



EIB financing of rural and agricultural infrastructures

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The EIB: the EU bank



- ▶ Natural financing partner for the EU institutions since 1958
- ▶ Around 90% of lending is within the EU
- ▶ Shareholders: 28 EU Member States
- ▶ Priorities: environment, infrastructure, innovation, SMEs

**Investing in
Europe's growth**

Sector definition: Bioeconomy

➤ Unlocking production potential in a sustainable and resource-efficient manner



➤ Counterparts/Beneficiaries/3rd parties:

- ✓ Any economic actor along the agriculture and bioeconomy value chain:
 - ✓ Farmers, fishers, forester and SMEs
 - ✓ Cooperatives
 - ✓ Agribusiness
 - ✓ Corporates active in bioeconomy up and down stream value chains
- ✓ Public Sector Institutions

Lending priorities: Bioeconomy

EIB's bioeconomy sector finance follows EIB lending priorities:

✓ **SMEs/Midcaps**

- Investments by SMEs + Midcaps

✓ **Knowledge economy**

- Corporate research, development and innovation programs, pilot plant and first in kind industrial scale up facilities

✓ **Renewable energy and energy efficiency**

- RE generation, renewable materials production, energy efficiency

✓ **Environment and climate**

- Projects with environmental and climate action externalities

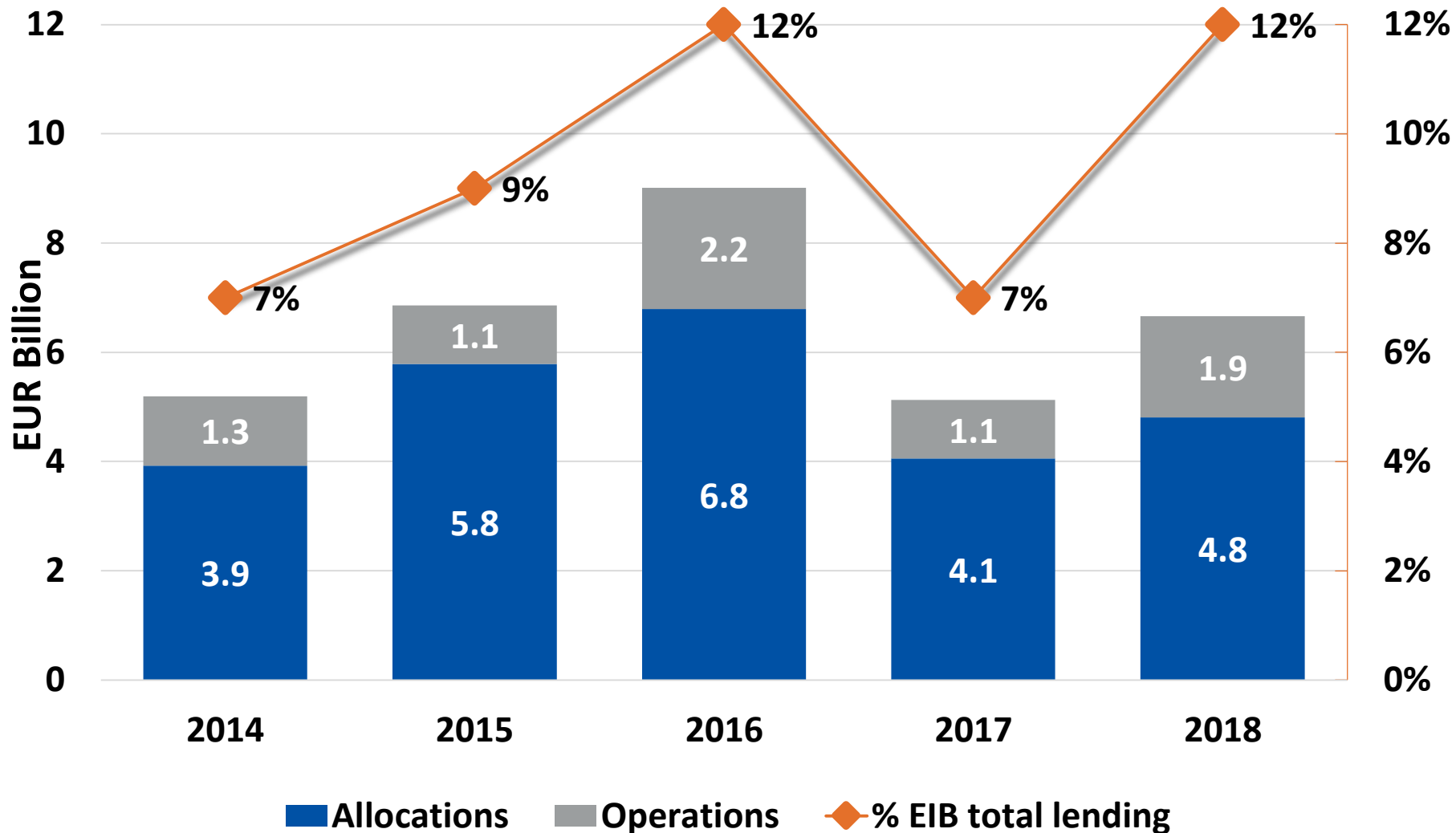
✓ **Cohesion**

- Investments in infrastructure and productive assets

✓ **Development mandates**

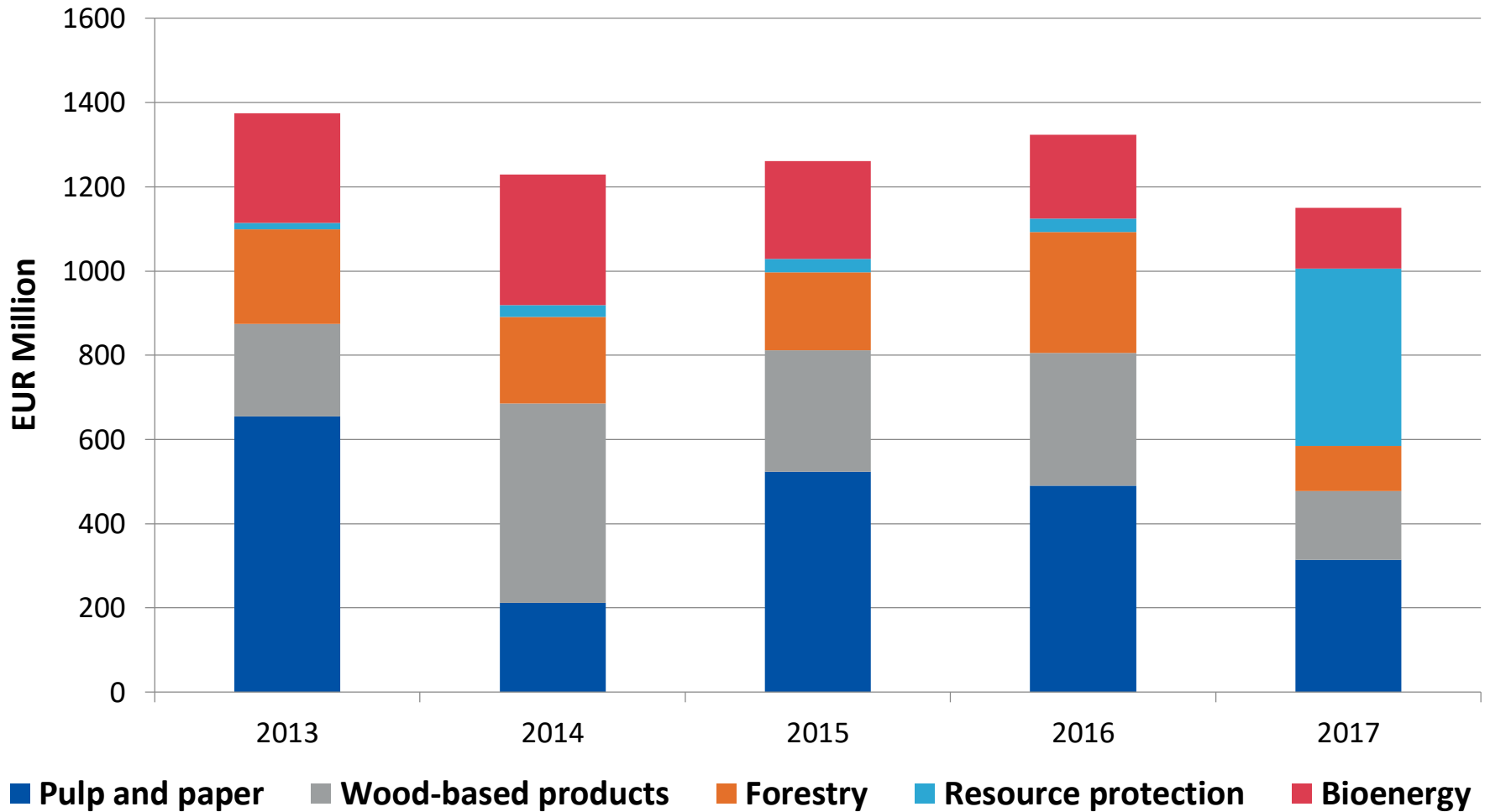
- Private sector development and infrastructure
- Support to Sustainable Development Goals

