



Insights from the set-up of the new and innovative CAP SP financial instruments in the EU MSs

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Difficult access to credit in the Abruzzo region/1

Characteristics of farms in the Abruzzo region

- **Companies** tend to remain **small**, with little propensity to invest in new technologies and digitalisation and with low internationalisation;
- **Most of the farms** are **owned** by **people** who are **over sixty** (out of 44,365 **farms just over three thousand** are run by **individuals under the age of 40**);
- **97% of farms in Abruzzo** are **individual or family businesses**, therefore with a **greater financial risk** for the owner;
- **Farm owners** tend to invest, although **at least 37% of them do not turn to the banking system for credit**;
- **80% of farm owners interviewed** plan to make **investments** in the next **5 years**;
- **There has been a constant increase** in prices of agricultural machinery and equipment in recent years;



Difficult access to credit in the Abruzzo region/2

The credit market in the agricultural sector in the Abruzzo region

- **Higher interest rates** due to perceived higher risk;
- **Lack of suitable guarantees** for covering part of the financing (the guarantees offered by farmers mainly consist of the owner's personal assets);
- **Inability/difficulty of credit institutions** to evaluate indicators of farms' solidity, profitability and cash flows in company balance sheets; these indicators are almost always missing;
- **Smaller farms** (gross salable production of less than 25 thousand euros), often located in the most disadvantaged and mountain areas, and young farmers (under the age of 30) are denied loans.

Financial instruments for agriculture in Abruzzo in the PSP 2023-2027

The Revolving Fund established with the SRD18 (11,9 Mln) and SRD19 (5 Mln) interventions of the CAP Regional Programme 2023-2027

Purpose of the FI

- Zero-interest loans for investments in tangible and intangible assets (no working capital)
- In combination with non-repayable grants for interventions SRD01, SRD02 and SRD13 of the CSR 2023-2027

Eligible investments

- **SRD18:** Agricultural productive investments for the competitiveness of agricultural companies (SRD01), and for the environment, climate and animal welfare (SRD02)
- **SRD19:** Investments for the processing and marketing of agricultural products (SRD13)



