additional risks will be covered providing additional security to the market.
- Such a system might create additional incentives for private sector involvement and crowd in commercial banks and private insurance companies.
- Attracting additional resources will help with the financial sustainability of ELGA.
- The mutualistic approach and financial instrument will help farmers to gain better financial literacy and raise better awareness for repayable support schemes.
- The communication of such a system will also help raise awareness on climate issues and changes in production habits that might be required in view of effects related to climate impact.

CONS:

- Financial literacy among farmers remains low and such a system might confuse the market. Technical support and clear communication of the system will be required.
- The complementarity of the different levels will need to be very accurately designed to avoid confusion. Two points that will need to be better explored are the role of the state Disaster Aid in the whole system and the danger for the mutual fund to fail because of the existence of the financial instrument that will not require mutualistic participation.
- The set up of the mutual fund might require the creation of another management/administrative layer in the form of a state-owned institution that might put additional fiscal burden on the state. The financial sustainability of such a fund will need to be a priority.
- The multilayered approach might generate delays in assessing the eligibility of companies, as such the populations of companies eligible for each specific layer will need to be carefully defined at ex ante phases and not after the disaster has happened.

- Specifically for the FI, the assessment of whether the impact of the disaster on a company is limited enough to still make this company viable will require a methodology to allow for the efficiency of the instrument and not lead to lengthy assessments.

4.3 Conclusions and high-level investment strategy

The present report does not provide a specific recommendation on setting up a multilayered approach to agricultural risk management. Certainly, the analytical work reveals a need to design an approach that would cover a wider range of risks, however, additional analysis is required in order to provide more solid insight. What can be stated at this stage is that the potential to introduce both an insurance scheme layer and a financial instrument are relevant and should be further explored.

Regarding the insurance scheme, the present report cannot provide further insight on the mechanism and setting up.

Regarding the financial instrument, a high-level investment strategy is provided below solely as a source of inspiration and as a very indicative base for additional analysis outside of the present report.

Risk Management Financial Instrument – Disaster / Income Recovery Working Capital Guarantee Facility

Such a Financial Instrument would be part of a multi layered approach as described in the previous sections. Such an FI would aim at providing quick and effective recovery after either the occurrence of natural disasters or other events seriously affecting agricultural production or the occurrence of a loss of income for farmers. Such cases may include climate crisis related events, for example, extreme or unexpected (for a particular region and / or season) weather phenomena, the emergence of previously unknown (or not present in a specific region) pathogens that affect crops or livestock, or any other cause that has a detrimental effect on production, infrastructure and income of producers.

The FI would aim to support recovery by providing working capital loans to those affected, provided that their losses are not already covered and compensated for by public or private, obligator or optional/ additional insurance schemes, or for necessary amounts that exceed insurance compensations. The supported companies will still be viable and bankable companies that will use the working capital in order to regain production capacity.

NOTE: it is important to identify the exact mechanism by which eligibility for this FI will be decided. Especially in cases where the cause of damages is not in the general scope of insurance schemes (public or private, where a mechanism is already in place and could be made use of), the expertise and knowhow on assessing such damages is crucial to certify eligibility in each individual case.

The FI could be disbursed as

- **OPTION 1:** a loan-to-loan guarantee of up to 70% for intermediary banks to provide working capital loans to affected and eligible companies. The option for a loan-to-loan approach (versus a portfolio approach) might need to be preferred in order to provide additional motivation for banks to finance companies that have recently been affected by some disaster. This option will generate a lower leverage effect but will provide more solid guarantee coverage for banks.

- **OPTION 2:** a portfolio guarantee instrument with high first loss cap at 50% and a guarantee rate of up to 80%. This option would allow for a higher leverage effect and still provide a high coverage rate for the banks.

***Table 20**: Summary of the financial instrument Disaster or Income Recovery Working Capital Loans*

Financial instrument– Disaster / Income Recovery Working Capital Loans	
Nature / Type of product	Guarantees for Working capital Loans
ESI Funds allocations	Proposed fund allocation is up to EUR 10 million.
Expected multiplier effect	Expected multiplier effect estimated at: • Option (1) **x1.43** • Option (2) **x2.5**
Amounts of financing for the targeted recipients	Based on the above, overall amounts available to final recipients would reach between EUR 14.3m and EUR 25m depending on the selected Option.
Scope of the FI and target recipients	Scope of the FI: • To provide working capital loans, under flexible conditions, to agricultural producers, aimed to assist recovery from disasters or other causes affecting cultivations, crop, or livestock, that is beyond their capacity to predict and/or treat and from income loss; • The instrument will cover loans to cover financial needs above the threshold of compensation by public authorities and organisations, or private insurance, or for causes that are not covered and subject to compensation by other public or private insurance schemes; • Covering activities could fall under the scope of Intervention Π3-76-1.1 or an income stabilization tool or under certain prerequisites to assist recovery from the mandatory risks of ELGA; • Can be put in place by one or several financial intermediaries, it is recommended that at least three systemic banks receive guarantee products in addition to the cooperative banks, so as to ensure that the product is as mainstreamed as possible on the retail market and that a competitive environment is created; • Should cover the entire national territory, according to the needs that arise from. Targeted recipients: Greek agricultural producers not covered by public or private insurance schemes, or for damages exceeding the compensation disbursed by such schemes. **The FI will be activated under specific conditions: disasters occurring due to specific risks or income loss.**

Financial instrument– Disaster / Income Recovery Working Capital Loans	
Objectives	To provide working capital loans for supporting the agricultural producers in disaster/income recovery, by improving their conditions in terms of interest rates, collateral requirements, transaction costs, payback periods and payback grace periods.
Expected advantages	Limits the identified constraints linked to the need of immediate access to finance in the sector after a disaster/income loss.
Expected socioeconomic results / Added-Value of the instrument	• Assists in quick recovery of the sector after natural disasters or other causes affecting agricultural production/income; • Mitigates potential inequality in times of such events, between producers who can easily recover (due to larger size and their ability to sustain optional, additional insurance schemes and /or to self-finance their recovery) and those who cannot and are more likely to cease their activity in such cases; • Helps retain jobs in the sector by supporting entrepreneurship; • Has a leverage effect; • Leverages the competencies of the financial intermediaries for project selection.
Use of reflows of the instrument (Article 60 (2), Article 62 (1))	The revolving effect of the Financial Instrument consists of the reflow of the allocated funds in new loans, as the first ones to be granted are gradually repaid. According to Article 62 of Regulation 1060/2021, funds committed to a FI that are released in the lifecycle of the instrument, must be recommitted to the same or other FI, hence becoming available to more final recipients. The use of reflow of funds should be included in the call for the selection of intermediaries The exact extent of the revolving effect can be quantified after the finalization of the details of the agreements with the financial intermediaries.
Expected leverage effect (Article 58 (3) a))	The leverage effect is defined as: a / b, where for guarantee instruments covering loans, a = the total amount of underlying loans to eligible final recipients which are guaranteed and b = the value of the loan portfolio for eligible final recipients expected to be guaranteed by the ESI Fund programme. $\text{Expected leverage effect} = \dfrac{\text{Total expected amount of finance to eligible final recipients}}{\text{ESI Funds amount committed to the financial instrument}}$

Some additional elements collected from the interviews with the financial institutions are outlined below:

- Banks have expressed an interest in such a risk management tool for agriculture while maintaining a cautious stance, awaiting further details on its characteristics. This interest indicates a recognition of the growing need for innovative solutions to mitigate production risks, particularly considering increasing challenges related to climate change. The proactive stance suggests that banks are aware of the vulnerabilities in the agricultural sector and are open to exploring new FIs that can provide stability and security.

- Banks have also emphasized a preference for working capital solutions to be activated under specific conditions. This approach suggests a strategic focus on providing responsive financial support that can address immediate needs. Working capital solutions are seen as flexible tools that can help manage liquidity and mitigate risks effectively, aligning with banks' broader risk management strategies. The necessity for a comprehensive feasibility study that would define a robust mechanism for certification and control of claims has been highlighted. This emphasis underlines the importance of a thorough evaluation and transparent process to ensure the efficiency and integrity of such an FI.
- Banks have raised concerns about the cost of a multilayered insurance system for crops and properties. The high cost of insurance could be a significant barrier for many farmers, and banks are advocating for affordable policies that do not compromise on coverage. Balancing comprehensive insurance with affordability is crucial for ensuring that farmers can effectively manage risks without facing prohibitive costs.
- Banks have shown reluctance regarding the subsidization of insurance premiums. This hesitation reflects concerns about the financial sustainability of such subsidies and their potential impact on public finances or the banking system. The debate around subsidies highlights the need for careful consideration of how these financial supports are implemented, ensuring they do not lead to unintended economic burdens.
- In conclusion, banks are demonstrating a cautious yet committed approach to supporting agricultural risk management through new FIs. Their willingness to explore these tools, coupled with a focus on feasibility, transparency, and cost-effectiveness, reflects a pragmatic strategy aimed at sustaining agricultural productivity and financial stability within the sector.

5. Examples and lessons learned from good practices of FIs in Europe in the Agricultural sectors

The agricultural sector is crucial for economies worldwide, driving growth and sustenance. One common characteristic across EU economies is that agricultural companies are heavily dependent on state generated grant support. In this context the use of financial instruments in such sectors is important on a twofold level, namely (1) to allow the optimal absorption of these grant schemes by financing the own participation requirements of project promoters in their investments and (2) to gradually reduce the dependency of grants and build a healthy credit history and financial literacy of stakeholders in this sector. The present section will provide examples of financial instruments that have been implemented across different regions in the EU. These initiatives exemplify the EU's commitment to fostering economic growth and sustainability across its member states by facilitating access to financial resources tailored to the unique needs of their agricultural industries. These examples are explained in more detail below.

5.1 Spain Preferential Loan Fund

A financial instrument in the form of guarantees funded by the EAFRD has been available in Spain since 2017 in the agriculture and agri-food sectors in the Regions of Castilla y León and, as of 2020, in Extremadura. Despite Spain's array of 17 regional Rural Development Programmes, this resource is centrally managed by the country's Ministry of Agriculture (MAPA). The EAFRD-funded instrument is theoretically available to all Regions (Comunidades Autónomas), but Regional Administrations must elect to utilise it and allocate funding from their RDP budgets.

The purpose of this resource is to simplify the process of obtaining finance for those in the farming and agri-food sectors, particularly young farmers, entrepreneurs, and the forestry sector, and offer them preferential financial terms. Alongside the Ministry of Agriculture and regional governments, other collaborators in administering this financial resource include the agrarian guaranteed entity Sociedad Anónima Estatal de Caución Agraria (SAECA) and any financial institutions that opt to participate (currently, 12 banks are involved).

Regional administrations can freely decide whether to establish this financial tool, and whether to use the centralised form offered by the national authority. Thus far, only Castilla y León and Extremadura have incorporated the centralised financial tool into their RDPs while Galicia is presently amending its RDP. The regions also determine which sectors and recipients will be targeted, what financial product (loans or guarantees) will be offered, and the specifics of the budget. Additional regions that have conducted a preliminary assessment and might utilise this financial tool include Castilla La Mancha, Asturias, Murcia, Madrid, and Aragón.

Before the Spanish Ministry of Agriculture initiated the centralised financial tool, the ex-ante assessment confirmed that financial institutions tend to demand higher loan collateral from the agricultural sector than other sectors. This tendency disproportionately affects young farmers and those without an established credit history.

Thus far, Castilla y León is the only region in which the centralised financial instrument is fully operational. The agreement between the regional administration and the Ministry was formalised in

October 2017. As per regional priorities, loans eligible for a guarantee from this centralised instrument must comply with the criteria for sub-measures of the RDP: 4.1 support for agricultural investments, 4.2 support for agricultural product processing/marketing developments and 8.6 for forestry technology and transformation investments. Loans also meet the standards of sub-measure 6.1, which offers assistance for young farmers starting up businesses.

It is possible for these measures' grants to be combined with loans guaranteed by the financial instrument for the same purpose; however, the receipt of a grant is not a prerequisite for obtaining a loan. Guaranteed loans are universally tied to new investments, barring those provided for young farmers under sub-measure 6.1. The maximum guaranteed loan amount for working capital is EUR 200 000, or 30% of the investment, as per EAFRD regulations. For agricultural investments, the regional management authority has set loan limits at EUR 400 000 for individuals and EUR 1 million for legal entities, while loans for agri-food enterprises are capped at EUR 5 million.

The interest rate applied to the loans is EURIBOR +2%, the origination fee for the loan does not exceed 1%, and there are no fees for early repayment. To date, approximately 100 recipients have profited from the guaranteed loan, representing a combined value of roughly EUR 15 million, based on interview feedback.

The total allocated EAFRD budget for the financial instrument in Castilla y León is EUR 24.9 million, with EUR 24.6 million specifically dedicated to the agricultural and agri-food sectors. The projected total public expenditure for the financial instrument, inclusive of national and regional co-financing, amounts to EUR 37.4 million, with EUR 37 million allocated for the agricultural and agri-food sector.

Lessons learned for Greece:

The Spanish example provides some insight on implementing an FI with regional focus. Obviously, the administrative structure of Spain is much deeper and complex than Greece, however having a centrally managed instrument for which specific regions can opt-in depending on their needs, is an option that could be explored in Greece.

Moreover, the flexibility provided for the loans to be combined with the grants or not, is an example that can be relevant for Greece. Many opinions in the present report have been expressed in relation to FIs being fully dependant on the availability of the grants. This deep connection makes FIs seem purely as tools complementing grants and much less seen as stand-alone support systems.

5.2 Regional EAFRD credit fund for Innovative Production in **Germany**

The EAFRD credit fund, initially established in Mecklenburg-West Pomerania, was designed to facilitate the market introduction of innovative agri-food sector businesses. Upon successfully inducing local banks to match the conditions of the fund, the Managing Authority broadened the fund's scope to encapsulate both the agricultural sector and rural SMEs.

The Ministry of Agriculture in Mecklenburg-West Pomerania introduced the credit fund as a pioneering project to promote the market launch of innovative SME products in the agri-food sector. The fund, managed by the Guarantee Bank of the Federal State (Bürgschaftsbank Mecklenburg-Vorpommern), seeks to support start-up enterprises and established SMEs.

Dispersed loan amounts range from EUR 80 000 to EUR 1 million, serving both investment and working capital purposes. Working capital loans have a maturity of up to 8 years, and investment loans can extend to up to 20 years. Interest rates are not subsidised but are determined by the credit rating.

Originally, the fund was equipped with EUR 10 million, as estimated from its ex-ante assessment. The assessment identified a market failure with SMEs seeking finance from the banking sector for innovative product launches. Over time, thanks to the low-interest rate climate and the regional government's intervention via the fund, banks became more amenable to higher risk in their lending operations and began to align with the fund's conditions. This led the Managing Authority to extend the fund's target group to include farmers and non-sector specific rural SMEs (RDP sub-measures 4.1 and 6.4.c). Simultaneously, the planned allocation for sub-measure 4.2.b was reduced from EUR 10 million to EUR 1.5 million.

Lessons learned for Greece:

The levels of innovation in agriculture in Greece remain low. However, the present report has identified some changes in mentalities with younger generation farmers being more aware of the need to innovate. Furthermore, companies in agri food have a stronger tendency to invest in research and development of new products. In the previous period, the ex-ante assessment had identified the potential to implement an equity-based FI, but this never materialized on the field. As such, exploring again the possibility for an FI that would support innovative companies investing in green ICT, environmental sustainability and others could be relevant for Greece.

5.3 Agriculture Risk-Sharing Loan instrument in **Lithuania**

The financial instrument in question has been meticulously designed to support activities within the scope of measure 4.1 (‘Investment in agricultural holdings’) of the Lithuanian RDP 2014-2020. These initiatives are multifaceted, encompassing the production and commercialization of agricultural commodities, in addition to the on-site processing of such products by the agricultural holdings themselves.

The PRSL can be delivered to final recipients through three products:

- Investment loan without working capital financing;
- Investment loan with working capital financing;
- Working capital loan to mitigate the consequences of COVID-19.

The first product can support investments in tangible (including livestock) and intangible assets, alongside general costs. The second product extends the first by also financing working capital linked to the investment project, according to Article 45 of Regulation 1305/2013. Both loan variants may be combined with RDP grants under measure 4.1 to support the borrower’s own contribution to the investment.

The third product variant is exclusively accessible to micro, small, and medium-sized enterprises (SMEs) that have previously benefited from support under Measure 4.1 of the RDP and have subsequently been impacted by the COVID-19 crisis. This product provides for the financing of working capital, including the refinancing of pre-existing loans, as stipulated by Article 25(a)(11) of Regulation (EU) No 1303/2013.

The key benefit of the financial instrument for final recipients is lower credit costs in the form of reduced interest rates. A distinctive feature of the instrument is that the interest rate is fixed for the entire life of the loan, freeing final recipients from the risk of potential rises in interest rates.

Support may be extended for activities pertinent to the production of agricultural products to the Treaty on the Functioning of the European Union (TFEU), with the exclusion of fishery and aquaculture products. Additionally, recognized agricultural cooperatives engaged in the procurement and sale of agricultural products from their members' farms, or in the processing and marketing of agricultural products acquired from their members, are eligible, provided the end product remains within the agricultural product definition as per the TFEU.

Final recipients must be engaged in an agricultural activity for at least one year prior to submission of their application. Income from activities during that year must represent at least 50% of the income of the final recipient. The scope of the facility excludes small, semi-subsistence farms with a Standard Output (SO) of less than EUR 8 000.

The financial instrument accords priority to lending for small farms with a SO up to EUR 25 000 and to young farmers. For these, the financial intermediary shall reserve 40% of the budget for at least 6 months after signing the operational agreement. If within the first 4 months, applications submitted by these priority groups do not exceed EUR 1 million, the reserve can be lifted, and the financial intermediary can then use the contributions for all eligible final recipients. Working capital loans to mitigate the consequences of COVID-19 cannot exceed 30% of the total portfolio.

During the two periods for final recipient applications, 191 applications were submitted to the paying agency for a total of EUR 23.3 million. During the first period in 2021, the paying agency received 141 applications amounting to EUR 16.8 million. However, after initial evaluation, only 33 applications were submitted to the financial intermediary. During the second call in 2022, 50 applications were submitted to the paying agency for a total of EUR 6.5 million. These are currently pending assessment by the paying agency. The total financing via the 33 loan applications amounted to EUR 2 731 535. Of these 26 loan agreements have been signed for a total of EUR 1 996 783. The total disbursed is EUR 1 718 279, of which EUR 730 269 is the EAFRD contribution. Most final recipients are individual farmers (mainly involved in mixed farming, dairy cattle, sheep and goats, cereals, vegetables and root crops as well as beekeeping).

