



EUROPEAN COMMISSION

**ACHIEVEMENTS IN AGRICULTURAL POLICY  
UNDER COMMISSIONER FRANZ FISCHLER  
(PERIOD 1995-2004)**

## CONTENTS

1.	SUMMARY – MAIN ACHIEVEMENTS.....	5
1.1.	Reform of the CAP .....	5
1.2.	International trade.....	5
1.3.	Enlargement.....	6
2.	INTERNATIONAL AFFAIRS .....	6
2.1.	WTO negotiations .....	6
2.2.	Asia .....	7
2.3.	EFTA Countries: .....	7
2.3.1.	Switzerland .....	7
2.3.2.	Norway .....	8
2.4.	South Africa.....	8
2.5.	Multilateral .....	8
2.6.	UN: Sustainable development .....	8
2.7.	Newly Independent States .....	8
2.8.	Miscellaneous .....	8
2.9.	Latin America, Mediterranean countries, Gulf countries, Arabian Peninsula, central and eastern Europe, western Balkans.....	9
3.	QUALITY POLICY .....	9
4.	MARKETS IN CROP PRODUCTION.....	10
4.1.	Raw tobacco .....	11
4.2.	Hops .....	11
4.3.	Seed .....	12
4.4.	Rice .....	12
4.5.	Wine .....	12
4.6.	Olive oil.....	
4.7.	Cotton .....	14
4.8.	Flax and hemp .....	15
4.9.	Agri-monetary sectors .....	15
4.10.	Sugar .....	15
4.11.	Bananas .....	15
5.	MARKETS IN LIVESTOCK PRODUCTS.....	16
5.1.	Milk .....	16
5.2.	Beef and veal .....	16
5.3.	Sheep .....	17

5.4.	Honey .....	17
5.5.	Eggs .....	17
6.	RURAL DEVELOPMENT PROGRAMMES .....	18
6.1.	1994 – 1999: The pre-Agenda-2000 period .....	18
6.2.	2000-2006: Agenda-2000 and Mid-term Review.....	19
6.3.	Looking forward; Planning the post-2006 programming period.....	21
7.	HORIZONTAL ASPECTS OF RURAL DEVELOPMENT; SAPARD .....	22
7.1.	Environment and forestry .....	22
7.2.	Sapard programmes .....	23
8.	AGRICULTURAL LEGISLATION.....	24
8.1.	State aid	24
8.2.	Simplification .....	25
8.3.	Horizontal aspects .....	26
8.3.1.	Animal welfare .....	26
8.3.2.	Horizontal regulatory framework for export refunds .....	26
9.	RESOURCE MANAGEMENT .....	27
9.1.	Budget Management.....	27
9.2.	Assistance and central financial control.....	28
9.3.	Information technology .....	28
9.4.	Personnel and Administration .....	28
9.5.	Activity Based Management, IRMS and Court of Auditors .....	28
9.5.1.	Programming and planning .....	28
9.5.2.	Control environment.....	29
9.5.3.	Response to the Court of Auditors' and the discharge authorities' recommendations .....	29
10.	AUDIT OF AGRICULTURAL EXPENDITURE.....	29
10.1.	EAGGF-Guarantee .....	29
10.1.1.	The clearance of accounts .....	29
10.1.2.	The integrated administration and control system (IACS).....	30
10.1.3.	Setting up of efficient control environment in the new Member States .....	30
10.2.	EAGGF-Guidance .....	30
10.3.	SAPARD .....	30
10.4.	Direct expenditure .....	31
10.5.	Improvements of control provisions in the regulations.....	31



## 1. SUMMARY – MAIN ACHIEVEMENTS

### 1.1. Reform of the CAP

**Agenda 2000** reforms built on the earlier 1992 ‘Mac Sharry’ reforms which had begun the move away from product support to direct aid payments to farmers and which had introduced several rural development measures, notably to encourage environmentally sound farming

Agenda 2000 reinforced the move to make farmers more reliant on the market and improved incentives to farm in an environmentally sensitive way. They added a major new element – a comprehensive rural development policy (the second pillar of the CAP) encouraging many rural initiatives while also helping farmers to diversify, to improve their product marketing and to otherwise restructure their business. The budget available to the CAP was set out for the period 2000 to 2006, thus allowing farmers to plan ahead with more certainty. The budget was also capped to reassure taxpayers that CAP costs would not escalate.

**June 2003 – Landmark reform** – a further fundamental reform agreed following the mid-term review of the application of the agenda 2000 CAP. This reform represents a complete change in the way the EU supports its farm sector.

Key elements of the new CAP:

- **Single farm payment** – payments to farmers no longer linked to production (‘decoupled’);
- **Cross-compliance** – linking of single farm payment to respect of environmental, quality, and animal welfare standards as well as keeping farmland in good agricultural and environmental condition;
- Strengthening of **rural development policy** as 2<sup>nd</sup> pillar of CAP;
- Transfer of funds for larger farms to RD funds (‘**modulation**’);
- Revision of market support mechanisms (eg intervention);
- Introduction of **financial discipline mechanism** ensuring farm budget not overshot.

### 1.2. International trade

#### **WTO – Doha Development Agenda**

Played a key role in launching talks on new trade round – DDA – in Qatar in November 2001 and 1<sup>st</sup> August, 2004 saw the successful conclusion of the Framework agreement which paves the way for further negotiations that should deliver a considerably bigger farm trade liberalization than the

previous trade negotiations (the 'Uruguay Round'). This framework agreement, which locks in the EU's CAP reform, should bring a substantial cut in trade-distorting agricultural support, the elimination of trade-distorting export competition practices and contribute to a significant opening of agriculture markets whilst allowing for special treatment for sensitive products. All developing countries will benefit from special treatment, allowing to liberalise less over a longer period.

### 1.3. Enlargement

Principal activities and achievements in this area are related to agricultural **negotiations** with the **ten new Member States**, finalized at the Copenhagen European Council of December 2002. Individual arrangements and transition measures were negotiated with each new Member State according to its specific situation. The agreed set of overall agricultural measures ensured a smooth transition for the new MS into the common agricultural policy, including a rural development package adapted to their needs, phasing-in of direct payments between 2004 and 2013 with the possibility of topping up these payments to a certain level, and a simplified scheme for applying direct payments, the 'Single Area Payment Scheme' (SAPS), applicable for a maximum of 5 years.

Following finalization of the negotiations and signature of the Act of Accession, the results of the negotiations were adapted to take account of the CAP reform of 2003. This **adaptation exercise** was finalized through adoption of Council Regulation (EC) N° 583/2004 of 22 March 2004, amending the CAP reform regulations, and Council Decision 2004/281/EC of 22 March 2004 amending the Act of Accession of the ten new MS.

Agriculture negotiations with **Bulgaria and Romania** continued throughout this period along the same lines as negotiations with the ten, and have now been closed.

## 2. INTERNATIONAL AFFAIRS

### 2.1. WTO negotiations

As EC top negotiator in the WTO talks related to agriculture, Mr Fischler played a key role in the launching of the Doha Development Agenda (DDA) in November 2001 in Qatar and recently, in the successful conclusion of the Framework Agreement on 1<sup>st</sup> August in Geneva. This Framework Agreement contributes to re-inject momentum into the DDA Round, which is good news not only for the European Union but also for developing countries.

