

The use of Financial Instruments in the Agriculture Sector

Statement by Commissioner Phil Hogan

at the Agriculture Council, Brussels, March 14

- I would like to thank the Presidency for putting this important item on the agenda today. Immediately after this item, we will have a discussion on the critical situation in agricultural markets. While much of the focus of that debate will be on the need for immediate measures, we should not lose sight of the potential offered by the development and use of appropriate financial instruments for developing and investing in the sector.
- I am particularly pleased and indeed grateful that the Vice President of the European Investment Bank, Mr Van Ballekom, is here today to engage directly with you. Like you, I look forward to his insights about the work of the EIB and the potentials offered by using financial instruments.
- I have long been of the view that the EIB can play an important role in helping the agricultural sector to develop and to adjust. Given current circumstances and the length of time we have been talking about Financial Instruments, it is indeed high time that we can discuss the possibilities offered by the EIB.
- The EIB has a lot to offer. But the effectiveness and accessibility of the instruments offered increases when we combine CAP support and the options provided by the EIB. Using financial instruments allows us to achieve greater leverage of our resources.
- Our rural development policy contains a versatile toolbox that offers great scope for supporting structural adjustments in the farm sector; increasing productivity and boosting the economic performance of both agriculture and the wider rural economy.
- We estimate that around 50 per cent of the EAFRD will be used for investments but this is not enough to cover the needs. We need to raise the volume of funding from all possible sources. This is why I am once again urging you to fully examine the potential that financial instruments could have in this respect.

- So what's holding us back? The legal framework is in place and the Commission and the EIB are offering support and guidance to Member States in relation to setting up Financial Instruments. Colleagues, the ball is in your court - it is time for Member States to act.
- So far, 35 Managing Authorities from 15 Member States have carried out ex-ante assessments. In addition, 15 managing authorities from 7 MS have expressed an interest in starting ex-ante assessments. This is a promising scenario.
- In the Commission, we have looked at how any remaining bottlenecks for establishing Financial Instruments can be eliminated and how make it easier to introduce Financial Instruments in programme modifications.
- We will soon publish the methodology for ex-ante assessment of FIs for agriculture. Fi-Compass is offering targeted coaching to Managing Authorities, an offer that has already been taken up by Bulgaria, Wales in the UK and Veneto in Italy. I would like to extend the invitation to other Member States.
- I expect the EIB Group [EIB and EIF] to increase their commitment and to intensify the crucial work they do in helping and guiding Member States and Regions to establish Financial Instruments co-financed by EAFRD.
- We should not forget efforts to be undertaken at the national level. Just last week, I launched a new €100 million fund in Ireland which will offer flexible, competitively priced loans to milk suppliers with loan repayments that can vary according to movements in milk prices.
- I see this initiative as providing dairy farmers with a valuable tool to manage income volatility. I regard this as an important pilot project in the development of innovative financial instruments that can help farm families across Europe.
- I think that there could be a scope for the EIB Group as well as for national banks to join funding sources. It is an opportunity worth exploring, and I would like to ask you to encourage these institutions to play a stronger role also in the national schemes.
- And let's not forget that the European Fund for Strategic Investments – EFSI - is also open to agriculture, agri-food, forestry and other rural businesses. We need to

encourage project promoters to come forward with applications. The establishment of investment platforms that bundle smaller projects in order to allow them taking advantage from EFSI funding will be very important.

- My services are organising a series of EFSI workshops in Brussels to raise awareness on how to access EFSI, how to set up investment platforms and how to link EFSI with CAP funding. I think these workshops could easily be replicated at the national level, involving your stakeholders and national and regional promotional banks and we are of course very willing to share our experiences with you in this field.
- Once again, can I thank Mr Van Ballokem for being here this morning. I hope that today's discussion can be another milestone on the road to the development of appropriate financial instruments for the agricultural sector and I look forward to an intensification of our work with the EIB and the constructive role which the EIB can play.

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