

## DG MARE INFORMATION NOTE<sup>1</sup>

### ***Coronavirus emergency response to support the fishing and aquaculture sectors***

The Coronavirus is a severe public health emergency with huge consequences for the EU's citizens, societies and economies. The fishing and aquaculture sectors have been particularly hard hit by market disruption.

This information note provides Member States with information on possibilities, which are **immediately available and which can be used without delay**, either under EMFF current rules (chapter 1) or under the new state aid framework adopted by the Commission on 19 March 2020 (chapter 2). It also informs on measures, which will become available once the Coronavirus emergency response package proposed by the European Commission on 13 March 2020 as an immediate European response to mitigate the socio-economic impact of the outbreak has been adopted by the co-legislators and enters into force (chapter 3).

**In addition to these measures, the European Commission is currently in contact with the fisheries, aquaculture and processing sectors as well as with Member State authorities and the European Parliament, to urgently look into further effective support tools.**

#### **1. Possible support under existing rules:**

The Commission recalls that the EMFF Regulation provides for a variety of measures that could immediately be used in mobilising EU and Member State budget to support the fisheries and aquaculture sector in dealing with the Coronavirus pandemic.

##### **A. Union Priority 1**

For the fisheries sector the following measures foreseen in the EMFF Regulation could be used:

##### **Innovation – Article 26**

In order to stimulate innovation in fisheries, the EMFF may support projects aimed at developing or introducing new or substantially improved products and equipment, new or improved processes and techniques, and new or improved management and organisation systems, including at the level of processing and marketing.

Consequently, any actions taken by fishers to address the Coronavirus crisis in the context of improving management, organisation systems, processing, techniques could be covered by the EMFF.

*This is a measure that MS usually have in their Operational Programmes.*

##### **Diversification – Article 30**

To diminish their dependence from fishing as a response to the Coronavirus pandemic and the change in market and business conditions, the EMFF may support investments contributing to the diversification of the income of fishers through the development of complementary activities, including investments on board, angling tourism, restaurants, environmental services related to fishing and educational activities concerning fishing.

*This is a measure that MS usually have in their Operational Programmes.*

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<sup>1</sup> This note is provided for information purposes only and does not represent the official position of the European Commission

### **Health and Safety – Article 32**

In order to improve hygiene, health, safety and working conditions for fishers, the EMFF may support investments on board or in individual equipment provided that those investments go beyond the requirements under Union or national law.

Consequently, as the Coronavirus is a new health threat and any action taken to address and mitigate danger is considered as going beyond the existing requirements, measures to improve health and safety as a response to the Coronavirus crisis, for example in terms of social-distancing measures on board, could be supported by the EMFF.

*This is a measure that MS usually have in their Operational Programmes.*

### **Mutual funds for adverse climatic events and environmental incidents – Article 35**

The EMFF may contribute to mutual funds, which pay financial compensation to fishers for economic losses caused by adverse climatic events or by environmental incidents or for the rescue costs for fishers or fishing vessels in the case of accidents at sea during their fishing activities.

*Although this measure has not been used by Member States in their Operational Programmes, the newly introduced possibility would allow health related impacts of Coronavirus to be included (see section 3).*

### **Protection and restoration of marine biodiversity and ecosystems and compensation regimes in the framework of sustainable fishing activities – Article 40**

In order to protect and restore marine biodiversity and ecosystems in the framework of sustainable fishing activities, with the participation, where relevant, of fishers, the EMFF may support a number of actions, including collection of waste, compensation schemes and actions aimed at maintaining and enhancing biodiversity and ecosystem services, such as the restoration of specific marine and coastal habitats in support of sustainable fish stocks.

It could be possible to direct fishers as a response to the Coronavirus pandemic to activities such as the collection of waste or conservation actions aiming to enhance biodiversity, in case that all fishing activity has been stopped.

*This is a measure that MS usually have in their Operational Programmes, in particular compensation schemes for waste collection.*

## **B. Union Priority 2**

For the aquaculture sector the following measures foreseen in the EMFF Regulation could be used:

### **Productive investments in aquaculture – Article 48**

The EMFF may support a number of investments in aquaculture, including the modernisation of aquaculture units, including the improvement in working and safety conditions of aquaculture workers; improvements and modernisation related to animal health and welfare and the diversification of the income of aquaculture enterprises through the development of complementary activities.

