



EUROPEAN COURT OF AUDITORS

PRESS RELEASE

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Court's opinion on the Commissions' legislative proposals for the reform of the Common agricultural policy as of 2014

In October 2011, the Commission submitted to the European Parliament and Council its legislative proposals for the reform of the CAP as from 2014. The European Court of Auditors examined the four main draft regulations presented by the Commission and publishes today its opinion on these texts (Opinion No 1/2012).

The Court recognises the efforts made by the Commission to simplify the provisions of the CAP and to address a number of observations made by the Parliament, the Council and the Court. However, the Court considers that the legislative framework of this policy remains too complex. For example, six distinct layers of rules govern rural development expenditure. With respect to cross compliance, the Court considers that, in spite of the proposed reorganisation, the complexity of this policy continues to make it difficult for paying agencies and beneficiaries to administer.

In spite of the claim that it focuses on results, the policy remains fundamentally focussed on spending and controlling expenditure and therefore oriented more towards compliance than performance. In particular, the specific objectives of direct payments to farmers are not set out in the articles of the relevant regulation, nor are the expected results of those provisions or the type of indicators to be used to measure such results. With respect to rural development, the Court has underlined the importance of setting out specific concrete objectives that the proposed measures are designed to achieve and of ensuring that support is targeted to rural areas where the aid is most needed. Similarly, the objectives and qualitative and quantitative results that are expected of the implementation of cross compliance obligations as well as of the 'greening' component of direct payments are not adequately laid down. The disclosure of such objectives would help focus the policy on delivering the desired results.

The Court has noted the Commission's intention to direct CAP payments to "active farmers" and to achieve a more balanced distribution of direct payments among beneficiaries. However, the Court considers that the risk persists that payments may continue to be made to beneficiaries who do not exercise any agricultural activity. Furthermore, the Court notes that the redistribution effect of the reduction of the amount aid when such aid exceeds certain levels ("capping") will be limited.

Furthermore, the Court has doubts as to whether some of these proposed measures can be implemented effectively without imposing an excessive administrative burden on national managing agencies and on farmers. As a way out of this difficulty, the Court suggests adopting a general and simple definition of what constitutes an "active farmer" and to entrust the Commission with the task of

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managing the implementation of the resulting legislation with a view to reaching the high level objectives set out in the Treaty. These objectives are to increase agricultural productivity as well as increasing the individual earnings of persons engaged in agriculture.

The Court notes that the Commission estimates that the proposed reform is likely to result in an increase of 15 % in the costs of managing the direct payment schemes which will be borne by Member States. The Court notes that no information is available on the extent to which such additional costs might be offset by increased management or policy efficiency.

The Court considers that the Commission, as the holder of the ultimate responsibility in the implementation of the budget, should at the start of the new financial period review the functioning of management and control systems of the Member States. Such supervision would mitigate the risk of leaving the detection of any failure to subsequent checks (which may lead to financial corrections).

The draft regulation provides for payment entitlements to be available to new farmers (in particular young farmers who commence their agricultural activity) in 2014. However, the Court is concerned that such availability will no longer be guaranteed in subsequent years. In addition, the Court notes that the requirement to have activated payment entitlements in 2011 (or claimed support under SAPS) in order to apply for entitlements in 2014 is likely to create new barriers to entry for new farmers. The Court considers that sufficient safeguards should be provided to address these barriers.

The Court considers that the draft provisions dealing with “withdrawals”, “reductions” and “exclusion” of payments in the Member States are confusing both in their wording and their scope. The Court has concluded that these provisions should be simplified by ensuring a consistent use of a well defined terminology and a robust implementation of the principle that irregularities should result in reductions of aid and be disclosed in the relevant statistical information provided by the Member States and the Commission. .

Finally, the Court wishes to underline that the effectiveness of the reform shall also rest on the clarity of the “implementing regulations” the Commission is to set forth. It will also depend on how quickly paying agencies will adapt their procedures and systems, which may require between 12 and 24 months following the adoption of the implementing provisions by the Commission.

M. Michel Cretin, Member of the European Court of Auditors will present the Court’s opinion on the Commissions’ legislative proposals for the reform of the Common Agricultural Policy (CAP) in the European parliament at the end of April.

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