

Autoridade de Gestão do PDR 2020
Rua de São Mião, n.º 63,
1149-030 Lisboa, Portugal
For the attention of: Gestora do
PDR2020 - Eng.a Rita Barradas

Luxembourg, 15 October 2020
CE/MM/2020-228766/GM/PD

Subject: Notification Letter regarding COVID-19 support measures in EAFRD FoF Portugal

Dear Ms Barradas,

We refer to the Funding Agreement entered into between the European Investment Fund ("EIF") and the Portuguese Republic, duly represented by the Managing Authority of the Rural Development Programme (Programa de Desenvolvimento Rural 2014-2020) on 3 May 2019 (the "Funding Agreement").

Unless otherwise expressly indicated herein, capitalised terms used in this letter shall have the meaning attributed to them in the Funding Agreement.

In accordance with article 7.9 of the Funding Agreement, the Investment Board, upon formal proposal by the EIF can approve any amendments to the Investment Strategy.

We hereby notify to the MA that in accordance with the Investment Board written resolutions dated 7 October 2020, the Investment Strategy has been revised, and an Information Note to Financial Intermediaries has been approved by the Investment Board (as set out in the Annex to this Notification Letter).

Following the process undertaken with the Investment Board, we would appreciate if you could please indicate your agreement to the attached revised terms by countersigning two originals of the present letter and returning one signed original by courier to EIF.

Yours sincerely,

EUROPEAN INVESTMENT FUND



Gianluca MASSIMI
Head of Division,
Mandate Management, Southern & Western
Europe



Philippe DORIN
Head of Division, Legal Services

Agreed and Accepted on behalf of the Managing Authority of the Rural Development Programme
(Programa de Desenvolvimento Rural 2014-2020)

Autoridade de Gestão do PDR 2020



Rita Barradas

Name: Rita Barradas

Title: Gestora do PDR2020

(Gestora)

Annex: Written Resolution with revised Investment Strategy and Information Note to Financial Intermediaries

ESIF EAFRD Portugal FoF

WRITTEN RESOLUTIONS OF THE INVESTORS' BOARD OF THE ESIF-EAFRD Portugal FoF

I. PREAMBLE

WHEREAS, pursuant to article 15 of the rules of procedure ("**Rules of Procedure**") of the Investors' Board (the "**IB**") of the ESIF EAFRD Portugal FoF adopted on 3 May 2019, in accordance with the provisions of the Funding agreement signed on 3 May 2019 (the "**Funding Agreement**" or "**FA**"), resolutions can be taken by written procedure.

WHEREAS, in accordance with article 15 of the Rules of Procedure, the Secretary of the IB and the Chairperson of the IB have agreed on the distribution of the below proposed resolution to all the members of the IB.

WHEREAS, the members of the IB acknowledge that, according to the Rules of Procedure, the proposed written resolutions will be deemed as passed if all the voting members of the IB have either voted positively via email or not casted a vote (i.e. silence will imply consent in accordance with article 15 of the Rules of Procedure).

WHEREAS, the Secretary will keep a record of votes received or not casted and a summary will be attached to these written resolutions as Annex I.

WHEREAS, defined terms used in these written resolutions and not otherwise defined herein shall have the meaning ascribed to them in the Funding Agreement.

II. BACKGROUND AND PROPOSED RESOLUTIONS

Background

The COVID-19 outbreak and the economic shock triggered by this emergency call for immediate response measures by policy makers as well. The current resolution provides for the necessary amendments to the mandate framework in order to introduce mitigating measures with respect to two areas of intervention, such as i) combination with other forms of support under the PDR 2020 and ii) stand-alone working capital.

Combination with other forms of support under the PDR 2020: The possibility of the combination of other forms of support under the PDR 2020 and the financial instrument had been foreseen in the Investment Strategy and Business Plan of the Funding Agreement with the objective of maximizing the experimental nature of support through a financial instrument. Initially, it was expected that such combination will be forbidden during the first phase of implementation. However, due to the expected economic pressure caused by the COVID-19 pandemic, it is deemed reasonable to immediately allow for the combination of the financial instrument with other forms of support under the PDR 2020.

Working capital: The amended EU regulatory framework provides exceptional additional flexibility in relation to financing working capital in order to respond to the current unprecedented situation.

The regulation eliminates the requirement of linking working capital support to investment operations together with the need for justification based on business plans or equivalent documents and evidence proving that it was used for its intended purpose. It allows for support of eligible expenditures related to working capital up to EUR 200,000.

Following the requests of the Managing Authority, in order to allow for the combination of the financial instrument with other forms of support under the PDR 2020 for Final Recipients having received other forms of support under the PDR 2020 for the same investment as the one financed under Final Recipient Transactions, the Investment Strategy and Business Plan of the Funding Agreement, together with the Operational Guidance Note would have to be amended through an Investment Board approval, according to the proposed resolutions set below.

Similarly, in order to allow for the possibility for providing stand-alone working capital financing, the Investment Strategy and Business Plan of the Funding Agreement would have to be amended through an Investment Board approval according to the proposed resolutions set out below and in line with the PDR 2020 amendment to be initiated by the MA in parallel.

Following up on the approval of the Operational Guidance Note by the Investors' Board in February 2020, the concept of young farmer, for the purpose of access to Operation 3.1.3, has raised some interpretative doubts. Therefore, an amendment of the Operational Guidance Note by the Investors' Board is recommended to better clarify the definition of Young Farmers. Such clarification would have no implications on the Funding Agreement and the CEOI (including as amended pursuant to the Information Note, the PDR 2020 or the legal relationship between the EIF and the Financial Institutions, which shall be governed by the terms of the Operational Agreements (as these may be amended from time to time).

In order to implement the above mentioned changes, the IB is requested to approve:

- (i) the relevant resolutions below,
- (ii) the amendment to the Investment Strategy and Business Plan as set out in Annex II hereto (the "**Amended Investment Strategy**") and
- (iii) the information note to the Call for Expression of Interest to be published by EIF after the approval of these resolutions and set out in Annex III hereto (the "**Information Note**").

Proposed IB resolutions

A. Amendments to the Investment Strategy as a response to the COVID-19 outbreak:

The Investment Strategy complies with (i) all applicable national/regional rules, regulations and laws applicable to the financial instrument and (ii) the PDR 2020 as this will be amended in accordance with paragraph 2(d) below and any other relevant documentation.

Based on the above and for the purposes of having the aforementioned amendments fully acknowledged and approved by the IB, the IB is invited to approve the following.

1. COVID-19 financing requirements

For the purpose of these resolutions:

COVID-19 Final Recipient	means, based on art. 37(4) of the CPR a Final Recipient which is an SME ¹ and has been impacted by the public health crisis due to the COVID-19 pandemic.
Assessment of status of the Final Recipient as a COVID-19 Final Recipient	Such status shall be established as at the signing date of the COVID-19 Final Recipient Transaction and shall be based on: <ul style="list-style-type: none"> (i) the Final Recipient being an SME; and (ii) a self-declaration stating a reduction of the expected/incurred revenues of the Final Recipient for 2020 and, respectively, if such assessment is made in 2021, for 2020 and 2021 compared to 2019.
COVID-19 Working Capital Loan	means a stand-alone working capital loan (i.e. not linked to an investment) provided that the maximum loan amount shall not exceed EUR 200,000.
COVID-19 Eligibility Period	means the period during which COVID-19 Final Recipient Transactions are approved, entered into and disbursed, starting on [the date of publication of this Information Note on EIF's website] and ending on 30 June 2021.
COVID-19 Final Recipient Transaction	means an Eligible Final Recipient Transaction which complies with the COVID-19 Final Recipient Transaction Eligibility Criteria.
COVID-19 Final Recipient Transaction Eligibility Criteria	means, cumulatively, that the COVID-19 Final Recipient Transaction: <ul style="list-style-type: none"> (i) is entered into with a COVID-19 Final Recipient; (ii) is approved, entered into and disbursed during the COVID-19 Eligibility Period; (iii) shall have a disbursement period which shall not extend beyond the end of the COVID-19 Eligibility Period; (iv) is in the form of a COVID-19 Working Capital Loan; (v) has been requested as support relating to the impact of the COVID-19 health-care crisis on the COVID-19 Final Recipient's business/activity; and (vi) covers expenditure items which shall not have received assistance from another instrument supported by the budget of the EU. <p>The COVID-19 Final Recipient Transaction Eligibility Criteria shall be complied with on a continuous basis.</p> <p>Each COVID-19 Final Recipient Transaction to be included in the Portfolio shall fall under one of the following Operations (and the relevant COVID-19 Final Recipient shall comply with the relevant Final Recipients Eligibility Criteria corresponding to such Operation):</p> <ul style="list-style-type: none"> (i) Operation 3.1.3 - Investment of Young Farmers in agricultural holdings supported by a financial instrument included in the sub-measure 4.1

¹ For the avoidance of any doubt, the COVID-19 Final Recipient will need to comply with the applicable Final Recipient Eligibility Criteria.

	<p>(ii) Operation 3.2.3 - Investment in agricultural business supported by a financial instrument included in the sub-measure 4.1</p> <p>(iii) Operation 3.3.3 - Investment in transformation and marketing of agriculture products supported by a financial instrument included in sub-measure 4.2</p> <p>For the purpose of the COVID-19 Final Recipient Transaction Eligibility Criterion (v) above, The Financial Intermediary shall make an evidenced assessment on the basis of available financial information to confirm that a reduction of the expected/incurred revenues of the Final Recipient for 2020 and, respectively, if such assessment is made in 2021, for 2020 and 2021, has taken place compared to 2019.</p> <p>For the purpose of a COVID-19 Final Recipient Transaction, the Financial Intermediary shall not be required to (i) retain a business plan or equivalent documents or (ii) prove that the financing granted under the Final Recipient Transaction is used (including for the purpose of the costs and expenditures incurred) for its intended purpose.</p>
--	--

2. *Combination with other forms of support under PDR 2020:*

- a. The cumulation rules related to the aid intensity shall be respected at the level of investments: the sum of GGE of the loan provided by the financial instrument and the other forms of support under PDR 2020 grant shall not exceed the maximum aid intensity for that investment;
- b. The sum of all forms of support combined does not exceed the total amount of the expenditure item concerned. Amounts received under other forms of support under the PDR 2020 shall not be used to reimburse support received from financial instruments. Financial instruments shall not be used to pre-finance grants;
- c. The scope of the combination covers investment projects supported by the Financial Instrument under Operations 3.1.3, 3.2.3 or 3.3.3, where the Final Recipients can demonstrate to have received (by contracts signed) grant support from the PDR 2020 of Mainland Portugal. This shall be achieved by the Final Recipient providing to the Financial Intermediaries either:
 - (i) a contract in this respect entered into between the Managing Authority of the Rural Development Programme and the Final Recipient, or
 - (ii) a declaration from IFAP/AG PDR 2020 stating that the same investment project is also supported by other form of public support grants under the PDR 2020 and specifying the GGE linked to such support;
- d. The combination does not affect the operation of the delegated model in a sense that from the perspective of the Financial Institutions the two forms of support will be independent.