Consequently, any actions taken by aquaculture companies to address the Coronavirus pandemic by improving health and safety, animal health or diversifying activities as a result in drop of demand or problems in supply chains could be supported by the EMFF.

*This is a measure that MS usually have in their Operational Programmes.*

### **Aquaculture stock insurance – Article 57**

In order to safeguard the income of aquaculture producers, the EMFF may contribute to an aquaculture stock insurance covering economic losses due to at least one of the following:

- (a) natural disasters;
- (b) adverse climatic events;
- (c) sudden water quality and quantity changes for which the operator is not responsible;
- (d) diseases in aquaculture, failure or destruction of production facilities for which the operator is not responsible.

*Although this measure is rarely used, the Commission has proposed that this measure also covers health related impacts of the Coronavirus crisis (see section 3).*

### **C. Union Priority 4**

#### **Community-led local development strategies and fisheries local action groups**

The EMFF is supporting community-led local development by providing financial support to FLAGs as set up under Article 61 that implement Community-led local development strategies as set up under Article 60.

FLAGs establish their strategies and subsequently the EMFF is supporting their implementation.

In line with Article 63 of the EMFF support for the implementation of community-led local development strategies may be granted for the following objectives:

- (a) adding value, creating jobs, attracting young people and promoting innovation at all stages of the supply chain of fishery and aquaculture products;
- (b) supporting diversification inside or outside commercial fisheries, lifelong learning and job creation in fisheries and aquaculture areas;
- (c) enhancing and capitalising on the environmental assets of the fisheries and aquaculture areas, including operations to mitigate climate change;
- (d) promoting social well-being and cultural heritage in fisheries and aquaculture areas, including fisheries, aquaculture and maritime cultural heritage;
- (e) strengthening the role of fisheries communities in local development and the governance of local fisheries resources and maritime activities.

One possibility is for community-led local development strategies to be updated or modified to take into account needs arising from the impact of the Coronavirus pandemic. Such an update of strategies can be done very easily and quickly, and Member States are encouraged to communicate this possibility to their respective FLAGs.

*This is a measure that many MS have in their Operational Programmes. To note especially in the South of the EU a substantial budget remains available for FLAG activities in most MS.*

#### **D. Union Priority 5**

The EMFF also supports marketing and processing related measures, from which the following could be used:

##### **Marketing measures – Article 68**

The EMFF may support marketing measures for fishery and aquaculture products, which may cover promoting the quality and the value added and the direct marketing of fishery products by small-scale coastal fishers or by on-foot fishers.

Consequently, it could be possible to support promotion campaigns for the consumption of fish and seafood, in particular in support of small-scale coastal fisheries, in response to the Coronavirus pandemic.

*This is a measure that MS usually have in their Operational Programmes.*

##### **Processing of fishery and aquaculture products – Article 69**

The EMFF may support investments in the processing of fishery and aquaculture products that improve safety, hygiene, health and working conditions and lead to new or improved products, new or improved processes, or new or improved management and organisation systems. This type of support is reserved as grant for SMEs only while non-SMEs can only receive it through Financial Instruments.

Consequently, it could be possible to support in the processing industry actions that improve health and safety, management and organisation systems as a response to the Coronavirus pandemic.

*This is a measure that MS usually have in their Operational Programmes.*

##### **Actions by producer organisations**

Producer organisations (POs) can, at short notice, adapt their Production and Marketing Plans (PMPs) to the new / future situation and, in particular, their production and marketing strategies in order to maintain a certain level of fishing activity to ensure their economic viability and a stable supply to the market. They are encouraged to engage in immediate short promotional campaigns to promote fish consumption and to consider the feasibility of establishing, given the mobility restrictions, electronic and distance sales.

##### **Actions by Member State competent authorities dealing with Production and Marketing Plans (PMPs)**

###### **➤ Payment of advances on PMPs in force**

The EMFF regulation (Art. 66(4)) provides for the possibility for Member States to grant an advance of 50% of the budget foreseen for the preparation and implementation of a PMP. This amount can be released as soon as a PMP is approved. Concretely, since all POs should have a valid PMP currently in force, such advances may be paid without delay (provided no advance was paid).

In case a PO did not accompany its PMP with a budget forecast (since this is not mandatory), it will be necessary for Member States to ask the concerned PO to quickly provide an assessment of the amount of expenditures envisaged for the preparation and implementation of its PMP.

