Special report 16/2012 (2011 discharge): Effectiveness of the Single Area Payment Scheme as a transitional system for supporting farmers in the new Member States

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PURPOSE: to present Special Report No 16/2012 from the Court of Auditors on the effectiveness of the Single Area Payment Scheme as a transitional system for supporting farmers in the New Member States.

CONTENT: the Single Area Payment Scheme (SAPS) was designed to enable the new Member States who joined the EU in 2004 and 2007, to support farmers' income. It is currently applied in 10 EU Member States and the related expenditure amounted to 5 billion euro in 2011.

The Court's report focuses on the beneficiaries of the policy, on eligible land and on the contribution of the scheme to the objective of supporting farmers' income.

Court of Auditor's conclusions: the overall conclusion of the audit is that the implementation of the scheme resulted in a number of questionable features:

- **the definition of the beneficiaries of the scheme is inadequate**: it permits payments to be made to beneficiaries not engaged in agricultural activity, or only marginally so. Cases in point include real estate companies, airports, hunting associations, fishing and ski clubs;
- in some of the countries concerned, **aid was legally paid to (and supported the income of) public entities managing state land but not otherwise involved in farming**. The state is the largest beneficiary of SAPS payments in Hungary (EUR 14 million in 2010 for 82 000 ha of land);
- **the total agricultural area in relation to which SAPS should be paid was not reliably determined by the Member States** but accepted by the Commission. This influenced the amount of aid per hectare paid to each farmer which was sometimes higher or lower than it should have been. Some countries revised the total agricultural areas without proper justification. This allowed them to fully use their respective financial envelope;
- in spite of efforts made by the Member States concerned, **aid was paid for parcels where no agricultural activity was carried out**;
- there is an **inherent contradiction** in the design of SAPS aid: it is, on the one hand, intended to support the individual income of farmers but, on the other hand, the aid is distributed to farms based on the area of parcels of land at their disposal;
- **SAPS primarily benefits large farms**: overall, 0.2% of the beneficiaries receive more than EUR 100 000 representing 24% of the total value of payments;
- even though SAPS was designed as a transitional scheme, most Member States have not prepared for the introduction (foreseen in 2014) of the system (based on payment entitlements) which is already in place in EU-15 Member States. This may result in significant **delays in payments in the future**.

Court's recommendations: in conclusion, the Court recommends a better targeted and results oriented policy whereby support to farmers' income should be **directed to the active farmer who conducts concrete and regular agricultural activities** and should exclude public entities. The eligibility of land for aid should be clearly defined and limited to parcels on which concrete and regular agricultural activities are required.

A more balanced distribution of aid between farmers should be sought either by capping higher individual payments or by taking into consideration the specific circumstances of the farms in the different regions. The Commission should address the structural weaknesses in the farm sector and actively support the Member States and more closely monitor their preparations for the introduction of a future entitlement-based scheme.

The Commission's legislative proposals for the Common agricultural policy after 2013 only partly address the observations made by the Court. When discussing and adopting these proposals, **the Parliament and Council may wish to consider whether they should be reviewed along the lines set out in the recommendations of the Court**.