Body implementing the FI

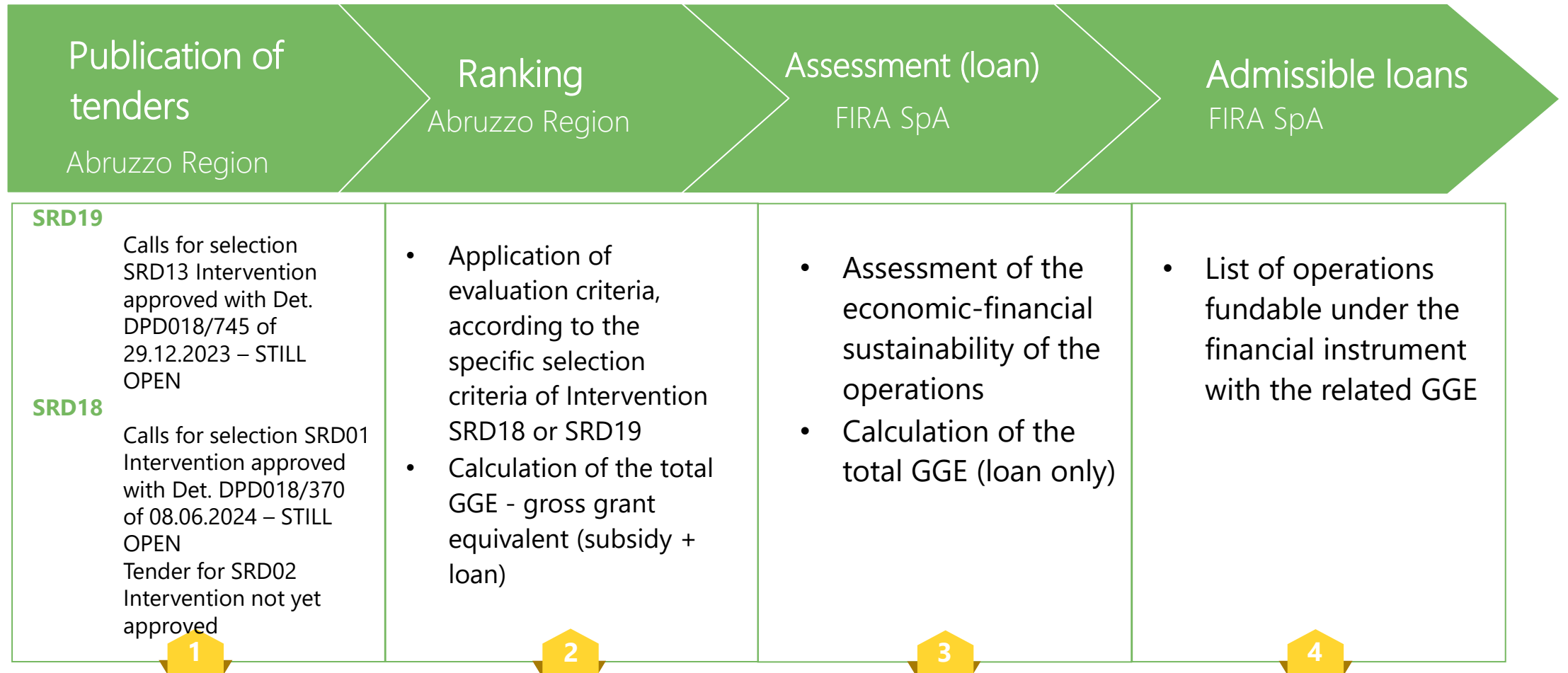
- In-house company of the Abruzzo Region, (Fi.R.A. S.p.A.) on the basis of the Financing Agreement signed on 14th February 2024

Final recipients

- Regional farms and companies operating in the processing and/or marketing agricultural products of Abruzzo;
- Priority for young people and farms located in areas subject to constraints
- N. of expected FR: 62 (out of which n. 56 under SRD18 and n. 6 under SRD19)

