



Official high level opening statement

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Dear Mr. Dumitru, thank you very much for joining us today and in particular for your opening statements. I guess as you reiterated the plans are in the making, this is very important. The time is critical. Thank you so much for engaging. I would also like to welcome our colleagues from the Commission, particularly Director Bascou, with whom I had a very constructive meeting just this morning, where not only we were touching on the big themes like the Green Deal, the invasion in Ukraine and the impact as deputy director general has pointed out, but also developing ideas on how we could potentially support Member States in this particular crisis. Now, why do I stand here being so confident that we can indeed support Member States, help the food security going forward?

I look back to 2016 when the former Commissioner has asked the European Investment Fund to engage in agricultural support and agricultural enterprises, which we have taken on as a big challenge. We have developed particular products in support of the agriculture sector, primarily, with guarantees engaging with various banks throughout Europe. And today, both the European Investment Bank and the European Investment Fund are critical contributors for the financing of this particular industrial sector throughout Europe. If I look at figures, just the European Investment Bank has done between 2017 and 2021 over the last five years, a total of EUR 26.2 billion of support to the agriculture sector, and in 2016 even EUR 9 billion which was more than 10% of the entire lending. So these are enormous amounts and these were only possible because of dedicated initiatives within the European Investment Bank. What the EIB has particularly focused on, besides agriculture, is the fishery, food and the forestry, and in particular to support the supply chain.

To move on - and as the deputy director general has said – to the energy element and the local creation of energy in farms, here the European Investment Bank has intervened several times and I guess much more is needed, but I'm saying this primarily in order to tell you that we have gained enormous experience on how we can support the change at the farm in order to contribute also to the Green Deal. So as this seminar is primarily focusing on small farms and the smallest farms, the good observation here is again that 70% to 80% of EIB's portfolio is focused on small enterprises, so on small farms. It's not huge farms, it's primarily the smaller farms which are benefiting from EIB support. On top of it, about 10% of EIB's lending goes to countries outside Europe, which is equally critical, as we all know, and in particular under the Ukrainian situation.

This might become more important going forward. If I look at the EIF, as I said, we started in 2016, and we have via our leveraged instruments, supported the industry with EUR 23.5 billion. These are primarily guarantees, but then the amount is enormous. And for this, we

have used EU programmes like COSME, SIB and InvestEU, but more dedicated as we went on structural funds in the EAFRD funding.

With this, we have supported almost 300 000 enterprises in the sector and only in 2021 we have supported with about EUR 4 billion, 38 enterprises agricultural enterprises, again dedicated heavily to small enterprises. Now all of this would not have been possible without the advisory services. So fi-compass makes it possible not only through seminars like the one of today, for which I am very grateful, but in particular through the education of the market, because I reiterate: we can only be successful if we can mobilise financial intermediaries such as banks and funds. And this is the critical aid which we also get from fi-compass, the education down in the value chain so that banks adopt more to support our policy priorities. And that is why I believe going forward we potentially need even more support from advisory, not only in the communication by creating these platforms as we have it today, but in particular guide financial intermediaries to help us target these policy priorities, which we have set out to support.

Now, as was said before, the programmes are being scrutinised, they are being negotiated, and I really trust that within the year, almost all, if not all, can be closed. That would be very beneficial in order to tap into these new funds of EAFRD. Just to give you a few figures on that particular element of financing, we are managing right now about EUR 320 million of rural funds and again, leveraging these amounts up to EUR 3 billion. So ten times leverage to the real economy. Out of those EUR 3 billion, we have invested more than EUR 1 billion. So we still have some firepower, but we indeed have to prepare in order to address the right challenges ahead of us. Now, if I look at the sizes of our portfolio and the company sizes within our portfolio, I can see it in 73% of the enterprises benefited are indeed small and micro-enterprises.

