Financing the green transition in EU agriculture and the role of the European Investment Bank

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Executive Summary

This brief examines the European Investment Bank's (EIB) prospective role in supporting the transition to a sustainable and resilient agri-food sector in the EU. As CAP funding both faces constraints and has proven to be inefficient in driving a green transition at farm level, the EIB is increasingly important for mobilising private capital and financing long-term green investments within the agriculture and food sector. While the European Investment Bank (EIB) is well-positioned to support this transition, particularly by de-risking private capital and mobilising long-term investment, investment in the sector so far remains limited as past evaluations show that most of the EIB's green financing has gone to energy and transport.

The EIB's recent €3 billion initiative for agriculture, aquaculture and fisheries (2024) marks a shift, announced to be directly addressing farm-level challenges such as insufficient credit access for young farmers, soil and water investments, and gender equality. Policy instruments and tools proposed under the new European Competitiveness Fund for post 2027 could complement the EIB's toolbox, injecting increased public sector support.

To strengthen the EIB's role in supporting the agri-food transition in the coming decade, the following actions are recommended for the EIB in relation to the current initiative and its future development:

- Target intermediary loans to transition-aligned actors and projects, such as farmers and cooperatives investing in sustainable and low-emission practices, agri-food SMEs modernising processing and logistics, and food companies scaling plant-based and new low-impacts protein sources.
- Expand the financial toolbox to include more risk-tolerant capital (e.g. equity, venture capital, guarantees, blended finance) and introduce tailored credit lines dedicated to transition-aligned investments that reflect the specific cash-flow structures and risk profiles of sustainable agriculture and establish project development funds to help farmers, cooperatives, and agri-food companies prepare high-quality, finance-ready proposals for green and resilient investments.
- Improve transparency of the EIB's role through disaggregated reporting by farm size, sector, and investment type.
- Strengthen the capacity of intermediary banks to assess and finance diverse, transition-aligned projects by providing targeted technical assistance, improving risk assessment capabilities, and building expertise in green lending to ensure robust and ambitious investments reach farmers and agri-food SMEs.
- Support the scale-up of low-carbon innovation in the food industry, including plant-based food products. The EIB should strengthen its role in financing innovation and infrastructure that accelerate the shift toward sustainable, healthy, and low-carbon diets. This includes supporting processors, SMEs, and food industry innovators developing and scaling plant-based food products and new protein sources that are less resource-intensive to produce than animal products.
- Ensure that the EIB financing is aligning with other policy instruments such as the Carbon Removal Carbon Farming certification regulation as well as the CAP

Taking these steps will require not only the strengthening of the EIB's own instruments and practices, but also the creation of a broader set of enabling conditions to support transition at the Member State and EU level. Stable policy frameworks, compliance-based incentives, and tailored advisory services are essential to ensure that EIB financing reaches the right actors and delivers meaningful impact.

Introduction

The European Union's agri-food sector exerts significant pressure on the environment, both within and beyond its borders. It is a major driver of biodiversity loss, water and air pollution and soil degradation (EEA, 2022a) and, in 2020, was estimated to account for around 31% of total EU greenhouse gas emissions (Jensen, 2023); agriculture was reported to contribute about 11% of total EU emissions for the same year (EEA, 2022b). At the same time, the sector is increasingly affected by the very environmental degradation to which it (partially) contributes, rising input costs, extreme weather events and impacts, and increasing market uncertainties (EEA, 2022; Guyomard et al, 2024).

Against this backdrop, **the transition toward a more sustainable and resilient EU agri-food system is not only necessary, but also increasingly recognised as a priority in key EU policy documents**. The European Commission's Vision for Agriculture and Food (EC, 2025a) calls for a transformation toward a European food and farming system into one that is future-proof, economically viable, environmentally sustainable, and socially fair. This transformation is considered central to achieving long-term food security, contributing to climate change mitigation, strengthening climate resilience, and supporting vibrant rural communities.

Crucially, **EU legislation and strategies set binding and aspirational targets that demand systemic change in the sector**. These include the EU Climate Law which mandates a 55% reduction in net greenhouse gas emissions by 2030, with agriculture expected to contribute through mitigation and carbon sequestration. The Zero Pollution Action Plan calls for a 50% reduction in nutrient losses by 2030, requiring changes in fertiliser use and land management. The EU Biodiversity Strategy for 2030 aims to restore at least 10% of agricultural land to high-diversity landscape features, such as hedgerows, buffer strips, and agroforestry systems.

However, while the need for a transformation of the agri-food sector is widely recognised and a prerequisite to meeting key policy milestones, the exact nature of the changes needed are less clearly defined. From an environmental sustainability perspective, the transition of the agri-food sector is expected to involve the following structural shifts (Baldock and Buckwell, 2021):

1. **Shifting towards** more plant-rich diets and production of more plant-based food and new low-impact protein sources.

2. **A reduction in agricultural land area**, freeing up space for carbon sequestration and biodiversity restoration.

3. **A diversification of farming systems and practices**, ranging from agroecology, organic farming, and conservation agriculture.

4. **A systematic reduction in emissions and resource use**, including lower GHG emissions, reduced energy consumption, and improved circularity in primary production and processing.

Undoubtedly, not all actors across the EU agri-food system will be equally equipped to adapt to the sustainability transition. While some producers and businesses may benefit from emerging markets, new technologies, and sustainability-linked incentives, others, particularly small farms, older farmers, and agri-food SMEs, face significant financial and structural barriers. Some may even need to transition out of farming altogether, especially where land is re-wetted, livestock systems are downsized, or market access is lost (Baldock and Buckwell, 2021).

Targeted public finance will be essential to support these vulnerable actors, including through retraining, succession planning, and compensation for stranded assets (Baldock et al, 2025). It must also fund the necessary provision of non-market public goods such as biodiversity restoration, soil health, and landscape-level adaptation, areas where private investment is unlikely to flow without incentives or guarantees (Wedl and Kam, 2025; ECA, 2025). At the same time, private finance has a critical role to play in scaling innovation and infrastructure, particularly where investments can generate returns but face high upfront risks. Institutions like the European Investment Bank (EIB) are well-positioned to de-risk such investments and mobilise long-term capital.

