

Breakout group 3 discussion



Better methods for better durability results

Subjects discussed:

This breakout group gathered examples of how different MS deal with external factors that could influence the success of funded projects (e.g. the Ukrainian war, rising prices, etc.) and the margin of flexibility in different Member states (MS) available to mitigate these factors. Different ways to improve durability and the use of investments for their intended purpose were discussed. The feasibility and potential of financial instruments was also considered. Financial instruments, such as loans, are seen as a useful tool, but not currently available for use in the majority of Member States CAP Strategic Plans.

Specified MS example that kicked-off the discussion:

In Bulgaria, in order to avoid the cancellation or failure of contracts, a scheme exists to help to lessen the burden of increased project investment costs. Flexibility is provided to adjust (usually upwards) the total grant funding for non-productive investments after their initial award. This is often used to account for inflation of investment costs and the process may be initiated by the beneficiary. The Bulgarian authorities have developed an index to assess the appropriate increase of different cost categories (for example construction costs). The additional money comes from non-selected projects or additional national funds. This helps to reduce the number of project failures.



Summary of the discussion:

Response to externalities

- Different MS gave different examples of how they deal with major externalities or crises. Hungary, for example, allows beneficiaries to modify their projects after the initial intervention within limits, such as changes in machinery or types of buildings.
- In Bulgaria, for non-productive investments, project holders may modify their original contract and update the cost of the grant.
- Greece has faced variable input prices; therefore, they give projects time for 'normalisation', sometimes amending the investment and providing for increased costs.

Intelligent flexibility

- Although [grant] adjustments are possible in some situations, some MS agree that there should be a high degree of flexibility regarding allowable grant percentages. Specifically, lower rates may even be more appropriate and reduce distortion (funding what can attract a grant rather than what is best for the business or organisation).
- 'Smart' and tailored criteria, especially selection criteria, are time and resource-consuming to set up but worthwhile in terms of improving eventual results.
- Most MS representatives in the workshop agreed that diversification projects need more time to complete and more flexibility.

Financial instruments

- Regarding the use of financial instruments, 12 MS present in the Workshop use some form of financial instruments. For example, Croatia successfully uses financial instruments in the form of flexible investment support if justified.
- In Greece, there is a durable investment scheme open to Young Farmers which combines in a single operation: i) a loan element and ii) a grant; i.e. the grant is only available in cases where the loan element has been taken up.
- Sweden, on the other hand, does not use financial instruments. A study conducted on the long-term effects of grant-supported investments on competitiveness in Sweden found 'no negative effects'.

A broader perspective

- Austria has fixed support rates but acknowledges the need for project owners to receive the correct training according to their trade.
- Belgium has adopted a model where projects can receive higher support rates for sustainable practices, which ensures that farmers will invest in environmental materials instead of, for example, machinery.
- To ensure that the soundest projects are selected, Bulgaria looks at the past three years of profit data for each applicant and the educational level of the project managers and/or employees.
- Italy adjusts selection criteria for projects based on the learning curves of the previous programme.

Recommendations or actions proposed:

- The development of specific and smart selection criteria is important to maximise the likelihood of achieving the best results, not only in different MS but also between different types of investment.
- In general, lower grant rates may be appropriate for successful, durable investments in some circumstances, leading to more 'ownership' of productive investments by project holders and less investment distortion.
- Using financial instruments (other than grants) is a good option in some MS.
- Some evidence suggests that improvements in competitiveness for grant-funded productive investments are only fully achieved significantly after the formal time period required to indicate that an investment is 'durable'.
- MS should use other tools/financial instruments that interact with the policy. Accompanying support measures such as training and advice are important to improve results.
- To improve sustainability, investments should focus on sectorial characteristics.



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