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WORKING PAPER

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Financial Agricultural Questions
N° Cion doc.:	9634/18 + COR 1 + ADD 1
Subject:	Proposal for a Regulation on Financing, management and monitoring of the CAP - Non-paper from the Commission services on Article 34 on double funding

Delegations find attached a non-paper from the Commission services with examples relating to Article 34 of the Horizontal Regulation on "double funding".

NON-PAPER

Subject: Proposal for CAP horizontal regulation: Article 34 “Double funding”

Avoiding double funding means not paying twice the same beneficiary for the same cost item. This general principle applies to all expenditure under the Union’s budget, including any intervention of the CAP Strategic Plan, funded through the European Agricultural Guarantee Fund (EAGF) or the European Agricultural Fund for Rural Development (EAFRD). Article 34 of the draft Horizontal Regulation makes this requirement explicit.

The application of the no-double funding principle does not hinder the Member States to fund a certain operation or project through a combination of different funds or different forms of support, provided that a certain expenditure item of that operation/project is not funded twice by two different funds or by different forms of support under the same fund.

Following discussions in the AGRIFIN working party, the Austrian Presidency had included drafting suggestions for Article 34 (see document 15046/18). In particular, in the second subparagraph, the drafting suggestion aims to clarify that operations may receive support from the EAFRD and from other Funds or Union instruments referred to in Article 1(1) of the [Common Provisions Regulation]. Complementarity between EAFRD and other Union funds is already foreseen in the proposal of the CAP Strategic Plan Regulation¹. However, Member States must not declare the same expenditure item for support from different funds or under different forms of support under the same fund.

In response to Member States’ questions on Article 34, the Commission services have also provided written replies (see WK 13232/2018).

To clarify further the provisions in Article 34, below some examples are given:

Example 1 combination of grants

A rural municipality receives an EAFRD grant of EUR 150 000 to renovate the local church which is an essential element of its cultural heritage. This grant is combined with an ERDF grant of EUR 50 000 to renovate the courtyard of the same Church. The two grants complement each other, do not overlap in terms of covered expenditure items and therefore do not constitute double funding.

¹ Article 98(d)(iii) requires the Member States to describe their interventions by providing an overview of the coordination, demarcation and complementarities between the EAFRD and other Union funds active in rural area; some basic demarcation lines for investments are also included in Article 68.

Example 2 combination of financial instruments and grants

Combination of a grant with FI support to a project

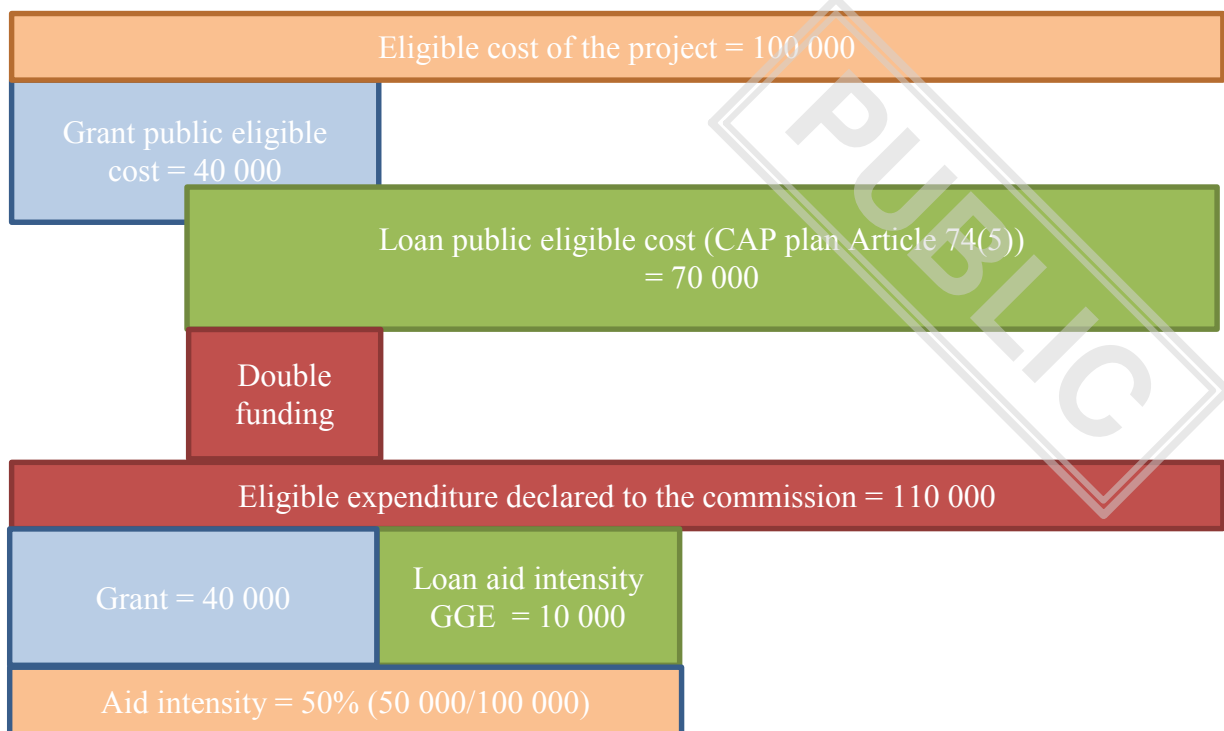
Eligible cost of the project = 100 000	
Grant public eligible cost = 40 000	Loan public eligible cost (CAP plan Article 74(5)) = 60 000
Eligible expenditure declared to the commission = 100 000	
Grant = 40 000	Loan aid intensity GGE = 10 000
Aid intensity = 50% (50 000/100 000)	

An investment project of EUR 100 000 might be supported by both grant and financial instrument. The farmer receives:

- EUR 40 000 grant (40% aid intensity) and
 - EUR 60 000 loan with 10 000 Gross Grant Equivalent (GGE), corresponding for example to a reduced interest rate (10% aid intensity).
- 1) Aid intensity: the total aid granted to the farmer is 50% or EUR 50 000 composed of the grant and the GGE. The aid cannot exceed the maximum aid intensity for the investment support under the EAFRD, e.g. 50% for productive investments.
 - 2) Eligible expenditure: in the case of the financial instruments, the eligible expenditure corresponds to the payments to or for the benefits of the final recipients. This means the loan or guarantee amount. In the example above, the FI eligible expenditure is EUR 60 000 (assuming an entirely EAFRD funded loan instrument). Therefore, the eligible expenditure declared to the Commission and reimbursed from the CAP plan is EUR 40 000 grant plus EUR 60 000 FI.

Risk of double funding in the case of the combined support:

Article 34 aims at preventing the situation where the farmer would for example ask for EUR 40 000 and EUR 70 000 loan. In such a case, the Commission would reimburse EUR 110 000 for a project of EUR 100 000. In other terms, EUR 10 000 would be reimbursed twice, once through the grant and once through the financial instrument. To be noted, that if the GGE of the loan is still 10%, the aid intensity will be respected, i.e., 50%.



According to Article 34, this no-double funding rule has also to be observed in all cases, i.e. where the support is provided only through the CAP Strategic Plan (via different support schemes), but also where the CAP support is combined with other EU instruments, e.g. CAP grant and a financial instrument support under the future InvestEU or ERDF grant and CAP financial instrument.