



**European
Investment
Bank**

The EU bank



Blending – complementarities with EIB lending activities supporting agricultural value chains

Mihail JUC, Senior Engineer

Natural Resources and Agro-Industry Division
European Investment Bank

Outline of the presentation

- Introduction to the European Investment Bank, the EU's long-term lending institution: who we are and how we operate
- Types of loans for the agricultural sector
- Apex loans for agricultural value chains
- “*Fruit garden*” project – Moldova
- Blending – why and how?
- Conclusions

The EU bank



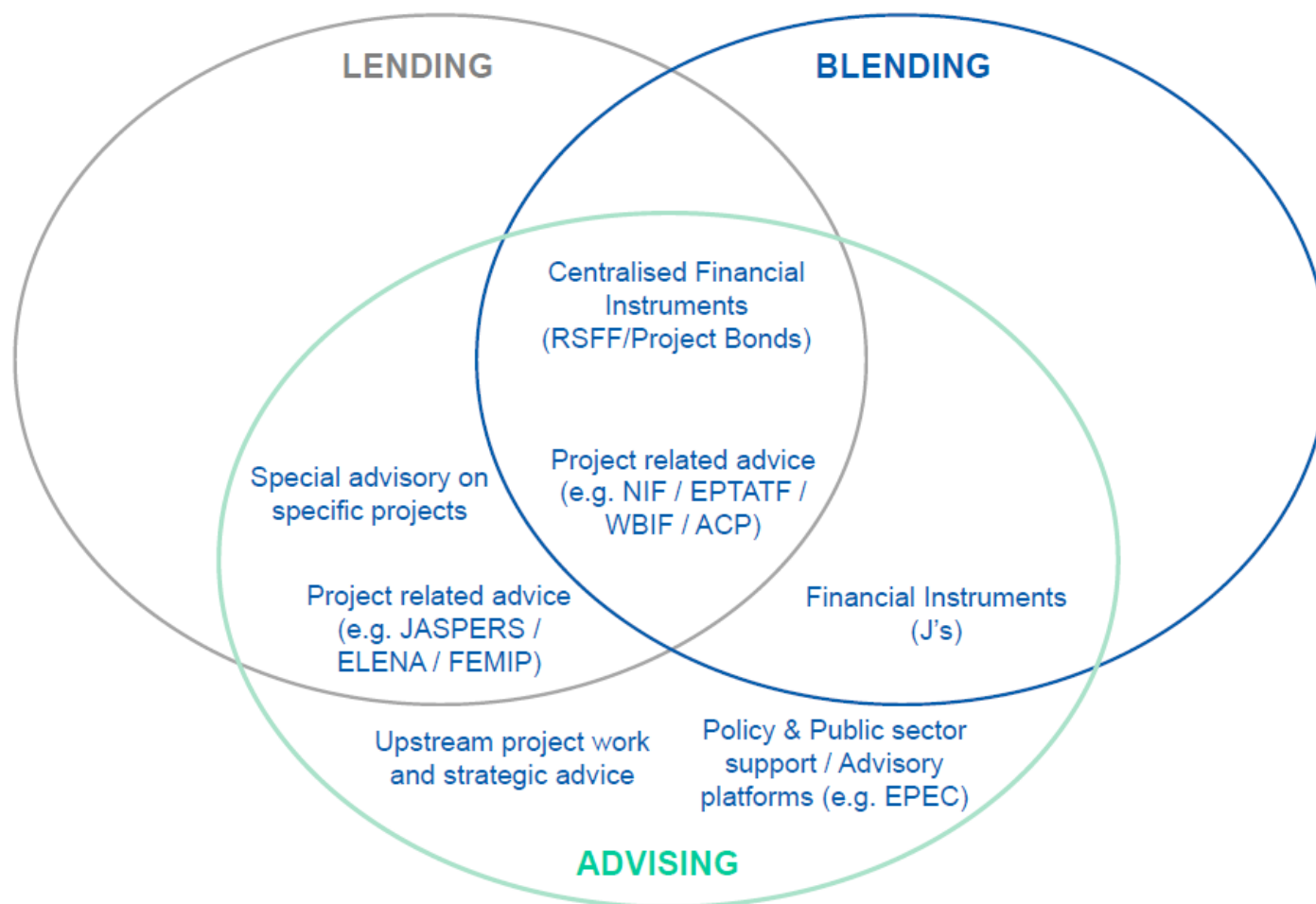
- Natural financing partner for the EU institutions since 1958
- More than 90% of lending is within the EU
- Shareholders: 28 EU Member States

Investing in Europe's growth

The EIB at a glance

- Largest multilateral lender and borrower in the world
 - Raise our funds on the international capital markets
 - Pass on favourable borrowing conditions to clients
- Some 440 projects each year in over 160 countries
- Headquartered in Luxembourg and 29 local offices
- Around 2 100 staff:
 - Not only finance professionals, but also engineers, sector economists and socio-environmental experts
 - More than 50 years of experience in financing projects

