

CONFERENCE

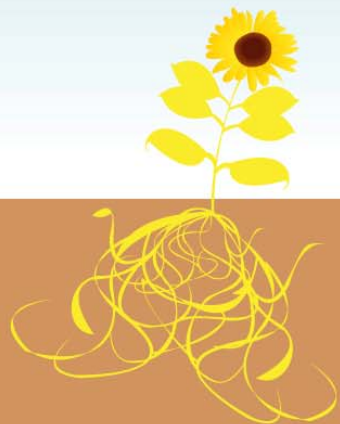
A simple CAP for Europe
A challenge for all

BRUSSELS, 3-4 OCTOBER 2006



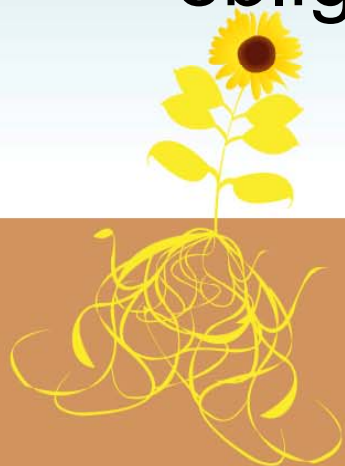
Financial controllers' view

by Walter Hubl



Before I start

The Court of Auditors has not yet expressed its opinion or done a report on the Commission's "simplification activity". Therefore, what I will say in this workshop is exclusively my responsibility and does not engage or oblige the Court in any way.



What is simplification?

“Simplification means making something easier, less complex in its totality (i.e. not simply moving workload from one entity to another), more transparent and more streamlined.”

[COM(2005)509final du 19.10.2005]



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The Commission proposes to:

- hold a simplification conference in 2006, focusing on the views and needs of stakeholders;
- identify and eliminate unnecessary or out of date provisions;
- to improve the structure and presentation of agricultural law;
- amalgamate the existing Common Market Organisations (CMOs) into a single CMO;
- assist national administrations to quantify and reduce burdens imposed on farmers;
- develop a CAP simplification action plan in 2006 with the concrete measures envisaged;
- take account of appropriate suggestions made by Member States and stakeholders;



3 October 2006

Financial Controllers' view
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EUROPEAN COMMISSION

The complexity of simplification

- Technical simplification
- Policy simplification
- Control and simplification



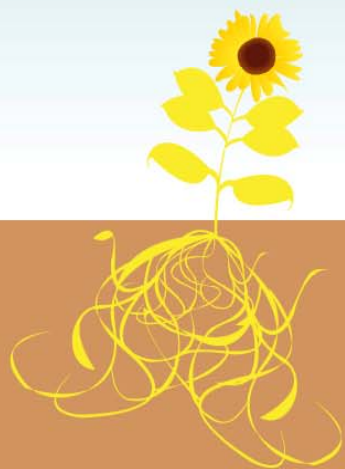
Technical simplification

- within a constant policy framework
- implies revision of the legal framework, administrative procedures and management mechanisms
- to achieve streamlining
- greater cost-effectiveness
- attain existing policy objectives more effectively



Some Examples

- The 2003/2004 reform
- Export refunds



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The 2003/2004 reform

- 9 Council regulations and numerous other provisions were repealed
- the basic regulations of the cereals, rice and dried fodder common market organisations (CMOs) and the milk quota regulation were recast
- but 37 new regulations adopted of which four were repealed before entering in force.



Regulation 1782/2003

Art. 60 (1)

"Where a Member State makes use of the option provided for in **Article 59**, farmers may, by way of derogation from **Article 51** and in accordance with the provisions of this Article, also use the parcels declared according to **Article 44(3)** for the production of products referred to in Article 1(2) of **Regulation (EC) No 2200/96**, in Article 1(2) of **Regulation (EC) No 2201/96** and potatoes other than those intended for the manufacture of potato starch for which aid is granted under **Article 93** of this Regulation, except permanent crops."



Article 70(2)

"Without prejudice to Article 6(2) of Regulations (EEC) **No 2019/93**, Article 9(2) of Regulation (EC) No **1452/2001**, Articles 13(2) and 22(2) of Regulation (EC) No **1453/2001**, and Article 5(2) of Regulation (EC) No **1454/2001**, Member States shall grant the direct payments referred to in **paragraph 1** of this Article, within the limit of the ceilings fixed in accordance with **Article 64(2)** of this Regulation, under the conditions established, respectively, in **Title IV Chapters 3, 6 and 7 to 13** of this Regulation, Article 6 of Regulation (EEC) No **2019/93**, Article 9 of Regulation (EC) No **1452/2001**, Articles 13 and 22(2) to (4) of Regulation (EC) No **1453/2001** and Article 5 of Regulation (EC) No **1454/2001**."

