

European Agricultural Fund for Rural Development (EAFRD): extension of derogation to use increased co-financing rates for Member States threatened with serious difficulties with respect to their financial stability

2013/0247(COD) - 11/07/2013 - Legislative proposal

PURPOSE: to provide increased aid by means of **the European Agricultural Fund for Rural Development (EAFRD)** to certain Member States experiencing serious difficulties and with deterioration in their deficit and debt position as a result of the international economic and financial environment.

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

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the sustained financial and economic crisis has put national financial resources under pressure as Member States pursue necessary policies of fiscal consolidation. The resulting **liquidity problems have created difficulties in regard to the implementation of rural development programmes**. This is particularly the case for those Member States which have been most affected by the financial crisis and have received financial assistance under an adjustment programme (seven countries currently benefit from a macroeconomic adjustment programme with the Commission).

It is therefore necessary to extend the derogation provided for in Council Regulation (EC) No 1698/2005 allowing those Member States experiencing serious difficulties in terms of financial stability to make use of higher rates of cofinancing, i.e. increased contribution ceilings.

IMPACT ASSESSMENT: under Regulation (EC) No 1698/2005, the possibility for the Member States under financial assistance to increase the EAFRD contribution rates under the current 2007-2013 rural development programmes currently exists only for the expenditure incurred until 31 December 2013 (for the period the Member State is under financial assistance) and therefore does not extend until the final eligibility date of the expenditure on 31 December 2015. There is a risk, therefore, that the maximum and optimal use of the funding from the EAFRD will be seriously affected for the rural development programmes concerned before the possibility exist for the top-ups under the new programmes.

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

CONTENT: the proposal seeks to ensure that Member States benefiting from a macroeconomic adjustment programme (and any other Member State which may benefit from such assistance programmes in the future) continue to implement rural development programmes on the ground and continue to disburse funds to projects. It therefore contains **provisions that would allow these Member States to use increased co-financing rates, without modifying their overall allocation under rural development policy for the period 2007-2013**.

It is proposed to amend Article 70(4c) of Regulation (EC) No 1698/2005 to allow the Member States receiving financial assistance to benefit from the increase of 10 percentage points, only for the open

budget commitments for the 2007-2013 programming period, until the end of the eligibility period and to claim it in their requests for final balance even if the financial assistance is not anymore provided.

BUDGETARY IMPLICATION: the proposal has 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.

However, the need of payment appropriations in budget 2014 may be increased by EUR 90 million in case Member States continue applying the increased co-financing rates.