Special report 8/2012 (2011 discharge): Targeting of aid for the modernisation of agricultural holdings

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PURPOSE: to present Special report 8/2012 of the European Court of Auditors on targeting of aid for the modernisation of agricultural holdings.

BACKGROUND: the EU has set up a common rural development policy, also known as the ‘second pillar’ of the Common Agricultural Policy (the ‘CAP’). The policy is implemented through multi-annual programming periods. The current period runs from 2007 to 2013 and payments must be completed by 2015.

The policy is based on the co-financing principle: EU funds are complemented by national funding, and also by private funding. The EU co-finances operations through the European Agricultural Fund for Rural Development (EAFRD), for which 96 billion euro was budgeted for the programming period 2007 to 2013. This includes almost 5 billion euro supplementary funding made available following the ‘Health Check’ and the European Economic Recovery Plan (EERP).

Measure 121 finances investments in agricultural holdings. These investments may range from simple items such as farm tools and wooden fruit boxes up to complex projects such as biogas installations. Its specific EU budget totals 11,1 billion euro (financed through the EAFRD), which represents, over the whole 2007–2013 programming period, around 11 % of all the EU’s planned spending on rural development in the EU. All Member States have chosen to use measure 121.

CONTENT: the European Court of Auditors (ECA) concludes in its special report (No. 8/2012) that measure 121 “modernisation of agricultural holdings” has the potential to provide greater value for money if the funds available were **better targeted**. While the measure was **achieving** its nominal objective of modernisation, this is almost **inevitable** as any investment or purchase of new equipment results in some degree of **modernisation**.

ECA’s conclusions: this **performance** audit examined whether EU aid for the modernisation of agricultural holdings was directed to EU priorities and specific needs in Member States. While some Member States audited target their spending very strongly on EU priorities and their own specific needs, using selection procedures to choose the best projects, others do not, either because their targeting systems are weak or they do not apply in practice the good selection criteria they had established.

This lack of targeting at Member State level is compounded by the fact that the Commission approved some rural development programmes (RDPs) that did not adequately target the aid or specify the process or criteria to be applied for selecting projects. Furthermore, the procedures for establishing the viability and sustainability of a holding or investment project were not effective in all Member States, while the potential effectiveness of extra funding provided in order to further strengthen specific EU priorities was hampered by the lack of effective targeting mechanisms.

Regarding the results of measure 121, the information system does not generate relevant or reliable information to facilitate monitoring of the measure’s results and to demonstrate its contribution to achieving EU priorities.

ECA's recommendations: in order to improve the effectiveness of measure 121 include:

- not approving RDPs unless they demonstrate that the aid is targeted and include clear and relevant selection criteria addressing EU priorities and national or regional needs;
- ensuring that for the forthcoming programming period relevant and reliable information is obtained;
- proposing legislation to earmark funding for specific priorities in underlying EU Regulations, where appropriate, to ensure that the funding has an additional effect.

Lastly, Member States are **recommended** to put effective procedures in place, proportionate to the risks, to ensure that grants are not given to projects where the financial viability of the investment or the sustainability of the holding is in doubt.