3. *Working Capital:*

- a. The Investment Strategy shall allow the co-existence of the two different eligibility frameworks, namely i) working capital financing up to 30% of the total eligible expenditures, or EUR

200,000 whichever is higher, linked to an investment operation and ii) COVID-19 Working Capital Loan provided to COVID-19 Final Recipients during the COVID-19 Eligibility Period, without the requirement of keeping the supporting documentation to allow verification of how the amounts are spent (made possible by the new CPR amendments).

- b. It is specifically noted that COVID-19 Working Capital Loan does not require working capital support to be linked to investment operations or any justification based on business plans or equivalent documents to be kept proving that it is used for its intended purpose. The Financial Intermediaries are not required to check ex post that the underlying costs have effectively been incurred e.g. via invoices or other supporting documents .
- c. Before granting a COVID-19 Working Capital Loan, the relevant Financial Intermediary will be required to verify that the COVID-19 Final Recipient and the COVID-19 Final Recipient Transaction comply with the relevant requirements as set out in Annex III (Information Note) of these Resolutions.
- d. In parallel, the PDR 2020 shall be amended to cater for the amendments foreseen above (i.e. reflecting that the support through the financial instrument managed by the EIF could cover Final Recipients for the emergency measure in the context of the COVID-19 outbreak). It is confirmed that the relevant PDR 2020 amendment will be made, ensuring consistency with the provisions set out herein without delaying deployment of the emergency measure to be implemented hereunder.

4. Based on the above,

- a. the Amended Investment Strategy is hereby approved and shall apply as of the day of these resolutions;
- b. it is confirmed that the measures described in the resolutions above and the Amended Investment Strategy comply with (i) all applicable national/regional rules, regulations and laws applicable to the financial instrument and (ii) the PDR 2020 as this will be amended in accordance with paragraph and 2(d) above and any other relevant documentation such as the ex-ante assessment, as applicable. For the avoidance of doubt, it is confirmed that the EIF and the Financial Intermediaries shall rely on the provisions of the Amended Investment Strategy which shall prevail in case of conflict with the provisions of the PDR 2020 prior to the amendment of the PDR 2020 as set out in paragraph 2(d) above; and
- c. it is acknowledged that the conditions for the COVID-19 financing measures set out in the resolutions above and the proposed Amended Investment Strategy are based on the amended EU regulatory framework which itself does not provide detailed guidance on the implementation. Additional clarifications can be found in (i) the Fi-Compass note titled "Responding to the COVID-19 crisis through financial instruments", (ii) the Q&A issued by the European Commission (iii) the Fi-Compass webinar Q&A. In light of this there is some uncertainty and lack of precision as to the exact extent of the changes to the legal framework. This entails ultimately a certain risk of eligibility for the FoF given that a number of interpretative positions set out in the resolutions above or adopted by European Commission may ultimately not be upheld by the control functions that will rule on eligibility (audit authorities, ECA). In this respect, it is specified that the EIF's role is to implement the measures

set out herein in accordance with the terms of these resolutions or relevant guidance provided by the IB or the Managing Authority.

- d. The Information Note is approved and may be published accordingly on the EIF website setting out the changes to the product terms sheet and the amendments to be implemented in the operational agreements with the Financial Intermediaries in order to transpose the COVID-19 financing measures and the other amendments described above.

B. Amendment to the Operational Guidance Note approved by the IB in February 2020

In addition to the above, the Operational Guidance Note on compliance with applicable EU and national laws and regulation and with PDR 2020 provisions for the implementation of the ESIF EAFRD Portugal Fund of Funds will be amended to further clarify the definition of Young Farmers as well as in accordance with Annex IV of the present written resolution.

After the IB's adoption of these written resolutions, the EIF will, for information purposes only, circulate the amended Operational Guidance Note to Financial Institutions.

Young Farmers:

- a. The Operational Guidance Note states that a "Young Farmer" to be supported by the PDR 2020 under Operation 3.1.3 according to the applicable EU Regulation shall be "a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding".
- b. In order to specify and operationalise the above definition for the purposes of access to finance under Operation 3.1.3, it is understood that the final recipient should:
 - be 18-40 years old;
 - be the holder of a farm holding;
 - not have been in farming for more than five years (i.e. be within the period of grace for acquiring professional skills arising from the first setting-up – this amendment is covered by Annex II, under Article 17(3) of Regulation 1305/2013);
 - have appropriate vocational training;
 - in the case of legal persons, the characteristics stated above (with the exception of ownership of the holding which will belong to the legal person) must be demonstrated in natural persons exercising management and holding individually at least 25% of the share capital of such legal person and collectively at least 50% of the share capital of such legal person.
- c. The above clarification shall be integrated in the Operational Guidance Note. Such clarification would have no implications on the Funding Agreement and the CEOI (including as amended pursuant to the Information Note), the PDR 2020 or the legal relationship between the EIF and the Financial Institutions which shall be governed by the terms of the Operational Agreements (as these may be amended from time to time).

III. DATE OF ADOPTION

The date of this written resolution will be the date on which the Chairperson will confirm, in writing, any relevant decision to all members and observers as set out in article 15 of the Rules of Procedure of the IB.

ANNEX I: Record of votes

Voting members appointed by the Managing Authority	Vote
1) Mr Eduardo Diniz	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No reply
2) Mrs Rita Barradas	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No reply
3) Mr Rui Martinho	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No reply

Rita Barradas
07.10.2020

Rita Barradas

(Gestora)


Diretor-Geral
7.10.2020
Eduardo Diniz



7.10.2020

(IFAP)

ANNEX II: Amended Investment Strategy and Business Plan

APPENDIX A INVESTMENT STRATEGY AND BUSINESS PLAN

Unless otherwise defined herein, words and expressions defined in the Funding Agreement shall have the same meaning when used herein.

A. INVESTMENT STRATEGY

1. Introduction

The Member State participating in the deployment of the Financial Instrument intends to make a contribution from the Portugal Mainland Rural Development Programme (RDP) to tackle part of the market gap identified in the Ex-ante Assessment.

In order to address the above market failure evidenced by the Ex-ante Assessment, the Member State entrusts EIF under this Agreement with the creation and management of a FoF for the purpose of implementing the present investment strategy as amended from time to time by the Parties based on the inputs provided by the Investors Board according to the Agreement and in particular for the purpose of selecting Financial Institutions to implement the financial instrument(s) offered by the EIF.

More specifically, EIF will provide to selected Financial Institutions a capped guarantee for portfolios of newly originated loans or other risk-bearing instruments if specifically provided for in the RDP and as specified in the CEOI to eligible Final Recipients in the eligible agricultural and agro-industrial sectors.

This "Investment Strategy and Business Plan" has been established in the context of the implementation by the EIF of the Fund of Funds on Mainland Portugal, and aims to determine the principles of a coordinated and concerted approach between the various associated parties for the preparation, programming and implementation of the Fund of Funds.

As stipulated by paragraph 1 of Annex IV to the CPR, the FoF Activity shall be governed by this Investment Strategy and Business Plan, which may be revised in accordance with the terms of this Agreement and in accordance with the orientations taken, if necessary, by the Investment Board.

2. Ex-ante assessment

The Member State has performed an Ex-ante Assessment, within the meaning of Article 37.2 of the CPR. The results of the analysis ~~highlight that the following,~~ that has been taken into consideration – to the extent relevant – for the definition of this Investment Strategy highlight:

- For all sectors in general, there is an insufficient volume of credit provided to satisfy the investment needs.
- The successive insufficient levels of economic and financial results of the companies, associated with the high leverage that characterizes the Portuguese business sector, worsened significantly the indicators of reduced access to finance in Portugal, especially for smaller companies. This situation will have consequences for the granting

of credit in the near future. In fact, about 30% of micro-enterprises, 25% in SMEs and 20% larger companies have overdue loans.

- In the case of companies in the primary sector, the financial gap was found to be more significant than for the average in the economy. Consequently, the availability of guarantee mechanisms and subsidies to financing costs is of particular relevance in this sector.
- The investment strategy of the ex-ante assessment for financial instruments oriented to the companies establishes three main areas of intervention with a specific strategy in the framework of the Rural Development Programme. The areas suggested by the ex-ante assessment and mostly constituting the basis for the envisaged Investment Strategy are the following:
 - 1) Promotion of entrepreneurship: to adopt financial instruments specifically aimed at promoting entrepreneurship, which will allow the development of pilot experiences in this field, especially by young entrepreneurs.
 - 2) Promotion of the development and implementation of new business models for internationalization: to increase agricultural added value through renewal and improvement of farms in the scope of Measure 4, through typologies 05: Guarantees or equivalents and 06: Subsidies for interest, Guarantee premiums, Technical support or equivalent.
 - 3) Creation and expansion of capacities for product development and advanced services: to renew and improve the management of farm structures, to reinforce the positions of companies in their value chains, to combat aging and low qualifications of the agricultural population and improvement of capacity of forest based SMEs and improvement of capacity of forest-based SMEs.

3. The Implementation Arrangements

In order to overcome the failures and respond to some of the recommendations highlighted by the Ex-Ante Evaluation, the Member State entrusts the EIF with the creation of the Fund of Funds within the meaning of Article 2 (27) of the CPR to facilitate the access to financing and improve the financing conditions of the Final Recipients in cooperation with duly selected Financial Institutions. This will be achieved through the implementation of one or more Financial Instruments in the form of capped portfolio guarantees (see section 4 below). Under this Agreement, the Member State shall designate the EIF as its agent to manage the amounts made available hereunder in the form of a Fund of Funds under Article 38 (4) (b) (i) of the CPR.

The EIF will select Financial Institutions for the purposes of the Fund of Funds and enter into Operational Agreements with each of them. The Member State acknowledges and accepts that the selected Financial Institutions will become the competent entity for the award of loans to the Final Recipients. The evaluation and selection of the Financial Institutions will be carried out by the EIF as part of its Call for Expression of Interest ("CEOI") process as set out in this Agreement. The Member State shall establish or appoint the Investment Board to oversee and monitor the implementation of the Investment Strategy and Business Plan in accordance with the provisions of this Agreement.

The Fund of Funds will receive a contribution from the RDP of Mainland Portugal of EUR 20,066,861 and – according to Clause 2.1 in the Funding Agreement and the Intercreditor Arrangements – will possibly receive a contribution by the EIF, senior to the contribution of the RDP as specified in the Intercreditor Arrangements and guaranteed by EFSI of up to EUR 15,000,000. For the avoidance of doubt, this Investment Strategy will apply to all the contributions mentioned above, subject to the Intercreditor Arrangements and to the general principle that the RDP contribution will be junior to the EIF EFSI contribution.

