



---

*Committee on Agriculture and Rural Development*

---

**2015/2154(DEC)**

29.1.2016

# **OPINION**

of the Committee on Agriculture and Rural Development

for the Committee on Budgetary Control

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section III – Commission and executive agencies  
(2015/2154(DEC))

Rapporteur: Tibor Szanyi



## SUGGESTIONS

The Committee on Agriculture and Rural Development calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Believes that the CAP, as one of the original European policies, is an important tool of the EU with wide impact, not only in terms of food production and ecosystem services, and in terms of actual and potential environmental, socio-economic and gender improvements as well as efforts to combat depopulation in rural areas, taking into consideration the need to develop the concept of the circular economy; considers that the CAP thus contributes to the balance between the regions of the European Union, providing financial support and important tools that helps young farmers to start farming and ensure generational continuity;
2. Notes that DG AGRI did a considerable amount of work in 2014 with Member State authorities so they are increasingly able to prevent errors in agricultural spending and implement their Rural Development Programs, recognises DG AGRI's positive impact apparent in the 2014 ECA Annual Report, and believes that together with the Member States their actions should provide a good foundation for further improvements during the key years in the 2014-2020 spending period;
3. Urges, in extreme cases, that consistently underperforming paying agencies should be stripped of their accreditation;
4. Believes that coherent performance and delivery is crucial in the CAP which ensures safe and consistent production of our food, operates across the whole EU, with a positive effect at the social, environmental and economic level, covering production of crops and foodstuffs of all kinds;
5. Notes that the agricultural factor income per worker in the Member States that joined the EU in 2004 or later (EU-N13) is just one-quarter of the agricultural factor income generated in the EU-15<sup>1</sup>;
6. Welcomes the improvements on the 2013 annual report figures and notes that the Court of Auditors has concluded that as far as agricultural policy is concerned, the proportion of tested transactions resulted in a reduced error rate compared to 2013, notes that the error rate for 2014 is 2,9% (as compared to 3,6% in 2013) for EAGF audited in 17 Member States; and 6.2% (down from 7% for 2013) for rural development, environment and fisheries audited in 18 Member States and an average rate for the “Natural Resources” chapter as a whole of 3,6%;
7. Emphasises the need to develop a common methodology for calculating the error rate in an effort to guarantee that it is accurate and to ensure that significant disparities do not emerge between the error rate indicated by the Commission and that established by the Court of Auditors;

---

<sup>1</sup> DG AGRI - Annual report 2014 - page 12

8. Draws attention to the Commission's statement<sup>1</sup> that errors in cross compliance (for example timely declarations of animal movement, meeting dates or deadlines) do not affect eligibility of payments (already confirmed by the Court) and that the cross compliance error rate should be deducted from the overall error rate for better clarity;
9. Points out that the differences in the way the rules on coupled payments are implemented in the Member States is distorting competition, for example in the milk sector;
10. Welcomes the fact that the Commission has introduced new guidelines for determining financial corrections under shared management for non-compliance with public procurement rules<sup>2</sup>;
11. Notes that 2014 was a transitional year, involving significant payments for the last part of the 2007-2013 funding period and during which the final elements (the implementing and delegated acts) were put in place half way through the year for the CAP 2014-2020 funding period; notes also that the years 2015 and 2016 should likewise be considered as transitional years, in which greening and other significant policy changes had to be implemented by both farmers and Member State authorities in full for the first time, involving new and complex rules and a high number of new applicants for direct payments, given that many of the multiannual measures in Member States' rural development plans (RDP) will only begin to be implemented in 2016, and require special attention on new tools introduced under the reform;
12. Welcomes the reduction in error rates compared to 2013 and acknowledges the major efforts and resources devoted to achieving this, particularly through information and technical support from the Commission for Member State authorities on implementation, and takes the view, however, that a simple measure of error is not in itself a measure of performance or delivery;
13. Reminds the Commission that the risk of unintentional errors owing to complex regulation is in the end borne by the beneficiary; calls for a reasonable, proportional and effective policy on sanctions to support this approach, such as avoiding double sanctioning for the same error under both the payment scheme and cross-compliance; urges the Commission to better ensure proportionality of penalties in relation to the type of error; calls for instruments for a more incentivised, output-driven approach which could offer reduced error and inspection rates and make it more possible to distinguish between error and fraud, while ensuring that farmers are still able to deliver the vital food production at the heart of the policy; believes that continuing to tackle complexity and that streamlining the CAP are one of the key elements for attracting new entrants to agriculture and for retaining them and their skills to ensure a thriving EU agricultural sector in the future;
14. Welcomes the fact that the European Court of Auditors is exploring how to measure performance in its annual report, particularly as the Commission intends its spending to be focused on results, points nevertheless to the difficulty of judging delivery of multiannual funding programmes, now the preferred method of delivery of