While talks were faltering since failure of Cancun in September 2003, Commissioner Fischler, together with his colleague responsible for trade, Pascal Lamy, tried number of ways to move the talks forward. One such initiative was the joint Fischler / Lamy letter to all WTO colleagues in May, which made clear, for instance, that the EC was now ready to consider the prospect for elimination of export subsidies if others were ready to move in a fully parallel way.

There was a rolling series of talks at Ministerial level and senior official level on agriculture (known as the Five Interested Parties, or FIPS) in London, Sao Paulo, Paris and in Geneva between the EU and US, Brazil and India (these last two representing the G20) and Australia (representing the Cairns Group).

Negotiations were extremely intensive and ultimately the framework agreement was adopted on 1 August 2004. This text sets out the key parameters for negotiations in five key areas – agriculture, industrial tariffs, trade facilitation, development issues and services and identifies a date for the next WTO Ministerial meeting (Hong Kong in December 2005). The results are good, notably in a complex and balanced deal on agriculture over the main three pillars. The EC objective of respecting the Doha mandate without calling into question our CAP Reform has been reached.

## EC/CAN

On 16 September 2003, Mr Fischler signed in Canada the EC/Canada agreement on trade in wines and spirit drinks, which entered into force on 1 June 2004.

## 2.2. Asia

China: negotiations for China accession to the WTO, including agricultural negotiation, were successfully completed and China could thus join the WTO to the benefit of all other members, including the EC.

Promotion: Led successful promotional mission to Japan (1997) and China (2004) resulting in stronger trade links in agriculture and increased business opportunities for EU agricultural product exporters

## 2.3. EFTA Countries:

Regular high level contacts with authorities of EFTA countries, both as regards bilateral and multilateral issues. Gradual market integration notably through a deepening of bilateral concessions. Strong convergences of views on rural development and agri-environmental policies (multi-functionality) and food quality (geographical denominations)

### 2.3.1. *Switzerland*

- very regular bilateral relations, in the framework of the bilateral agreement on trade in agricultural products and its Joint Committee on Agriculture:
  - \* negotiation of the agreement 1996-99; entry into force 1 June 2002 after package ratification of 7 bilateral agreements;
  - \* main features: full liberalisation of the cheese market;
- convergence of Swiss legislation, narrowing down non tariff barriers
- adaptation of bilateral trade concessions to take account of the enlargement:

\* negotiations finalised 18 May 2004; signature expected April 2005; autonomous measures meanwhile

### 2.3.2. *Norway*

- Norway has to continuously adopt the EC acquis, in the framework of the European Economic Area agreement (1992);
- Exchanges of letters for deepening bilateral concessions in 2003 and adapting concession following EU enlargement (2004 )

## 2.4. **South Africa**

- Trade and cooperation agreement 2000 and specific Wine and spirits agreements (2002)

## 2.5. **Multilateral**

### OECD:

- Good co-operation and substantial EC input to the OECD work on agriculture: policy and market analyses, notably in relation to trade, support to farming systems and structural adjustment, agri-environment and rural development.
- Shaping of the OECD work at the OECD Ministerial meeting in 1998, with a particular focus on analyses supporting the WTO negotiation process in agriculture, including taking into account multi-functionality.

## 2.6. **UN: Sustainable development**

- Regular input into agriculture aspects relating to sustainable development dealt with in the various UN fora, notably the Commission on Sustainable Development;
- in line with the international commitments taken at Rio (1992) and subsequently at Johannesburg (2002) World Summits on Sustainable Development, progressive integration and implementation of sustainability objectives into CAP.

## 2.7. **Newly Independent States**

### Russia:

In the framework of the negotiation process with the Russian Federation for its accession to the WTO, the Commission pursued Russia with the aim of consolidating the EU traditional exports of agricultural products, namely dairy and meat. Thus, Russia set up tariff quotas for meat where the enlarged EU benefits from significant allocations.

## 2.8. **Miscellaneous**

EBA: The EC led the way in providing duty free and quota free access for all products from the Least Developed Countries (with the exception of ARMS), including agricultural products with a phase-in period for bananas, rice and sugar.

ACP: successfully concluded the Cotonou agreement, successor to the Lomé Agreement, providing for very substantial preferential access to the EC market for ACP exports, including agricultural products, and providing also for negotiation of future Economic Partnership Agreements with ACP regions.

## **2.9. Latin America, Mediterranean countries, Gulf countries, Arabian Peninsula, central and eastern Europe, western Balkans**

A very important activity has been to negotiate reciprocal trade concessions with the new Member States on agricultural products, notably the '00' and the 'double profit' agreements. These agreements have enhanced the development of trade between the new Member States and the Community thereby facilitating their adaptation to the Single Market

The trade relations with Mediterranean countries, in line with Barcelona process have been enhanced through the Mediterranean agreements that have been signed. Reciprocal concessions on agricultural goods have been negotiated within these agreements.

Relations with Latin America have been pushed through the negotiations of trade agreements with Chile and Mexico, that include mutual protection of geographical protection in wine and spirits. Negotiations with Mercosur are under way. Reciprocal concessions on agricultural goods are included in these agreements.

## **3. QUALITY POLICY**

- Move from quantity to quality production. Both 1999 and 2003 reforms - creation of tools for farmers to engage in quality production.
- Two-tier quality policy (in Rural Development and Market Management);
  - 1) commodity production - move from support for production to income support, creation second pillar of CAP, decoupling, cross-compliance and eligibility, meeting standards, agri-environment/animal welfare measures -
  - 2) voluntary quality production - incentives and support for promotion measures for farmers engaging in Community or national quality schemes.
- Re-establishing the link between farmers and consumers by supporting farmers in producing what the consumer demands, in particular through support (both for participation and promotion) for voluntary quality certification schemes.
- Initiated studies to examine the opportunities and threats of national quality labels in 1998 and most recently in 2004, in close co-operation with the European Parliament (Mr. Mulder).
- Five fold increase in land farmed organically since 1993 mainly due to harmonised rules facilitating the free circulation of organic produce, but also due

to support measures.

- Extension of the EU organic farming system to animal production in 1999. Adoption of the European Action Plan on Organic Farming and Food in 200
- Recognition of the benefits for rural development of geographic indications also by the initially more sceptic Northern Member States, reflected by an increasing number of applications for protecting geographic names from all Member States.
- Recognition of the GI system by Third Countries as contributing to value adding to agriculture and maintaining healthy rural communities- Norway and Switzerland have introduced almost similar legislation. Placing geographic indications on the DOHA Development Agenda both in terms of better international protection and increased market access.
- Maintenance or restoration of consumer confidence by proper contingency planning and management of various animal disease outbreaks or public health threats (Classical Swine Fever, Bovine Spongiform Encephalopathy, dioxin contamination, Foot and Mouth Disease, Avian Influenza).

#### 4. MARKETS IN CROP PRODUCTION

The arable crop sector featured prominently in the reform of the CAP resulting from Agenda 2000 which was designed to prepare European agriculture for the internal and external challenges awaiting it in the year 2000 and beyond. The main innovation of this reform for crop production was a 20% reduction, in two stages, in the intervention price for cereals, combined with a progressive increase in direct aids. Other crop sectors affected in this reform were oilseeds, durum wheat, protein crops, and maize. On a more horizontal level, the reform introduced new measures aimed at increasing compulsory set-aside rates, more flexibility for small producers, and better compliance with environmental standards.