The Member State confirms that the Investment Strategy and Business Plan herein, including, without limitation, the Eligibility and State Aid implications below, complies with the objectives of its RDP and that it is fully compliant with all the conditions and requirements of its RDP applicable to the Financial Instrument (as these will be amended for the purpose of the flexibility measures introduced due to the COVID-19 crisis). The Member State acknowledges that such relevant amendments of the RDP shall be carried out in parallel in order not to delay deployment of the flexibility measures to be introduced for the financial instrument in the context of the COVID-19 crisis.

The Member State acknowledges and agrees that the allocation committed to the sub-measures and operations set out in the RDP is merely of an indicative nature and that EIF, in order to ensure flexibility of the Financial Instrument in light of market demand, shall be entitled to pool together and commit such resources to Financial Institutions that can use such resources for support to any sub-measure and operation in line with actual market demand. The Managing Authority of the Rural Development Programme will transmit information to the selected Financial Institutions on the investment applications submitted and assessed, but not approved due to lack of resources, assuring safeguarding on the protection of personal data in terms of the Regulation 2016/679 of 27 April 2016 (General Data Protection Regulation), being understood that the eventual funding of such investments is a decision of the Financial Institutions.

Financial Products/Instruments to be Offered

The Fund of Funds will contribute to the establishment of one or more capped portfolio guarantee Financial Instrument. These instruments will be implemented by the EIF through one or more selected Financial Institutions. The evaluation and selection of the latter will be carried out by the EIF according to its CEOI process. Depending on the outcome and the quality of the CEOI responses received by the EIF, one or more Financial Institutions will be selected. Contributions from the Fund of Funds will be allocated to the following instrument:

A Financial Guarantee Instrument called "First Loss Portfolio Guarantee" ("FLPG") per each selected Financial Institutions. This instrument would cover part of the first losses (within a limit predefined by the EIF) of a new portfolio of loans granted by Financial Institutions to the benefit of the Final Recipients being legally present and carrying out economic activities in mainland Portugal and respecting the eligibility criteria. In return for this guarantee, the Financial Institutions will undertake to improve the conditions of access to the bank credit of the Final Recipients.

In addition to the above, in consideration of the provisions set out in Regulation 1303/2013 as amended by Regulations 2020/460 and 2020/558, the financial instrument will provide debt finance aiming at fostering the crisis response for Final Recipients impacted by the public

health crisis due to the COVID-19 crisis as further set out in section E of Annex A1 (Eligibility Criteria) below.

The maximum liability of the Fund of Funds for losses, (the “**Cap Amount**”), shall be limited to a percentage of the loan portfolio volume, determined by the EIF (the “**Cap Rate**”). The maximum cap amount is therefore proportional to the maximum volume of the guaranteed portfolio. At any time, the cap amount allocated to each guarantee transaction is proportional to the actual volume of loans granted by the Financial Institution. The cap amount is to be considered as eligible expenditure under the EU rules on ESIF Funds.

Subject to the provisions set out in the Intercreditor Arrangements, in case market conditions would allow for the contribution by the EIF of an EFSI mezzanine tranche, the cap amount for the maximum liability of the Fund of Funds (Cap Amount) would be limited to a percentage of the loan portfolio volume lower than the percentage covered by the EIF of the loan portfolio volume of some or all the Financial Institutions selected (Cap Rate). Therefore in such a case, the Cap Amount would cover part of the Cap Rate, with the difference being covered – as a second loss piece – by the EFSI.

The sub-measures supported by the financial instrument will be:

- 4.1. "Support for investment in agricultural holdings" and

-4.2 "Support for investment in processing / marketing and/or development of agricultural products"

Support under these two sub-measures will be provided through three Operations defined in the RDP, to be implemented through ~~a~~the financial instrument:

Operation 3.1.3 - Investment of Young Farmers in agricultural holdings supported by a financial instrument included in the sub-measure 4.1

Operation 3.2.3 - Investment in agricultural business supported by a financial instrument included in the sub-measure 4.1

Operation 3.3.3 - ~~Investment~~ investment in transformation and marketing of agriculture products supported by a financial instrument included in sub-measure 4.2

4. Aid Intensity

The selected-Financial Institutions will have to ensure that the financing operations to the Final Recipients respect the maximum aid intensity set in the RDP. The selected Financial Institutions will be responsible in particular for the conduct of the appropriate control procedures.

The Aid component of the Final Recipient Transaction will be calculated by the selected Financial Institutions in the form of a gross grant equivalent (GGE) with a methodology to be further detailed and approved by the Investors Board for the Financial Institution to implement. In case of Final Recipient Transactions supporting investments that do not receive other support

from the PDR 2020, the GGE of each loan cannot exceed 35% of the total eligible cost of the investment project (including, for the avoidance of doubt, any eligible expenditure, including working capital). When the Final Recipient has declared that other form of support (i.e. grant) by the PDR 2020 have been granted, the GGE of the loan plus the GGE of any other form of support by the PDR 2020 should not exceed the maximum aid intensity allowed by the PDR 2020 for that investment.

All the principles listed above will be implemented in the Operational Agreements as indicated in the section "Aid Intensity" in section D. (Main Indicative Features of the Financial Instrument).

5. Combination with other forms of support under the PDR 2020-grant support

The First Phase of implementation means the period starting from the first day of the Inclusion Period under the Operational Agreements and ending on the day falling before the day on which the information note allowing for the combination with other forms of support under the PDR 2020 was published on the EIF website (the "First Phase"). The Second Phase of implementation refers to the period starting on the day on which the information note allowing for the combination with other forms of support under the PDR 2020 is published on EIF website (the "Second Phase").

With the objective of maximizing the experimental nature of support through a financial instrument, the combination of the guarantee with other forms of support under Rural Development Programme will not be allowed during the First Phase of implementation of the instrument. It will be the responsibility of the Financial Institutions to verify, based on a declaration by the Managing Authority of the Rural Development Program, that no other form of support is received by the Final Recipient for the same investment supported by the Financial Instrument.

During the Second Phase of implementation, it has been agreed by the Investment Board to allow for the combination with other forms of support under the PDR 2020 pursuant to art. 37(8) CPR at the level of the Final Recipients, within two separate operations, each having distinct eligible expenditure. Accordingly, the same Final Recipient and the same investment project supported by the Final Recipient Transaction may receive support under the guarantee combined with other forms of support (other support under the PDR2020), as defined in Section D (Main indicative characteristics of the financial instrument) below.

For the avoidance of doubt, the debt financing granted in the context of the financial instruments shall not be used to pre-finance grants and for this purpose the Financial Institution will rely on a representation provided by the Final Recipient in the underlying transaction documentation.

B. EXIT STRATEGY

1. General

The guiding principles of the exit policy can be described as follows:

The contributions of the Fund of Funds allocated to the different portfolio guarantees provided by the EIF to the selected Financial Institutions constitute the cap amount that the EIF can use

to cover for guarantee payments called by the Financial Institutions for loans on which a default has occurred. The cap amount is allocated proportionally to the construction of the loan portfolio for the Final Recipients and constitutes eligible expenditure.

Such allocation – when not used to cover for loan defaults – will be kept as long as and to the extent that a guarantee payment can be called according to the guarantee and cap rate set in the Operational Agreements on outstanding loans. Therefore, such an instrument is necessarily accompanied by a specific expiry date which will be specified in the corresponding Operational Agreement. After this date, and after the application of the different mechanisms to debit and credit the Fund of Funds according to this agreement, the part of the resources which is not intended to honor the possible guarantee calls will be made available to the different risk takers according to the Intercreditor Arrangements, if any. It is agreed and understood that the amount and performance of returns will depend on the characteristics (in particular: amount, duration and risk profile) of the operations financed. In any case, the amounts released may only be paid to the relevant Risk Taker when the total amount of outstanding exposure is less than the cap amount defined in the Operational Agreement. In case of an EFSI contribution by the EIF, the rights of each risk taker in respect of such released amounts are set out in the Intercreditor Arrangements

It is the responsibility of the EIF to ensure that the Operational Agreement provides clear procedures and practices that enable the Fund of Funds to "exit" the Financial Institution Transaction by including default event clauses that would allow the EIF to terminate the Operational Agreement in the event of default (eg non-payment, misrepresentation, bankruptcy, illegality), to the extent that such clauses are consistent with a favorable regulatory capital treatment of the Financial Instrument. In addition, although the financial products for the benefit of the Final Recipients are of a lasting nature, the Parties recognize that it is not certain that in this case, the resources allocated to the Fund of Funds and invested for the implementation of the Financial Instrument are returned to the Fund of Funds. In other words, the Financial Instrument may not be sustainable. In the worst case, particularly due to adverse economic conditions affecting the performance of the loan portfolio, poor performance of the Financial Institutions or failures of the latter, the return of amounts invested in the form of Financial Instruments could even be zero.

It is agreed and understood that the EIF, based on the market conditions, may contribute EFSI resources to the Financial Instrument with the specific purpose of maximizing the additionality of the financial instrument and in order to increase the volumes of the new debt finance to be supported. Based on this policy goal, of increasing the volumes with an EFSI contribution while maintaining the MS Contribution Committed, the MS acknowledges that in case of an EFSI contribution the risk taken by the Fund of Funds will be higher as the cap amount contributed by the MS will cover the first losses of the loan portfolio, in an amount commensurate with the expected losses, as further detailed in the Intercreditor Arrangements and the probability of reflows will be lower.

2. Use of returned funds before and after the end of the eligibility period

The Funding Agreement provides for: (i) during the eligibility period, the reinvestment in the Financial Instrument of any amount becoming available for the MS according to Clause 5.2 and subject to the Intercreditor Arrangements, in compliance with art. 44 of CPR; (ii) after the end of the eligibility period, the repayment to the MS of any amount becoming available for

the MS according to Clause 5.2 and subject to the Intercreditor Arrangements, or – alternatively – the possibility to reinvest it in the same or in a different financial instrument, in compliance with art. 45 of CPR.

C. BUSINESS PLAN FOR THE FINANCIAL INSTRUMENTS TO BE IMPLEMENTED

1. General

The Investment Strategy described above will be implemented with the support of the EIF. The EIF shall manage and operate the Fund of Funds, including the funds and resources of the Fund of Funds and the Account of the Fund of Funds and perform the other functions and responsibilities relating to the Fund of Funds stipulated in this Agreement.

