



Opening statement

Spilios Livanos, Minister of Rural Development and Food, Greece

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It is my great pleasure to participate in today's 7th conference on financial instruments organized by DG-Agri together with the European Investment Bank.

Access to adequate financing is one of the key issues that concerns us in the Greek agri-food sector.

In the last decade, the agri-food sector of our country has encountered significant problems in accessing financing, despite remarkable durability in terms of employment and added value.

The types of loans have shifted from expansion and modernization to coverage of the immediate needs of the production process. A shift from medium/ long term loans to short-term loans.

Specifically, agricultural holdings succeeded to raise funds through micro-loans and short-term loans at a rate of around 24%. While success in gaining medium/long-term loans did not exceed 8%.

The same is true for small manufacturing companies.

On the contrary, a more balanced combination of short-term and medium-long-term financing was achieved by medium and large manufacturing companies.

Satisfied demand amounted to up to EUR 25,000 for agricultural holdings and up to 100,000 euros for manufacturing companies and focused mainly on working capital. Satisfaction of demand for larger amounts, for equipment and further development of activities, in no case exceeded 18%.

The main sources of funding were the inflows from CAP, share capital and loans from family and friends. Both farmers and processing companies avoided applying for bank loans. The reasons include disappointing loan conditions, as reflected in the requirements for equity and collateral and high interest rates.

In addition, the breach of trust between banks and business, led to a reduction in social capital, which represents an equally important size for economic growth.

The financial gap, the difference - in other words - between the demand for funding and the corresponding offer, was appreciated during our ex ante evaluation (in 2018) to about 2.5 billion euros for agriculture and about 1.5 billion euros for the processing of agricultural products.

This gap was subsequently confirmed in a relevant study of fi-compass (in 2020) for 24 countries, including Greece. According to the results of this study the financial gap for agriculture could even reach 14 billion euros in our country.

To reduce the financial gap the contribution of RDP 2014 - 2020 is significant representing a comprehensive strategy with targets, including:

- the greatest possible leverage of public resources;
- improving funding conditions for farmers and processing companies, through coverage of the largest part of the expected losses for the financial institutions;
- improving competition in the funding offer for the agri-food sector;
- development of targeted but flexible financial products.

In this context and in cooperation with the European Investment Fund, we have already put into full operation the Rural Development Guarantee Fund. with the total estimated portfolio at 480 million euros.

As presented below, in detail funding is already provided

to hundreds of farmers and processing companies with particularly reduced collateral, lower interest rates and lower transaction costs.

The Guarantee Fund was particularly accepted by the agri-food sector from the first weeks of operation, with a very high demand.

However, the offer began to respond at a much slower pace.

The banks required even more promotion of the tool, but also faster and more efficient application management.

Banks must also assume their responsibilities and accommodate the circumstances. Trust agricultural production, farmers and producers and join us, sharing the risks. Worldwide - and for Greece - the analysis shows that there is great potential for growth in this area.

But it is worth emphasizing that the realization of investments once their funding is approved is extremely fast.

As you will see in the relevant video, created by fi-compass in cooperation with our Ministry, Piraeus Banks and Karditsa Cooperative, within the first 9 months of

operation significant investments have already been made. Investments enabling beneficiaries to modernize and make their production process even more environmentally friendly

In addition, we have adapted the investment strategy of the Fund, to correspond with the liquidity needs of farmers and processing companies affected by the COVID-19 pandemic. Specifically, we provide working capital loans with the same attractive financing terms and with highly flexible procedures which do not require the submission of a business plan.

However, although the Rural Development Guarantee Fund provides loans with particularly reduced collateral, a large number of farmers but also manufacturing companies are unable to provide such collateral even for very small loans.

To cover this area of demand, we are taking advantage of the recent legal framework, enabling the possibility to establish microcredit providers.

In this way, through the RDP 2014 -2020 and the resources of the Union Recovery Instrument (EURI) we are introducing a new, shared risk Lending Fund.

In the new Fund both banks and microcredit providers can participate as Financial Intermediaries.

The investment strategy of the new Fund provides a combination of loans with interest rate subsidy and with technical support for the recipients. Our purpose is make this tool attractive both for beneficiaries as well as for financial institutions. Specifically, we aspire to contribute in the development of loan products amounting to 25,000 euros, offered with little or no collateral, with interest rate subsidy for the first years of repayment and with the possibility of supporting beneficiaries, who are unfamiliar with this type of funding.

Subsequently, beneficiaries will be able to develop and properly execute their business plan.

Further, by attracting as many players as possible, we encourage growth through an ecosystem of microcredit providers in the agri-food sector and significantly reduce the risk of financial institutions.

In the new age of complex challenges, of the new digital reality and multiple crises (health and climate crises), the agri-food sector is called upon to produce more, better and safer products respecting our natural resources and

reducing the climatic footprint. The required transformation of the agri-food sector inevitably creates significant financial needs. To meet these needs, beyond public and EU resources, the development and reinforcement of further financial instruments are also required.

Through our initiatives, we are developing a solid foundation to improve access to finance for Greek farmers and processors. We are seeking to attract (public and private) investors to increase available resources.

This effort will continue in the period 2023 - 2027, by continuing the use of financial instruments in the framework of the Strategic Plan for the Common Agricultural Policy. We want to build the required skills, with the help of fi-compass, in order to advantageously benefit from the possibilities provided by the new regulatory framework.

Thank you very much!