Speech by Commissioner Phil Hogan at "Access to Finance" Seminar

29th April 2016, Limerick

- Check Against Delivery –

- Ladies and gentlemen,

  (Introduction)

- I'm delighted to be here with you in lovely Limerick today.

- The title of this seminar gets straight to the heart of the matter. We know that there is a significant competitiveness deficit in this country, which is mirrored in many EU Member States. The long-term spread on interest rates for Irish businesses and investors is quite simply not competitive when compared with other European countries.

- This is a major obstacle to accelerating economic growth, and the lack of access to suitable and affordable finance is at the core of the problem.

- In the agri-food sector, the competitiveness and investment deficit is also glaring. Last year, IBEC commissioned a report on behalf of the Food and Drink industry in Ireland.

- The conclusion of the report was that Irish prepared consumer food companies face a prohibitive funding environment which undermines their ability to achieve growth and scale.

- It outlined that the cost of credit in Ireland remained well above that in other competitor eurozone countries.

- A differential of 170 basis points exists between the rate paid by the prepared consumer food industry in Ireland compared to the European mainland. **This is not isolated to the agri-food sector, indeed it is reflective of general trends in the Irish economy.**

- The upshot is that Irish companies, including those with detailed business plans for expansion, have had to scale back their ambition. **This means investment opportunities and new jobs being lost.**

- The European Commission under President Jean-Claude Juncker identified access to finance as one of the essential building blocks for European economic recovery. Today I'd like to present you with an overview of the work being done at the Commission, including within my own area of agriculture and rural development.

- The Commission under President Juncker has now served 18 months in office, maintaining a strong focus on providing a dynamic European "added value" to solving our biggest shared economic challenges.

- We like to call this "being big on the big things and small on the small things". And we certainly consider the investment and finance issue to be a big thing!

(Juncker Plan for Investment)

- In an effort to promote economic stability and attract investors, the Commission's current Work Programme focuses on a limited number of concrete new initiatives, which together amount to an **Investment Plan for Europe**.

- The aim is to support investments in infrastructure (meaning broadband, energy networks, and transport) but also in education, research and innovation, renewable energy and energy efficiency, as well as healthcare.

- To provide just one example, this time last year a €70 million investment in 14 primary care centres in Ireland was announced as part of the first tranche of projects under the so called "Juncker Plan". Ireland was amongst the first four member states to draw down finance from the European Investment Bank under the Plan.

- Overall, the Juncker Plan seeks to improve the business environment through a number of other critical steps:

- - Removing significant regulatory and non-regulatory barriers across all the important sectors of infrastructure including: energy, telecoms, digital and transport, as well as barriers in services and product markets;

- Developing national long-term investment plans;

- Providing technical assistance to help develop sound investment projects;

- Carrying out value for money assessments to identify the most efficient solutions for structuring projects;

- And promoting innovative financial instruments to catalyse private investments in projects of EU significance.

- It's fair to say that the strategy is bearing fruit. Through the European Fund for Strategic Investments, the EU has already helped to finance a number of large-scale infrastructure and innovation projects as well as providing finance for SMEs.

- Mobilisation of private capital is a key feature of EFSI and currently represents about 80% of the total expected investment value.

- As of this month, €7.8 Billion has been invested in projects, while 165 SME Financing Agreements have been approved to the tune of €3.4 Billion.

- It is expected that this EU investment will attract over €82 Billion in private funding. This demonstrates very clearly how things can function with a dynamic approach to investment. It is a good example of the public sector "crowding in" private finance to simulate investment, growth and jobs.

(COSME – working for SMEs)

- I would also remind you of other work the Commission is doing to back SMEs – the backbone of the European economy.

- COSME is the EU programme for the Competitiveness of Enterprises and SMEs. Running from 2014 to 2020 with a budget of approximately €2.3bn, COSME supports SMEs in four areas:

- Improving access to finance for SMEs in the form of equity and debt;

- Improving access to markets;

- Improving the competitiveness and sustainability of EU enterprises;

- And promoting entrepreneurship and entrepreneurial culture.

(Capital Markets Union)

- Of particular interest to investors and money-managers is the development of the Capital Markets Union, under the leadership of Commissioner Jonathan Hill.