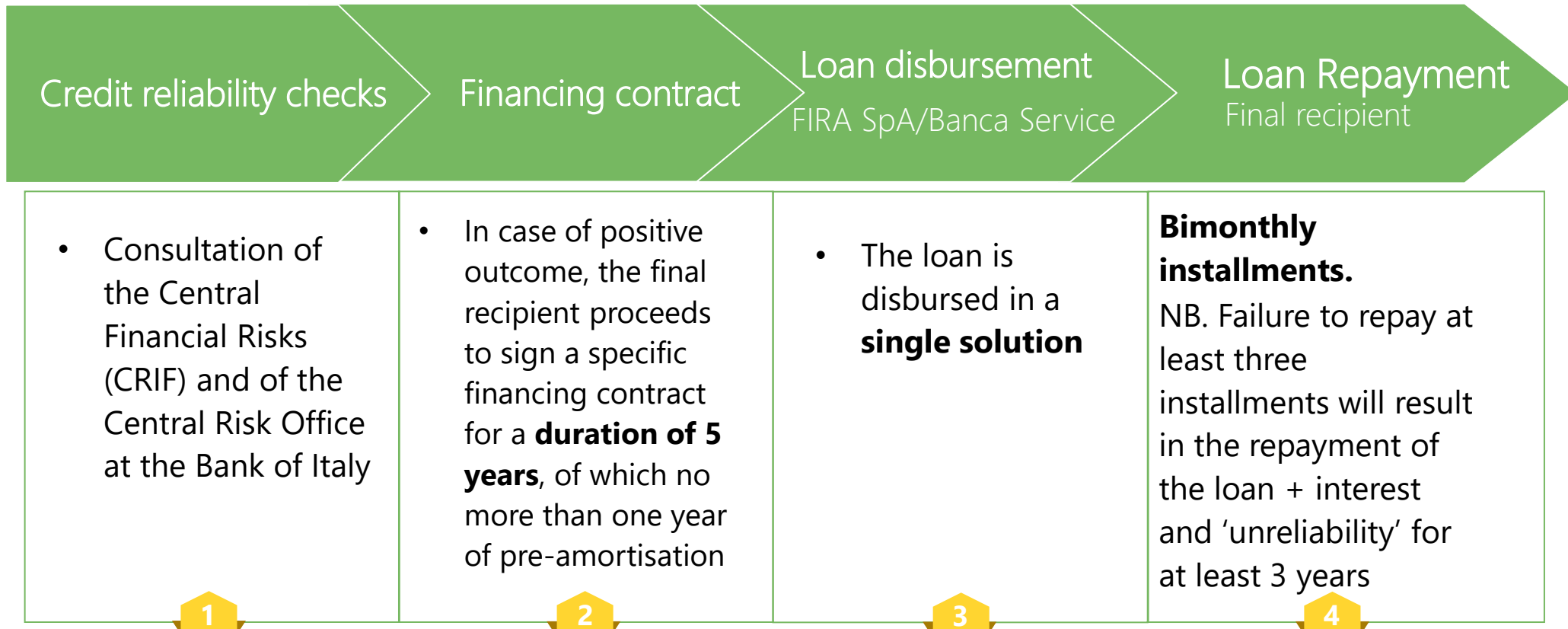


Steps to take from the selection of final recipients...





...to granting loans



In order to allow potential loan recipients to submit their applications (with reference to SRD13, SRD01 or SRD02), the "granting" procedure for the SRD18 and SRD19 Interventions to FIRA SpA on the **National Agricultural Information System (SIAN)** must be completed.

Disparity in regulation of financial instruments in EAFRD compared to regulations of other ESI Funds



1. **Non-applicability to the EAFRD** of the entire regulatory framework envisaged for FIs financed by other funds (ERDF, ESF+) with particular reference to art. 103, par. 6, 2nd subparagraph of Reg. (EU) 2021/1060 (not applicable to the EAFRD):

«The bodies implementing financial instruments shall not reimburse to Member States the amounts referred to in the first subparagraph provided that those bodies demonstrate for a given irregularity that the following cumulative conditions are fulfilled:

- (a) the irregularity occurred at the level of final recipients or, in the case of a holding fund, at the level of bodies implementing specific funds or final recipients;*
- (b) the bodies implementing financial instruments carried out their obligations, in relation to the programme contributions affected by the irregularity, in accordance with applicable law and acted with the degree of professional care, transparency and diligence expected from a professional body experienced in implementing financial instruments;*
- (c) the amounts affected by the irregularity could not be recovered notwithstanding that the bodies implementing financial instruments pursued all applicable contractual and legal measures with due diligence.*



Thank you!

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NEEDS and possible SOLUTIONS

From ex-ante evaluation to the design of the financial instruments



Farmers access to credit

- Bank loans for agriculture 2014-2023 Marche -28,8%; ITA -9,6 % 2020-2023 Marche -4,1%; ITA +1,1% ; only ¼ of bank loans to finance farms investments;
- Credit institutions difficulties in assessing farm's **financial soundness** and income capacity (scarcity of financial reporting; lack of specialists); longer return on investments
- Farms difficulty in accessing financing; lack of own resources; limited financial literacy; economic issues: rising interest rates; higher prices of means of production; losses due to climate change

MARCHE in 2020

33.800 farms;
92% individual or family run
63% farmers over 60 (ITA 57%)
Average size 13,5 hectares
80,6% UAA to arable crops (ITA 57,4%)

1.742 agrifood businesses
80% microenterprises; 214 small
(>10<49 employees); 22 medium; 2 big
Over 1000 baked and farinaceous products; 186 meat processing; 93 oils; 54 wines; 47 fruits and vegetables

