

## Information to the Member States on the use of the European Agricultural Fund for Rural Development (EAFRD) to cope with the socio-economic impact of the corona virus outbreak in rural areas

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In response to the outbreak of the corona virus, the Member States and their Managing Authorities are reminded of all the possibilities to use their Rural Development Programmes (RDPs) and the remaining financial resources to mitigate the socio-economic impact of the crisis and help farmers to confront emerging challenges.

### 1. EAFRD measures

Under the 2014-2020 RDPs several forms of support are available and can be used to alleviate difficult socio-economic conditions. While the majority of the rural development measures work in the logic of multi-annual programming with the view to enhance long-term structural adjustments, some of them can be quickly mobilised to offer an immediate response to critical situations such as the COVID-19 crisis. Rural development measures under Regulation (EU) 1305/2013, which can be used to address the implications of the corona virus outbreak include:

- **Basic services and village renewal in rural areas** (Art. 20): This measure can support investments in small local infrastructures and basic services in rural areas. This can include investments in medical facilities and small-scale infrastructure in rural areas such as the acquisition of equipment, the adaptation of the health centres to treat growing numbers of patients or the set-up of mobile health facilities to carry out tests and provide treatments to farmers and rural inhabitants. It is however to note that investment support cannot be used for disposable material.
- **Cooperation** (Art. 35): This measure can be used, for instance, to set up home delivery services of food and basic products or medicines to isolated rural inhabitants. It can also support cooperation in the field of the supply chain, including direct selling by farmers. Furthermore, support under this measure can be mobilised to cooperate in view of improving services related to health care, social integration, community-supported agriculture including the provision of childcare services. This measure can also be used to support the cost of cooperation itself (e.g. running costs such as salary of the personnel or direct costs of specific projects, including investment costs) .

- **Risk management (Art. 36):** The objective of the measure is to establish a long-term safety net to protect farmers' incomes from market volatility and production risks including to subsidising insurance premia for farmers who have contracts with insurance companies. Risk management measures can offer support for farmers participating in mutual funds so that they can benefit from payments to compensate income losses due to catastrophic events (when income drops beyond certain pre-defined thresholds) or in the event of severe economic losses (so-called 'Income Stabilisation Tool' - IST). They foresee farmers' direct participation in the scheme with the view to stimulate their direct management of production risks in the long-term. The EAFRD can support the setting-up of such mutual funds and partially contribute to the financial compensation paid to affiliated farmers in case of activation of the tool.
- **LEADER local action groups (Art. 42)** can support the development of basic services and health care facilities as part of their local development strategies, including investments and the provision of care services.
- **Advisory and farm relief services (Art. 15):** This measure can be used to help farmers, forest holders or other land managers to improve the resilience of their holdings and promote farm relief. It can also support SME with regard to the issues linked to the economic performance of the enterprise by providing specialised advice, and developing new business models to diversify supply chains and make businesses more resistant.
- **Technical assistance (Art. 51):** It can be used to support any actions that facilitate the effective implementation of the programmes and which are especially relevant in times of crisis. For example, trainings or communication events that were initially planned through technical assistance, which have been cancelled, could still be reimbursed. It could also be used by national administrations to adapt the current IT systems and enable remote working for staff dealing with the implementation of the programmes or in order to reinforce inspection services with additional tools to carry out controls
- **Restoring agricultural production potential (Art 18):** It is an investment measure aiming at restoring the production potential following natural or other catastrophic events (e.g. droughts, floods, earthquakes, etc.), with the aim to provide an immediate relief to farmers and facilitate a quick return to normal production conditions. The

emergency nature of the measure is underpinned by a support rate of 100% (i.e. the costs of the investments incurred by the beneficiaries are covered in full). The measure can also be used for preventive actions aimed at reducing the consequences of probable natural disasters, adverse climatic events and catastrophic events. It is to be noted that the use of Measure 5 in facing the COVID-19 crisis can only be limited, as the COVID-19 has not compromised the production potential (e.g. in terms of machineries, infrastructures, buildings, permanent crops or other production means).

- In addition, **financial instruments** set-up in accordance with Article 37 of Regulation 1303/2015 and EAFRD-specific rules continue to offer financial assistance in the agricultural sector and in rural areas. Under the EAFRD, standalone working capital finance is not eligible, but is available only when the final recipient also has an investment supported under the RDP.

