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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1305/2013 as regards specific measures to provide exceptional temporary support under EAFRD in response to the COVID-19 outbreak

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• **Reasons for and objectives of the proposal**

The direct and indirect effects of the COVID-19 outbreak continue to increase across all Member States. The current situation is unprecedented and requires exceptional measures adapted to the situation to be applied in these circumstances.

In the farming and food sectors, many difficulties have been reported, arising from the extensive movement restrictions put in place in the Member States, as well as mandatory closures of shops, outdoor markets, restaurants and other hospitality establishments. Economic disruption to the agricultural sector and rural communities has led to liquidity and cash-flow problems for farmers and small rural businesses processing agricultural products.

As a consequence, certain small businesses and farmers are in urgent need of emergency support in order to maintain their activities.

In view of the parallel difficulties of administrations, which make it be inappropriate for advisers to attend in person to support potential beneficiaries, or for controllers to carry out in situ or ex-ante controls, it is indispensable to offer easy-to-use solutions which can be rolled out by Member States, and which can support diverse situations on the ground and which are easily accessible to beneficiaries.

The support will need to be in the form of a temporary aid, for a very targeted purpose in unprecedented circumstances. In order to achieve these goals, the support will take the form of a one-off lump sum for farmers and for SMEs active in processing, marketing and/or development of agricultural products. Payments by the Commission shall be made in accordance with budget appropriations and subject to available funding.

With a view to ensuring the most efficient use of resources available under existing rural development programmes, Member States will be required to substantiate the targeting of the support to those most affected, based on objective and non-discriminatory criteria. Member States would need to include the measure in the RDPs via a modification, although expenditure would be eligible from the moment of the commencement of the catastrophic event (Covid-19 outbreak).

• **Consistency with existing policy provisions in the policy area**

The proposal is consistent with the overall legal framework established for the Common Agricultural Policy and the European Structural and Investment Funds (ESIF) and is limited to a targeted amendment of Regulation (EU) No 1305/2013. The proposal complements all other measures aimed at addressing the current unprecedented situation taken by the Union, in particular those measures aimed at providing support to markets. The proposal is without prejudice to the minimum spending requirements defined in paragraphs 5 and 6 of Article 59 of Regulation (EU) 1305/2013.

• **Consistency with other Union policies**

The proposal is limited to targeted amendments of Regulation (EU) No 1305/2013 and maintains consistency with other Union policies.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The proposal is based on Articles 42 and 43 of the Treaty on the Functioning of the European Union.

- **Subsidiarity (for non-exclusive competence)**

The Treaty on the Functioning of the European Union provides that the competence for agriculture is shared between the Union and the Member States, while establishing a common agricultural policy with common objectives and a common implementation. The proposal aims at ensuring the common objectives and common implementation of a new Rural Development measure.

- **Proportionality**

The proposal comprises limited and targeted amendments which does not go beyond what is necessary to achieve the objective of providing exceptional and temporary relief to farmers and SMEs active in processing, marketing and/or development of agricultural products, who are particularly affected by the COVID-19 crisis

- **Choice of the instrument**

A Regulation is the appropriate instrument to introduce the additional measure needed to address these unprecedented circumstances.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

N/A

- **Stakeholder consultations**

There was no consultation of external stakeholders. However, the proposal follows consultations with Member States and Members of the European Parliament over recent weeks

- **Collection and use of expertise**

N/A

- **Impact assessment**

An impact assessment was carried out to prepare the proposal for Regulation (EU) No 1305/2013. These proposed limited amendments do not require a separate impact assessment.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

4. BUDGETARY IMPLICATIONS

The proposed modification does not imply any changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I to Regulation (EU) No 1311/2013. The total annual breakdown of commitment appropriations under European Agricultural Fund for Rural Development (EAFRD) remains unchanged. Considering the time needed for implementing this new measure, it is assumed that payments to beneficiaries will be made in the fourth quarter of 2020, and hence to be financed under the 2021 budget. The payment appropriations needed to finance this measure are to be accommodated within the appropriations for the EAFRD to be included in the forthcoming Commission's Draft Budget 2021 and will be offset by a corresponding decrease in payment needs in subsequent years.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The implementation of the measures will be monitored and reported upon in the framework of the general reporting mechanisms established in Regulations (EU) No 1303/2013 and 1305/2013.