The FI for farmers: SRD20 financial instrument and agricultural investment to increase the farm competitiveness EUR 7.000.000,00

- Financial instrument: "reinsurance" of the guarantee (a form of counter guarantee)
- Grants: reduction of the interest costs and of the guarantee expenses and fees
- Beneficiary: RTI Credito Futuro Marche (the body implementing the FI)
- Final recipients: farms eligible for the capital grant under SRD01 and SRD02 of CAP SP
- Aim: facilitate access to credit; promote the most appropriate loan **maturity** and grace periods

Agrifood sector access to credit

- Bank loans for agrifood sector 2014-23 Marche +5% ITA +13%
- Agrifood companies: cost of loans; inconsistency in the ability to access credit

It's the body implementing the Holding Fund created to support access to credit for regional businesses financed by: ERFD 21-27; ESF+21-27, EAFRD 23-27, regional funds

After a call for tenders, the management of the Holding Fund was granted to a temporary association of companies named "RTI Credito Futuro Marche" made up of 2 credit guarantee institutions and a bank

The Agreement with Marche region was signed on 19/9/2023

The FI for agrifood sector: SRD21 MARCHE financial instrument for investment in the processing and marketing of agricultural products EUR 3.000.000,00

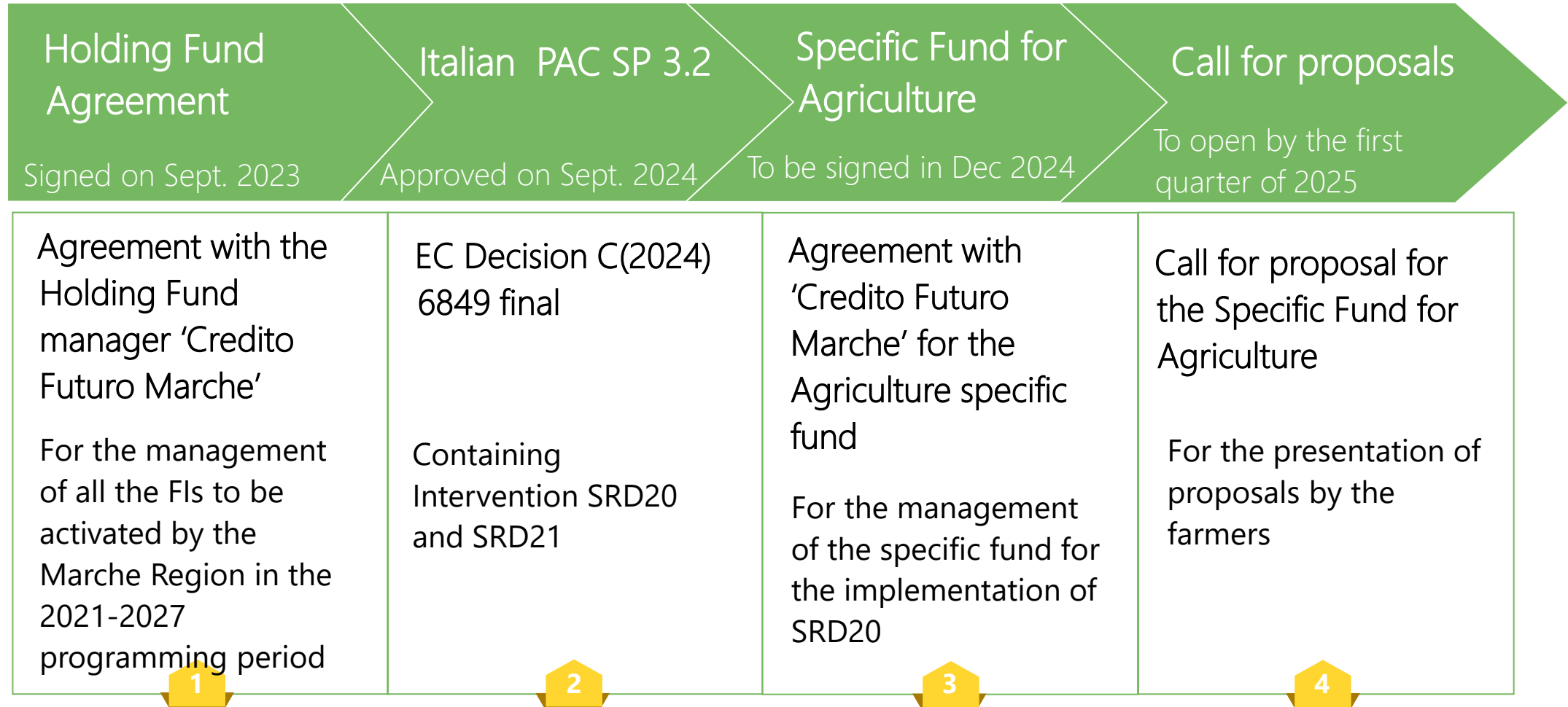
- zero-interest loans to cover a part of the private capital needed for investment
- Beneficiary: RTI Credito Futuro Marche
- Final recipients: agrifood businesses involved in the processing of agricultural products eligible for the capital grant under SRD13 of CAP SP
- Aim: reduction of costs (in addition to risk sharing benefits, no costs for the financial provision are necessary)
- revolving effect allowing the reuse of resources for the benefit of other businesses