These budgeted amounts are only the basis for the advances: they do not bind the Member States for the financial support to the operation. The final payment will be strictly based on the expenditures actually incurred and conditioned by the level of implementation of the PMP (Art. 66(2) of the EMFF).

➤ **Payment of advances on revised and new PMPs**

Under the current circumstances, it can be expected that POs will consider revising promptly their PMPs in order to adapt their actions and adjust the collective management of their members' activities to the evolution of the market.

Member States are invited to take measures to reduce the time needed for the approval of the revised or new PMPs. Once approved, an advance may be paid, notwithstanding advances possibly paid in relation to the previous PMPs. These are separate operations.

➤ **Shortening of payment delays**

Final payments related to the preparation and implementation of PMPs are conditioned by the approval of the annual report (Art. 66 of the EMFF). Since PMPs coincide with the calendar year, at this time of the year, annual reports on the implementation of the 2019 PMPs (or the 2019 phase of multiannual PMPs) have been submitted or should be submitted soon (there is no time delay for the transmission of such reports).

Competent authorities are invited to treat the related payment requests promptly and where necessary, remind the concerned POs to submit their annual report rapidly.

➤ **Increase the level of support to PMPs**

The EMFF (Art. 66(3)) sets a maximum level of support to PMPs at 3% of the average annual turnover of POs' members. However, it does not provide for a minimum level of support: Member States have only an obligation to support. The current circumstances call for an upward revision of the level of financing currently allocated by Member States to the preparation and implementation of PMPs. Indeed, a decrease in the amount of sales combined with the key role of POs in the management of the crisis, and related expenditures ensuing from the implementation of the PMPs, pleads for an increase of the resources allocated.

Member States concerned can envisage amending their OP in case they provided a lower level of support to PMPs in their OP and are invited to pay a particular attention to the smaller POs and POs of small-scale fishers.

➤ **Increase of the level of aid intensity for POs**

The EMFF (Art. 95) provides for the possibility to set the level of aid intensity to the support of POs at 75%. Indeed, the maximum level for EMFF operations is of 50%, on top of which MS may grant an additional 25% bonus to operations implemented by POs (art.95.4 and Annex I of the EMFF). This should of course be foreseen in the national operational programme (OP).

Member States concerned can envisage amending their OP in case they provided for a less than 50% aid intensity in their OP and / or did not provide for the possibility to grant the 25% bonus to their POs.

## **2. New Temporary Framework for State aid**

The new Temporary Framework for State aid adopted by the Commission on 19.03.2020 provides that temporary limited amounts of aid in the form of direct grants, repayable advances or tax advantages, guarantee on loans or subsidised interest rates for loans can be granted by Member States (national funding) to undertakings in the fisheries and aquaculture sector that face difficulties as a consequence of the Coronavirus pandemic.

In view of the current crisis, the maximum amount per undertaking in the fisheries and aquaculture sector will be EUR 120 000. Beneficiaries can be undertakings, which face difficulties as a result of the Coronavirus pandemic. This temporary aid does not apply to the cases explicitly excluded from the *de*

*minimis* aid in the fishery and aquaculture sector (cases included in Article 1(1)(a) to (k) of Commission Regulation (EU) No 717/2014:

- (a) aid the amount of which is fixed on the basis of price or quantity of products purchased or put on the market;
- (b) aid to export-related activities;
- (c) aid contingent upon the use of domestic over imported goods;
- (d) aid for the purchase of fishing vessels;
- (e) aid for the modernisation or replacement of engines of fishing vessels;
- (f) aid to operations increasing the fishing capacity of a vessel;
- (g) aid for the construction of new fishing vessels or importation of fishing vessels;
- (h) aid to the temporary or permanent cessation of fishing activities unless specifically provided for in the EMFF regulation (Regulation (EU) No 508/2014);
- (i) aid to exploratory fishing;
- (j) aid to the transfer of ownership of a business;
- (k) aid to direct restocking.

The aid under this Temporary Framework can be granted until 31 December 2020.

The *de minimis* aid granted in the previous three years under the fisheries *de minimis* Regulation will not count against the threshold established under this Temporary Framework. The national cap in the *de minimis* Regulation will not apply either.