The 2003 CAP reform saw the introduction of the single payment scheme for EU farmers, cross-compliance, and modulation. Market support revisions for arable crops included:

- Significant reforms in the intervention mechanisms of sectors of structural imbalance (including rye and rice);
- Adjustments in support mechanisms in the durum wheat sector, drying aids, dried fodder and nuts;
- A mechanism for financial discipline ensuring that the farm budget fixed until 2013 is not overshot.

Building on the principles established on the 2003 CAP reform, a second wave of CAP reform was agreed in April 2004. This reform covers the tobacco, hops, olive oil and cotton sectors. The main elements of the first wave – the introduction of the ‘decoupled’ single payment scheme, the strengthening of rural development

measures, and the application of the new financial discipline mechanism – will all apply in the new sectors covered.

#### **4.1. Raw tobacco**

- 1998 : ***Reform of the raw tobacco sector***, introducing variation of Community aid with product quality in order to encourage quality improvement and value of Community production; control procedures were reinforced; management of the sector was simplified; transfer of quotas between producers was allowed in order to favour production structure; the premium deduction financing the Tobacco Community Fund was doubled. (Regulation (EC) No 1636/1998 amending Regulation (EC) No 2075/92. Since 2003, the Fund finances actions to convert former tobacco producers to other crops or economic activities.
- 2004: ***Introduction of the tobacco sector in the Single Farm Payment*** from 2006 onwards. Full decoupling will apply from 2010 onwards. (Regulation (EC) No 1782/2003 as amended by Regulation (EC) No 864/2004).

The common aim of the proposal was to support sustainable development in the sector, achieved by reorienting the support to reward healthy, high-quality products and practices, and developing alternative sources of income and economic activity. In this way, the Agriculture policy will be more in line with the Sustainable Development and Public Health policies.

The payments are subject to the respect of the statutory EU environmental and food safety standards, through cross-compliance, and rules of good agricultural and environmental condition, as well as to the modulation and financial discipline mechanisms.

It is expected that the reform will bring better market orientation and income growth for today's farmers, in addition to the positive impact on farmer income development from the increased transfer efficiency of decoupled payments.

#### **4.2. Hops**

- 1998: ***Special temporary measures***: Following the observation that the market in hops was in surplus at the time, for both short-term and structural reasons, a Commission proposal was presented in order to take appropriate action on production potential. Special temporary measures were taken which allow producers (producer groups) to have recourse to temporary resting and/or permanent grubbing-up as means of jointly adjusting their production to market requirements and improving it (Regulation (EC) No 1098/98).
- 2004: ***Introduction of the hop sector in the Single Farm Payment*** from the year 2005 onwards (transitional period until 31 December 2005). (Regulation (EC) No 1782/2003 as amended by Regulation (EC) No 864/2004).

### 4.3. Seed

- 2002 : **Introduction of a stabiliser mechanism in the seed sector**, both for rice seed (Commission Regulation (EC) No 709/98 amending Regulation (EEC) 1686/72) and for other seeds (Council Regulation (EC) No 154/2002 amending Council Regulation (EEC) No 2358/71). The stabiliser mechanism did set a maximum quantity eligible for aid determined on the basis of a representative average quantity harvested during a recent reference period and also a margin to take account of the cyclic fluctuations that are characteristic of seed production. As such, limits were set to the constant increase of production and exports of seeds and the imbalance in stocks observed since 1994/1995.
- 2003: **Introduction of the seed sector in the Single Farm Payment System** from the marketing year 2005/2006 onwards. (Regulation (EC) No 1782/2003).

### 4.4. Rice

A first reform of the rice market organization was undertaken in 1995 (R. 3072/95). The intervention price was decreased by 15%, with a compensatory payment per hectare, based on historical yields. The decrease was progressive over a period of 3 years. A national base area was established for each producing Member State, together with a more than proportional penalty in case of overrun.

### 4.5. Wine

1. Reform of the Wine CMO in the framework of Agenda 2000 (regulation 1493/1999), applicable from the 2000/2001 marketing year

Main objectives and achievements

- Simplification of existing legislation by replacing 26 Council regulations in one single Regulation covering all aspects of the wine CMO, from the vineyard to the label on the bottles.
- Introduction of a new restructuring and reconversion measure to stimulate wine growers to replace vine varieties not so well adapted to market needs by new varieties (total yearly budget of 440 Mio €)
- Abolition of some artificial market intervention measures and keeping those that have a real impact in a more open market (storage, crisis distillation and distillation of by-products as a quality measure) ; also introduction of a distillation measure for the supply of the potable alcohol market in order to maintain an important outlet for the wine growers
- Streamlining all the provisions on labelling for all types of wine
- Introduction of provisions concerning producer and inter-branch organisations
- Adoption of a series of seven implementing regulations covering all chapters of the wine CMO (production potential, market intervention, oenological practices, protections of geographical indications and labelling, provisions on quality wines, trade with

third countries, and control measures) ; especially the adoption of the wine labelling regulation was a very difficult and delicate exercise.

2. Adoption of specific measures for the market in ethyl alcohol of agricultural origin (regulation 670/2003), applicable from 01.01.2004

- After several attempts, starting in the sixties already, the Council finally adopted a regulation (CMO) on the agricultural alcohol market, one of the few annex I products not yet covered by a set of common rules.
- The regulation contains provisions on the internal market, mainly definition of different types of alcohol and collection of information on the market situation, and also on exchanges with third countries (introduction of import licenses).
- It covers all types of agricultural alcohol for all destinations, including the emerging market of bio-ethanol.
- It does not contain intervention measures and therefore has no budgetary implications.

#### 4.6. Olive oil

Applicable from	Council Regulation	Measures
1998/99	Reg. n° 1638/1998	<p>Applicable 1998/1999 to 2000/2001. National Guaranteed Quantities per MS, table olives, strengthening of some control measures, abolition of ‘Consumption aid’, abolition of ‘Intervention’ and implementation of a Private Storage Aid system.</p> <p>Olive trees planted after 1 May 1998 not eligible for Aid</p>
2001	Reg. 1513/2001	<p>Extension of the transitional period (1998/99 to 2000/2001) until 2003/2004.</p> <p>Implementation of a ‘Quality Policy’ strategy</p> <p>Reinforcement of control measures</p> <p>Implementation of programmes for the improvement of quality</p> <p>Member States which had not implemented the GIS system would be excluded from the Aid system.</p>

2004	Reg. 864/2004 and 865/2004	<p>Insertions of Olive Oil and Table Olives in the 2003 reform of the CAP (R. 864/2004)</p> <p>At least 60% of Production Aid paid out during the reference period (2000-2002) will be integrated into the Single Farm Payment Scheme.</p> <p>The balance of funds (maximum 40%) will be granted in the form of an area aid for Olive groves of particular social or environmental importance.</p> <p>The new system will apply for the 2005/2006 marketing year. The current support arrangements remain applicable until 1 November 2005.</p> <p>In Regulation 865/2004, implementation of the new CMO for Olive Oil and Table Olives</p>
------	----------------------------	---

#### 4.7. Cotton

Applicable from	Council Regulation	Measures
1995/96	1553/95 and 1554/95	Break down the Maximum Guaranteed Quantity into National Quantities and provide for a partial advance payment (based on an estimate of the production at the beginning of the marketing year).
2001/2002	1050/2001 and 1051/2001	Strengthen the stabiliser mechanism and introduce agri-environmental measures
2006/2007	864/2004 amending 1782/2003	Add Cotton to the 2003 reform of the CAP (65% 'decoupled', 35% 'coupled' in the form of a payment per hectare and a budgetary transfer to the budget for Rural Development

#### 4.8. Flax and hemp

Applicable from	Council Regulation	Measures
2001/02	1672/00 amending 1251/99 and 1673/00	Inclusion of Flax and Hemp fibres in the Arable Crops support arrangements and setting up a straw processing aid for first stage processors who obtain fibres.