This brief explores how the EIB can contribute to financing a fair and effective transition across the EU agri-food sector, including the critical farm-level changes. It is organised in five sections: First, it outlines the financing needs and gaps relating to transition in EU agriculture. Second, it reviews the EIB's strategic framework and instruments. Third, it assesses current EIB financing for agriculture, including a case study from Denmark. This is followed by a review of its new loan facility for the agriculture sector and complementary actions as well as new priorities and tools proposed in the context of the next EU Multiannual Financial Framework (MFF). Finally, it offers conclusions and policy recommendations

Financing needs and gaps

Undoubtedly, the **transition toward a more sustainable and resilient agri-food sector will require substantial investment, not only at the farm level but across the entire agri-food value chain**. For farmers, acquiring new knowledge, skills, adopting new sustainable practices[1], restructuring operations toward diversified production, and updating or constructing new infrastructures will all come at a cost. Transitioning to new agricultural systems often entails significant upfront investments, such as in equipment and infrastructure, as well as a period of uncertainty, during which yields may temporarily decline, particularly in the early years before new practices are fully established (Moret-Bailly and Muro, 2024).

[1] There is no universally accepted definition of sustainable agriculture. However, farming approaches such as agroecology, regenerative agriculture, organic farming, and conservation agriculture are increasingly recognised as pathways toward sustainability. These approaches share a focus on ecological and socio-economic resilience seeking outcomes such as diversified landscapes, improved soil health, reduced greenhouse gas emissions, lower input dependency, enhanced animal welfare, and greater circularity in farming system while maintaining or improving productivity.

Several recent studies attempt to quantify the scale of investment needed to transition European agriculture, though their estimates differ widely in scope and approach. Deloitte et al. (2025) provide a high-level estimate, suggesting that converting all arable land in Europe to regenerative agriculture could cost between €212 and €547 billion annually, equivalent to €2,000–5,000 per hectare. In contrast, Moret-Bailly and Muro (2024) take a more differentiated perspective, highlighting how transition costs vary substantially by farm type, crop, region, and pathway. They find that larger farms generally face lower per-hectare costs and are better positioned to absorb upfront investments, while smaller farms encounter greater financial barriers, particularly where support structures are lacking.

Complementing these broader assessments, two fi-compass surveys (2023) provide an empirical view of the financing gap across 24 EU Member States. They estimate a shortfall of €62 billion relative to the investment required for transition, with small farms accounting for 61% of the gap and young farmers representing 22%. Notably, around €18.9 billion (30%) of this unmet demand was tied specifically to green investments such as climate adaptation, improved manure management, organic and agroecological practices, digital tools for input optimisation, and renewable energy. According to the same study, agri-food SMEs also face substantial financing challenges, even though the estimated **financing gap for these enterprises fell to €5.5 billion in 2022 which is 53% lower than in 2018**. However, €1.3 billion (24%) of this financing gap was made up of agri-food enterprises intending to invest in green measures. Targeted activities included improving energy efficiency, generating renewable energy (e.g. solar, biowaste), reducing GHG emissions through sustainable packaging and logistics, and enhancing climate resilience to droughts and extreme weather (ibid.). However, it is important to note that this financing gap refers to the unmet credit demand of economically viable farms and agri-food SMEs, resulting from limited or a lack of access to financial products. It captures the general lack of finance in this sector, not the specific funding needs associated with transitioning to more resilient and sustainable farming systems (ibid.).

Together, these analyses differ in methodology but converge on the same conclusion: significant, sustained investment is needed to enable Europe's agricultural transition, particularly for smaller and younger farmers who face the greatest financing constraints.

It is important to recognise that part of the transition to sustainable agriculture is a normal business requirement, as farmers and agri businesses need to regularly adapt to changing market, environmental, and regulatory conditions. Not all transition costs can or should be met through public sector support. Instead, public investment should focus on accelerating change, e.g. support mitigation measures for farmers, supporting pioneers and front-runners who take greater risks, and smoothing the pathway for others. Transitional aid should be targeted and strategic, helping mainstream producers move toward viable and resilient business models without implying that all costs must be covered.

Another point to highlight is that sustainable farming systems are often assumed to be lower-yielding and less profitable in the short term. Yet, there is growing evidence that **profitability improves over time,** as farms adjust and begin to benefit from reduced input costs, improved

soil health, and greater resilience to climate shocks and market disruptions. The EU CAP Network's Focus Group on regenerative agriculture for soil health (2024) highlights that regenerative practices can lead to increased crop and forage yields, higher income per unit of land, and reduced costs for machinery, fuel, labour, and veterinary services. These systems also offer time savings and greater operational flexibility, with less dependency on weather conditions. In the longer term, they contribute to drastically reduced soil erosion and CO_2 emissions, improved animal health, and lower pollution risks (see also Mouratladou et al, 2024; Moret-Bailly and Muro, 2024). As the report emphasises, benefits typically materialise only after several growing seasons, underscoring the need for **sequenced and sustained financial support on most farms,** including transitional aid, targeted advisory services, and risk-buffering mechanisms, to help farms navigate the early years of change and unlock long-term resilience.

The **transition to sustainable agri-food systems** does not stop at the farm gate. It **requires a parallel transformation of the entire agri-food value chain, including processors, distributors, retailers, and input providers**, who must also adapt their operations, technologies, products, and business models to support and benefit from more sustainable production systems (EC, 2024). Transition costs for these actors can include retrofitting facilities to meet environmental standards, investing in energy-efficient technologies and low-emission logistics, developing new product lines and technologies, establishing traceability and certification systems, and building capacity for circular processing and waste reduction. These investments often involve high upfront costs and uncertain returns, especially in emerging markets for sustainable products. The time needed to recoup investments can be long, and profitability may be delayed until new systems are fully operational, and consumer demand stabilises (ibid, EC, 2023).

While the **Common Agricultural Policy (CAP) remains the main source of public funding of the agricultural sector in the EU, its allocations are neither sufficient nor targeted enough to support farmers and other agri-food actors** in transitioning on the scale required to sustainable and resilient practices[2]. As highlighted in Baldock et al (2025), CAP spending often sustains the status quo rather than enabling systemic shifts, and Højte and Flatz (2025) find that 7 % of the current CAP directly supports carbon-intensive production systems, representing 20 % of the emissions from the agricultural sector. While the CAP's current € 53 billion annual budget - €61 billion annually when including national co-financing - could drive transformation if better aligned with climate and sustainability goals (Baldock et al, 2025), additional funding is clearly needed.