As stipulated in this Agreement, the EIF shall identify, evaluate and select appropriate Financial Institution(s) through the issuance and publication of the CEOI. This CEOI will specify criteria relevant to the selection of Financial Institutions under this Agreement and in accordance with the provisions of the CPR and the Delegated Act. Each Expression of Interest (EI) submitted by a bidder will include a business plan or equivalent documents in accordance with the requirements of the CPR. This business plan will be complemented by the results of the CEOI process.

2. Expected leverage effect

As described in the table below, it is envisaged that private endowments (of the Financial Institution and / or the Final Recipient) will create a leverage effect on the EAFRD allocations, the MS' own resources and the EFSI contributions, if utilised.

The utilisation of EFSI resources would happen based on market conditions and only in case it could allow for the required additionality in terms of higher portfolio volumes. As a consequence, the financial instrument will envisage mechanisms whereby the portfolio volumes available to Financial Institution(s) will be based on the RDP contribution, and could be increased to a higher portfolio volume to be targeted depending on the actual market conditions and achieved thanks to the EFSI contribution.

The leverage figure on the following table is indicative and will be a function of the maximum cap rate and the split between the RDP contribution and EFSI

	Guarantee instrument (Portfolio guarantee)
Contribution from the RDP of Mainland Portugal	EUR 20.07m
Amount of the contribution from the RDP (net of possible management fees payable according to	EUR 18.06m

Clause 8) available for the Capped Portfolio Guarantees	
Guarantee Rate	70%
Cap rate (up to)	25%
Amount of new finance (approx.)	EUR 103.2m
Leverage Effect :	5.7x
Possible deployment of EFSI as Second Loss Piece (up to)	EUR 15m
Additional amount of new finance with EFSI (approx.) (up to)	EUR 85.7m

D. MAIN INDICATIVE CHARACTERISTICS OF THE FINANCIAL INSTRUMENT

1. General characteristics of the Guarantee and structure

- **Objective:** to improve the access of the Final Recipients to bank financing;
- **Structure:** guarantee of the first losses on a Portfolio of new financing to the Final Recipients, each financing being covered up to a guaranteed Guarantee Rate of 70% on a loan-by-loan basis up to a Guarantee Cap rate up to 25% covering expected and a portion of the unexpected loss;
- **Guarantor:** the EIF acting on behalf of the MS and – possibly – as mezzanine risk taker with EFSI resources according to the Intercreditor Arrangements;
- **Benefits for the Financial Institutions:** free credit risk coverage;
- **Transfer of benefit:** The total benefit to be transferred to Final Recipients shall be based on the benefit provided to the Financial Institution in respect of each Operational Agreement. The Financial Institutions will be required to transfer the benefit of the guarantee to the Final Recipients in the form of increased duration of debt financing, reduced interest rates, reduced guarantees, reduced own funds contributions, longer maturities, or other forms of improved access to finance for the Final Recipients resulting from increased risk taking by the Financial Institution. The transfer of benefit may also include a combination of the above elements.

The specific transfer of benefit requirements shall be tailored to each Financial Institution by the EIF under its professional judgment, and using a predefined quantitative approach, considering the following:

- specific objectives of the Financial Instrument,
- associated ex ante/market analysis,

- existing credit policies of the Financial Institution in respect of the targeted Final Recipients,
- capital provisioning requirements of the Financial Institution
- an acceptable level of operating costs including, but not limited to, the additional costs and risks of the Financial Institution (compared to its standard business) associated with the verification of eligibility conditions, applying aid intensity rules, reporting of the portfolio, etc.).

These Transfer of Benefit requirements shall be submitted to the Investment Board for information before the signature of the Operational Agreements.

If the Transfer of Benefit occurs via a reduction in the credit risk margin compared to that in the Financial Institution's standard pricing applicable to the Final Recipient (as the Financial Institution receives no remuneration/funding from the EIF), the assessment of the Transfer of Benefit could focus only on the credit risk premium.

In such case, the reduced credit risk premium to be applied by the Financial Institution could be established as follows:

$(100\% - \text{Guarantee Rate}) * \text{Credit risk premium normally charged by the Financial Institution without a guarantee} + (\text{Guarantee Rate} \times (\text{Guarantee Fee} + \text{acceptable additional costs margin}))$

In cases where the Financial Institution does not obtain full capital relief of the guaranteed portion of the portfolio, the additional costs margin shall include a premium to compensate the Financial Institution's capital charge on the guaranteed portion of the loan, based on EIF's professional judgement.

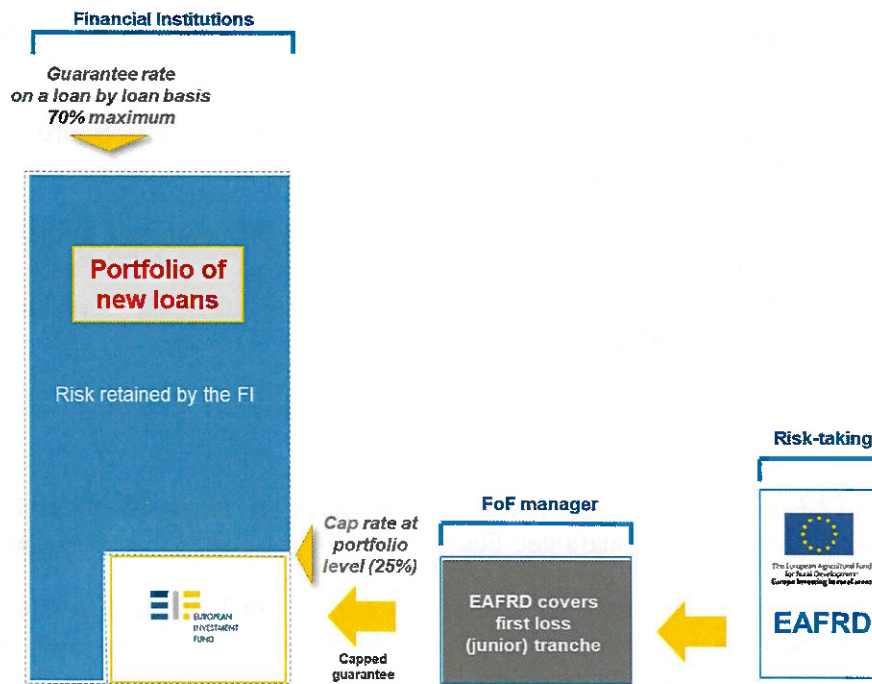
With specific reference to loan maturities, the selection criteria under the CEOI will provide for incentives to the Financial Institutions to express interest in supporting portfolios partially or entirely composed of debt financing with maturities longer than 12 years. Upon assessment of EIF and selection of the relevant Financial Institution such interest would be underpinned by portfolio eligibility criteria or other relevant portfolio management measures aimed at supporting the achievement of the policy objective.

- **Credit decisions** delegated to the Financial Institution according to its risk policies, and according to the Eligibility Criteria applicable to the Financing to the Final Recipients included in the Portfolio;
- **Automatic Coverage:** Final Recipient Transactions that meet the Guarantee criteria are automatically covered based on a report to be sent quarterly to the EIF;
- **Financial guarantee on first demand:** in the event of default, the Financial Institution will be paid on the first request within 60 days of the quarterly report on the loss;
- **Losses covered by the Guarantee:** the Defaulted amounts according to the definition set out in the indicative term sheet below;

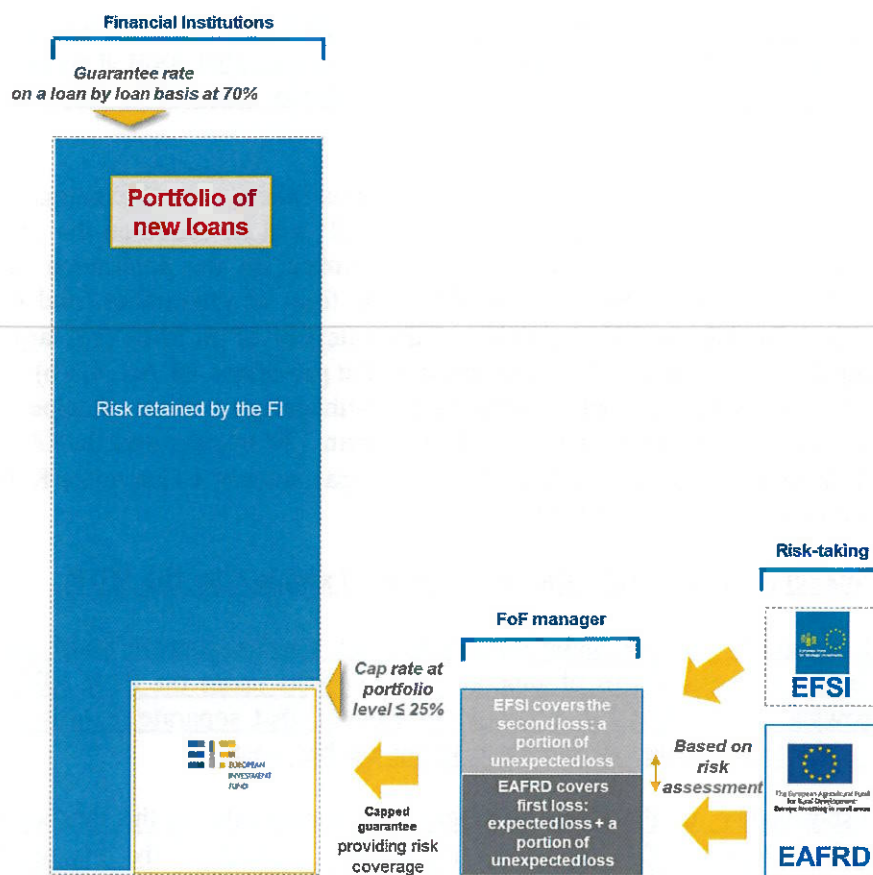
- The **Guarantee Cap Amount** increases in proportion to the construction of the Portfolio (see diagram below).

- **Indicative Schematic representation of the Instrument:**

Before EFSI contribution



After EFSI Contribution



• **Eligibility criteria:** Under this Financial Instrument, the portfolio of new loans to be originated / constructed by the selected Financial Institutions must only be composed of Financing to the Final Recipients that meet all the following eligibility criteria: :

- A. Eligibility Criteria for Final Recipients,
- B. Eligibility Criteria for Final Recipient Transactions,
- C. Eligibility Criteria for the Portfolio, and
- D. Operation specific Eligibility Criteria.

as indicated in Annex A1 below, as these may be supplemented by the COVID-19 Conditions set out in Section E below.

• **State aid:** the amount allocated to the Final Recipients in the context of a Final Recipients Financing must comply with the following rules:

The calculation of the Gross Grant Equivalent (GGE) will be the responsibility of the Financial Institution and not of the EIF and obtained according to the calculations methodology that will be approved by the Investors Board. In case of loans supporting investments that do not receive any other support from the PDR 2020– ~~the GGE of each loan included in the portfolio~~ should not be higher than 35% of the total eligible costs of the investment supported.