#### 4.9. Agri-monetary sectors

Applicable from	Council Regulation	Measures
1999	2799/98	Establish the agri-monetary arrangements for the Euro (until 2001) for compensatory aids when currencies change.

#### 4.10. Sugar

July 2004: the sugar reform was launched.

#### 4.11. Bananas

- **Modification of banana import regime as of 1999:** tariff quotas were divided between “traditional operators” and “newcomers”; rights of traditional operators were established on the basis of “actual imports” effectuated, that is the release into free circulation and payment of the import duty. The operators could use the import licences to import dollar bananas or ACP bananas (the principle of “single pot”).
- **Modification of banana import regime as of 2002** following the Understandings with the USA and Ecuador in April 2001 and the waivers to articles I and XIII of the GATT obtained in December 2001. The Understandings provide for the introduction of a tariff-only import regime no later than 1 January 2006 and until then for an interim regime through import licenses (as of 1 July 2001) distributed on the basis of past trade. The “waivers” have allowed to reserve quota C (750 000 tonnes) for ACP countries, and to apply a zero tariff duty to ACP bananas imported within the three tariff quotas A, B and C.
- **Adaptation of the regime in view of enlargement:** an additional quantity of 300.000 tonnes has been made available for imports of bananas into the new Member States for the period 1 May – 31 December 2004. The additional quantity due to its transitional character is managed separately, but using the same mechanisms and instruments as in the case of the tariff quotas A/B and C.

## **5. MARKETS IN LIVESTOCK PRODUCTS**

The livestock products sector was significantly affected by both the Agenda 2000 CAP reform and the 2003 CAP reform. For milk and milk products the Agenda 2000 reform changes introduced to ensure the sector's stability and competitiveness essentially involved a progressive reduction in institutional prices, partly offset by direct payments to producers. In the beef and veal sector, the reform mainly introduced a 20% reduction of the level of market support in three equal steps, partly offset by direct payments to producers.

### **5.1. Milk**

The combined Agenda 2000 and mid-term review decisions in the milk sector were the following:

- Prolongation quota system until 2015;
- Intervention price reductions for skimmed milk powder and butter of respectively 15% and 25% over 4 years starting in 2004;
- 60% compensation for above price decreases calculated on basis of actual support price;
- Compensation to be converted into decoupled payments from 2007 (earlier if a Member State decides);
- Limit butter intervention at 90% of the intervention price to 70 000 tons in 2004 decreasing to 30 000 tons in 2008. Intervention only open between 1 March and 31 August.

### **5.2. Beef and veal**

- In the context of the Agenda 2000, a major reform of the common organisation of the market in beef and veal was undertaken (cf. Regulation (EC) No 1254/1999). This reform aimed at increasing the competitiveness of the European beef and veal sector. To this end, a gradual decrease in the prices was envisaged, which was compensated by direct payments to producers. Moreover, the public intervention regime was abolished as of July 2002.
- The 2003 reform of the common agricultural policy will have further implications for the beef and veal sector, in particular as regards the direct payments to producers as of 2005.
- In July 2000, Regulation (EC) No 1760/2000 of the Parliament and of the Council establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products was adopted. This regulation was a co-responsibility of DG Sanco and DG Agri. It repealed Council Regulation (EC) no 820/97 with a similar title and for which Mr. Fischler was also co-responsible.
- In the wake of two BSE crises in 1996/1997 and 2000/2001, a series of extra-ordinary Council and Commission measures were adopted in order to regain consumers' confidence in beef and to restore the market balance. (As they were all of temporary nature, they are not included here.)

### **5.3. Sheep**

With regard to the sheep sector, a reform of the common organization of the market in sheepmeat and goatmeat was adopted in December 2001 (cf Council Regulation EC N° 2529/2001)

### **5.4. Honey**

Beekeeping is a sector of agriculture, the main functions of which are economic activity and rural development, the production of honey and other products of the hive and the maintenance of ecological balance. In view of the importance of the sector, the Council adopted Regulation (EC) N° 1227/97. This regulation was repealed and replaced in 2004 by Council Regulation (EC) N° 797/2004

In order to improve the production and marketing of apiculture products, national programs should be drawn up every three years comprising technical assistance, control of varroassis, rationalization of transhumance, management of the restocking of hives in the Community and co-operation on research programs on beekeeping and apiculture products. The Community's financial contribution stands since several years at € 16.5 million each year and is shared between Member States following the number of their hives. In the draft budget for 2005, the amount was increased to €23 million in order to take into account the enlargement. By the enlargement, the number of hives increased from 8.8 million to 11.5 million.

### **5.5. Eggs**

Council Regulation (EC) N° 1907/90 provides for marketing standards for eggs which relate in particular to grading by quality and weight, packing, warehousing, transport, presentation and marking of eggs. Council Regulation (EC) N° 2052/2003 amended Regulation (EC) 1907/90 and is providing better traceability of products and prompter delivery, collection, grading and packing of eggs, requested by technological developments and consumer demand. In order to guarantee the traceability of eggs and ensure that their origin and production method can be verified, each egg should be marked with the distinguishing number of the farm at the production site or in the packing centre. This farm code includes the country of origin, the rearing method used for the production of the eggs (batteries, free-range, outdoor) and the identification number of the farm. Where appropriate, the date of laying is also indicated.

These rules are enabling the consumer to express his or her choice for one of the different rearing methods when buying eggs.

## **6. RURAL DEVELOPMENT PROGRAMMES**

### **6.1. 1994 – 1999: The pre-Agenda-2000 period**

In the early 90s: Agricultural policies were production-oriented and rural development policies (RDP) were rather a complement and not a mainstream element of agricultural policy. RDP was supposed to support the modernisation of agriculture through structural change and by implementing complementary policies

The MacSharry reform of the Common Agricultural Policy (CAP) had three accompanying measures:

- The agri-environmental measures
- Early retirement schemes for farmers
- The afforestation of agricultural land

The Cork Conference in the mid-90s: M. Fischler initiated the first European Conference on Rural Development in Cork, Ireland in November 1996. The Cork Declaration called for a simpler, more integrated rural development policy

Leader II: Innovative, decentralised and bottom-up activities in rural areas were supported through the Community Initiative Leader. This Community Initiative had a budget of 1,4 bill ECU for 1994-99. The essential feature of Leader at that time was that all activities should fit within an integrated development plan for the local community which was drawn up by the community itself.

EFTA-enlargement: In 1995 three former EFTA member countries joined the EU: Sweden, Finland and Austria. Given the relevance of agriculture and rural development particularly for the less favoured areas in Sweden and Finland (the Nordic areas) and in Austria (mountain areas) the design of comprehensive RDP for these countries was an essential ingredient to pave the way for the successful integration of the agricultural sectors of these countries into the EU.

