



## Financial instruments under the new CAP

**Silvia Michelini**, Director, DG AGRI,  
European Commission

 #ficompass



## **Silvia Michelini, Director DG AGRI**

First of all, I would like to wish good morning to all participants.

Bruno, ladies and gentlemen, I'm very pleased to be here for the opening of this event today. You set already the scene about the Common Agricultural Policy.

Indeed, the agreement on the future CAP was reached and just a few days ago, COMAGRI voted on the package. So indeed, the policy is taking shape also on the formal side and we are getting there.. We all need to somehow absorb the outcome of the policy.

Of course, the European Parliament and the Council made their voice heard during the different stages of the trilogues. But we can also say that the fundamentals of the proposals are those that the Commission originally presented. You mentioned it, Bruno: we have a Common Agricultural Policy which is a fairer, more green, more animal friendly, and which is more flexible as well.

And also in the area of financial instruments, we have elements of flexibility, on which we will certainly focus today in the course of the seminar.

In general the new CAP will provide the tools to cope with the challenges of the green and digital transition. And we have the aim of making the food systems of Europe fit really for the future.

Now, in terms of process, there is really a lot to do in the next few months. The new policy will be in place from the 1st of January 2023, and right now we are in the framework of the preparation and the organisation for that. Once all the preparatory actions for the secondary legislation are over, then really the formal side of the reform will be completed. Right now, we are working on the secondary legislation of the implementing and delegated acts; we are also working in particular right now on the implementing act on the content of the CAP Strategic Plan. We are working on all the modules to make sure that this will happen. So we are discussing and exchanging with the Member States on the IT module to which Member States will actually submit the CAP Plans, SFC. Another important element of the process is the informal

structured dialogue with the Member States, with many of the authorities, which are right now listening and participating to this seminar are also part of this dialog.

We in DG AGRI set up already some time ago the Geographical Hubs., which are groups of colleagues as an entry point into AGRI for the authorities of the Member States in the preparation of the CAP Plans.

This informal phase for us is really key and I am sure also good for the public authorities involved, because we can really exchange and prepare a lot of ground ex ante. This will make our life easier next year after Member States will formally submit (by 1<sup>st</sup> of January) their Plans and then exchanging during the assessment phase.

Now, I think we all appreciate this informal exchange. And in a way, the webinar today is part of this informal preparatory phase. We have already a number of bilateral discussions with some Member States on the financial instruments in particular. I remember Spain, Portugal, Croatia among others. And we will certainly continue these activities with your support and the support from you Bruno, in the future, in this very intensive preparatory phase. Now, certainly the fact that there are

so many people attending today - Bruno you mentioned more than one in 220 people registered - clearly indicates the interest in financial instruments. I think we say often that financial instruments have a key role to play to make agriculture and rural areas stronger.

Indeed, we know that farmers do have an issue at times applying for loans because they often need to pay higher interest rates and banks also frequently require guarantees from them. And this results in the financial gap on which we have discussed also in earlier occasions, and exchanged on that, a financial gap in agriculture which is much wider than in the rest of the economy. And among the different categories, which are particularly touched by this issue we have new entrants and young farmers: often they lack adequate financial possibilities and for sure, the COVID-19 crisis has not made things easier for them and in general. Therefore we are also focusing very much on them.

Now, at the same time, financial instruments make really a positive contribution, for example, we know that in many ways, financial instruments can help also to deal with the Green Deal ambition. We are talking, for example, about the contribution of financial instruments to

the bioeconomy, to the circular economy and to many other sectors, actually. And there I would like to mention the Commission's Communication on the "Long-Term Vision for rural areas", which was adopted in June this year, which shows how investments in many sectors are important for farming, for agriculture and for rural areas.

But looking at some example, take organic farming, we know that there are many interesting opportunities coming from organic farming in terms of job creation, in terms of business opportunities, improved ecosystems, positive, of course, effects on soil, water and biodiversity.

And this is why we have an ambitious target which has been set in the Farm to Fork communication and also in the Biodiversity Strategy to reach 25% of agricultural land under organic farming by 2030. And there I think it's important also to use the financial instruments to get there. Investments, for example, in science source or in other digital technologies are also important for engaging in precision farming, which is a management approach which increases both the economic and the environmental sustainability. In general, all the investments in digital technologies are also making farming more attractive for young

people and also, of course, improving the quality of life for farmers and for rural communities in general. Indeed, we can see the use of financial instruments in those specific sectors as an example.

Now, certainly from our side, there is a strong recommendation to look at financial instruments very carefully and to introduce them where needed. Certainly, they remain voluntary and Member States will have the flexibility to do so and also to choose the type of financial instruments, the design they want to give to them and the way they want to set them up. However, we need to bear in mind that to set up financial instruments, we need time. We have seen, based on experience, that it takes between 6 months and 2-3 years to have financial instruments fully up and running. So what we suggest is really to work early on that and start as quickly as possible to prepare for them.

What is good is that the legal framework has simplified this preparatory phase in the sense that we are now making the set up easier. Certainly, this will be also discussed and presented in the course of the morning. But just to give you a few elements, we have introduced the option to finance a standalone working capital. We have cut eligibility

requirements. We have also eliminated the restriction of purchase of land by young farmers. And we also have the announced combination between financial instruments and grants, which we will also see more of today, and monitoring and reporting and the ex-ante assessment are being also streamlined.

The current situation for financial instruments is as follows: We have 30 financial instruments with a bit less than EUR 580 million of programmed EU resources, which corresponds to EUR 760 million of public expenditure and this means that compared to the past we have doubled the volume.

And in terms of Member States covered, we have now 14 Member States and 34 rural development programmes where financial instruments are being set up. So this is the current situation. We still want to achieve our objective of having close to EUR 2 billion of underlying portfolio for loans from all our instruments.

Now, Bruno, you indicated the participants today are managing authorities, public authorities, financial institutions. I think all of you can play really a key role in setting up this tool and in promoting it, as



it is good for rural areas and good for farming. On our side, we are always ready to support in this endeavour and certainly your active participation today would be an essential contribution for this important phase. So I thank you for your attention and I wish you a very good seminar today. Unfortunately, I cannot stay much longer but I am wishing you really an exciting and constructive conference experience.