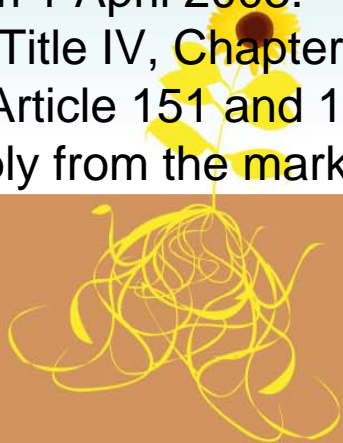


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Art 156

1. "This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.
2. It shall apply as of the date of entry into force, with the following exceptions:
 - (a) Title II, Chapters 4 and 5 shall apply to the applications for payments made in respect of the calendar year 2005 and onwards. However, Article 28(2) shall apply for the application for payments under Title IV, Chapters 1 to 7 from 1 January 2004.
 - (b) Title IV, Chapters 1, 2, 3, 6, and Article 149 shall apply starting from marketing year 2004/2005.
 - (c) Title IV, Chapters 4, 5, 7 and Article 150 shall apply from 1 January 2004.
 - (d) Title II, Chapter 1, Article 20, Title III, Title IV Chapters 8, 10, 11, 12 and 13 and Article 147 shall apply from 1 January 2005, except Article 147(3)(d) which shall apply from 1 April 2003.
 - (e) Title IV, Chapter 9 shall apply from marketing year 2005/2006.
 - (f) Article 151 and 152 shall apply from 1 January 2005, except Article 152(a) which shall apply from the marketing year 2005/2006."



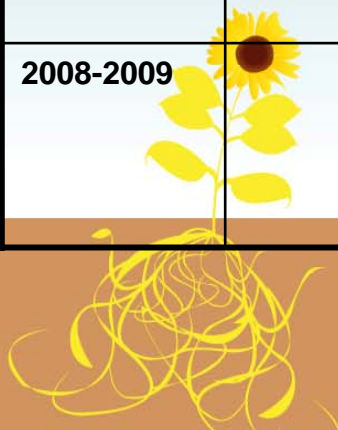
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| Modèle | Historique | | Régional | | |
|------------------|---|---------------------------------|---|--|---------------------------------------|
| | Individuel | Régionalisé | Taux unique (obligatoire) | Hybride statique | Hybride dynamique |
| 2005 | Autriche Irlande Italie Portugal | Belgique (2) Royaume-Uni (2) | | Danemark (1) Luxembourg (1) Suède (5) Royaume-Uni (1) | Allemagne (Länder) Royaume-Uni (3) |
| 2006 | France Grèce Pays-Bas Espagne | | | | Finlande (1) |
| 2007 | | | Malte Slovénie Chypre | | |
| 2008-2009 | | | Rép.Tchèque Estonie Hongrie Lettonie Lituanie Pologne Slovaquie | | |



Les chiffres entre parenthèses indiquent le nombre de régions concernées par le modèle

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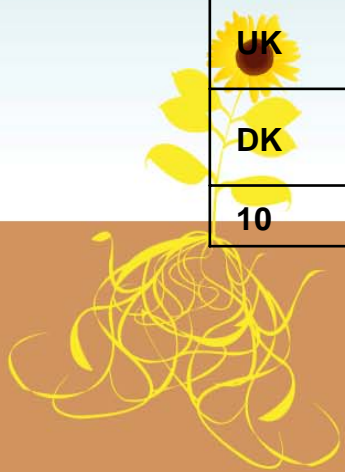


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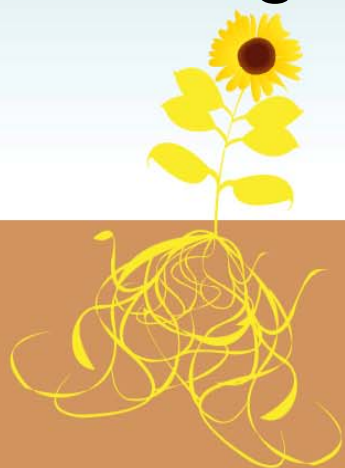
| 2005 | 2006 | 2007 | 2008 | 2009 |
|------|------|------|------|------|
| B | EL | ML | HU | EE |
| D | ES | SLO | | CZ |
| IRL | FR | CY | | |
| IT | NL | | | |
| LUX | FIN | | | |
| A | | | | |
| P | | | | |
| SWE | | | | |
| UK | | | | |
| DK | | | | |
| 10 | 5 | 3 | | 7? |