- This signature policy programme is intended to create deeper and more integrated capital markets within the EU's 28 member states by 2019. The objective is to diversify and amplify sources of finance and ensure that capital can move freely across borders in the Single Market and be put to productive use. The Juncker Commission has identified a number of key blockages, including:

- A continued over-reliance on banks for investment;

- The obstacles which national borders place in the way of investors;

- And alternating rules and market practices across Europe.

- To address these issues, this Commission intends to:

- Decisively reduce the fragmentation of financial markets;

- Diversify financial sources;

- Ease the flow of funds across borders;

- And streamline access to finance for businesses.

- The first measures are already having an impact on the ground: new rules have just entered into force to support investment by insurers and reinsurers in infrastructure projects.

- A proposal to restart securitisation markets in Europe was agreed in record time by Member States in December 2015. In 2014, this market was worth 216 billion euros, about a third of its value in 2007. If we can revive the market securitisation to its pre-crisis levels, this could provide up to 100 billion euro of additional credit to the European economy.

- A proposal was also presented to simplify prospectus requirements and reduce burdens for companies issuing shares and bonds.

- We have launched a public consultation on business restructuring and insolvency in order to tackle some of the longer-term issues that are holding back jobs and growth in the EU. We will soon take further actions to promote personal pensions.

- These moves will incentivise the key players on both sides of the investment equation: entrepreneurs and SMEs on the one side, and investors and fund managers on the other side. **I would urge many of the experts in this room to follow these developments closely, as I expect they are of direct relevance to you.**

(Agri-food sector)

- In my own portfolio of agriculture and rural development, we are also dealing with a major finance and investment shortfall.

- Traditional lending institutions such as banks have done a poor job of understanding the nature of the sector, which is dynamic and exposed to outside factors such as weather and global markets. They have also failed to see the enormous potential for growth and profitability in the sector.

- As a result, other players in the sector are taking the bull by the horns. Right here in Ireland, I was honoured in March to launch the very innovative **MilkFlex** Fund. This lending instrument will offer flexible, competitively priced loans to Glanbia milk suppliers with loan repayments which can vary according to movements in milk price.

- This is the first fund of its kind to offer Irish farmers access to finance through non-traditional lending structures, helping to protect farm incomes from the impact of dairy market volatility.

- Milkflex is a completely new type of loan product, with a multi-partner, thinking-outside-the-box approach. The key financial innovation is that the collateral is the milk cheque, not the farm or family home, allowing new entrants to access finance even when leasing land.

- Rabobank, the Ireland Strategic Investment Fund, Finance Ireland and Glanbia plan to invest in the Fund while Finance Ireland will also originate the loans and manage it. The interest rate charged on the loans will be a variable rate of 3.75% above the monthly Euribor cost of funds, with a floor of zero – far more competitive than you'd find on the main street.

- It is expected that the Fund will be made available in three tranches in 2016, with the first tranche of €50m due on 1 May.

- I am also heartened by today's announcement from the Strategic Banking Corporation of Ireland. First Citizen Finance has become the sixth lending partner to offer SBCI finance with a new €50m fund for Irish agri-business SMEs seeking to buy or lease machinery.

- These new hire purchase and leasing products will avail of the SBCI’s funding advantage to offer discounted rates and more attractive repayment terms of up to 7 years.

- The markets will be watching these initiatives closely and I hope they may serve as a catalyst for a new wave of similar products across Europe.

- The European Investment Bank has taken a number of positive steps, working with credit institutions, including Credit Agricole, which has drawn down €200 million to finance farming succession in France.

- These are positive examples. However, the job is far from finished, and I will only be satisfied when the European Investment Bank is fully on board with the concept of financial instruments tailored to the EU agri-food sector.

(Conclusion)

- In conclusion, ladies and gentlemen, there is a growing number of vehicles, at European and national level, designed to deliver access to finance for relevant sectors of the economy.

- My take-home message to you is simple: **investment, growth and jobs are the top priorities of this Commission, and improved access to competitive finance is the catalyst to making this a reality.**

- I will be working closely with my colleagues at European Commission level to drive this process. I am very eager to hear your thoughts on these matters, given your expertise and experience.

- Thank you for attention and I'll be very happy to take any question you may have.