EIB lending to agri-bioeconomy 2014-2018



EIB financing to forestry sector

Investments 2013-2017: EUR 6.3 bn



EIB lending products

Framework loans:

- ▶ Rural development programme loans: co-finance operational programs with European Agricultural Fund for Rural Development
 - ▶ **EXAMPLE: (i) RDP co-financing; (ii) Rehabilitation of Brownfield Areas Germany**
 - ▶ **(iii) Portugal National Irrigation Plan**

Multi-Beneficiary Intermediated Loans (MBIL):

- ▶ Finance SMEs and microenterprises through credit lines to intermediated Banks
 - ▶ **EXAMPLE: MBIL Comunidades de Regantes Spain**

Project loans:

- ▶ Typically used to finance a single large investment project (over EUR 25m)
- ▶ To private companies (including mid-caps through dedicated Agriculture Program Loan) active in the bio-based industries
- ▶ To public entities or concessionary PPPs to invest in public, agriculture-related infrastructure
 - ▶ **EXAMPLE: Navarra Irrigation Efficiency; Rural Broadband (several projects)**

Financial Instruments

- ▶ Blending of public and private funds

Navarra Irrigation Efficiency: Project Loan

The Project:

- ▶ Modernisation and construction of irrigation water distribution infrastructure served by existing Canal de Navarra system
- ▶ PPP/concessionary model
- ▶ Direct loan channeled through several private banks
 - long-term financing on favorable conditions
 - EIB finance = EUR 65.5 m out of a Total Cost = EUR 131 m

Key Priorities:

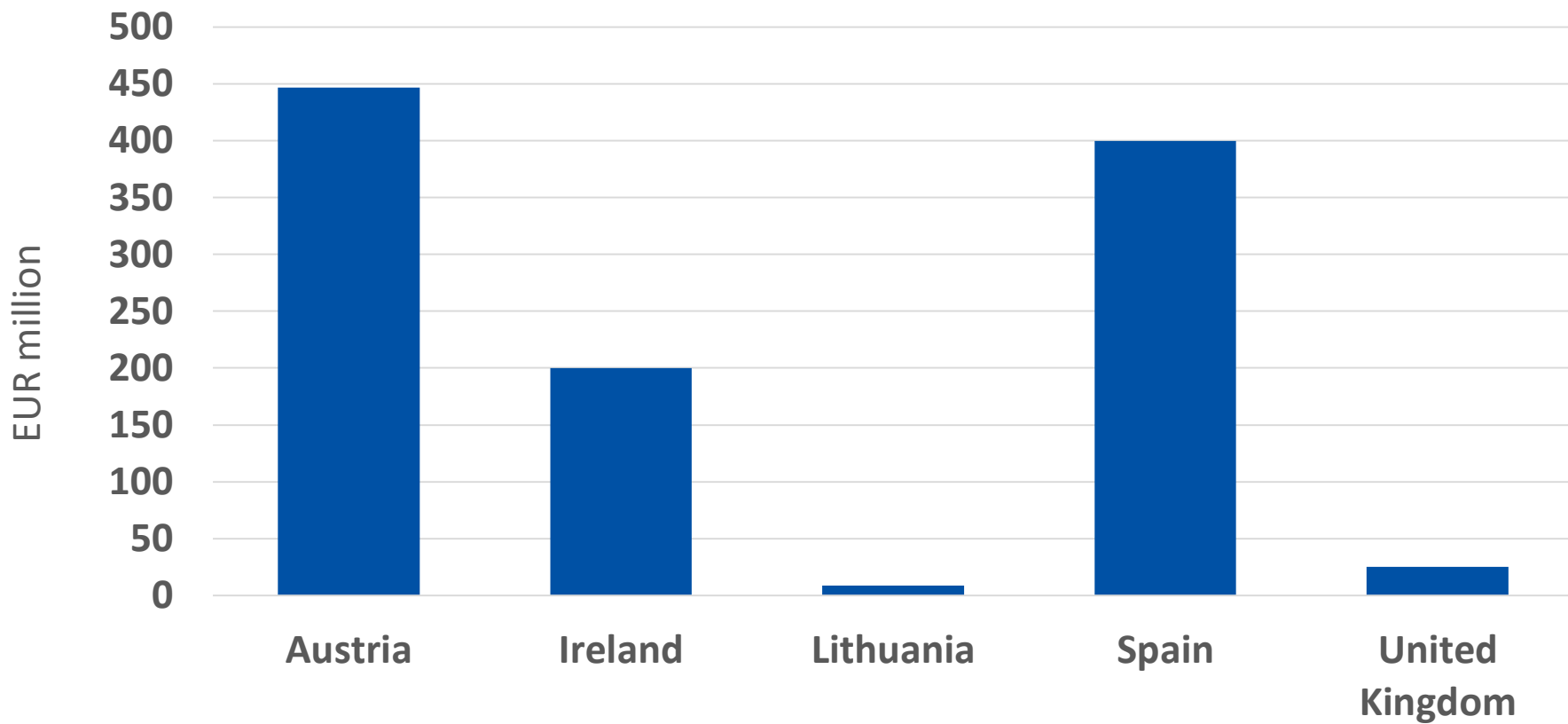
- Environmental Protection and Natural Resource Efficiency
 - ▶ rehabilitating ecological status of Arga and Ega rivers
 - ▶ Resource efficiency: more efficient use of irrigation water
- ▶ Rural Development
 - ▶ Promoting Rural Economy through enabling infrastructure
 - ▶ Project Development area: 15,272 ha of arable land.
 - ▶ Part of the water savings reallocated to new irrigated land