---

<sup>1</sup> ECA Annual Report 2014 - reply to para 7.15

<sup>2</sup> ECA Annual Report 2014 - reply to para 7.32

environmental measures in pillar II, through a tool which examines a single year and invites the Court to explain its performance orientation specifically in relation to agricultural spending; urges the Court of Auditors nevertheless to take into account the multiple objectives of rural development policy in its performance assessment so as to avoid the use of simplistic indicators and avoid resulting in misinterpretations;

15. Notes the Court's view, from its own audits, that IACS makes a significant contribution in preventing and reducing the levels of error in the schemes to which it applies<sup>1</sup> and notes the comment that weaknesses in the LPIS had been addressed in all the Member States audited through remedial action<sup>2</sup>;
16. Welcomes the Commission's proposed simplification of IACS via preventative preliminary checks which will allow national administrations to identify problems with farmers' applications, make corrections and should result in a lower rate of penalties;
17. Echoes the Court's main recommendations: for Member States to ensure reliable and up-to-date information and images on LPIS to reduce the risk of errors associated with overstated eligible land; for the Commission to require Member State action plans to include remedial action to deal with the most frequent causes of error, to revise its own strategy for rural development conformity audits, and to ensure the correct application of assurance procedure on legality and regularity of transactions which will be mandatory from 2015;
18. Notes the agreement between Commission and Court that rural development expenditure is governed by complex rules and eligibility conditions, partly due to the nature of the policy and the heterogeneity of European regions, calls for enhancement of the simplification and preventive measures included in the 2014-2020 rules and calls in addition for that simplification to be delivered at Member State level in the new Rural Development programmes as a priority and as an important means of reducing error rates and improving efficiency and flexibility, thereby increasing the absorption capacity, particularly where small-scale programmes, may have attracted less interest and/or shown consistently high error rates as a result of their inflexibility in the past;
19. Calls on the Commission to submit in good time a detailed plan for reducing red tape in the context of the CAP;
20. Urges both the Commission and Member State authorities to continue to address and reduce the complexities in relation to direct payments wherever possible and give high priority to simplification of the greening measures, particularly if there are many different levels involved in the administration of EAGF and rural development funds within Member States, with different approaches for the two pillars where necessary; stresses the fact that the vast differences between Member States in terms of direct payments has widened the competitiveness gap between farmers working in the single market;
21. Expects the Commission to urgently make full use of the process of simplification of the CAP, especially with regard to the burdensome and complex regulations governing

---

<sup>1</sup> ECA Annual Report 2014 - para 7.35

<sup>2</sup> ECA Annual Report 2014 - para 7.40

cross-compliance and greening which ultimately impacts upon farmers across Europe; stresses that the simplification process should focus on alleviating the administrative burden and should not put at risk the principles and rules agreed under the last CAP reform, which should be kept unchanged; considers that such a simplification should not imply a revision of the CAP expenditure for the period 2013-2020;

22. Points out that as a result of purchases of agricultural land by investors, small owner-run holdings are increasingly coming under pressure and that a proportion of direct payments are being made to international concerns;
23. Notes the importance of resource efficiency and environmentally sound production and processing methods in the agri-food and forestry sectors; points out that this should make for viable, sustainable and safe food production and that a balance should be struck between environmental protection, which should benefit the local population as well as counterbalancing harmful agriculture practices, and meeting ever-increasing food production requirements combined with economic growth, while also ensuring affordable prices for consumers; hopes that progress will be made in finding practical on-farm solutions for adapting agricultural practices to climate change;
24. Stresses the importance of having comparable performance indicators and figures for the same kind of programmes in different locations and looks forward to improvements in this context in the 2014-2020 period aimed at ensuring better financial management of the CAP that is rooted in the needs of each Member State;
25. Points out that CAP plays a significant role in promoting social inclusion - especially but not only through cooperative efforts - poverty reduction and economic development in rural areas by creating jobs, by the LEADER and by putting in place new or improved services and infrastructure; calls for analysis of the overall effect of the two pillars of the CAP in rural areas, on where and how the funds are allocated and focusing on the real final beneficiaries;
26. Notes that spending is expected to generate benefits for both rural areas and consumers in general, and recalls that final beneficiaries spend money on goods or services in their local communities or by employing people on their holdings, thereby helping to keep people on the land in regions where agriculture and forestry are often the main economic engines in rural or isolated areas;
27. Notes that the impact of the Russian import ban on agricultural products, which struck mid-way through 2014, is a major challenge; advocates better management in the early phase of any emergency measures to ensure correct targeting of funds or, where necessary, the prompt recovery of amounts unlawfully claimed; in this context welcomes continuing efforts by the Commission to identify alternative market outlets for farm surpluses, and support the sectors affected by the ban; welcomes efforts by the Commission to identify alternative market outlets for farm surpluses and calls on the Member States to make joint efforts to eliminate obstacles to the expansion of market outlets; stresses the importance of the TTIP agreement, which might offset the closure of a number of traditional exchange markets;
28. Welcomes the Commission decision establishing exceptional aid schemes for countries that sustained losses in the dairy sector and calls on the Commission to consider further