Where are we at?

Implementation of SRD 20 – FI for farms





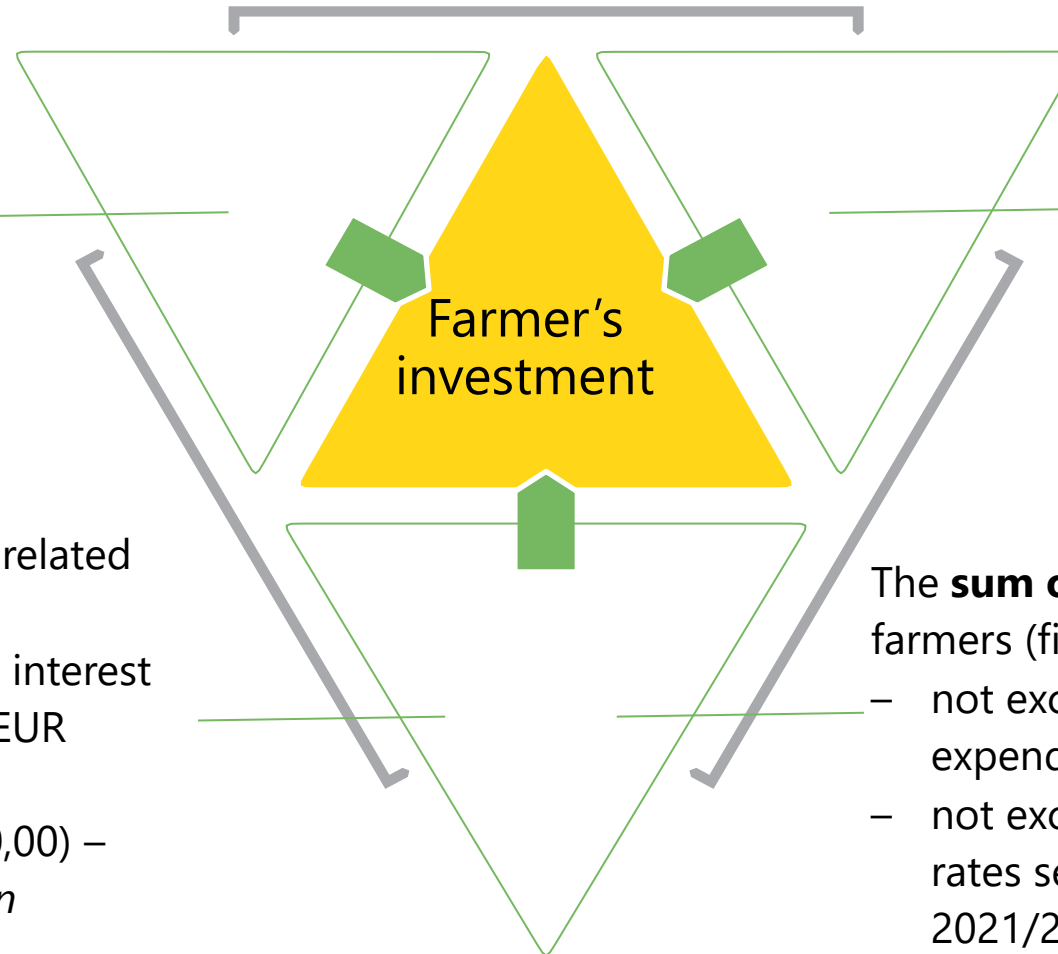
SRD20 – FI for farmers

How does it work?

Contribution SRD01 granted by the Marche Region for the **40% of the investment** – *combination in two operations*

SRD20 provides for:

- a FI, i.e. the **counter guarantee** related to the loan
- a **grant**, i.e. the reduction of the interest rate of the loan (up to 2%, max EUR 25.000,00) and reduction of the guarantee fees (max EUR 12.500,00) – *combination in a single operation*



Loan from a private bank up to **60% of the investment** (share not covered by the SRD01 contribution) max 120 months

The **sum of the combined support** to farmers (final recipient) shall:

- not exceed the related investment expenditure
- not exceed the maximum support rates set out in Regulation (EU) 2021/2115



SRD20 – FI for farmers

Which is the expected contribution of the FI?

The assumptions of SRD20

Ex-ante assessment carried out by an external evaluator

Average investment expenditure of EUR 250.000,00

Average loan amount of EUR 150.000,00 (60% of the investment)

GGE¹ counter guarantee: EUR 12.186,78
GGE grant: EUR 21.367,82

The expected contribution of SRD20 of the ex-ante assessment

Fund budget: EUR 7.000.000,00

Total number of operations: around 270
Total amount of loans: approx. EUR 40.000.000,00

Leverage effect: 5,73



Thank you!

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FI implementation aspects within the Strategic Plan of the Common Agricultural Policy of Latvia for 2023-2027

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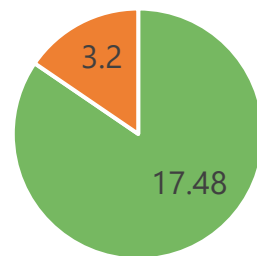


The history of FI implementation in Latvia

Under Rural development programme 2014-2020:

- Financial instruments implemented since 2022:
 - loan programme for small and middle agriculture holdings, young farmers, processing of agricultural products and non agriculture activities;
 - credit guarantees for agriculture holdings, processing of agricultural products and non agriculture activities.
- The **purpose** of the loan programme:
 - to encourage citizens to engage in economic activity;
 - to increase access to financial resources for small and middle agricultural holdings/ enterprise's in the agriculture and rural areas.

