InvestEU and EIB Group support offer for the agriculture sector and EAFRD managing authorities

Alessandro Gargani, Business Development and Mandate Manager, European Investment Fund
The European Investment Fund

1. Our role

2. Our products

3. Our experience on Rural Development

4. Our debt products and InvestEU offer
Our role

We are an EU body dedicated to improving access to finance for small businesses.

Entrepreneurs are the backbone of the European economy and a key focal point for EU policy.
We multiply public resources and help improve the funding environment for small businesses

Factors adversely affecting access to finance

<table>
<thead>
<tr>
<th>Information asymmetry</th>
<th>Small businesses are often too small (lacking information) for banks to assess their risk</th>
<th>Highly innovative small businesses may be too disruptive for banks or funds to be able to assess risk and potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory environment</td>
<td>Bank capital adequacy ratios have led to a scarcity of capital and a decline in lending to higher risk small businesses</td>
<td>Providing capital relief</td>
</tr>
<tr>
<td>Economic environment</td>
<td>Smaller banks can face liquidity issues</td>
<td>Providing funding</td>
</tr>
<tr>
<td>Convergence &amp; EU competitiveness</td>
<td>Small businesses in emerging sectors can lack access to funding opportunities or specialised financing partners</td>
<td>Europe remains structurally behind other major markets in terms of the scale of VC investments</td>
</tr>
</tbody>
</table>

We deliver market driven solutions for lenders and investors in small businesses

- Sharing risk
- Providing capital relief
- Providing funding
- Building ecosystem
We design equity and debt financial instruments that share risk.

These solutions encourage lending and investment in riskier small businesses and, as a result, increase the supply of finance.
## Our main debt financing solutions

We share risk with our banking partners to encourage lending and improve lending terms to riskier small businesses

<table>
<thead>
<tr>
<th>Risk sharing mechanism</th>
<th>Benefit for small businesses</th>
<th>Net commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capped guarantees</strong></td>
<td>Loans at better terms (collateral reduction, maturity extension, lower interest rates)</td>
<td><strong>EUR9.0bn</strong></td>
</tr>
<tr>
<td>AAA guarantee of losses up to a capped rate per loan (free of charge)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Uncapped guarantees</strong></td>
<td>Loans at better terms (collateral reduction, maturity extension, lower interest rates)</td>
<td><strong>EUR43.4bn</strong></td>
</tr>
<tr>
<td>AAA guarantee of losses uncapped (guarantee fee)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credit enhancement (securitisation)</strong></td>
<td>Increased lending to riskier small businesses</td>
<td><strong>EUR24.7bn</strong></td>
</tr>
<tr>
<td>Credit enhancement of securitized SME loan portfolios provides economic and regulatory relief for originators</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Private credit</strong></td>
<td>Bespoke debt packages, speedy deployment and flexible approach</td>
<td><strong>EUR6.4bn</strong></td>
</tr>
<tr>
<td>Crowding in additional investors via cornerstone investments in direct lending funds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** Transaction level data based on net commitments (signatures), excludes capacity building investments and senior and subordinated loans under EaSI. Source: SPA reporting, data as at 30/06/2022.
Our equity solutions
Helping start-ups, growth and the VC Ecosystem

Primary Fund Investments

- EIF selects and invests in Venture Capital Funds
- Eligibility criteria according to ESIF:
  - Geographic scope, type of intermediaries, target companies

Co-Investment Schemes

- A private fund manager in EIF’s portfolio approaches EIF with need for co-investment funding. Only fund managers in EIF’s portfolio are eligible.
- Co-investments are deployed on a deal-by-deal basis as fund managers present co-investment opportunities. Co-investment vehicle (SPV) is set up and managed by fund manager.
Our experience in Agriculture

We have been supporting farmers and SMEs in the Agri business and we have pioneered the implementation of innovative financial instruments supported by EAFRD.
EIF financing in agriculture