When the Final Recipient has declared that other form of support (i.e. grant) under PDR 2020I have been granted, the GGE of the loan plus the GGE of any other form of support by the PDR 2020 should not exceed the maximum aid intensity allowed by the PDR 2020 for that investment.

The Member State recognizes that in case of Final Recipients falling under the category of an SME the methodology for the calculation of the GGE will be based on the safe harbour defined by the European Commission in its Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees, and its corrigenda. For Final Recipients falling outside of the category of an SME (i.e. large companies) a simplified formula will be used based on the provisions of Art. 4.6(b) of Regulation 1407/2013. With the latter simplified methodology, Final Recipient Transactions may not have an initial maturity of more than 120 months and the GGE results from the following calculation: $GGE = \text{Loan principal amount} \times \text{Guarantee Rate} \times \text{Min}(\text{Loan duration in years}; 10) \times 200/1500/5$

• Combination of the financial instrument with other forms of support by the RDP:

The same Final Recipient and the same operations may receive support under the guarantee combined with other forms of support (other support under the PDR 2020). In this case, following art. 37(9) CPR, it should be ensured that separate records are kept on the different forms of support and the relevant eligible costs.

It will be the responsibility of the Final Recipient to communicate to the Financial Intermediaries when applying for debt financing in the context of the Financial Instrument if the investment project benefits from other forms of support via either (i) the contract signed with the MA or (ii) a declaration from IFAP / AGPDR 2020 where is stated that the investment is supported also by other forms of support under the PDR 2020, specifying the GGE linked to such additional support.

It will be the responsibility of the Financial Intermediaries to verify that the combined GGE of the different forms of support complies with the maximum aid intensity allowed by the RDP that will be reflected in the terms and condition of the guarantee. More specifically, Financial Institutions must verify that the sum of the other forms of support under the PDR 2020 and the GGE associated with the Final Recipient Transaction secured with the Guarantee does not exceed the maximum permissible aid intensities defined under the corresponding Operations 3.1.3, 3.2.3 and 3.3.3 of the PDR2020 for such investment. The aid intensity must be taken into account both at the level of the investment costs as well as at the level of the entire project (investment component and working capital component, if applicable).

The eligible expenditure financed by the eligible debt financing in the context of the Financial Instrument shall be distinct from the expenditure financed by other forms of support.

E. CONFIRMATION BY THE MEMBER STATE

Under this Financial Instrument, while it is acknowledged that the relevant amendments of the RDP for the purpose of reflecting the flexibility measures introduced due to the COVID-19 crisis can be carried out in parallel, the Member State expressly acknowledges and confirms that the investment strategy and policy as set out in this Appendix A:

- reflects all the provisions required by the PDR 2020 (as this shall be further amended for the purpose of reflecting the flexibility measures introduced due to the COVID-19) Rural Development Program (for each type of operation concerned) or the European / national legislation or regulation applicable to the Financial Instrument;

- complies with the provisions of the PDR 2020 (as this shall be further amended for the purpose of reflecting the flexibility measures introduced due to the COVID-19) Rural Development Program and the national legislation or regulations applicable to the Financial Instrument (including state aid rules); and

- reflects the provisions laid down in EAFRD Regulation.

As such, the Member State recognizes and confirms that the EIF's responsibility for (i) the conformity of the provisions of the Operational Agreements with the Rural Development Program or any other European / national legislation or regulation applicable to the Financial Instrument and (ii) the eligibility of guaranteed financing under these rules is limited to the requirement to include the eligibility criteria and other requirements set out in this investment strategy and policy (as supplemented and / or amended by decision of the Investment Board, if any) in the Operational Agreements.

The Member State also acknowledges and confirms that no restrictions on the "implementation risk" and "mitigation" measures listed in the RDP are the responsibility of either the EIF or the Financial Institutions.

ANNEX A1 - Eligibility Criteria

Under this FoF, the portfolio of new debt finance to be originated by the selected Financial Institution(s) must only be composed of financing to the Final Recipients that meet all the following eligibility criteria. The EIF may apply additional eligibility criteria pursuant to its relevant internal policies and procedures (e.g. anti-fraud policy, non-cooperative jurisdiction policy, etc.), as applicable from time to time.

A. Eligibility Criteria for Final Recipients

	Eligibility Criteria for Final Recipients	Application
1	<p>The Final Recipient shall be potentially economically viable (as assessed by the Financial Institution in accordance with its internal procedures) and is not in "in difficulty" (within the meaning of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty).</p> <p>It is assumed that given the risk-sharing under the guarantee between the EIF and the Financial Institutions (70%/30%), the</p>	Signing date

	Financial Institutions, applying their ordinary business practices, will provide loans only to Final Recipients that have the necessary technical, financial and human resources for carrying out the supported investment. The decision by the Financial Institutions on each loan, taken in accordance with their internal financial and technical evaluation procedures, is considered the proof of such assessment.	
2	The Final Recipient is not subject to collective insolvency proceedings (or any equivalent concept) nor fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors. In case the Final Recipient is a legal person but not a SME as defined in Commission Recommendation (EU) 2003/361/EC, the Final Recipient shall be in a situation comparable to a credit rating of at least B-.	Signing date
3	The Final Recipient means a natural or legal person, including micro, small or medium sized enterprises (SMEs) as defined in Commission Recommendation (EU) 2003/361/EC.	Signing date
4	<p>The Final Recipient shall be legally present and carrying out economic activities in Portugal. In case of legal persons, compliance with such condition is evidenced by the presentation by the Final Recipient to the Financial Institution of one of the following: its excerpt from the Portuguese Commercial Registry Office (“<i>Certidão Permanente</i>”) or the access code to its excerpt from the Portuguese Commercial Registry Office (“<i>Certidão Permanente</i>”). In case of natural persons, compliance with such condition is evidenced by the presentation by the Final Recipient to the Financial Institution of the following: Declaration of Activity issued by the Portuguese Tax Authority (“<i>Declaração de Início de Atividade</i>”).</p> <p>The Final Recipient shall be registered with the Portuguese Tax Authority and therefore in compliance with the applicable accounting regulation. Such condition is evidenced by the presentation by the Final Recipient of the latest due tax statements in accordance with the applicable laws and regulations (for legal persons, “IRC Declaration” and, for natural persons, “IRS Declaration”).</p>	Signing date
5	The Final Recipient shall not have a substantial focus on one or more restricted sectors as set out in the relevant EIF’s policy on restricted sectors ¹ (as applicable from time to time) (which determination shall be made by the Financial Institution in its discretion based, without limitation, on the proportionate	Signing date

¹ Available of the EIF website: http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm.

	importance of such sector on revenues, turnover or client base of the relevant Final Recipient).	
6	The Final Recipient shall provide to the Financial Institution a certificate confirming a regularized situation of the Final Recipient before the Portuguese Tax Authority and the Portuguese Social Security Authority.	Signing date
7	<u>For the purpose of Final Recipient Transactions entered into during the First Phase,</u> the Final Recipient shall provide to the Financial Institution a Declaration by the AGPDR 2020 on the regularity of the support received in the past from the PDR 2020 and a self-declaration confirming that no other form of public support from the PDR 2020 has been received by the Final Recipient for the same investment project supported by the relevant Final Recipient Transaction.	Signing date
<u>8</u>	<p><u>For the purpose of Final Recipient Transactions entered into during the Second Phase:</u></p> <p>1. <u>if no other form of public support from the PDR 2020 has been received by the Final Recipient for the same investment project supported by the Final Recipient Transaction, the Final Recipient shall provide to the Financial Institution a Declaration by the AG PDR 2020 on the regularity of the support received in the past from the PDR 2020 and a self-declaration confirming that no other form of public support from the PDR 2020 has been received by the Final Recipient for the same investment project supported by the relevant Final Recipient Transaction.</u></p> <p>2. <u>If other forms of support under the PDR 2020 have been received by the Final Recipient for the same investment project supported by the Final Recipient Transaction, the Final Recipient shall provide to the Financial Institution either:</u></p> <p><u>(i) a contract in this respect entered into between the Managing Authority of the Rural Development Programme and the Final Recipient; or</u></p> <p><u>(ii) a declaration from IFAP / AG PDR 2020 stating that the same investment project is also supported by other form of support under the PDR 2020 and specifying the GGE linked to such support.</u></p>	Signing date
<u>98</u>	The Final Recipient shall not be in an exclusion situation, as will be further specified in the CEOI.	Signing date

Compliance with Final Recipient Criteria shall be addressed by the Financial Institutions on the basis of representations given by the Final Recipients in the legal documentation concerning the relevant Final Recipient Transactions.

B. Eligibility Criteria for Final Recipient Transactions

	Eligibility Criteria for Final Recipient Transactions	Application
1	<p>Eligible Final Recipient Financial Transactions shall be either:</p> <p>a) Amortising loans (including bullet/balloon loans) with a minimum maturity of 3 years and a maximum maturity of 15 (fifteen) years, provided that the maximum maturity shall in no case extend beyond 31 December 2035; or</p> <p>b) Financial leases according to art. 13 of Reg (EC) 807/2014 with a minimum maturity of 3 (three) years and a maximum maturity of up to 15 (fifteen) years, provided that the maximum maturity shall in no case extend beyond 31 December 2035.</p>	Continuing
2	<p>Final Recipient Transactions must finance expenditures made by the Final Recipients that occurred after the date of submission of the application for financing to the Financial Institution, provided that, by way of exception, for Final Recipient Transactions financing general costs as defined in article 45.2.c of the EAFRD Regulation–, such expenditure shall be eligible even if incurred before the date of submission of the application.</p>	Signing date
3	<p>The investments to be supported by the Final Recipient Transaction shall not be physically completed or fully implemented at the date of approval by the Final Recipient of the Final Recipient Transaction.</p>	Signing date
4	<p>Final Recipient Transactions shall support investments localized in mainland Portugal and specifically:</p> <p>a) In case of Final Recipient Transactions financing an investment whose location can be determined without ambiguity: the place of investment must be in mainland Portugal; or</p> <p>b) In case of Final Recipient Transactions financing an investment whose location cannot be determined without ambiguity, or any other type of financing: the Final Recipient shall have an active establishment in mainland Portugal, as evidenced by the respective excerpt from the Portuguese Commercial Registry Office (“<i>Certidão Permanente</i>”) in the case of legal persons or the Declaration of Activity issued by</p>	Continuing

	the Portuguese Tax Authority (“ <i>Declaração de Início de Atividade</i> ”) in the case of natural persons;	
5	<p>Final Recipient Transactions shall finance investments/costs eligible in accordance <u>with</u> the <u>CPR and the EAFRD Regulation</u> and its implementing acts (in each case as amended, restated and/or replaced from time to time) and in particular:</p> <p>a) Costs for the purchase or lease of tangible and intangible assets;</p> <p>b) <u>Working capital</u> being part of the business plan of the investment project, for an amount not exceeding EUR 200,000 (two hundred thousand euros) or 30% of the total amount of the eligible costs for the investment, whichever is the higher</p> <p>c) <u>COVID-19 Working Capital Loans</u>;</p> <p>b)d) <u>General costs</u> linked to the eligible investment such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies, according to art. 45.2(c) of the EAFRD Regulation.</p> <p>Eligible costs include, but are not limited to:</p> <p>a) Acquisition of second-hand equipment and replacement equipment;</p> <p>b) VAT paid by the Final Recipient on eligible costs; and</p> <p>c) Multi-annual plants and their planting.</p>	Continuing
6	<p>Final Recipients Transactions shall <u>not</u> finance the following ineligible expenses:</p> <p>a) Investments whose main purpose is the production of energy;</p> <p>b) Fines, financial penalties, legal and litigation costs, exemptions from charges;</p> <p>c) Charges, premiums and other financial charges;</p> <p>d) Projects carried out by aquaculturists or fishermen as well as projects concerning fishery or aquaculture products covered by Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the</p>	