Loans and credit guarantees, mio.EUR

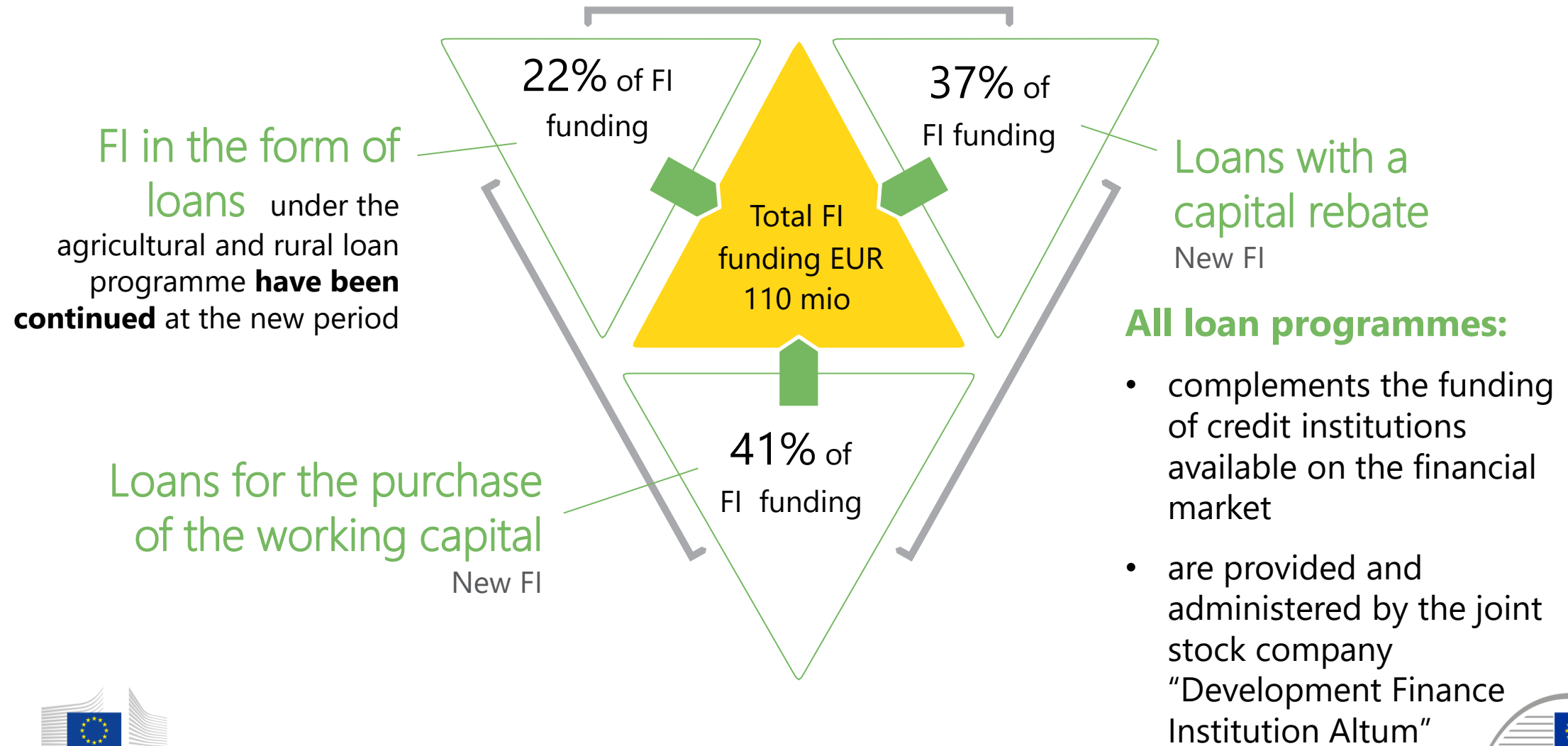


■ granted ■ left

- 532 loans and credit guarantees
- Average amount of one loan EUR 32 857



FI planned within the Strategic Plan of the Common Agricultural Policy of Latvia for 2023-2027 (I)





FI planned within the Strategic Plan of the Common Agricultural Policy of Latvia for 2023-2027 (II)

New FI - agricultural and farm loans with a capital rebate

The purpose of the loan programme

- to provide support for the implementation of viable projects;
- to increase the availability of financial resources to economic operators in the agricultural and rural development sectors.

Investment loan up to EUR 250,000

The capital rebate - up to 50% of the amount of the loan granted, but not exceeding a maximum of EUR 100 000

The term of the loan – no longer than 15 years

The capital rebate - ONLY after results will be achieved



FI planned within the Strategic Plan of the Common Agricultural Policy of Latvia for 2023-2027(III)

- FI in the form of **loans with a capital rebate** is planned to support
 - agriculture holdings
 - young farmers
 - processing of agricultural products
 - non agriculture activities
- Legal framework of the programme - in the development process



FI planned within the Strategic Plan of the ^{Public} Common Agricultural Policy of Latvia for 2023-2027(IV)



New FI - Loans for the purchase of the working capital

The purpose of the loan programme:

to increase access to financial resources for agricultural holdings.

