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EACB Statement to EBAF on simplification

The **European Association of Co-operative Banks** (EACB) is the voice of the cooperative banks in Europe. It represents, promotes and defends the common interests of its 27 member institutions and of cooperative banks in general. Cooperative banks form decentralised networks which are subject to banking as well as cooperative legislation. Democracy, transparency and proximity are the three key characteristics of the cooperative banks' business model. With 2,500 locally operating banks and 40,000 outlets cooperative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 227 million customers, mainly consumers, retailers and communities. The cooperative banks in Europe represent 90 million members and 737,000 employees and have a total average market share of about 20%.

For further details, please visit www.eacb.coop

Contact:

The EACB trusts that its comments will be taken into account.

For further information or questions on this paper, please contact:

- Mr Volker Heegemann, Head of Department (volker.heegemann@eacb.coop)
- Ms Pauline Hascoet, Senior adviser, Sustainable finance and corporate governance (pauline.hascoet@eacb.coop)

EU cooperative banks play a vital role in financing agriculture, including for small and medium-sized farms and rural enterprises. As trusted and locally rooted institutions, they are also key intermediaries for EU financial instruments and important advisors for CAP-related support, playing an essential role. To achieve greater efficiency, different actors in the agri-finance sector should be adequately supported in providing such services.

The current EU regulatory framework surrounding agri-finance is often overly complex, fragmented across jurisdictions, and burdensome, especially for smaller actors and first-time applicants. As such, the EACB supports the simplification measures proposed on 14 May in their aim to streamline and simplify applicable requirements, moving toward a more investment-friendly framework, enabling a competitive and economically sustainable sector. At the same time, the EACB emphasizes that simplification (or even deregulation) should not impact the environmental and climate goals of the CAP, which should continue to support the movement towards a more sustainable food system. Furthermore, farmers need clarity on policy goals and a level playing field, particularly in circumstances of deregulation and greater national flexibility.

The Commission's proposal calls for immediate changes in the working of the current CAP (until 2027), while the new CAP proposals are already on the horizon. There is a risk of further increasing the uncertainties faced by farmers, by repeatedly changing the 'rules of the game', whereas farmers would actually benefit from a more stable policy environment. In this context it is noted that this proposal has not been accompanied by an impact assessment by the European Commission. Therefore, uncertainties remain as to the consequences of the proposals for the real life application of the CAP.

In terms of simplification and increasing efficiency, the EACB takes the view that all actors concerned should be able to rely on user-friendly templates. Administrative platforms should interoperable, enabling swift data exchange between farmers, banks, and public authorities. In general, greater support should be provided to the agri sector for the adoption of new tools enhancing digitalization and innovation.
These steps can significantly reduce delays, costs, and uncertainty in the financing chain. Certain farm-level data reported under the CAP should be made available (subject to data owners' consent) to actors in the financial sector where necessary and relevant. A possible solution would be to rely on the Voluntary SME reporting standard developed by EFRAG as a point of reference to align different reporting requirements and limit them to what is truly necessary.

Improving the bankability of CAP measures is equally essential. Farmers and lenders alike need clear and stable information on CAP rules and funding opportunities. Support schemes should be designed in a way that aligns with risk-based credit assessment methods. Overlapping or ambiguous compliance obligations, such as those relating to conditionality or environmental assessments, must be clarified and reduced, to avoid unnecessary barriers to investment.

Access to financial instruments also needs to be expanded and simplified. Guarantee schemes and blended finance mechanisms under InvestEU and the EAFRD should be more broadly available and adapted to the realities of farming and agribusiness models. Rules governing co-financing and eligibility should be aligned more closely with national subsidy schemes to ensure consistency and usability. Where appropriate, simplified cost options and flat-rate financing models should be encouraged, as they reduce the documentation burden and administrative effort for all parties involved.

Additionally, it is key for the regulatory framework to be harmonized at EU level, avoiding fragmentation. Nonetheless, requirements applicable to farming practices as linked to guarantee and subsidy schemes, should be well adapted to the realities of the territory and practices relevant to the farmer's operations. As of today, many of these frameworks are deemed not worth applying for by farmers as they are ill-fitted and perceived as impossible to comply with (eg. requiring reporting on activities that are not relevant to the particular practice at hand).

EACB AISBL – Secretariat • Rue de l'Industrie 26-38 • B-1040 Brussels
Tel: (+32 2) 230 11 24 • Enterprise 0896.081.149 • lobbying register 4172526951-19
www.eacb.coop • e-mail : secretariat@eacb.coop

As regards smaller holdings, we welcome the increase in the de-minimis threshold but take the view that it could be further raised, as unchanged high due diligence costs still work against micro-financing opportunities.

Finally, we support the new incentives regarding the alignment of support rates with climate insurance coverage, in particular as a risk-lowering factor for bank financing. To go further, an EU-level reinsurance or catastrophic event backstop would be useful to de-risk banks' portfolios, in view of potential destructive climate events in the coming years.

A truly simplified EU regulatory environment for agri-finance will make it easier for farmers to access funding and for banks to provide it efficiently and responsibly. EU cooperative banks stand ready to support the development and implementation of a more proportionate and risk-sensitive regulatory framework that fosters inclusive rural investment, advances environmental sustainability, and strengthens the resilience of Europe's agricultural sector.

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