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REPORT

on the proposal for a Council regulation amending Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period
(COM(2002) 519 – C5-0497/2002 – 2002/0227(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Xaver Mayer

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

CONTENTS

	Page
PROCEDURAL PAGE	4
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION	5
EXPLANATORY STATEMENT	8

PROCEDURAL PAGE

By letter of 18 October 2002 the Council consulted Parliament, pursuant to Article 308 of the EC Treaty (the legal basis, replaced by Article 181a after the entry into force of the Treaty of Nice), on the proposal for a Council regulation amending Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period (COM(2002) 519 - 2002/0227 (CNS)).

At the sitting of 21 October 2002 the President of Parliament announced that he had referred this proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0497/2002).

The Committee on Agriculture and Rural Development appointed Xavier Mayer rapporteur at its meeting of 5 November 2002.

The committee considered the Commission proposal and the draft report at its meetings of 3 December 2002, 23 January 2003 and 17 February 2003.

At the last meeting it adopted the draft legislative resolution by 26 votes to one.

The following were present for the vote: Joseph Daul, chairman; Friedrich-Wilhelm Graefe zu Baringdorf and Albert Jan Maat, vice-chairmen; Xavier Mayer, rapporteur; Gordon J. Adam, Danielle Auroi, Arlindo Cunha, Christel Fiebig, Christos Folias, Jean-Claude Fruteau, Georges Garot, María Esther Herranz García (for Encarnación Redondo Jiménez), Liam Hyland, María Izquierdo Rojo, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Dimitrios Koulourianos, Wolfgang Kreissl-Dörfler (for Willi Görlach), Astrid Lulling (for Michl Ebner), Véronique Mathieu, Neil Parish, Mikko Pesälä, Giacomo Santini (for Francesco Fiori), Agnes Schierhuber and Robert William Sturdy.

The Committee on Budgets decided on 11 February 2003 not to deliver an opinion.

The report was tabled on 18 February 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation amending Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period (COM(2002) 519 – C5-0497/2002 – 2002/0227(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2002) 519¹),
 - having regard to Article 181a of the EC Treaty, in accordance with which the Council consulted Parliament (C5-0497/2002),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A5-0028/0000),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Calls on the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 5. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1

Recital 2

No special provision is included in the Regulation for actions to help restore rural areas following exceptional *natural* disasters,

No special provision is included in the Regulation for actions to help restore rural areas following exceptional disasters,

¹ OJ C 331E of 31.12.2002, p.195.

Amendment 2
ARTICLE 1 (NEW)
Article 2 (Regulation (EC) No 1268/1999)

Regulation (EC) No 1268/1999 shall be amended as follows:

The following new indents are inserted after the seventh indent:

‘- special measures when exceptional disasters, particularly natural disasters, are determined to have occurred;

- local partnerships between the public, private or voluntary sector, whose aim it is to facilitate the implementation of one or more of the measures within this Article;

- capacity development among the actors in the local authorities or non-governmental organisations who are committed to the furtherance of other measures within this Article;

Amendment 3
ARTICLE 1
Article 8 (Regulation (EC) No 1268/1999)

1. The Community contribution may amount to up to 75% of the total eligible public expenditure except:

(a) for relevant projects under any measure where the Commission determines that exceptional natural disasters have occurred the Community contribution may amount to up to 85% of the total eligible public expenditure;

(b) for measures referred to in the last indent of Article 2 and Article 7(4), the Community contribution to financing may

1. The Community contribution may amount to up to 75% of the total eligible public expenditure except:

(a) for relevant projects under any measure where the Commission determines that exceptional ***disasters, mainly*** natural disasters, have occurred the Community contribution may amount to up to 85% of the total eligible public expenditure;

(b) for measures referred to in the last indent of Article 2 and Article 7(4), the Community contribution to financing may

amount to up to 100% of the total eligible cost.

amount to up to 100% of the total eligible cost.

EXPLANATORY STATEMENT

1. Background

Through its special Sapard programme, the Community provides support in the area of agriculture and rural development to the candidate countries of Central and Eastern Europe preparing for accession to the European Union. Under Article 1(2) of Council Regulation (EC) No 1268/1999 (referred to below as the Sapard Regulation), the Community pursues the following goals:

- (a) contributing to the *implementation of the acquis communautaire* concerning the common agricultural policy and related policies;
- (b) solving priority and specific problems for the sustainable *adaptation of the agricultural sector and rural areas* in the applicant countries.

