EAGGF: measures relating to German reunification. Special report 4/97 Court of Auditors

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OBJECTIVE: this special report by the Court of Auditors concerns double compensation granted in the agricultural sector during the unification of Germany (1991-92). CONTENT: when Germany reunified, some 2 million cows entered the Community, a large proportion of which (some 666,000 animals) were suffering from viral diseases (mainly enzootic bovine leucosis). The Community took a number of measures to deal with the problem of this surplus and eradicate this disease, mainly in the form of compensation payments for the slaughter of diseased animals in the new Länder. The main purpose of this report is to evaluate the practical impact of these measures and highlight the serious omissions by the European Commission when this aid was granted. It illustrates in particular that export refunds were granted on products illegally, since they had already benefitted, directly or indirectly, from other EU subsidies. The Commission considered that bovines affected by leucosis (and hence marked for slaughter) should not find their way on to the Community market but that they could be disposed of to the former trading partners of the Länder, supported by an export refund, financed by the EC (the Commission services did not consider that the meat from these animals was unfit for consumption). As a result, certain products received two forms of aid: slaughter premiums for infected animals and export refunds. In all, this double compensation cost the Community some ECU 58.5 million in 1992 (refunds + eradication programme). At the same time, the report points out that similar problems arose in the dairy sector. A special scheme of premiums for definitive cessation of milk production had been introduced in order to cover loss of income under the quota system (viz. ECU 83 million in 1991/92). However, this scheme was applied to cows marked for slaughter, for which compensation had already been paid. The Court was in no doubt that the Commission services were aware of the risk of double compensation. Moreover, subsequent audits carried out by the Court showed that, apart from overcompensation by the Community, national aid was also granted with the Commission's consent. For example, the Court quotes the case of a cow with an estimated intrinsic value of ECU 681 on which ECU 1081 was paid in various forms of aid, of which ECU 798 came from the Community budget. The Court also identifies other irregularities (e.g. false slaughter lists, inadequate checks, sums paid for animals slaughtered before 1 October 1991) which resulted in futile and unnecessary claims on the Community budget. Finally, the Court remarks that a not insignificant number of heads of cattle was exported to the former USSR. These exports were illegal because contractual specifications which predated reunification stipulated that bovines from contaminated holdings could not be imported in the USSR. These cattle obtained the same export refunds as any other good quality cattle, despite the fact that the beef was mediocre.