



## Financing agriculture and the rural economy

### Supporting rural economic development, food security and resource efficiency

#### The EIB: the EU bank

Owned by the 28 EU Member States, the EIB supports public and private sector projects which help to further EU policy objectives. The Bank has developed a range of funding solutions and can finance up to 50% of total project cost. Loans can be granted directly to projects worth over EUR 25m and smaller operations are supported through a network of local partner banks in the EU and our partner countries.

#### The EIB and agri-food and forestry value chains

The agriculture, forest and fisheries sectors with their upstream and downstream industries are the key contributors to economic growth in the world's rural and coastal regions. The agri-food sector is particularly important in the EU, where it is the **leading employer**. At a global level smart and sustainable management of agri-food value chains also plays a vital role in **food security**, as well as in improving **nutrition, rural incomes** and resilience to **climate change**.

The EIB's lending for investments in the agri-food and forestry sectors is pivotal in supporting the Bank's lending priorities in support of **innovation, climate change adaptation, growth and employment, small and medium sized enterprises** and **economic and social cohesion**. Over the last five years, we have provided EUR 12bn in loans to agriculture, fisheries and forestry production and related up- and downstream industry projects.

#### Financial backing for EU Rural Development Policy

*The Rural Development Policy of the European Union plays an important role in the sustainable use of natural resources and the economic development of rural areas, in ensuring competitive development of EU agriculture and providing the necessary investment safeguards for the production of safe and high-quality food in the EU. It is implemented in the EU through the European Agricultural Fund for Rural Development (the "EAFRD"). Based on the Treaty, implementation is shared between the Union and the Member States. On 17 December 2013, the European Parliament and the Council adopted the Regulation (EU) 1305/2013 on support for rural development by the EAFRD for the years 2014-2020.*

*The EIB seeks to support the implementation of the EU Rural Development Policy, cooperating closely with the European Commission (EC). Alongside the EC, we stand ready to support competent authorities in co-financing their contributions to national and regional rural development programmes, blending loan finance with support from EAFRD.*

## A flexible EIB offer, meeting needs across the entire value chain

The Bank follows a holistic approach to supporting EU and non-EU countries in fostering competitiveness and sustainable growth in agri-food, aquaculture and forestry value chains. In addition to supporting such value chains directly, the EIB is actively engaged in a range of other sectors and encourages cross-sectoral interaction, for example in the water sector to improve watershed management and irrigation systems.

## Helping to meet growing demand for food

The world population is set to surpass nine billion by 2050. This population growth is expected to increase demand for food substantially over the next 20 years, with diversified and protein-rich diets becoming more popular as a result of higher incomes in developing countries.

The EIB is helping food producers to meet these major challenges through development and deployment of innovative and sustainable solutions. We also support farmers, in particular outside Europe, in strengthening their overall productivity through enhanced access to financing investments into good agricultural practices and food security.

### The EIB in action

#### Barilla pasta research, development and innovation, France, Italy and Sweden

- In 2012 the EIB provided a loan of EUR 50m towards one of Barilla's most ambitious research and development programmes to date, covering nutrition, food science, and process/product development.
- The programme involved research into improvements in production processes, from sowing to wheat procurement, to storage, processing and packaging. It also involved the development and testing of new pasta sauces and new products ranging from crackers, biscuits and cakes to health-conscious ready-meals.

#### Sugar processing, Mauritius

- In 2009, the EIB provided a EUR 15m loan to Omnicane, Mauritian Sugar Company, to construct two sugar refineries in Mauritius as part of the European Union's wider support of reform in the Mauritius sugar industry.
- The funding for Omnicane will improve sugar storage and handling facilities, and extend an existing mill. The EIB's support follows a EUR 13m loan made in August 2009 to FUEL Sugar Milling Company Ltd. Both loans will benefit from an interest subsidy from the 10th European Development Fund (EDF).

## Sustainable and inclusive rural development

Micro-enterprises and SMEs contribute significantly to rural economies and employment generation, thereby acting as a restraint to **rural-urban migration**.

To maintain and generate employment in rural regions, we provide finance to national and regional governments implementing their **rural development programmes**. These programmes support agricultural and rural businesses, in a bid to enhance livelihoods and maintain ecosystems.

### The EIB in action

#### Forestry and Environment, Poland

- In 2011 the EIB approved a total contribution of EUR 250m to facilitate implementation of selected measures of Poland's Rural Development Programme and the State Forests

National Forest Holding's (Lasy Panstwowe) multiannual investment programme across the country.

- The programmes supported rural employment generation and environmental objectives such as erosion control via silviculture and pollution control in agriculture in coastal, lowland and mountainous regions across the country.

