

Common agricultural policy CAP: financing

2007/0045(CNS) - 20/03/2007 - Legislative proposal

PURPOSE: to amend Regulation (EC) No 1290/2005 on the financing of the common agricultural policy.

PROPOSED ACT: Council Regulation.

CONTENT: The requirement on the publication of information on beneficiaries of Community funds, as inserted into the Financial Regulation by Council Regulation (EC, Euratom) No 1995/2006, provides that the necessary details shall be laid down in the relevant sector-specific rules. In order to implement this obligation, it is necessary to modify Council Regulation (EC) No 1290/2005 on the financing of the common agricultural policy. Furthermore, this proposal addresses a number of outstanding problems regarding the effective application of the Regulation.

The following points are included in the proposal:

Publication of information on beneficiaries of EAGF and EAFRD funding: the principles included contain the following:

- as regards EAGF expenditure, a split between direct payments and other funding;
- as regards EAFRD expenditure, one single amount of total public funding;
- ex-post annual publication per budget year;
- publication to cover EAFRD expenditure effected as of 1 January 2007 and EAGF expenditure effected as of 16 October 2007;
- publication by Member States at national level.

The details should be laid down in implementing rules to be adopted by the Commission.

Annex VI to Commission Regulation (EC) No 1974/2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) requires Member States' managing authorities, starting from 2008, to publish at least annually the list of beneficiaries receiving support from the rural development programmes, the names of the operations and the amount of public contributions allocated to these operations. However, the starting date for the publication of these data is now superseded by

Regulation (EC, Euratom) No 1605/2002, as amended by Regulation (EC) No 1995/2006, which requires ex-post publication of beneficiaries of this Fund as from 1 January 2007.

Reduction and suspension of monthly and intermediate payments to Member States: the present mechanism under Articles 17 and 27 is not well tailored to deal with the situation where key components of a national control system do not exist or are not effective over a long period of time and where no remedy is available in the immediate future. It is therefore proposed to introduce a new mechanism under which the Commission would be empowered, but not obliged, to reduce or suspend payments. This mechanism could be triggered only if all below mentioned conditions are met:

- the Commission has already imposed two financial corrections in respect of the same measure and for the same reason;
- one or more of the key components of the control system in question do not exist or are not effective due to the gravity or persistence of the deficiencies found;
- the projection of the Commission is such that the Member State has failed to implement Commission's recommendation to remedy the situation and cannot or will not remedy the deficiencies in question in the immediate future.

The suspension or reduction would follow a "warning letter" sent to the Member State. The decision would be valid for a period to be determined by the Commission covering payments after the decision, without the need to repeat the procedure each month.

Modification of Article 31(5) of the Regulation (exceptions to the 24-month rule): Regulation (EEC) No 4045/89 requires Member States to carry out *ex-post* controls on certain CAP expenditure. A literal interpretation of the 24-month-rule laid down in Article 31(4) of the Regulation prevents the Commission from imposing financial corrections on the Member States in case they do not comply with their control obligations under the above-mentioned Regulation due to the lack of time left after controls made by the Member State. It is therefore proposed to amend Article 31(5) of the Regulation in order to allow for a reasonable period of time for the Commission to audit whether Member States have complied with their control obligations under Regulation (EEC) No 4045/89 and, if necessary, impose financial corrections.

Commissions implementing powers under Article 42: it is proposed to adapt this Article in order to enable the Commission adopting detailed rules for all provisions laid down in the Regulation. Additionally, with a new Article on transparency in the Regulation it is advisable to refer directly in the Article on implementing powers to the transparency provision in order to authorise the Commission to adopt detailed rules of application.

Technical adaptations: lastly, the Commission suggests resolving a number of smaller technical problems that have been identified concerning mainly the coherence between the financial management of the EAFRD and the financial management of the Structural Funds and the financing of intervention measures if no sum per unit is determined.