EUROPEAN PARLIAMENT

2004 *2009*

Committee on Agriculture and Rural Development

2004/2099(ACI)

23.2.2006

OPINION

of the Committee on Agriculture and Rural Development

for the Committee on Budgets

on the proposal for renewal of the interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure
(COM(2006)0036 – C6-0318/2005 – 2004/2099(ACI))

Draftswoman: Bernadette Bourzai

SHORT JUSTIFICATION

Since 1988, the financial framework (or financial perspective) has translated the Union's political priorities into financial terms and set limits on EU expenditure over a fixed period.

In practice, however, Parliament, the Council and the Commission must conclude an interinstitutional agreement (IIA) on discipline and improvement of the budgetary procedure that defines the multiannual financial framework and its implementing provisions (Part I) as well as the rules relating to the improvement of interinstitutional collaboration in general and to more specific areas such as the classification of expenditure, legal bases etc. (Part II).

The IIA provides clarity, continuity and flexibility. However, while the IIA enhances interinstitutional collaboration with trialogues and conciliation meetings, the annual budgetary procedure remains overly cumbersome and formalistic.

Agriculture expenditure in the annual budgetary procedure

<u>- Each year, before the first reading of the European Parliament, the Commission sends the budgetary authority a letter amending the preliminary draft budget for agriculture.</u>

This letter takes account of the latest decisions relating to the common agricultural policy and the most recent crop estimates, in view of the fact that agricultural expenditure, which is compulsory, is closely linked to the specific market situation, to the effective exchange rate between the euro and the dollar and to the pace of payments made by the Member States.

This means that the role of Parliament's Committee on Agriculture and Rural Development, which works on the basis of the figures in the draft preliminary budget, is neutralised in advance.

<u>- The final decision on compulsory expenditure, which mainly consists of support to farmers, is made by the Council.</u>

Although the responsibilities of the Committee on Agriculture and Rural Development relate to a considerable proportion of the Community budget (43 % of the budget in 2005 and 45 % in 2006), the action it can take in the budgetary procedure, particularly as regards compulsory expenditure, is often limited because it does not take part in the negotiations between the Council and Parliament, who have to wait for the letter of amendment before agreement is reached.

There needs to be a rethink of the distinction between compulsory and non-compulsory expenditure, particularly following the latest CAP reform.

In practice, a great deal of market expenditure becomes direct aid which is assimilated into structural expenditure and which could, as such, be classified as non-compulsory expenditure. Furthermore, in view of the progressive importance of rural development expenditure, which by its nature is multiannual and therefore programmable, discussions on the classification of agriculture expenditure in general could be reopened.

The 2007-2013 financial framework. The proposal by the December 2005 European Council

The expenditure allocated under the first pillar of the CAP has already been fixed for 2007-2013 on account of the decision by the 2002 Brussels European Council that the amount earmarked for agriculture for 2006 under Agenda 2000 would be maintained until 2013. The expenditure ceiling is to rise by 1 % per year.

The proposal by the December 2005 European Council on the new financial framework adheres to this agreement but also takes into account, within this ceiling, the anticipated requirements of Romania and Bulgaria. Furthermore, the amounts proposed for financing rural development policy are insufficient and run the risk of compromising the double objective of the 2002 reform. Indeed, with aid no longer being linked to production, the implementation of actions financed by rural development was supposed to provide for a certain amount of reconversion as well as the maintenance of farmers' income levels.

SUGGESTIONS

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

1. Recommends that its Committee on Budgets consider a new timetable for the different stages of the annual budget negotiations so as to allow the Committee on Agriculture and Rural Development a genuine opportunity to give its opinion on the draft agriculture budget and to react following publication of the Commission's letter amending agriculture expenditure;

2. Emphasises the need for greater transparency in budgetary conciliation;

3. Proposes that a European Parliament delegation for budgetary conciliation be set up that would be representative of the budget share of the different European policies and which would, therefore, systematically include the draftsman of the Committee on Agriculture and Rural Development;

4. Calls on the Commission to provide, as a minimum, specific information for the Committee on Agriculture and Rural Development on the clearance of accounts in order to improve the Committee's right to scrutiny, as regards not only agricultural expenditure but also the reimbursement of unused amounts to the Member States;

5. Approves of the idea of reallocation flexibility in order that, for example, unused appropriations under heading 2 may remain available under heading 2 without a revision of the financial framework; further calls for the resources released from export subsidies as a result of commitments under the WTO Agreement to be re-designated for rural development;

6. Recalls that the ceilings for the common agricultural policy (CAP) were fixed until 2013 by the 2002 reform and that the changes agreed as a result of the mid-term review clause proposed by the last European Council (point 80 of the agreement) can lead to redistributions and reforms within the agriculture budget but cannot have any impact on total CAP expenditure in the Community budget until 2013;