- **Explanatory documents (for directives)**

N/A

- **Detailed explanation of the specific provisions of the proposal**

It is proposed to amend Regulation (EU) No 1305/2013

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1305/2013 as regards specific measures to provide exceptional temporary support under EAFRD in response to the COVID-19 outbreak

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 42 and Article 43(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Farmers and rural businesses have been affected by the consequences of the COVID-19 outbreak crisis in an unprecedented manner. The extensive movement restrictions put in place in the Member States, as well as mandatory closures of shops, outdoor markets, restaurants and other hospitality establishments, has created economic disruption to the agricultural sector and rural communities and led to liquidity and cash-flow problems for farmers and small rural businesses active in processing, marketing and/or development of agricultural products. This has created an exceptional situation which needs to be addressed.
- (2) In order to respond to the impact of the crisis, a new exceptional and temporary measure should address the liquidity problems that put at risk the continuity of farming activities and of small businesses active in processing, marketing and/or development of agricultural products.
- (3) The support, which aims to secure the agro-business competitiveness and farm viability, should, with a view to best concentrating the available resources on beneficiaries mostly suffering from the crisis, be granted based on objective and non-discriminatory criteria. In the case of farmers, such criteria may include production sectors, types of farming, farm structures, type of marketing of farm products, number of seasonal workers employed and, in the case of SMEs, sectors, types of activity, type of regions, other specific constraints.
- (4) Because of the urgency and exceptional character of this measure, a one-off payment and a maximum date for application of the measure should be set, while the principle

¹ OJ C , , p. .

² OJ C , , p. .

that payments by the Commission shall be made in accordance with budget appropriations and subject to available funding needs to be recalled.

- (5) In order to give higher support where farmers or SMEs are most severely affected, it is appropriate to allow Member states to adjust the level of the lump-sums for certain categories of eligible beneficiaries, based on objective and non-discriminatory criteria.
- (6) In order to ensure adequate funding of the new measure without jeopardising other objectives of the Rural Development programmes, a maximum share of the Union contribution to this measure should be fixed.
- (7) Regulation (EU) No 1305/2013 should therefore be amended accordingly.
- (8) In view of the COVID-19 outbreak and the urgency to address the associated public health crisis, it is considered necessary to use the exception to the eight-week period referred to in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.
- (9) Given the urgency of the situation related to the COVID-19 crisis, it is appropriate that this Regulation enters into force on the date of its publication in the *Official Journal of the European Union*,

HAVE ADOPTED THIS REGULATION:

Article 1

Amendment to Regulation (EU) No 1305/2013

Regulation (EU) No 1305/2013 is amended as follows:

- (1) the following Article 39b is inserted:

“Article 39b

Exceptional temporary relief to farmers and SMEs active in processing, marketing and/or development of agricultural products particularly affected by the COVID-19 crisis

1. Support under this measure shall provide emergency assistance to farmers and SMEs particularly affected by the COVID-19 crisis, aiming at ensuring continuity of their business activity, subject to the conditions set out in this Article.
2. Support shall be granted to farmers and SMEs active in processing, marketing and/or development of agricultural products covered by Annex I to the TFEU or cotton, except fishery products; the output of the production process may be a product not covered by that Annex.
3. Member States shall target the support to beneficiaries who are most affected by the crisis, by defining eligibility conditions and possibly selection criteria, which shall be objective and non-discriminatory, based on available evidence.

4. Support shall take the form of a lump sum payment to be paid by [31/12/2020] and the subsequent reimbursement by the Commission shall be made in accordance with budget appropriations and subject to available funding. The level of payment may be differentiated by categories of beneficiaries, according to objective and non-discriminatory criteria.
5. The maximum amount of support shall not exceed EUR 5 000 per farmer and EUR 50 000 per SME.
6. When granting support under this Article, Member States shall take into account the support granted under other national or Union support instruments or private schemes to respond to the impact of the COVID-19 crisis.”

(2) in Article 59, the following paragraph 6a is inserted:

“6a. The EAFRD support provided under the measure referred to in Article 39b shall be limited to a maximum of 1% of the total EAFRD contribution to the rural development programme.”

(3) In Article 49, paragraph 2 is amended as follows:

“2. The Member State authority responsible for the selection of operations shall ensure that operations, with the exception of operations under point (b) of Article 18(1), point (d) of Article 24(1) and Articles 28 to 31, 33 to 34 and 36 to 39b, are selected in accordance with the selection criteria referred to in paragraph 1 and according to a transparent and well documented procedure.

Article 2

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**1.1. Title of the proposal/initiative**

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1305/2013 as regards specific measures to provide exceptional temporary support under EAFRD in response to the COVID-19 outbreak
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1.2. The proposal/initiative relates to: a new action a new action following a pilot project/preparatory action³ the extension of an existing action a merger or redirection of one or more actions towards another/a new action**1.3. Objective(s)***1.3.1. General objective(s)*

Provide for a new exceptional and temporary measure to address the liquidity problems that put at risk the continuity of farming activities and of small businesses that process agricultural products
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1.3.2. Specific objective(s)

<u>Specific objective No</u>

N/A

*1.3.3. Expected result(s) and impact**Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

N/A

*1.3.4. Indicators of performance**Specify the indicators for monitoring progress and achievements.*

N/A

1.4. Grounds for the proposal/initiative*1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

N/A

1.4.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

N/A

³ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

1.4.3. *Lessons learned from similar experiences in the past*

N/A

1.4.4. *Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments*

N/A

1.4.5. *Assessment of the different available financing options, including scope for redeployment*

N/A

1.5. Duration and financial impact of the proposal/initiative

limited duration

- in effect from [DD/MM]YYYY to [DD/MM]YYYY
- No overall financial impact for commitment and payment appropriations.

unlimited duration

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.6. Management mode(s) planned⁴

Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 70 and 71 of the Financial Regulation;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

This new proposal does not imply any changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I of Regulation (EU) No 1311/2013. The annual breakdown of commitment appropriations for the European Agricultural Fund for Rural Development remains unchanged.