### **3. EU support to the European economy under the Coronavirus response Investment Initiative:**

The initiative proposed by the Commission on 13 March, once approved by the co-legislators, includes the following general instruments for an immediate response, which are also relevant for the fisheries and aquaculture sector.

#### ***Mobilising cash reserves in the EU budget***

The Coronavirus Response Investment Initiative will seek to mobilise all existing EU budget resources to provide financial support to Member States for their immediate response to the crisis and its long-term impact. This includes advancing payments, redirecting cohesion funds and assisting Member States in channelling money where it is most needed as quickly as possible, including in coastal areas.

To make money available for fighting the crisis, the Commission is proposing to mobilise quickly cash reserves from the EU's cohesion funds. This will provide immediate liquidity to Member States' budgets. This will help to frontload the use of EUR 37 billion of yet unallocated cohesion funding within the 2014-2020 programmes, thus providing a much needed boost to investments.

The European Maritime and Fisheries Fund (2014-2020) has a budget of EUR 5,7 billion in shared management with Member States. Many MS still have a substantial EMFF budget left to support their fisheries, aquaculture and processing sectors, which they can use until the end of 2023. They can redirect the unspent budget to existing and new EMFF measures in their programme to reduce the negative impact of the Coronavirus crisis on the workers and businesses in these sectors.

Under EMFF<sup>2</sup> Art. 22(2), the Member States can implement these revised programmes directly without prior Commission agreement. The same EMFF Art. 22(2) allows Member States to transfer EMFF

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<sup>2</sup> EMFF Regulation : REGULATION (EU) No 508/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on the European Maritime and Fisheries Fund.

budgets between Union priorities, provided that the funds transferred do not exceed 10 % of the amount allocated to the Union priority.

The Member States can cover expenditure retroactively as of 1 February 2020.

The Member States are also strongly encouraged to speed up payments to beneficiaries by making a maximum use of simplified cost options for EMFF support, which can reduce handling times for payment claims substantially. Member States can also use their unspent EMFF Technical Assistance Budget in order to employ staff and speed up the handling of applications for support and payment claims from beneficiaries as a result of the Coronavirus crisis.

### ***Alleviating the impact on employment***

We need to protect workers from unemployment and loss of income, across all sectors of the economy. The European Social Fund, in particular, can provide vital support during the current crisis and its aftermath. It can provide support to healthcare, for example, funding protective equipment, medical devices, disease preventive measures or measures to ensure access to healthcare for the most vulnerable groups. Moreover, it can support national schemes, which help to cushion the impact of the outbreak in combination with upskilling and reskilling during the programming period.

The European Social Fund is open to support all economic sectors, including the fisheries, aquaculture and processing sectors. Member States are therefore strongly encouraged to mobilise available ESF support also for workers in these sectors.

The Commission will accelerate the legislative proposal for a European Unemployment Reinsurance Scheme to support Member State policies that preserve jobs and skills.

Member States can also call on the European Globalisation Adjustment Fund to support dismissed workers and self-employed persons, including in the fisheries, aquaculture and processing sectors. The Fund has up to EUR 179 million available in 2020 for all concerned sectors across the EU.

### ***Providing liquidity to SMEs***

The Commission will make available EUR 1 billion from the EU budget to act as a guarantee to the European Investment Fund (EIF). With the backing of the additional EU guarantee, the EIF will incentivise the banks to provide liquidity to SMEs and midcaps. This is expected to mobilise EUR 8 billion of working capital financing and supporting at least 100,000 small and medium-sized enterprises in the EU, including in the seafood sector and services such as restaurants, in turn sustaining the demand for seafood.

The increase to the budget guarantee to the EIF can be made available in the coming weeks. The banks can benefit from the additional liquidity from April 2020, allowing them to increase their support to SMEs, including in the fisheries and aquaculture dependent sectors.

### ***Compensating economic losses of fishermen and aquaculture producers through the EMFF***

The Commission has proposed to extend the scope of insurance mechanisms in the European Maritime and Fisheries Fund (EMFF) to pay financial compensation for economic losses caused by a public health crisis. If Member States activate these measures, the EMFF could contribute to mutual funds or stock insurance contracts to compensate fishers and aquaculture farmers whose economic losses amount to more than 30 % of their annual turnover.

Member States are encouraged to set up swiftly the stock insurance schemes and use their EMFF budget allocation to support these measures for the fishers and aquaculture farmers.