

Speech by Commissioner Phil Hogan at Panel on the Western Balkans

17th January 2016, Green Week, Berlin

- Check Against Delivery –

(Introduction)

- Mr Chairman, Esteemed Ministers, I am pleased to be here with you today. As Commissioner for Agriculture and Rural Development, I am committed to working with you, in today's forum and others, to broaden and deepen our areas of mutual interest.
- Before touching on our main shared area of responsibility, agriculture, let me remind you that the EU's enlargement policy remains a key priority. It continues to represent an investment in peace, security and stability in Europe.

- The EU's enlargement policy provides increased economic and trade opportunities for the mutual benefit of the EU and aspiring Member States.
- The prospect of EU membership has a powerful transformative effect, embedding positive democratic, political, economic and societal change. **This includes the multitude of benefits provided by our shared Common Agricultural Policy.**
- The process in which you are involved is key to strengthening economic and political stability in the Balkan region. The current refugee crisis shows how crucial it is that we maintain close cooperation between the EU and the countries of south-eastern Europe.
- My key message to you is this: **modernising agricultural systems can have a real impact** in relation to increasing competitiveness and fostering job creation in your region. This will boost economic progress and keep people in viable rural communities.
- **But I also must stress that this modernising process can only happen if it is supported by the right policy framework, and implemented by the right authorities.**

- Our duty, as I see it, is to build a prosperous and sustainable future for our agri-food sector and rural areas.
- It is crucial that we keep food and agriculture policies high in the public consciousness and high on the policy agenda. Again, this is an imperative both within the 28 EU Member States and within accession candidate countries. If we want to keep the CAP strong, efficient and well-funded for our farmers and EU citizens, its importance must be repeated loudly and often.
- As you know, the CAP's overall objective is to provide stability and a medium to long-term framework for the farming sector. For accession countries, engaging with the CAP will bring about stability in agricultural policy, enabling better planning and predictability.
- Agriculture is one of the most critical issues in the enlargement process. This is mainly due to its significant size in terms of GDP share, and in terms of a high proportion of the population being active in agriculture, but also due to certain structural challenges.

- The agriculture acquis is the most comprehensive of all the EU policies, and we know that implementing it is a complex procedure. However, with a thorough and timely preparation process, EU accession is fully manageable. **We are also conducting a drive to simplify the CAP, which will make your lives easier.**
- Setting up the necessary structures to administer CAP payments involves considerable human and administrative resources. Aligning support systems in the build-up to accession is important to ensure farmers are well prepared and informed on the systems and schemes operating in the EU.
- It is only when the systems are in place, and farmers are aware of them, that they can benefit from the considerable level of support that the CAP – and IPARD in the pre-accession phase – can bring.
- The EU provides support and financial assistance to tackle these challenges, **but the primary responsibility remains with the countries themselves.**

- In the 2014-2020 period, under the Instrument for Pre-accession assistance, the EU is providing accession countries with more than €11 billion to support all sectors, with €1.4 billion earmarked specifically for the agriculture and rural development.
- This funding under IPARD provides opportunities for small and medium enterprises, including farms and agri-businesses, to modernise and upgrade to EU standards. This will help business become more efficient, more effective and more competitive on the global market.
- To ensure that these vital pre-accession funds do what they are intended to do, **the necessary structures and resources must be in place, meaning: a proper IPARD Agency, Managing Authority, and Audit Authority.**
- Some countries have already made good efforts in this respect and others are taking the necessary steps. **Momentum must be maintained on all fronts. The sound management of funds is absolutely critical.**

- Overall, accession countries are best advised to view the IPARD as "your CAP" – a mechanism to help you to take advantage of multiple opportunities and address certain structural challenges.
- In trying to develop the food and agricultural sector and in trying to encourage investment, a number of factors are vital, namely: **continuity, stability and a degree of certainty.**
- This is why we decided to design IPARD 2 largely on the same basis as IPARD 1. Administrations and potential beneficiaries have become familiar with the programme, so maintaining it along similar lines ensures continuity and stability.
- However **it is also very important to have continuity and stability at national level - not just on policies impacting the sector, but also at the level of managing the various aspects of IPARD.**
- It is imperative that the right people and structures are put in place to run IPARD, and that they have a **high degree of certainty regarding their tenure of position.** This is very much in the interest of developing your full economic potential.

- The level of funding involved in IPARD might pale in comparison to the needs of the sector. However, it is worth pointing out that to date it was not the availability of funds which posed the problem, but rather the countries' ability to absorb the earmarked funds.
- Around 130 million euro of IPARD I funding earmarked for the agricultural sectors in some of your countries **was returned to the EU budget unutilised.**
- However, the prospects remain strongly positive. The effects of previous EU enlargements on the agricultural sector have been encouraging.
- Directly linked to development of the agricultural sector are food safety standards. To benefit from the single market, the products produced in accession countries need to comply with EU standards.
- It takes time to upgrade farms and food establishments. It can be difficult to persuade farmers to accept costs linked to new policies and rules but again, the EU can provide support with the IPARD funds.

