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REPORT

on the proposal for a Council regulation amending Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
(COM(2006)0237 – C6-0237/2006 – 2006/0082(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Jan Mulder

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.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council regulation amending Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
(COM(2006)0237 – C6-0237/2006 – 2006/0082(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2006)0237)¹,
 - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0237/2006),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A6-0399/2006),
1. Approves the Commission proposal;
 2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 3. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 4. Instructs its President to forward its position to the Council and Commission.

¹ Not yet published in OJ.

EXPLANATORY STATEMENT

EAFRD - December 2005 Financing Agreement

All rural development payments from 2007 - 2013 will be made out of the EAFRD (European Agricultural Fund for Rural Development) – the single fund which will replace the two current sources of rural development funding (the EAGGF Guarantee and Guidance funds).

The December 2005 European Council financing agreement did agree certain parameters for the overall Rural Development fund of €69.75 billion before modulation. At least €33.01 billion will be shared between the ten New Member States, plus Romania and Bulgaria, which are expected to join the EU on 1 January 2007. The remaining €36.74 billion will be divided up among the EU-25, with at least half (€18.91 billion) being guaranteed for the EU-15.

Within this total, some €4.07 billion will be allocated to national envelopes for certain countries - i.e. €1.35 billion to Austria, €460m to Finland, €500m to Ireland, 500m to Italy, €20m to Luxembourg, €111m to France, €820m to Sweden and €320m to Portugal. In Portugal's case, the Council concluded that the money should not be subject to co-financing, making reference to the particular constraints that Portuguese agriculture faces, as described in Commission's report 10859/03.

The total amounts for rural development have been agreed on a considerably lower level compared to the initial Commission proposal for the Financial Perspectives.

European Commission's Proposal

The European Commission's proposal COM (2006) 237 proposes, in line with the December 2005 Financial Council Agreement, to exempt Portugal from the application of the co-financing requirement for the amount of EUR 320 million.

Commission proposal COM (2006) 237, amending Regulation (EC) No 1698/2005, is necessary in order to bring the "capping provision" in line with the December 2005 European Council Agreement as well as with the relevant provision in the Community legislation governing the Structural Funds and the Cohesion Fund for the period 2007–2013.

Capping means the maximum total spending of all structural and rural development funds in a particular Member State, as a percentage of its GDP. As the total amount of funds at a European level has been agreed by the Council on a much lower level, as compared to the initial Commission proposal, the capping provisions in the corresponding legislation have to be altered accordingly.

Draftsman Position

Your draftsman proposes to exceptionally accept the proposal to exempt Portugal from the application of the co-financing requirement for the amount of EUR 320 million assuming that this concerns a once-off operation. The proposed changes to the capping provisions seem to be rather technical amendments.

The draftsman understands the need to realign rural development legislation with the

December 2005 European Council Agreement. However, budgetary decisions should normally follow legislative decisions and not the other way around. Moreover, the practice by which individual Member States are being persuaded to vote in favour of an agreement, by including particular extra amounts or preferential treatment for them (the so called Christmas gifts) is highly undesirable. Also for reasons of transparency, unity and sound financial management the practice of this kind of horse trading should be prevented.

Your draftsman would favour co-financing of all rural development payments, as well as of direct income support given to farmers under the 1st Pillar of the European Common Agricultural Policy, which is not yet currently the case.

Co-financing of European funds makes Member States more diligent in ensuring that those funds are well spent and well controlled. Moreover, co-financing of direct payments under the 1st Pillar would ease the current pressure on the European budget. In this respect, the draftsman refers to Declaration no. 9 of the Inter Institutional Agreement 2007-2013 in which Parliament, besides reserving its position on the concept of voluntary modulation, stresses the necessity to assess the co-financing instrument during the 2008-2009 review.

Furthermore, the draftsman objects to the current manner in which rural development funds are divided between the Member States. In relation to the equality principle, he believes that those funds should be divided on the basis of objective criteria as part of a "needs-based" system, instead of historic division keys, as well as Council gifts and the proposed voluntary modulation by Member States.

PROCEDUR

Title	Proposal for a Council regulation amending Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)		
References	COM(2006)237 – C6-0237/2006 – 2006/0082(CNS)		
Date of consulting Parliament	13.7.2006		
Committee responsible Date announced in plenary	AGRI 5.9.2006		
Committee(s) asked for opinion(s) Date announced in plenary	REGI 5.9.2006	CONT 5.9.2006	BUDG 5.9.2006
Not delivering opinion(s) Date of decision	REGI 21.6.2006	CONT 20.6.2006	BUDG 5.7.2006
Enhanced cooperation Date announced in plenary	-		
Rapporteur(s) Date appointed	Jan Mulder 30.5.2006		
Simplified procedure – date of decision Date of decision	-		
Legal basis disputed Date of JURI opinion	-		
Financial endowment amended Date of BUDG opinion	- /		
Parliament to consult European Economic and Social Committee – date decided in plenary	-		
Parliament to consult Committee of the Regions – date decided in plenary	-		
Discussed in committee	12.7.2006	11.9.2006	3.10.2006
Date adopted	3.10.2006		
Result of final vote	+ 35 -: - 0:		
Members present for the final vote	Katerina Batzeli, Sergio Berlato, Thijs Berman, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Joseph Daul, Albert Deß, Duarte Freitas, Jean-Claude Fruteau, Ioannis Gklavakis, Lutz Goepel, Bogdan Golik, Friedrich-Wilhelm Graefe zu Baringdorf, Esther Herranz García, Elisabeth Jeggle, Heinz Kindermann, Albert Jan Maat, Diamanto Manolakou, Mairead McGuinness, María Isabel Salinas García, Agnes Schierhuber, Czesław Adam Siekierski, Csaba Sándor Tabajdi, Kyösti Virrankoski, Brian Simpson, Andrzej Tomasz Zapałowski		
Substitute(s) present for the final vote	Pilar Ayuso, Bernadette Bourzai, Ilda Figueiredo, Wiesław Stefan Kuc, Jan Mulder, James Nicholson, Markus Pieper, Zdzisław Zbigniew Podkański		
Substitute(s) under Rule 178(2) present for the final vote	Zbigniew Krzysztof Kuźmiuk		
Date tabled	5.10.2006		
Comments (available in one language only)	-		