With an annual budget (at 1999 prices) of EUR 520 million over a period of seven years, funds for carrying out measures in a total of 15 areas of action can be drawn on in Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Slovenia, Hungary, Bulgaria and Romania from 2000 to 2006. Under Article 15 of the Sapard Regulation, however, a country loses its entitlement to these resources on acceding to the European Union.

It is clear that the candidate countries' difficulties with the first objective in terms of building an institutional infrastructure, a basic condition for the implementation of individual projects aimed at adapting agricultural structures and rural development, were greatly underestimated. The lack of appropriate administrative structures in the majority of the countries meant that, by the end of 2002, only a fraction of the available funds could be claimed.

The Commission proposal for special aid in the event of 'exceptional natural disasters' is set out below. In the light of the devastating floods of August 2002, the rapporteur welcomes the importance that the Commission attaches to greatly facilitating public and, in particular, Community support for projects eligible under Sapard.

The rapporteur also points out that, as a result of certain peculiarities of the programme, the granting of payments from the Sapard budget has been very slow up to December 2002. In view of the scheduled accession of the vast majority of the Central and Eastern European candidate countries as early as May 2004, the Commission should explore whether special arrangements could be made to allow the availability after this date of funds approved from 2000 onwards that could not be paid out owing to the lack of an appropriate institutional infrastructure in the CEECs.

2. Commission proposal: special arrangements in the event of a natural disaster

In the wake of the events of summer 2002, the Commission proposes that, should exceptional natural disasters occur in the candidate countries, greater Community support be provided for agriculture and rural areas via Sapard. Certain amendments to the basic regulation are therefore required.

Although the present arrangements contain no specific provisions relating to measures to deal with natural disasters, the Commission's intention to allow special funding conditions in the case of natural disasters ties in with the programme's second main objective (Article 1(2)(b)).

The proposal does not provide for the inclusion in the programme of additional special measures eligible for support alongside the 15 existing sets of measures. European Community support should instead involve a lessening of the financial burden for the recipient and the candidate countries. This would mean that, in spite of the particularly difficult financial situation in the areas affected by flooding, the implementation of relevant investment projects could be guaranteed and the programme objectives adequately accommodated. This is one of the main differences between Sapard and the Solidarity Fund, both of which are instruments providing aid for rural regions in crisis. Sapard does so by offering additional support for projects connected to the existing measures for agriculture and rural areas. The Solidarity Fund, on the other hand, grants financial assistance to help bring about a rapid return to normal living conditions in disaster-stricken areas (through the mobilisation of emergency services or short-term restoration of damaged key infrastructure, for instance).

With its proposal, the Commission intends to raise the ceiling on total public aid for projects directly connected to an 'exceptional natural disaster' from the current 50% to 75% in future. In addition, the Community co-financing contribution is to be increased from 75% to 85%. The Commission would then have to determine case by case whether it was a question of an 'exceptional natural disaster'. The raising of the ceiling on public aid means a reduction in the level of co-financing from the beneficiary. The proposed increase in the Community contribution¹ to 85 % also lessens the national share of project funding. As the Sapard Regulation has previously contained no specific provisions relating to natural disasters, the Commission has introduced this term in connection with the above thresholds. This could be further specified, where appropriate, in the multiannual financial agreements between the Commission and candidate countries.

It should be pointed out that no additional costs will arise as a result of these changes to the programme in the event of natural disasters. The budget allocation for measures and sub-measures under the Sapard programme and the individual annual financial agreements or national rural development programmes are unaffected by these changes. There will merely be a redistribution of the public and private share of funding in favour of the regions or recipients concerned.

