Basic information

2004/0164(CNS) CNS - Consultation procedure Regulation	Procedure completed
Common Agricultural Policy (CAP): financing by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) Repealing Regulation (EC) No 723/97 1995/0244(CNS) Repealing Regulation (EC) No 1258/1999 1998/0112(CNS) Repealed by 2011/0288(COD) Amended by 2005/0120(CNS) Amended by 2006/0083(CNS) Amended by 2007/0045(CNS) Amended by 2007/0138(CNS) Amended by 2008/0103(CNS) Amended by 2008/0146(CNS) Amended by 2008/0183(COD) Amended by 2009/0011(CNS) **Subject** 3.10.01.02 Rural development, European Agricultural Fund for Rural Development (EAFRD) 3.10.13 European Agricultural Guidance and Guarantee Fund, EAGGF and EAGF	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	SCHIERHUBER Agnes (PPE-DE)	02/09/2004

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	
CONT Budgetary Control	MULDER Jan (ALDE)	22/09/2004
REGI Regional Development	The committee decided not to give an opinion.	06/10/2004

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	2619	2004-11-22
Agriculture and Fisheries	2657	2005-04-26
Agriculture and Fisheries	2662	2005-05-30

	Agriculture and Fisheries	2643	2005-02-28
	Agriculture and Fisheries	2648	2005-03-14
	Agriculture and Fisheries	2669	2005-06-20

European Commission	Commission DG	Commissioner
	Agriculture and Rural Development	

Key events

Date	Event	Reference	Summary
14/07/2004	Legislative proposal published	COM(2004)0489	Summary
16/11/2004	Committee referral announced in Parliament		
22/11/2004	Debate in Council		
28/02/2005	Debate in Council		Summary
14/03/2005	Debate in Council		Summary
26/04/2005	Debate in Council		
26/04/2005	Vote in committee		
02/05/2005	Committee report tabled for plenary, 1st reading/single reading	A6-0127/2005	
25/05/2005	Debate in Parliament		
26/05/2005	Decision by Parliament	T6-0193/2005	Summary
26/05/2005	Results of vote in Parliament		
20/06/2005	Act adopted by Council after consultation of Parliament		
20/06/2005	End of procedure in Parliament		
11/08/2005	Final act published in Official Journal		

Technical information

Procedure reference	2004/0164(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EC) No 723/97 1995/0244(CNS) Repealing Regulation (EC) No 1258/1999 1998/0112(CNS) Repealed by 2011/0288(COD) Amended by 2005/0120(CNS) Amended by 2006/0083(CNS) Amended by 2007/0045(CNS) Amended by 2007/0138(CNS) Amended by 2008/0103(CNS)

	Amended by 2008/0146(CNS) Amended by 2008/0183(COD) Amended by 2009/0011(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 037-p2
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/22657

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	CONT	PE357.687	21/04/2005	
Committee report tabled for plenary, 1st reading/single reading		A6-0127/2005	02/05/2005	
Text adopted by Parliament, 1st reading/single reading		T6-0193/2005 OJ C 117 18.05.2006, p. 0020-0122 E	26/05/2005	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2004)0489	14/07/2004	Summary
Commission response to text adopted in plenary	SP(2005)2482	16/06/2005	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0126/2005 OJ C 221 08.09.2005, p. 0040-0043	09/02/2005	
CofA	Court of Auditors: opinion, report	RCC0001/2005 OJ C 121 20.05.2005, p. 0001-0013	17/03/2005	Summary
EU	Implementing legislative act	32006R0883 OJ L 171 23.06.2006, p. 0001-0034	21/06/2006	Summary
EU	Implementing legislative act	32006R0884 OJ L 171 23.06.2006, p. 0035-0089	21/06/2006	Summary
EU	Implementing legislative act	32006R0885 OJ L 171 21.06.2006, p. 0090-0110	21/06/2006	Summary

Additional information

Source	Document	Date

European Commission	EUR-Lex	

Final act
Regulation 2005/1290 OJ L 209 11.08.2005, p. 0001-0025 Summary

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

2004/0164(CNS) - 21/06/2005 - Final act

PURPOSE : to establish a single legal framework for financing the common agricultural policy.