Rural broadband infrastructure in the EU (2008- 2018)

Pipeline + approved projects

Total EIB lending = EUR 1.08 billion

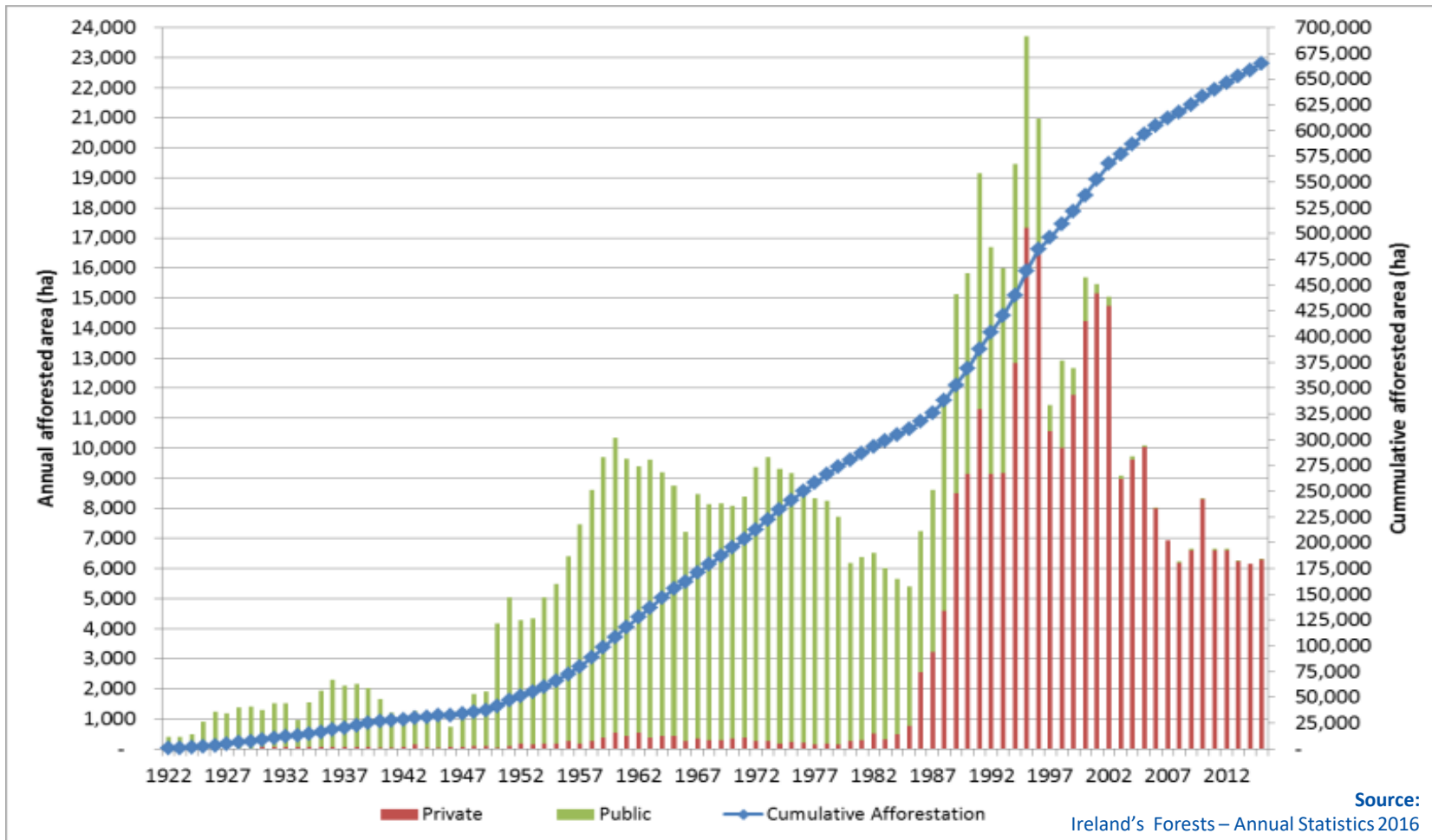
Total project cost = EUR 2.28 billion



EIB support to Irish Forest sector (1979-2019)

- A unique success story in Europe's forest sector
- **Since 1979** the EIB joined to implement the Irish vision
 - EIB financed **12 forestry projects** in Ireland associated to about 40% of the Irish forest cover:
 - **Afforestation:** ~ **80,000 ha**
 - **Reforestation:** ~ **190,000 ha**
 - **Total loan amounts:** ~ **420m EUR**
- Creating jobs in planting and managing forests
- Pioneering wood processing technology in the EU by jointly financing the 1st MDF production facility: Medite (subsidiary of Coillte State Enterprise)
- This is only one example of the EIB's long term financing and value creation for the society, bearing fruit after more than one generation in a substantial and multidimensional manner
- It supports **Climate Action**, carbon sequestration and creation and utilization of **renewable resources and energy**, and **employment in rural areas**.

Strategic Forestry Development Ireland



Strategic forestry objective by 2035: 1.1m ha mixed forests

Modernisation of Östrand mill

Investing in

- Afforestation
- Forest infrastructure
- energy efficiency
- renewable energy

Svenska Cellulosa Aktiebolaget

- producer of forest products
- the largest private forest owner in Europe

Cost of project: EUR 648.0 m

Loan amount: EUR 150.0 m

Framework loan

- ▶ Flexible instrument typically used to finance multiple small and medium projects within an investment programme (usually over EUR 100m)
- ▶ programme-oriented instrument
- ▶ individual sub-projects may not be known at appraisal
- ▶ Loan maturity typically matching economic life of infrastructure
- ▶ Longer grace period during construction (3-5 years)
- ▶ Loan can be drawn in tranches with no fees/penalties for undrawn tranches
- ▶ EIB loan can fund 50% of total cost of investment programme (can go > 50% on individual projects)

More on framework loans:

http://www.eib.org/attachments/documents/mooc_factsheet_eib_framework_loans_en.pdf



RDP co-finance: EIB support to rural social and economic infrastructure modernisation within RDP -2014-2020