The proposed amendments are to apply retroactively from 1 July 2002. This is important, as it ensures that the period of the flooding in the Czech Republic and Slovakia in August 2002 is covered by the new legislation. Relevant projects in the affected areas of these countries could therefore be given increased support, generally speeding up their implementation. The Czech Republic was one of the worst affected countries in Europe. Around 40% of Czech territory was hit by flooding. Current estimates (see table, Annex I) by the Czech authorities of the total cost of damage inflicted by the floods come to EUR 2.34 billion. This corresponded to roughly 3.1% of Czech Gross Domestic Product (GDP) in 2002. The cost of flood damage for

¹ This is in line with the ceiling of between 80% and a maximum of 85% for the Community share of co-financing laid down by Council Regulation (EC) No 1164/1994 establishing a Cohesion Fund.

the agricultural sector is put at just under EUR 114 million. Easier access to the EUR 23.5 million of Sapard funding earmarked for the Czech Republic in 2002 could significantly alleviate the plight of the farmers affected.

3. Delay to the allocation of funds due to Sapard's special characteristics

The Commission has taken a totally new approach to accession aid with Sapard, for which its preliminary approval is not required as is the case with the pre-accession instruments Phare and Ispa. The Commission is not responsible for the selection or implementation of projects. Full responsibility should be taken by the public authorities in the applicant countries through entirely 'decentralised management'. This way, the Commission hoped for a greater degree of goal attainment in two respects: the numerous local-level projects should be planned, submitted, approved, carried out and monitored in the rural areas themselves on the basis of the *acquis communautaire*, before each respective country becomes an EU Member State. This was to ensure that funds are allocated where they are needed and that the countries and potential recipients are involved as much as possible. On top of this, the incentive to build the appropriate administrative structures (Sapard agencies) and develop certain working methods on the basis of existing Community law means the candidate countries should be well prepared for EU accession in institutional terms. It should then be possible for common agricultural policy (CAP) measures to support the agricultural sector and rural areas to be implemented without problems immediately following accession.

In principle, the rapporteur welcomes the programme's alternative approach, for experience has shown that involving those affected considerably increases the degree of success of public aid measures. However, the first three years of the Sapard programme have also made clear how much catching up the former socialist countries had to do institutionally speaking in comparison with previous accession countries, even ten years after the fall of the Iron Curtain.

In countries such as Austria and Sweden, a public aid policy for the agricultural sector according to social market economy principles had been tried and tested long before they joined the EU. The appropriate structures and 'channels' for directing agricultural aid to the relevant destination already existed, meaning the transition from accession country to Member State took place without any teething problems. These 'pipelines' were almost completely absent in the CEECs and today still, the necessary level of efficiency has not been reached everywhere.

This is one of the main reasons behind the extremely slow recourse to the earmarked aid (see Table 1 and Annex II). By the end of December 2002, only a fraction of the approved total amount had been paid out in the ten countries as a whole: just EUR 144 million (9%) out of an approved EUR 1.6 billion. It has become apparent that the years from 2000 until the end of 2002 were required for preparation and institution-building. The intended Sapard-funded modernisation of the agricultural sector in the CEECs has only just begun.

4. Conclusions:

1. The Committee on Agriculture and Rural Development welcomes the proposed amendments for accelerated and more appropriate support for affected regions in the candidate countries;
2. The Committee on Agriculture and Rural Development points out that the majority of the candidate countries were unable to begin with the implementation of Sapard, scheduled for early 2000, until 2002, as it was only then that the institutions required for carrying out the programme were in place. In order for the candidate countries to be able to continue to make use of the pre-accession aid for 2000-2002, the European Parliament requests that the Commission draw up the measures necessary for extending the deadline for the use of these funds;
3. The Committee on Agriculture and Rural Development calls on the Commission to submit proposals allowing the Sapard funds, envisaged for a seven-year period, to be available to the candidate countries in the post-accession phase until 2006 inclusive, for the purpose of increased institutional and structural adjustment in the agricultural sector and rural areas of the CEECs;
4. The Committee on Agriculture and Rural Development recognises that, in addition to being an important pre-accession financial instrument, Sapard also plays a significant role in the setting-up of administrative structures necessary for guaranteeing decentralised financial management in agriculture. The Committee on Agriculture and Rural Development asks, therefore, that the Commission make provisions with a view to accession, to enable the administrative structures set up with Sapard aid to be used additionally from May 2004 for the implementation of measures forming part of the *acquis communautaire* and for the monitoring of these measures.