LEGISLATIVE ACT : Council Regulation 1290/2005/EC on the financing of the common agricultural policy.

CONTENT : this Regulation sets specific requirements and rules on the financing of expenditure falling under the common agricultural policy, including expenditure on rural development. It sets up two funds:

- a European Agricultural Guarantee Fund (EAG);

- a European Agricultural Fund for Rural Development (EAFRD).

The Regulation fixes the period laid down for financial corrections within the framework of the clearance of accounts for EAFRD expenditure at twenty-four months. The purpose of this provision is to enable the Commission to go back twenty-four months in order to refuse to co-finance any type of expenditure that it considers irregular.

The Commission and the Member States will bear equal parts of the amounts paid under the EAFRD and the funds that have to be recovered following the identification of irregularities. In the case of amounts exceeding EUR 1 million, the question of financial responsibility will be examined on a case-by-case basis.

As regards the competence to act in the event of budgetary excess, the Regulation provides that where there is a danger that the annual financial ceiling will be exceeded, the Commission must take steps to adjust expenditure. If those measures are not sufficient, the Commission must submit proposals for additional action to the Council.

Each of the two funds will retain its specific characteristics, in particular the fact that the EAGF has non-differentiated appropriations and the EAFRD has differentiated appropriations. The frequency of payment, too, is different for each fund (monthly and quarterly, respectively), as is the treatment of sums recovered following irregularities. Under the EAFRD such sums can be re-used by the Member States within the same rural development programme.

This Regulation also includes rules pertaining to budgetary discipline that take account of the reform of the CAP as provided for in Regulation 1782 /2003/EC. Those rules concern, in particular, the fixing of the amounts available each year to cover EAGF expenditure, forecasts concerning compliance with the deadlines for payment imposed on the Member States, and rules concerning any reductions and suspensions in monthly or quarterly payments.

ENTRY INTO FORCE : 18/08/2005.

DATE OF APPLICATION : it shall apply from 01/01/2007. Other provisions shall apply from 16/10/2006.

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

2004/0164(CNS) - 17/03/2005 - Court of Auditors: opinion, report

OPINION 1/2005 from the Court of Auditors : the Court welcomes the increase in transparency that would result from grouping all rural development expenditure under one budget heading. It considers that the Commission’s proposal in respect of the management of the EAGF include some

potentially helpful changes but need further improvement in the light of the Court's opinion on the single audit. The Commission's proposals in respect of budget discipline and the treatment of irregularities also include some welcome changes but are in some respects capable of improvement. Lastly, it regards as inappropriate the Commission's proposal for annual tranches of budget commitments under EAFRD.

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

2004/0164(CNS) - 21/06/2006 - Implementing legislative act

ACT: Commission Regulation 885/2006/EC laying down detailed rules for the application of Council Regulation 1290/2005/EC as regards the accreditation of paying agencies and other bodies and the clearance of the accounts of the EAGF and of the EAFRD.

CONTENT: the purpose of this Regulation is to establish detailed rules concerning the accreditation of paying agencies and other bodies. A further purpose of the Regulation is to establish rules on the clearance of accounts for both the EAGF and the EAFRD.

In summary, the Regulation specifies that:

- In order to be accredited a paying agency must have an administrative organisation and a system of internal control. In addition it must have an internal environment; control activities; information and communication facilities; and monitoring facilities.
- Member States, at ministerial level, will designate an authority for each paying agency.
- The paying agencies will be subject to independent examinations in order to ensure that they are fit for purpose. In addition, national authorities, through a system of certification and accreditation will keep the paying agencies under constant supervision.
- The Commission will inform the Committee on the Agricultural Funds of the paying agencies accredited in each Member State .
- A coordinating body will be established to act as the Commission's sole interlocutor for the Member State concerned relating to EAGF and EAFRD questions.