Comprehensive forestry strategy: In December 1998 a first strategy of the Commission for the protection, the sustainable economic utilisation and development of forests in the EU was presented. The strategy stressed the multi-functionality and diversity of European forests. The support of the development of forests in the EU continued to be to a substantial task of the RDP under the auspices of DG Agri/FF.

Financial commitments and coverage: 28.5 million people within the Union of 12 were covered by RDP in the period 1994-99. Financing of RDP amounted to about 6 bn ECU of Structural Funds spending. In addition, about 9 bn ECU were spent on those regions generally lagging behind, the so-called Objective-1-regions. Hence, a total sum of about 15 bn ECU has been reserved for RD policies in this six year period.

Preparation of the Agenda 2000: Based on the discussion of the Cork Conference and the preparation of the Agenda 2000 a new regulation for rural development, i.e. 1257/1999 was drafted and passed for the next programming period

## **6.2. 2000-2006: Agenda-2000 and Mid-term Review**

Agenda 2000 CAP reform (Berlin, March 1999)- The birth of RDP as the second pillar of the CAP: RDP became a major and genuine instrument of the CAP operating across the whole of the European territory to increase the competitiveness of European agriculture, integrate environmental concerns and prepare for enlargement. It also increased financial commitments for rural development.

The European Council of Göteborg (June 2001): The CAP including the RDP should increasingly contribute to sustainable development of rural areas.

The concept of multi-functionality: Agenda 2000 was also a reflection of the concept of multi-functionality. Agriculture and rural areas were perceived not only as producers of agricultural commodities but also as producers of environmental and social goods.

Unified RDP: Under the umbrella of one regulation (Reg. No. 1257/1999) a common framework for an independent RDP (the second pillar of the Common Agricultural Policy/CAP) was created which provided a 'menu' of 22 measures the member states could choose from which subsequently was extended to 26 measures. The major types of measures are:

- Investments in farm businesses
- Support and development of human resources in rural areas and early retirement
- Support of agriculture in less favoured areas and areas subject to environmental constraints
- Agri-environmental measures
- Processing and marketing of agricultural products
- Forestry measures
- Measures promoting the adaptation and development of rural areas

Organic farming: RDP has contributed over the past 10 years to organic farming evolving from being a small market niche for few farmers to one of the CAP's top priorities and a major element of many rural development programs.

Preparing for accession – ISPAR and SAPARD: When Agenda 2000 was designed the EU was concerned about the situation of rural areas in the then candidate countries. This resulted in the creation of two pre-accession funds, ISPAR and Sapard, and the setting-up of a €40 billion reserve for Structural Fund expenditure following accession. Sapard enabled the EU to assist the restructuring of the farm and rural sectors of the candidate countries in central and eastern Europe. Because Malta and Cyprus were not eligible for SAPARD they got access to specific pre-accession funds.

The European Council of Luxemburg (June 2003) Mid-term Review of the CAP:

- Comprehensive and fundamental reform of the CAP
- Strengthening of RDP by making the concept of modulation compulsory, a shift of financial resources from pillar 1 to pillar 2 of the CAP
- The concept of Cross-Compliance became compulsory. Farmers who want to be eligible for the Single Farm Payments must respect 18 (today 19) statutory requirements

in the field of environment, public, animal, and plant health and animal welfare and keep their land in good agricultural and environmental conditions. As Cross Compliance became a pre-condition for receiving direct compensatory payments granted in the course of pillar 1 it also defined the baseline scenario with which farmers had to cope in order to be eligible for receiving additional compensatory payments from agri-environmental measures in the course of RDPs. It thereby also created an explicit link between pillar 1 and pillar 2 of the CAP. From an economic point of view it manifested that the respective payments were respecting the polluter-pays-principle.

- In the light of rising consumer concerns about food safety and quality two new chapters were added to the RDP regulation on helping farmers to meet demanding standards and on food quality and to extend the agri-environmental chapter to include animal welfare.
- The reforms of the CAP – pillar 1 and 2 – took into account the EU’s international obligations in the framework of the WTO.

Mid-term review of RDPs: All rural development programs were subject to a mid-term review by the end of 2003. The results of this review were taken into account when drafting the new RDP regulation for the post 2006 programming period.

Four RDP programming types: To reconcile the geographic concentration principle of structural fund with the desire to implement rural development policy in all rural areas of the EU’s member states, four programming types had to be handled:

1. RDP outside objective 1 and objective 2 regions, co-financed by the Guarantee section of the EAGGF
2. Objective 2 programmes with RD measures co-financed by the Guarantee section of the EAGGF
3. Objective 1 programmes with RD measures co-financed by the Guidance section of the EAGGF
4. Leader+ Programmes co-financed by the Guidance section of the EAGGF

**Financial situation:**

**Table 1: Overview of rural development programming types and Community financial support 2000-06**

	<b>Number of programmes</b>	<b>Co-financed by EAGGF section</b>	<b>EU contribution in bn €</b>
<b>Rural development programmes</b>	68	Guarantee	32.9
<b>Objective 2 programmes with RD measures</b>	20	Guarantee	
<b>Objective 1 programmes with RD measures</b>	69	Guidance	17.5
<b>Leader+ programmes</b>	73	Guidance	2.1
<b>Total</b>	<b>230</b>		<b>52.5</b>

Source: FACT Sheet RDP in the EU

In the 2000-06 programming period 68, 20, 69, and 73, i.e. a total number of 230 programmes of each of the programming types mentioned above were implemented and managed by DG Agri, respectively (see Table below). The maximum financial community contribution foreseen for each of the programming types was: 32.9 bn € for programming type 1 and 2, 17.5 bn € for programming type 3, and 2.1 bn € for the Leader+ programmes. Hence, the total financial commitments foreseen for pillar 2 of the

CAP amounted to 52.5 bn € in the on-going programming period. In 2004 the EU will spend about 7 bn € on RDP. The 73 Leader+ programmes consisted of nine national programmes, 61 regional programmes, and three national networking programmes.

**Table 2: Planned distribution of total expenditures from EAGGF 2000-06 for the EU 15 and across the various measures**

RD measure	Share (in %)
- Investments in farm businesses	9,5
- Support and development of human resources in rural areas and early retirement	7.3
- Support for agriculture in less favoured areas	12.5
- Agri-environmental measures	27.5
- Processing and marketing of agricultural products	7.7
- Forestry measures	9.8
- Measures promoting the adaptation and development of rural areas	25.8

RDPs in the new member states: Additionally for the new MS 10 RDPs and 9 Objective 1 programmes were added for the programming period 2004-06. At the time being all programmes for the new member states have been negotiated between the Commission and the national administration and passed the respective Working Committee (STAR-Committee). Furthermore, in 2004 the Council Regulation 1257/1999 was amended to include some measures such as support for semi-subsistence farming specifically targeted at the new member states. A total sum of €5.761 bn out of EAGGF Guarantee is foreseen for co-financing the RDPs in the new member states in the 2004-06 period.

