



It's the (real) economy, stupid!

Our colleague looks at the investment plan for Europe and how it can be beneficial to rural business.

The growth potential on global markets for products related to agriculture is well established by now. The EU commitment to use more renewable energy as well as the wealth of other opportunities in the green and circular economies are other good reasons for optimism. And yet, this is only half the story. Even the greatest potential will be a waste if there is no access to finance at competitive rates and conditions and this is indeed one of the key issues.

For instance, the EU food and drink industry, the main processor of agricultural products, is currently facing a decrease in competitiveness. Agricultural products represent 7% of the EU total exports, losing share during the last years in the international markets given the increased competitiveness of emerging countries. There are more than 1.6 million Small and Medium Enterprises (SME) in the agricultural sector with an estimated financial gap of at least € 1.5 billion, according to a recent report from DG ECFIN.

Enter the Investment Plan for Europe, aka “the Juncker Plan”

After some years of financial turmoil and fiscal adjustments, the “real economy” has become a fixture on the EU policy agenda. Growth, jobs and investments is the mantra of the current Commission and the Investment Plan for Europe is one of the ways to achieve this.

In short, the European Fund for Strategic Investment (EFSI), put in place by the so-called Juncker Plan, is about diverting the liquidity in the international financial markets (ie money) back into tangible projects capable producing real economic growth and sustainable jobs for EU citizens. A quick analysis shows that for this to happen, we need three things: money, good projects and a business-friendly environment. And that's precisely what the Juncker Plan is all about.

Money matters...

If you have a project, there are basically two ways to get EFSI funding: either as an “Infrastructure and Innovation” project or as a “SME” project. In addition to this, projects will be checked against a list of criteria such as impact on jobs, consistency with EU policies, leverage effect, viability etc to get funded. The

European Investment Bank is only willing to fund individual projects with a minimum of €25m loans but smaller projects can be grouped and there are no size restrictions for operations via banks and other financial intermediaries.

Agricultural and rural investment projects do not usually need € 25 million in loans but instead they can get funded as part of an Investment Platform. As an example, there could be an Investment Platform on Smart Villages, financing broadband projects in different municipalities. The Platform should be sponsored and led by professional managers who are capable to attract private investors and ensure that projects funded are bankable.

...but also knowledge, networking and cutting red tape

Projects promoters (public or private) can make use of this single access point to get a 360 degree offer of advisory and technical assistance services. The project design is assessed by qualified experts who assist the project promoter in making the project become real.

A Project Portal is being set-up which will work as dating website, where project promoters and private investors can get to know each other and eventually formalise a (business) relationship.

And finally the Juncker Plan takes an aim at improving the business environment in the Union, for instance by cutting red tape.

EFSI is open for (rural) business

There is no shortage of ideas for rural projects that could benefit from EFSI support. One of the areas where there is a most urgent and evident investment gap is rural broadband.

Broadband coverage is significantly lower in rural areas than urban areas, and access to high-speed “next generation” technologies is particularly low (18% vs. 62%). Closing the digital divide between urban and rural areas is an important basic enabler for businesses to remain competitive and for rural communities to remain attractive.

Closely linked to broadband is also the need to increase the uptake of ICT solutions in EU agriculture. Again, it is an area that needs investment and where the benefit of enhanced investment would be two-fold. Firstly, via more productive farming and secondly, via industrial growth, fuelled by the farming sector's buying power, which will help the machine and tools industry cement its position on the global markets and grow as an export industry.

The bio-economy offers important opportunities for supporting the EU's re-industrialisation, and a positive contribution to the climate agenda. Technical progress today allows the conversion of biomass into a broad range of products, ranging from food, feed and fibres to fuel and high-value substances for the chemical industry.





These are some of the ideas for EFSI project with a clear agricultural and rural profile. There are already three distinctly rural projects in the “EFSI Warehouse” ready for funding but many more will come and with the right amount of promotion and awareness raising, EFSI is sure to become a tool that can deliver growth and jobs far beyond the city limits!

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Consistency of rural development



President Juncker and Commissioner Hogan

Construction of large-scale bio-product mill in Finland

EIB, backed by EFSI, provides loan financing to Metsäliitto Cooperative of up to €275m for an innovative pulp mill, making use of by-products to be fossil fuel free and remediation of contaminated land.

EIB's loan would contribute to the promoter's overall market credibility with institutional investors and help broaden its investor base to an international one.

This project represents one of the largest industrial investments ever undertaken in the country. It is expected to create some 6 000 jobs during the construction phase and sustain another estimated 2 500 jobs in the forestry sector. It reflects the Metsä Group's strategy of increasing its competitiveness through higher product quality, higher resource efficiency and innovative process optimisation.

Construction and operation of a greenfield biogas plant in Southern Denmark

The plant will produce biogas and upgrade it to natural gas quality, ready to be injected in the Danish gas distribution network. Households, companies and the transport sector will benefit from this green energy source. The local economy will be boosted as the feedstock will be obtained from manure generated in local pig and cow farms. The project will create 400 jobs during the construction phase and 46 long term jobs. The total costs are €92,8m, from which €35,5m have been requested for EFSI support.

The project is expected reduce the bad odour associated with livestock production as well as pollution in surface and ground water associated with the spreading of untreated manure on the fields. The project will produce “green” natural gas for household, industry and transport consumption which will benefit the environment by reducing CO2 emissions and replacing natural gas of fossil origin by natural gas produced from renewable resources.

Guarantee Fund for Agricultural SMEs in Germany

The EIB, backed by EFSI, provides a €200m counter-guarantee to a pool of 16 Guarantee Banks in Germany

The guarantees will cover 60% of the risk on loans targeted at SMEs in the agricultural sector

The Juncker Plan in short

Pillar 1 (Money):

European Fund for Strategic Investments (EFSI)

Pillar 2 (Good projects):

European Investment Advisory Hub (EIAH) and European Investment Project Portal (EIPP)

Pillar 3 (Business environment):

removing obstacles for investment at MS level.