[2] While the majority of CAP funding, particularly direct payments under the European Agricultural Guarantee Fund (EAGF), goes to farmers, the CAP also supports other actors across the agri-food value chain. Through the European Agricultural Fund for Rural Development (EAFRD), CAP investment measures can benefit agri-food SMEs, cooperatives, processors, and advisory bodies. These funds may be used for upgrading facilities, improving energy efficiency, supporting innovation, and co-financing rural infrastructure. CAP grants can also be blended with loans or guarantees (e.g. via the EIB or EIF) to support larger, multi-actor projects

At the same time, proposed EU expenditure from 2028-2034 within the next EU Multiannual Financial Framework (MFF) and CAP, as set out by the Commission in July, which include a €296 billion minimum ring-fenced for CAP income support, indicate that the **overall CAP budget for 2028–2034 is likely to decrease if Member States prioritise other spending areas** (Matthews, 2025). Within the ring-fenced section of the budgets Member States will receive, area-based payments and certain mandatory interventions, such as coupled payments and support for farmers in areas with natural constraints, could absorb a large share of resources, potentially limiting Member States' flexibility to allocate additional funding to climate- and resilience-oriented measures (Hart and Baldock, 2025). While some policy interventions under the CAP, including investment support, can directly contribute to a sustainable transition, these budgetary pressures underscore the importance of mobilising private capital to complement public funding in support of a resilient agriculture and food sector. However, even where funding is available, many farmers and agri-food actors struggle to access finance for sustainability-oriented investments.

For farmers, the barriers are multifaceted. Many face **limited access to affordable credit**, especially younger or small-scale operators who lack collateral or credit history. **Short-term yield risks** and **market uncertainty** further discourage investment in sustainable practices, as the benefits often take years to materialise as explained above. Additionally, **restricted land access** is a major issue in some EU Member States where fragmented rental markets and high land prices prevent or discourage new entrants from making long-term investments. Existing **debt burdens** also constrain farmers' ability to take on new loans (Wedl and Kam, 2025; CEJA, 2023).

Agri-food companies, including SMEs and processors, seeking financial support for the transition face a different set of challenges. Many struggle with the **lack of tailored financial instruments** that match their cash flow cycles and investment horizons. Investing in new facilities, as well as investing in energy efficiency or switching to low-emission logistics, often requires substantial upfront capital. Moreover, **fragmented supply chains** and **uncertain demand for new and sustainable products can** make it risky for processors to invest in new plant-based products, or green technologies. Without clear market signals or significant public procurement incentives, many agri-food companies hesitate to commit to sustainability upgrades (Wedl and Kam, 2025).

The European Investment Bank (EIB) already plays a significant role in financing agriculture and rural development, including through instruments such as the InvestEU programme, guarantees, and advisory services to intermediaries such as national promotional banks or Member State authorities. These efforts should be enhanced to help close the substantial investment gap within the agri-food sector. The subsequent section briefly presents the EIB's strategic framework and instruments, highlighting how its approach has evolved in response to EU policy priorities and sectoral challenges.

The EIB's strategic framework and instruments

The European Investment Bank (EIB) is the EU's financial institution, mandated to support the Union's economic, social, and environmental objectives. It operates on a non-profit basis, financing economically viable projects that align with EU priorities. The EIB is funded through Member State contributions and bond issuance, with a subscribed capital[3] of €248.8 billion in 2024 (European Parliament, 2025).

Agriculture and bioeconomy are one of the EIB's eight core priorities which were introduced in 2024, along with Climate action and environmental sustainability, Digitalisation and innovation, Security and defence, Cohesion policy, Social infrastructure, Global investment, and the Capital Markets Union.

The EIB Group consists of the EIB and the European Investment Fund (EIF). The EIF, established in 1994 and majority-owned by the EIB (62.2%), focuses on supporting small and medium-sized enterprises (SMEs) through risk capital instruments such as venture capital and guarantees. Together, the EIB and EIF use a wide range of financial tools, including:

- Direct and intermediary loans (e.g. Multi-Beneficiary Intermediated Loans (MBIL) via national banks)
- Blended finance (e.g. combining loans with CAP or philanthropic grants)
- Guarantees and securitisations to de-risk private lending
- Equity and quasi-equity instruments (e.g. for agri-tech and food innovation)
- Advisory services, including for national promotional banks, Member State authorities, and other partner financial institutions, notably through the European Investment Advisory Hub (EIAH) (EIB, 2024).
- Project Development Assistance (PDA) to facilitate access for innovative projects for funding from the Innovation Fund and other EU funding schemes, national grants and private financing (EIB, n.d.).

In response to the decline in investment, particularly the lack of private sector financing following the 2008 global financial crisis, the EU launched the Investment Plan for Europe in 2014, with the European Fund for Strategic Investments (EFSI) at its core. Managed by the EIB, EFSI used a €26 billion EU guarantee and €7.5 billion from the EIB to mobilise private investment in infrastructure, innovation, and SMEs. It also established the European Investment Advisory Hub (EIAH) to support project development. EFSI 2.0 extended the initiative to 2020, aiming to mobilise €500 billion in total investment (ECA, 2025). Building on EFSI's

[3] 'Subscribed capital' means the total amount of capital that EU Member States have agreed to contribute to the bank's capital.

success, InvestEU was launched in 2021 as a key pillar of the Union's COVID-19 recovery efforts, consolidating 14 EU financial instruments under one framework. It focuses on four areas, i.e. sustainable infrastructure, innovation, SMEs, and social investment, and aims to mobilise €372 billion by 2027. The EIB plays a central role in delivering InvestEU, alongside the Member States' Recovery and Resilience Plans (European Parliament, 2025). EIB's Project Development Assistance (PDA) is a support facility that helps projects reach financial and technical maturity by providing dedicated and centralised support to enhance the quality and efficiency of project preparation, but the agriculture and food sector is largely excluded (EIB, n.d.).