### **6.3. Looking forward; Planning the post-2006 programming period**

The Salzburg Conference in 2003: M. Fischler initiated the second European Conference on Rural Development in Salzburg, Austria in November 2003. The Salzburg Declaration called for:

- an even more integrated rural development policy
- sustainable environmental, economic and social developments in all rural areas of the Community
- to acknowledge that some rural areas lag behind others more substantially and therefore need more substantial support
- a simplification of administrative procedures.

Draft for a new rural development regulation presented on July 14th, 2004:

Given the large number of RDP programmes, programming systems, financial arrangements and monitoring and evaluation requirements, the administrative burden for the Commission and the MS has become substantial. Hence, and also based on what has been stated at the Salzburg conference a main objective for the next programming period became to simplify the implementation of the policy. Additional objectives for the draft regulation are:

- Extension of RDP to an enlarged EU-25
- contribute to the EU's overall objectives as defined in the Lisbon strategy
- Design one fund, one management, one control and one regulation for RDP and thereby increase the efficiency of RDPs

More specific objectives reflecting on the contents of the Salzburg conference:

- Enhance investments and competitiveness of agriculture
- Payments for environmental protection in agriculture and forestry
- Improvements of living conditions in rural communities
- Leader initiatives will become mainstream part of RDPs

Financial perspectives:

- Strict budgetary ceilings for future CAP expenditure were agreed in the Brussels summit for pillar 1 only (max. of expenditures in 2006 plus 1% for inflation per year)
- While a political decision on RDP financial commitments in the next programming period it still missing an increase of expenditures for RDP in 2007-13 as if compared with 2000-06 by 25% is foreseen.
- Looking ahead on total expenditures for the CAP (pillar 1 and 2): 1993 0.61% of BIP were spent for agricultural policies, 2004 0.43% of BIP, and 2013 it will only be 0.33% in spite of the fact that we than are likely to have an EU-27 instead of and EU-12 (as in 1993)

Overall achievements:

The consequent development of the RDP over the past 10 years has achieved the following:

- Transfer efficiency of RDP has increased substantially,
- International commitments of agricultural policies have been taken into account and are respected
- Obligations to reduce the share of EU expenditures for agriculture are respected, while at the same time a shift of resources from pillar 1 to pillar 2 has been achieved.
- RDP has been consolidated and strengthened
- RDP continue to be a major policy instrument applicable to geographically disadvantaged rural areas as well as all rural areas across the EU

## **7. HORIZONTAL ASPECTS OF RURAL DEVELOPMENT; SAPARD**

### **7.1. Environment and forestry**

- **Establishment of the EU Forestry Strategy. Council Resolution of 15 December 1998 on a Forestry Strategy for the EU**

The EU Forestry Strategy provides the framework for addressing forestry issues at the Community level. The Council Resolution has become the reference document for the discussion of policy development and initiatives related to the EU forestry sector.

- **New regulation on the conservation, characterisation, collection and utilisation of genetic resources in agriculture. Council Regulation (EC) N° 870/2004)**

This regulation, which was adopted by the Council on 24 April 2004 and which establishes a Community programme for the period 2004-2006, will finance measures

to promote the *in situ*/on-farm conservation and sustainable use of genetic resources in agriculture, the development of databanks and information resources, and the exchange of information between Member States and between Member States and the European Commission. It will also facilitate co-ordination in the field of international undertakings on genetic resources. The total budget allocated to the programme amounts to €10 million.

- **EU Biodiversity Action Plan for Agriculture adopted by the Commission in March 2001 (COM(2001)162, vol III)**

The Action Plan is based on the Commission Communication “Directions Towards Sustainable Agriculture” (COM(1999)22) and the Council Strategy on environmental integration and sustainable development in the CAP. The CAP instruments as shaped by Agenda 2000 and subsequent reforms, provide the framework for integrating biodiversity concerns into EU agricultural policy. The priorities of the Action Plan are: the promotion and support of environmentally-friendly farming practices and systems that benefit biodiversity directly or indirectly; the support of sustainable farming activities in biodiversity-rich areas; the maintenance and enhancement of good ecological infrastructures; and the promotion of measures related to genetic resources.

- **Identification of a set of agri-environmental indicators (COM(1999)20) to report on the integration of environmental concerns into the CAP. Development of these indicators through the IRENA project**

The EU strategy on environmental integration requires regular progress reporting based on suitable indicators. Following two Commission Communications, the Agricultural Council provided the Commission with a mandate for the development of agri-environmental indicators (in 2001). This mandate is implemented through the IRENA<sup>1</sup> project in which several Commission Services (DG AGRI, DG ENV, DG EUROSTAT, DG JRC) work together with the European Environment Agency to develop the indicators.

- **Commission Recommendation on guidelines for the development of national strategies and best practices to ensure the co-existence of genetically modified crops with conventional and organic agriculture (OJ L 189, p. 36 of 29.7.2003)**

Co-existence concerns the economic implications of accidental GMO presence in products from conventional and organic farming, and in particular the policy approaches and measures necessary to limit unwanted GMO admixture. The scientific aspects of co-existence were discussed at a Round Table that the Commission hosted in Brussels in April 2003. Based on the results of the Round Table, and in order to help Member States address this issue, the Commission issued a Recommendation in July 2003 which provides general principles and a list of measures for the establishment of national co-existence strategies.

## **7.2. Sapard programmes**

The SAPARD programme was one of the elements of the new pre-accession strategy adopted in the context of the Agenda 2000 with an annual allocation of about €50 million. It is aimed at assisting the candidate countries in adapting their

---

<sup>1</sup> Indicator Reporting on the Integration of Environmental Concerns into Agricultural Policy.

agricultural sectors to the implementation of the acquis and the sustainable development of rural sectors. As a novelty in external aid it was decided to implement the SAPARD instrument on a fully decentralised basis in accordance with the criteria for financial management applied under EAGGF including the accreditation of paying agencies in the beneficiary countries.

Although this approach had numerous critics the Commissioner was determined to move forward as this approach was considered to be the only alternative due to the large number of projects which could be expected under a rural development scheme. Although in some countries it took longer than expected to set up the instrument, many countries managed to have their agencies accredited within the same timeframe as it took for Member States. The experience gained from setting up the structures for managing the SAPARD instrument has proven to be highly valuable for the candidate countries in their preparation of post accession financial management structures.

The Commission has often been criticised for the perceived delays in disbursing SAPARD funds. It should be no disguise that implementing the SAPARD instrument was an ambitious project in particular given the fact that the beneficiary countries had no prior experience in managing community funds. It is therefore very satisfactory to conclude that none of the SAPARD will have lost any of the funds allocated to them by the end of 2004. It is also satisfactory that all new Member States benefiting from SAPARD will have been able to commit all funds allocated to them for the 2000-2003 period and should therefore be able to fully absorb the funds.

By September 2004 close to 35.000 projects have been committed and the Commission has paid (or are in the process of paying) a total amount to €829 million under the SAPARD programme. The financial execution now runs at cruising speed with average quarterly payments between €100-170 million.