Overall, this measure does not imply the need for extra payment appropriations. The 2021 payment appropriations needed to finance this measure will be offset by lower payment needs in subsequent years.

⁴ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

N/A

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

N/A

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

N/A

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

N/A

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

N/A

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ⁵	from EFTA countries ⁶	from candidate countries ⁷	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	05.046001 ⁸	Diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	N/A		YES/NO	YES/NO	YES/NO	YES/NO

⁵ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁶ EFTA: European Free Trade Association.

⁷ Candidate countries and, where applicable, potential candidates from the Western Balkans.

⁸ Budget line 08.0301 as from budget year 2021

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

EUR million (to three decimal places)

Heading of multiannual financial framework	Number 2	Sustainable Growth: natural resources
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There is no impact on commitment appropriations. As this modification will be financed through amendments of Member States' rural development programmes within the agreed envelopes, no extra payment appropriations will be needed overall, with any payments for this measure to be compensated by lower payments on other rural development measures.

It is assumed that the proposal has no impact on EAFRD payment appropriations for the 2020 budget. Taking into account time needed for Member States to implement this new measure, it is anticipated that the related expenditure will be declared in the fourth quarter of 2020, thereby impacting budget 2021. The corresponding impact on payment appropriations, estimated at around EUR 650 million, will be accommodated within the level of payment appropriations to be requested for the Draft Budget 2021 and will be offset by a corresponding decrease in payment needs in subsequent years, as estimated below.

DG AGRI		Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
• Operational appropriations	Commitments (1a)	0	0	0	0		0
	Payments (2a)	0	+ 650	-325	-325		0
Appropriations of an administrative nature financed from the envelope of specific programmes							
N/A	(3)						

TOTAL appropriations for DG AGRI	Commitments	=1a+1b +3	0	0	0	0	0	0	0	0
	Payments	=2a+2b +3	0	+650	-325	-325				0

• TOTAL operational appropriations	Commitments	(4)	0	0	0	0	0	0	0	0
	Payments	(5)	0	+650	-325	-325				0
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes	Commitments	(6)								
	Payments									
TOTAL appropriations under HEADING 2 of the multiannual financial framework	Commitments	=4+6	0	0	0	0	0	0	0	0
	Payments	=5+6	0	+650	-325	-325				0

Heading of multiannual financial framework	5	'Administrative expenditure'
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This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the [Annex to the Legislative Financial Statement](#) (Annex V to the internal rules), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
DG: <.....>						
• Human resources						
• Other administrative expenditure						
TOTAL DG <.....>						
Appropriations						

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)					
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EUR million (to three decimal places)

	Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	0	0	0	0		
Commitments	0	+ 650	-325	-325		
Payments						

3.2.3. Summary of estimated impact on administrative appropriations

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year N ¹¹	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)				TOTAL
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HEADING 5 of the multiannual financial framework									
Human resources									
Other administrative expenditure									
Subtotal HEADING 5 of the multiannual financial framework									

Outside HEADING 5¹² of the multiannual financial framework									
Human resources									
Other expenditure of an administrative nature									
Subtotal outside HEADING 5 of the multiannual financial framework									

TOTAL									
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

¹¹ Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

¹² Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.1. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary staff)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)							
XX 01 01 02 (Delegations)							
XX 01 05 01/11/21 (Indirect research)							
10 01 05 01/11 (Direct research)							
• External staff (in Full Time Equivalent unit: FTE)¹³							
XX 01 02 01 (AC, END, INT from the 'global envelope')							
XX 01 02 02 (AC, AL, END, INT and JPD in the delegations)							
XX 01 04 yy¹⁴	0 at Headquarters						
	0 in Delegations						
XX 01 05 02/12/22 (AC, END, INT 0 Indirect research)							
10 01 05 02/12 (AC, END, INT 0 Direct research)							
Other budget lines (specify)							
TOTAL							

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

¹³ AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

¹⁴ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. Compatibility with the current multiannual financial framework

The proposal/initiative:

- can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts. Please provide an excel table in the case of major reprogramming.

- requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation.

Explain what is required, specifying the headings and budget lines concerned, the corresponding amounts, and the instruments proposed to be used.

- requires a revision of the MFF.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. Third party contributions

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year N ¹⁵	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

¹⁵ Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue
 - please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ¹⁶							
		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			
Article									

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

¹⁶ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.