

## EIB's financial backing for EU Rural Development Policy

### Supporting rural economies and policy implementation

#### Who can benefit from EIB financing?

The European Investment Bank (EIB) extends financing to clients of all sizes, both public and private. Beneficiaries of the EIB's loans and investments include national and regional governments, private-sector industry, service providers and commercial and promotional banks.

We have two main ways of supporting the EU's Rural Development Programmes (RDP):

1. **Direct support:** Working with national or regional RDP Managing Authorities, which can avail of an EIB loan to finance the State / Regional contribution to selected investment-orientated measures of the Programme (in co-operation with the respective Ministry of Finance); and
2. **Indirect support:** Providing loans to farmers and other rural SMEs in order to finance their own contribution to activities which are partly supported by RDP grants. These loans are made available via credit lines that the EIB establishes with commercial and promotional banks.

#### What financing products are available?

The EIB is primarily a lending institution, extending credits to support sustainable growth and jobs. Many of our loans are designed to complement the available sources of grant support, particularly the EU Structural and Investment Funds.

We lend directly to individual investment projects for which total investment cost exceeds EUR 25m. For these large investment loans, the EIB loan can cover up to 50% of the total cost for both public and private sector promoters.

We also finance multi-component, public multi-annual investment programmes using a single "framework loan". This funds a range of projects, usually by a national or local public sector body, such as investments within a Rural Development Programme or within a Structural Funds Operational Programme.

For project costs below EUR 25m, the EIB provides intermediated loans (credit lines) to commercial and promotional banks. In this way, the EIB can support SMEs, including farmers and agricultural cooperatives, and mid-cap businesses via their partner banks which “on-lend” to the final beneficiaries.

Financing via intermediary banks is more flexible, and can provide up to EUR 12.5m. The lending decision for EIB loans via credit lines remains with the financial intermediary which also retains the financial risk of the on-lending. The intermediary must transfer a financial advantage reflecting the impact of our funding, and the intermediary bank has to inform the final beneficiary of this.

## What conditions are associated with a loan from the EIB?

All projects financed by the EIB must be in line with our lending objectives as well as being economically, financially, technically and environmentally sound. The Bank’s loans must further at least one of our public policy goals which aim to foster growth and employment potential, namely:

- Fostering innovation and human capital,
- Support to SMEs and Midcaps
- Building an efficient infrastructure
- Protecting the environment and climate.

The EIB also aims for the projects it supports generally to contribute to economic and social cohesion by addressing economic and social imbalances.

## What type of Rural Development Programme measures can be financed?

### An EIB loan to RDP National or Regional Managing Authority

When we work directly with an RDP Managing Authority to finance the national/regional contribution to a particular RDP, we focus our investments on activities which support our public policy goals, such as:

- Establishment of forest plantations; forest management; rehabilitation following storms, fires and disease; infrastructure to facilitate forest management and fire-fighting; biodiversity conservation;
- Watershed management and natural flood defences; mitigation of soil erosion; regeneration of natural habitat;
- Investments promoting a balanced economic development in less-developed regions of the Union with a particular focus on sustainable rural economic growth;
- Investments to improve nutrient management to reduce pollution at farm and processing facility level;
- Promotion of renewable energy generation and use; improved resource (e.g. energy, water etc.) efficiency;
- Investments undertaken by SMEs and compliant with the EIB’s general eligibility criteria.

### Intermediated loans via commercial or promotional banks

When farmers or other rural SMEs avail of EIB financing via our credit lines with national or regional banks, a wider range of activities can be supported, ensuring that we are meeting the real needs of small businesses. Working capital expenditures can be financed, for example. However, the purchase of agricultural land is not eligible for EIB support.

## What are the terms of an EIB loan?

Financing conditions depend on the investment type and the security offered by third parties (banks or banking syndicates, other financial institutions or the parent company). Loan conditions can be flexible in terms of the size, duration, structure etc.

Interest rates can be fixed, revisable or convertible (i.e. allowing for a change of interest rate formula during the lifetime of a loan at predetermined periods). In certain cases we may charge fees for project-appraisal, legal services, commitment, non-utilisation etc. Our accounts are in Euros (EUR) but we can also lend in: GBP, USD, JPY, SEK, DKK, CHF, PLN, CZK and HUF, as well as currencies of candidate countries and other EIB partner countries.

The maximum standard maturity of the EIB loan financing the investment is determined by the economic life of the project.

## How can a Member State apply for a loan?

No special formalities are involved for the submission of applications to the EIB for operations related to supporting EU Rural Development Policy. Member States are required simply to provide the Bank's Operations Directorate with a detailed description of their capital investment together with the prospective financing arrangements.

Initial contacts to discuss a proposed project can be in any form, by telephone, fax, e-mail or letter. The project promoter should only provide sufficient information to allow the EIB to assess whether the project adheres to EIB lending objectives and has a well-developed business plan to facilitate the EIB's due diligence.

For RDP Managing Authorities, it is necessary to ensure that a request to the EIB is coordinated via the Ministry of Finance.

SMEs – farmers, agricultural or forestry businesses – interested in EIB financing for projects under EUR 25 million should contact the banks and other intermediaries involved directly with a detailed description of their capital investment together with the prospective financing arrangements.

## How long does it take to receive approval?

The EIB's due diligence involves several steps and is carried out by the EIB's teams of engineers, economists and financial analysts, in close cooperation with the promoter. We assess a promoter's request regarding the eligibility of the investments, the technical and economic viability, the environmental and social impacts and the promoter's financial situation.

All projects need to be approved by our Board of Directors which will take the financing decisions based on project report, including the results of the appraisal. Subject to the complexity of the project and the nature of financing, four to eight months will elapse between first contact with the EIB and the signature of a financing contract.

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