In 2019, the EIB adopted a new climate strategy, committing to becoming the EU's "Climate Bank." It pledged to align all financing with the Paris Agreement, dedicate 50% of its lending to climate and environmental sustainability by 2025, and catalyse €1 trillion in green investment by 2030. Fossil fuel financing was phased out in 2021 (EIB, 2020; European Parliament, 2025).

Current financing for agriculture

Despite a recent increase, **agriculture accounts for a relatively small share of the EIB's investment portfolio**. In 2024, the EIB Group recorded €88.8 billion in total activity, including €68.2 billion investments inside the EU and €8.4 billion outside the EU. Of this, €14.4 billion went to micro, small and medium-sized enterprises in the EU through the EIF, while €6.4 billion, equalling around 6% of the bank's total investment in 2024, was directed to agriculture and the bioeconomy[4], up from an annual average of €5 billion in previous years (EIB, 2024a). However, it is not clear which proportion was invested within versus outside the EU. Further, sectoral reporting is often aggregated under broader categories like bioeconomy or SME finance, making it difficult to fully understand the types of projects financed and, ultimately, the type of agri-food actor benefiting from the investment. The proportion of funding currently being targeted as transition projects is hard to ascertain.

An analysis of EIB spending in Denmark illustrates the challenge of tracing EIB impact on agriculture and the shift to sustainable production (see Box 1). While the bank's public project portal and Denmark country page list numerous operations across transport, energy, innovation, and SME finance, no direct large loans (>€25 million) have been classified under "agriculture, forestry and fisheries" in Denmark in recent decades. Intermediated programmes do not consistently report sectoral breakdowns, making it impossible to confirm whether EIB-backed loans reached the agriculture sector or whether climate-adaptation and mitigation, digitalisation, or energy investments benefited agri-food actors.

[4] The EIB does not clearly distinguish between agriculture and the bioeconomy in its communications. It states that it finances projects across the agricultural, fisheries, food, and forestry value chains, with a focus on food quality and security, sustainable rural development, climate-smart production, innovation, and resource efficiency. It also promotes bio-resource pathways that support the transition to a greener economy (EIB, n.d.)

Box 1. EIB investment in Denmark

In 2024, the EIB Group invested a record €2.1 billion in Denmark, more than double the 2022 volume, primarily in sustainable transport, renewable energy, innovation, and SME support (EIB, 2025a). Over half of the total funding went to climate action and environmental sustainability, while nearly a third supported innovation and digitalisation (EIB, n.d.a).

Compared to the EU average, Denmark performs strongly on climate-related investments: 54% of Danish firms report having already invested in tackling climate change, significantly above the EU average of 39% (EIB, 2025b). However, while the EIB's annual investment survey breaks down investment trends by sector, agriculture is not listed separately, making it difficult to assess whether climate-related investments are occurring in the agri-food space.

According to the EIB's publicly available project database, no projects in Denmark have ever been classified under "agriculture, forestry and fisheries". However, the database only lists direct EIB loans exceeding €25 million or major partnership projects. That said, there have been some EIB-backed investments in bioeconomy and food innovation, such as the €20 million loan to Danish foodtech start-up Matr (EIB, 2024b).

Beyond large-scale projects, it is possible that Danish farms and agri-food businesses have benefited indirectly through EIB and EIF guarantees provided via financial intermediaries, such as Sydbank, Ringkjøbing Landbobank, or Kompasbank (see Table below). These banks have received support under EU programmes like InvestEU, enabling them to offer concessional loans to SMEs. However, there is no available data indicating whether these financial flows have reached agricultural producers or processors. The EIB's Danish office does not track sector-specific outcomes, and direct outreach to intermediary banks has not yielded any confirmation of agricultural lending.

For instance, DNB[5] recently joined the InvestEU programme for the first time (EIB, 2024c) but chose to channel its EIB-guaranteed lending exclusively toward electric vehicles and construction machinery, rather than agriculture. In a parallel EIF agreement, the same bank did include some potential for financing agricultural projects aimed at reducing greenhouse gas emissions, but only in Norway or in companies owned by Norwegian entities. As a result, even where agriculture is in scope, the practical relevance for Denmark remains minimal under current agreements.

The lack of visibility extends to EIB-supported investment in climate mitigation and adaptation, energy efficiency, and digitalisation, all of which are critical to the green transition in agriculture. While Danish intermediaries (banks) report investing in these areas, no public information confirms that farmers or agri-food companies benefitted,

[5] The largest bank in Norway.

making it impossible to determine the extent to which EIB financing contributes to climate action in Danish agriculture.

Table 1. Banks and institutions in Denmark receiving EIB or EIF funding in Denmark

Bank/Institution	Partner	Amount	Focus Areas	Source
Ringkjøbing Landbobank A/S	EIF	Up to DKK 320 million in loans via EIF guarantee	SMEs + mid-caps Standard multi-objective + Climate action	(EIB, 2024c)
Sydbank A/S	EIB	€200 million guarantee → enables €400 million in loans	Mid-caps General business development and access to capital	(EIB, 2024d)
Kompasbank A/S	EIF	Three portfolio guarantee agreements → min. €175 million in loans	SMEs Green initiatives	(Europawire, 2024)
Nefco (Nordic Green Bank)	EIF	€70 million guarantee for SMEs in the Nordics	SMEs Climate action and environmental sustainability	(Nefco, 2025)
DLL Group – De Lage Landen	EIB	-	SMEs + Mid-caps Standard multi-objective	(Dllgroup, n.d.)
Nordea Bank Abp, Denmark	EIB	-	SMEs + Mid-caps + large private sector entities + public sector entities	(EIB, n.d.b)
Jyske Bank A/S	EIB	€201 million loan agreement – the first 20% earmarked for green purposes	SMEs + mid-caps Standard multi-objective + Climate action	(Jyske Bank, 2023)

A recent European Court of Auditor's assessment of the EFSI (ECA, 2025) found that the Investment Fund contributed to reducing the EU's investment gap but did not fully achieve its objective of mobilising €500 billion by the end of 2022. The reported figure of €503 billion was overstated by an estimated €131 billion. This overstatement was a result of methodological weaknesses, specifically the inclusion of unrealised financing, cancelled investments and misattribution of finances mobilised through other finds.