## **2. Flexibilities to allow use of EAFRD measures**

In order to reinforce the responsiveness of the measures above to mitigate the impact of the crisis, Member States have the possibility to **modify their RDPs by introducing new measures or shifting available funds between measures (including towards the under-performing priorities under the 2019 performance review)**, for example towards the measures particularly relevant to cope with the corona virus outbreak.

- Requests for programme amendments can be made pursuant to Article 11(b) of Regulation 1305/2013. Such amendments may consist of introducing new measures, changing measures' descriptions (including eligibility conditions) or transferring funds between measures. Where the transfers of funds concerns less than 20% of the allocation to a measure and less than 5% of the total EAFRD contribution to the programme, requests for modifications are processed within a shorter deadline of 42 working days.
- Programmes amendments introducing emergency measures due to catastrophic events or significant and sudden change in the socio-economic conditions are not subject to the provisions concerning maximum number of amendments under Article 4(2) of Regulation 808/2014.

- The Commission services have put in place procedures to speed up approval of such modifications and are committed to assess Member States' requests to modify their RDPs made in response to the outbreak of the corona virus as soon as possible.

With regard to the **eligibility of expenditure**:

- In cases of emergency due to catastrophic events or a significant and sudden change in the socio-economic conditions, according to Article 60(1) and (2) of Regulation 1305/2013, Member States or regions may provide in their Rural Development Programmes that expenditure is eligible from the date when the event occurred and thus before an application has been submitted.

**Flexibilities also exist with regard to beneficiaries in case of force majeure or exceptional circumstances :**

- As regards the area and animal related measures, in the event of a beneficiary being unable to fulfil the commitment as a result of a force majeure or exceptional circumstances, the respective payment shall be proportionally withdrawn only for those parts of the commitment, for which additional costs or income foregone did not take place before the force majeure or exceptional circumstances occurred. No withdrawal shall apply in relation to the eligibility criteria and other obligations and no administrative penalty shall apply.
- As regards other rural development support measures, such as investments, the Member States shall not require a partial or full reimbursement of the support. In case of multiannual commitments or payments, reimbursement of support received in previous years shall not be required and the commitment or payment shall be continued in the subsequent years in accordance with its original duration (Article 4 of Regulation 640/2014).
- Use of advances: For area-based measures the Commission has the possibility to allow payments of increased advances (from 70 to 85%) after MS has completed the administrative checks. Member States have also the possibility to grant advances for beneficiaries of investments and Local Action Groups if this possibility was foreseen in the RDP. The advances should be covered by a bank guarantee of an equivalent guarantee issue by the public authorities.

### **3. Additional initiatives**

The Commissioner announced its intention to propose the legal steps to allow Member States to extend by one month the deadline for farmers to submit their CAP's application, including applications for animal and area-based rural development measures. He also asked services to be ready to support Member States in case any other flexibility would be needed in relation to the CAP's implementation. See letter from Commissioner Wojciechowski to EU agriculture Ministers: [https://ec.europa.eu/info/news/letter-commissioner-wojciechowski-eu-agriculture-ministers-2020-mar-19\\_en](https://ec.europa.eu/info/news/letter-commissioner-wojciechowski-eu-agriculture-ministers-2020-mar-19_en)

In addition, on 13 March 2020, the European Commission adopted a Corona Response Investment Initiative proposal, amending Regulation 1303/2013 with the view to **mobilise investments** in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak. The proposed amendments clarify that expenditure for operations for fostering crisis response capacities shall be eligible under the European Investment and Structural Funds as of 1 February 2020. This proposal was adopted under exceptional procedure by the co-legislators.

[https://ec.europa.eu/info/files/proposal-regulation-covid-19-response-investment-initiative\\_en](https://ec.europa.eu/info/files/proposal-regulation-covid-19-response-investment-initiative_en)

Furthermore, the European Commission has also adopted a **Temporary Framework for state aid** measures to support the economy in the current COVID-19 outbreak. This framework will enable Member States to use the full flexibility foreseen under State aid rules to support the economy in this difficult context. Specific aids for agriculture and for SMEs are notably covered: Member States can grant up to EUR 100 000 per undertaking active in the primary production of agricultural products and up to 800 000 for companies active in the processing and marketing of agricultural products.

Member States can decide to take measures in the form of 50% interest rate- and guarantee fee subsidies both for investment and working capital loans. Public guarantees can go up to 90%, when the losses are shared proportionately by the public guarantor and the financial intermediaries. When losses are attributed first to the public guarantee (such as first loss portfolio guarantees), the guarantee rate can be up to 35% of the total financial commitment.

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