	<p>common organisation of the markets in fishery and aquaculture products;</p> <p>e) Costs related to a leasing contract, such as the lessor's margin, interest refinancing costs, overhead costs, insurance costs, self-construction,(for the avoidance of doubt the ordinary interests due on the principal is eligible);</p> <p>f) Activities constituting pure financial transactions;</p> <p>g) Real estate development activities when undertaken as a financial investment activity;</p> <p>h) The provision of consumer credit;</p> <p>i) Transfer of property rights related to businesses/operations; provided that such transfer takes place between independent investors;</p> <p>j) Investments on annual plants²;</p> <p>k) Investments on live animals with the exception of autochthonous breeds in the context of Operations 3.1.3; and</p> <p>l) Other excluded activities based on applicable legislation/regulation as further specified in the CEOI</p>	
7	Currency of Final Recipient Transactions: EUR.	Continuing
8	Final Recipient Transactions must finance a project, which is considered financially viable (as assessed by the Financial Institution in accordance with its credit policy)	Signing Date
9	Final Recipient Transaction shall not restructure or refinance existing debts.	Continuing
10	Final Recipient Transactions must not pre-finance a grant- <u>(for the avoidance of doubt, the Final Recipient Transaction may be combined with other forms of public support under the PDR 2020, and subject to applicable state aid rules, cover the same expenditure item, provided that the sum of all forms of support does not exceed the total amount of the expenditure item concerned).</u>	Continuing

² For the sake of clarity, annual plants can be the product mostly impacted by the eligible investment in tangible or intangible assets and/or can be, under certain conditions, part of the eligible working capital component of the total Eligible Costs covered by the Final Recipient Transaction. For the avoidance of doubt, annual plants can be financed as part of a working capital component linked to an eligible investment (e.g. investment in tangible / intangible assets for a vegetable growing activity), under the conditions described herein for the eligibility of working capital expenditure.

	<u>Amounts received under other forms of support under the PDR 2020 shall not be used to reimburse support received under the Final Recipient Transaction.</u>	
11	Final Recipient Financial Transactions Amounts: a) Minimum EUR 25.000,00 (twenty five thousand); b) Maximum EUR 5.000.000,00 (five million) for Final Recipient Transactions under Operations 3.1.3 and 3.2.3; c) Maximum EUR 10.000.000,00 (ten million) for Final Recipient Transactions under Operation 3.3.3.	Signing date
12	In case of investments for activities that require specific authorization (i.e. investments in irrigation and investments for economic activities involving animals) the Final Recipients should present to the Financial Institution any document required by the national regulation in order to confirm possession of such authorization.	Signing Date
13	Final Recipients Financing must not be affected by Irregularity or fraud.	Continuing
14	Final Recipient Transactions must comply with the terms of the Operational Agreement relating to the transfer of benefit as determined by EIF.	Continuing
15	Final Recipient Financing shall not take the form of subordinated loan, mezzanine loan, quasi-equity loan or convertible loan.	Continuing
16	<u>Expenditure items financed by the Final Recipient Transaction may receive assistance from another European Structural and Investment Funds or rural development programme (including, for the avoidance of doubt other forms of support under the PDR 2020) or from another instrument supported by the budget of the EU, provided that:</u> (i) <u>such combination is in line with applicable EU state aid or aid intensity rules as set out in the relevant rural development programme criteria; and</u> (ii) <u>separate records are maintained for each source of assistance</u>	<u>Continuing</u>

C. Eligibility Criteria for the Portfolio

1	The total amount of Final Recipient Transactions exceeding the higher of EUR 2,500,000 or 1% of the Portfolio shall not represent more than 25% of the expected amount of the Portfolio.	At the end of the period during which Financial Institutions can include Final Recipient Transactions in their Portfolio
2	The aggregate principal amount of all Final Recipient Transactions entered into with SMEs shall represent at least 75% of each Portfolio.	

D. Eligibility Criteria specific for operations

	Operations 3.1.3	Operations 3.2.3	Operations 3.3.3	Application
Final Recipients	<p>Shall meet one of the following criteria:</p> <p>a) To be natural persons of age between 18 and 40 registered as farmers, as evidenced by their NACE code ("CAE"), and formally assume ownership and direct management of the farm;</p> <p>b) To be legal persons registered as farming businesses, as evidenced by their NACE code ("CAE"), in which one natural person of age between 18 and 40 is a managing partner and holds more than 50%</p>	<p>Shall meet one of the following criteria:</p> <p>a) To be natural persons registered as farmers, as evidenced by their NACE code ("CAE");</p> <p>b) To be legal persons registered as farming businesses, as evidenced by their NACE code ("CAE")</p> <p>In both cases a) and b) above, the Final Recipient shall:</p> <p>(i) Be registered in the Parcel Identification System; and</p> <p>(ii) Present to the Financial Institution an</p>	<p>Shall meet the following criteria:</p> <p><u>a) To be active in investments for the transformation and marketing of agricultural products covered by the Annex I to the Treaty for the Functioning of the European Union (with the requirement that in case of transformation both the input and the output of the process shall be covered by such Annex I), as evidenced by the presentation to the Financial Institution of an IFAP I.P. Declaration.</u></p> <p><u>b) Present to the Financial Institution</u></p>	Signing Date

	<p>of the business; or</p> <p>c) To be legal persons registered as farming businesses, as evidenced by their NACE code (“CAE”), in which more than one natural person aged between 18 and 40 are managing partners and hold individually at least 25% and collectively at least 50% of the business;</p> <p>In all cases a), b) and c) above, the Final Recipient shall present to the Financial Institution an IFAP I.P. Declaration.</p>	IFAP I.P. Declaration.	<u>an IFAP I.P. Declaration.</u>	
Final Recipient Transactions (Investments)	<p>Shall finance one of the following investment activities (by reference to the relevant Operation as referred to in the RDP):</p> <p>a) Investments that improve the overall performance and sustainability of agricultural exploration (as assessed by the Financial Institution in accordance with its credit policy);</p> <p>b) Investments aimed at complying with any EU Regulations requirements applicable to agricultural production, including safety at work, within 12 months since the introduction of the relevant EU Regulation;</p>		<p>Shall finance the following investment activity (by reference to the relevant Operation as referred to in the RDP):</p> <p>a) Investments for the transformation and marketing of agricultural products covered by the Annex I to the Treaty for the Functioning of the European Union (with the requirement that in</p>	Continuing

	c) Investments in irrigation, subject to compliance with art. 46 of Regulation (EU) 1305/2014.	case of transformation both the input and the output of the process shall be covered by such Annex I), as evidenced by the presentation to the Financial Institution of an IFAP I.P. Declaration.	
Other Eligible Costs (in addition to the ones referred to in section 5 of B. above (Eligibility Criteria for Final Recipient Transactions))	<u>Investments/€ costs</u> specifically linked to irrigation projects, subject to compliance with art. 46 of EAFRD Regulation.		Continuing
	Costs linked to: a) Purchase of land up to 10% of the total eligible costs of the investment; b) Live animals of autochthonous breed.	Costs linked to purchase of land up to 10% of the total eligible costs of the investment, but only with respect to parcels being rearranged (<i>“operação de emparcelamento”</i>), evidenced by the relevant parcelling notice (<i>“auto de emparcelamento”</i>).	Continuing

E. COVID-19 Conditions

<u>COVID-19 Final Recipient</u>	<u>means, based on art. 37(4) of the CPR a Final Recipient which is an SME³ and has been impacted by the public health crisis due to the COVID-19 pandemic.</u>
<u>Assessment of status of the Final Recipient as a</u>	<u>Such status shall be established as at the signing date of the COVID-19 Final Recipient Transaction and shall be based on:</u> (i) <u>the Final Recipient being an SME; and</u>

³ For the avoidance of any doubt, the COVID-19 Final Recipient will need to comply with the applicable Final Recipient Eligibility Criteria.

<u>COVID-19 Final Recipient</u>	<u>(ii) a self-declaration stating a reduction of the expected/incurred revenues of the Final Recipient for 2020 and, respectively, if such assessment is made in 2021, for 2020 and 2021 compared to 2019.</u>
<u>COVID-19 Working Capital Loan</u>	<u>means a stand-alone working capital loan (i.e. not linked to an investment) provided that the maximum loan amount shall not exceed EUR 200,000.</u>
<u>COVID-19 Eligibility Period</u>	<u>means the period during which COVID-19 Final Recipient Transactions are approved, entered into and disbursed, starting on [the date of publication of the Information note on EIF's website] and ending on 30 June 2021.</u>
<u>COVID-19 Final Recipient Transaction</u>	<u>means an Eligible Final Recipient Transaction which complies with the COVID-19 Final Recipient Transaction Eligibility Criteria.</u>
<u>COVID-19 Final Recipient Transaction Eligibility Criteria</u>	<p><u>means, cumulatively, that the COVID-19 Final Recipient Transaction:</u></p> <ul style="list-style-type: none"> <u>(i) is entered into with a COVID-19 Final Recipient;</u> <u>(ii) is approved, entered into and disbursed during the COVID-19 Eligibility Period;</u> <u>(iii) shall have a disbursement period which shall not extend beyond the end of the COVID-19 Eligibility Period</u> <u>(iv) is in the form of a COVID-19 Working Capital Loan;</u> <u>(v) has been requested as support relating to the impact of the COVID-19 health-care crisis on the COVID-19 Final Recipient's business/activity; and</u> <u>(vi) covers expenditure items which shall not have received assistance from another instrument supported by the budget of the EU.</u> <p><u>The COVID-19 Final Recipient Transaction Eligibility Criteria shall be complied with on a continuous basis.</u></p> <p><u>Each COVID-19 Final Recipient Transaction to be included in the Portfolio shall fall under one of the following Operations (and the relevant COVID-19 Final Recipient shall comply with the relevant Final Recipients Eligibility Criteria corresponding to such Operation):</u></p> <ul style="list-style-type: none"> <u>(i) Operation 3.1.3 - Investment of Young Farmers in agricultural holdings supported by a financial instrument included in the sub-measure 4.1</u>

(ii) Operation 3.2.3 - Investment in agricultural business supported by a financial instrument included in the sub-measure 4.1

(iii) Operation 3.3.3 - Investment in transformation and marketing of agriculture products supported by a financial instrument included in sub-measure 4.2

For the purpose of the COVID-19 Final Recipient Transaction Eligibility Criterion (v) above, the Financial Intermediary shall make an evidenced assessment on the basis of available financial information to confirm that a reduction of the expected/incurred revenues of the Final Recipient for 2020 and, respectively, if such assessment is made in 2021, for 2020 and 2021, has taken place compared to 2019.