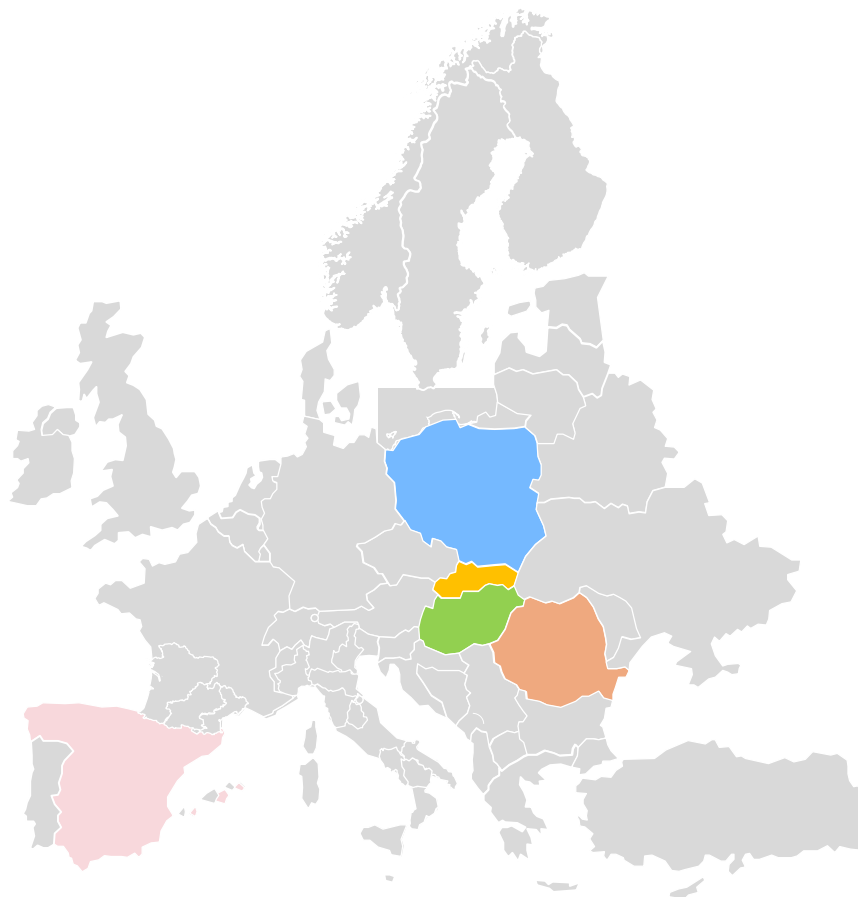
Slovakia = EUR 496 m

Rioja (regional) = EUR 125 m

Romania = EUR 2419 m

Hungary = EUR 694 m

Poland = EUR 981 m



Project example: Spain

EIB FINANCED PROJECTS (co-financing EAFRD/ ERDF)

- ▶ **Regional:** Castilla la Mancha, Castilla y Leon, Andalucia, Galicia
- ▶ **National:** Forestry & Coastal Management

Total EIB loans: EUR 0.7 billion

Total mobilised investments: EUR 1.7 billion

OUTCOMES	Unit	Value
Forest fire mitigation and prevention	ha	390,000
Reforestation	ha	60,000
Afforestation	ha	70,000
Biodiversity conservation	ha	80,000
Forest road infrastructure	km	10,000
Temporary jobs created (Implementation)	FTE	36,000
Permanent jobs created/enhanced (Operation)	FTE	10,000

National Irrigation Program of Portugal (PNR 2020)

Investment cost = EUR 535.7m

Area covered = 111.500 ha

EIB loans = EUR 200m

- Supported in parallel by the Portugal Rural Development Funds; EIB Framework loan to GoP; and Council of Europe Development Bank (CEB) loan to GoP
- Projects aims to support rehabilitation and modernization of irrigation schemes
 - Reducing water losses, increasing and diversifying agricultural production
- Allocations of funds will be managed through Institute for the Financing of Agriculture and Fisheries & Min. of Agriculture using standard RDP procedures