Lessons learned for Greece:

The main instrument implemented in Greece in the previous period to support investments in agriculture was the portfolio guarantee instrument implemented by the EIF (the microloan instrument was a risk sharing instrument but more focusing on working capital and smaller companies). The example of Lithuania is a successful one incorporating the combination of investment loans with working capital loans with a more significant interest rate discount generated by the risk sharing mechanism of the FI. This example can be very relevant for Greece and could be further explored.

5.4 Summary of lessons learned from international FIs

Overview			
FI Name	**Country**	**Description**	**Lessons learned**
Preferential Loan Fund	Spain	The purpose of this resource is to simplify the process of obtaining finance for those in the farming and agri-food sectors, particularly young farmers, entrepreneurs, and the forestry sector, and offer them preferential financial terms.	The Spanish example provides some insight on implementing an FI with regional focus. Obviously, the administrative structure of Spain is much deeper and complex than Greece, however having a centrally managed instrument for which specific regions can opt-in depending on their needs, is an option that could be explored in Greece. Moreover, the flexibility provided for the loans to be combined with the grants or not, is an example that can be relevant for Greece. Many opinions in the present report have been expressed in relation to FIs being fully dependant on the availability of the grants. This deep connection makes FIs seem purely as tools complementing grants and much less seen as stand-alone support systems.
Regional EAFRD credit fund for Innovative Production	Germany	Facilitate the market introduction of innovative agri-food sector businesses	The levels of innovation in agriculture in Greece remain low. However, the present report has identified some changes in mentalities with younger generation farmers being more aware of the need to innovate. Furthermore, companies in agri food have a stronger tendency to invest in research and development of new products. In the previous period, the ex-ante assessment had identified the potential to implement an equity-based FI, but this never materialized on the field. As such, exploring again the possibility for an FI that would support innovative companies investing in green ICT, environmental sustainability and others could be relevant for Greece.
Agriculture Risk-Sharing Loan Instrument	Lithuania	The objective of the financial instrument for final recipients is lower credit costs in the form of reduced interest rates. A distinctive feature of the instrument is that the interest rate is fixed for the entire life of the loan, freeing final recipients from the risk of potential rises in interest rates.	The main instrument implemented in Greece in the previous period to support investments in agriculture was the portfolio guarantee instrument implemented by the EIF (the microloan instrument was a risk sharing instrument but more focusing on working capital and smaller companies). The example of Lithuania is a successful one incorporating the combination of investment loans with working capital loans with a more significant interest rate discount generated by the risk sharing mechanism of the FI. This example can be very relevant for Greece and could be further explored.

6. Green financing and climate related investments in Agriculture

The topic of green investments and the need for companies in agriculture to further invest in climate sustainability has been a recurring one in the present report. The present section aims at providing more targeted information on this topic that could help the MA when designing the next FIs in the market.

6.1 Demand for climate related investments in the Agricultural sector

6.1.1 Agriculture

The Greek agricultural sector is showing a slowly growing interest in climate-related investments, driven by the need for sustainability and efficiency. Despite some limitations compared to broader EU trends, there is a clear and increasing demand for various types of environmentally sustainable investments, driven by specific requirements in calls of proposal and improvements plans to reflect the green architecture of the CAP 2023-2027.

Key Areas of demand for financing in this topic comprise:

Organic Farming and Agro-Ecological Practices:

Greek farmers are increasingly interested in organic farming and agro-ecological practices, with 7% seeking financing for these purposes. Although this is below the EU 24 average of 13%, it indicates a foundational demand that could expand with greater support and awareness.

Box 4: *Organic farming*

Organic Farming, quality standards and EU Eco-labels

Quality standards for food and organic products are determined by various national and European regulations. These standards aim to ensure the safety, hygiene, labelling, and promotion of food, as well as to ensure the authenticity and quality of organic products.

The **Greek Food and Beverage Code (KTP)** includes regulations on food safety, hygiene, labelling, and advertising. It also sets limits for specific substances and additives in food. The KTP is overseen by the Hellenic Organization for Standardization (ELOT) and it is based on Regulation (EC) no. 178/2002 which defines the basis of food safety, Regulation (EC) no. 852/2004 which concerns food hygiene and Regulation (EC) no. 853/2004 which defines the health requirements for food of animal origin.

There are many certifications that highlight the quality of standardized and organic products in Greece. These certifications are awarded by various agencies and ensure that products meet strict quality and safety standards. These include:

- The Food Safety Management Systems certification under ISO 22000:2018, under which Greek products such as Olive oil, dairy products, meats and cheeses are certified.
- The international standard for food safety, awarded by the British Retail Consortium Global Standards Agency, under which Greek products such as packaged foods, preserves, sweets and chocolates have been certified.

- The international standard for food quality and safety under the International Featured Standards Agency, which have been awarded to Greek pastry products, olive oils and processed fruits.

Organic Products are also certified in Greece, with the following product groups being certified:

- Organic fruits and vegetables, olive oil, honey, organic meat and dairy products, certified by certification bodies accredited to certify compliance with Regulation (EU) 2018/848
- Organic olive oils, wines, honey and aromatic plants, certified by the Organic Products Certification and Inspection Organization (DIO), and
- Organic cereals, pulses, olive oil and dairy products, certified by the Organization for Control and Certification of Biological Products BIOHELLAS

Eco labels are certifications awarded to products and services that meet specific environmental criteria designed to reduce the environmental impact throughout the product's life cycle, from production and use to disposal or recycling. Eco labels help consumers identify and choose environmentally friendly products, thus promoting sustainable consumption and production. The Eco Label has been established by the EU as the only eco-label for products. The brand was created in compliance with Regulation (EC) 66/2010. In Greece, products such as paper goods, cleaning agents, paints, and varnishes, as well as tourist services (hotels and accommodations), have received the EU Ecolabel from Greece’s competent national body, the Supreme Council for the Awarding of the Ecolabel (ASAOS) which is subordinate to the Ministry of the Environment. However, there is no Ecolabel foreseen for agricultural and food products, despite investigations in previous years concerning the benefits it would bring. According to the Ministry of Environment and Energy (YPEN), these would include increased consumer trust, which would translate into increased revenues for the products; enhanced sustainability as to be awarded the Ecolabel, a firm will need to have reduced their environmental footprint; improved competitive advantage conferred by the rarity and significance of the Ecolabel; and wider regulatory compliance of firms seeking or being awarded Eco-labels.

Digital Solutions and Advanced Machinery:

There is a significant demand for investments in digital solutions and advanced machinery aimed at improving efficiency and reducing environmental impact. Currently, 7% of Greek farms have received loans for such investments, compared to the EU 24 average of 20%. This suggests a latent demand that could be unlocked with better access to information and funding.

Energy and Fuel Consumption Reduction:

Investments aimed at reducing energy and fuel consumption are in moderate demand, with 11% of Greek farmers receiving or partially receiving loans for these purposes. This is below the EU 24 average of 23%, indicating potential for increased demand as energy costs rise and environmental awareness grows.

Renewable Energy Production:

Renewable energy investments, such as solar panels and biogas plants, are sought by 11% of Greek farms, slightly trailing the EU 24 average of 19%. The interest in sustainable energy sources is present and could grow significantly with the right incentives and financial products.

Over the next three years, more Greek farmers are likely to invest in fields supporting environmental sustainability compared to those who have already invested in these areas. This includes a projected 50% increase in investments in digital solutions to optimize resource use and a substantial increase in investments in renewable energy production. Moreover, farmers expect to significantly increase their investments in renewable energy, with the number of loans for such projects anticipated to grow approximately five times over the next three years. As an example, more than ten respondents plan to make investments of over EUR 1 million in this field, highlighting a strong future demand[129].

Table 21: *Information on demand for financing in green investments*

Investment Category	Current Demand	Outlook (Next 3 years)	Comparison with EU 24
Organic Farming and Agro-Ecological Practices	7% seeking financing	Expected growth in investment, driven by small farms	Below EU 24 average of 13%, foundational demand with potential for expansion
Digital Solutions and Advanced Machinery	7% received loans	Projected 50% increase in investments for optimizing resource use	Significant demand potential, currently below EU 24 average of 20%
Energy and Fuel Consumption Reduction	11% received or partially received loans	Foreseen increase, driven by rising energy costs	Below EU 24 average of 23%, moderate current demand with growth potential
Renewable Energy Production	11% seeking financing	Anticipated fivefold increase in investments	Slightly below EU 24 average of 19%, strong interest with potential for substantial growth

Source: Fi compass survey 2023, Greece data own elaboration

The **demand for climate-related investments in the Greek agricultural sector is evident and on the path to grow**, driven by the need for sustainability and efficiency. While current uptake lags behind some EU averages, the potential for expansion is significant. With enhanced financial support and targeted incentives, Greek farmers are likely to increasingly invest in organic farming, digital solutions, energy reduction, and renewable energy production, paving the way for a more sustainable agricultural future.

[129] Fi-compass survey (2023)

6.1.2 Agri-food sector

The Greek agri-food sector is demonstrating a significant and growing interest in climate-related investments, driven by the necessity for sustainability, energy efficiency, and resilience to climate change. Despite some limitations in current investments, there is a clear and increasing demand for various types of environmentally sustainable investments. Key areas for demand refer to:

Environmental Sustainability (including greenhouse gas emissions):

Greek food processors are increasingly interested in improving environmental sustainability including reducing greenhouse gas emissions, with 24% seeking financing for these purposes. Although this is slightly below the EU 24 average of 27%, it indicates a foundational demand that could expand with greater support and awareness.

Climate Change Adaptation and Resilience:

Only 16% of agri-food enterprises have invested in adapting and increasing resilience to climate change. This lower percentage indicates an area with substantial room for growth as the sector becomes more aware of and responsive to the impacts of climate change.

Energy efficiency:

Over the past three years, 32% of agri-food enterprises have invested in increasing energy efficiency. This indicates a foundational demand for reducing energy consumption and operational costs, which is expected to grow significantly.

Renewable Energy Production:

Currently, 13% of agri-food enterprises have invested in producing renewable energy. Although this is a relatively small percentage, it signifies an emerging interest in sustainable energy sources that is likely to expand, in the near future.

Over the next three years, the trend in environmental sustainability investments among agri-food enterprises shows a positive outlook. The percentage of enterprises planning to invest in increasing energy efficiency is expected to rise to 53%, a notable increase from the past three years. This includes significant plans to produce renewable energy (42%) and improve environmental sustainability, including reducing greenhouse gas emissions (40%). Additionally, 39% of agri-food enterprises plan to invest in adapting and increasing resilience to climate change. These figures highlight a growing commitment to sustainability and resilience within the sector.

Moreover, the interest in renewable energy production is particularly strong, with 42% of agri-food enterprises planning to invest in this area over the next three years. This represents a significant increase from the current 13% and indicates a robust future demand for renewable energy solutions within the agri-food sector.

__Table 22:__ Number of companies having invested and planning on investing in green investments in the next three years.

Investment Category	Current Demand (Past 3 years)	Outlook (Next 3 years)	Comments
Increasing Energy Efficiency	32% invested	53% plan to invest	Foundational demand with increasing importance as energy costs rise.
Improving Environmental Sustainability	24% invested	49% plan to invest	Strong commitment reflecting regulatory and market pressures
Adapting and Increasing resilience to climate change	16% invested	39% plan to invest	Increasing recognition of climate risks driving investment priorities.
Producing Renewable Energy	13% invested	42% plan to invest	Emerging interest with potential for substantial growth driven by technology advancements.

Source: EIB/EY elaboration from the EiB Agri Survey, and Fi compass survey 2023,

6.2 Supply for climate related investments in the Agricultural sector

The supply in the sector is mainly state driven referring to Improvements Plans and several additional interventions to support the green architecture of CAP 2023-2027:

- **Pillar I:** Greece is set to allocate 25% of its direct payments budget to 'Eco-Schemes', encouraging farmers to adopt measures that promote environmental improvements on all farmlands annually.
- **Pillar II:** the Specific Objectives of the CAP 2023-2027 (EAFRD) regarding green transition and transformation are as follows:
  - ✓ **SO1: Sustainability and resilience of the agricultural sector**. Support will be provided for viable farm income and resilience of the agricultural sector across the EU, to enhance long-term food security and agricultural diversity, as well as to ensure the financial sustainability of agricultural production in the EU. Total of EU budget: EUR 5 752 943 774;
  - ✓ **SO4: Contribute to climate change mitigation and adaptation.** Contribute to climate change mitigation and adaptation, including through the reduction of greenhouse gas emissions and the enhancement of carbon sequestration, as well as the promotion of sustainable energy. Total share of EU budget: EUR 886 532 633;
  - ✓ **SO5: Rational and efficient management of natural resources.** Promote sustainable development and efficient management of natural resources, such as water, soil, and air, including through the reduction of chemical dependency. Total share of EU budget: EUR 1 432 646 389;

Regarding the banking sector, there is a dynamic for banks to support green investments, especially in photovoltaic technology, supported notably by leading players such as Piraeus Bank and others. These financial institutions are pivotal in financing sustainable practices across the sector, aligning with global efforts to promote environmental stewardship and resilience:

Piraeus Bank	has committed substantial resources, amounting to EUR 2.1 billion, specifically aimed at financing the energy transition. This includes initiatives to support renewable energy projects and enhance energy efficiency in agriculture and agri-food production. Leveraging its leadership in mutual funds focused on ESG criteria, Piraeus Bank has allocated over EUR 300 million to investments prioritizing sustainability in agriculture and related industries. The bank is actively working towards increasing its green loan portfolio by EUR 5 billion by 2025 through specialized task forces, solidifying its commitment to sustainable finance
National Bank of Greece	has played a significant role in financing green transition projects, having signed loan agreements totalling EUR 405 million under the Recovery and Resilience Fund (RRF/TAA) by the end of March 2023, with EUR 185 million allocated to projects supporting the green transition. The bank's commitment extends to providing EUR 600 million in credits for renewable energy projects by 2025, highlighting its dedication to fostering sustainable energy solutions
Alpha Bank and Eurobank	are intensifying efforts to promote sustainable investments. Alpha Bank aims to target EUR 3 billion in sustainable investments from 2023 to 2025, integrating sustainability principles into its strategic framework. Eurobank, on the other hand, plans to issue EUR 2 billion in new green loans by 2025, reinforcing its commitment to building a sustainable economy through green financing initiatives

It is important to mention that the EIBG is also playing an important role in promoting green financing in several sectors ac cross the EU. In Greece, several financial institutions are currently acting as intermediaries under the EIF InvestEU sustainability guarantee with a focus amongst others on agriculture, Green ICT and others, and as intermediaries under EIB intermediated financing products with climate windows. Furthermore, under the Green Gateway support facility implemented by EIB Advisory, financial institutions are able to use support tools to assess the eligibility of green projects in diverse sectors including agriculture.

The EIB will observe the forthcoming set up of FIs in the agricultural sector in Greece in order to explore opportunities together with the MA and the Greek financial institutions to complement financing with EIB intermediated financing if needed.

6.3 Summary for climate related investments

Growing Demand for Climate-Related Investments	There is a clear and increasing demand for environmentally sustainable investments in the Greek agricultural sector. Key areas such as organic farming, digital solutions, energy efficiency, and renewable energy production are poised for significant growth over the next three years. This demand is primarily driven by regulatory pressures, financial incentives under CAP 2023-2027, and the need to enhance sustainability and efficiency
Sector-Specific Investment Trends	The agricultural and agri-food sectors are both showing robust interest in climate-related investments. Notable trends include a substantial increase in investments to enhance energy efficiency and renewable energy production. Despite starting from a lower base compared to EU averages, the projected growth indicates a positive trajectory towards aligning with broader European sustainability goals
Role of Financial Institutions	Greek banks, notably Piraeus Bank, National Bank of Greece, Alpha Bank, and Eurobank, are pivotal in supporting green investments through substantial financial commitments. Their focus on financing renewable energy projects and promoting sustainable practices underscores a proactive approach to fostering a greener economy within the agricultural sector. The EIBG is also providing financing for climate action and environmental sustainability investment and technical assistance, and could play also an active role in future financial instruments in this topic.

7. Investment Strategy for the implementation of Financial Instruments in Agricultural sectors in the period 2023-2027

7.1 Introduction

The objective of the investment strategy is to propose one or more financial instruments that could serve to address the financing needs identified during the preceding market assessment.

The proposed investment strategy aims to help the Managing Authority take a well-informed decision concerning the implementation of financial instruments to support the agricultural and food processing sectors in Greece, under the framework of the CAP Strategic Plan of Greece 2023-2027. This proposal reflects the market needs identified in the study, the amount allocated in the CAP Strategic Plan for the funding of financial instruments and the possibility to combine grant support with the instruments in a single operation.

The proposed characteristics and implementation of the financial instruments, including the allocation amounts, guarantee and cap rates, co-financing rates, grant support and governance structure, are indicative. They are the result of the analysis carried out in this study and may be reviewed by the Managing Authority when designing each of the financial instruments.

When considering the design and implementation of the selected financial instruments, it is recommended that the Managing Authority takes into account the following additional aspects:

- Its policy orientations for the funding of the targeted beneficiaries;
- The viability of the financial instruments presented in this investment strategy, and in particular with regards to the appropriate amounts for each financial instrument proposed;
- The potential to leverage the public resources through public and/or private co-investment to scale up one or more of the financial instruments to meet market demand;
- The interest of financial intermediaries to implement the proposed financial instruments;
- The need to implement the financial instruments in accordance with the requirements of the CPR and the EAFRD Regulation; and
- The technical characteristics of the financial instruments must be consistent with State aid rules.

Based on the gaps identified in the study, the following financial instruments have been identified to support the financing of agricultural activities:

- a First Loss Portfolio Guarantee Instrument;
- a Risk-Sharing Micro-Loan Instrument;
- a First Loss Portfolio Guarantee Instrument for Young Farmers;
- a Risk Management Instrument for Farmers.

Two of these financial instruments were implemented in the previous programming period, while two new instruments have been identified during the present study. The approach to be followed for each instrument is outlined in the sections below. Additionally, the possibility of combining them with grants is considered in the proposed investment strategy.