NB: 8 NMS on SAPS. Not clear when 4 of them will migrate to SPS



Export refunds

- Regulation 2090/2002
- Regulation 3867/1990
- Regulation 800/1999
- Regulation 595/1991



REGULATION 2090/2002

- Article 2 (2)

...Member States shall disregard export declarations involving:

a) either quantities not exceeding

i) 5000 kg in the case of cereals & rice

ii) 1000 kg in the case of fruit & vegetables etc

iii) 500 kg in the case of other products

b) or refund amounts of less than 200 euro.

- **Should all declarations below the quantity and/or monetary de minimis limits be disregarded or can Member States disregard just those below one of the limits?**

REGULATION 386/1990

- Article 3.1 (a)

Physical checks must

*a) take the form of spot checks
conducted frequently.*

➤ What does **frequently** mean?

Regulation 800/1999 Preamble 6 & Regulation 2090/2002 Article 5.2

- Regulation 2090/2002 states that *“Physical checks concerning which the exporter has received express or tacit warning shall not count as checks”*.
- The preamble of Regulation 800/1999 states that *“the verification of whether the export declaration matches the agricultural products is carried out at the time of loading of the container etc”*
- There is a **contradiction** in that if checks have to be carried out always at loading then the exporter has tacit warning. If the customs officer does not appear at the time of loading he knows that a check will not take place.



REGULATION 595/1991

- Article 3.1

“Member States shall communicate.....
a list of irregularities which have been
the subject of the **primary
administrative or judicial findings of
fact**”

➤ What does this mean in reality?

Differentiated export refund rates

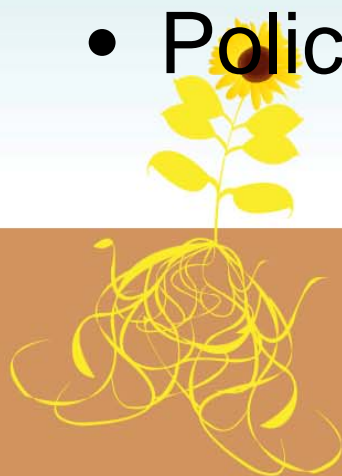
“The Court considers that for those products where export refunds are required it would be preferable to apply one refund rate for each product to all destinations.”¹



¹Court of Auditors; Special Report 7/2001, OJC No 314 of 8.11.2001

The complexity of simplification

- Technical simplification
- Policy simplification



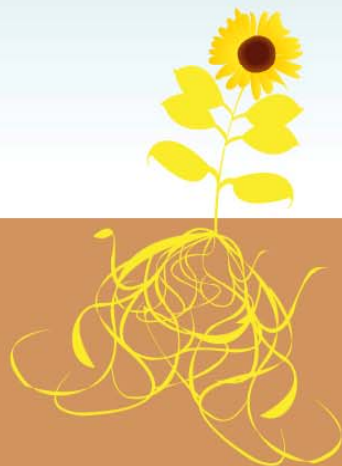
Policy simplification

- reduces complexity through improvements to the agricultural support and rural development policy instruments;
- it may be described as ‘policy development with simplification implications’.



Policy simplification

- 2003/2004 reform
- Cross-compliance
- Set-aside
- Rural development



The 2003/2004 reform

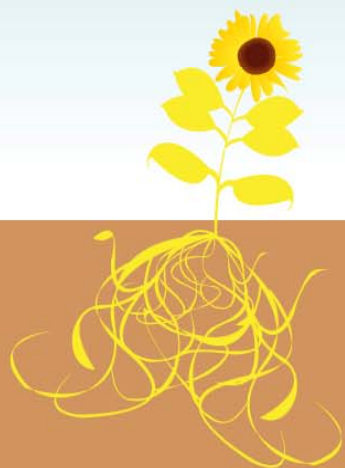
Art. 33 of the Treaty

1. The objectives of the common agricultural policy shall be:
- a) to **increase agricultural productivity** by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of factors of production, in particular labour;
 - b) **thus** to ensure a fair standard of living for the agricultural community, in particular by **increasing the individual earnings** of persons engaged in agriculture;
 - c) to stabilize markets;
 - d) to assure the availability of supplies;
 - e) to ensure that supplies reach the consumer at reasonable prices.



