AECM reply to the European Commission's consultation on proposed amendments to Regulations (EU) 2021/2115 and Regulation (EU) 2021/2116

AECM and its members welcome the European Commission's second CAP simplification package and express strong support for the proposed amendments to Regulation (EU) 2021/2115 and Regulation (EU) 2021/2116. These amendments represent a positive step toward enhancing the competitiveness of EU farms, reducing administrative burdens for both, farmers and public authorities, and better accommodating the diverse realities and needs of farmers across the EU.

Representing guarantee institutions whose core mission is to facilitate access to finance for SMEs - including small farmers, as well as agricultural and rural businesses across Europe - we would like to share the following comments and reactions to the Commission's proposed changes to the CAP legislation.

Payments for small farmers

We strongly support the proposed increase of the simplified annual payment for small farmers to up to EUR 2 500. This measure will significantly enhance accessibility for small-scale farms and may encourage more farmers to participate in the scheme. We also welcome the flexibility granted to Member States to allow farmers receiving the lump-sum payment to apply for support under eco-schemes, which promotes broader inclusion and sustainability.

Business development of small farms

We welcome the introduction of a new form of installation aid under rural development. It is encouraging that Member States will have the option to support small farms through a one-off payment of up to EUR 50 000 to foster business development.

Crisis payments

We welcome the option granted to Member States to include in their CAP Strategic Plans a new type of direct payment and a new rural development intervention aimed at supporting farmers affected by natural disasters, adverse climatic events, or catastrophic shocks. However, we regret that no additional CAP funding is allocated to support these measures. Given the increasing frequency and severity of climate-related events, and since it is not straightforward for famers to insure themselves against such shocks, there is a growing risk that the financial burden of such interventions will erode the overall CAP budget.

We also regret that the agricultural crisis reserve will no longer be used to address climate impacts unless those impacts result in market disturbances. This may limit the EU's capacity to respond effectively to the broader consequences of climate change on agriculture.

Furthermore, we acknowledge that the possibility for Member States to co-finance crisis payments with additional national funding - up to 200% - is a valuable tool for responding to such events. However, we would like to highlight that this approach, as it heavily relies on national budgetary capacities, may risk creating distortions in the level playing field across the EU. To ensure fairness and consistency, we believe that all Member States should be required to co-finance crisis payments up to a certain common level.

CAP Strategic Plans amendments

We strongly welcome the proposal requiring Member States to submit only strategic amendments of their CAP Strategic Plans for Commission approval, while allowing other amendments to be simply notified. This distinction represents a meaningful step toward reducing administrative burden and enhancing flexibility in the implementation of the CAP.

However, to assure legal certainty regarding the scope of these changes, it is essential to clearly define what constitutes a "non-strategic" amendment to ensure consistent interpretation across Member States.

Controls and checks on farmers

We strongly welcome the proposal to ease the administrative burden on farmers by introducing the principle of "one control per year," which aims to reduce the frequency and pressure of inspections.

Specific rules for financial instruments

The European Commission's proposed amendments to Article 80 of Regulation (EU) 2021/2115 represent a significant step forward in enhancing the use of financial instruments under the CAP. We welcome the alignment of the audit trail requirements for agricultural financial instruments with the broader EU funding rules set out in Regulation (EU) 2021/1060 - the Common Provisions Regulation. It is also a positive development that VAT will be eligible for reimbursement when investments are made through financial instruments, which could help incentivise their use.

To fully realise the potential of these improvements, we recommend that Member States provide clear guidance and invest in capacity-building to help beneficiaries understand and effectively access these tools. Furthermore, the implementation of financial instruments should be entrusted to national and regional financial institutions, which possess the necessary expertise and local knowledge to engage effectively with SMEs and address their specific needs.

EAFRD and InvestEU

The proposed amendments to Article 81 of Regulation (EU) 2021/2115 are strongly welcomed, as they enhance the practical implementation of Member State contributions to InvestEU through CAP funding. Specifically, the inclusion of clear timeframes, fallback procedures, and reallocation rules strengthens financial discipline and improves overall clarity. These changes provide legal certainty for both Member States and the European Commission regarding the consequences of delays or cancellations in InvestEU participation. Moreover, they encourage greater use of financial instruments, ideally in form of counter-guarantees, which have the potential to mobilise additional private investment in rural areas.

Simplified cost options

We fully support the Commission's proposal to allow the use of simplified cost options, as established under Regulation (EU) 2021/1060, for investments and rural development interventions without requiring additional documentation. This represents a meaningful step toward reducing administrative burden for both, farmers and managing authorities.

Better coordination between EAGF and EAFRD for performance reviews

We very much welcome the Commission's proposal to simplify and harmonize the rules on the eligibility of expenditure under the EAGF (European Agricultural Guarantee Fund) and the EAFRD (European Agricultural Fund for Rural Development) in the context of amendments to CAP Strategic Plans. We are confident that these changes will enhance the efficiency of the amendment process and provide Member States with greater flexibility in determining when the changes should take effect.

Application of the new rules

As the implementation of the new rules requires amendments to national CAP Strategic Plans, we urge the institutions to reach an agreement well before the end of 2025. This way farmers could begin benefiting from the proposed relief measures as early as 2026.

With regard to the remaining proposed amendments, AECM and its members express their support.

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About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe[1]. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. At the end of 2023, 4.7 million SMEs were in the portfolios of AECM members.

Currently, 20 AECM members support Agri-SMEs and 5 of them are exclusively agriculture-oriented guarantee institutions.

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[1] https://aecm.eu/members/our-members/