The table below summarises the allocation amounts (based on the CAP Strategic Plan) and the estimated leverage effect by financial instrument.

Table 23: Indicative allocations for proposed financial instruments.

Financial Instrument	FLPG for Agricultural Entrepreneurship	Risk-sharing micro-loan instrument	FLPG for Young Farmers
EAFRD and national contribution (for both FI and grant support)	EUR 47.04 million	EUR 15.16 million	EUR 10 million
Leverage effect	x4	x2 – x2.5	x4 – x6.25
Total amount available for final recipients (considering grant support and management fees)	EUR 149.59 million	EUR 25.97 – 32.42 million	EUR 20.04 – 31.31 million

The financial instrument for risk management is still in consultation stage and therefore, the above table does not provide an allocated budget and expected leverage.

Considering the significant financing needs of the sector, it would be beneficial to explore co-investment opportunities in addition to the public resources from the CAP Strategic Plan. This could include receiving financial support from financial institutions, such as the European Investment Bank (EIB), either at the level of the financial instruments or at the level of financial intermediaries, with a view to increase the leverage effect.

The proposed financial instruments are further detailed in the following chapters.

7.2 First Loss Portfolio Guarantee instrument combined with grant support for agricultural entrepreneurship

The EAFRD Guarantee Fund was established in the previous period to address the limited access to finance of the Greek agricultural sector, by offsetting the limited available collateral on the demand side and by alleviating the perceived higher risk of such investments by the financial institutions on the supply side.

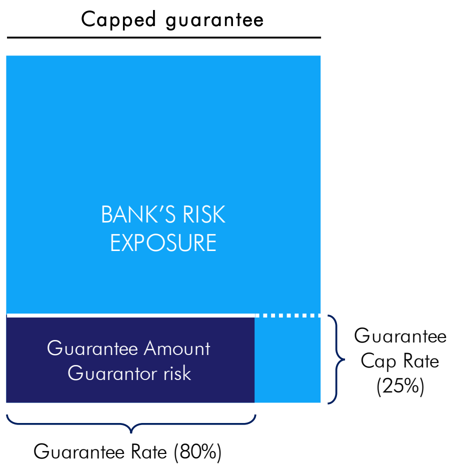
Among the factors often cited, the low credit scores and limited track records of applicants, the lack of collateral, as well as the specific needs of the sector linked to the seasonality of the agricultural business cycle and vulnerability to environmental aspects, both affecting the repayment period, have increased the credit risk associated with agricultural investments. Taking into consideration the additional conservative lending policy of the banking sector following the financial crisis, the sector faced significant challenges in securing financing during the previous period. In those market conditions, a guarantee instrument was considered necessary to increase the risk-taking capacity of banks and increase the available financing for agricultural holdings on favourable terms.

In the current programming period, the access to finance has improved but remains limited compared to the needs of the sector. In addition, the higher perceived risk of the sector still stands, considering that certain factors are inherently connected to the agricultural business model. On this basis, the continuation of the Guarantee Fund is considered necessary to fuel the positive trajectory observed in the market and build on the efforts that started in the previous period to improve the market's perception about the potential of agricultural investments.

The Guarantee Fund, as the first portfolio guarantee instrument in the agricultural sector in Greece, played a key role in awakening the interest of the market in such investments and provided valuable lessons that could be applied for a more successful implementation. As described in the market assessment, the challenges that were identified during the implementation of the FI in the previous period stemmed mainly from external factors, and specifically from the market's perception of potential implications on the provision of grant support. This experience highlights the need for a clearer eligibility framework and communication strategy while the possibility of combining the FI with a grant component could further enhance the appeal of the instrument.

The structure of the guarantee FI is proposed to remain similar to the one currently in operation, while benefitting from the new regulatory flexibilities to further enhance its attractiveness.

Figure 11: *FLPG instrument*



The guarantee FI is a **capped First-Loss Portfolio Guarantee (FLPG) instrument** providing partial credit risk coverage to financial intermediaries for the creation of a portfolio of new loans supporting agricultural activities. Specifically, under this instrument, a guarantee is issued to one or several financial intermediaries covering the first losses of the portfolio due to defaults on loans at a predetermined guarantee rate (guarantee rate), up to a predetermined amount limited to a percentage (portfolio cap rate) of the guaranteed share of the portfolio volume of financing.

According to art. 21 (13) of Reg. No 651/2014 (RGEC) and Reg. No 964/2014 art. 7(1) and Annex III, the Guarantee Rate was limited to 80% for RDP 2014-2022. In addition, in Annex III of Reg No 964/2014 regarding state aid implications, it is stated that for activities supported by the EAFRD, general rules apply. At the same time, according to Reg. No 2021/2115 art. 145, for the primary production and processing of an agricultural product falling within the scope of Article 42 TFEU, articles 107, 108 and 109 TFEU shall not apply. In addition, in the previous programming period, a Cap Rate of up to 35% was applied[130]. Given the improved market situation and the experience gained through the implementation of the FI, the maximum Cap Rate could be reduced to up to 25% for the new period, increasing subsequently the leverage effect. On this basis, **an 80% Guarantee Rate and a Cap Rate of up to 25% are proposed**, subject to the market consultations prior to the selection of the financial intermediaries.

[130] In case there is no EFSI contribution. In the case of an EFSI contribution, the maximum guarantee rate could not exceed 25%.

The financial intermediaries that will receive support by the guarantee FI may be appointed through a call of expression of interest. The actual conditions are based on the criteria set by the MA, the offers submitted by the candidate financial institutions, and the negotiations between them.

The benefits of the guarantee instrument should be passed on to the final recipients and could take the form of lower collateral requirements, lower interest rates, longer maturities, longer grace periods and lower bank fees (envelope fees, application fee). The financial intermediaries should demonstrate how they will transfer this benefit to the final recipients as part of selection process. These conditions could also be set out in the financial agreements between the MA and the intermediaries, and could be further detailed to cover specific needs that may differ within the sector, for example between producers and processors, investments in crops and livestock, annual or multiannual crops etc.

In accordance with the regulation, the FI could guarantee **both investment loans and working capital needs**. A key change compared to the previous period is that the regulation allows the financing of stand-alone working capital, without the need of an accompanying investment plan as it was required by Reg 1305/2013. During the market assessment, stand-alone working capital has been identified as one of the main financing needs of the sector and could further increase the attractiveness of the FI.

In the new programming period, **it is recommended to combine the guarantee FI with a grant component** to increase the demand for financing from agricultural holdings. The agricultural sector relies heavily on grant programmes and incorporating grant support to the FI could help incentivize agricultural holdings to seek bank financing for their investments. At the same time, it is recommended to combine the FI with grants within a single operation for a more efficient implementation, as it is currently possible under the CPR for the programming period 2021-2027[131].

The grant component could take various forms such as capital grant, interest rate subsidies, capital rebates etc., depending on the result of further market consultations. For the case of the FLPG instrument, using grants in the form of interest rate subsidies (IRS) should perhaps be further considered for the following reasons:

1) The currently high inflationary economic environment that has negatively affected the applicable banking loan interest rates,
2) The positive response from the market related to the interest rate subsidy implemented in the context of the microloan FI.

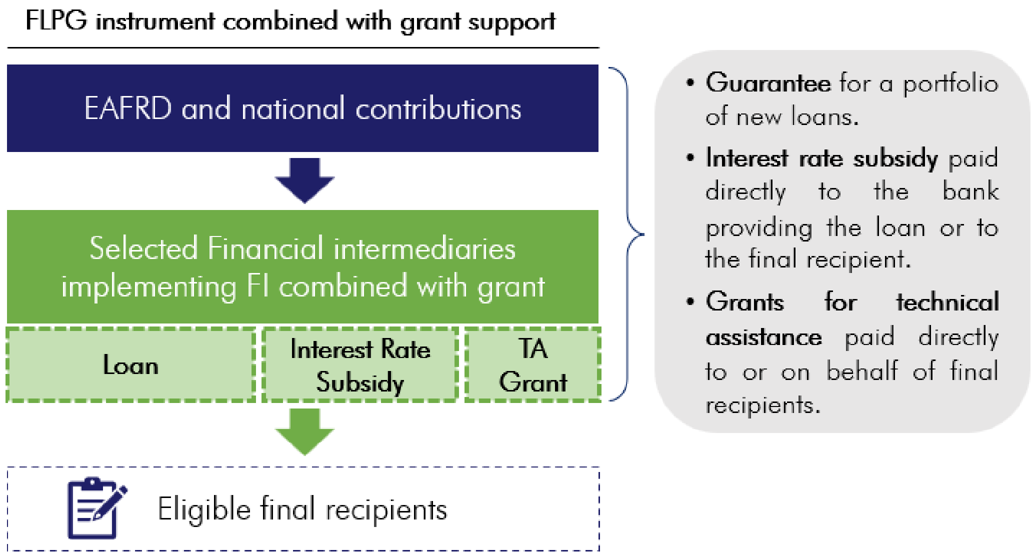
Specifically, the interest rate subsidy could indicatively reach up to 5% p.a. for the first 5 years of the new final recipient transaction, in line with the current proposal being negotiated. In addition,

[131] Under the programming period 2014-2022 and given the extension of the eligibility period to 31/12/2025, the Investment Board has approved a redeployment of EAFRD EFSI funds to provide for an interest rate subsidy combined with the financial instrument in a single operation. The amount allocated to the IRS will be up to EUR 15m and the IRS will be up to 5% p.a. for the first 5 years for each new final recipient transaction. The introduction of an interest rate subsidy combined in a single operation with the financial instrument is foreseen in the latest RDP amendment and the respective Funding Agreement to implement it is currently under negotiation between the Managing Authority and the EIF.

a grant for Technical Assistance could be considered to further support the final recipients in project preparation.

It should be noted, however, that other forms of grant support could be equally attractive in the Greek market, particularly capital grants.

Figure 112: *FLPG - Grant combination*



In order to better address the needs of the sector, and to achieve maximum use of the FI, it is recommended that the **minimum amount of each loan is set at EUR 20 000**. This threshold is recommended to avoid overlaps with the Microloan FI that is being proposed later in the Strategy.

Based on a portfolio guarantee cap rate of up to 25% and a guarantee rate of 80%, as well as the experience from the previous programming period, **the multiplier effect is expected to reach x4.**

The programmed allocation of public contributions from the resources of the CAP Strategic Plan is EUR 47.04 million. Funds are allocated between beneficiaries with EUR 30.24 million allocated for agricultural holdings, and more specifically EUR 16.8 million for investments and EUR 13.44 million for working capital. For processing, marketing and/or development of agricultural products, EUR 16.8 million are allocated, out of which EUR 10.08 million for investments and EUR 6.72 million for working capital. Taking into consideration that the above amounts include all the expenses of the financial instruments, such as management fees (approximately 7%), interest rate subsidy (approximately 10%) and technical assistance (approximately 3%-4%) and given the potential multiplier effect, the overall amount of financing for the target recipients is expected to reach EUR 149.59 million.

Based on the proposed new features and subject to enhanced communication and promotion efforts, an increased demand for the guarantee FI is expected compared to the previous period, where an absorption rate of approximately 54% was observed (618 loans contracted for a total of 42.82 million). On this basis, there is potential for a higher allocation to the instrument to address the significant market gaps.

However, a degree of flexibility in the allocation of funds under the guarantee instrument, if such an adjustment in the CAP Strategic Plan is possible, could be beneficial to better adapt to the market demand of the FI and attract the interest of intermediaries. The management of small sub-allocations with their related parameters might not be attractive to the financial intermediaries. At the same time, such requirements might have a negative effect on the selection process, where the banks, in their efforts to meet the allocation requirements, might not be able to finance the highest quality projects. Similarly, on the side of final recipients, there is a possibility that the demand will concentrate on specific market segments and for a specific type of financing, leaving out several eligible applicants. As an example, most of the final recipients seeking financing under the guarantee FI in the previous implementation period were agricultural holdings and their financing needs were primarily for working capital.

Therefore, allowing a greater flexibility in the allocation of funds between investment and working capital as well as between agricultural holdings and food processors, for instance by providing one lump sum to the financial intermediaries to be deployed, could mitigate the potential challenges in the selection process of final recipients as described above.

<u>To recap, the following key changes are proposed for the EAFRD Guarantee Fund:</u>

- Combination with grant component, e.g., in the form of interest rate subsidy, capital grant, capital rebate, technical assistance, etc.
- Reduction of maximum cap rate from 35% to 25%, with guarantee rate remaining at 80%
- Increase of minimum loan size to EUR 20 000 from current EUR 10 000
- Eligibility of stand-alone working capital

Full details of the Financial Instrument are presented in the table below.

Table 24: *Summary of the financial instrument 1: First Loss Portfolio Guarantee for agricultural producers and food processors*

Financial instrument n°1 - First Loss Portfolio Guarantee combined with grant support	
Nature / Type of product	Guarantee for the first losses of a portfolio of new loans to agricultural and agri-food final recipients, combined with grant support.

Proposed amount of EAFRD and national contribution	The programmed allocation of public contribution from the CAP Strategic Plan resources is EUR 47.04 million, including management fees, interest rate subsidy, and technical assistance (which are expected to amount up to EUR 9,64 million). Thus, the net amount available for guarantee coverage is estimated to be approximately EUR 37,40 million.
	
	Funds are allocated as follows:
	• EUR 30.24 million in agricultural holdings, out of which
	  ○ EUR 16.8 million for investments, i.e., net amount EUR 13.27 million;
	  ○ EUR 13.44 million for working capital, i.e., net amount 10.62 million;
	• EUR 16.8 million in processing, marketing and/or development of agricultural products, out of which

Financial instrument n°1 - First Loss Portfolio Guarantee combined with grant support	
	○ EUR 10.08 million for investments, i.e., net amount EUR 7.96 million ○ EUR 6.72 million for working capital, i.e., net amount EUR 5.31 million. Based on the proposed new features and subject to enhanced communication and promotion efforts, an increased demand for the guarantee FI is expected compared to the previous period. On this basis, there is potential for a higher allocation to the instrument to address the significant market gaps. In addition, a degree of flexibility in the allocation of funds among the different types of investment (working capital, investment loan) and beneficiaries (agricultural holdings, food processors) is recommended to better adapt to the market demand of the FI and attract the interest of financial intermediaries for the implementation of the instrument. It is also suggested that part of the funds be directed to an interest rate subsidy, to further improve the financial conditions for beneficiaries.
Expected multiplier effect	Based on a portfolio guarantee cap rate at up to 25% and a guarantee rate of 80%, as well as the experience from the previous programming period and the revolving effect of the guarantee, **the multiplier effect is expected to reach x4**.
Amounts of financing for the targeted recipients	Based on the funds' allocation and the potential multiplier effect, **the overall amount of financing for the target recipients is expected to reach EUR 149.59 million**.
Envisaged financial product	• This financial instrument would provide credit risk protection for the financial intermediaries under the form of a guarantee limited to the first losses of a portfolio of new loans supporting agricultural activities; • The guarantee may cover up to 80% of each new loan (guarantee rate) and up to a maximum limit at portfolio level, indicatively proposed at 25% (cap rate) of the guaranteed volume. • Minimum size of eligible loans to be covered by the guarantee is recommended to be set at EUR 20 000. • The guarantee may cover investment needs as well as working capital needs; • The steps followed by the financial intermediaries in relation to the analysis, the documentation, the provision / allocation of loans and their follow-up must be carried out by the financial intermediaries in accordance with their usual existing procurement procedures. • Several financial intermediaries can be involved in operations; it is recommended that at least three systemic banks receive guarantee products, as well as the cooperative banks, to ensure that product is widely available on the retail market and a competitive environment is created;
Combination with a grant component	• The agricultural sector is strongly dependent on grants and therefore, the combination of this financial instrument with grant support would increase its attractiveness and facilitate deployment. • It is recommended to combine the instrument with grant support in a single operation, with a single set of rules, for a more efficient implementation.