The ECA assessment further showed that only 1.4% of investments were targeted to 'Sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy', while R&D and the development of the energy sector received much larger shares with 34.3% and 16.3%[6], respectively. This highlights the need for clearer sector targets and better monitoring to ensure funds support the transition of the agrifood sector.

While the EIB uses a range of financial instruments to support agricultural and bioeconomy activities, these vary in their suitability to meet requirements across the different elements of the agri-food value chain. While loans and guarantees can be helpful to support farms and SMEs, equity tools are better suited to scaling innovation in agri-tech and food processing. Blended finance and advisory services offer cross-cutting support, especially where public and private funding must be combined to de-risk investment (see Table 1).

Table 1. EIB financing instruments and how they might support agri-food chain actors

Instrument	Description	Examples of use	Agri-food actors best served
Loans (Framework & Multi-Beneficiary Intermediated Loans (MBILs)	Direct or indirect financing via national banks or institutions	On-lending to farmers, cooperatives, processors through commercial banks	Farms (all sizes), cooperatives, SMEs, processors
Equity & Quasi-Equity	Minority shareholding or subordinated instruments in funds or companies	Investment in agri-tech start-ups or scale-ups focused on climate-smart solutions	Agri-tech firms, food innovation companies, larger SMEs
Guarantees & Securitisations	Risk-sharing mechanisms with intermediaries to unlock credit	Guarantees enabling loans to agri-businesses and farmers	SMEs, cooperatives, farms with limited collateral
Blending with EU Grants	Combining EIB finance with EU grants (e.g., CAP, Horizon Europe)	Rural development projects co-financed with CAP/EAFRD	Farms, cooperatives, SMEs, regional infrastructure projects
Advisory Services (EIAH)	Technical and financial advice to develop and prepare projects	Support to local banks or regions in structuring loan programmes	Intermediaries, SMEs, cooperatives, processors, regional authorities

(Sources: ECA, 2017; ECA, 2025; EIB, 2024e)

[6] Percentages calculated by ECA using figures presented in the EFSI operational report for the end of 2022

The European Investment Bank (EIB) applies varying levels of oversight depending on the financial instrument used. **Direct loans** receive the strongest scrutiny, with the EIB conducting its own due diligence and monitoring outcomes In intermediated lending local banks make lending decisions with only broad reporting obligations back to the EIB. **Guarantees and securitisations** are monitored at portfolio level rather than by individual project, while equity investments rely on fund managers to apply EIB criteria. Blended instruments, such as those combining EIB loans with CAP/EAFRD funds, tend to have more rigorous oversight because of additional EU eligibility checks.

Most farm-level access to EIB finance occurs through **Multi-Beneficiary Intermediated Loans** (MBILs). Here, the EIB lends to national or regional banks, which then on-lend to farmers, cooperatives, and SMEs. Intermediaries are required to pass on the financial advantage of EIB support, typically better rates or longer maturities, and to screen projects against the EIB's eligibility list and exclusion criteria.

The EIB applies strict eligibility criteria set out in its **Climate Action and Environmental Sustainability (CA&ES) framework** (EIB, 2024). Further, all EIB operations must comply with the Bank's **Environmental and Social Standards** (EIB, 2022), its exclusion list, and, where relevant, the EU Taxonomy Regulation. For activities already covered by the **EU Taxonomy Regulation**[7], the EIB applies the official technical screening criteria to assess their contribution to the climate and environmental objectives. However, for activities not yet included in the EU Taxonomy Regulation, the Bank uses interim criteria (EIB, 2024). The production of perennial and non-perennial crops, and livestock, are recognised as agricultural activities which may make a substantial contribution to the six environmental objectives. However, agriculture was not included in the first EU Taxonomy Climate Delegated Act adopted in April 2021 which set out technical screening criteria focusing on climate change mitigation and adaption, and covering sectors such as energy, manufacturing, transport, buildings, forestry water and waste sectors. The European Commission decided to postpone the inclusion of agriculture to allow more consultation and alignment with the CAP. The Platform on Sustainable Finance, tasked with the development of technical screening criteria for economic criteria requested by the Commission, has developed several reports recommending technical screening criteria for certain agricultural activities[8]. In June 2023, the EU Taxonomy Environmental Delegated Act introduced criteria for the remaining four environmental objectives, including measures relevant to biodiversity, water, and pollution prevention, some of which touch on land

[7] The EU Taxonomy Regulation establishes a classification system for environmentally sustainable economic activities to guide investment. To qualify, an activity must make a substantial contribution to at least one of six environmental objectives (climate change mitigation, climate change adaptation, water and marine resources, circular economy, pollution prevention, biodiversity), do no significant harm to the others, comply with minimum social safeguards, and meet technical screening criteria set out in delegated acts.

[8] EU Technical Expert Group on Sustainable Finance (2020) Technical annex to the TEG final report on the EU taxonomy and (2022) Report with supplementary advice on methodology and technical screening criteria for the climate and environmental objectives of the EU taxonomy.

management and ecosystem restoration, but comprehensive criteria for crop and livestock production are still under development.

In the past, civil society organisations have repeatedly criticised the EIB for limited disclosure regarding projects financed through intermediaries and the delegation of due diligence (e.g. Bankwatch Network, 2021). The current Environmental and Social Policy Standards were updated in 2022 to include a specific standard on financial intermediaries. It sets out a framework for internal risk management and compliance, but it falls short on public-facing transparency and accountability. It does not require the EIB or its intermediaries to publish detailed information about sub-projects or their impacts, nor does it provide a mechanism for tracking outcomes across priority areas.

The EIB's new agriculture, fisheries and forestry facility

In December 2024, the European Investment Bank announced a **€3 billion facility for agriculture, forestry, and aquaculture**[9]. The facility, running from 2025–2028, is part of a new EIB **agriculture and bioeconomy action plan** building on the recommendations of the Strategic Dialogue on the future of EU agriculture (2024). The core of the programme is an earmarked €3 billion for loans targeted at agricultural and related bioeconomy activities within the EU. Fisheries are included, primarily covering aquaculture. The EIB anticipates that participating financial institutions will match these loans **to generate a total of €8.4 billion in long-term sectoral investment**. These partners will benefit from EIB **advisory support,** including the "Green Gateway" programme, and especially the enhanced Green Eligibility Checker, an online tool which is designed to guide intermediary banks in assessing the eligibility and climate impact of green investment projects. Eligibility is determined based on the EIB's internal green criteria, which are broadly aligned with the EU Taxonomy but adapted to EIB financing products (see above).

