



**Speech by Pim Van Ballekom
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**Second EU *fi-compass* conference on EAFRD financial
instruments for agriculture and rural development in 2014-2020**

Brussels, 25th November 2016

09:00-17:30

Dear Commissioner Hogan, dear Vice President Katainen, dear
State Secretary Csicsai, Ladies and gentlemen, colleagues,

It is a pleasure to be here today at the annual *fi-compass* flagship
conference on financial instruments supported by the European
Agricultural Fund for Rural Development.

As the EU Bank, financial instruments are not new to us. Many
successful financial products have already been developed between
the European Commission and the EIB Group. Making use of EU
resources via: project bonds, a risk sharing finance facility, via
COSME, Horizon 2020 including InnovFin, and not to forget via a
guarantee mechanism called EFSI, just to mention a few.

We supported the European Commission and Managing Authorities
specifically as financial instruments began to take off. This all
happened under the “JESSICA” and “JEREMIE” initiatives in the last
programming period. All the way we have tried to instil our learning

and practical experience to help improve the take up and scope of these innovative instruments.

Today, the challenge ahead of us is to develop financial instruments specific to the agricultural and rural sector. Designing and implementing instruments that can assist you, as Managing Authorities of the Agricultural Fund Resources, in pursuing your policy objectives. We have to find innovative ways which can lower the burden on scarce budget or public resources.

As we know, this is a sector in which the fundamental shift from a highly protected to an almost fully liberalised market - exposed to global price volatility - is most visible. This is a process that must be accompanied by a change in the use of public resources, through an intelligent diversification of instruments to achieve sustainable investment.

A financial instrument's main objective is to stimulate the access to finance for final recipients who have difficulties in finding funding for their investments. Financial instruments should therefore address an identified market failure that is typically where banks do not lend, where the private sector is reluctant to invest, or where too demanding terms and conditions are being requested.

Financial instruments in combination with EAFRD resources can have great impact on the sector, notably in 3 respects:

- a. **First, the leverage mechanism**, particularly guarantees and risk sharing structures, can mobilise larger amounts of private sector investment;
- b. **Second, their revolving nature**, allowing for re-use of the funds to increase investment potential, and

- c. Thirdly their **deployment through financial intermediaries** - like banks and investment funds – helps ensure the selection of financially sustainable projects.

The **Agricultural Markets Taskforce**, set up by Commissioner Hogan late 2015, last week released its report, entitled “Improving Market Outcomes – Enhancing the position of farmers in the supply chain”. Just in the nick of time for this conference. Some of the recommendations on access to finance address the specific role of the EIB Group, calling for a “stepping up” of our involvement in the agriculture and agri-food sectors, and specifically in the area of financial instruments. The report also makes reference to the need to explore the blending possibilities of the Agricultural Funds and EFSI.

Let me assure you ladies and gentlemen that this is already happening, and even more will be done going forward.

Between 2011 and 2015, EIB lending to the Agriculture value chain, both inside and outside the EU, amounted to some EUR 24bn. This represents an annual increase in lending volume of around 12% since 2011. Almost a 1/4 of this volume can be attributed directly to farming activity.

Our financing supports:

- research and development in the sector,
- supports lending to farmers via a network of qualified and specialised banking intermediaries,
- supports cooperatives as well as large corporates in their investment programmes,

- and we also co-finance Rural Development Programmes by providing loans to finance the national co-financing contribution of Member States.

EIB Group also provides skilled expertise in the **management of financial instruments**, ensuring that Structural Funds are efficiently implemented and create real market impact. Pierluigi Gilibert, CEO of the EIF, will tell you more about how one Managing Authority in France has already set up a Fund of Funds with EIF, leveraging an allocation of EUR 15m, to deliver up to EUR 75m to SMEs active in the agricultural sector. This, ladies and gentlemen, represents the “power” of financial instruments and represents a good example of what can be done.

In addition to this, EIB has also developed a strong **advisory function**, supporting Managing Authorities wishing to explore the potential use of financial instruments. Simon Barnes, of our Advisory Services Department, will tell you more about this.

Under *fi-compass* we are already undertaking a study on the possibilities and need for Managing Authorities to design financial instruments that cope better with **price volatility in certain sectors**. You will hear more about the Irish “Milkflex” instrument later on today.

Since no conference these days would be complete without mentioning **the European Fund for Strategic Investment** let me shortly inform you where we stand.

As at mid-October 2016, some 361 transactions in 27 EU countries have already been approved for financing under the EFSI guarantee, accounting for almost 25bn of EIB financing, and expected to mobilise almost EUR 140bn of investment.

The total EFSI financing and pipeline for the agriculture value chain so far amounts to more than 30 operations having a loan volume amount of some EUR 1.5bn and resulting in a total investment of around EUR 4.3bn.

Projects approved for funding in the Agricultural and Agri-food sectors, using the EFSI guarantee, include state of the art dairy production plants in Poland and France, an Agro RDI project in Greece, bio-mass and bio-gas plants in Lithuania, Denmark and Portugal, paper production facilities in Finland, France and the UK, as well as investment in a sustainable forestry investment fund in Ireland.

EFSI allows EIB to do more in the sector, and we expect this trend to continue, as we now look for ways to reach out to new forms of intermediaries and/or project sponsors.

As you have heard from Commissioner Hogan, the Commission has also been looking at the synergies that can be obtained from blending the different EU funding sources, including EIB financing. He and his colleagues have also made proposals, under the so-called Omnibus, to facilitate the use of financial instruments. Today we are announcing the launch of a new investment platform to combine our common fire power to support you, as Managing Authorities, to kick start financial instrument take up.

Under *fi-compass*, the Commission will provide the funding to work with a select group of Managing Authorities, exploring in more detail the feasibility of this initiative in that particular geography and sector.

This combination of EFSI with the EAFRD represents a potentially powerful way that should allow for an even greater level of risk

taking, and thereby leverage additional private sector resources for even more economically sustainable investment.

Ladies and gentleman, over the recent years, we have established a strong basis for cooperation in agriculture and rural development with the Commission, and with DG AGRI in particular, not only in the context of the *fi-compass* platform but also through other channels. I want to specifically thank Commissioner Phil Hogan for his support and forward thinking to support financial instruments and the transition towards doing “more with less”.

The announcements today bear testament to that co-operation and we look forward to continuing this in the future through new and ambitious financing strategies to meet the demands of the agricultural sectors despite times of reducing public budgets.

I hope that this short intervention is evidence of the commitment of the EIB Group to continue working effectively with the Commission in a common effort to a more competitive agricultural sector. In addition, Phil, between you me and the doorpost, the Bank currently is discussing a more comprehensive agricultural sector approach and I asked Andrew McDowell last week, to support me in implementing this policy.

I wish you an enjoyable and informative *fi-compass* conference.

Thank you for your attention.