Financial instrument n°1 - First Loss Portfolio Guarantee combined with grant support	
	• Grant support could be implemented in various forms, including the following: ○ An interest rate subsidy on the guaranteed loan; ○ A capital grant, which would reduce the loan amount to be repaid. ○ A capital rebate, an amount of money that the final recipient would not have to repay if they achieve pre-defined objectives; and/or ○ Technical assistance and support, for example in the form of access to technical expertise to develop the project, or through the payment by the financial intermediary(ies) of such technical expertise. • Considering the currently increased market interest rates and subject to market consultations, an interest rate subsidy could be considered for the grant component to further lower the financial cost of the investment for the final beneficiaries on top of the benefit transferred due to the instrument. In addition, a TA grant could further support the implementation of the instrument.
Scope of the FI and target final recipients	• The area of intervention of the FI is recommended to remain broad and flexible to address the identified market gap which remains significant and affects all sectors; • Therefore, the FI should cover all activities falling in the scope of Interventions Π3-73-2.1 and Π3-73-2.3. ○ **Π3-73-2.1** Support for investments in agricultural holdings; and ○ **Π3-73-2.3** Support for investment in the processing/marketing and/or development of agricultural products; • The FI should cover the entire national territory, aiming a comprehensive regional distribution. • **Target final recipients:** ○ Greek agricultural producers (Π3-73-2.1) ○ Greek food processors (Π3-73-2.3).
Objectives and expected advantages	The Financial Instrument is expected to facilitate access to finance by mitigating the identified constraints within the sector and enhance the credit conditions: • The intermediaries are required to fully transfer the benefit of the guarantee to the final recipients, contributing to the improvement of the loan conditions (collateral requirements, interest rates, payback periods and payback grace periods); • The guarantee alleviates the risk aversion of financial intermediaries for individuals and businesses with suboptimal credit records and mobilises them to extend credit to them; • The guarantee may also be provided free of charge, therefore reducing the cost for the intermediaries and allowing for more favourable conditions for the final recipients;

Financial instrument n°1 - First Loss Portfolio Guarantee combined with grant support	
	• Combination with grants could further benefit the recipients, especially in terms of interest rates (e.g. an interest rate subsidy) and transaction costs (technical support, application fees etc.); • Loans covered by the guarantee are both for investment purposes and working capital, addressing the needs of the sector. • Loans included in the covered portfolio are evaluated and selected by the intermediaries, allowing for thorough analysis monitoring of each individual case, establishing a direct credit relation with the client, and assuming part of the risk; • The precise conditions of the guarantee are finalised in cooperation with the intermediaries, thus permitting optimal planning and execution.
Market gaps analysis	The proposed amount is expected to address part of the market gap identified in the market assessment. As described in detail in the Market Assessment, the financing gap for both agriculture and agri food companies is estimated at around EUR 3.8 billion.
Expected results / Added-Value of the instrument	The Financial Instrument: • Promotes entrepreneurship; • Assists in job creation and reduction of unemployment; • Supports the development of the agricultural sector; • Uses funds effectively by providing a Leverage effect and Reuse of funds; • Promotes a shift from grant dependency; • Promotes an efficient use of funds in collaboration with the private sector, by risk sharing with the financial intermediaries, and utilising their expertise for project selection. The expected results of the Financial Instrument correspond to the needs of following focus areas: • SO1 Support sustainable farm income and the resilience of the agricultural sector across the Union, to enhance long-term food security and agricultural diversity, and to ensure the economic sustainability of agricultural production in the Union (Π3-73-2.1); • SO2 Strengthening market orientation and increasing the competitiveness of farms, both in the short and long term, including a greater focus on research, technology and innovation, and the development of new technologies and new products and services. and digitization (Π3-73-2.1 and Π3-73-2.3); • SO3 Improving the position of the farmer in the value chain (Π3-73-2.3); • SO8 Promote employment, development, gender equality, including the participation of women and men in the agricultural sector. Women's participation in agriculture, social inclusion and local development in rural areas, including women's participation in agriculture, social inclusion and local development in rural areas, including circular bio-economy and sustainable forestry (Π3-73-2.3);

Financial instrument n°1 - First Loss Portfolio Guarantee combined with grant support	
	• SO9 Improve the responsiveness of Union agriculture to society's demands on food and nutrition health, including high quality, safe and nutritious food produced in a sustainable way, reducing food waste, as well as improving animal welfare and combating resistance to foodborne diseases antimicrobial resistance (Π3-73-2.3).
Use of reflows of the instrument (Article 60 (2), Article 62 (1))	The revolving effect of the Financial Instrument consists of the reflow of the allocated funds, in new loans, as the first ones to make use of the guarantee are gradually repaid. In general, reflows from guarantee instruments materialise at late stages of the programming period. However, in case reflows can be utilised earlier, this will be done according to Article 62 of Regulation 1060/2021, whereby funds committed to an FI that are released in the lifecycle of the instrument, have to be recommitted to the same or other FI, hence becoming available to more final recipients. The exact extent of the revolving effect can be quantified after the finalization of the details of the agreements with the financial intermediaries.
Expected leverage effect **(Article 58 (3) a))**	The leverage effect is defined as: a / b, where for guarantee instruments covering loans, a = the total amount of underlying loans to eligible final recipients which are guaranteed and b = the value of the loan portfolio for eligible final recipients expected to be guaranteed by the ESI Fund programme. $\textbf{Expected leverage effect} = \dfrac{\textbf{Total expected amount of finance to eligible final recipients}}{\textbf{ESI Funds amount committed to the financial instrument}}$ Given that the guarantee funds should cover up to 25% of the total portfolio created, the allocated amount of EUR 47.04 million (which includes grant support and management fees) is expected to cover a portfolio of EUR 149.59 million. Some room for suboptimal use should be factored in. Thus, a final leverage effect of x4 can be expected.
Key indicators	**Key indicators include:** • R.9 Percentage of farmers receiving investment support for restructuring and modernisation, including improvement of resource efficiency (Π3-73-2.1); • R.37 New jobs receiving support for CAP projects (Π3-73-2.3); • R.39 Number of agricultural enterprises, including those in the bio-economy receiving CAP support (Π3-73-2.3). Regarding the **monitoring indicators**, an indicative and non-exhaustive list follows: • Number of entities supported; • Number of entrepreneurs supported; • Number of entities supported by sector - producers or processors; • Stage of development of the entities supported; • Credit rating of entities supported (where applicable); • Number of employees in the entity supported at the time the loan was granted;

Financial instrument n°1 - First Loss Portfolio Guarantee combined with grant support	
	• Number of jobs created through the implementation of the instrument; • Turnover of entities supported; • Total amount awarded to entities supported; • Average amount granted to entities supported.

Considering the information above, the following table presents key outcome indicators for the Financial Instrument. Basic assumptions include:

- Multiplier expected to reach x4;
- Allocation of funds as presented in the CAP Strategic Plan;
- Loan size ranges according to type of loan and category of beneficiary, with processors receiving higher average loans; results from previous operation shows that average loan (for loans above EUR 20 000) is EUR 51,505.36 for farmers, and EUR 272,583.75 for processors. Even though in the previous period 91.8% of loans (number of loans) were directed to farmers, and only 8.2% to processors (67,9% for farmers and 32.1% for processors in terms of funds), in the current period, the specific allocation of funds to each category, and also between investments and working capital, will result in a more equal distribution. However, almost 85% of the loans granted did not exceed EUR 100 000. Taking into account further incentives that will boost the instrument, it is assumed that loan size will increase, but the great majority will still not exceed EUR 200 000. It is also assumed that working capital loans will be generally lower than investment loans.

Table 25: Indicative distribution of loan sizes

LOAN SIZE RANGE *(in €)*	AVG LOAN SIZE	AGRICULTURAL HOLDINGS - INVESTMENTS	AGRICULTURAL HOLDINGS - WORKING CAPITAL	PROCESSING -INVESTMENTS	PROCESSING - WORKING CAPITAL
20-70 000	45 000	93%	93%	55%	55%
70-200 000	135 000	5%	5%	25%	25%
200 000- 1 million	350 000	2%	2%	10%	10%
>1 million	750 000			10%	10%

Assuming an overlap between beneficiaries receiving both investment and working capital funding, of around 30% of those receiving working capital also receiving investment funding, according to the previous period, number of actions is greater than number of beneficiaries.

Table 26: *Indicative number of actions*

OUTPUT INDICATOR	AGRICULTURAL HOLDINGS – INVESTMENTS	AGRICULTURAL HOLDINGS -WORKING CAPITAL	PROCESSING - INVESTMENTS	PROCESSING - WORKING CAPITAL	TOTAL
TOTAL PUBLIC EXPENDITURE	EUR 16.8 million	EUR 13.44 million	EUR 10.08 million	EUR 6.72 million	EUR 47.04 million
NO OF ACTIONS	1121	897	413	309	**2740**
NO OF BENEFICIARIES	1121	628	413	216	**2378**

Key messages from the market…

The **EAFRD Guarantee Fund** provides portfolio guarantees to alleviate financial institutions' concerns about the higher risks associated with agricultural investments; for the period 2014-2022 97% of the final recipients being micro-enterprises. During the interviews, but also drawing from their experience, banks emphasized the importance of establishing a clear pathway to investment by combining grants and loans, streamlining FIs to manage state-driven demand in financing, ensuring effective communication to minimize failure rates, and supporting value chains and dynamic subsectors such as green and smart agriculture.

However, stakeholders also noted that there was confusion in the market regarding the application of rules for combining grants with loans, thus resulting in fear of unfavourable state aid decisions. Overall, while acknowledging challenges and bureaucratic hurdles, all stakeholders demonstrate a constructive and proactive approach towards this financial instrument. Their proposal for streamlining processes and enhancing support mechanisms indicate a strong willingness to continue using the instrument, driven by its positive impact on supporting agricultural and food enterprises.

7.3 Risk-sharing micro-loan instrument combined with grant support for agricultural entrepreneurship

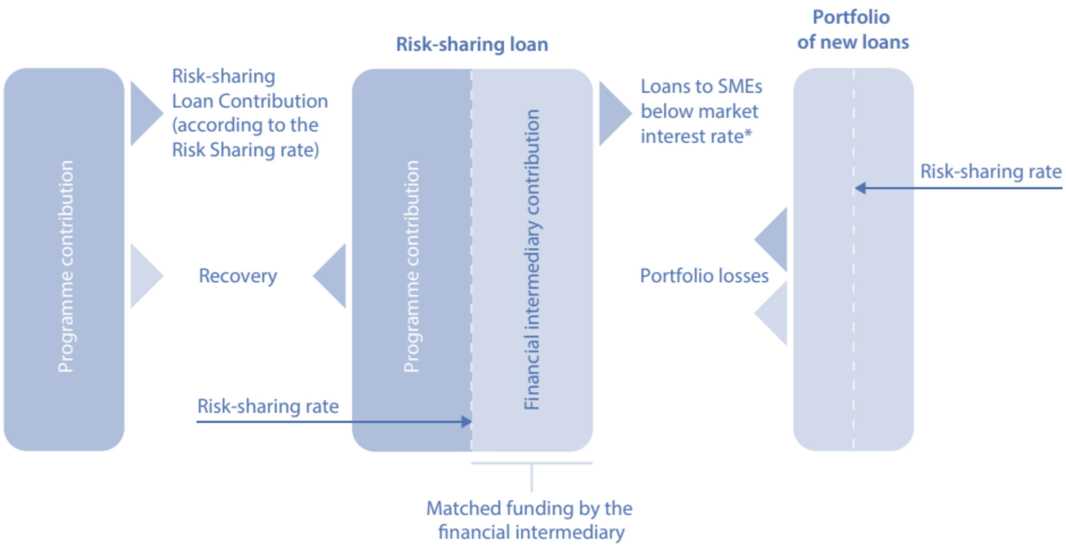
The previous ex ante assessment identified a market failure for microfinance products targeting the agricultural sector as well as an increased difficulty of small agricultural holdings and micro food processors to access finance from the banking sector. As a result, the Micro-loan Fund was established to increase the supply of microfinance products in the market and support the financial inclusion of smaller agricultural holdings and micro food processors.

The response to the Micro-loan Fund has been very positive, as indicated by the swift absorption of the instrument and the high number of final recipients and investments supported. The tailored solutions offered by the program, such as working capital provisions, investment finance for modernization, and short-term financing options, have effectively addressed the sector's critical financial needs, particularly amidst challenges like rising operational costs and cash flow constraints. The incorporation of an interest rate subsidy and an optional grant component have further increased the appeal of the instrument.

Therefore, maintaining and enhancing this financial instrument becomes imperative to address the significant remaining demand for the instrument from the market as well as continue supporting the financial inclusion of smaller agricultural holdings which make up the largest part of the agricultural community in Greece. Lessons learned from the fund's implementation, including capacity-building initiatives and streamlined communication strategies, provide valuable insights for future endeavours aimed at further enhancing financial support mechanisms for agricultural development.

For the continuation of the Micro-loan Fund, the design and main features of the instrument are proposed to remain the same since its successful implementation indicates an effective alignment with the needs of the final recipients. Further details about the structure and features of the financial instrument are presented below.

Figure 12: *Risk-sharing instrument*



The instrument is a risk-sharing micro-loan facility that provides co-financing to the selected financial intermediaries for a portfolio of newly originated loans to producers and processors. Currently, public resources are used to co-finance and share the credit risk of the new portfolio in "pari-passu" terms (i.e., 50% from the financial instrument and 50% from financial intermediaries). This equal contribution to the financial instrument by the financial intermediaries and public resources is considered optimal and is proposed to remain the same.

Financial intermediaries may be selected through an expression of interest call, in which the MA would set out all criteria, such as co-investment percentage, level of interest rates, transaction costs and collateral required by the intermediaries. The appointed financial intermediaries would then receive the funds and build up a portfolio of micro-loans to eligible final recipients. Financial Intermediaries already participating in the ongoing instrument would be able to continue participating, provided that the existing agreements are modified accordingly.

The risk-sharing loan contribution from the FI is currently provided with zero interest rate, transferring the benefit of the instrument to the final recipients by reducing the loan interest rate below market rates. On top of this, the Micro-loan Fund provides an interest rate subsidy for the first two years of the loan which further reduces the cost for the final recipients. These features have driven the demand for the FI, particularly in the context of high interest rates, and are proposed to be considered for the new period as well. The optional grant of EUR 300 for consulting services is also recommended to be preserved as technical assistance can help improve the quality of loan applications, particularly from new entrants and small agricultural holdings.

The maximum size of the eligible loans is recommended to be extended to EUR 40 000 or even up to 50 000 from the current threshold of EUR 25 000. This proposal is based on the input collected during the interviews and on the statistics of the previous implementation, as the average loan in the current operation is close to the ceiling at EUR 23 900 and a higher ceiling is considered appropriate to cover the demand.

The programmed allocation of public contributions from the resources of the CAP Strategic Plan is EUR 15.16 million. Funds are allocated between beneficiaries with EUR 10.08 million allocated for agricultural holdings, and more specifically EUR 5.04 million for investments and EUR 5.04 million for working capital. For processing, marketing and/or development of agricultural products, EUR 5.08 million are allocated, out of which EUR 2.56 million for investments and EUR 2.52 million for working capital. The above amounts include management fees (currently ~4%, maximum 7% for CAP SP during 2023-2027 programming period according to Regulation (EU) 2021/1060 art. 68 par. 4), and after the management fees are deducted, the interest subsidy (~6–7% of the budget) and technical assistance (~1 .5% of the budget). Therefore, the net amount available for the risk-sharing loan contribution would be EUR 12.97 million, and specifically EUR 8.62 million for agricultural holdings and EUR 4.35 million for processing, marketing and/or development of agricultural products.

The allocated amount is lower than the previous period, where the funds were fully absorbed. Given the significant demand for the instrument, a budget increase would be recommended to achieve the desired impact on the market and reach the necessary scale to attract the interest of financial intermediaries for the deployment of the FI. Reflows from the previous period and the combination with other sources of funds, such as co-financing from the Fund Manager or financing from international bodies such as EIB, could help secure additional funding to address the needs of the market.

In addition, it would be recommended to allow a flexible allocation of funds within the instrument, if such an adjustment is possible in the CAP Strategic plan. This could materialise by providing a lump sum to the intermediaries instead of defining different allocations and parameters for each category as the management of micro allocations might discourage intermediaries from deploying the instrument and might negatively affect the selection process of final recipients in efforts to meet the allocation targets.

Considering the public contribution to the instrument of 50% for the portfolio of new loans, the possibility to use reflows, and based on the previous operation of the FI which resulted to a leverage of x1.9, the multiplier effect would be expected to reach at least x2 to x2.5. Based on the programmed allocation of public resources from the CAP Strategic Plan, the overall expected leverage for the final recipients is expected to range between EUR 25.97 million and EUR 32.42 million.

The details of the Instrument are presented in the table below:

Table 27: *Summary of the financial instrument 2: Risk-sharing micro-loan instrument*

<table>
<tr><th colspan="2">Financial instrument n°2 – Risk-sharing micro-loan instrument</th></tr>
<tr><td>Nature / Type of product</td><td>Risk-sharing micro-loan instrument for a portfolio of new loans to agricultural and agri-food final recipients, combined with grant support</td></tr>
<tr><td>Proposed amount of EAFRD and national contribution</td><td>The programmed allocation of public contribution from the CAP Strategic Plan resources for the instrument is EUR 15.16 million. This amount includes management fees, interest rate subsidy, and technical assistance, leading to an approximate net amount of EUR 12.97 million for the risk-sharing loan contribution.

Funds are allocated as follows:
• EUR 10.08 million in agricultural holdings, out of which
  o EUR 5.04 million for investments, i.e., net EUR 4.31 million;
  o EUR 5.04 million for working capital, i.e., net EUR 4.31 million.
• EUR 5.08 million in processing, marketing and/or development of agricultural products, out of which
  o EUR 2.56 million for investments, i.e., net EUR 2.19 million;
  o EUR 2.52 million for working capital, i.e., net EUR 2.16 million.

A greater flexibility in the allocation of funds across the instrument would be recommended to better respond to the needs of the market and attract the interest of the intermediaries. In addition, an increase of the budget is recommended based on the previous significant demand and positive results of the instrument.</td></tr>
<tr><td>Expected multiplier effect</td><td>Based on the public contribution to the FI of 50%, the use of reflows and the previous operation of the FI (which resulted to a leverage of x1.9), the multiplier effect would be expected to range between x2 – x2.5.</td></tr>
<tr><td>Amounts of financing for the targeted recipients</td><td>Based on the programmed allocation of public resources from the CAP Strategic Plan and the expected leverage effect, the overall amount of financing for the final recipients is estimated between EUR 25.97 million and EUR 32.42 million.</td></tr>
<tr><td>Envisaged financial product</td><td>• This financial instrument would provide additional resources to financial intermediaries for the creation of a portfolio of new micro-loans supporting agricultural activities. Specifically, public resources would be used to co-finance 50% of the new portfolio and share subsequently 50% of the credit risk.
• The instrument would be a funded instrument (versus unfunded as in the cases of a guarantee instrument), meaning that the co-financing amount would be transferred to the financial intermediaries. The financial intermediaries would then be responsible for building up and monitoring the portfolio based on their usual procedures and checks.
• The selection of financial intermediaries will be made through a call for tender or a call for expressions of interest; financial intermediaries already participating in the existing financial instrument may continue, provided that the existing agreements are modified accordingly;
• The maximum size of the loan covered by this financial instrument is</td></tr>
</table>

Financial instrument n°2 – Risk-sharing micro-loan instrument	
	recommended to be set at EUR 40 000 or even up to 50 000 to meet the demand for micro-loans. • The instrument may cover both investment and working capital needs; • The instrument should be used in combination with grants to increase the attractiveness for final recipients. Specifically, it is proposed to maintain the current features of interest rate subsidy for the first two years of the loan and an optional grant for technical assistance.
Scope of the FI and target final recipients	• The target area of intervention of the FI is the provision of microfinance and support of micro/small agricultural producers and food processors. • By increasing the fund availability and interest of financial intermediaries to develop microfinance products, this instrument would allow the financing of both investment and working capital needs, especially for micro/small producers and processors, whose needs are often relatively small for applying for conventional loans; • The FI may cover all activities falling in the scope of Measures П3-73-2.1 and П3-73-2.3. o **П3-73-2.1** Support for investments in agricultural holdings; and o **П3-73-2.3** Support for investment in the processing/marketing and/or development of agricultural products; • The FI should cover the entire national territory, aiming a comprehensive regional distribution. • **Target final recipients:** o Greek agricultural producers (П3-73-2.1) o Greek food processors (П3-73-2.3).
Objectives and expected advantages	The Financial Instrument: • Strengthens the existing financing offer for microfinance products, by contributing additional public resources; • Promotes the structuring and strengthening of the microfinance market for micro-enterprises in the agricultural sector in Greece; • Increases access to finance for entrepreneurs in the selected targeted groups.
Market gaps analysis	The proposed FI is expected to address part of the market gap identified in the market assessment. As described in detail in the Market Assessment, the financing gap for both agriculture and agri food companies is estimated at around EUR 3.8 billion.
Expected results / Added-Value of the instrument	This Financial Instrument: • Promotes entrepreneurship and business creation; • Assists in job creation and reduction of unemployment; • Supports the development of the agricultural sector;