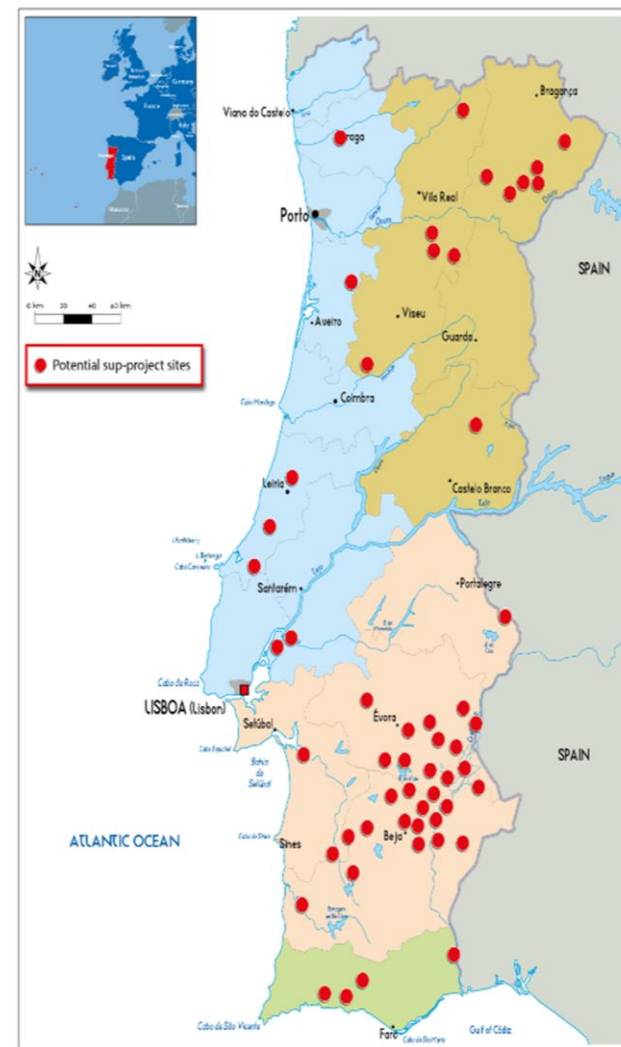
PNR 2020: a framework loan

EIB criteria

- ▶ Legal endorsement of PNR 2020
- ▶ Coverage of all subproject by River Basin Management Plans
- ▶ On-farm investments considered in economic assessment
- ▶ Alignment of the water tariffs (irrigation) to the Water Framework Directive provisions
- ▶ Compliance with EU and country environmental legislative framework

Open call for proposal procedure for sub-projects priorities

- ▶ comply with the EAFRD regulation
- ▶ max. system efficiency and potential water savings
- ▶ replacing unsustainable groundwater and surface water sources, with sustainable ones
- ▶ using renewable source of energy
- ▶ economically sound and viable
- ▶ implementation capacity
- ▶ number of beneficiaries



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Rehabilitation of brownfield areas in East Germany

- ▶ EIB supports, LMBV's (2013-2017) programming period in the German Federal State of Brandenburg
- ▶ Project components include:
 - ▶ basic rehabilitation and ground stabilization;
 - ▶ flooding of former pits (12,000 ha) and
 - ▶ groundwater management; and reclamation activities (23,000 Ha)
- ▶ Environmental Protection
- ▶ Project cost: EUR 561.6 M
- ▶ EIB Finance: EUR 200 M

MBIL – Comunidades de Regantes

- ▶ Upgrade of irrigation water distribution infrastructure under ownership and management of Comunidades de Regantes (= Irrigation Water user Associations).
- ▶ Multi-Beneficiary Intermediated Loan of EUR 100m
 - ▶ Credit lines to financial intermediaries that on-lend to water user associations
- ▶ Total investment cost = EUR 300m, EIB lending will support 50% of individual project investment costs
- ▶ Launched in collaboration with managing authorities (ministry of agriculture and several regional governments) but **with no recourse** to public budgets
- ▶ Suboperations may benefit from public co-financing

MBIL Comunidades de Regantes: Priorities

Environmental Protection/Resource Efficiency: Criteria

- ▶ Modernization of existing irrigation systems, without extension of the irrigable areas
- ▶ Potential water savings and an increase in water use efficiency for agriculture
- ▶ Climate Action Objective; reduction in total water use (min 2.5%), benefit from an EAFRD grant (water bodies is less than good), planted with woody perennial crops (>75%)

Renewable Energy and Energy Efficiency: Criteria

- ▶ Replacement of conventional energy sources with renewable power generation for pumping and water distribution
- ▶ Energy efficiency investments that recover their investment cost through energy savings

Possibilities/ Need for blended instruments for Rural Infrastructure Finance

- There is substantial demand for modernization of existing, small rural infrastructure across EU
- The model of MBIL CCRR could be applied to finance modernization of rural infrastructure systems under communal and/or private management (PPP) with no or low recourse on public budget
 - Such operations could greatly benefit from EAFRD backed guarantee or first loss schemes:
 - Long term financing needs not easily available and costly for Financial Intermediaries
 - Promoter risk profile: Cooperatives, communes or association are not easily bankable
 - Small infrastructure projects in rural areas are subject to risks of agricultural markets (volatility, climate, etc.)
- National Irrigation Programme of Portugal FL is an example on how to seek synergies btw. EAFRD framework and EIB funding capacity to cover for increased public financing needs for small rural infrastructure in a scenario of reduced budget availability at EU level.

EIB Contact & Questions



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