



JOINT EC (DG AGRI) – EIB Group WORK PROGRAMME

for 2014-2016

under the
Memorandum of Understanding

in respect of
cooperation in agriculture and
rural development within the EU

between
the European Commission

and
the European Investment Bank

Disclaimer

"This is a draft working document prepared by DG AGRI (European Commission) and the EIB Group. On the basis of the applicable EU law, it provides answers to possible questions from public authorities, potential beneficiaries and any other parties with an interest in rural development. The document is without prejudice to any interpretation of the Court of Justice or the General Court, or to decisions of the Commission."

23 March 2015

FOREWORD

This work programme is a joint effort of unit H1 "Consistency of rural development" at the Directorate General for Agriculture and Rural Development (European Commission) and the Natural Resources and Agro-Industry Division (European Investment Bank), supported also by the Bank's Operations Directorate and the Institutional Business Development Division (European Investment Fund). Its content and nature are based on the **Memorandum of Understanding (MoU) between the EC and the EIB in respect of co-operation in agriculture and rural development** within the EU, signed by the two institutions on 14 July 2014 in Brussels, Belgium.

The work programme and the description of some of the products follow the expressed common areas of interest for joint cooperation in the MoU. It has an indicative character and its purpose is to illustrate the common understanding of the potential work to be carried out under the MoU at present and in the near future (2014-2016).

The introduced delivery dates and work priorities reflect the possibility for development of a product within a given time-frame, and are only indicative. It will be important that potential overlaps will be mitigated in the product design. The timing of product delivery dates under this MoU might be impacted by other developments, such as the creation and implementation of the European Fund for Structural Investments or other EIB Group's activities.

This work programme is to be implemented without prejudice to the independent decision-making processes of the Commission and the governing bodies of the EIB Group, which are to maintain their own specific and autonomous character in accordance with the provisions of the Treaty on the Functioning of the European Union and the respective legislation, notably in terms of confidentiality, financing decisions and product development as stipulated in this MoU.

The Sides maintain their right to introduce changes in the work programme at any time of the co-operational period, should such changes be considered necessary and jointly agreed. This may cover any necessary revision of a joint area for cooperation or introduction of new co-operational activity, whichever relevant. After 2016, a review of the planned activities under this work programme will be carried out in view of developing the working relationships in the remaining part of the programming period.

The contact points for the work programme under the MoU are the respective team leaders and technical coordinators, who remain in charge of the bilateral exchanges between the two Sides.

In parallel to the EC-EIB MoU, in respect of cooperation in agriculture and rural development, the Commissioners for Regional Policy, Agriculture and Rural Development, Employment, Social Affairs Skills and Labour Mobility, Environment, Maritime Affairs and Fisheries, the Vice President of the EIB and Chief Executive Officer of the European Investment Fund signed in 2014 an MoU on a partnership for advisory services to support the use of financial instruments under the five European Structural and Investment Funds (ESIF) (including EAFRD (European Agricultural Fund for Rural Development)), and under the Programme for Employment and Social Innovation (EaSI), covering the period 2014-2020. The resulting *fi-compass* advisory services platform was launched in late 2014 and is designed to meet the needs in particular of ESIF managing authorities and other interested parties, by providing practical know-how and learning tools on financial instruments.

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No.	Priority area	Priority topic	Product	Delivery date
1.0	EAFRD Financial instruments			
1.1		Agriculture incl. young farmers	FI scheme	2015
1.2		Forestry	FI scheme	2016
1.3		Ex-ante assessment of FI	Service	ongoing
2.0	Sustainable agriculture and forestry research agenda			
2.1		Agricultural, agri-food and forestry research	FI scheme	2016
3.0	Technical assistance services provided by the EIB Group outside financial instruments			
3.1		Assistance for strategic investment planning and to related EAFRD supported projects in agriculture, forestry, and rural development (with focus on sustainable food supply and resource efficiency)	Service	2015
4.0	EIB's lending activities			
4.1		Financial backing for MS' RDPs	Financial operation	ongoing
4.2.		Support for investment projects in agriculture, agri-food and forestry	Financial operation	ongoing
5.0	Awareness raising and dissemination activities			
5.1		Launch event on MoU	Event	2015
5.2		<i>fi-compass</i> EAFRD events on FIs (Dublin, Vienna, Barcelona, Riga)	Event	2015
5.3		RDC presentation of the MoU work programme	Event	2015
5.4		Fact sheets (EIB)	Document	2014
5.5		Webpage ENRD – special place for FIs	Webpage	2015

Description
of
Selected Priority Topics

Priority 1.0 EAFRD Financial instruments

Priority topic: 1.1 Agriculture (incl. young farmers)

Concept

Under priority topic 1.1, a loan portfolio guarantee product for agriculture, including young farmers, will be designed and developed by the EIB Group, in cooperation with DG AGRI. The product can be based on major structural elements displayed in some of the off-the-shelf instruments and in particular the Capped Portfolio Guarantee for SMEs (Capped Guarantee) or can be based on other successful examples implemented by the EIB Group, such as those under COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs)). In this context, possibilities for providing better lending conditions to farmers will be sought with an objective to increase their access to finance.