The facility targets **SMEs (approximately 70% of financing), mid-caps, and, to some extent, farm-level operations as well as companies in the agri-food and bioeconomy value chains**. SMEs vary greatly in size and include enterprises with up to 250 employees. The maximum project size is €200 million. Three categories within agriculture, all of which were highlighted in the final report of the Strategic Dialogue on the Future of EU Agriculture (2024), are to be given some priority e.g. by ear-marking a proportion of the loans. These are: **young or new farmers**, including for land acquisition; **green investments** supporting EU sustainability objectives, encompassing soil health, water management, climate resilience, digital tools, and training, and **gender equality**, aiming to increase the proportion of farms managed by women beyond the current 31.6%.

The EIB emphasises **financing across the agri-food value chain**, including food processing, wholesale, and logistics. Eligible projects include sustainable and regenerative agriculture, digital and precision agriculture tools, working capital, water management system, renewable

[9] Description of the financing facility based on '€3 billion of EIB Group financing announced for farmers and bioeconomy', EIB press release 10 December 2024

energy, animal welfare and sustainable livestock, sustainable aquaculture, innovation and resource efficient measures, education and training, and infrastructure improvements.

In addition, the EIB is working with the European Commission and insurance companies to develop pan-European agricultural insurance and credit risk coverage for climate-related hazards like floods and droughts. The EIB, in collaboration with the **European Commission**, is actively working to develop **pan-European agricultural insurance schemes** and **credit risk coverage** mechanisms for climate-related hazards such as floods and droughts.

The new facility for agriculture, forestry, and aquaculture **is part of a broader EIB action plan, which** includes several complementary initiatives to further support innovation and diversification:

- A venture debt programme, providing loans to innovative companies along the agricultural value chain working on technologies such as ecosystem services provision, sustainable biofuels, and biomaterials.
- Guarantee schemes, potentially leveraging EAFRD and/or national CAP Strategic Plan resources.
- A private equity programme to back European fund managers investing in agri-tech and food-tech, aimed at attracting additional private capital into the sector.
- A broadened scope of direct lending to medium and large entities, including cooperatives, farmer organisations, irrigation communities, and associations for dam, dike, and forestry maintenance.
- Increased support for rural infrastructure, such as road networks, education, and agricultural water management

Reporting on this initiative is sparse, and the aforementioned action plan is not publicly available. However, the description of the facility and its associated instruments suggest a **promising shift in how EIB agricultural finance is being structured and delivered.**

One of the most notable aspects of the EIB's €3 billion facility is its **strategic targeting of long-standing financing gaps** in the agri-food sector. While public support through the CAP and national programmes has long been available, many actors, especially **young farmers**, **women**, and **SMEs**, continue to face structural barriers to accessing finance as explained above. The new facility introduces **dedicated earmarking** for these underserved groups. This is a departure from traditional lending models, which tend to favour established farms with strong financial track records.

Early implementation of the facility suggests that several of its priorities are already being operationalised in national agreements. In May 2025, the EIB and France's BPCE banking group signed a €200 million loan supporting young farmers and sustainable agriculture in France, targeting SMEs and mid-caps for modernisation, climate-resilient technologies, and rural

development (EIB, 2025). On 15 June 2025, the EIB Group completed a €250 million securitisation with Santander in Spain, mobilising an additional €370 million for SMEs and mid-caps, covering sustainable and regenerative agriculture, climate-resilient crops, infrastructure, and water management. Approximately 10% of the funding is earmarked for young and new farmers, including eligibility for land acquisition financing (EIB, 2025). Similar deals already in place in Italy and Portugal.

For **SMEs and mid-cap companies**, the facility offers **long-term capital** for investments in areas where financing has historically been scarce, such as green technologies, digitalisation, and climate adaptation. These types of investments often involve relatively high upfront costs and uncertain returns, making them unattractive to conventional lenders. By offering longer maturities and the possibility of interest rate subsidies or capital grants (via EAFRD and CAP Strategic Plans), the EIB is aiming to help **de-risk these investments** and make them more viable.

The facility also integrates **blended finance mechanisms**, allowing loans to be complemented by EU or national subsidies, and enhanced through EIF guarantees. This layered approach is designed to **leverage public investment** while attracting private capital. The inclusion of a **venture debt programme** for agri tech and food tech companies further expands the scope, supporting innovation along the entire value chain.

Another innovation is the inclusion of **cooperatives, farmer organisations, and irrigation communities** in the direct lending portfolio. These collective entities play a crucial role in enabling small and medium farms to pool resources and access infrastructure, yet they are often overlooked in mainstream finance.

A key innovation of the EIB's new facility is its emphasis on **advisory support for green finance**, delivered through the **Green Gateway programme**. This initiative equips participating financial institutions with tools such as the **Green Eligibility Checker**. By improving the ability of lenders to identify and structure green investments, the programme aims to make climate-aligned finance more accessible and effective across the agri-food sector. This kind of targeted support is especially important given the structural weaknesses in agricultural finance across many EU Member States. In several countries, specialised banking services for agriculture are limited, and financing is often concentrated in a small number of institutions. This lack of competition drives up lending costs and restricts farmers' access to credit, particularly for sustainability-oriented investments (fi-compass, 2023)

Stakeholder surveys have also raised concerns that large, commercially focused banks, operating with generalised lending models, are poorly equipped to understand the complexities of farming businesses, especially those of smaller farms (FoodDrink Europe, 2024). The ongoing closure of rural bank branches, combined with the shift to online banking, has further eroded the personal relationships between farmers and bank officers, relationships that have traditionally helped tailor financial products to agricultural realities (fi-compass, 2023).

In addition to credit access, **insurance coverage** remains a major challenge. While the EU has established a crisis reserve and a risk management toolbox under the CAP's second pillar supporting e.g. crop insurance in the event of health hazards or environmental incidents (Régnier et al, 2025), these mechanisms vary widely across Member States. As a result, the financial impact of climate shocks is often absorbed through national-level responses, creating significant disparities in support and resilience capacity (ibid.). The announced cooperation between the EIB, the European Commission and the insurance industry to develop a pan-European agricultural insurance scheme and credit risk coverage mechanism for climate-related hazards is therefore an important step toward making climate risk insurance available to all farmers in the EU.