aid measures for sectors facing similar problems;

29. Expresses concern that women in rural areas of many Member States have only limited access to the employment market and calls on the Commission, as a matter of priority in its future development initiatives, to assume the task of improving and increasing access to the employment market for women in rural areas and to allocate adequate funding for a 'European guarantee for rural women', similar to the European Youth Guarantee programme, setting separate targets for women in rural areas;
30. Urges the Commission to clarify the rules regarding recognition of producer organisations, notably in the fruit and vegetables sector, and further to shorten lead times of Commission audits, in order to provide legal certainty to beneficiaries and avoid unnecessary errors;
31. In view of the Treaty aim<sup>1</sup> of ensuring that supplies reach consumers at reasonable prices, considers that fair access for all consumers is put at risk where there is excessive imposition of VAT on food and that VAT fraud is made more likely;
32. Believes that the objectives of the 2007-2013 programme period are still important goals, and that the Union should focus in the current period on enhancing the viability of farms and the agricultural sector, promoting a better balance in the food chain with a view to consolidating and strengthening producer organisations, supporting quality schemes, short supply chains, social cooperatives, local markets, ecosystem services and balanced territorial development, strictly in rural areas in the new RDPs, whilst avoiding unreasonable environmental expectations or expenditure;
33. Reminds that in all the Court's audits carried out on 2014 expenditure, only three cases were referred to OLAF for investigation<sup>2</sup> under suspicion of "artificially created conditions to obtain aid" (new entities set up by well-established companies or groups of people) and one had previously been identified as risky by national authorities before the ECA audit;
34. Notes that the implementation of the policy could be further ameliorated; insists therefore on being informed about any improvements in terms of targeting and achieving policy objectives and compliance;
35. Calls on the Commission to assess the effectiveness of payments to promote sales in third countries and to ensure that these measures do not crowd local producers out of the market;
36. Notes that at the time the 2014 Annual Activity Report was prepared by DG AGRI, there were a number of IPARD elements for which information was not available is included in the AAR and that the information have to be updated (number of farms supported, increase in gross value, number of farms introducing Union standards), while thinks that constant analysis is expected in the new funding period;
37. Notes that the 2014 ECA Annual Report shows good results, but nevertheless calls on

---

<sup>1</sup> TFEU Article 39.1(e)

<sup>2</sup> ECA Annual Report 2014 - para 7.30

the Court to inform the Parliament about the steps it intends to take to bring a more multiannual examination methodology to bear as it develops the more performance-oriented approach being envisaged.

## RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	25.1.2016
<b>Result of final vote</b>	+: 24 -: 8 0: 2
<b>Members present for the final vote</b>	John Stuart Agnew, Clara Eugenia Aguilera García, Eric Andrieu, Paul Brannen, Daniel Buda, Nicola Caputo, Michel Dantin, Albert Deß, Norbert Erd s, Luke Ming Flanagan, Martin Häusling, Anja Hazekamp, Esther Herranz García, Jan Huitema, Peter Jahr, Zbigniew Ku miuk, Philippe Loiseau, Ulrike Müller, Maria Noichl, Marijana Petir, Jordi Sebastià, Jasenko Selimovic, Lidia Senra Rodríguez, Czesław Adam Siekierski, Marco Zullo
<b>Substitutes present for the final vote</b>	Pilar Ayuso, Rosa D'Amato, Jørn Dohrmann, Stefan Eck, Georgios Eptideios, Maria Heubuch, Ivan Jakov i , Tibor Szanyi, Ramón Luis Valcárcel Siso