

Speech by Commissioner Phil Hogan at First European fi-compass conference on Financial Instruments under the EAFRD

The Convention Centre, Dublin

23rd June 2015

- Check Against Delivery –

- Ladies and gentlemen,
- Can I start by thanking the Taoiseach for his kind words of welcome in opening this conference;
- Allow me to welcome Wilhelm Molterer, Vice-President of the European Investment Bank, and Szeslaw Siekierski, Chairman of the Agriculture Committee in the European Parliament – and thank them for making the journey to Dublin today.

- I'd also like to thank my friend Simon Coveney, Irish minister of Agriculture, for being here. I greatly look forward to hearing their interventions.
- I would also like to welcome all other participants to today's first European fi-compass conference on financial instruments – we are fortunate to have in attendance a suitably broad spectrum of stakeholders, representing managing authorities, financial institutions, agricultural associations, the agri-food sector, researchers, policy makers, colleagues from the European Investment Bank and European Investment Fund, and the media.
Céad míle fáilte romhaibh go léir.
- I am particularly satisfied that representatives from the EIB and European Parliament have agreed to be here. I note that there is also a strong interest in this subject from other institutions such as the Committee of the Regions, farm associations, businesses, and financial players. I see this as a very positive sign that we are approaching this opportunity in a collective and purposeful fashion.

- So why did we organise an EU-wide conference on Financial Instruments? **The short answer is that investment, in a variety of forms, will be required to create the modern, dynamic agri-food sector we believe can play a central role in creating jobs and boosting growth in the coming years.**
- There are a number of objectives from this important 2-day event:
- Firstly, we want to provide an overview of the efforts already being made by a number of Member States and regions to include Financial Instruments in their Rural Development Programmes.
- At the same time, we want to underline the vital need to offer farm businesses, the agri-food sector and rural entrepreneurs the full range of possible supports under Rural Development Programmes, so that they can continue to play a central role in job creation and growth.

- And we also want to highlight and raise awareness about the joint work between the Commission's Agriculture Directorate and the European Investment Bank on a number of Financial Instruments – past, present and future. Let me give you a few examples:
- The Commission and EIB signed a Memorandum of Understanding on co-operation in the field of agriculture and rural development;
- A specific scheme for Financial Instruments in agriculture was developed by the European Investment Fund;
- And a FI-compass technical assistance platform for Financial Instruments was funded through the 5 European Structural & Investments funds.
- So my hope and expectation for this conference is that we will be able to present the work already done by several Member States and EU bodies on financial instruments; deepen the discussion on how Financial Instruments supported under the EAFRD can best serve the needs of EU farmers and the whole agri-food sector; **and outline what the Commission can do to facilitate this.**

- Before turning to the role and potential impact of Financial Instruments, I would like to say a few words about the importance of the agriculture and agri-food sectors to the economy. Figures show that the sector has been more resilient in times of crisis than many others.
- Not only that, but through investment and innovation, the sector has managed to find new markets both within the EU and beyond, and stimulate an impressive rate of growth and job creation. **Ireland has been one of the best performing countries in this context – creating 61,000 new agriculture, forestry and fisheries jobs in 2013 alone.**
- Following the recent reform of the Common Agricultural Policy, farmers will be far more market-oriented in their production decisions, with the EU Direct Payment providing additional security for revenues in the context of market volatility, unpredictable weather and variable input costs.

- And through the new Rural Development Programmes, Member States and regions also have at their disposal a wide range of co-funded investment opportunities designed to help individuals or companies make additional investment, creating further growth and jobs. **It is in this context that I see Financial Instruments as a very important tool for boosting EU agriculture.**

(Financial instruments – role and impact)

- We know that an intelligent and strategic mix of financial instruments can deliver funding where it is needed, notably by:
 - Attracting additional private capital, thereby raising the total amount of funding available;
 - Re-using resources returned to the Instrument;
 - Channelling the funds through financial intermediaries with great experience in evaluating valuable projects, thereby ensuring growth and competitiveness targets are met;

- However, financial instruments need to be tailored to farmers' needs, taking into account their business model, cash flow fluctuations, and price volatility on the market.

- And I would remind you that there is sufficient flexibility in the existing models to allow Member States and regions to do exactly that.

- **In so doing, investment will flow to where it is needed:**
 - Making a head start into large-scale precision farming and ICT tools for data management;

 - upgrading storage facilities;

 - promoting energy and water efficiency;

 - developing modern machinery and processing technologies;

 - and stimulating rural entrepreneurship for the 21st century.

- Financial instruments are essentially **magnets designed to pull in private money.**
- For example, a guarantee fund offers security for loans to be provided by banks or other bodies – for up to 80 % of the value of the loan. Once this security is available, someone with a business idea is much more likely to find that the door of the bank opens when he goes knocking.
- If things go well, under this approach a sum of, say, EUR 100 000 provided as a guarantee could turn into a loan worth much more than that – perhaps EUR 200 000, EUR 300 000 or more.
- And when loans are repaid, the security is released and that money can be used again.
- So overall, in effect we can potentially turn one euro of public money into two euros, three euros or more. Case studies of financial instruments are emerging – and the findings are encouraging.

- For example, between 2010 and 2014 a guarantee fund which operated in Romania and was funded through rural development policy helped to make **EUR 426 million of loans** available by providing just **EUR 116 million as security**. That's more than **three-and-a-half euros of credit for every single euro provided from the fund**. By November 2014, 740 projects from around 700 beneficiaries had been supported – creating or maintaining more than 10 000 jobs.
- A further example, this one under the ERDF, is the Fund for Innovative companies in Catalonia. By the end of 2013, this Fund had granted about 1209 guarantees, leading to venture capital investments supporting 36 projects, loans being made to 18 projects jointly with accredited business angel networks, and 50 projects being supported with microloans.
- **These are success stories that can be replicated and surpassed, and today is an important step on that journey.**

- Allow me to add that Financial Instruments go hand in hand with grants. The EU objective is not to undermine the impact of the grant approach, but rather to achieve a sustainable re-balancing. Currently, about 50 billion Euro in Rural Development Grants is planned for the 2014-2020 period, while only 430 million euro is envisaged for Financial Instruments.
- That needs to change. In fact, I believe that the Commission's goal of doubling the use of financial instruments compared to the 2007-2013 period is very modest indeed.
- It is my belief that some of the best examples of intelligent financing models, especially for agriculture, will be achieved if both approaches are combined in one efficient, demand-oriented Financial Instruments scheme.
- And then there should be no reason to stop at a doubling of the amounts concerned. We have more than five years to go in the current rural development plan. Member States and regions can ask us every year to adapt their programming to use more financial instruments. **I stand by my promise to look at such changes as a priority.**

(Conclusion)

- Ladies and gentlemen, we are standing on the threshold of great opportunity, so let us take the momentum from this conference and use it to full effect in the coming weeks and months.
- We need the experts from all sectors represented here today to take ownership of this process, and design well-performing, properly targeted, efficiently managed and transparently implemented financial instruments.
- These systems will provide critical added value by attracting additional private capital to benefit forward-thinking farmers, agri-businesses and rural entrepreneurs.
- **So let us resolve to make these financial instruments play a crucial role in the CAP up to 2020 and also in its post-2020 development.**
- **Let us build a foundation for the intelligent agriculture of the future using the financial building blocks available to us in the present.**

- **And let us collaborate intensively in the short term while bearing in mind the long term.**
- **Thank you for attention. I wish you luck in your deliberations today – and I look forward to this conference leading to many additional projects.**
- **Go raibh míle maith agaibh.**