

# **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.