Financial instrument n°2 – Risk-sharing micro-loan instrument	
	• Includes the possibility for emphasis on targeted beneficiary groups (e.g. young farmers); • Increases the supply of microfinance products; • Uses funds effectively by providing a Leverage effect and Revolving effect of funds; • Promotes the efficient use of funds in collaboration with the private sector, by risk sharing with the financial intermediaries, and utilising their expertise for project selection. The expected results of the Financial Instrument correspond to the needs of following focus areas: • SO1 Support sustainable farm income and the resilience of the agricultural sector across the Union, to enhance long-term food security and agricultural diversity, and to ensure the economic sustainability of agricultural production in the Union (П3-73-2.1); • SO2 Strengthening market orientation and increasing the competitiveness of farms, both in the short and long term, including a greater focus on research, technology and innovation, and the development of new technologies and new products and services. and digitization (П3-73-2.1 and П3-73-2.3); • SO3 Improving the position of the farmer in the value chain (П3-73-2.3); • SO8 Promote employment, development, gender equality, including the participation of women and men in the agricultural sector. Women's participation in agriculture, social inclusion and local development in rural areas, including women's participation in agriculture, social inclusion and local development in rural areas, including circular bio-economy and sustainable forestry (П3-73-2.3); • SO9 Improve the responsiveness of Union agriculture to society's demands on food and nutrition health, including high quality, safe and nutritious food produced in a sustainable way, reducing food waste, as well as improving animal welfare and combating resistance to foodborne diseases antimicrobial resistance (П3-73-2.3).
Use of reflows of the instrument (Article 60 (2), Article 62 (1))	The revolving effect of the Financial Instrument consists of the reflow of the allocated funds in new loans, as the first ones to be granted are gradually repaid. According to Article 62 of Regulation 1060/2021, funds committed to a FI that are released in the lifecycle of the instrument, must be recommitted to the same or other FI, hence becoming available to more final recipients. The use of reflow of funds should be included in the call for the selection of intermediaries The exact extent of the revolving effect can be quantified after the finalization of the details of the agreements with the financial intermediaries.
Key indicators	**Key indicators include:** • R.9 Percentage of farmers receiving investment support for restructuring and modernisation, including improvement of resource efficiency (П3-73-2.1);

Financial instrument n°2 – Risk-sharing micro-loan instrument	
	• R.37 New jobs receiving support for CAP projects (П3-73-2.3); • R.39 Number of agricultural enterprises, including those in the bio-economy receiving CAP support (П3-73-2.3). Indicative **monitoring indicators**: • Number of entities supported; • Number of entrepreneurs supported; • Number of entities supported by sector - producers or processors; • Stage of development of the entities supported; • Number of employees in the entity supported at the time the loan was granted; • Number of jobs created through the implementation of the instrument; • Turnover of entities supported; • Total amount awarded to entities supported; • Average amount granted to entities supported; and • Leverage effect.

Considering the information above, the following table presents key outcome indicators of the Financial Instrument. Basic assumptions include:

- Multiplier ranges from 2x to 2,5x;
- Allocation of funds as presented in the CAP Strategic Plan;
- Loan size ranges according to type of loan and category of beneficiary, with processors receiving higher average loans. Based on the results of the ongoing instrument, average loan is around EUR 23 900, and 97% of loans have been received by producers. Regarding processors, it could be assumed that the maximum amount of EUR 25 000 did not cover their needs for financing. It is therefore safe to assume that, with an increase of the maximum amount to EUR 40 000, for producers, the average loan for producers could slightly increase to EUR 28 000, whereas for processors it would range between EUR 25-40 000.
- Average loan size will be around EUR 25 000. With the assumption of one loan per beneficiary, the total number of actions equals total number of final beneficiaries.

Table 28: *Indicative number of actions*

OUTPUT INDICATOR	AGRICULTURAL HOLDINGS – INVESTMENTS	AGRICULTURAL HOLDINGS -WORKING CAPITAL	PROCESSING -INVESTMENTS	PROCESSING - WORKING CAPITAL
TOTAL PUBLIC EXPENDITURE	5.04	5.04	2.56	2.52
NO OF ACTIONS	308-385	308-385	137-171	135-169

NO OF BENEFICIARIES	308-385	308-385	137-171	135-169

Key messages from the market…

The **Micro-loan Fund for Agricultural Entrepreneurship** achieved notable success due to its favourable terms. By the end of June 2024, it supported 1 826 micro-enterprises, comprising a total of more than 1 984 employees. By the end of June 2024, 5 695 loan applications had been submitted through the IT system of the Fund Manager requesting a total of EUR 146.5 million. A percentage of 90% of those applications received an initial approval by the banks, hence the total amount of applications submitted for support through the StateAid IT system totalled to more than 5 100 for an amount of more than EUR 121 million. The applications that received a final approval reached 40.04% of the number of applications submitted to the StateAid IT system, resulting in 1 826 applications and EUR 42.4 million.

Based on their experience, the banks proposed simplifying processes to decrease management costs for both sides, especially in microfinancing, and suggested integrating guarantee mechanisms to minimize interest costs and considering mentoring and interest rate subsidies to create a supportive network and set attractive incentives. Additionally, they recognised the considerable value of the voluntary consulting services provided with the instrument, which were highly praised for their effectiveness and impact on facilitating procedures for both recipients and service providers.

Overall, all stakeholders demonstrate a constructive and proactive approach towards the specific financing instrument, underlying however that the amount of the potential loan should be raised.

7.4 First Loss Portfolio Guarantee combined with grant support for Young Farmers

One of the main challenges of the agricultural sector in Greece is the aging workforce along with the limited entry of new farmers. Encouraging and supporting new entrants, and particularly young farmers, is crucial for the competitiveness and sustainable growth of the sector. Young farmers remain one of the most underserved market segments, facing significant challenges in accessing finance due to their lack of credit history, limited collateral and absence of own equity. Banks also find challenging the financing of this segment due to the higher associated risk, with their profile resembling that of start-ups and requiring a different approach than conventional loans.

The new Common Agricultural Policy introduces various measures and direct payments to facilitate the entry of young farmers. Despite the strong public support, the financing gap for young farmers is substantial and necessitates the participation of the private sector to bring in additional resources. The development of a targeted financial instrument for young farmers could help address this gap while incentivizing the banking sector to take a more active role in financing this market segment.

Overall, this instrument could be implemented as a component of the two previously recommended instruments or as a stand-alone instrument.

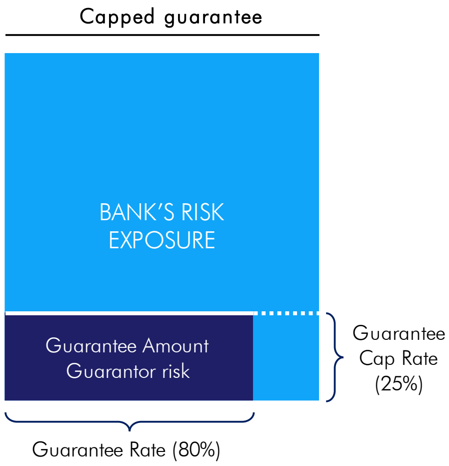
A guarantee instrument is proposed to reduce the risk assumed by financial intermediaries, hence increasing their willingness to extend credit to young farmers. At the same time, such an instrument would allow young farmers to benefit from more favourable loan conditions, including:

- Reduced collateral requirements;
- Reduced loan interest rates, resulting from a lower risk profile;
- Potential increase of maturity of loans;
- Potential longer grace period.

Taking into consideration the high upfront costs that young farmers face, the combination of the instrument with a grant component is also considered necessary, both to alleviate the financial barriers for young farmers and to enhance the viability of these investments for financial intermediaries.

Two types of guarantees could be envisaged: (1) a **Capped First Loss Portfolio Guarantee** (FLPG), or (2) a **Loan-to-loan Guarantee**.

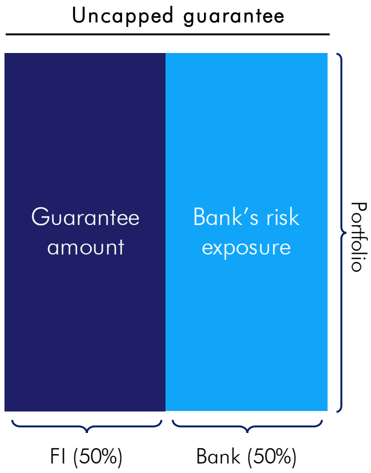
Figure 13: *FLPG for young farmers*



A First Loss Portfolio Guarantee covers the first losses of a portfolio of new loans to the target final beneficiaries on a loan-by-loan basis. **A guarantee rate of 80% and a cap rate of up to 25% are proposed**. In other words, the FI would provide coverage of 80% for each defaulted loan up to a maximum threshold at portfolio level of 25%.

The proposed percentages of guarantee and cap rate are expected to result in a strong leverage effect and attract the interest of financial intermediaries. However, if the financial intermediaries consider this segment too risky during market consultations, an increase of the cap rate, for instance to 35%, could be considered.

Figure 13: *Loan-to-loan guarantee for young farmers*



A Loan-to-loan Guarantee covers the defaults of a portfolio on a loan-by-loan basis at an agreed guarantee rate, without a maximum loss amount at portfolio level. This agreed guarantee rate could be set, for instance, at 50%, sharing equally the risk and recoveries for each loan between the financial instrument and the participating banks.

This option would increase the benefits passed on to final beneficiaries compared to the first option, since there is less risk assumed by the financial intermediaries in an individual guarantee instrument. However, the multiplier effect in this option would be much lower.

As identified in the market assessment, the financing gap for young farmers is substantial. In order to benefit from a higher leverage effect and address the significant market needs, **the option of a capped FLPG is recommended**. Alternatively, depending on the market consultations with the financial intermediaries and their risk appetite, an uncapped guarantee providing risk coverage for each loan of the new portfolio could also be considered.

As in the case of the existing First Loss Portfolio Guarantee Instrument, the guarantee would be issued to one or more selected financial intermediaries through a call for expressions of interest, under the conditions set out by the MA and following negotiations with the financial intermediaries. The benefit of the guarantee should be fully transferred to the final beneficiaries, as reduced interest rate, reduced collateral requirements, longer payback periods or payback grace periods granted. The financial intermediaries should demonstrate how they will transfer this benefit to the final recipients as part of selection process. To better address the needs of the sector, and to achieve maximum use of the FI, it is recommended that at least three systemic banks are selected for the guarantee instrument, as well as the cooperative banks, to ensure that the product is widely available on the retail market and a competitive environment is created.

The financial instrument should be combined with grant support, preferably in a single operation, to enhance the viability of the supported investments. The grant component could take the form of a capital grant, an interest rate subsidy, a capital rebate, and/or technical support (consulting services, mentoring, etc). Given the high financing costs to enter into the sector, a **capital grant** might be optimal to address the needs of young farmers. In addition, **technical support** could be very beneficial for young farmers in order to present viable business cases to the banks and receive the necessary help to set up their business. Taking into consideration the risk involved in such investments, the grant intensity could indicatively range between 30% - 50%. In accordance with the regulation, the maximum amount of aid provided for the combined financial instrument with grant support shall not exceed EUR 100 000.

In addition, the regulation for the 2023-2027 period offers new opportunities that should be taken into consideration for the design of this instrument, particularly:

- The possibility to finance the purchase of land for young farmers with the FI, which would increase the appeal of the instrument and address one of the main barriers of the target audience, that is, their limited access to land.
- The possibility to provide support under the FI for stand-alone working capital, addressing a significant need of young farmers since they are faced with high investments and low returns during the initiation of their business.

The minimum size of eligible loans to be covered by the guarantee is recommended to be set at EUR 10 000, subject to further discussions with implementing bodies to avoid overlaps with the other instruments.

Based on a portfolio guarantee cap rate at 25% and a guaranteed rate of 80%, **the multiplier effect is expected to range between x4 and x6.25.**

The programmed allocation of public contribution from the CAP Strategic Plan resources is EUR 10 million, which should cover both grants and loan guarantees. Considering the upper bound of the recommended grant intensity range, namely a maximum potential percentage of grant support of 49,9%, the net amount available for loan guarantees would be EUR 5.01 million. Given the potential multiplier effect, **the overall amount of financing for the target recipients is expected to reach EUR 20.04 million to EUR 31.31 million.**

Full details of the Financial Instrument are presented in the table below.

***Table 29**: Summary of the financial instrument 3: First Loss Portfolio Guarantee combined with grant support for Young Farmers*

Financial instrument n°3 – First Loss Portfolio Guarantee instrument combined with grant support for Young Farmers	
Nature / Type of product	Guarantee for the first losses of a portfolio of new loans to young farmers, combined with grant support.
Proposed amount of EAFRD and national contribution	The programmed allocation of public contribution from the CAP Strategic Plan resources is EUR 10 million, covering both the guarantee and the grant component of the combined financial instrument.
Expected multiplier effect	Based on a portfolio guarantee cap rate at 25% and a guaranteed rate of 80%, the multiplier effect is expected to range between x4 to x6.25[132].
Amounts of financing for the targeted recipients	Based on the above funds' allocation and the potential multiplier effect, the overall amount of financing for the target recipients is expected to reach EUR 20.04 million to EUR 31.31 million.
Envisaged financial product	• This financial instrument would provide credit risk protection for the financial intermediaries under the form of a guarantee limited to the first losses of a portfolio of new loans targeting young farmers; • The guarantee may cover up to 80% of each new loan (guarantee rate) and up to a maximum limit at portfolio level, indicatively proposed at up to 25% (cap rate) of the guaranteed portfolio volume. • Minimum size of eligible loans to be covered by the guarantee is recommended to be set at EUR 10 000. The exact thresholds could be subject to further discussions with implementing bodies to avoid overlaps. • The guarantee may cover investment needs, including land purchase, and working capital needs; • The steps followed by the financial intermediaries in relation to the analysis, the documentation, the provision / allocation of loans and their follow-up must be carried out by the financial intermediaries in accordance with their usual existing procurement procedures. • To achieve maximum use of the FI, it is recommended that at least three systemic banks are selected for the guarantee instrument, as well as the cooperative banks, to ensure that the product is widely available on the retail market and a competitive environment is created.
Combination with a grant component	• The reliance of the agricultural sector on grant support in addition to the high upfront costs faced by the young farmers, necessitate the incorporation of a grant component to the financial instrument in order to:

[132] Data regarding the operation the current FI are necessary, in order to verify or alter the multiplier.

Financial instrument n°3 – First Loss Portfolio Guarantee instrument combined with grant support for Young Farmers	
	◦ increase the attractiveness and facilitate deployment of the FI; ◦ increase the financial viability of the associated investments; ◦ alleviate the high financial burden discouraging the entry of young farmers. • Grant support could be implemented in various forms, including the following: ◦ An interest rate subsidy on the guaranteed loan; ◦ A capital grant, which would reduce the loan amount to be repaid. ◦ A capital rebate, an amount of money that the final recipient would not have to repay if they achieve pre-defined objectives; and/or ◦ Technical assistance and support, for example in the form of access to technical expertise to develop the project, or through the payment by the financial intermediary(ies) of such technical expertise. • Given the high financing costs to enter into the sector, a capital grant is recommended in addition to technical assistance in order to address the needs of young farmers and help them prepare a viable business case. • Taking into consideration the risk involved in such investments, the grant intensity could indicatively range between 30% - 50%. The maximum amount of aid provided for the combined financial instrument with grant support shall not exceed EUR 100 000. • It is recommended to combine the instrument with grant support in a single operation, with a single set of rules, for a more efficient implementation. • The total aid of the combined FI and grant support (Grant and the Gross Grant Equivalent of the loan) should not exceed EUR 100 000, with the loan being greater than the grant.
Scope of the FI and target recipients	• The FI should cover all activities falling in the scope of Π3-75.1. ◦ **Π3-75.1. Installation of young farmers;** • The FI should cover the entire national territory, aiming a comprehensive regional distribution. • **Target final recipients:** Greek young farmers, defined as: ◦ **Age:** up to 40 years old ◦ Must be a "**head of the holding**", i.e. having full legal capacity, is the owner of the agricultural holding, and is legally (civil liability) and financially (fiscal liability) responsible for its operation (managerial liability). ◦ Must have **appropriate training and skills**, as described in the CAP Strategic Plan.
Objectives and Expected Advantages	The Financial Instrument is expected to facilitate access to finance for young farmers and help them to enter the agricultural sector: • By providing credit risk protection for the financial intermediaries, it alleviates

Financial instrument n°3 – First Loss Portfolio Guarantee instrument combined with grant support for Young Farmers	
	risk aversion for young farmers, who often lack credit history and have limited collateral and own equity; • Loans included in the covered portfolio are evaluated and selected by the intermediaries, allowing for thorough analysis monitoring of each individual case, establishing a direct credit relation with the client, and assuming part of the risk; • The precise conditions of the guarantee are finalised in cooperation with the intermediaries, thus permitting optimal planning and execution; • Loans covered by the guarantee are both for investment purposes and working capital, addressing the needs of the sector; • Combination of the loan with grants, further enhances the financial conditions for the final recipients, and provides additional support for the success of the investment; • The guarantee is free of charge, therefore reducing the costs for the intermediaries and allowing for more favourable conditions for the beneficiaries.
Market gaps analysis	The instrument is expected to address part of the market gap identified in the market assessment. As described in detail in the Market Assessment, the financing gap for both agriculture and agri food companies is estimated at around EUR 3.8 billion. Young farmers and new entrants face additional challenges such as the lack of credit history, and lack of collateral.
Expected results / Added-Value of the instrument	The Financial Instrument: • Promotes entrepreneurship; • Assists in job creation and reduction of unemployment; • Supports the development of the agricultural sector; • Contributes to generational renewal of the agricultural sector; • Contributes to the population revitalization of rural areas and especially those that present the most intense problems (mountainous, sparsely populated); • Uses funds effectively by providing a Leverage effect and Reuse of funds; • Promotes an efficient use of funds in collaboration with the private sector, by risk sharing with the financial intermediaries, and utilising their expertise for project selection. The expected results of the Financial Instrument correspond to the needs of following focus areas: • SO7 Attract young farmers and facilitate business development in rural areas; • SO8 Promote employment, development, gender equality, including the participation of women and men in the agricultural sector. Women's participation in agriculture, social inclusion and local development in rural areas, including women's participation in agriculture, social inclusion and local development in rural areas, including circular bio-economy and sustainable forestry.