Implementation aspects

The financial instrument will be operational under shared management. For that purpose, *ex ante* assessments have to be carried out by managing authorities as required by the CPR (Common Provisions Regulation). The instruments will be based on uniform model across the EU, though adjustable to the RDPs (Rural Development Programme) and in particular to criteria linked to eligibility of final recipients.

For Member States (MS) where EAFRD is supporting regional programmes, possibilities for having the instrument operational at national level will be sought (as critical mass and demand are needed to ensure achievement of performance). Final recipients will be farmers or groups of farmers (including legal entities such as cooperatives, and young farmers defined as those aged below 40).

Investment coverage

Support may be provided for investments in agricultural holdings as defined under Article 17(1)(a), as well as some processing and marketing activities as defined by Article 17(1)(b), both under Regulation (EU) No 1305/2013. In this context, support is to be offered to profit-generating activities including for example production of energy for self-consumption, precision farming, purchase of agricultural machinery, investments in storage, production facilities, (IT) technologies to be used on the farm, etc.

In case of demand by MS, the product can be extended to cover non-agricultural investments by farmers as defined by Article 19(1)(b) of Regulation (EU) No 1305/2013 and/or investments by rural micro- and small- non-agricultural enterprises, also covered under the same Article.

Management and reporting

The financial instrument may be managed by the EIB Group, a National Guarantee Agency or other managerial institutions, who can be appointed as Fund managers in line with Article 38(4)(b)(i) of the CPR. Reporting obligations for managing authorities apply as of 2016 as defined by Article 46 of the CPR.

Dissemination

Depending on feasibility and demand, the product is to be offered to MS and presented to them in the context of the RDC. If deemed necessary, a specific factsheet will be prepared by the EIB Group. EAFRD-specific seminars in the framework of "*fi-compass*" may also be used for dissemination and information purposes.

Priority 1.0 EAFRD Financial instruments

Priority topic: 1.2 Forestry

Concept

Under priority topic 1.2, the EIB, in cooperation with DG AGRI, will develop a financial instrument product (e.g. for loan fund, guarantee fund, equity fund or combination thereof) for the benefit of forestry holdings, forestry ecosystems and forestry products' processing activities. The product's design may be based on some of the major structural elements displayed in the off-the-shelf instruments or it may be designed as a new scheme.

Implementation aspects

The financial instrument will be operational under shared management. For that purpose, *ex ante* assessments have to be carried out by managing authorities as required by the CPR. The instrument will be based on uniform model across the EU, though adjustable to the RDPs and in particular to criteria linked to eligibility of final recipients or specific investment requirements. For MS where EAFRD is supporting regional programmes, possibilities for having the instrument operational at national level will be sought (for performance reasons).

Final recipients will be forestry holdings, forestry (micro-) and small enterprises, public bodies or public-private partnerships managing and/or owning forests, etc.

Investment coverage

Support will be provided for forestry-related investments, including the creation and restoration of forestry ecosystems, processing of forestry products, afforestation and creation of woodland, etc., as defined by all investment-related support options under Article 21 of Regulation (EU) No 1305/2013, respectively Articles 22-26 of the same Regulation. Options for covering investments under Article 19(1)(b) may also be considered. In this context, support is to be offered to profit-generating activities, including innovatively developed production technologies that are risk-prone.

Management and reporting

The financial instrument may be managed by the EIB Group, a National Guarantee Agency or other managerial institutions, who can be appointed as Fund managers in line with Article 38(4)(b)(i) of the CPR. Reporting obligations for managing authorities apply as of 2016, as defined by Article 46 of the CPR.

Dissemination

Depending on feasibility and demand, the product will be offered to MS and presented to them in the context of the RDC. If deemed necessary, a specific factsheet will be prepared by the EIB Group. EAFRD-specific seminars in the framework of "*fi-compass*" may also be used for dissemination and information purposes.

Priority 2.0 Sustainable agriculture and forestry research agenda

Priority topic: 2.1 Agricultural, agri-food and forestry research

Concept

Under priority topic 2.1, the EIB and DG AGRI will develop an approach allowing funding for agriculture and agri-food under societal challenge 2 of Horizon 2020 "*Food security, sustainable agriculture, marine and maritime resources & the bioeconomy*", co-managed by DG AGRI and RTD, to be potentially placed under the financial instrument's "InnovFin" operation of H2020. In this context close cooperation with DG RTD would be established to ensure complementarity of activities.

Implementation aspects

The financial instrument will be operational at EU-level. A separate agreement has to be signed allowing the transfer of funds from the budget of DG AGRI under H2020 to "InnovFin". It is to be seen whether an *ex ante* assessment study is needed before concluding the agreement.

Final recipients may be innovative companies and other private bodies. The activity would build on existing InnovFin products aiming to enhance their size and value for Agri-food research.

