

Speech by Commissioner Phil Hogan at Workshop on EFSI and the Investment Plan for Europe

Tuesday 23rd February 2016, Brussels

- Check Against Delivery –

(Introduction)

- Ladies and gentlemen,
- First of all, I'd like to thank you all for being here today. Gathering the right people together at the right time is absolutely essential if the Investment Plan for Europe is to achieve its goals.
- We know that the European economy has an investment gap which needs to be filled. That is why the Commission is acting with ambition and purpose.

- We believe that building synergies between European and national bodies is the most effective way to start closing that investment gap. So please take it from me that your presence is greatly appreciated.
- We will need you – the experts at the coalface of our national and regional economies – to take full ownership of the European Fund for Strategic Investments if it is to succeed.
- Let's look at the big picture first.
- Let me briefly remind you how important the agri-food and forestry sectors are to the European economy:
- **Farming employs 25 million people** in the EU, while **managing 46% of our territory**. It also contributes to the broader economy through its linkages with other sectors. The agriculture and food sectors combined produce **a value added of €420 billion a year in the EU**. **Agriculture is the EU's biggest employer**.
- **On the forestry side, European forests and other wooded land** now cover 178 million hectares. This equates to **41 % of the EU's land area**, almost the same surface as agriculture.

- Forest-based industries provide nearly **3.5 million jobs** in the EU and produce **a total added value of €135 billion a year**.
- At the European Commission, we strongly believe that the agri-food sector can make a decisive contribution to EU growth and jobs creation in the coming years. But we have our eyes wide open and we know this will not happen without investment.
- The Commission estimated that in 2014, the funding gap in the agricultural sector was between 2 and 9 billion Euro, varying across Member States. I think we can all agree that this is not good enough.
- So we are doing something about it. The creation of jobs and growth through investments in the rural and agri-food economies is now a clear goal, reflected for example in our Rural Development priorities.
- And the Investment Plan for Europe is now taking bold steps to address this issue at the highest level. For agriculture and rural areas, the main areas of interest under the Plan are precision farming, the bio-economy and circular economy, broadband infrastructure, water and irrigation infrastructure and access to finance.

- I'd like to take the time to look at these areas in a little more detail.
- Take, for example, precision farming: this is an area which holds enormous promise for the future.
- **By harnessing new technologies, farmers and other agri-food operators can do their work more smartly, and more efficiently.**
- New hardware and software systems will improve agriculture in a multitude of ways. New 'smart-agri' production systems will use advanced ICT at all stages in the food chain: on the farm, through to processing and retailing. **Such innovations will improve the quality of crop production, the quality of livestock health but also, crucially, the quality of life for farmers.**
- However, developing this precision agriculture involves a wide range of stakeholders, from farmers to research institutes, from banks to machinery manufacturers.
- The European Innovation Partnership network is already working on developing opportunities for precision farming. In some cases, these projects may require additional financial resources for large-scale investments. This is where EFSI can play a role.

- There are also new opportunities linked to the circular economy – which is a key EU priority. EFSI can provide financial backing in this area, where appropriate.
- Just one example of an opportunity linked to the circular economy is in the waste management sector, where facilities can transform manure and farming by-products into inputs for other industries, such as bio-gas.
- Let's now look at the issue of water management - a policy priority at all levels of governance. EFSI can play a strategic role here, also.
- Water infrastructure projects can develop their full potential through private-public partnerships. Projects could range from large-scale public works such as dams, or smaller-scale village level investments such as water treatment plants or irrigation projects for farmers.
- Water consumption needs to be priced to avoid misuse of this limited resource, according to the Water Framework Directive. A smart pricing policy could generate attractive revenues to make the projects bankable for investors.

- And it is worth recalling that projects related to these sectors have already received EFSI support.
- Some €275 million was provided in support of a bio product mill in Finland and €200 million was targeted to a guarantee fund for agricultural SMEs in Germany.
- The Finnish project consists of the construction of a new pulp mill at the site of an older mill. The project will allow for significantly increased production capacity.
- In partnership with the EFSI intervention, the project will be financed by commercial banks as well as Finnish and Swedish export credit agencies. It will also employ a combination of equity and shareholder loans from the promoter and its shareholders.
- **This is a good example of what we mean by complementarity. The EFSI will add value to get a project over the line, working in collaboration with other investment and loan instruments.**
- This project represents one of the largest industrial investments ever undertaken in Finland. It is expected to create some 6,000 jobs during the construction phase and sustain another estimated 2,500 jobs in the forestry sector.

- Let's look at a few other projects.
- In Germany, the EIB, backed by EFSI, is providing a €200m counter-guarantee to a pool of 16 Guarantee Banks in Germany.
- The guarantees will cover 60% of the risk on loans targeted at SMEs in the agricultural sector.
- **EFSI also plans to support the construction and operation of a greenfield biogas plant in Southern Denmark, and Broadband projects in two French regions.**
- These latter projects will lead to a higher availability of ultra-high speed broadband services for the end users, stimulating high labour productivity and new job creation, all with a positive impact on GDP.
- These are good examples of EFSI support, and I look forward to talking with you about ideas you may have for other projects.
- I'd also like to mention some organisations which may be of assistance in your planning and decision-making.

- The European Investment Advisory Hub is now up and running. There have been already 90 projects submitted to the European Investment Bank, from which 10% belong to agriculture and rural areas.
- Project promoters, public or private, have an excellent opportunity in the Hub to develop marketable and ambitious investment opportunities. The experts are on standby to help, find out more about specific projects, and then point project promoters in the right direction.
- As well as the hub, the European Investment Project Portal will be launched in the coming weeks.
- The Portal is a showcase opportunity for projects looking to attract investors. Promoters can already submit their project details to the Commission and benefit from a reduced fee – the early-bird promotion!
- Investment Platforms sponsored by public bodies or private stakeholders are excellent tools to bundle together small-size projects under the same financial umbrella. If this is done in the right way, the bundled projects can potentially receive support from EFSI.

- Bundling together small municipal infrastructure projects, such as broadband or irrigation, could make these accessible to private investors.
- Or let's construct a hypothetical situation in the precision farming sector:
 - A large corporate such as John Deere would set up a platform, managed by a financial institution such as Rabobank, to finance small-scale investment by farmers on precision farming machinery and equipment.
 - We see huge potential for projects relating to rural broadband rollout, water infrastructure or precision farming. We are very interested to hear what opportunities you see in your countries and regions.
 - Finally, I would also like to remind you that it is possible to support Investment Platforms with Rural Development funds.
 - For this, they should be set up as a financial instrument under the existing rules. This complementarity could deliver important synergies and leverage effects.

- My services will pay particular attention to this bundling of resources under the Investment Plan for Europe.
- Planned expenditure for investment grants, relating to farms and infrastructure, amounts to around 50 billion or half of rural development spending.
- The Investment Plan for Europe can add further resources, attracting new private actors to support the needs of the real economy.
- In conclusion, ladies and gentlemen, there are many opportunities out there for forward-thinking authorities. The European Fund for Strategic Investments can add huge value to you, if leveraged in the correct way.
- The European Commission is ready and willing to assist you in this process, and we greatly look forward to seeing what you have in mind. Together, we can close the funding gap and allow these vital sectors to fully deliver on their economic promise.
- Thank you.