Financial instrument n°3 – First Loss Portfolio Guarantee instrument combined with grant support for Young Farmers	
Estimation of Public and Private resources	Public resources will amount to EUR 10 million, while private resources are calculated between EUR 10.04million and EUR 21.31 million, based on a multiplier of x4 to x6.25.
Use of reflows of the instrument (Article 60 (2), Article 62 (1))	The revolving effect of the Financial Instrument consists of the reflow of the allocated funds in new loans, as the first ones to be granted are gradually repaid and the guarantee is released. According to Article 62 of Regulation 1060/2021, funds committed to a FI that are released in the lifecycle of the instrument, must be recommitted to the same or other FI, hence becoming available to more final recipients. The use of reflow of funds should be included in the call for the selection of intermediaries The exact extent of the revolving effect can be quantified after the finalization of the details of the agreements with the financial intermediaries.
Expected leverage effect **(Article 58 (3) a))**	The leverage effect is defined as: a / b, where for guarantee instruments covering loans, a = the total amount of underlying loans to eligible final recipients which are guaranteed and b = the value of the loan portfolio for eligible final recipients expected to be guaranteed by the ESI Fund programme. $\text{Expected leverage effect} = \dfrac{\text{Total expected amount of finance to eligible final recipients}}{\text{ESI Funds amount committed to the financial instrument}}$ Given that the guarantee funds should cover up to 25% of the total portfolio created, the allocated amount of EUR 10 million is expected to cover a portfolio of at least EUR 20.04million. Factoring in the combination of grants and the reflow effect, the multiplier could reach up to x6,25.
Key indicators	**Key indicators include:** • **R.36** Number of young farmers benefitting from setting up with support from the CAP, including a gender breakdown; • **R.37** New jobs receiving support for CAP projects; Regarding the monitoring indicators, an indicative and non-exhaustive list follows: • Number of entities supported; • Number of entrepreneurs supported; • Number of entities supported by sector - producers or processors; • Stage of development of the entities supported; • Credit rating of entities supported (where applicable); • Number of employees in the entity supported at the time the loan was granted; • Number of jobs created through the implementation of the instrument; • Turnover of entities supported; • Total amount awarded to entities supported; • Average amount granted to entities supported.

Considering the information above, the following table presents key outcome indicators of the Financial Instrument. Basic assumptions include:

- Multiplier ranges from 4x to 6,25x;
- Allocation of funds as presented in the CAP Strategic Plan;
- Loan size ranges according to the size of grant also received in combination in the same act;
  - the overall support from the Strategic Plan, provided in the form of capital grants (lump sum) and/or technical assistance, in the context of the single act, cannot exceed the total amount of loans granted with the financial guarantee tool;
  - assuming 50% of beneficiaries will receive the maximum amount of total support (EUR 100 000);
  - and 50% will receive half of the maximum amount of total support (EUR 50 000);
- Assumption of one loan per beneficiary, thus total number of actions equals total number of final beneficiaries.

Table 30: *Indicative number of actions*

OUTPUT INDICATOR	Multiplier 4x	Multiplier 6,25x
TOTAL PUBLIC EXPENDITURE	10	10
NO OF ACTIONS	616	963
NO OF BENEFICIARIES	616	1042–1875

Key messages for the market…

1. The discussions among stakeholders underscore a shared commitment to exploring and implementing effective FIs tailored for young farmers. Recognizing the challenges faced by this demographic, including the need for specialized support to foster sustainable agricultural practices, stakeholders from banks and agricultural bodies have put forth several proposals to enhance the viability and uptake of such instruments. Firstly, there is a strong consensus on the potential benefits of the EAFRD first loss guarantee with cap guarantee for young farmers aligned with CAP objectives. This instrument is seen as crucial in mitigating financial risks associated with lending to young farmers, thereby encouraging banks to offer more favourable terms such as extended repayment periods and reduced interest rates. This aligns with the broader goal of making agricultural entrepreneurship more accessible and attractive to younger generations.
2. Furthermore, stakeholders emphasize the importance of combining subsidies ranging from EUR 36 000 to EUR 40 000 with loan guarantees up to EUR 100 000 (although the rules specify that maximum total support for a financial instrument combined with grant support should not exceed EUR 100 000). Such integrated support packages aim to provide young farmers with sufficient initial funding to kick-start their ventures while ensuring they have the financial stability to sustain and expand their operations over time.

3. Additionally, proposals have been made to tailor these financing instruments to the specific needs and preferences of young farmers. This includes offering consulting services alongside financial support to enhance business planning, improve technical skills, and mitigate the risks of venture failure. Such measures are crucial in addressing the unique challenges faced by young farmers, including their inclination towards short-term financing and the preference for investments in innovative agricultural technologies rather than traditional energy efficiency initiatives.

7.5 Risk Management Financial Instrument

As described in the Market Assessment, the increasing frequency and severity of climate hazards, in addition to the pressure on prices caused by market volatility, render necessary the consideration of additional risk management schemes to safeguard the agricultural sector. In this context, the development of a risk management financial instrument could be further explored by the Managing Authority.

The Managing Authority shall first decide on the general outline of the form of the financial instrument (for instance, whether the objective would be to support farmers' income support or help them recover from natural disasters) and then proceed to consultation with all the relevant stakeholders, depending on the final form of the instrument. Possible stakeholders could include ELGA and in the case of a financial instrument for income support, the Cooperative or the Consortium of Cooperatives that would be selected. With the completion of these actions, it would be possible to design a financial instrument based on the investment strategy of chapter **4 - Risk Management in Agriculture**, **subchapter 4.3 – Conclusions and high-level investment strategy**.

8. Implementation Governance

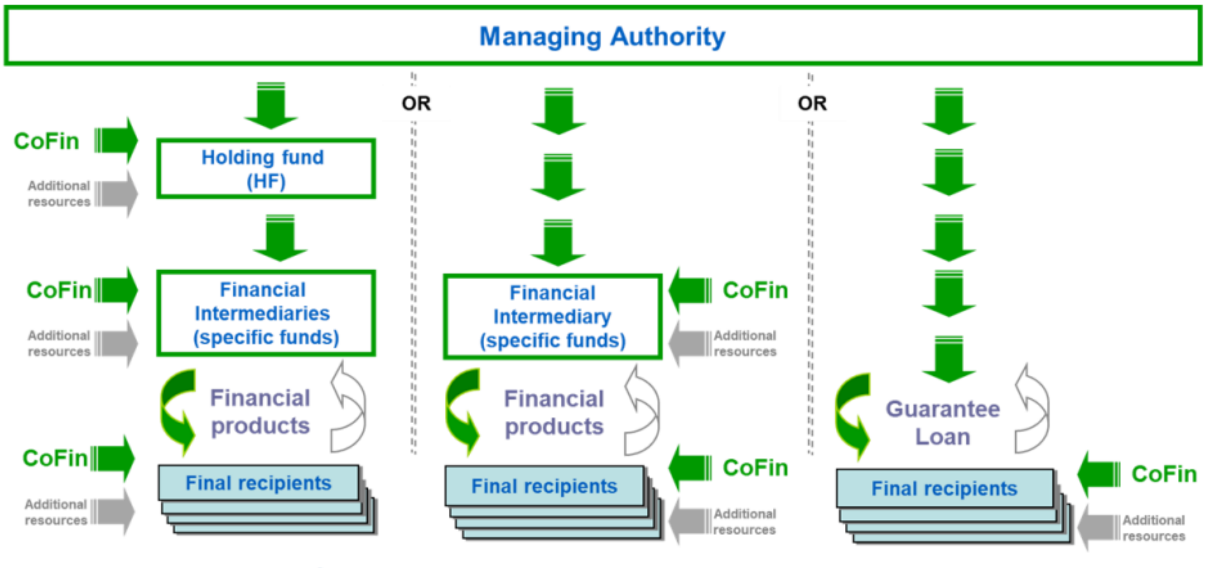
8.1 Options for the implementation presented in Art 59 of the CPR

In accordance with Article 59 of the CPR (Regulation (EU) 2021/1060), there are three potential options for the implementation of financial instruments:

- **Option 1: Assign execution tasks to mandated entities**, entrusting the implementation to (a) the EIB, (b) international financial institutions in which a Member State is a shareholder, (c) publicly-owned bank or institution, or (c) other bodies, also entering under the scope of Article 12 of Directive 2014/24/EU.
- **Option 2: Implement the financial instruments under the responsibility of the Managing Authority** through: (a) an investment of programme resources into the capital of a legal entity, or (b) separate blocks of finance or fiduciary accounts. The Managing Authority shall select the body implementing the financial instrument;
- **Option 3: Direct implementation of the financial instruments by the Managing Authority**, in the case of FIs consisting solely of loans or guarantees. The Managing Authority needs to set out the terms and conditions of the programme contribution to the financial instrument in a strategy document (as per Annex X of the Regulation).

The following figure summarises the three options provided in Article 59 for managing financial instruments.

***Figure 15**: CAP 2023-2027 scenarios for the implementation of a financial instrument*



Source: fi-compass 2022[133].

133 Retrieved at: https://www.ficompass.eu/sites/default/files/publications/The%20regulatory%20framework%20for%20financial%20instruments_1.pdf

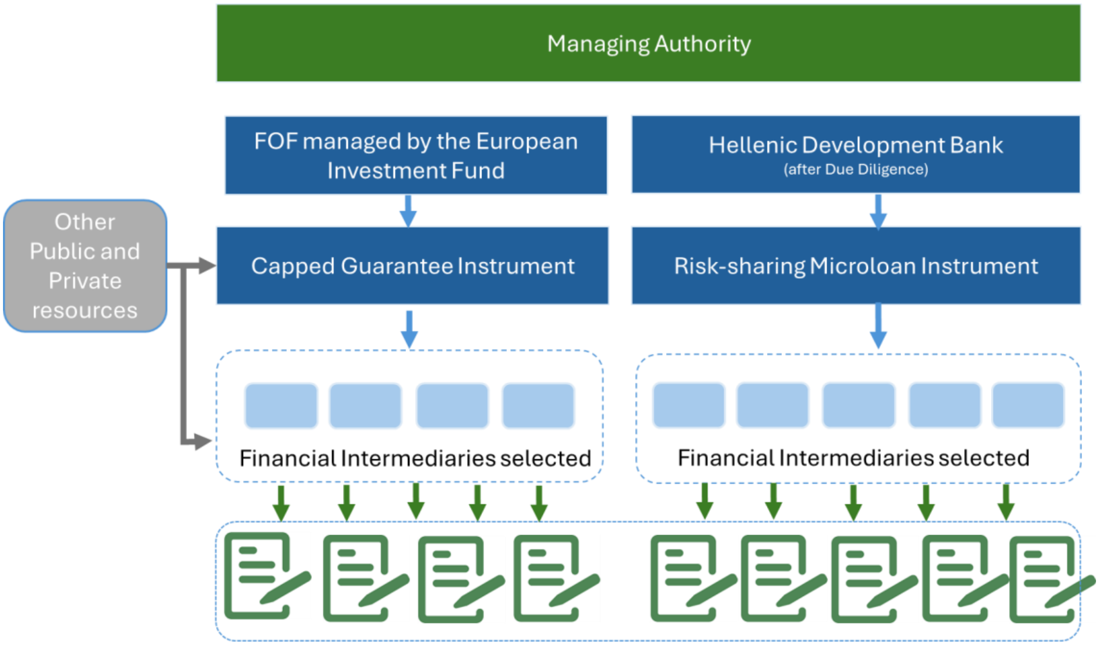
8.2 Proposed governance for the implementation of the FIs 2023-2027

In the period 2014-2022 and based on the recommendations of the previous ex ante, the Managing Authority decided to entrust the implementation of the financial instruments to:

1) the European Investment Fund (EIF), for the EAFRD Guarantee Fund, and
2) the Hellenic Development Bank (HDB) for the Risk-sharing Microloan Instrument.

The Governance for the two financial instruments co-financed by EAFRD in the 2014-2022 period is presented in the figure below:

Figure 16: *Governance for CAP 2014-2022 FIs implementation in Greece*



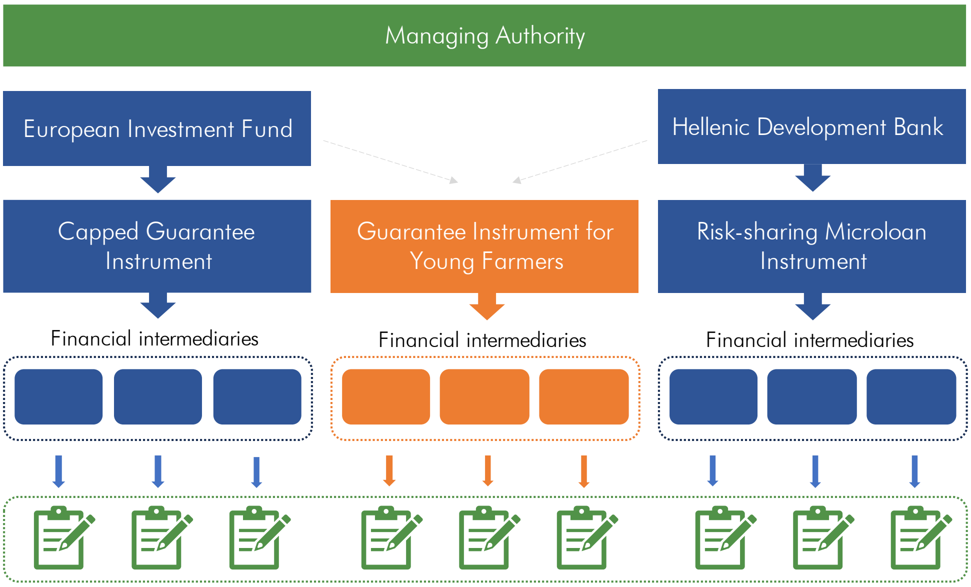
Taking into consideration the experience gained by the Managing Authority, Fund Managers and financial intermediaries during the previous implementation of these financial instruments, the governance structure is proposed to remain the same for the continuation of the Guarantee Fund and the Micro-loan instrument in the 2023-2027 period.

The possibility for continuation of financial instruments from one period to the subsequent one is foreseen in the new CPR with the introduction of Article 68. The new flexibility allows financial instruments implemented in the 2014-2020 programming period to be continued over the 2021-2027 period based on the previous agreements, subject to compliance with the eligibility rules of the 2021-2027 programming period and the public procurement rules. Therefore, depending on whether the previous agreements could ensure the continuation of the FIs, the public resources for the new programming period could be committed either through the existing framework of legal agreements between the managing authority and the FI managers, or through a new agreement to either amend the existing agreement or set up a new framework. The eligible expenditure will need to be reported separately for the two programming periods.

In addition to the current financial instruments, a new guarantee instrument targeting young farmers has been proposed. For the governance structure of this new instrument, it is recommended to **embed the Young Farmers FI to one of the existing structures managed by EIF and HDB to create**

synergies between the FIs. Both managers have a positive track record with the implementation of the previous FIs and have established working relationships with the financial intermediaries, making this implementation option appear the most efficient and feasible. Both entities are considered to have the necessary capacity for the implementation of this instrument, and it is up to the Managing Authority to make this decision following negotiations.

Figure 17: *Proposed governance for CAP 2023-2027 FIs implementation in Greece*



8.3 Combination of FIs and grants in one operation

Under the 2014-2020 Common Provisions Regulation (CPR) for EU FIs, grants could only be integrated within FIs in specific ways, such as subsidies for interest rates, guarantee fees, or technical support. These grants were not allowed to be paid directly to the final recipients; rather, they were applied to reduce the costs associated with the FIs themselves.

In the period 2023-2027 and according to article 58 of CPR 1060/2021, '*FIs may be combined with programme support in the form of grants in a single financial instrument operation, within a single funding agreement, where both distinct forms of support shall be provided by the body implementing the financial instrument. In such a case, the rules applicable to FIs shall apply to that single financial instrument operation. The programme support in the form of grants shall be directly linked and necessary for the financial instrument and shall not exceed the value of the investments supported by the financial product*'.

In this context, the updated CPR introduces several new possibilities:

- **Expanded types of grants for the combination in a single operation**: Grants can now take various forms beyond those specified in the previous period, provided they meet certain conditions. The grants must be directly related to and necessary for the financial instrument and their total value should not surpass the value of the investments supported by the financial product. This allows for a more flexible and potentially broader use of grants in combination with FIs.

- **Direct payments to final recipients**: Unlike in the 2014-2020 period, the 2021-2027 regulations allow for grants to be paid directly to final recipients. This change enables a more direct form of support, potentially simplifying the process for recipients and enhancing the impact of the grants.

These adjustments reflect a significant evolution in how FIs and grants can be utilized together, aiming to increase flexibility, efficiency, and effectiveness of EU financial support mechanisms. However, the combination of FIs and grants in one operation remains subject to a series of conditions as follows:

Key principles of combination:

- The programme support in the form of grants is directly linked and necessary for the financial instrument operation;
- The programme support in the form of grants does not exceed the value of the investments supported by the financial product;
- Grants cannot be used to reimburse support from FI and FI cannot be used to pre-finance the grants;
- The 2021-2027 CPR allows that, in some limited cases, final recipients get a higher support from grants than from the financial product provided the programme support in the form of grants does not exceed the value of the investments supported by the financial product at financial instrument level;
- The rules applicable to FIs also apply to the single financial instrument operation;
- FIs and grants are covered by a single funding agreement;
- Both forms of support are provided by the body implementing the financial instrument, meaning that the body implementing the financial instrument is expected to manage the financial instrument, to award the grant and to make the combined funding available;
- Separate records are maintained for each form of support;
- Applicable State aid rules are respected.

The combination of FIs and grants in one operation may follow one of the schemes described below.