Investment coverage

Support may be provided mostly for R&D and innovation projects as well as R&D infrastructures (including innovation enabling infrastructures), feasibility studies and demonstration projects to promote for example first-of-a-kind, commercial-scale products, processes and technologies. Support should target projects that contribute to objectives such as (i) increasing primary and food production efficiency, in particular resource efficiency, and coping with climate change, while ensuring sustainability and resilience, (ii) providing ecosystem services and public goods, (iii) empowerment of rural areas and rural innovation. Overall, support is to be offered to activities, including R&D projects that are exposed to higher than normal risks.

The conditions laid down in the delegation agreement between the EC and the EIB for the management of InnovFin are to be applied. At the same time, an overlap with existing InnovFin products needs to be avoided.

Management and reporting

The EIB Group is prepared to manage the financial instrument should all parties involved agree on the implementation. The reporting will be carried out in line with the requirement in the Financial Regulation and the delegation agreement of InnovFin.

Dissemination

MS will be informed about the discussions during the meetings of the RDC.

Priority 3.0 Technical assistance services provided by the EIB Group outside financial instruments

Priority topic: 3.1 Assistance for strategic investment planning and to related EAFRD supported projects in agriculture, forestry and rural development

Concept

Under priority topic 3.1, DG AGRI, in cooperation with the EIB and in consultation with Member States, will seek possibilities to launch a technical assistance initiative that will help Member States in two major ways:

- (i) Support their efforts with guidance and assistance in the context of development of investment strategies for specific sectors, sub-sectors or specifically selected rural economy themes (e.g. waste treatment, energy efficiency, water supply and irrigation, etc.), covered by the EU rural development policy;
- (ii) Support EAFRD funded projects through cost-efficiency and structural analyses through which their content and value-added (in view of quality and price) is improved. Such projects are to be developed also in compliance with concrete investment strategies, including those to be developed under this priority.

For this purpose, the experience under JASPERS can be used and elaborated further depending on the specificity of the approach and the EU rural development coverage.

Scope of activities

The support provided may cover the development of investment strategies in any relevant EU rural development policy field or sector, and in particular agriculture, forestry and/or rural infrastructure. Depending on the outcome of the discussions with MS, support may be limited to specific sub-sectors or areas for which the highest demand has been expressed.

The support provided to EAFRD funded projects is to be seen in a broader scope than limited to supported investment strategies. However, it would be beneficial if projects contribute to already defined national and/or regional strategic objectives.

Beneficiaries will be Managing Authorities handling rural development programmes and/or the respective Paying Agencies.

Management

The technical assistance might be provided by a specifically designed body within the EIB or through any other structure that may be deemed appropriate following the discussions with MS, EIB's internal discussions and the evaluation of the financial implications.

It may appear necessary that a specific agreement between the EC (DG AGRI) and the EIB has to be signed for that purpose.

Financial arrangements could potentially cover the technical assistance budgets of the EAFRD, MS and/or the EIB, depending on the outcomes of discussions with MS.

Dissemination

DG AGRI, together with the EIB, will develop a conceptual paper on the proposal and the content that such assistance could have. This paper will be given to MS and discussions on their concrete needs will be launched. The concrete scheme, its potential scope and realization, as well as financial aspects, will be sorted out with MS in the context of these discussions.

Priority 4.0 EIB's lending activities

Priority topics:

4.1 Financial backing for MS' RDPs

4.2 Support for investment projects in agriculture, agri-food and forestry

Concept

Under priority topics 4.1 and 4.2, the EIB, in line with its operational planning and statutory and internal lending frameworks, may provide financial support to Member States' national and regional authorities, private sector entities, (young) farmers, EIP Groups investing EAFRD budgets, etc.

Implementation aspects

The EIB Group offers a range of risk-bearing instruments, project loans and financial support to funds. Its counterparts include national and local governments as well as private-sector industry, service providers and commercial and promotional banks.

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

The EIB provides financing for investments in the agri-food and forestry sectors that support at least one of the Bank's lending priorities, e.g. innovation, climate change adaptation, growth and employment.

As the EU bank, the EIB stands ready to co-finance MS' national and regional operational plans under the EAFRD within the frame of its statutory and lending frameworks.

Investment coverage

The EIB's lending activities cover the whole agri-food and forest value chains, ranging from input and equipment supply to wholesale and retail networks. We also lend to projects aiming at the conservation of rural landscape, improvement of rural infrastructure and energy saving.

Management and reporting

The EIB is to assess internally any application for support and will remain fully independent in its project selection and due diligence process. It will report on an annual basis to DG AGRI for the scope of its activities respecting its confidentiality obligations. The annual report shall be delivered in the last quarter of the respective year, starting 2015. The EIB may further present this reporting to MS in the context of the RDC and MS can track EIB's lending activities through a web query available on the EIB's website at any time.

Dissemination

Specific leaflets were produced by the EIB and are to be disseminated through the RDC or relevant websites, including those of DG AGRI, the ENRD, the EIB, etc.