- Compliance ensures that exporters can compete on the EU and other markets. **Again, we strongly believe that the future benefits outweigh the current challenges.**
- Most of your countries have already submitted applications for the entrustment of budget implementation tasks, or will do so in the coming weeks. However, that's only the beginning of the work you need to undertake.
- There is still plenty to be done in all of your countries, to fully enable the spending of IPARD money from day one. **The needs of your respective agricultural sectors are great and the IPARD funds available to help deal with those needs are also great.**
- **You and your administrations are responsible for getting those funds to those who need and can utilise them.** It is crucial, economically and politically, that your potential beneficiaries see you in the future as the conduit rather than the obstacle for those funds.
- Without going into technical details, I will mention three aspects which will deserve your particular attention during the coming months:

- First, building up capacities and ensuring the involvement of public advisory services, so that they are well-prepared for working on IPARD;
- Second, ensuring appropriate awareness and cooperation of all technical services, which will be responsible for assisting compliance with relevant national and EU standards;
- And third, intensifying a dialogue with the banking sector, and should there be a need, introducing new financial instruments, in order to facilitate access to finance for co-financing by the beneficiaries. Access to credit has proven to be a major stumbling block under IPARD in the past.
- One major challenge is the uncertainty surrounding an exact accession date. Keeping track of the accession process is not easy for hard-working farmers. **Therefore, good communication with farmer associations and other organisations is paramount for ensuring the support of all stakeholders.**
- As you know, the speed of accession depends on the progress made in fulfilling the conditions of EU membership.

- I do strongly believe that for every significant change to be met successfully, there are two prerequisites: undertaking the right actions and acting in a supportive framework. We help you with the framework.
- However, it is up to your countries to take the actions. In agriculture, you are sitting on a large potential growth area, given that global demand for both quantity and quality of food is poised to increase.
- It is up to your countries to take advantage and become a forceful player in the game; you are the ones responsible for delivering for the benefit of rural areas and beyond. **We can and will help, but we cannot and will not be a substitute for your own efforts. Implementation is in your hands.**
- However, you also need to realise that the timespan for you to demonstrate success and take advantage of these opportunities is more limited. With overall funds being scarce and with many other immediate and significant priorities, the Commission will not keep money sitting idle in the accounts for long.

- This time around, the Commission's approach is geared more towards rewarding results. **The funds will go where they are most needed, and where tangible progress can be best achieved.**
- **If your countries are not able to use what has been allocated in a timely way, the funds may be shifted to other areas, and even to other countries;** and this may happen as soon as in 2017, during the mid-term review of IPA. **So time is of the essence.**
- Most of your countries from the Western Balkans are small, compared to other global players. This makes it all the more important for you to reinforce your links and build on regional cooperation to make one solid region, attractive for investors and traders.
- **Stick together. Rely on regional cooperation.** You have a platform to serve you in this respect. Use the Standing Working Group to enhance regional cooperation, and discuss trade related issues.

- In fact, in certain situation, if you maintain a dialogue, you can prevent some aspects from becoming an issue. Closer cooperation makes sense, because when you succeed in joining the EU, we will all be "in the same boat" anyway.
- **Cooperate, meet more often, share experiences: learn from and about each other, resolve and prevent bilateral and regional problems from arising.** And, of course, I am sure that as you move closer collectively towards EU accession, differences in approach between countries will decrease.
- The main message I want to deliver here today, is that **these efforts are worthwhile. The countries which prepare in the present will reap the benefits in the future.**
- I strongly believe the CAP is as relevant a policy instrument today as at any time since its establishment. It is without doubt that the CAP will continue to be an effective instrument of delivery for European farmers and citizens as a whole. Access to global markets should be seen from a positive perspective.

- A large number of countries and regions of the world are already part of Free Trade Agreements with the EU, in total 1.3 billion people, and this will continue to grow with the ambitious Agreements currently under negotiation.
- It is important to underline that closer trade and economic ties will bring your region closer to the EU. There are many areas where you can share your experience with a view to enhancing regional trade - veterinary, sanitary and phyto-sanitary services, harmonisation of standards, quality policy, export promotion activities, to name but a few.
- Progressive trade liberalisation with the EU and within the region is equally important to permit a smooth EU integration process. We have witnessed a number of difficult situations recently, where certain measures produced obstacles to free trade.
- **This should be avoided.** Protectionist trade measures can jeopardise overall trade security by affecting the correct functioning of agricultural markets.

- Instead, to be competitive your agriculture needs to re-adjust to the realities of an open market as part of the accession process. I would remind you that the EU is providing substantial assistance in this regard, particularly under IPARD.
- Mr Chairman, Ministers, the food and agriculture sector in the Western Balkans has great potential, but it also has great needs.
- Real financial resources have been made available through IPARD. **You are the link between the funds and those who need them. Do not become an obstacle, be an enabler!**
- **We are available to help, but we can never be your substitute in this task. You owe it to your farming and food sector to make IPARD a success and there is no time to lose in delivering on this objective.**
- For my part, I pledge my own support and that of my services in any way we can be helpful. Thank you for your attention.