Principal amount of financing in the Agri sector *

**Principal amount financed to SMEs**

**EUR 27.3bn**

*up 8% from last quarter*

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>AGRI Utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>COSME-LGF</td>
<td>13.2bn</td>
<td>25%</td>
</tr>
<tr>
<td>InnovFin SMEG</td>
<td>4.2bn</td>
<td>18%</td>
</tr>
<tr>
<td>EGF</td>
<td>3.1bn</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>6.8bn</td>
<td>10%</td>
</tr>
</tbody>
</table>

- **323k** SMEs supported
- **436k** Final Recipient transactions signed
- **EUR 63k** Average financing

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*as at 30 June 2022, including NACE codes defined according to EIB holistic approach
Data as of Q2 2022 inclusion
EIF and decentralised Financial instruments in agriculture
EAFRD/national mandates state of play – update as at Q2 2022

COMMITTED TO SMES
EUR 438m

# SMES SUPPORTED
3,055

Data as of Q2 2022 inclusion
## EIF and decentralised FIs in agriculture

In 2014/2020 we have offered different products

<table>
<thead>
<tr>
<th>Portfolio Risk-Sharing Loans</th>
<th>Uncapped portfolio guarantee</th>
<th>Capped portfolio guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Romania</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Loan instrument available to financial intermediaries to</td>
<td>• FIs benefit from a 50% risk cover for each transaction in the portfolio.</td>
<td>• It consists in a guarantee covering each eligible loan in the portfolio on a transaction-by-transaction basis.</td>
</tr>
<tr>
<td>(i) co-finance (at the risk-sharing rate) a new portfolio of loans and</td>
<td>• The guarantee amount is uncapped. The uncapped guarantee does not increase the costs for final recipients, however, all FIs pay a guarantee fee of 0.55% to the EIF.</td>
<td>• The liability of the FoF is limited to a cap, which is a share of the portfolio agreed with each financial institution</td>
</tr>
<tr>
<td>(ii) share credit risk related to the underlying portfolio at the risk-sharing rate (i.e. covered losses), up to the pre-set PRSL maximum.</td>
<td>• The FIs must ensure that the benefit of the guarantee is fully transferred to final recipients (i.e. better pricing and/or collateral requirements compared to debt not covered by the guarantee).</td>
<td></td>
</tr>
<tr>
<td><strong>Italian Regions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Portugal, Greece, France</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Romania : SC Sanlacta SA**

**Type of finance:** stand-alone loan from Libra Internet Bank  
**Purpose of the loan:** a milk pasteuriser and milk homogeniser, which increase production capacity from 2000 to 5000 liters/hour.  
**Loan amount:** EUR 185 000  
**Maturity:** 3-month ROBOR rate of 4.58%, for 3 years

The investment should significantly increase productivity and efficiency (with more products in less time and at lower cost). Without the loan supported by EAFRD, a similar investment would probably have been made through alternative financial resources from a national operational programme, according to the final recipient. The relationship with Libra Internet Bank is regarded as very positive with close collaboration and partnership.

**Portugal : Investment to expand avocado orchards**

**Type of finance:** Investment loan  
**Purpose of the loan:** Expansion of orchards for avocado production  
**Total value of the investment:** EUR 706 248  
**Loan amount:** EUR 600 000  
**Maturity:** 10 years

The final recipient (FR) is an agricultural producer in Algarve with 3 generations of orchard farmers in the family business. The investment, enabled by a loan from Caixa Geral de Depósitos, covers initial expenses to expand the orchards by planting 57 hectares of avocado. The production process complies with health, environment and biosafety standards, so it is eligible for agro-environmental subsidies as well. With these investments, the FR intends to increase profitability and reduce costs through economies of scale.
**France: Beekeeper in Corrèze**

**Type of finance:** Investment loan  
**Purpose of the loan:** Construction of a building, purchase of equipment and hives  
**Total value of the investment:** EUR 237 000  
**Loan amount:** EUR 107 000  
**Maturity:** Up to 180 months

The final recipients are a couple of beekeepers established under a GAEC (association of producers). Their 425 beehives produce organic honey which is sold exclusively via direct sales. The loan from Crédit Mutuel – CIC supported by Alter’NA was used to increase the number of beehives to 600, support the construction of a functional building with a lab and to purchase equipment. The investment allows the final recipient to respond to strong and growing demand for biological produce and contributes to the promotion of a short supply chain as well as to ecological transition in the agriculture sector.