While the EIB's facility represents a significant step forward in addressing structural financing challenges in the agri-food sector, several **important gaps remain** that could limit its overall effectiveness.

The **emphasis on sizeable projects**, with funding available for investments up to €200 million, could be read as a focus on larger projects, farmers or agri-food businesses. This may exclude small and medium-scale farms and micro-enterprises, which often lack the capacity to engage with large financial institutions or meet the scale requirements of such programmes. Unless financial intermediaries develop tailored products for these actors, the facility risks reinforcing existing disparities in access to finance.

Monitoring and transparency remain weak. As of now, the EIB has not published detailed criteria for how funds will be tracked across priority areas such as gender equality, youth inclusion, and climate impact. Without robust reporting and sectoral targeting, it will be difficult to assess whether the facility is delivering on its stated objectives or reaching the groups most in need of support. Since most loans are delivered via intermediaries, the EIB does not directly select or monitor individual farm-level or other investments. This means that the actual allocation of loans, and their impact on the ground, depends heavily on the practices of participating banks. While the EIB has taken steps to strengthen its strategic direction, including through its Environmental and Social Standards and the introduction of a draft Financial Intermediary Standard, the real-world outcomes remain difficult to verify without focused evaluation in specific Member States.

The development of **agricultural insurance mechanisms** is still in its early stages. While the initiative to create pan-European insurance and credit risk coverage for climate-related hazards is promising, its success will depend heavily on Member State uptake, industry collaboration, and regulatory alignment. Without coordinated implementation, farmers may continue to face unaffordable or inadequate coverage, particularly in regions most vulnerable to extreme weather events.

Finally, it is notable that the facility's documentation and early implementation examples, such as the deals in Spain and France, make **no explicit mention of biodiversity or nature restoration**. Given the central role of biodiversity in agricultural resilience and ecosystem

services, this omission raises questions about the comprehensiveness of the facility's sustainability focus and its alignment with broader EU environmental objectives.

Looking to the future – new priorities and tools proposed by the MFF package for 2028 - 2034

In July of 2025, the Commission published its proposal for the EU Multiannual Financial Framework (MFF) 2028–2034 as a set of interrelated and documents, including the **European Competitiveness Fund** (ECF) (COM(2025) 555 final), and the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security (NRPF) (COM(2025) 565).

According to the draft regulation for the ECF (COM(2025) 555 final), a new Single EU Budgetary Guarantee will be channelled through implementing partners, with the EIB Group identified as a central player. The guarantee, by reducing the risk for investors, aims to mobilise private and public money for projects in priority sectors. Within the ECF, '**Health, Biotech, Agriculture and Bioeconomy', is one of the priority areas for investment** alongside clean energy and industrial decarbonisation, digital infrastructure and advanced technologies, health and life sciences, defence and security-related innovation, and supply chain resilience for critical raw materials. These sectors are considered essential to safeguarding Europe's economic sovereignty and long-term competitiveness, and the fund is intended to consolidate and streamline existing EU investment instruments to support them.

Although the proposal does not specify a dedicated budget for agriculture, it positions the sector as integral to the EU's efforts to strengthen competitiveness and accelerate the green and digital transitions. Agricultural and bioeconomy-related investments are expected to focus on climate-smart production, sustainable food and biomass systems, biotechnology and agri-tech innovation, and circular models that reduce waste and improve resource efficiency. Support may also extend to infrastructure upgrades and skills development in rural areas.

The proposal will now move through the legislative process, with negotiations in the European Parliament and Council. **Implementation guidelines and work programmes will follow, which are expected to clarify sector-specific allocations and eligibility criteria**. The budget allocated to the Health, Biotech, Agriculture and Bioeconomy priority area, and agriculture specifically, will ultimately determine the level of investment which will flow into the sector. Further, while the proposal text suggests that it targets a range of actors, its language suggests a strong emphasis on technology-driven innovation and agri-businesses rather than on traditional farming. The focus on climate-smart production, biotechnology, and circular bioeconomy models, along with support for SMEs, start-ups, and research institutions, indicates that farmers may benefit only indirectly. While this is needed and part of the transition, if no dedicated allocations or tailored mechanisms, smaller or less tech-oriented agricultural actors could be sidelined in favour of investment-ready, innovation-focused entities.

The ECF introduces a new strategic tool, the **Competitiveness Seal**, to guide investment toward projects that support the EU's long-term competitiveness and sustainability goals. It is not a funding instrument itself, but a **quality label** that signals a project's relevance to EU goals. The text suggests that projects receiving the seal are more likely to be funded through **National and Regional Partnership Plans (NRPPs)**, set out by the NRPF (COM(2025) 565), which are the main vehicles for implementing ECF priorities at the Member State level. NRPPs consolidate multiple EU funding streams and require Member States to specify their investment needs and reform priorities according to the draft legislation.

The European Investment Bank (EIB) plays a central role in the implementation of the NRPPs. Identified in the proposal as a key implementing partner, the EIB could use the Competitiveness Seal to prioritise financing for agricultural projects that meet EU competitiveness and sustainability goals, streamline access to blended finance and advisory services for sealed projects, and support project development for the types of actions identified as a priority by the ECF.

Creating enabling conditions to increase impact of EIB financing

Creating enabling policy conditions for the transition of the agri-food sector **could significantly enhance the impact of EIB financing** as it would create a predictable demand for climate-smart practices and products, thereby improving the bankability of the investments. Clear economic policy signals – e.g. through emissions pricing or other instruments such as an EU public-private purchasing program could create incentives for farmers, agri-food businesses, or financial institutions to shift investments into the transition of the agri-food sector. Having **stable, long-term policies**, e.g. for emissions reduction and biodiversity restoration in agriculture may act as critical enablers (see e.g. EU CAP Network, 2025). Without such long-term trajectories, farmers and agri-food businesses might hesitate to embark on a transition journey and private investors may lack the policy certainty needed to engage at scale (Wedl and Kam, 2025; Baldock et al, 2025).

