Agricultural Fund for Rural Development (EAFRD): increased contribution rates for certain Member States

2011/0209(COD) - 01/08/2011 - Legislative proposal

PURPOSE: to provide increased support from the EAFRD to the Member States in difficulties or threatened with severe difficulties with respect to their financial stability due to the global financial crisis.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the deepening of the financial crisis in some of the Member States is undoubtedly affecting substantially the real economy due to the amount of debt and the difficulties encountered by the Governments to borrow money from the market. In this context, ensuring a smooth implementation of rural development programmes is of particular importance as a tool for providing financial assistance to the real economy.

Nonetheless, the implementation of the programmes is often challenging as a result of the liquidity problems resulting from budget constraints. This is particularly the case for those Member States which have been most affected by the crisis and have received financial assistance under a programme from the Balance of Payments (BoP) mechanism for non EURO countries or from the European Financial Stabilisation Mechanism (EFSM) for the EURO countries.

To date, six countries have requested financial assistance under these mechanisms and have agreed with the Commission a macro-economic adjustment programme. Hungary has received financial assistance from 2009 but has exited the support mechanism in 2010. The remaining five countries are Romania and Latvia under the BoP and Portugal, Greece, and Ireland under the EFSM.

In order to help these Member States to continue the implementation of the programmes on the ground and disburse funds to projects, the current proposal contains provisions that allow the EAFRD contribution rate applicable to the rural development programmes of these MS to be increased.

IMPACT ASSESSMENT: the proposal will allow the Commission to approve higher EAFRD contribution rates for the countries concerned, for as long as they are under the support mechanisms.

LEGAL BASIS: Articles 42 and 43 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: it is proposed to amend Council Regulation 1698/2005 in order to allow the EAFRD contribution rate applicable to the rural development programmes of the Member States concerned to be **increased up to**:

- **95%** of eligible public expenditure in the regions eligible under the Convergence objective, the outermost regions and the smaller Aegean Islands;
- **85%** of eligible public expenditure in other regions, for as long as they are under the support mechanisms.

This will be a **temporary measure** which will be terminated once the Member State exits the support mechanism.

BUDGETARY IMPLICATION: there is no impact on commitment appropriations since no modification is proposed to the maximum amounts of EAFRD financing provided for in the Operational Programmes for the programming period 2007-2013.

On the basis of the forecasts of expenditure sent to the Commission to date by the Member States concerned, an additional EUR 90 million from the 2011 budget if the proposal is approved in time, and EUR 470 million from the 2012 budget might be necessary to be paid out in case the Member States decide to use the maximum co-finance rate allowed.

The Commission will in 2012 review the need for additional payment appropriations and if necessary propose the relevant actions to the Budgetary Authority.