For the purpose of a COVID-19 Final Recipient Transaction, the Financial Intermediary shall not be required to (i) retain a business plan or equivalent documents or (ii) prove that the financing granted under the Final Recipient Transaction is used (including for the purpose of the costs and expenditures incurred) for its intended purpose.

ANNEX III: Information Note to the Call for Expression of Interest

(Insert logos)

EAFRD FoF Portugal: Information note on COVID-19 measures and additional changes in transaction terms (the “Information Note”)

With reference to the Call for Expression of Interest of the EAFRD Mainland Portugal Fund-of-Funds (the “EAFRD FoF”) launched on 16 July 2019 and closed on 27 August 2019 (the “Call”) and in accordance with the resolutions of the EAFRD FoF Investment Board dated [xx September 2020], the following information is brought to the attention of the existing financial intermediaries (i.e. financial intermediaries already operating under EAFRD FoF)

- (i) In the context of the COVID-19 crisis, specific measures have been adopted with a view to mitigating the impact of the COVID-19 crisis on the Portuguese farmers and rural entrepreneurs with respect to the following areas of intervention (a) stand-alone working capital, and (b) combination with other forms of support under the PDR 2020.
- (ii) The amendments under point (i) shall be available for implementation by existing financial intermediaries (i.e. those already operating under EAFRD FoF) in line with the Call, as amended by this Information Note, as set out below.
- (iii) The amendments foreseen in this Information Note shall become effective subject to successful signature by the EIF and the respective Financial Intermediary of an amendment and restatement agreement of the existing Operational Agreement.
- (iv) Capitalised terms used in this Information Note and not otherwise defined herein shall have the meaning assigned to them in the Call.

EAFRD MAINLAND PORTUGAL

Date: xx September 2020

Information note to the Financial Intermediaries regarding the Call for Expression of Interest Portugal ("Call") to implement the ESIF EAFRD Mainland Portugal Fund-of-Funds, launched on 16 July 2019, closed on 27 August 2019.

Changes in transaction terms

In the context of the current COVID-19 crisis, Annex III (Appendices I, III and IV) set out in the original Call are now amended as set out below and a new Appendix V shall be added to Annex III.

ANNEX III - ESIF EAFRD PORTUGAL MAINLAND FUND OF FUNDS – INDICATIVE TERMS AND CONDITIONS OF THE GUARANTEE

	Initial text	Amended text
2. INDICATIVE TERMS AND CONDITIONS OF THE GUARANTEE		
<u>A. General Terms</u>		
Phases of implementation	n/a	<ul style="list-style-type: none"> - "First Phase" means the period starting from the first day of the Inclusion Period and ending on the day falling before [<i>the day on which the information note allowing for the combination with other forms of support under the PDR 2020 was published on the EIF website</i>]. - "Second Phase" refers to the period starting on [<i>the day on which the information note allowing for the combination with other forms of support under the PDR 2020 was published on the EIF website</i>].
<u>B. General Terms</u>		
Compliance with Laws	<p>FIs shall comply in all respects with all applicable laws and regulations (whether national laws and regulations or laws and regulations of the European Union) to which it may be subject.</p> <p>The FI shall include in the documentation evidencing the Final Recipient Transaction:</p> <p>(x) undertakings from the Final Recipients equivalent to those contained above; and</p>	<p>FIs shall comply in all respects with all laws and regulations (whether national laws and regulations or laws and regulations of the European Union), including, but not limited, to State Aid, procurement and PRD 2020 rules (as this shall be amended to reflect that the support through the financial instrument managed by the EIF could cover Final Recipients for the emergency measure in the context of the COVID-19 outbreak), to which it</p>

	<p>(y) any representations, warranties and undertakings from the Final Recipients for the purpose of ensuring that each Final Recipient Transaction included in the Portfolio shall comply at any relevant time with the Eligibility Criteria.</p>	<p>may be subject and, the breach of which may (i) adversely impact the performance of this Agreement or (ii) adversely prejudice the interests of the EIF, the Commission, the MS Authority under the Operational Agreement.</p> <p>The FI shall include in the documentation evidencing the Final Recipient Transaction:</p> <p>(x) undertakings from the Final Recipients equivalent to those contained above; and</p> <p>(y) any representations, warranties and undertakings from the Final Recipients for the purpose of ensuring that each Final Recipient Transaction included in the Portfolio shall comply at any relevant time with the Eligibility Criteria.</p>
--	--	---

APPENDIX I - ELIGIBILITY CRITERIA

	Initial text	Amended text
Section A - Final Recipient Eligibility Criteria		
7	<p>The Final Recipient shall provide to the Financial Institution a Declaration by the AGPDR 2020 on the regularity of the support received in the past from the PDR 2020 and a self-declaration confirming that no other form of public support from the PDR 2020 has been received by the Final Recipient for the same investment project supported by the relevant Final Recipient Transaction.</p>	<p>For the purpose of Final Recipient Transactions entered into during the First Phase, the Final Recipient shall provide to the Financial Institution a Declaration by the AGPDR 2020 on the regularity of the support received in the past from the PDR 2020 and a self-declaration confirming that no other form of public support from the PDR 2020 has been received by the Final Recipient for the same investment project supported by the relevant Final Recipient Transaction.</p>
8	N/A	<p>For the purpose of Final Recipient Transactions entered into during the Second Phase:</p> <p>1. if no other form of public support from the PDR 2020 has been received by the Final Recipient for the same investment project supported by the Final Recipient Transaction, the Final Recipient shall provide to the Financial Institution a Declaration by the AG PDR 2020 on the regularity of the support received in the past from the PDR 2020 and a self-declaration confirming that no other form of public support from the PDR2020 has been received by the Final Recipient for the same investment project supported by</p>

		<p>the relevant Final Recipient Transaction.</p> <p>2. If other forms of support under the PDR 2020 have been received by the Final Recipient for the same investment project supported by the Final Recipient Transaction, the Final Recipient shall provide to the Financial Institution either:</p> <p>(i) a contract in this respect entered into between the Managing Authority of the Rural Development Programme and the Final Recipient; or</p> <p>(ii) a declaration from IFAP/ AG PDR 2020 stating that the same investment project is also supported by other form of support under the PDR 2020 and specifying the GGE linked to such support.</p>
--	--	--

Section B - Final Recipient Transaction Eligibility Criteria

5	<p>Final Recipient Transactions shall finance investments/costs eligible in accordance the EAFRD Regulation and its implementing acts (in each case as amended, restated and/or replaced from time to time) and in particular:</p> <p>a) Costs for the purchase or lease of tangible and intangible assets;</p> <p>b) Working capital being part of the business plan of the investment project, for an amount not exceeding EUR 200,000 (two hundred thousand euros) or 30% of the total amount of the eligible costs for the investment, whichever is the higher;</p> <p>c) General costs linked to the eligible investment such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies, according to art. 45.2(c) of the EAFRD Regulation.</p> <p>Eligible costs include, but are not limited to:</p> <p>a) Acquisition of second-hand equipment and replacement equipment;</p>	<p>Final Recipient Transactions shall finance investments/costs eligible in accordance with the CPR and the EAFRD Regulation and its implementing acts (in each case as amended, restated and/or replaced from time to time) and in particular:</p> <p>a) Costs for the purchase or lease of tangible and intangible assets;</p> <p>b) Working capital being part of the business plan of the investment project, for an amount not exceeding EUR 200,000 (two hundred thousand euros) or 30% of the total amount of the eligible costs for the investment, whichever is the higher ,</p> <p>c) COVID-19 Working Capital Loans;</p> <p>d) General costs linked to the eligible investment such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies, according to art. 45.2(c) of the EAFRD Regulation.</p> <p>Eligible costs include, but are not limited to:</p>
---	---	--

	<p>b) VAT paid by the Final Recipient on eligible costs; and</p> <p>c) Multi-annual plants and their planting.</p>	<p>a) Acquisition of second-hand equipment and replacement equipment;</p> <p>b) VAT paid by the Final Recipient on eligible costs; and</p> <p>c) Multi-annual plants and their planting.</p>
10	Final Recipient Transactions must not pre-finance a grant.	<p>Final Recipient Transactions must not pre-finance a grant (for the avoidance of doubt, the Final Recipient Transaction may be combined with other forms of public support under the PDR 2020, and subject to applicable state aid rules, cover the same expenditure item, provided that the sum of all forms of support does not exceed the total amount of the expenditure item concerned).</p> <p>Amounts received under other forms of support under the PDR 2020 shall not be used to reimburse support received under the Final Recipient Transaction.</p>
16	N/A	<p>Expenditure items financed by the Final Recipient Transaction may receive assistance from another European Structural and Investment Funds or rural development programme (including, for the avoidance of doubt other forms of support under the PDR 2020) or from another instrument supported by the budget of the EU, provided that:</p> <p>(i) such combination is in line with applicable EU state aid or aid intensity rules as set out in the relevant rural development programme criteria; and</p> <p>(ii) separate records are maintained for each source of assistance.</p>