In addition, the Regulation sets out detailed procedures and deadlines relating to: certification; the content of annual accounts; the transmission of data; the form and content of the accounting information; the conservation of accounting information; financial clearance; conformity clearance; and the establishment of a conciliation body. Lastly, transitional and final provisions are foreseen.

In adopting this implementing Regulation, a number of related legal instruments will be repealed as from 16 October 2006. They are:

- Regulation 1663/95/EC
- Decision 94/442/EC.

Regulation 1663/95/EC will continue to apply to the clearance of accounts under Article 7 (3) (monthly advances on the provisions for expenditure effected by the accredited paying agencies) of Regulation 1258/1999/EC for the financial year 2006.

ENTRY INTO FORCE: 30 June 2006. It will apply from 16 October 2006.

However,

- Article 3 (Statement of Assurance);
- Article 5 (Certification);
- Article 6 (Content of annual accounts)
- 6 (a) – the assigned revenues;
- 6 (b) the expenditure of the EAGF;
- 6 (c) the expenditure of the EAFRD by programme measure;
- 6 (d) information regarding expenditure and assigned revenues or confirmation that the detail of each transaction is held on computer file;
- 6 (e) a table of differences by item and sub-item
- 6 (g) a summary of intervention operation and a statement of the quantity and location of stocks at the end of the financial year;
- 6 (h) confirmation that the details of each movement of intervention storage is held on the paying agency's file; and lastly
- Article 10 (Financial Clearance)

will apply only in relation to expenditure and assigned revenues coming under the financial year 2007 and following.

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

2004/0164(CNS) - 14/03/2005

The Council held a policy debate on the proposal submitted in July 2004 for the creation of a European Agricultural Fund for Rural Development (EAFRD). The debate on rural development was organised on the basis of a Presidency questionnaire and concerned the minimum rates of expenditure proposed for each strand of rural development (15%, 25% and 15%, or a total of 55% for all three strands), the minimum rate for the LEADER strand (7%) and the use of the LEADER reserve (3%).

At the same time, the Council also examined the Commission document on strategic guidelines for rural development policy for the period 2007-2013. In general, while a majority of delegations was inclined to approve of the guidelines for that strategy, several voiced fears regarding the content, which they felt was too rigid and did not allow Member States sufficient flexibility. As to the form of the document, several delegations hoped, inter alia, to see incorporated in this text the European model of multifunctional agriculture defined under Luxembourg's Presidency in 1997. The Council will have an opportunity of returning to this topic at a subsequent meeting, once the Commission has submitted the proposal on those guidelines expected in June.

As regards the questionnaire on the minimum rates and the 3% reserve, the Council established that delegations' positions had changed little since the last Council meeting on these matters in November 2004 and that there was a great deal of hesitation regarding the fixing of a minimum mandatory financing rate for each strand. Many delegations felt that such a system would be too rigid and did not offer Member States the appropriate flexibility. The Council noted that certain delegations had indicated that they did not reject the principle of fixing minimum rates per se, but had diverging views on the rates in the proposal. The Presidency stressed in this connection that any future compromise might have to provide for lower minimum rates.

In connection with the introduction of a reserve, the Council noted that some delegations did not oppose the idea but questioned its feasibility. Those delegations pointed out, inter alia, that it would be difficult to plan expenditure under an additional envelope that might be available only in the last two years of the programming period. Some delegations said that allocation of the reserve solely on the basis of the past success of LEADER programmes would be to the practical disadvantage of the new Member States of the European Union. On the other hand, a very large majority of delegations supported the LEADER approach, stressing the vivifying effects of its programmes on employment.

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

2004/0164(CNS) - 14/07/2004 - Legislative proposal

PURPOSE : to establish a single legal framework for financing the common agricultural policy.

PROPOSED ACT : Council Regulation.

CONTENT : This proposal sets up two Funds:

-a European Agricultural Guarantee Fund (EAGF)

-a European Agricultural Fund for Rural Development (EAFRD)

The draft proposal creates the legal bases for financing the different measures covered by those two Funds, including the technical assistance necessary for the establishment and monitoring of the CAP.