7. Considers that the European Council's proposal to reduce the amount allocated to rural development by some EUR 20 000 million is unacceptable since it conflicts with one of the principal objectives of the September 2003 reform of the CAP, which was to reinforce the second pillar; considers that this is particularly true in the EU 15, which face a reduction of 35 % in funding for rural development;

8. Rejects, therefore, the agreement reached by the Heads of State and Government of the European Union on the Rural Development strand since the funding available will obstruct the financing of actions launched in the past as well as that of new eligible measures, especially those stemming from implementation of the Natura 2000 network;

9. Considers that financing the Natura 2000 network with a reduced allocation for the second pillar of the CAP could give rise to injustices, owing to the impossibility of compensating all farmers for the loss in income occasioned by satisfying the environmental requirements inherent in that network;

10. Is concerned that the frontloading of spending on rural development at the beginning of the financial period 2007-2013 does not reflect the usual expenditure profile at Member State level, where the traditional pattern is to spend more towards the end of the period;

11. Is also concerned that lower spending levels proposed for the end of the period 2007-2013 will make it more difficult to negotiate a new financial package for 2013 onwards, at which point an enhanced rural development package may be required;

12. Requests that the initial annual profile of rural development funds of guarantee origin be restored;

13. Rejects the possibility available to the Member States of transferring up to 20 % in supplementary modulation to rural development programmes as this constitutes a first step towards renationalising the CAP and causes unacceptable harm to the Community market; considers further that this supplementary modulation endangers the proper financing of the first pillar and the continuing economic viability of many agricultural holdings;

14. Emphasises that in any event the option available to Member States to transfer up to a maximum of 20 % of the amounts they receive for market expenditure and direct payments for financing rural development programmes is technically impossible since market expenditure is not allocated in national envelopes and is by definition fluctuating;

15. Regrets that the voluntary modulation of 20 % proposed by the Council to fund rural development would not be required to meet the same rules in terms of national cofinancing or to respect the minimum spending axis set out in Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agriculture Fund for Rural Development (EAFRD) for rural development;

16. Considers that including the costs of implementing the CAP in Bulgaria and Romania (EUR 8 billion) in the envelope for income support and agricultural market support intended for 25 Member States and the application of supplementary modulation will lead to a very noticeable reduction in direct aid, raising concerns of a very early application of financial discipline and, as a result, insecurity for farmers;

17. Is concerned that the Commission's proposal on the Financial Perspectives 2007-2013 does not contain the appropriations needed to cover direct payments in new Member States as set out in Annex VIIIa of Regulation (EC) No 1782/2003; calls on the Commission and the Council to fulfil the Copenhagen Agreement and their financial obligations towards the new Member States;

18. Calls on the Commission to explain how the financial discipline appropriate to the CAP as defined in Article 11 of Regulation (EC) No 1782/2003 should link up with the implementing provisions for the new financial framework as laid down in this interinstitutional agreement.

PROCEDURE

Title	Proposal for renewal of the interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure
Procedure number	2004/2099(ACI)
Committee responsible	BUDG
Opinion by Date announced in plenary	AGRI 27.10.2005
Enhanced cooperation – date announced in plenary	--
Drafts(wo)man Date appointed	Bernadette Bourzai 5.10.2004
Previous drafts(wo)man	--
Discussed in committee	25.1.2006 21.2.2006
Date adopted	21.2.2006
Result of final vote	+: 35 –: 1 0: --
Members present for the final vote	Marie-Hélène Aubert, Peter Baco, Katerina Batzeli, Thijs Berman, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Joseph Daul, Albert Deß, Michl Ebner, Carmen Fraga Estévez, Duarte Freitas, Jean-Claude Fruteau, Ioannis Gklavakis, Lutz Goepel, Friedrich-Wilhelm Graefe zu Baringdorf, María Esther Herranz García, Elisabeth Jeggle, Heinz Kindermann, Stéphane Le Foll, Albert Jan Maat, Diamanto Manolakou, Rosa Miguélez Ramos, Neil Parish, María Isabel Salinas García, Agnes Schierhuber, Willem Schuth, Czesław Adam Siekierski, Marc Tarabella, Jeffrey Titford, Kyösti Virrankoski, Janusz Wojciechowski, Andrzej Tomasz Zapałowski
Substitute(s) present for the final vote	Bernadette Bourzai, Markus Pieper, Zdzisław Zbigniew Podkański
Substitute(s) under Rule 178(2) present for the final vote	--
Comments (available in one language only)	--