Common Agricultural Policy (CAP): financing by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD)

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The Council held two policy debates on the two proposals submitted in July 2004, one on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and the other on the financing of the common agricultural policy (CAP).

The debate on rural development was based on a Presidency questionnaire. In this connection the Presidency drew the following conclusions:

- the Council was clearly in favour of a strong rural development policy which would also make a tangible and significant contribution to achievement of the Lisbon objectives;

- the rural development policy would be of benefit not only to farmers but also to the rural community as a whole and society generally;

- the rural development policy would contribute to growth, employment and sustainable development, and to the achievement of sustainable and multifunctional agriculture distributed throughout the territory of the European Union;

- in this context the Council agreed to include support for innovation and development among the measures to be implemented.

The Council took particular note of:

- a demand from numerous delegations for eligibility to be extended to measures to assist medium-sized enterprises, particularly for the processing of agricultural products;

- a request by several delegations for further simplification of the proposal, involving greater subsidiarity;

- differing positions among delegations as to the potential beneficiaries of the support proposed for the implementation of Natura 2000.

The Presidency stated that a new compromise text would be drawn up very shortly, in agreement with the Commission, and submitted to delegations to reflect the concerns expressed during the debate. The Community rural development strategy, the minimum rates of financing per axis and the use of the Leader reserve funds would be addressed at the next Council meeting, on 14 March.

As regards the policy debate on the financing of the common agricultural policy, the Presidency summed up by stating that the Council had taken note of progress on the CAP financing proposal and the various delegations' comments.

The main points raised by delegations concerned the following provisions:

- on the setting of financial ceilings in euro, several Member States outside the euro zone voiced serious concern at the exchange risks they faced with the reimbursement of expenditure;

- regarding the authority to be responsible for ensuring compliance with the agricultural expenditure ceiling, several delegations asked that this prerogative should remain with the Council;

- as regards the obligation to sign a statement of assurance, several delegations feared that this provision would entail an additional and pointless administrative burden;

- several Member States were opposed to the financial consequences of non-recovery of amounts paid in error being shared 50%-50% by the Member State and the Community where recovery was the subject of proceedings before a national court.

Following these statements, the Presidency announced that it would endeavour to work out a solution with the Commission to the question of setting ceilings in euro, and that this would be included in a compromise text. If necessary, the SCA would instruct the Agrifin Working Party to examine certain specific technical points. Following this work, the Council could take up its discussion of the proposal again at its meeting on 26 April 2005.