So they are literally small farms, which shows you how important not only young farmers – and the regulation is articulating this very clearly to young farmers - but also small farms are in contributing to the overall strategy. Now, when we look at the Common Agricultural Policy, and the strategic plans, we as the European Investment Bank Group, when the Commission announced the Green Deal, have developed what we call a climate bank roadmap. Within the Climate Bank Roadmap, the EIB Group is committing to really greening its entire portfolio, and the agricultural sector and the forestry sector play an enormous part. So without these sectors, we would never be able to reach our overall goals, which we have set out to reach. Just to open a parenthesis, you all know that besides the energy production, unfortunately this sector contributes most to the CO2 emissions, and therefore it is critical that we get it right.

So the Climate Bank roadmap, which is, so to speak, our big goal to contribute to the Green Deal, is a critical element going forward. And that means that we have indeed to help the farms to reduce the greenhouse gas emissions and obviously find alternative energy supply in order to reach these goals. The products we have, the funding we are still looking for in particular as the EIF, the EIB can mobilise and will mobilise heavily its own balance sheet in support of it.

But on top of it, I guess it's not only about the farms, it's also about the rule environment per se. Why do I say this? We have 17.5 million jobs which the agriculture industry provides. So that is about 9%, almost 10% of the entire employment. And a lot of this is located in rural areas. Now rural areas, goes without saying, are disadvantaged when it comes to education and digital infrastructure. And again here, I guess it goes without saying, that we need to support also the development of the rural areas in a broader sense.

And that is certainly what we are set out to do. So it's not only about helping the agricultural industry and the sector, but it's more wide to really develop the rural areas when it comes to education, connectivity, health and safety. Now, as we said before, the Green Deal and the pandemic itself were already big challenges. And now we have this particular situation in Ukraine with the Russian intervention, and the real question is how can we deal with the third element of enormous challenge going forward? How can we deal with the question of food security and safety? How can we further help the enterprises to diversify into sustainable bio energy enterprises?

And that is not only a big challenge, but I believe what we need to do is use the enormous experience which we have gained over the last years, in particular, the products the financial products which we have developed, to do more. And here the question is how indeed the four players, if I can repeat them, so the Commission on one side, the Member States, on the other side, the EIB and Advisory and Lending, and the EIF can come together to do more.

And this is what I will try to think through and to develop with our friends in DG AGRI. I see the readiness and the awareness is there, and indeed I'm afraid to say that this situation, the war situation, is potentially not over within months, but we have to really sustainably change the way we look at agriculture in order to become more independent going forward.

If I look at the regulation and here big thank you goes to the Commission, I guess we have gone in the right direction and we have taken big steps. Why do I say this? If I look simply to what is possible now, including working capital financing, blend purchase for small farmers, the combination between financial instruments and grants, are three main pillars

which will allow us to do more with financial instruments than what we have done in the past.

Therefore, a big thank you goes to the Commission because I believe the Commission has stressed and has responded to the real market gaps with the three strong amendments in the regulation. I guess this has been a critical element of doing more in support of the sector, but also in light of the terrible situation out there in Ukraine. So indeed with these initial words, I would like to just simply turn again to the Commission and say thank you, but say thank you also with the small request to help us develop further the financial advisory.

The financial advice is for me critical because we have to change the financial intermediaries, so primarily the banks' attitude towards lending to the agricultural sector. Unfortunately, the agricultural sector is still heavily asset based. So if you have an asset, i.e. a property, you can get the loan. This is still the European attitude.

Banks do not look at cash flows when they lend to the agricultural sector and this is what we have to change. Otherwise we will not be able to get this policy shift into the European agriculture sector. We can then, with our guarantees and the lending of the EIB, support the banks in their transition towards more cash flow based lending.

And we will do so. We are committed to do so, but we have to change the mindset, moving away from asset based lending to cash flow lending supported by guarantees, and by doing so, helping the banks to help us in the policy shift. Without this, we will potentially not meet the enormous goals which we all have set out to achieve under the Green Deal, which means transition when it comes to the sector per se, when it comes to food security and safety and in particular, given the situation in Ukraine, how we can compensate in a sustainable manner within Europe, the entire sector.

So I would like to not only thank you for having had the opportunity to speak to you in person - and also in digital - but in particular, I would like to thank the Commission for the great cooperation.

I am really looking forward to develop this further because without this platform which we have created and I would like to see developed, we will not be able to take on the challenges as we see them today. Thank you very much.