DG AGRI – EIB Pilot Technical Assistance Initiative to support rural infrastructure and smart villages development

Michael Pielke, Head of Unit, Directorate-General for Agriculture and Rural Development, European Commission

#ficompas
1. Rural infrastructure: major challenges
2. Current support for rural areas
3. EAFRD Financial Instruments as a mean/tool to boost infrastructure investments
4. DG AGRI – EIB Joint Technical Assistance Initiative
Rural infrastructure: major challenges
Major challenges for rural areas

- Overall decline of infrastructure investments after the financial crisis – current infrastructure investments are equal to 75% of pre-crisis level in 2008

- The annual infrastructure investment gap for EU27 can be estimated at EUR 155bn

<table>
<thead>
<tr>
<th>Sector</th>
<th>EUR billion</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT (broadband and digitalisation)</td>
<td>50</td>
<td>0.38</td>
</tr>
<tr>
<td>Energy generation and grids</td>
<td>17</td>
<td>0.13</td>
</tr>
<tr>
<td>Water and waste</td>
<td>7</td>
<td>0.05</td>
</tr>
<tr>
<td>Social and affordable housing</td>
<td>6</td>
<td>0.05</td>
</tr>
<tr>
<td>Education</td>
<td>8</td>
<td>0.06</td>
</tr>
<tr>
<td>Health</td>
<td>17</td>
<td>0.13</td>
</tr>
<tr>
<td>Mobility</td>
<td>50</td>
<td>0.38</td>
</tr>
<tr>
<td>Total</td>
<td>155</td>
<td>1.19</td>
</tr>
</tbody>
</table>
For households in the EU as a whole, internet access at home has reached a level of 85% in 2017, slightly lower in sparsely populated areas (79%).
Major challenges for rural areas

“Circle of decline”:

- Shortage of jobs and sustainable business activity
- Inadequate and declining services

Low or insufficient infrastructure investment:

- Local needs and demands exceed EU budget available for grants
- Small scale projects not attractive for investors
Current EU support for infrastructure investment and rural areas
Current EU support

- CAP: in 2014 – 2020 programming period EAFRD grant support estimated 10% of overall investment volume or EUR 10bn

- Connecting Europe Facility (CEF) for transport, energy and digital infrastructures of EUR 30.4bn

- European Fund for Strategic Investments (EFSI)

- European Structural and Investment Funds (ESI Funds)
EAFRD financial instruments: as a mean/tool to boost infrastructure investments
Features of EAFRD financial instruments financing rural infrastructure

- Allow for project pooling/aggregation
  → critical mass and risk diversification

- Bring public authorities and private project promoters together
  → increase awareness and build capacity

- Reduce the risk and/or improve “bankability” in combination with grants
  → attract private investment

- Revolving nature
  → potential reuse of resources for several times
Potential areas for EAFRD financial instruments for infrastructure general

- Focus of the initiative is on infrastructure falling in the scope of Measure 7 of the rural development policy.

- EAFRD offers a wide scope of investment possibilities (economic, social, health-care, educational, etc.).

- FIs are most suitable to support projects that generate a revenue or cost savings.

- FIs can support the combination of profitable with non-profitable elements.
Potential areas for EAFRD financial instruments for infrastructure in detail

- Broadband and ICT remain crucial;
- Smart investments in transport and electricity/lightning;
- Efficient and eco-friendly waste collection and treatment;
- Cost-saving public water irrigation systems/infrastructure, purification and supply;
- Energy efficiency (primarily in public buildings, storage facilities, etc.);
- Renewable energy production (primarily biomass, wind and solar) and distribution (district networks, underground electrical conduits, etc.);
- Smart investments in basic services and related infrastructure (e.g. cultural and leisure centres, medical points, etc.);
- Rural tourism infrastructure;
- Short supply chain, including new market outlets to the bio-economy; and
- Forestry infrastructure.
DG AGRI – EIB
Pilot Joint Technical Assistance Initiative
STATE OF PLAY FOR FINANCING RURAL INFRASTRUCTURES

➢ Current period
  ❑ Use existing FIs for infrastructure schemes

➢ Post-2020
  ❑ Consider FIs in the preparation of 2021-2027 CAP Strategic Plans and ex-ante evaluation
BACKGROUND OF THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

➤ Workshops
  ❑ In June 2018 and February 2019 workshops on financing rural infrastructures and smart villages development have taken place to discuss existing support, develop new ideas and discuss potential financing structures.

➤ Study
  ❑ The study “Financing rural, agricultural and forestry infrastructure” has been undertaken to analyse the status quo and the potential for financial instruments.
Existing financial instruments

- Financial instruments for financing infrastructure exist under different ESIF or centrally managed policies: Cohesion policy, European Fund for Strategic Investments, Connecting Europe Facility, etc.

SMART villages initiative

- Modern, efficient, environmentally-friendly and financially viable rural infrastructures are key factors contributing to the SMART villages initiative.
SUCCESSFUL EXAMPLES

- Broadband and Information and Communication Technology is already financed through financial instruments under the Connecting Europe Facility (to be presented later).

- Small municipal infrastructure projects are financed through JESSICA (to be presented later).
OBJECTIVE OF THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

- Managing Authorities
  - Assess the needs for financing rural infrastructures through financial instruments.
  - Familiarise with the use of financial instruments to support rural infrastructures.
  - Raise awareness of the possible role of financial instruments to supplement EAFRD grants or to complement with EIB financing.
  - Encourage and provide support in the implementation of financial instruments, including preparation of documentation.
OBJECTIVE OF THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

➤ Stakeholders

- Enable Managing Authorities to involve national or local stakeholders to contribute to the discussion.

- Raise awareness on new ways to finance rural infrastructures through financial instruments.
DELIVERABLES OF THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

- DG AGRI and EIB (fi-compass) provide advisory support with focus on the use of financial instruments to support infrastructure projects.

- Advice on ex-ante assessment and content (but no ex-ante assessment to be carried out by EIB under the Initiative, unless paid by the MA TA budget).

- Creation of roadmaps, concrete planning and recommendations for structuring the financial instrument.

- Discussions on successful business cases and their important elements.

- Preparatory work by the MA, including work on documentation, tender specification, funding agreements, etc.

- Potential check for synergies with EIB financing in the same area and country / region.
DELIVERABLES OF THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

- fi-compass EAFRD study

Financing rural, agricultural and forestry infrastructure
STEPS TO JOIN THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

☐ E-mail to DG AGRI F3 or official letter

☐ E-mail fi-compass https://www.fi-compass.eu/info/contact
INFORMATION SUPPORT TO THE DG AGRI – EIB PILOT TECHNICAL ASSISTANCE INITIATIVE

- **fi-compass**
  Use of *fi-compass* EAFRD analytical material, studies and survey results:

  Good practices on market assessment:

  … and soon much more for the post-2020 period on the *fi-compass* website:
  [https://www.fi-compass.eu/esif/eafrd](https://www.fi-compass.eu/esif/eafrd)