Opening statement

Christian Kettel Thomsen, Vice-President, European Investment Bank
Dear Commissioner Wojciechowski,

Dear Minister Livanos,

Dear participants,

I am very pleased to welcome you to the seventh annual EU conference on EAFRD financial instruments.

Agriculture and rural development are central in the context of the EIB’s ambition as the EU Climate Bank, in implementing EU development policies and to support the Climate and Environmental Sustainability goals.

The food systems remain among the key drivers of climate change and need to become more sustainable. As stated in the Farm to Fork strategy of the European Commission, there is an urgent need to reduce dependency on pesticides, reduce excess fertilisation, increase organic farming, improve animal welfare and reverse biodiversity loss.

At the same time, if managed in a sustainable way, the bio-economy can sequester significant amounts of greenhouse gases in soils and primary biomass at relatively low cost, thus providing an active contribution to climate change mitigation. Besides its ecological importance, rural development and bio-economy are of course crucial for addressing the socioeconomic divide at regional and international level, and for not leaving any region behind.

Just a few days ago, at COP 26, we announced our new Adaptation Plan, which sets out the strategic approach of the EIB to increase and accelerate its support to adaptation activities - another essential factor for the transition to a more sustainable and resilient agricultural sector. Climate change affects the sector in a number of ways. Changes in
temperature and precipitation can influence crop yields and livestock productivity in some areas. Increased risks from extreme weather events, water availability, pests and diseases, can affect the quantity, quality and prices of agricultural products. For these reasons, investments to enhance the resilience of agriculture to climate change, as well as research and development in innovative technologies and solutions will be essential in the coming years.

The bio-economy is therefore a key sector in our Climate Bank Roadmap, adopted last year by our shareholders, the EU Member States. The roadmap indicates how we will support one trillion Euro of green investment by the end of this decade and dedicate more than 50% of our lending towards green investment by 2025, a commitment we made in November 2019. With the Roadmap, we have already become the first multilateral development bank to align all financing activities with the goals of the Paris Agreement.

The importance of agriculture and bio-economy for the EIB is further demonstrated in our lending volumes - in the last five years (2016-2020), the EIB has provided more than EUR 30 billion of co-financing to the sector (86 % of which within the EU!).

More recently we have also developed targeted lending instruments, some of which with central EU guarantee support, to finance the bio-economy. This includes:

- Two consecutive programme loans, for EUR 400 million and EUR 700 million, to support companies and cooperatives in the bio-economy sector.
- Intermediated loans, deployed through our local partner banks, for around one billion, targeting SMEs and Mid-caps, with a special focus on young farmers.
• Cornerstone investment into a EUR 200 million European Circular and Bio-economy fund that will invest in innovative companies and projects.

Whilst EIB is doing more to support this, the sheer scale of investment need to address the climate and innovation challenges I mentioned before, means that this is clearly not enough! We need to harness the power of more private sector investment, using scarce public resources (including EAFRD resources) more smartly to do so …and this is where the topic of financial instruments comes into play….

Financial instruments can be a very powerful tool to develop agricultural policy, and make EAFRD funding go further. The guarantee instrument set-up in Greece, that you will hear about today, is a very good example of this. With a contribution of just EUR 80 million from the Greek rural development programme, the instrument is on track, through the participation of seven commercial and cooperative banks, to generate a volume of almost EUR 500 million in loans to agri-holdings and companies active in the agro-food sector. And that’s not it – to the extent this EUR 80 million is not used to pay guarantees or otherwise incur losses, it can be used again, to stimulate more lending, thanks to the revolving nature of the instrument, thus creating a long-term, sustainable financing basis for the sector.

Our sister organisation – the European Investment Fund - is supporting EAFRD Managing Authorities in the roll out of a number of financial instruments through its mandate management activities. The agricultural related mandates managed by EIF (both EAFRD and national) provide for over EUR 3 billion of leveraged support to potentially more than 20 000 farmers and SMEs.

But it is not only about financing….technical and advisory support is also key. I strongly believe that the fi-compass platform, hosting today’s event,
has brought an important contribution also to these developments. Since the launch of the platform in 2016, fi-compass has, among others, organised more than 30 awareness-raising events, has provided Managing Authorities with targeted coaching, and has published a wide range of guidance materials. All those actions have succeeded in the creation of an active community of practitioners, which has been crucial to make this culture shift, from pure grant-based support to the use of more efficient revolving mechanisms like financial instruments. Bruno Robino, head of fi-compass at the EIB, will tell you more about fi-compass products offered to Managing Authorities in the course of the conference.

Under the future InvestEU programme, EIB Group will also be active, and we already see instruments and advisory support packages that will be useful also for the agricultural sector, and particularly with respect to climate action. One such tool that we are developing, as the EU Climate Bank, is our green gateway advisory platform. This platform offers support to financial intermediaries interested in financing more “green” projects, including in the agri-sector.

Another excellent example of cooperation in the area of financial instruments has been the initiative, launched jointly with DG AGRI in 2016, to raise awareness of the potential to combine EAFRD resources with financing from the European Fund for Strategic Investment (or EFSI). This initiative offered a comprehensive package for Managing Authorities, including a free of charge feasibility study carried out by fi-compass, the potential to mobilise EFSI resources, and reliance on EIF’s mandate management expertise and services. The result of this work was that resources have been combined, giving added financial firepower to be deployed through regional and national intermediaries in France, Portugal and Greece, to more farmers and agribusinesses.
Together with our colleagues in DG AGRI, we want to make sure that Managing Authorities will continue to benefit for this advisory support also in the future and, in this respect, we aim at continuing the fi-compass advisory platform into the new MFF.

Ladies and gentlemen, many thanks again for the opportunity to join you today and let me wish a successful conference and every success in the future with your ambitions to provide more financial and technical support to this important sector.