## 8. AGRICULTURAL LEGISLATION

### 8.1. State aid

Annual state aid of roughly €13.000 million is a big part of overall farm support and requires particular attention. **State aid rules** underwent a **substantial overhaul** and have been **modernised, simplified, consolidated** and made **more transparent**:

- Rural development Regulation 1257/1999 introduced a **uniform legal basis** for state aid for **rural development**<sup>i</sup>.
- The Commission's responsibility for aid to **alcohol** of agricultural origin and **honey** was increased by the Council<sup>ii</sup>.
- In 1999, most state aid rules were **consolidated** in the "Community guidelines for state aid in the agriculture sector"<sup>iii</sup>. Amongst other issues, they address support for farmers facing climate risks or diseases, and for managing structural problems.
- The basic aid intensity for investment has been increased from 35 to 40%. Concern for **environment, hygiene** and **animal welfare** has been accounted for by increasing standard aid intensities by 20 percentage points (25 points in less favoured areas).

- New rules for **rescue and restructuring aid** have been adopted in 1997<sup>iv</sup> and further **simplified and improved** in 2004<sup>v</sup>.
- Aid for certain **research and development**<sup>vi</sup> has been increased to 100% in 1998.
- Increased consumer interest in **quality products** and the **origin of agricultural products** has been reflected in new rules for advertising aid in 2001<sup>vii</sup>.
- During the **BSE crisis**, the Commission examined substantial aid for farmers in difficulties, ensuring full transparency while allowing flexibility and avoiding distortions of competition. Guidelines for **TSE tests, fallen stock and slaughterhouse waste** have been adopted in 2002<sup>viii</sup>.
- Ex ante Commission authorisation for introducing new aid has been broadly waived by **exemption Regulation 1/2004**<sup>ix</sup> and other measures<sup>x</sup>. Detailed **notification forms**<sup>xi</sup> and a **new format for yearly reports** have been introduced in 2004<sup>xii</sup>.
- More leeway to grant quick support notably in the face of acute crisis, while avoiding distortions of competition, has been proposed in the draft Regulation on **de minimis aid** in the agriculture sector<sup>xiii</sup>. Final adoption is foreseen for October 2004.

## 8.2. Simplification

The Commission has made simplification one of the guiding principles in its deliberations on the CAP, focusing on:

- making agricultural legislation as clear, transparent and easily accessible as possible
- reducing the administrative workload that the CAP imposes on farmers and others concerned.

For many years, DG AGRI has run a programme to identify and remove obsolete and unnecessary legal acts from the Community Acquis.

DG AGRI sponsored a project, managed by OPOCE, to produce consolidated texts of agricultural legislation in all official languages, and make it available to the public via internet. This is now complete and up to date.

DG AGRI invited Member States' paying agencies to submit simplification proposals; over 100 proposals were fully or partially implemented.

The Small Farmers' Scheme was adopted. Based on the concept of flat rate payments and elimination of paperwork related to aid claims for farmers and administrations, it served as a model for the current reform of the CAP.

The current CAP reform offers Member States the opportunity – through the use of flat-rate payments to farmers - to simplify significantly the implementation of agricultural support payments, if they choose to do so.

Important simplifications have been achieved in the rural policy sector, and in state aids in the agriculture sector.

There have been numerous improvements and simplifications in agricultural market support measures, and in horizontal aspects such as trade mechanisms.

### **8.3. Horizontal aspects**

#### *8.3.1. Animal welfare*

The transport of live bovine animals has to meet animal welfare conditions. This principle is extended to transports outside the EC in 1997 by making exports refunds conditional on it. In March 1998 the Commission introduced a monitoring system comprising systematic checks on exit from the Community and checks determined on the basis of risk analysis carried out on unloading in the third country of final destination. In 2003 further enforcement was introduced by reducing the number of countries of destination for slaughter animals exported with refunds from 28 to 2 (Egypt, Lebanon) and by limiting the age of breeding animals exported with refunds to maximum 30 months. In parallel the monitoring system was enforced by introducing 100% mandatory veterinary checks on transports and animals in third countries, by strengthening the norms for penalties in case of non-compliance, and by obliging Member States to submit detailed annual reports. In 2003, 8 Member States exported 229.000 animals with € 59 million refund value under the Regulation; for 6400 animals € 1,7 million on export refunds was refused or recovered due to non-compliance.

#### *8.3.2. Horizontal regulatory framework for export refunds*

With regards to export refunds, the Commission has taken a clear cut three-line approach :

- Reinforcement of the control rules to insure fraud prevention
- Harmonisation in order to establish common rules to be consistently observed through out the EU
- Simplification of the rules in order to diminish the administrative burden for operators and national authorities.

Examples of reinforcement :

- Makes legally binding the conditions governing the approval and control by Member States of supervisory agencies
- Provides for an effective system of sanctions in case of irregular proof of arrival delivered by supervisory agencies

Examples of harmonisation :

- Establishes common rules to be observed by Member States' embassies in third countries for the issue of certificates of proof of arrival
- Introduces a minimum compulsory rate of 5 % of physical checks of all pre-financed products

Examples of simplification:

- In order to simplify the administrative paperwork involved in the submission of proofs of arrival, doubles the minimum limits by which no proof of import is required
- In the interest of simplification increases to 100 € per export declaration the threshold below which the export refund may not be paid
- Simplifies the pre-financing system deleting the standard rates of yields and the equivalence.

## 9. RESOURCE MANAGEMENT

### 9.1. Budget Management

DG AGRI has contributed to the establishment of the financial framework 2000-2006 for Heading 1 (Agriculture) which has so far ensured the availability of the necessary resources for the financing of the CAP via a “smooth” budgetary procedure and without any crises.

For the new period 2007-2013, the resources which have been proposed for the CAP in the context of the new financial perspectives have been defined for the major part (market measures and direct aids) at the Brussels Summit of 2002, which fixed a ceiling constituting a very rigorous financial framework.

As a consequence, in the CAP Reform of 2003, a financial discipline mechanism has been established in order to ensure that the ceiling is respected.

#### EAGGF - GUARANTEE

	1994 Execut ion	1998 Execut ion	1999 Execut ion	2000 Execut ion	2001 Execut ion	2002 Execut ion	2003 Execut ion	2004 EU- 25 Budg et	200 5 EU- 25 PD B
1a. Agri culture	32 480	36 901	36 952	36 261	36 720	38 865	39 443	39 9 48	43 5 14
1b. Acc. Measure s/ Rura l developm ent <sup>2</sup>	490	1 847	2 588	4 176	4 362	4 349	4 680	6 53 6	6 84 1

<sup>2</sup> Until 1999 accompanying measures

## **9.2. Assistance and central financial control**

- DG AGRI was granted, by the Directorate General for Financial Control, the award 2002 as Authorising Officer of the year.
- Implementation of the financial internal reform of the Commission (definition of financial circuits and authorized officers by sub-delegations).
- Implementation of the new financial regulation (Reg. (EC) n° 1605/2002).

## **9.3. Information technology**

Since 1995 the use of information and communication technology (ICT) has become of greater strategic importance for DG AGRI, with increased reliance on ICT in the areas of CAP management and Agriculture finances, expenditure controls, CAP analyses and decisional support (including the use of innovative technologies such as Geographical Information Systems), electronic document management and archiving.

Given this strategic importance DG AGRI has developed and implemented measures to ensure:

- security of access and exchange of information,
- availability of the business critical information systems
- sound and efficient management of ICT resources.

The most recent measures address the implementation of the Personal Data Protection regulation within DG AGRI information systems.