The EIB: Lending, blending and advising

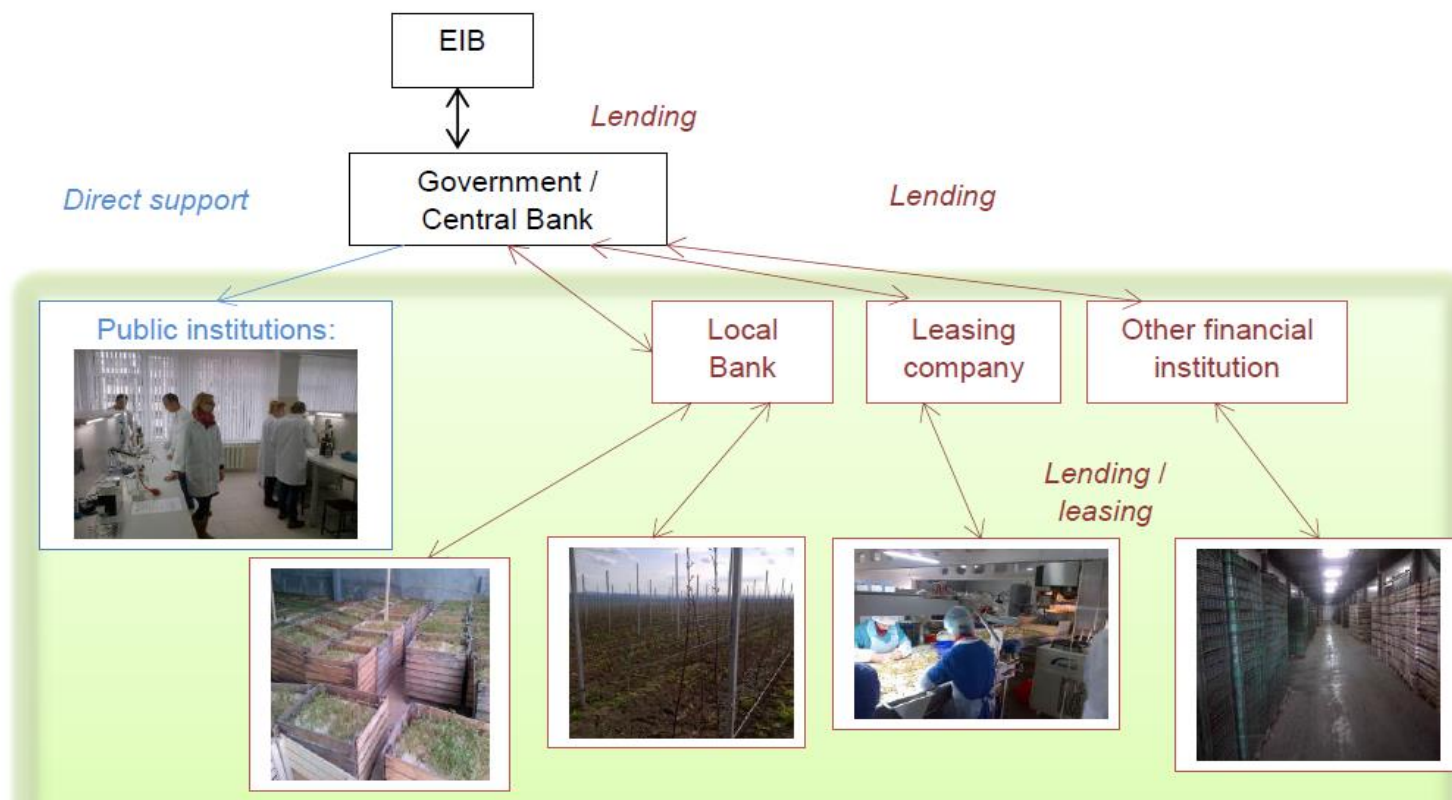


Examples of types of loans for the agricultural sector

- Direct loans to Corporates – projects of certain size
- Loans for SMEs and Mid-Caps – up to certain project costs
- APEX Loans to support selected value chains in the agro-food sector

What is an “Apex” loan dedicated to a value chain?

An Apex loan dedicated to a value chain is a sovereign line of credit extended to financial intermediaries which on-lend the proceeds to a large number of final beneficiaries such as small and medium enterprises (SMEs), or public sector entities, active in the target value chain(s).



Apex – why fund a value chain?

- **Why fund an entire value chain?**
 - A value chain is as strong as its weakest link. Its output is as large as its most significant bottleneck.
 - Each link and bottleneck therefore requires attention to maximize overall performance of the value chain.