1. Combination of FIs and grants for interest rate and guarantee fee subsidies
2. Combination of FIs and grants for technical support
3. Combination of FIs and capital grants
4. Combination of FIs and performance-based grants (e.g.):
   - Capital rebates: a part of the loan is converted into a grant
   - Recoverable grants: a part of a grant is converted into a loan

Depending on the observed market failures and on the programme objectives, the managing authority may decide to implement different options.

According to the banks, the combination of financial instruments with grants is viewed in a positive light since it would provide flexibility along with incentives to their clients for efficient access to the FIs. Banks seem willing to manage grants and FIs in a single operation; especially, the combination of FIs and grants for interest rate and guarantee fee subsidies, as well as for technical support, seem to be the most endorsed options by banks but also by farmers and agri-food enterprises.

***Table 31**: Potential for combination of FIs and grants in one operation for proposed FIs*

FI-Grants in one operation	Interest subsidy	Guarantee fee subsidies	Technical support	Capital grants	Capital rebate
Risk sharing Microloan	✓	✗	✓	✗	✗
Capped Guarantee	✓	✓	✓	✓	✗
Capped Guarantee Young Farmers	✓	✓	✓	✓	?

8.4 State Aid considerations

As regards support granted under Regulation 2021/2115, Article 145 of that Regulation provides for the exemption of EAFRD support from the state aid rules as defined in the Treaty on the Functioning of the European Union ('the Treaty'). However, it also limits the exemptions to the extent as specified in article 42 of the Treaty, which applies only to the production and trade of agricultural products, as set out in Annex I of the Treaty. As a result, support provided for investments involving the transformation of agricultural products into non-agricultural outputs or the marketing of food products not classified as agricultural products under Annex I of the Treaty shall be subject to state aid rules.

In terms of source of funding, if the intervention relates to an agricultural activity within the scope of Article 42 of the Treaty and is part of the CAP Strategic Plan, state aid rules do not apply to the co-financing of rural development support (both the EAFRD part and the national co-financing) or to additional national financing on top of such support. Conversely, state aid rules fully apply to all co-financed interventions (both the EAFRD part and the national part) and to the additional national financing for such interventions, falling outside the scope of Article 42 of the Treaty.

The applicable state aid rules must be defined and referred to in the CAP Strategic Plans. Since primary production of agricultural products is exempt from state aid rules, regulation to de minimis aid in the agriculture sector would not be relevant. For activities outside article 42 of the Treaty, applicable regulations include Regulation 2023/2831 (general de minimis), or the General Block Exemption Regulation (GBER, or Regulation 651/2014) or under the Agricultural Block Exemption Regulation (ABER, or Regulation 2022/2472).

The available state aid schemes and related parameters which may impact on the design of the financial instruments are summarized in the table below.

Table 32: *State Aid schemes and parameters*

Parameters		De minimis	GBER	ABER
Transparency of aid complied	**Grants**	✓	✓	✓
	Interest rate subsidies	✓	✓	✓
	Loans	where the GGE is calculated using the reference rate or secured by collateral (50%) with specific thresholds (e.g. EUR 1.5m/5 years)	where the GGE is calculated using the reference rate	where the GGE is calculated using the reference rate
	Guarantees	Where the GGE is calculated using safe-harbour premiums or Not exceeding 80% of the loan with specific thresholds (e.g. EUR 2.25m/5 years)	Where the GGE is calculated using safe-harbour premiums or When methodology has been notified to and accepted by the Commission	Where the GGE is calculated using safe-harbour premiums or When methodology has been notified to and accepted by the Commission
	Capital injections	Yes, if < de minimis ceiling	Yes, if conditions are fulfilled	✗
	Risk finance measures	Yes, if < de minimis ceiling	Yes, if conditions are fulfilled	✗
Specific requirements related	**Ceiling**	The total amount of de minimis aid granted to a single undertaking shall not exceed EUR	n/a	n/a

Parameters		De minimis	GBER	ABER
		300 000 over any period of 3 years		
	Financial standing	Not subject to collective insolvency and Credit rating of at least B- in case of large undertakings	Not undertaking in difficulty	Not undertaking in difficulty
	Size of final recipients	SMEs and large undertakings	SMEs only	SMEs only
	Sectors covered	All sectors & activities, except fisheries & aquaculture and primary agricultural production	All sectors & activities, except fisheries & aquaculture and primary agricultural production	Primary agricultural production and Activities outside art. 42 if aid co-co-financed by EAFRD and/or national co-financing

In addition to the state aid rules, support under EAFRD shall comply with the aid intensity thresholds defined in the Commission Communication 2022/C 485/01 (Guidelines for State aid in the agricultural and forestry sectors and in rural areas) and potentially further specified in the CAP Strategic Plan. Depending on the activities, the maximum aid intensity would apply alone, or together with the relevant state aid rules.

9. Next steps for the implementation of the proposed financial instruments

This section presents an indicative roadmap for the implementation of the financial instruments proposed in this study. The following steps are primarily recommendations and do not constitute a requirement for the course of action of the competent authorities.

Indicative next steps
1. Confirm the budget available for the financial instruments
Explore the possibility of an increase in the allocated amount to the financial instruments aiming to: • Reach the necessary scale to attract the interest of financial intermediaries and ensure the successful implementation of the instruments, and • Address the significant market needs and achieve the desired impact on the market. The additional budget may be allocated from CAP Strategic Plan resources or from other co-investors, including the managers of the financial instruments and financial institutions such as the European Investment Bank (EIB).
Amend, if necessary, the CAP Strategic Plan to account for any changes in the planned amounts of the financial instruments.
2. Update ex ante assessment based on the present feasibility study
Update the *ex-ante* assessment, supported by the results of the present feasibility study and potential further discussions to determine the final amounts dedicated to the instruments.
Define and validate the financial instruments (specifically in terms of objectives, target final recipients and amounts) for ownership by the competent authorities.
Determine the governance structure of the financial instruments, including: • Deciding whether the continuation of the previous instruments will follow the same governance structure; • Deciding whether the new proposed financial instrument will be a stand-alone instrument or will be embedded to one of the existing financial instrument structures.
Conduct market consultations with financial intermediaries to fine-tune the financial instruments.
3. Communication
Communicating the findings and recommendations of this study to internal stakeholders
Publication of the *ex-ante* assessment or a summary after finalisation by the competent authorities.

Indicative next steps
Draw up a communication plan for the implementation of the instruments, particularly in light of the challenges faced during the preceding period with regards to grant support: • Discuss with stakeholders (such as consultant networks, representatives of sectors, regional actors etc.) to provide guidance in relation to the financial instruments as well as mobilise them to disseminate information and generate demand for the instruments. • Provide clear guidelines to the market regarding the eligibility framework of the financial instruments and their combination with grants.
4. Implementation of the investment strategy and selection of implementing bodies
Select the body(ies) implementing the financial instruments.
Prepare the Funding Agreement with the body(ies) implementing the financial instruments. As regards the financial instruments being continued in the new programming period, review and amend, if necessary, the existing agreements between the MA and the FI managers.
Define performance indicators for each financial instrument and corrective measures where necessary
Identify/select financial intermediaries and negotiate the Operational Agreements
Monitor performance indicators for each financial instrument
If necessary, take remedial action on the evolution of each financial instrument

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Annex 2: List of Stakeholders

1) Stakeholders involved in the managing and implementation of FIs.

- Ministry of Rural Development and Food, responsible for the management of FIs implemented in the agricultural sector:
  - Managing Authority of CAP SP
  - Financial Instruments and Risk Management Tools Unit
  - Implementation Authority of Rural Development Interventions
  - Unit of Investments in Agricultural Holdings
  - Directorate of Planning and Operational Programs, Unit responsible for the program of processing agricultural products
  - Directorate of Planning and Operational Programs, Department of Financial Support, and Insurance of Agricultural Production
- Public institutions and regional entities:
  - Organization for Payments and Control of Community Aids Orientation and Guarantees (OPEKEPE)
  - Hellenic Agricultural Organization (ELGO Dimitra)
  - Hellenic Agricultural Insurance Organisation (ELGA)
  - LEADER CLLD Heraklion
  - LEADER CLLD Serres
  - LEADER CLLD Larisa

2) Demand-side stakeholders

- Scientific institutions:
  - Interdisciplinary Agri-Food Centre (KEAGRO)
  - Benaki Phytopathological Institute (BPI)
  - Institute of Agricultural Sciences (IGE)
- Cooperatives and professional chambers:
  - Geotechnical Chamber of Greece (GEOT.E.E.)
  - Athens Chamber of Commerce and Industry (EBEA)
  - Cotton Interprofessional Organization (DOV)
  - Interprofessional Organisation of Table Olives (DOEPEL)
  - National Union of Agricultural Cooperatives (ETHEAS)
  - Panhellenic Union of Young Farmers (PENA)
  - Hellenic Livestock Association (SEK)
  - Agricultural Flower Production Cooperative of Athens (AASA)
  - National Inter-professional Organization of Vine and Wine (EDOAO)

3) Supply-side stakeholders

- Cooperative Banks:
  - Cooperative Bank of Thessaly
  - Cooperative Bank of Karditsa
  - Cooperative Bank of Chania
  - Cooperative Bank of Epirus

- Systemic Banks:
  - National Bank of Greece
  - Eurobank
  - Piraeus Bank
- National Promotional Institutions:
  - Hellenic Development Bank

Annex 3: Overview of findings and recommendations of the previous period

Overview of the agricultural sector in Greece

According to the previous assessment, from 2005 to 2015, the Greek agricultural sector experienced a decline in relative size and employed workforce. The number of agricultural holdings decreased by 15%, while the Utilized Agricultural Area (UAA) expanded by 22%. The Gross Value Added (GVA) of the agricultural sector dropped by 10%, covering 3.8% of the total GVA. Notably, crop output represented 73% of total agricultural output.

In the period under examination (2014), the Greek agricultural sector **played a crucial role in the country's economy** contributing 3.8% to the Gross Value Added (GVA) and employing 13.6% of the workforce. Despite economic challenges, agriculture remained a foundational sector, comprising 4.1% of the total GVA and employing 14% of the workforce, exceeding the EU average. Between 2013 and 2017, the sector comprised approximately 709 500 holdings, averaging 6.8 hectares in size. However, over half of the Utilized Agricultural Area (UAA) faced natural constraints, posing productivity challenges. Additionally, the sector grappled with an aging workforce, with only 5.2% of farm managers being below 35 years old.

During the same period (2013-2017), **structural issues continued to hinder** the effective utilization of Greece's agricultural resources. Small and scattered agricultural holdings, dominated by family-owned farms, accounted for 83% of the sector. The existence of small holdings severely limited the ability to create economies of scale, placing Greek farmers at a cost disadvantage vis-à-vis their European counterparts. Moreover, **farmers' organization into cooperatives was limited**, holding a market share of about 20%, significantly lower than the European average of 40%. Limited adoption of technological innovation further hampered the sector's competitiveness, with minimal investment in agricultural research and development (R&D).

Financially, Greek farms faced challenges, with fluctuating gross investment and decreasing cash flow since 2010. However, despite these financial constraints, total assets per farm increased by over 50% from 2004 to 2015. Additionally, the solvency ratio was characterized as satisfactory, indicating a positive trend in farm net worth.

Overview of the agri-food sector (food processing) in Greece

According to the previous assessment, in 2014, the Greek Food and Drink industry, also known as the agri-food processing sector, acted as a vital driver of the Greek economy, experiencing robust growth, and maintaining competitiveness. It made a substantial contribution, representing about

3.5% of the Gross Value Added in Greece, surpassing the European average. The sector's output reached 7% of the GDP, with food processing accounting for 31% of the GVA in manufacturing.

Throughout the economic crisis, food processing resiliently expanded its share, compensating for the decline in other manufacturing sectors. In 2014, the sector was comprised of 14 400 companies and generated aggregated revenues of EUR 13.2 billion, constituting 19% of the processing sector's total revenues. Employment in the sector exceeded 84 000 people, forming over 23% of the total processing sector's workforce.

The Greek agri-food processing sector encountered challenges from the increasing concentration of the domestic grocery retail sector, leading to pricing pressures and increased working capital needs for agri-food processing companies. However, exports remained steady, with products like olive oils, nuts, dairy, and ice cream dominating the export market.

In terms of company structure, 95% of the companies were small family businesses (13 684 in 2014), with less than 10 employees. Despite their majority share in the sector, they contributed only 17% to the sector's total revenues (EUR 2.2 billion). Small and medium-sized enterprises (SMEs) employing 10 to 50 people, represented 4% of the market and accounted for 13% of the sectors revenues. Finally, larger businesses with over 50 employees accounted for only 2% of the whole market, but they generated 71% of the sectoral revenue, reaching EUR 9.3 billion in 2014.

While production and retail companies effectively stabilized their revenues following the challenging period from 2010 to 2012 and rationalized their liabilities, the recovery of EBITDA remained challenging. A significant collapse in investments was observed in the agri-food processing sector in 2013 and 2014, indicating potential pent-up demand for investments that could materialize with improving economic and financing conditions. The share of enterprises in the manufacturing of food products within the total manufacturing industry increased both in terms of total number and turnover.

Analysis of the supply of agricultural financing

In addition to the above, insights from the prior ex-ante assessment (2014-2020) provide a thorough understanding of Greece's banking sector regarding the supply of financial products for agriculture and agri-food processing sectors during the previous programming period. This section also explores the financing methods utilized by the agricultural and agri-food processing sectors to meet their daily operational needs and support their investment initiatives.

Based on these findings, agricultural and agri-food processing sectors secured their financing from two primary sources. Firstly, they relied on public funding in the form of direct support and grants. Secondly, they accessed financing from the traditional financial system, encompassing credit cards, short-term, medium-to-long-term loans, and various co-funded loans in collaboration with the EIB group.

Public financing was crucial for sustaining these sectors. The combined public funding, encompassing grants and direct support, distributed in the preceding two Rural Development Programmes, totalled EUR 9 399.67 million for 2007-2013 and EUR 14 199.59 million for 2014-2020.

Regarding grants, two key RDP measures significantly influenced the agricultural sector. In the 2014-2020 RDP Measure, notable investments included EUR 463.8 million for improving farm performance, EUR 258.9 million for processing and marketing agricultural products, EUR 58.9 million for operational groups under the European Innovation Partnership (EIPs), and EUR 11.1 million for horizontal and vertical cooperation in supply chains, local markets, and promotion activities.

In the context of the RDP Measure for the 2007-2013 period, there was a substantial EUR 450 million investment in modernizing agricultural holdings. However, specific data for cooperation in developing new products and technologies were not available. Nevertheless, the support for Community-led local development strategies (CLLD) amounted to EUR 296.3 million, with an additional EUR 30 million dedicated to enhancing competitiveness.

Financing Through Grants to Agricultural and Agri-food Processing Sector (2007-2020)					
RDP Measure 2014-2020	**Description**	**Total Public Expenditure (in m EUR)**	**RDP Measure 2007-2013**	**Description**	**Total Public Expenditure (in m EUR)**
4.1	Investments aimed at improving the performance and sustainability of farms	463.8	1.2.1	Modernization of agricultural holdings	450.0
4.2	Investments in the processing, marketing and/or development of agricultural products	258.9	N/A	N/A	N/A
16.1-2	Creation and operation of operational groups under the European Innovation Partnership (EIPs) targeting the productivity and sustainability of agriculture, including investments similar to those of sub-measures 4.1 and 4.2	58.9	1.2.4	Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector	N/A
16.4	Horizontal and vertical cooperation for short supply chains and local markets and promotion activities	11.1			
19.2	Support for the implementation of actions under Community-led local development strategies (CLLD) (financial instruments under this sub measure may be launched independently from of the individual CLLDs)	296.3	4.1.1	Competitiveness	30.0

Analysis of the demand of agricultural financing

The findings from the ex-ante assessment for the 2014-2020 programming period for Greece and the Feasibility study in 2018 for EAFRD also assisted in understanding the demand for financing in the agricultural sector. Results were supported by a survey conducted amongst producers and interviews with processors. Specifically, during the previous programming period, Greece's agricultural sector **encountered challenges in accessing finance**. It relied heavily on limited sources like family/friends' loans and public grants.

Producers emphasized the need for both short-term and medium to long-term financing, expecting public grants to cover significant portions of their needs. Meanwhile, processors found it relatively easier to access the banking system, with larger ones favouring public grants due to lower costs. Notably, two out of three processors received up to EUR 100,000, primarily through equity financing.

Despite this success in funding for processors, challenges persisted in other areas. Measure 16 – Cooperation faced difficulties in maturity, highlighting ongoing obstacles in scheme formation. In contrast, the Leader initiative under Measure 19 of the previous Rural Development Programme saw remarkable success driven by a bottom-up approach, despite challenges faced, such as a lack of private funding and difficulties accessing the banking system, particularly for small-scale enterprises.

Financing gaps

After conducting the ex-ante assessment for deploying EAFRD resources through financial instruments in the 2014-2020 programming period, the assessment of financing needs revealed important insights into market gaps. This information guided the development of a customized investment strategy aimed at addressing gaps for both agricultural producers and food processors.

Agricultural producers showed a notable demand for micro-loans, especially for working capital and small-scale investments. They also required assistance with bank guarantees against credit risks, along with technical assistance for business plan development and financial planning. On the other hand, food processors, excluding micro-processors, had a limited need for microfinance but a substantial requirement for short-term loans. Guarantees were crucial to cover medium and long-term financing needs, reducing banks' risk aversion and making access to finance easier. Additionally, there was a recognized need for support in equity financing.

To meet these needs, three main financing instruments were identified, offering a comprehensive solution to fill the identified market gaps. These include a risk-sharing micro-loan instrument, a first-loss portfolio guarantee instrument, and a co-investment facility (equity financing instrument).

Specifically, the financing gaps for **agricultural producers** were substantial, totaling EUR 2,161.7-2 455.9 million, including EUR 836.9-943.2 million for micro-loans, EUR 331.9-412.7 million for short-term loans, and EUR 992.9-1 100 million for medium and long-term loans. In contrast, **food processors** faced gaps totaling EUR 951.2-1 478.1 million, covering EUR 10.7-13 million for micro-loans, EUR 0-270.1 million for short-term loans, EUR 653.7-837.4 million for medium and long-term loans, and EUR 286.8-357.6 million for equity financing.

Finally, in addition to the above, additional information is provided concerning the investment strategy and the governance structure of the proposed financial instruments for Greece's agricultural sector during the previous programming period.