At the end of 2024, the EU published the Regulation establishing the Carbon Removal Certification Framework (CRCF) (EU, 2024), which introduces an EU-wide voluntary certification system for permanent carbon removals, carbon farming, and carbon storage in products. The regulation aims to accelerate high-quality carbon removals and emission reductions in the agriculture and land-use sectors, and the European Commission sees the CRCF as a potential cornerstone of a future compliance-based climate policy for agriculture (Springer, 2024). This could secure a high uptake of CRCF credits. A compliance-based policy for agriculture could be introduced as part of a potential policy package for the 2040 climate target. Yet, there are substantial challenges around the integration of CRCF certificates into a compliance-based policy framework. Issues such as ensuring additionality, addressing non-permanence risks, and ensuring significant farmer participation, must be resolved for the framework to be credible and effective (Flatz et al,CONCITO, 2024). If a future **agricultural climate policy** builds on the CRCF, it must establish **robust monitoring, reporting, and verification (MRV) systems,**

create sufficient market demand, provide financial and technical support for farmers, and align with broader EU policies.

It is essential that EIB financing for the agri-food sector is closely aligned with the enabling policy framework for agriculture at the EU level. Investments alone cannot drive transformation unless supported by coherent policy signals and regulatory incentives that incentivize sustainable production, reduce market barriers for low-emission products, and strengthen the business case for climate-smart farming. **Aligning EIB funding with policy instruments such as the CAP, the CRCF, and any future agricultural climate legislation would help ensure that financial flows reinforce rather than substitute public policy objectives**. Such alignment could create greater policy coherence, reduce investment risks, and maximise the long-term impact of EIB support on the sector's sustainability transition. As an example, the new EIB facility for agriculture, forestry, and aquaculture could use the CRCF as a benchmark for green finance by linking loan conditions to CRCF-certified farmers. This could enable the EIB to channel capital towards projects that generate climate benefits, strengthen the credibility of green investment portfolios, and attract private co-financing through clear and transparent certification standards.

Conclusion and recommendations

While the larger budget of the CAP does not currently deliver sufficient and targeted transition financing one of the key challenges in scaling up sustainable agriculture across the EU is ensuring that farmers and agri-food actors have access finance. While the EIB has been identified as a strategic partner in delivering this transition funding, particularly through its ability to de-risk private capital and mobilise long-term investments, its actual contribution to increased sustainability in the agricultural sector remains difficult to assess. A recent evaluation of the Climate Bank Roadmap 2021–2025 (EIB, 2025c) highlights that, while the EIB has rapidly increased its green financing, growth has been concentrated in energy and transport rather than agriculture.

This finding reflects the priorities set when the Climate Bank Roadmap was launched in 2020. Since a leadership change in January 2024 and the introduction of eight new core priorities, including agriculture and bioeconomy, the EIB has begun to reorient its strategic direction. However, given the time required to process and implement projects, impacts remain limited in 2025. Looking ahead, with the Climate Bank Roadmap 2 (post-2025) embedding agriculture and bioeconomy as priorities, future assessments are expected to show a much stronger role for agriculture in EIB's portfolio.

To strengthen the European Investment Bank's (EIB) role in financing a transition to a more sustainable and resilient EU agricultural and food sector, a targeted set of actions is proposed below.

Strengthening the EIB's role in financing the transition

- **Target intermediary loans to actors and projects that contribute to the sustainability transition:** Early agreements, like the one with France's BPCE banking group (see above) show examples of national ringfencing for specific actors and projects. These should be linked to national priorities, financing challenges, and outcome metrics, such as farms adopting climate-resilient practices, cooperatives investing in sustainable infrastructure, or agri-food SMEs innovating in low-impact processing.

- **Expand the EIB's financial toolbox to support farm-level green innovation:** While loans remain central to the EIB's model, the transition to sustainable agriculture requires more risk-tolerant capital, particularly at the farm level or within cooperative and food-chain segments where farmers are directly involved. Existing mechanisms such as equity, venture capital, and blended finance should be refined and targeted to support early-stage innovation, nature-based solutions, and circular agri-food models. Without accessible and tailored instruments, transformative projects may remain unfunded.

- **Support the scale-up of low-carbon innovation in the food industry, including plant-based food products.** The EIB should strengthen its role in financing innovation and infrastructure that accelerate the shift toward sustainable, healthy, and low-carbon diets. This includes supporting processors, SMEs, and food industry innovators developing and scaling plant-based food products and new protein sources that are less resource-intensive to produce than animal products. Help to de-risk early investments in production capacity, ingredient innovation, and supply chain adaptation is needed.

- **Improve transparency and sectoral reporting:** Require intermediaries to publish disaggregated time series data on beneficiaries (by farm size, sector, and policy objective). These should identify specific types of investment too, allowing evidenced assessments to be made of the contribution to sustainability transition.

- Introduce **targeting indicators for measures aimed at the agriculture sector** to track progress on climate impact, youth inclusion, and gender equality. This will improve transparency and enable course correction if funds are not reaching priority groups.

- **Support intermediary banks in assessing diverse, transition-aligned types of project where limited past experience and undue caution may be inhibiting progress** Support local banks with training, advisory services, and green lending criteria to ensure funds reach farmers and agrifood industry firms transitioning to sustainable practices and business models on the scale required.

Align EIB financing with long-term, compliance-based policy frameworks for agriculture. To maximise the impact of EIB financing, the Bank's agricultural investments should be explicitly aligned with EU policy frameworks that provide long-term predictability and

regulatory certainty for the sector. This includes ensuring coherence with instruments such as the Common Agricultural Policy (CAP), the Carbon Removal Certification Framework (CRCF), and future agricultural climate legislation. Finally, the EIB's new €3 billion package is a positive step toward closing long-standing financing gaps in EU agriculture. Its explicit focus on farm-level challenges, such as credit access for young farmers, investments in soil and water management, and gender equality in farm ownership, signals a recognition of the limitations of conventional EIB instruments in reaching agricultural actors. However, its full impact will depend on how well it is integrated with broader policies, particularly the CAP. CAP grants and payments remain inefficient in providing essential support for non-market public goods such as biodiversity (Wedl and Kam, 2025).

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