APPENDIX III - STATE AID

Initial text	Amended text
<p>In case of agricultural activities supported by the European Agricultural Fund for Rural Development (EAFRD) -including national co-financing included in the RDP-, state aid rules do not apply. In such case, support to Final Recipients has to be compliant with the provisions of the EAFRD Regulation and, in particular, of the relevant RDP when provided to investments for the production of Agricultural Products and the transformation of Agricultural Products resulting in Agricultural Products (“Aid Intensity” rules) -Annex I products-. The Aid component of the Final Recipient Transaction will be calculated by the selected Financial Institutions in the form of a gross grant equivalent (GGE) with a methodology approved by the Investors Board for the Financial Institution to implement. The GGE of each loan cannot exceed 35% of the total eligible cost of the investment project (including, for the avoidance of doubt, any eligible expenditure, including working capital). The calculation of the Gross Grant Equivalent (GGE) will be the responsibility of the Financial Institution and will be based on an excel tool to be provided by EIF. The Financial Institution will have to ensure that the financing operations to the Final Recipients respect the maximum aid intensity set in the RDP. The Financial Institutions will be responsible in particular for the conduct of the appropriate control procedures. In case of Final Recipients falling under the category of an SME the methodology for the calculation of the GGE may either be based on the safe harbour defined by the European Commission in its Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees, and its corrigenda, or a formula will be used based on the provisions of Art. 4.6(b) of Regulation 1407/2013. For Final Recipients falling outside of the category of an SME (i.e. large companies) a formula will be used based on the provisions of Art. 4.6(b) of Regulation 1407/2013. With the latter simplified methodology, Final Recipient Transactions may not have an initial maturity of more than 120 months and the GGE results from the following calculation: $GGE = \text{Loan principal amount} \times \text{Guarantee Rate} \times \text{Min}(\text{Loan duration in years}; 10) \times 200/1500/5$.</p>	<p>In case of agricultural activities supported by the European Agricultural Fund for Rural Development (EAFRD) -including national co-financing included in the RDP-, state aid rules do not apply. In such case, support to Final Recipients has to be compliant with the provisions of the EAFRD Regulation and, in particular, of the relevant PDR 2020 RDP when provided to investments for the production of Agricultural Products and the transformation of Agricultural Products resulting in Agricultural Products (“Aid Intensity” rules) -Annex I products-. The Aid component of the Final Recipient Transaction will be calculated by the selected Financial Institutions in the form of a gross grant equivalent (GGE) with a methodology approved by the Investors Board for the Financial Institution to implement. In case of loans supporting investments that do not receive any other support from the PDR2020 of Mainland Portugal, the GGE of each the loan cannot exceed 35% of the total eligible cost of the investment project (including, for the avoidance of doubt, any eligible expenditure, including working capital). When the Final Recipient has declared that other form of support (i.e. grant) by the RDP of Mainland Portugal have been granted, the GGE of the loan plus the GGE of any other form of support by the RDP of Mainland Portugal should not exceed the maximum aid intensity allowed by the RDP of Mainland Portugal for that investment. The calculation of the Gross Grant Equivalent (GGE) will be the responsibility of the Financial Institution and will be based on an excel tool a methodology to be provided by EIF. The Financial Institution will have to ensure that the financing operations to the Final Recipients respect the maximum aid intensity set in the RDP. The Financial Institutions will be responsible in particular for the conduct of the appropriate control procedures. In case of Final Recipients falling under the category of an SME the methodology for the calculation of the GGE may either be based on the safe harbour defined by the European Commission in its Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees, and its corrigenda, or a formula will be used based on the provisions of Art. 4.6(b) of Regulation 1407/2013. For Final</p>

	<p>Recipients falling outside of the category of an SME (i.e. large companies) a formula will be used based on the provisions of Art. 4.6(b) of Regulation 1407/2013. With the latter simplified methodology, Final Recipient Transactions may not have an initial maturity of more than 120 months and the GGE results from the following calculation: $GGE = \text{Loan principal amount} \times \text{Guarantee Rate} \times \text{Min}(\text{Loan duration in years}; 10) \times 200/1500/5$.</p>
--	--

APPENDIX V –COVID-19 MEASURES

COVID-19 CONDITIONS	
COVID-19 Final Recipient	means, based on art. 37(4) of the CPR a Final Recipient which is an SME ¹ and has been impacted by the public health crisis due to the COVID-19 pandemic.
Assessment of status of the Final Recipient as a COVID-19 Final Recipient	Such status shall be established as at the signing date of the COVID-19 Final Recipient Transaction and shall be based on: <ul style="list-style-type: none"> (i) the Final Recipient being an SME; and (ii) a self-declaration stating a reduction of the expected/incurred revenues of the Final Recipient for 2020 and, respectively, if such assessment is made in 2021, for 2020 and 2021 compared to 2019.
COVID-19 Working Capital Loan	means a stand-alone working capital loan (i.e. not linked to an investment) provided that the maximum loan amount shall not exceed EUR 200,000.
COVID-19 Eligibility Period	means the period during which COVID-19 Final Recipient Transactions are approved, entered into and disbursed, starting on [<i>the date of publication of this Information Note on EIF's website</i>] and ending on 30 June 2021.
COVID-19 Final Recipient Transaction	means an Eligible Final Recipient Transaction which complies with the COVID-19 Final Recipient Transaction Eligibility Criteria.
COVID-19 Final Recipient Transaction Eligibility Criteria	<p>means, cumulatively, that the COVID-19 Final Recipient Transaction:</p> <ul style="list-style-type: none"> (i) is entered into with a COVID-19 Final Recipient; (ii) is approved, entered into and disbursed during the COVID-19 Eligibility Period; (iii) shall have a disbursement period which shall not extend beyond the end of the COVID-19 Eligibility Period (iv) is in the form of a COVID-19 Working Capital Loan; (v) has been requested as support relating to the impact of the COVID-19 health-care crisis on the COVID-19 Final Recipient's business/activity; and (vi) covers expenditure items which shall not have received assistance from another instrument supported by the budget of the EU. <p>The COVID-19 Final Recipient Transaction Eligibility Criteria shall be complied with on a continuous basis.</p> <p>Each COVID-19 Final Recipient Transaction to be included in the Portfolio shall fall under one of the following Operations (and the relevant COVID-19 Final Recipient shall comply with the relevant Final Recipients Eligibility Criteria corresponding to such Operation):</p>

¹ For the avoidance of any doubt, the COVID-19 Final Recipient will need to comply with the applicable Final Recipient Eligibility Criteria.

- (i) Operation 3.1.3 - Investment of Young Farmers in agricultural holdings supported by a financial instrument included in the sub-measure 4.1
- (ii) Operation 3.2.3 - Investment in agricultural business supported by a financial instrument included in the sub-measure 4.1
- (iii) Operation 3.3.3 - Investment in transformation and marketing of agriculture products supported by a financial instrument included in sub-measure 4.2

For the purpose of the COVID-19 Final Recipient Transaction Eligibility Criterion (v) above, the Financial Intermediary shall make an evidenced assessment on the basis of available financial information to confirm that a reduction of the expected/incurred revenues of the Final Recipient for 2020 and, respectively, if such assessment is made in 2021, for 2020 and 2021, has taken place compared to 2019.

For the purpose of a COVID-19 Final Recipient Transaction, the Financial Intermediary shall not be required to (i) retain a business plan or equivalent documents or (ii) prove that the financing granted under the Final Recipient Transaction is used (including for the purpose of the costs and expenditures incurred) for its intended purpose.

ANNEX IV

Amendment to the Operational Guidance Note on compliance with applicable EU and national laws and regulation and with PDR 2020 provisions for the implementation of the ESIF EAFRD Portugal Fund of Funds

ANNEX C - TEMPLATE OF THE CONFORMITY DECLARATION ISSUED BY THE ADPG PDR 2020 AND IFAP I.P. AND TO BE SUBMITTED BY THE FINAL RECIPIENT TO THE FINANCIAL INTERMEDIARY (IN PORTUGUESE)

1. Declaration of Conformity for Operation 3.1.3:

Currently, the Declaration of Conformity for Operations 3.1.3 includes the following:

(...)

- Não celebrou contrato de financiamento ou assinou termo de aceitação em quaisquer ajudas aos investimentos no setor agrícola nem recebeu prémio à primeira instalação antes desta data, exceção feita às candidaturas que tenham sido aprovadas nos doze meses anteriores à submissão da candidatura no âmbito do regime de apoio à reestruturação e reconversão das vinhas (VITIS);

- Não recebeu quaisquer ajudas à produção ou à atividade agrícola no âmbito do pedido único, exceto nos dois anos anteriores a esta data.

However, as referred to in the written resolution, the Operational Guidance Note should address the regularity of the support received in the past from the PDR 2020 for the same investment providing the total eligible cost, the amount of support granted and the available aid intensity through the declaration issued by the ADPG PDR 2020 and IFAP I.P.

Considering the above and in accordance to the terms of the amendment of the Funding Agreement, we propose to amend Annex C - Template for Declaration of Conformity for Operation 3.1.3 as follows (text to be removed in ~~strike through~~, text to be added, when relevant, in **bold**):

(...)

~~- Não celebrou contrato de financiamento ou assinou termo de aceitação em quaisquer ajudas aos investimentos no setor agrícola nem recebeu prémio à primeira instalação antes desta data, exceção feita às candidaturas que tenham sido aprovadas nos doze meses anteriores à submissão da candidatura no âmbito do regime de apoio à reestruturação e reconversão das vinhas (VITIS);~~

~~– Não recebeu quaisquer ajudas à produção ou à atividade agrícola no âmbito do pedido único, exceto nos dois anos anteriores a esta data.~~

(...)

O destinatário final identificou que a candidatura que pretende apresentar à Operação 3.1.3. – Investimentos de Jovens Agricultores na Exploração Agrícola do PDR 2020 está ligada à candidatura PDR 2020-XXX-XXXXXX, pelo que, com referência a esta última candidatura, declara-se que a mesma apresenta um investimento elegível validado de € ... (... euros), para o qual foi aprovado um apoio de € ... (... euros), a que corresponde uma intensidade de ajuda de ...

2. Declaration of Conformity for Operations 3.2.3 and 3.3.3:

Currently, the Declaration of Conformity for Operations 3.2.3 and 3.3.3 does not include any reference to other form of public support received by the Final Recipient.

However, as referred to in the written resolution, the Operational Guidance Note should address the regularity of the support received in the past from the PDR 2020 for the same investment providing the total eligible cost, the aid intensity and the amount of support granted through the declaration issued by the ADPG PDR 2020 and IFAP I.P.

Considering the above and in accordance to the terms of the amendment of the Funding Agreement, we propose that addition to the current content the following information would be provided under Annex C - Template for Declaration of Conformity for Operation 3.2.3 and 3.3.3 (text to be added in bold):

(...)

O destinatário final identificou que a candidatura que pretende apresentar à Operação <CODIGO_OPERACAO> - <NOME_OPERACAO> do PDR 2020 está ligada à candidatura PDR 2020-XXX-XXXXXX, pelo que, com referência a esta última candidatura, declara-se que a mesma apresenta um investimento elegível validado de € ... (... euros), para o qual foi aprovado um apoio de € ... (... euros), a que corresponde uma intensidade de ajuda de ...

Teste