Investment strategy

The investment strategy aimed at introducing one or more financial instruments to address the financing needs identified during the implemented market assessment. Furthermore, it outlined the necessary steps for implementing these financial instruments. It identified three potential options to support agricultural financing:

- A first loss portfolio guarantee instrument (capped guarantee);
- An equity co-investment facility;
- A risk-sharing micro-loan instrument.

In addition to these three financial instruments, the investment strategy also indicated the possibility of combining financial instruments with grants.

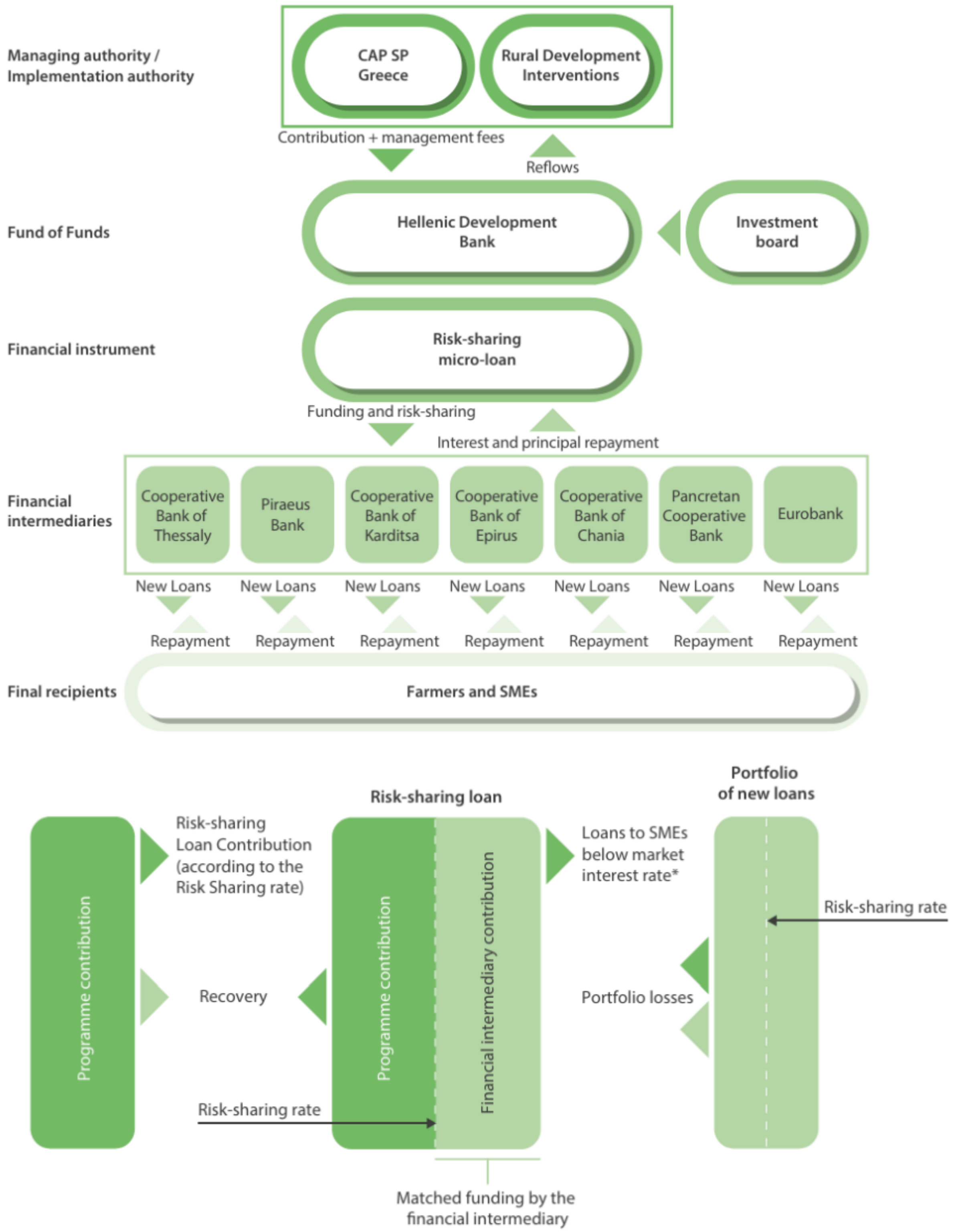
Governance structure of the Financial Instruments

The Managing Authority (MA) oversaw the entire initiative, providing overall management and guidance, ensuring efficient implementation of the funding initiative. Meanwhile, a Fund of Funds (later, the Hellenic Development Bank) handled by the European Investment Fund (EIF) acted as a key component of the governance structure. Managed by the EIF, this Fund of Funds served as a layered investment structure, allowing for effective utilization of European Union resources. Additionally, the strategy identified three main financial instruments: the Capped Guarantee FLPG Instrument, the Co-Investment Facility (Equity Instrument), and the Risk-Sharing Microfinance Instrument.

Overall, the proposed governance strategy aimed to direct investments effectively into projects via financial intermediaries, leveraging both public and private funds for European initiatives. This structured approach, overseen by the Managing Authority and managed by the EIF, aimed to ensure transparency and effectiveness in funding allocation and implementation. Additionally, the Hellenic Development Bank played a role in due diligence processes, ensuring careful financial assessment before any engagement or investment.

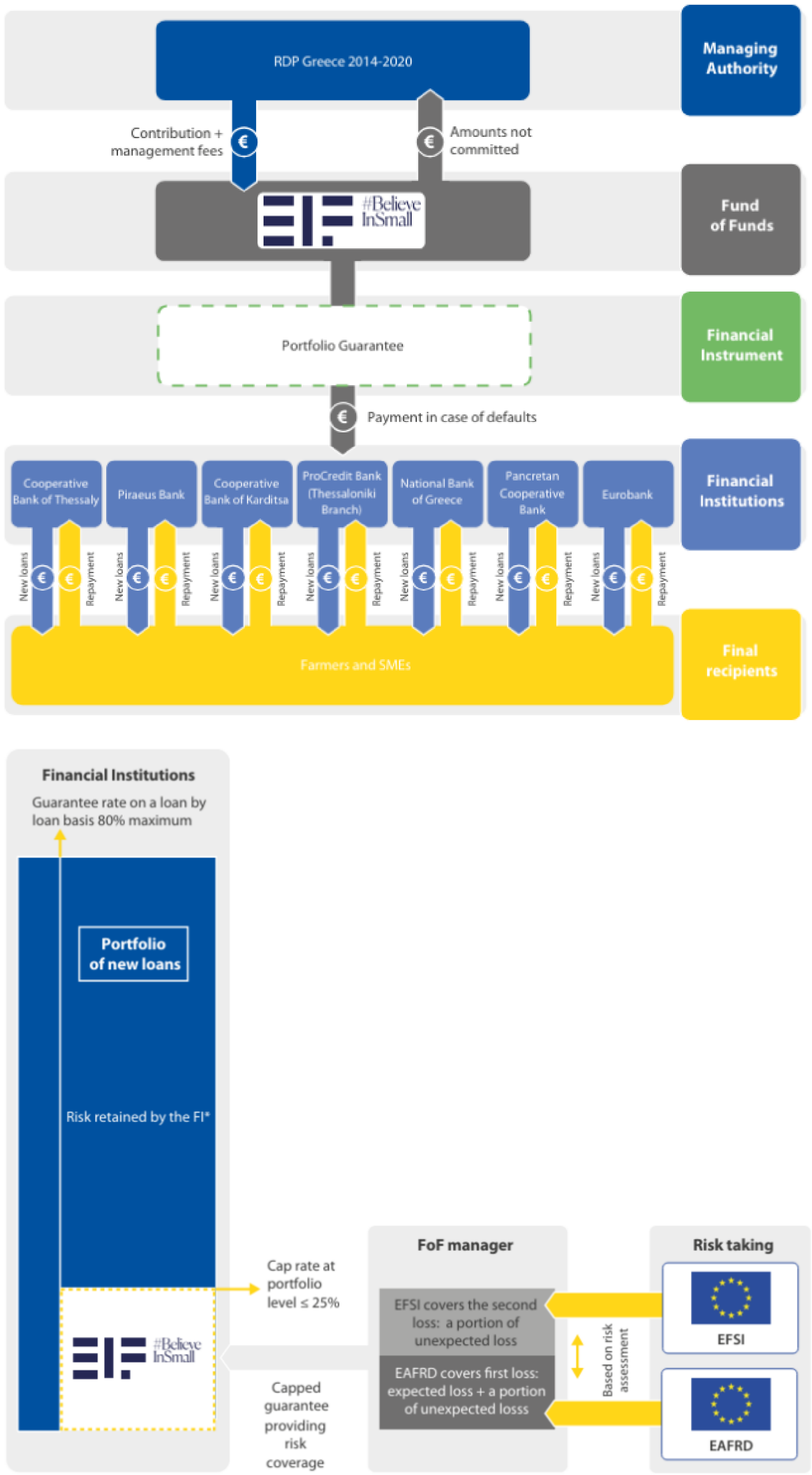
Eventually, the recommended FIs were implemented as per the schemes below.

Figure 18: *Governance scheme and Implementation mechanism of Micro-loan Fund*



Source: Fi-compass 2023.

***Figure 19:** Governance scheme and Implementation mechanism of EAFRD Guarantee Fund*



Source: Fi-compass 2021.

Annex 4. CAP 2023-2027 short presentation

The structure of the Common Agricultural Policy (CAP) 2023-2027 in Greece focuses on a balanced and inclusive development of agriculture, aligned with both EU-wide goals and national priorities. The total budget for Greece under the CAP is €19.3 billion, divided into two main pillars:

1. **Pillar I: Direct Payments** - A significant portion of the budget is directed toward providing direct payments to farmers, with adjustments to favor small and medium-sized farms. These payments are being redistributed to correct past inequalities and offer better support to young and real farmers. The emphasis is on sustainability and fairness, including targeted "coupled support" for specific sectors, and an effort to streamline the allocation of payments. Direct paymentsare foreseen under a number of Specific Objectives for the period 2023-2027, covering basic income support for sustainability (BISS), complementary redistributive income support for sustainability (CRISS), complimentary income support for young farmers (CISYF), and coupled income support (CIS).

   The CAP allocates around EUR 4.3 billion to stabilise farmers' income with basic income support and to mitigate the risk of production decreases arising from price fluctuations and external factors. This support is differentiated and targeted according to agronomic land category (arable land, permanent crop land and pasture/grazing land) and ranges from EUR 176 per hectare to EUR 270 per hectare. An additional EUR 885 million are allocated to improve the sustainability of small and medium farms by ensuring a fairer distribution of support and better targeting of the income support to the agricultural sector (DG AGRI 2024). Direct payments account for EUR 9.6 billion of the CAP's total budget.

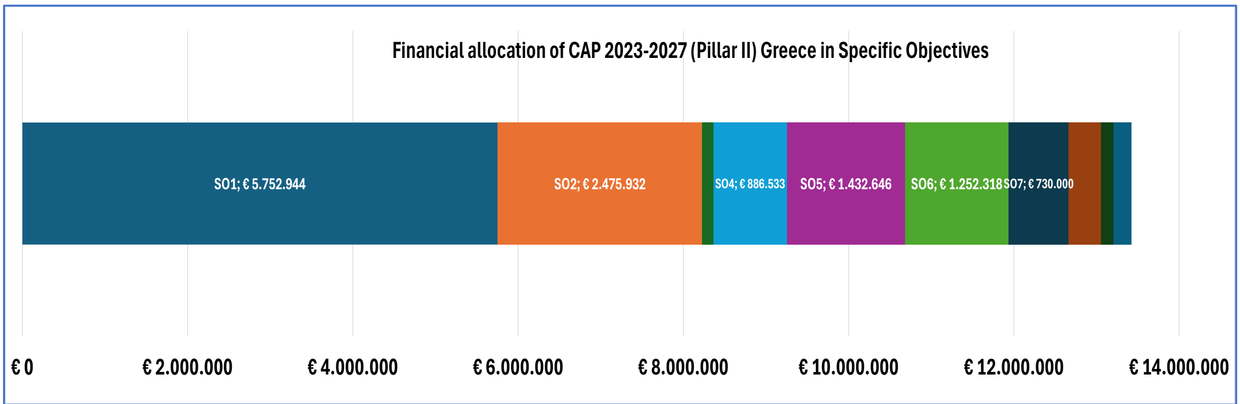
2. **Pillar II: Rural Development** - The remaining funds are aimed at improving the rural economy through investments in infrastructure, innovation, and education. Greece is increasing investments in these areas compared to previous CAP periods, particularly focusing on disadvantaged regions such as mountainous and island areas. Additionally, the CAP funds are being used to support climate-resilient agriculture, following the European Green Deal goals, and to enhance environmental sustainability practices through eco-schemes and green initiatives.

   Rural Development will be achieved through the interventions of the CAP Strategic Plan (EFARD) as follows:

   - **SO1: Sustainability and resilience of the agricultural sector**. Support will be provided for viable farm income and resilience of the agricultural sector across the EU, to enhance long-term food security and agricultural diversity, as well as to ensure the financial sustainability of agricultural production in the EU. Total EU share: EUR 5,752,943,774.
   - **SO2: Increase competitiveness and enhance market orientation.** Support will be provided to enhance market orientation and increase farm competitiveness, in both the short- and long-term, including a stronger focus on research, technology and digitalization. Total EU share: EUR 2,475,931,941.

- **SO3: Improve farmers' position on the value chain.** Total EU share: EUR 135,704,965.
- **SO4: Contribute to climate change mitigation and adaptation.** Contribute to climate change mitigation and adaptation, including through the reduction of greenhouse gas emissions and the enhancement of carbon sequestration, as well as the promotion of sustainable energy. Total EU share: EUR 886,532,633.
- **SO5: Rational and efficient management of natural resources.** Promote sustainable development and efficient management of natural resources, such as water, soil and air, including through the reduction of chemical dependency. Total EU share: EUR 1,432,646,389.
- **SO6: Protection of biodiversity is reflected in the green architecture of the Strategic Plan.** Contribute to halting and reversing biodiversity loss, enhancing ecosystem services and preserving habitats and landscapes. Total EU share: EUR 1,252,318,003.
- **SO7: Demographic renewal of the rural population and sustainable agricultural development in rural areas**. Incentives will be provided to attract and retain young farmers and facilitate sustainable business development in rural areas. Total EU share: EUR 730,000,000.
- **SO8: Promote employment, growth, gender equality, including the participation of women in agriculture, social inclusion, and local development in rural areas**, including circular bio-economy and sustainable forestry. Total EU share: EUR 387,362,000.
- **SO9: Production of healthy products with a high nutritional value**. Support will be provided to improve the response of EU agriculture to societal demands on food and health, including high quality, safe and nutritious good produced sustainably, reduction of food waste as well as improved animal welfare and combating antimicrobial resistance. Total EU share: EUR 156,467,995.
- **SO10: Modernization and digitalization of Greek agriculture and rural areas.** This is a horizontal objective for modernizing the sector through fostering and exchanging knowledge, innovation and digitalization in agriculture and rural areas, and encouraging their adoption. Total EU share: EUR 213,536,700.

Figure 20: *Financial allocation of CAP 2023-2027 (Pillar II) Greece in Specific Objectives*



Source: DG AGRI (2024)

Annex 5: SWOT Analysis on the proposed FIs

Internal

Strengths

- The FIs as proposed either build on successful practices of the previous CAP or have been improved based on previous experience to be more responsive to the needs of the beneficiaries.
- The market for FIs is more mature in this programming period than it had been in the previous programming period. Farmers are more familiarised with FIs and there is an increased demand for support.
- The operational capacity has improved based on the experience gained by managing authorities, fund managers, financial intermediaries and farmers/agrifood enterprises.
- Clear eligibility criteria and guidance documents on state aid provisions are to be published to communicate a transparent framework of implementation.
- The potential for combining grants with loans introduced by article 58 of CPR 1060/2021 for this programming period will allow more complex and tailored approaches for the financing of specific investments.
- The proposed governance scheme with the EIF as the mandated entity is expected to draw on the EIF's track record with the Capped Guarantee Instrument to expedite the implementation of the FoF and its FIs. The proposed fund manager for the micro-loan instrument, the Hellenic Development Bank will facilitate the cooperation with the Greek banks on this instrument.
- Many young farmers are interested in using more FIs, better understanding the framework of their operation.

Weaknesses

- The FIs as planned do not address the total financing gap which is known to exist for Greek agri-food enterprises and farmers.
- Loans provided by the banks must be in line with banks' policies and procedures, meaning that despite the benefits transferred from the FIs to the final recipients in terms of more favourable conditions (such as grace periods, repayment schedules, loan amounts or interest rate levels), these might not be enough for the individual needs of the beneficiaries.
- Flexibility in the delivery of the financial products, along with reduced bureaucracy, falls into strict regulatory provisions.
- While treated as entrepreneurs by the banks, farmers do not see themselves as entrepreneurs, meaning that both sides are often not aligned while negotiations are ongoing.
- While understood to be essential, the need for investments for modernizing agricultural practices through digital / green solutions is not explicitly targeted by the financing instruments proposed. Investments improving environmental impact or sustainability are considered not to be financially viable to the extent that would be necessary to make them a priority.

	Opportunities	Threats
External	• The number of banks offering services to the agricultural and agri-business sectors has increased as more banks realise that there is potential in this market and the number of NPLs has fallen below 10%. • The general socio-economic conditions in Greece are much improved compared to the previous programming period. • The agrifood and agricultural sectors continue to be dynamic and strong, with tourism and export markets bringing expanded opportunities for properly marketed products. • Organic farming is increasing its share of the total farming sector.	• Although in a stronger position than during the previous programming period, the banking sector remains risk-averse when considering loan applications from the agricultural sector and is not 100% in tune with the needs of the agricultural / agri-food sectors. • The need for the FIs to be implemented in accordance with State Aid rules (Commission Regulation (EU) 2022/2472 and Commission Regulation (EU) 1408/2013), coupled with the difficulty for agribusinesses and farmers to access normal financial products may result in reduced impact of the proposed FIs compared to other markets with more mature banking sectors. • Fragmentation of agricultural holdings and the preponderance of small enterprises in the agrifood sector cannot generate economies of scale making the many individual investments in similar equipment is less efficient for the funding body. • Climate threats are more frequently causing damage to agricultural land, herds, installations and equipment. The need to recompense affected people for damages caused may divert national funds and resources from planned investments and may overwhelm the insurance mechanisms in place.