Who could be eligible for funding?

- **All participants** in the value chain:
 - Private and public enterprises along the value chain:
 - producers, input providers, logistics, storage facilities, processing, packaging, wholesale and retail, etc.
 - Ministries and other public institutions;
 - Universities and Colleges;
 - Food safety and quality control bodies, public or private.

The project

- An EUR 120m Apex loan towards the upgrading of one of Moldova's traditional agricultural sectors – horticulture.
- The project aims to strengthen the Moldovan horticulture sector by:
 - a) developing the entire horticulture value chain;
 - b) improving the quality of fresh and processed produce from the nurseries to the final packaging and dispatch;
 - c) reducing losses along the value chain; and
 - d) facilitating the diversification of export markets.
- The project is currently under implementation

Objectives of Technical Assistance funds

- To **help** the partner countries and private promoters to better prepare, manage and supervise their investment projects;
- To **improve** the quality and development impact of investment;
- To **strengthen** the management capacities of local partners in the medium and long term.

Areas in which technical assistance is provided:

- Studies or targeted activities upstream of lending operations in the areas of legislative, regulatory and institutional reform;
- Pre-feasibility or feasibility studies for investment projects (water and wastewater, energy, environment, transport and communications, education and health);
- Project Implementation.

Existing TA facilities outside the EU

- FEMIP Support and Trust Fund
- Neighbourhood Investment Facility (NIF) and NIF Trust Fund
- Cotonou TA
- EU Africa Infrastructure Trust Fund
- Eastern Partnership Technical Assistance Trust Fund
- Western Balkans Investment Framework (WBIF)

Major TA Facilities inside the EU

- JASPERS – Joint Assistance in Supporting Projects for European Regions
- JASMINE – Joint Action to Support Microfinance Institutions
- FITAP – Financial Instruments for Technical Advisory Platform
- ELENA – European Local Energy Assistance facility
- Project Implementation Support in Bulgaria and Romania
- Support of EU Programmes on Energy Efficiency
- Juncker plan

NIF support - Moldova

- In September 2014, NIF Board Committee issued a positive opinion for:
 - EUR 2.2m for Technical Assistance for the Fruit Garden of Moldova project, and
 - EUR 6m Investment grant for the same project.
- Current situation: program awaiting to be launched

Blending - Guarantees

- Why?
 - Commercial banks require significant collateral from agri-food companies;
 - Young farmers, small farmers and women in business have particular difficulties accessing commercial loans.
- How to address this?
 - Providing first loss guarantee with specific characteristics (e.g. lower coverage for larger loans, and larger percentages for underserved categories of final customers).

Blending – Technical Assistance 1

- Why?

- Commercial banks might not have proper knowledge in the agricultural sector and its specificities (e.g. seasonality, cash flow, balance sheet, ...), and, as an effect, do not assess and price agri-food sector loans appropriately.

- How to address this?

- By providing specific training to commercial banks and improve their understanding of the sector.
- As an effect, their lending procedures and policies would properly consider agriculture-related risks and uncertainties.

Blending – Technical Assistance 2

- Why?
 - Lack of ability for smaller companies and farms to compile appropriate loan applications (including business plans) and therefore they have difficulties accessing commercial loans.
- How to address this?
 - By working together with eligible participants in the Apex loan to prepare loan applications (including, if required, business plans).

Blending – Technical Assistance 3

- Why?
 - Companies and farms do not have a proper understanding of business processes and management, which lead to inefficient and unsustainable operations.
- How to address this?
 - By providing dedicated business training to eligible participants in the Apex loan (e.g. operations, marketing, finance, accounting, legal, HR, ...).

Blending – Technical Assistance 4

- Why?

- Sector participants (farmers, small entrepreneurs) have limited knowledge related to modern, efficient agricultural or technological methods. Therefore, they do not reach their potential productivity and efficiencies.

- How to address this?

- By providing specific training to final beneficiaries and improving their knowledge of modern agriculture and agri-food technologies.

Blending – Technical Assistance 5

- Why?
 - Isolated geographical areas have limited access to information.
- How to address this?
 - By providing support to extension services, which in turn would transfer the knowledge at local level to entrepreneurs and farmers;
 - Support could be related to infrastructure (IT, Internet access, other), training for local providers of services, marketing services, ...

Conclusions

- The EIB has different tools to cover different types of investments;
- There are different instruments available to support the Promoters in developing and implementing their projects
- Apex loans dedicated to agriculture value chains have the potential to remove existing bottlenecks and release potential in the targeted sub-sectors;
- Apex loans have the potential to reach entire value chains including underserved categories of entrepreneurs;
- Blending could complement an Apex loan, provide support and develop areas the financial assistance does not cover.

Thank you for your attention!

More information at:

www.eib.org

info@eib.org

Tel. : +352 479 22000