The financing of some measures under the CAP involves shared management. The proposal, therefore, specifies the terms of the Commission's responsibilities for implementing the general budget of the EC and clarifies the Member States' cooperation obligations.

In so far as possible, a similar operating system for the two Funds provides the necessary streamlining for both the Member States and the Commission.

In this context, there is provision for the Member States to accredit the paying agencies and, where necessary, the coordinating bodies.

The submission of annual accounts must be accompanied by a statement of assurance from the person in charge of the paying agency and a document certifying that the accounts submitted are complete, accurate and true. Checks by the Commission will be conducted according to a two-stage clearance of accounts procedure (accounting and conformity).

However, each of the two Funds will also maintain specific features, including the fact that the EAGF has non-differentiated appropriations while the EAFRD has differentiated appropriations, regarding which the N+2 rule followed by automatic decommitment is maintained. The rate of payment is also different for the two Funds (monthly and quarterly respectively), as is the treatment of amounts recovered following irregularities. Under the EAFRD, these amounts may in fact be reused by the Member States in the context of the same rural development programme.

This draft Regulation also includes rules on budget discipline and takes account of the reform of the CAP as provided for by Regulation 1782/2003/EC. Those rules cover in particular the fixing of the amounts available annually for EAGF expenditure, forecasts relating to the payment deadlines imposed on the Member States, any reductions and suspensions of monthly or quarterly amounts and specifications regarding the dollar exchange rate to be used in drawing up the budget.

It should be specified that, in cases where financial ceilings have been set in euros in Community legislation, reimbursement to the Member States will be limited to that ceiling, subject to any reductions decided in the context of financial discipline as provided for in Regulation 1782/2003/EC.

In this same context, it is laid down that, if the Council does not succeed in fixing the adjustments provided for within the deadlines set, the Commission will be responsible for doing so.

The principle of compliance with the budget ceiling must be observed at all stages of the budget procedure. If, however, there is a risk at the end of the budget year that payment applications from the Member States will overrun the ceiling available, a specific procedure guaranteeing compliance with this ceiling will be set in motion.

Taking account of Article 180 of the Financial Regulation, this draft Regulation defines the revenue allocated to the EAGF and EAFRD. Finally, the draft Regulation lays down the indispensable provisional rules on the transition between rural development financed by the EAGGF Guarantee Section, the measures financed by the EAGGF Guidance Section and the operation of the EAFRD from 2007.

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

2004/0164(CNS) - 30/05/2005

The Council reached political agreement by a qualified majority on a compromise text on the proposal for a Regulation on the financing of the CAP, submitted by the Presidency and endorsed by the Commission. The Italian delegation stated its intention to vote against.

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

2004/0164(CNS) - 21/06/2006 - Implementing legislative act

ACT: Commission Regulation 883/2006/EC laying down detailed rules for the application of Council Regulation 1290/2005/EC as regards the keeping of accounts by the paying agencies, declarations of expenditure and revenue and the conditions for reimbursing expenditure under the EAGF and EAFRD.

CONTENT: the purpose of this Regulation is to lay down certain specific requirements and rules on:

- the shared management of expenditure and revenue;
- the keeping of accounts, the declarations of expenditure and revenue by the paying agencies; and
- the reimbursement of expenditure by the Commission,

under both the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD):

The Regulation requires each paying agency to keep a set of accounts covering only the expenditure and revenue of:

- refunds for the exportation of agricultural products to third countries; intervention measures to regulate agricultural markets; direct payments to farmers under the CAP and the promotion of measures for agricultural products (Article 3.1)
- the Community’s financial contribution to rural development programmes in support of the EAFRD (Article 4); and
- the sums set out in Article 34.

EAGF Accounts:

Detailed provisions and deadlines are put in place regarding: the collection of information by the Member States; the communication of that information by the Member States to the Commission; the general rules on the declaration of expenditure and on assigned revenue; special rules on declarations of expenditure relating to public storage; the applicable exchange rate for drawing up declarations of expenditure; the payment decisions by the Commission; the reduction of payments by the Commission; the keeping of accounts on and collecting assigned to revenue; making funds available to the Member States; and lastly, the amounts deemed to be assigned revenue.