Cross compliance

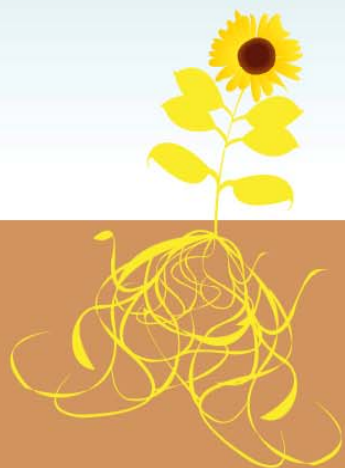
The Treaty on European Union recognises both ‘agriculture’ and ‘environment’ as policy domains of Community competence and requires that environmental priorities be incorporated into the Community’s other policies.



Cross compliance

“In order to improve the situation, the existing optional ‘eco-conditionality’ rules within certain common market Organisations should be developed further and be made mandatory throughout the European Union.”

- Court of Auditors, Special Report No 14/2000 on "Greening the CAP", OJC 353, 8 December 2000, paragraph 96.



Set-aside

Is set-aside still in line with the overall philosophy of the CAP?

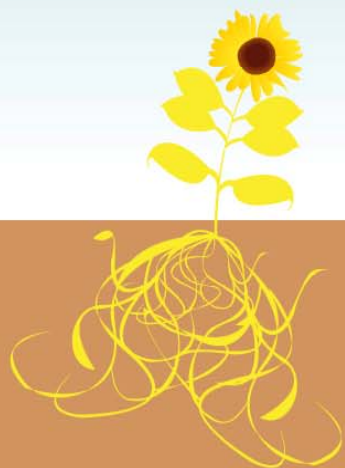
- deemed to be complicated
- compulsory restriction of the use of one production factor
- does not fit into a policy of market economy
- does not make sense in a system with free choice of what to produce



Rural development

Simplifications

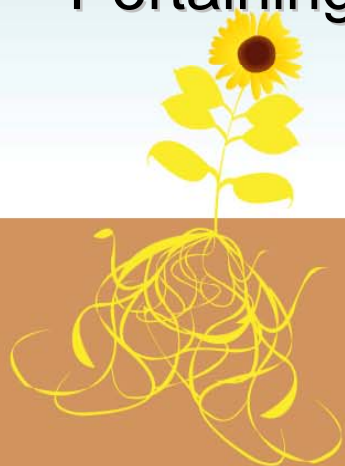
- one financing framework (were two)
- one programming tool (were five)
- one management and control system (were 3)



Rural development

Possible complications

- Rural development plans based on national strategy plans
- Priority axes
- Transitional period
- Control framework
- Pertaining problems from previous Regulation



Synthesis

- Apparent financial simplification might suffer from complicated implementation
- Setting up strategies is complicated (see Forestry)
- Many actors involved
- No implementing Regulations



Control

- Control burdens are often cited as a profitable area for simplification.
 - World turned upside-down
 - To allow controls to be effective and efficient, legislation underlying policy and processes should be clear and unambiguous, and avoid unnecessary complexity
 - The „single Audit concept“¹

¹Court of Auditors; Opinion No 2/2004, OJC 107 of 30.4.2004

Control and simplification

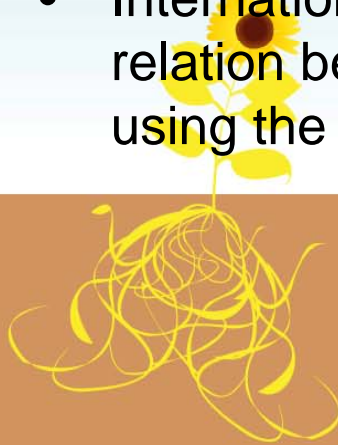
Controls are complex and the burden is high, because the regulatory framework is complex.

- The key to simplification of controls is ultimately with the policy makers.
- Simplification must embrace the whole process.



The „single Audit“

- A Community internal control framework should be developed
- Clearly defined standards and objectives of internal control systems
- Controls should be applied to a common standard and coordinated to avoid unnecessary duplication
- Appropriate balance between the cost of controlling a particular budgetary area and the benefits the checks bring
- International auditing standards provide a framework for the relation between external audit and internal control, as well as using the work of other auditors;



Conclusions

- Simplification is not an absolute value
- Vetting the “acquis communautaire” for obsolete legislation should be a routine task
- Simplification has to reduce the overall burden
- A pre-requisite for simplification is to know the burden
- Using the results of other auditors is ruled by international audit standards
- Just relaxing controls is not simplification.