**Greece: Chaitas Efstathios**

**Type of finance:** Investment loan  
**Purpose of the loan:** Purchase of farming machinery/ construction of storage facility  
**Total value of the investment:** EUR 276 922  
**Loan amount:** EUR 81 368  
**Maturity:** 10 years

The FR is a young farmer taking over the family business. He cultivates approximately 200 hectares of land with durum wheat, maize and vegetables. The loan from Piraeus Bank was used to purchase a tractor with equipment and to build an agricultural warehouse. The new tractor will help to improve and optimise crop production, lowering production costs and CO2 emissions. The new warehouse will also contribute to reducing costs, as other rented storage facilities will no longer be needed. Also, the cereals will be stored in a well-insulated and modern facility, reducing the risk of animal contamination and improving the quality of the products.
Together with the EIB, we are the main implementing partner of the EC for InvestEU. We are developing a set of financial instruments under InvestEU and exploring specific debit products for Rural Development for the MSC.
New thematic focus with InvestEU

**Thematics**
- **Climate & sustainability**
  - Green innovation & transformation – contributing to the EU Green Deal
- **Innovation & digitalisation**
  - Innovation & digitalisation to fuel productivity & competitiveness
- **Growth & competitiveness**
  - Higher risk, high growth & recovering smaller companies to ensure European competitiveness
- **Social impact, inclusion, skills & education**
  - Microenterprises, social enterprises as well as students and learners
- **Culture & creativity**
  - Enterprises active in the CCS to help hone Europe’s valuable sector & digitalise into the future

**Finance for**
- **Sustainability guarantee**
- **Innovation & digitalisation guarantee**
- **SME competitiveness guarantee**
- **Micro finance & social entrepreneurship guarantee**
- **Cultural & creative guarantee**

**Guarantees**

**Equity**
- **Climate & environmental solutions**
- **Enabling sectors**
- **Capital Markets Union**
- **Social impact**
- **Digital and CCS**

**Target areas**
- **Climate & infrastructure projects**
Sustainability Guarantee for InvestEU, example of contribution to the MSC of IEU

- One of our new flagship products will be the **Sustainability Guarantee**, specifically aimed at supporting the green transition of SMEs, Small Mid-caps, as well as private individual beneficiaries (“Final Recipients”)

- The Sustainability Guarantee is EIF’s first pan-EU guarantee product designed to contributing to climate action and environmental sustainability

- The Sustainability Guarantee is designed to be aligned with the CA&ES policy goals of the EU (under InvestEU its eligibility criteria are aligned with the scope of the EU Taxonomy for Sustainable Finance). **Specific investments are targeted for Sustainable and organic agricultural activities and for Sustainable forests and other climate mitigation investments**

- Complementing this risk sharing, the Sustainability Guarantee can provide technical assistance in order to help lenders in improving expertise for assessing green investments.

- Member States can contribute resources (e.g. from the CAP Strategic Plans) to the **Member State Compartment of InvestEU** in order to support additional portfolios in targeted Geographies and for the Final Recipients and the Operations consistent with the policy goals of the source of funding
EIF will continue offering Portfolio Guarantees to the Managing Authorities of the CAP Strategic Plans, possibly exploring combination with a grant component (e.g. interest subsidies) and with the goal of combining the resources with additional resources from the EIB Group.

1. Uncapped guarantee

OR

2. Capped guarantee: (capped at the portfolio expected loss)
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