EAFRD Accounts:

The provisions and deadlines set for the EAFRD fund includes: rural development programme accounts; the forecast of funding of requirements; the financing plan for rural development programmes; the declarations of expenditure; and lastly, the calculation of the amount to be paid.

The electronic exchange of information and documents is a common provision applying to both of the Funds. Transitional measures and final provisions are foreseen as are requirements relating to expenditure on rural development under the EAGGF between 16 October and 31 December 2006 (Article 20).

In adopting this implementing Regulation, a number of related legal instruments will be repealed. They are:

- Regulation 296/96/EC
- Decision C/2004/1723

However, Article 3 (6a) (a)of Regulation 296/96/EC and Decision 2004/1723 will apply until 15 October 2006.

ENTRY INTO FORCE: 30 June 2006. It will apply from 16 October 2006 in the case of revenue and expenditure effected by the Member States under the EAGF and EAFRD in respect of the 2007 and following financial years. However, Article 20 (Expenditure on rural development under the EAGGF between 16 October 2006 and 31 December 2006), will apply from the date of entry into force of this Regulation.

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

2004/0164(CNS) - 26/05/2005 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Agnes SCHIERHUBER (EPP-ED, AT) and made some amendments to the Commission's text:

- it deleted and article stating that direct payments shall under no circumstances be made after 15 October of the budget year concerned;

- time-limits for recovery were placed at four years of the primary administrative finding, or within six months after the issue of the final judicial decision (as opposed to four years of the primary administrative or judicial finding, or within six years where recovery action is taken in the national courts);

- deadlines for recovery of certain expenditure was set at twenty-four rather than thirty-six months;

- the Commission must submit the financial report to Parliament as well as Council.

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

2004/0164(CNS) - 21/06/2006 - Implementing legislative act

ACT: Commission Regulation 884/2006/EC laying down detailed rules for the application of Council Regulation 1290/2005 as regards the financing by the European Agricultural Fund (EAGF) of intervention measures in the form of public storage operations and the accounting of public storage operations by the paying agencies of the Member States.

CONTENT: the purpose of this Regulation is to determine the conditions and rules applicable to the financing, by the EAGF of expenditure, on intervention measures related to:

- public storage;
- the management and control of corresponding operations by the paying agencies;
- the booking of the corresponding expenditure and revenue of the EAGF; and
- the notification to the Commission of the relevant information and documents.

In summary, the Regulation states that:

- The paying agencies will be responsible for managing and ensuring control of the operations linked to intervention measures relating to public storage, although they may delegate their powers.

- Intervention measures, in the form of public storage may comprise buying-in, storage, transport and transfer of stocks and the sale and disposal by other means of agricultural products under the terms laid down by the applicable sectoral agricultural legislation.

- The EAGF will fund: the financing costs for funds mobilised by the Member States to buy in products; expenditure on physical operations relating to buying-in, sale or other forms of transferring products; expenditure on physical operations not necessarily connected with buying-in, sale or other forms of transfer of products; the depreciation of stored products; and the differences in gains and losses between the accounting value and the price of disposal of the products.

Detailed provisions and deadlines have also been set out and relate to: the content of public storage accounts to be kept by the paying agencies; accounting specifications; the dates for entering expenditure and revenue and product movements in the accounts; the inventory; the valuation of public storage operations; the amounts to be financed and the declarations of expenditure and of revenue; declaration of expenditure and of revenue and the electronic exchange of information through computer systems. Lastly, certain transitional measures are also foreseen.

In adopting this implementing Regulation, a number of related legal instruments will be repealed as from 1 October 2006. They are:

- Regulation 411/88/EEC;

- Regulation 1643/89/EEC;

- Regulation 3492/90/EEC;

- Regulation 3597/90/EEC;

- Regulation 147/91/EC and

- Regulation 2148/96/EC.

ENTRY INTO FORCE: 30 June 2006. It will apply as from 1 October 2006.

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

2004/0164(CNS) - 28/02/2005

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.