- Legal framework of the programme - in the development process
- !!! This is currently the most popular state support loan program!!!

Loans for the purchase of the working capital programme is planned to grant within the investment intervention for agricultural holdings

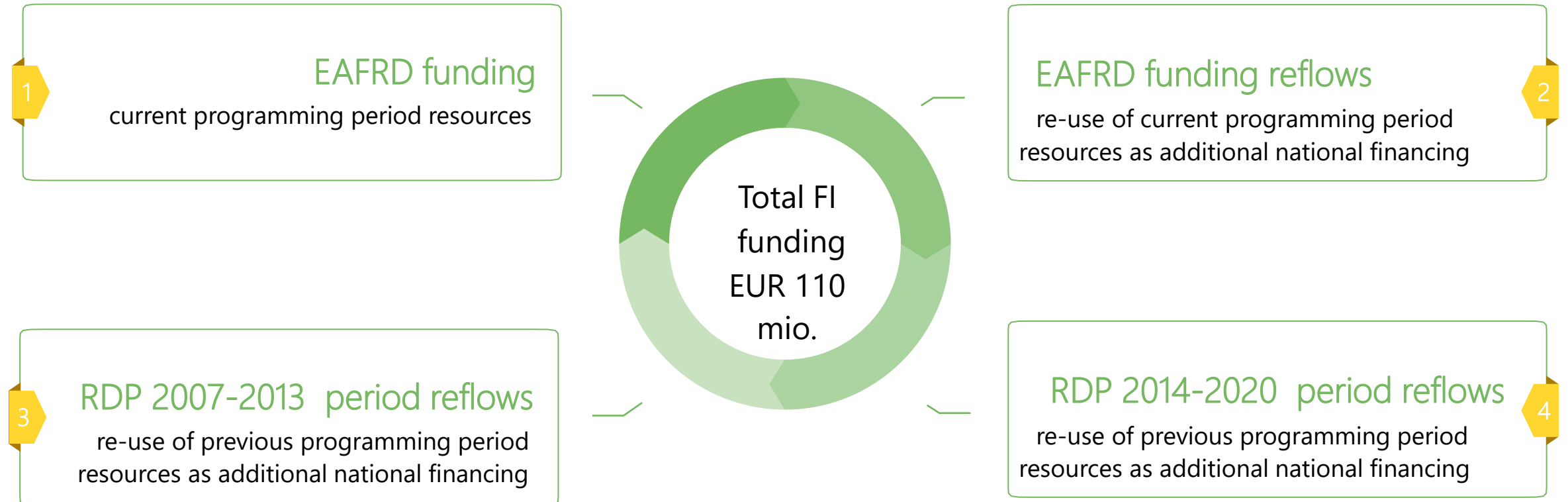
The term of the loan is no longer than two years





FI Funding

It is planned to fund the loan programmes by:



According to the Article 9(1), point (e)(ii) CDR 2014-2020 and Article 59(9) CPR 2021-2027 **separate traceability of programme resources and FI reflows should be ensured.**



FI with additional national financing within SP CAP

How to programme?

EAFRD + additional financing

FI programme financing is defined with EAFRD funding (at least in the first year of FI implementation and a respective planned unit amount is present) and with additional national financing.

Outputs

Outputs, generated by additional national financing should be reflected with the total outputs.

SP CAP rules vs. State Aid Rules

In this case, the State Aid Rules to the mentioned loan programmes shouldn't be applicable for the agricultural sector. However, State Aid Rules should be implemented for the non-agricultural entrepreneurs.



Thank you!

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