#### **Galicia Environment and Rural Area Cohesion, Spain**

- During 2010-2013 the EIB provided EUR 150m of co-financing for the implementation by the government of the region of Galicia in northwest Spain, to implement its Rural Development Programme.
- The programme is expected to deliver multiple environmental benefits while improving livelihoods in rural Galicia.

## **Climate-smart and innovative resource management**

Limited levels of resources available for agricultural production, including land/soil, water, fossil fuels and minerals, and the changing weather patterns brought on by global warming threaten already fragile ecosystems and livelihoods. This makes it essential to invest in agri-food and forestry operations and research that prioritise **climate-resilient** production, **resource efficiency**, the use of **renewable energy** and **sustainable natural resource management**.

The Bank supports promoters investing in or developing **innovative production, processing and distribution technologies**. Such projects help to improve resilience to climate change, reduce food losses and waste and contribute to overall productivity and competitiveness of the food chain by reducing the level of inputs required.

### **The EIB in action**

#### **John Deere, Research and Development, France and Germany**

- The EIB supported agricultural machinery manufacturer John Deere with a EUR 165m loan for its research and development activities in Germany and France for the period 2013-2016.
- The project involved improvements to the efficiency of tractors and combines, the design of fuel-flexible engines and improved power transmissions and the development of precision technologies that maximise agri-input efficiency. The loan is part of the EIB's broader financial support for innovation and to promote long-term investment in low emission and fuel efficient engine technology across the transport and engine sector.

#### **Afforestation for conservation, wood and fruit products, Liaoning Province, China**

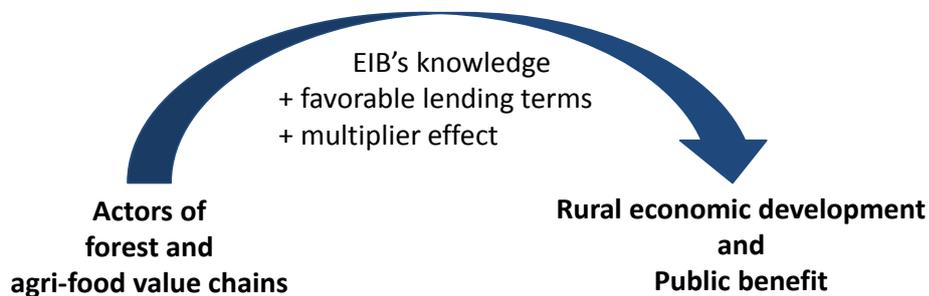
- As part of a broader EIB-China forestry loan programme, in 2013, the EIB approved a five-year sub-award to Liaoning Province, which is vulnerable to drought, wind erosion and sand storms.
- The project, to which the EIB contributed EUR 30m, aims to rehabilitate 23,700 hectares of forest land, comprising ecological forests for soil and water conservation, poplar timber plantations and fruit forest plantations. In this way the project is expected to generate ecological value added, supplemented by job creation and sales revenues in timber and fruit production to strengthen the local economies.

## The EIB at work: in EU member states and beyond

We provide financing for investments that make a significant contribution to growth, economic and social cohesion, resource efficiency, employment, climate action or innovation within the EU. Outside the EU, the EIB supports operations aiming at upgrading agri-food and forest production systems to approximate Community standards, while remaining responsive to regional and local requirements. We also finance private and public operations that contribute to EU development objectives, such as food security and poverty alleviation.

Our lending activities cover the whole agri-food and forest value chains, ranging from input and equipment supply to wholesale and retail networks. As the EU's bank, the EIB stands ready to co-finance national and regional operational plans under the EAFRD and EMFF. Our counterparts include national and local governments as well as private-sector industry, service providers and commercial and promotional banks.

### The EIB as catalyst for agri-food production, rural development & resource efficiency



The EIB supports rural economies, generating benefits for both private enterprises and society as a whole through its long-term financing and provision of technical advice and assistance.

### Our financing options

Investment needs vary widely depending on a project's scale and its position in the value chain. To meet client and project-specific needs, we tailor our lending services to the evolving opportunities and challenges of the sectors. We offer a range of risk-bearing instruments, project loans and financial support to funds, as well as a technical advisory platform for EU managing authorities interested in financial instruments for rural development.

EIB finance for SMEs includes schemes for farmers and entities active in forestry and fisheries and is usually provided using commercial banks or micro-finance institutions as intermediaries.

**For all other information on the EIB's activities related to natural resources and the rural economy, please contact:**

European Investment Bank  
98 -100, boulevard Konrad Adenauer  
L-2950 Luxembourg  
☎ +352 4379-1  
☎ +352 4377 04  
[www.eib.org](http://www.eib.org) – [info@eib.org](mailto:info@eib.org)