## **9.4. Personnel and Administration**

- Implementation of the Administrative Reform within DG AGRI and in particular the development of the DG AGRI own/specific method/ways for :
  - Promotion system
  - Recruitment of middle and senior management posts
  - Mobility (for both sensitive and non sensitive posts)
  - Mentoring
- Recruitment of enlargement personnel (one of the largest recruitment operations within the Commission with 83 posts concerned so far)
- DG AGRI A8 (100) and A7/6 (120) specific external competitions were organised.
- Rational reorganisation of DG AGRI services following changes in organisational charts, accession and the reform process.

## **9.5. Activity Based Management, IRMS and Court of Auditors**

### *9.5.1. Programming and planning*

The implementation of the Commission's internal reform via a whole new system for programming its work and to monitor the achievements.

DG AGRI has been a 'good pupil' in this context and has been used within the Commission services as an example of best practices for its annual management plan (work programme).

#### *9.5.2. Control environment*

Also as part of the internal Commission reforms a whole set of standards have been defined by the Commission and which each service shall apply in its everyday work. It has been a substantial task for DG AGRI to implement all the standards. Today, the implementation can be deemed as practically finalised.

#### *9.5.3. Response to the Court of Auditors' and the discharge authorities' recommendations*

DG AGRI has put in place a rigorous system to follow-up all recommendations of the Court of Auditors and the discharge authorities. Accepted recommendations are followed-up until deemed fully responded to, and for recommendations not accepted due reasons are provided.

## **10. AUDIT OF AGRICULTURAL EXPENDITURE**

### **10.1. EAGGF-Guarantee**

#### *10.1.1. The clearance of accounts*

- The clearance of accounts for EAGGF-Guarantee was established for the first time in 1970. The expenditure is made under “shared management” arrangements where the Member State pays and controls and the Commission audits the control systems of the Member States.
- The clearance of accounts procedure was substantially reformed as from the EAGGF financial year 1996 and divided into two stages, the annual accounting clearance, and the compliance clearance.
- This reform has been recognised as a success by the Court of Auditors (Special Report 2/2000).
- In the framework of the compliance clearance, financial corrections are applied when the Commission considers that weaknesses in the Member States lead to a risk to the Fund.
- An amount of 6.6 billion euros has been recovered from the Member States under the clearance of accounts since 1995.
- This reform and ongoing efforts over the past ten years to improve control systems, has ensured in general an efficient control environment in the Member States.
- The EAGGF accounts for nearly half of the EU budget, and it is essential that proper systems are in place to ensure that funds are spent correctly and so to protect the taxpayer's interest. This was and is achieved by the clearance of accounts procedure which is widely recognised as an important tool to ensure effective management of the budget. It is interesting to note that a clearance of

accounts procedure much inspired by the one applicable for EAGGF-Guarantee expenditure has been foreseen for other policy areas i.e. regional and social fund.

#### *10.1.2. The integrated administration and control system (IACS)*

- The common agricultural policy (CAP) was significantly reformed in 1992. The changeover to a system of direct aid for farmers based on areas and animal headage increased considerably the number of recipients and an effective and comprehensive control system was therefore needed. The integrated administration and control system (IACS), to be implemented by the Member States was therefore created in 1992 and continuously improved since then. New techniques like remote sensing imagery and geographical information systems have also been introduced.
- IACS is the key tool for the control of EAGGF-Guarantee expenditure and its importance is increasing with time as progressively more measures and expenditure are directly or indirectly managed and controlled through this system. In the financial year 2004 more than 80 % of EAGGF-Guarantee expenditure will be processed through IACS.
- IACS is now widely considered as an effective control and management system.

#### *10.1.3. Setting up of efficient control environment in the new Member States*

- Paying Agencies : Only expenditure effected by accredited paying agencies may be the subject of Community financing. For the new Member States, considerable efforts were and are still devoted to follow the setting up of paying agencies.
- IACS : High priority has also been given to the follow-up of the situation in respect of the implementation of the IACS in the new Member States and to support these countries in their efforts to meet the deadlines.

### **10.2. EAGGF-Guidance**

- The work concerned two programming periods : 1994-1999 and 2000-2006
- Programming period 1994-1999 : There were 381 programmes co-financed by EAGGF-Guidance in relation to this programming period. In spite of a number of difficulties, the work required to close the programmes has been largely completed.
- Programming period 2000-2006 : There are 144 programmes co-financed by EAGGF Guidance during 2000 – 2006. Member States present a description of their management and control systems and the Commission examines them and obtains an assurance from these systems. The problems identified during this examination have lead to a reserve by the Director General and the creation of an action plan from which the results are already being seen.

### **10.3. SAPARD**

- The Commission has adopted 21 decisions, each one conferring the management of a number of measures to one of the SAPARD agencies. Each decision was

preceded by a full examination of the procedures established by these agencies so as to give a security about the expenditure of EU money. In line with the system in place under the EAGGF-Guarantee section, accounting and compliance clearances, as well as financial corrections are implemented.

#### **10.4. Direct expenditure**

- Audits were carried out on schemes managed directly by the Commission such as olive oil agencies, promotion of agricultural products, forestry measures, Conseil Oleicole International, etc.

#### **10.5. Improvements of control provisions in the regulations**

The DG's audit service has used its experience to improve the control provisions in the different agriculture regulations. For the 2007-2013 period it has been closely involved in preparing the draft Regulations adopted by the Commission. Particularly for rural development it has proposed the use of the proven control and audit systems already in place for EAGGF-Guarantee to improve financial management.

---

<sup>i</sup> Article 51 R (EC) No 1257/1999 on support for rural development from the EAGGF, OJ 1999/L 160/80.

<sup>ii</sup> Article 10 R (EC) 670/2003 laying down specific measures concerning the market in ethyl alcohol of agricultural origin, OJ 2003/L 97/6. Article 1 R (EC) 797/2004 on measures improving general conditions for the production and marketing of apiculture products, OJ 2004/L 125/1.

<sup>iii</sup> OJ 2000/C 232/19.

<sup>iv</sup> Community guidelines on state aid for rescuing and restructuring firms in difficulty, OJ 1997/C 283/2.

<sup>v</sup> Text adopted by Commission, but not yet published in the OJ.

<sup>vi</sup> Communication amending the Community framework for State aid for R&D, OJ 1998/C 48/2.

<sup>vii</sup> Community guidelines for State aid for advertising of products listed in Annex I to the EC Treaty and of certain non-Annex I products, OJ 2001/C 252/5.

<sup>viii</sup> OJ 2002/C 324/2.

<sup>ix</sup> R (EC) 1/2004 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises active in the production, processing and marketing of agricultural products, OJ 2004/L 1/1.

<sup>x</sup> R (EC) 68/2001 on the application of Articles 87 and 88 of the EC Treaty to training aid, OJ 2001/L 10/20; R (EC) 2204/2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment, OJ 2002/L 337/3; R (EC) 364/2004 amending R (EC) 70/2001 as regards the extension of its scope to include aid for research and development, OJ 2004/L 63/22. Article 51 (1) (2) and Article 52 R (EC) 1257/1999.

<sup>xi</sup> R (EC) 794/2004 implementing Council R (EC) 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty, OJ 2004/L 140/1.

<sup>xii</sup> Annex III B of R (EC) 794/2004 implementing Council R (EC) 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty, OJ 2004/L 140/1.

<sup>xiii</sup> Draft R on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid in the agriculture and fisheries sectors, OJ 2004/C 93/9.