

# Good Practice | Airdie

## CATEGORY:

Partnership development

## GOOD PRACTICE'S TITLE:

Airdie agricultural and rural division

## MAIN OBJECTIVE:

To make rural areas more dynamic, creating non-outsourcable jobs, reinforcing social links and taking into account the environmental and human dimension of financing rural businesses



Airdie is a solidarity-based financial association in the Languedoc-Roussillon region of France and a regional representative of France Active, which calls for the creation self-employment to address rising unemployment.

The organisation was created in 1994 as a result of an innovative territorial initiative and the geographical proximity of one of its main funders. Airdie is situated in an area experiencing positive net migration and a high rate of unemployment. The professional integration of these unemployed individuals is a major regional problem.

Airdie also acts as intermediary between the unemployed and the traditional banking system. Therefore, Airdie operates as both lender and guarantor. In the long term, Airdie aims to provide project developers with access to the traditional banking sector.

### Airdie has three primary functions

- Advice and mentoring for business creation (e.g. by experienced volunteers)
- Mobilisation of solidarity-based finance
- Access to the mainstream banking sector (via guarantees).


### Governance structure

Airdie is a non-profit association and its board is therefore made up of a president, treasurer, an assistant treasurer and a secretary.

The Languedoc-Roussillon region sits on the Board of Directors and is particularly involved in the engagement committee for the social and solidarity-based economy, where financing and employment impact are the most important aspects. France Active, the French state, la Caisse des Dépôts, the 5 General Councils of the French Departments in the region, la Banque Populaire du Sud, la Caisse d'Epargne, and la MACIF are also on the board of directors.



**MFI factsheet**

Type of organization	Non-profit association
Country	France
Year of inception of the good practice	1998
Services and products provided	Access to microcredit and mentoring
Portfolio (€)	800,000
Avg loan size (€)	5,000
Number of clients	350
% of rural clients	100%
Typology of rural clients	Under the poverty line, unemployed farmers
Website	<a href="http://www.airdie.org">www.airdie.org</a> 

**GOOD PRACTICE**

Airdie's agricultural and rural division was established in 1998 in collaboration with Terres Vivantes. Airdie fills a gap in financial support by the government as the majority of facilities in the Languedoc-Roussillon region do not receive grants for young farmers.

The agri-rural engagement committee convenes monthly and is a place of exchange between agencies that are involved in agriculture and decide on the acceptance of loan or guarantee proposals together.

Three agri-rural representatives present projects to the committee. Each one is delegated to a well-defined geographical area. The division of areas means that the whole region can be covered while remaining as close as possible to the projects. Additionally, hotlines have been set up so that a maximum number of project developers can access Airdie.

The agri-rural division has created a rural financing instrument: Finance for Rural Agriculture (FIA). This is a zero-interest loan, financed by funds gathered by the five General Councils of the French Departments (Aude, Gard, Hérault, Lozère et Pyrénées-Orientales), for a maximum of 16,000 EUR and 60 months. This instrument is adapted to the irregular money inflows of the agricultural industry and offers the possibility of deferring repayment for up to 18 months. It also allows for a gradual implementation, where developers can test themselves.

**SUCCESS STORY: SÉBASTIEN PIOCH MARKET GARDEN**

After several years as a farm labourer, Sébastien Pioch wanted to create his own project. An opportunity presented itself and he was able to set up a market garden in the process of becoming organic in Aniane. He also planted a diversified orchard. Terres Vivantes, a local association, mentored him in the search for land, in order to provide technical advice and also helped him plan for the changes to his accounts and cash flow, ahead of his first income statements. This support also comes in the form of training sessions

to help him manage his own accounts. Airdie first provided him with financing in 2012 via a zero-interest FIA of 6,000 EUR so that he could buy a greenhouse and a second-hand tractor. He currently sells his produce locally via direct sales and he generated a turnover of 65,000 EUR in 2014. Sébastien Pioch can now apply to mainstream banks for bigger loans, if needed, and Airdie will support him in the process



**Target group**

The majority of project developers do not have a farming background and have limited financial means. They often live in highly isolated rural areas. First, they have little to no savings and live on minimal benefits; and second, banks consider these agricultural projects to be risky and, when faced with low profitability, they prefer not to get involved.

In concrete terms, 40% of project developers who received funding in 2014 are women, a figure that is higher than the agricultural national average, and more than two-thirds of project developers are aged between 26 and 50 years old. 40% of them were receiving minimum social benefits at the time of application. Market gardening is the dominant agricultural activity receiving funding, followed by beekeeping in 2014.

**Innovativeness**

The tools offered by Airdie better meet the needs of the project developers who are leaning towards alternative and short supply-oriented facilities.

Airdie bases the granting of FIA on the relationship of trust established with the developers. As a result, when a developer is unable to repay a loan, honesty should prevail and compromises, such as a deferred repayment, can be discussed with Airdie. This flexibility is particularly appreciated in farming due to the somewhat irregular income streams, for example in market gardening.

Further, various FIA can be taken out by the same developer as required for their project. This helps prevent an initial debt burden and allows for a rational investment in parallel with the project launch.

**Relevance given the context**

The French agricultural sector is in decline with more than 10,000 farm managers leaving per year without replacement. The French state and Europe are encouraging agricultural renewal through a measure for Young Farmers that provides access to subsidies calculated according to project requirements and access to soft loans. However, in the Languedoc-Roussillon region, two-thirds of farming facilities are not signed up for this measure, by choice or as a result of the application requirements (for example, an age limit of 40 years old). As a result, the majority of farming projects are not financially supported by the state. Furthermore, stopping a regional installation aid, the PACTE (5,000 EUR in subsidies and investment aid), at the end of 2014 might increase difficulties in setting up projects.

**Adaptability to other contexts**

Airdie relies on a network of local mentors for the technical-economic monitoring of projects. ADEARS and Terres Vivantes handle monitoring in the Languedoc-Roussillon region. Strict collaboration and capacity for dialogue is needed for these agencies in order to adequately evaluate the proposed projects.

This funding system is therefore transferable but needs an organised and solid network as well as qualified personnel. Training sessions would thus be necessary.

**Efficiency**

As loans are disbursed at zero-interest, public funds are required to carry out this initiative. Airdie is currently working on the development of new partnerships in order to diversify the source of funding.

**Outcomes**

Since 1998, the annual number of projects that have received funding has steadily risen. In 2014, 61 projects benefitted from FIA (out of 116 supported projects), translating to a mobilisation of a little over 200,000 EUR.

**Sustainability**

Project developers supported by Airdie will, in the long run, create a business that will allow them to earn an income and to make a living from it. This will lift them out of instability and a reliance on social benefits. Further, state aid is funded by the General Councils and the cost for the community of a person on unemployment benefits is estimated at approximately 25,000 EUR per year. Conversely, the cost of a job created by Airdie (averaged over all projects monitored by Airdie, the transition from unemployed to company manager) is estimated at around 1,700 EUR per year. Therefore, it is in the interest of the 5 General Councils for FIA to continue financing farming projects as they are gradually reducing the number of people reliant on minimal social benefits and are thus reducing the cost for the community.