

COVID-19 funding administered by Agrarmarkt Austria

Performance audit

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What we audited and why

From September to December 2021, we audited the COVID-19 funding for agriculture, forestry and private room rentals, administered by Agrarmarkt Austria (the Austrian Paying Agency for Agriculture and Rural Development, AMA).

We aimed to assess the legal framework and the design of the COVID-19 funding for these sectors, as well as AMA's administration of the support and the financing thereof in 2020 and 2021.

What we found

To mitigate the COVID-19 economic consequences on agriculture, forestry, and private room rentals, the Ministry of Agriculture led the preparation of two directives providing for large-scale assistance: the Hardship Fund directive, under the Hardship Fund Act¹, for loss of income at agricultural and forestry undertakings and private room rentals, and the special directive on loss compensation introducing a scheme for those indirectly affected in agriculture. The assistance also included individual support instruments such as emergency assistance, come-back bonus, additional bonus, lockdown turnover compensation, loss bonus, etc.

AMA disbursed almost €180 million in COVID-19 funding in 2020 and 2021. Of this, around €108 million was allocated to agriculture and forestry and around €70 million to private room rentals. In total, almost 7 000 farms in the agricultural and forestry sector and more than 8 000 businesses in the private room rental sector received funding under the Hardship Fund directive. More than 6 000 businesses were supported under the special directive on loss compensation.

The aim of both directives was to preserve the solvency of businesses and bridge cashflow difficulties. However, the concepts of "solvency" and "cashflow difficulties" were not defined.

We found that:

- In addition to emergency assistance – i.e. a lump-sum one-off payment for agricultural and forestry businesses of €500 or €1 000 depending on their size – the Hardship Fund directive created further funding.

¹ The Hardship Fund Act envisaged extensive measures to compensate for loss of income or turnover, which could be used either exclusively or also by agricultural and forestry businesses, while the homonymous directive specifically provided targeted support in the area of agriculture, forestry, and private room rentals.





- There was a total of nine versions of the Hardship Fund directive, covering around 18 months (from March 2020 to September 2021), and the funding was disbursed in three phases. Due to the long application deadlines of more than a year, the subsequent increase in funding for almost the entire period with the amendments to the directive (approx. 15 months) and the delay in implementation by approximately 6 months, the funding was, in part, not adequately targeted.
- The definition of private room rentals in the Hardship Fund directive differed from the Hardship Fund Act, as it also covered the letting of holiday homes. There were no uniform nationwide rules for private room rentals, leading to uncertainties for funding applications and implementation.
- Individual support instruments were designed in a way that funding was given for low revenue or in cases of minor revenue shortfalls, and the Hardship Fund directive did not contain any provisions to avoid this, e.g. an individual limit on the amount of support.
- To apply for the individual support instruments, the Hardship Fund directive had different rules on document and data submission.
- Following the extension of the lockdown in December 2020, the Ministry of Agriculture retrospectively created another support instrument for farms indirectly affected by the COVID-19 pandemic, for example due to hotel closures. This funding was not implemented under existing COVID-19 support programmes of the Hardship Fund Act, but on the basis of the “General framework for granting funding from Federal funds”. This meant that the provisions of the Hardship Fund Act, such as the more extensive reporting requirements, did not apply.
- The funding models of the special directive on loss compensation allowed agricultural businesses to submit an application without having to prove any actual revenue shortfall.
- While the Hardship Fund directive allowed for funding even in cases of minor economic disruption, thus covering a wide range of beneficiaries, the special directive on loss compensation only provided for such compensation upwards of a minimum amount of €700 per type of business. This severely restricted the range of beneficiaries.

What we concluded

We recommended the AMA to:

- avoid long application deadlines and retroactive amendments to directives when designing support programmes that are intended to have immediate effects, such as bridging businesses’ cashflow difficulties;
- when designing assistance measures to compensate for loss of sales or purchases, define relevant eligibility criteria ruling out excessive disbursement; this could be done, for example, by avoiding high minimum amounts of support or by individual limits on the level of support on the basis of defined parameters;
- set out clear guidelines on the information to be included in the applications to determine the entitlement to support and the amount of funding; refrain from funding practices that allow support to be granted without providing basic information on the eligibility conditions; and
- when designing support instruments, draw up the eligibility conditions in such a way as to avoid overlaps in funding design and funding periods between types of support with the same or similar objectives for the same object of funding.