European Economic and Social Committee

NAT/619
Co-financing arrangements for rural development programmes

Brussels, 10 December 2013

OPINION

of the
European Economic and Social Committee
on the
Proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
COM/2013/0521 final - 2013/0247 (COD)

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Rapporteur: **Mr Boland**

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On 10 and 17 September 2013, the European Parliament and the European Council decided respectively to consult the European Economic and Social Committee, under Articles 43(2) and 207(2) of the Treaty on the Functioning of the European Union, on the

> *Proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)*
> COM/2013/0521 final - 2013/0247 (COD).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 November.

At its 494th plenary session, held on 10 and 11 December 2013 (meeting of 10 December), the European Economic and Social Committee adopted the following opinion by 142 votes to 2 with 2 abstentions.

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1. Conclusions and recommendations

1.1 The EESC strongly welcomes the European Commission proposal to amend Article 70(4c) of Regulation (EC) No 1698/2005 on the extension of derogation for those Member States threatened with serious difficulties with respect to their financial stability to use increased co-financing rates so that rural development programmes are delivered in full.

1.2 The EESC supports the proposal, so long as it applies to the end of the current programme 2007-2013 as well as the next programme.

1.3 The EESC recommends that Member States who, in the lifetime of the programme 2013-2020, are still part of financial stability programmes, should benefit from these co-financing arrangements.

1.4 The EESC notes that the overall budget will remain the same, but welcomes the observation that 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.

1.5 The EESC recommends, in line with its previous opinions on support to Member States affected by financial instability, that continuity in terms of fairness is maintained.

2. **Explanation and background**

2.1 The European Commission is committed to ensuring that the rural development programme under the Common Agricultural Policy is implemented fully and will give maximum benefits to all rural communities in all Member States, in particular states affected by the financial crisis.

2.2 Because of the financial crisis and the fact that many countries must implement strong fiscal consolidation measures, it is clear that difficulties with regard to co-financing of programmes will arise.

2.3 In some cases these difficulties may reduce the overall level of assistance to beneficiaries, which will in turn disadvantage rural people.

2.4 It is noted that there are seven countries immediately affected. These are Cyprus, Greece, Hungary, Ireland, Latvia, Portugal and Romania, also known as programme countries. It is also noted that Hungary. Romania and Latvia are no longer under an adjustment programme.

2.5 The proposal seeks to allow these Member States and others to fully implement the rural development programme so that projects can continue without loss of support.

3. **Gist of the Commission proposal**

3.1 The proposal 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. This will provide additional financial resources to the Member States at a critical juncture and will facilitate the continued implementation of programmes on the ground.

3.2 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. 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.

3.3 In the light of Member States requests to benefit from this action and taking account of the evolution of the submission of interim payments, the Commission will review the situation and if necessary consider relevant actions.

3.4 The EESC has already produced similar opinions which recognise the co-financing difficulties faced by Member States who are in financial stability programmes. These include

NAT/613, "Fiscal consolidation/European Fisheries Fund", and ECO/352, "Financial management and decommitment rules for Member States facing serious difficulties".

4. **General comments**

4.1 The importance of the rural development programme in social and economic value to all Member States is well documented. The programme allows rural regions to maintain their populations by allowing them to compete in business terms with companies closer to the centre and in social terms adds value to the quality of life for people living in the more isolated rural areas.

4.2 The current financial crisis has seriously damaged economic growth and financial stability in certain Member States and has also contributed to depressed growth in the EU in general.

4.3 In the Member States involved in severe fiscal rectitude, with strict spending targets imposed by outside bodies such as the International Monetary Fund, The European Central Bank or others, it is clear that they will be in no position to guarantee any obligations on the co-financing of the rural development programmes as stipulated by the EU.

4.4 It is important that the EESC recognise that the financial crisis has had an impact on co-financing of the current programme 2007-2013. This will have serious effects on projects coming to their end or scheduled to continue until the end of 2015.

4.5 In order to correct this problem, which could disadvantage certain rural areas, it is possible to ensure the maximum use of the EAFRD funds available as per article 70(4c) of Council Regulation (EC) No 1698/2005 by extending its applicability until the final date of eligibility of expenditure for the 2007-2013 programming period, on 31 December 2015.

4.6 There are time limits to interim payments and payments of final balance, based on the period in which the Member State is in receipt of financial assistance in accordance with Regulation (EU) No 407/2010, Regulation (EC) No 332/2002 or the Treaty establishing the European Stability Mechanism. Unfortunately, Member States are likely to continue to face financial difficulties after that period and will be constrained in terms of their ability to co-finance these programmes.

4.7 In line with the European Council conclusions of 7-8 February 2013 and as foreseen in Article 22 of the Common Provisions Regulation, the co-financing rate increased by 10 percentage points. This will apply with regard to the 2014-2020 programming period until 30 June 2016 when the possibility of the increase will be reviewed. Since the 2007-2013 and 2014-2020 programming periods overlap, it should be necessary to ensure coherent and uniform treatment of Member States receiving financial assistance under the two periods. Therefore, the Member States receiving financial assistance should be able to benefit from the increase of the co-financing rate 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.

4.8 The possibility for interim payments and payments of final balance to be increased above the normal co-financing rate should not be limited to the time period during which the Member State receives financial assistance in accordance with Regulation (EU) No 407/2010, Regulation (EC) No 332/2002 or the Treaty establishing the European Stability Mechanism because the Member State continues to face serious difficulties in ensuring co-financing from the national budget even after the financial assistance has been completed.

4.9 It is envisaged that the modification of the relevant regulation 1698/205 will not have any financial impact. That is because the global envelope for rural development will remain unchanged. However the Commission may review payments made to the Member States nearer to the end of the overall programme.

Brussels, 10 December 2013.

The President
of the
European Economic and Social Committee

Henri Malosse

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