Speech by Commissioner Phil Hogan at Seminar on “EAFRD Financial Instruments for agriculture and rural development"

29 October 2015, Riga

- Check Against Delivery –

- Minister Duklavs, Secretary General Sturm, elected representatives, ladies and gentlemen,

- I'm very glad to be here with you today. Welcome to the fourth and final EU conference on financial instruments of 2015.

- The variety of expertise and influence in this room is considerable, and I look forward enormously to hearing your interventions. Your energy and knowledge will be absolutely central to the viable proposals which I hope will emerge from these important conferences.

- My overall message to you today is a simple one: I believe that the EU agriculture and agri-food sectors, and indeed the wider rural economies of the EU, can be key drivers of job creation and growth in the coming years. But it will not happen without investment, and – crucially – the right type of investment.

- The timing of these conferences has been excellent - there is a clear political drive across our 28 Member States to make these changes happen. We need to spend more, and we need to get more out of every euro spent if we are to achieve our ambitions.

- I hope that today's discussion will serve a number of objectives:

- It will 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. Many of these can serve as good examples of existing best practice for other countries and regions.

- At the same time, we need to explore in greater detail the full range of possible supports under Rural Development Programmes, so that farm businesses, the agri-food sector and rural entrepreneurs can continue to play a central role in job creation and growth.

- And we must also 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.

- In other words, we will 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 remind you how important agriculture and the agri-food sectors are to the European economy. Reliable data show that the sector has been more resilient in times of crisis than many others.

- Not only that, but through investment and innovation, and the Commission's ambitious pursuit of trade agreements, the sector has managed to find a number of new markets, thereby stimulating an further growth and job creation.

- Following the recent reform of the Common Agricultural Policy, farmers will be far more market-oriented in their production decisions.

- 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 are key tools to increase the leverage of the EAFRD. The Commission has worked closely with our bank, the European Investment Bank, to develop schemes that reflect the present and future needs of our farmers, foresters and related rural businesses.

- The first one should be a guarantee scheme for farmers, with the aim of being rolled out in pioneer regions in the near future. But this is just the beginning.

- Other deliverables include:

- A scheme for Financial instruments in forestry;

- Targeted coaching for EAFRD managing authorities (what we call a "first steps" kit);

- Specialised networking opportunities for EAFRD experts on Financial instruments and at least six EAFRD-specific seminars on Financial instruments;

- 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. And I would add that Financial Instruments go hand in hand with grants – they do not replace them.

- 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.

- We can do more. We must do more. Because we know that an intelligent and strategic mix of financial instruments can deliver more total funding:

- 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;

- 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.**

- Last but not least I would also like to draw your attention to the possibilities available under President Juncker's European Fund for Strategic Investment. 315bn EUR in total.

- This, too, has enormous potential for the agri-food sector, **the EU's largest employer**, in order to boost investment in precision farming and the bio-economy, forestry, and infrastructure in rural areas, including broadband and IT-facilities for smart villages.

- Two agricultural projects under EFSI are already. This includes some € 275 million in support of a bio product mill in Finland and a €200 million guarantee fund for agricultural SMEs in Germany.

- These are good examples of what is out there, but there is clear potential for much more.

- When looking at financial instruments under the Rural Development Fund, and new opportunities in the Juncker Fund, there is no doubt that the potential to unlock funding for worthy projects has never been greater. But it will not happen automatically.

- We need to tell farmers, rural entrepreneurs, regional authorities, and all the other relevant stakeholders, about these opportunities. They need to get together and develop ideas, design projects, and apply for funding. These vital players need to take the proverbial bull by the horns. The Commission and national governments can not do it for them.

- Do you have a good idea for your area? A project involving considerable investment but with a clear financing plan, even if long-term? Maybe it could be replicated elsewhere? Maybe you could even replicate it elsewhere yourself, utilising your own experience and expertise?

- Projects that might be suitable include:

- Developing large-scale precision farming and ICT tools for data management;

- upgrading storage facilities;

- infrastructures for energy and water efficiency;

- bioeconomy investments such as oil mills or bio-reactors;

- developing and rolling out modern machinery and processing technologies.

- Together we can make the Juncker fund a hub for stimulating the rural entrepreneurship of the 21st century.

- And the new forums which grow from meetings like this one will build the targeted and tailor-made financial instruments of the future.

- I look forward to hearing your thoughts and ideas, and I reiterate my pledge to work with you to develop solutions.

- Thank you.