European Economic and Social Committee

NAT/604
Support for rural development/
Transitional provisions

Brussels, 18 September 2013

OPINION

of the
European Economic and Social Committee
on the
Proposal for a Regulation of the European Parliament and of the Council laying down certain transitional provisions on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and amending Regulation (EU) No […] [RD] as regards resources and their distribution in respect of the year 2014 and amending Council Regulation (EC) No 73/2009 and Regulations (EU) No […][DP], (EU) No […][HZ] and (EU) No […][sCMO] as regards their application in the year 2014
COM(2013) 226 final – 2013/0117 (COD)

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Rapporteur: **Mr Boland**

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Rue Belliard/Belliardstraat 99 — 1040 Bruxelles/Brussel — BELGIQUE/BELGIË
Tel. +32 25469011 — Fax +32 25134893 — Internet: http://www.eesc.europa.eu

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On 21 May 2013 and 17 July 2013, the European Parliament and the European Council decided to consult the European Economic and Social Committee, under Articles 43(2) and 207(2) and 304 of the Treaty on the Functioning of the European Union, on the

> *Proposal for a Regulation of the European Parliament and of the Council laying down certain transitional provisions on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and amending Regulation (EU) No […] [RD] as regards resources and their distribution in respect of the year 2014 and amending Council Regulation (EC) No 73/2009 and Regulations (EU) No […][DP], (EU) No […][HZ] and (EU) No […][sCMO] as regards their application in the year 2014*
> COM(2013) 226 final – 2013/0117 (COD).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 September 2013.

At its 492nd plenary session, held on 18 and 19 September 2013 (meeting of 18 September), the European Economic and Social Committee adopted the following opinion by 138 votes to 2 with 3 abstentions.

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1. Conclusions and recommendations

1.1 The EESC welcomes the proposal to establish transitional provisions for 2014 regarding certain rules relating to the Common Agricultural Policy (CAP), in particular the system of direct payments and support for rural development financed from the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

1.2 The EESC strongly supports the transitional arrangements for 2014 securing continuity of payments to beneficiaries in the event of a late adoption of the new rural development plans and because of the need to postpone the application of the new direct payments scheme for practical and administrative reasons. Otherwise farm families would be in peril and without support for environmental measures; much of the protection that exists in this area would disappear.

1.3 The EESC strongly recommends that the beneficiaries of "classic" schemes located in remote upland areas should not be disadvantaged in any way by the transitional arrangements. The EESC also notes with concern that remote communities, heavily dependent on agri-environment agreements as a source of income in return for the delivery of vital public benefits, may suffer a reduction of income in the new programme period leading up to 2020.

1.3.1 The EESC recommends that transitional payments to these communities reflect the level of funding already agreed under the old programme.

1.4 The EESC strongly recommends that the transitional arrangements be analysed by the Commission with the purpose of ensuring that the effects of proposed reductions on rural families are minimised and the impact of reductions on environmental initiatives are proven to be at least neutral.

1.5 It is the view of the EESC that transitional arrangements should allow for new commitments for area- and animal-related measures and for urgent farm investment measures in 2014, even if the resources for the current period have been exhausted.

1.6 In the framework of the horizontal rules for the financing of the CAP, the postponement of the application of the new direct payments scheme implies that transitional measures are needed for the Farm Advisory Service (FAS), the Integrated Administration and Control System (IACS) and cross-compliance. Therefore, the EESC believes that it is imperative that specific transitional rules are adopted by the Council and the European Parliament before the end of the year, amending the current CAP basic acts where necessary.

1.7 The EESC stresses that none of the transitional rules should be undermined by the imposition of unrealistic national ceilings on funds available.

2. Introductory remarks

2.1 The European Commission is continuing to work intensively with the European Parliament and the Council to reach a final political agreement on CAP reform. The main substance of the agreement was reached at the end of June 2013, which should make it possible for new legal regulations to be operable from 1 January 2014. However, a final agreement has yet to be reached, which means that it is not realistic to expect that Member States will have all the necessary administrative procedures in place on that date.

2.2 Following a debate in the European Parliament and the Council, the various regulations and implementing acts are expected to be approved by the end of 2013, with the CAP reform in place from 1 January 2014.

2.3 In order to ensure continuity, the Commission proposal of 18 April 2013 seeks to establish transitional rules for some elements of policy. This would mean that the existing rules of the Single Payment Scheme, the SAPS system and payments targeted under "Article 68" will continue in the 2014 claim year. New rules, for example those relating to "greening", would therefore not apply until the start of 2015, thereby allowing paying agencies more time to prepare for these changes.

2.4 An initial political agreement on EU farm policy reform was struck by the Parliament, the Council and the Commission on 27 June after three months of intensive trilateral negotiations. This agreement is subject to the formal conclusion of negotiations on the EU's Multiannual Financial Framework budget (2014-2020) and confirmation by the Agriculture Committee, Parliament's plenary and the Council.

2.5 The proposal relates to Regulation (EU) No 335/2013 of 12 April 2013 amending Regulation (EC) No 1974/2006, which sets out the rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the EAFRD.

2.6 For rural development payments, it is standard practice to define transitional rules in order to bridge the gap between two multiannual programming periods. However, some specific transitional arrangements are also needed, notably to deal with the implications of the delay in the new direct payment regime. The proposal also covers new transitional rules for Croatia.

2.7 It is the Commission's intention that paying agencies should have time to put administrative arrangements in place and guarantee the proper management of EU funds, so that farmers understand the new rules and are not pushed into something new before it is ready.

3. Gist of the Commission proposal

3.1 The aim of the Commission proposal is to lay down certain transitional provisions on support for rural development by the EAFRD.

3.2 Transitional rules are needed to define technical arrangements which will allow for smooth adaptation to the new conditions, while at the same time ensuring continuity of the different forms of support under the 2007-13 programme.

3.3 With a view to giving Member States time to address the needs of their agricultural sectors or to strengthen their rural development policy in a more flexible way, they should be given the possibility to transfer funds from their direct payment ceilings to their support for rural development, and from support for rural development to their direct payment ceilings. At the same time, Member States where the level of direct support remains lower than 90% of the EU average should be given the possibility to transfer additional funds from support for rural development to their direct payment ceilings. Such choices should be made, within certain limits, once and for the whole period of financial years 2015-2020.

3.4 The single area payment scheme laid down by Regulation (EC) No 73/2009 is transitional in nature and was due to end on 31 December 2013. Since the new basic payment scheme will replace the single payment scheme from 1 January 2015, an extension of the single area payment scheme for the year 2014 is necessary in order to prevent new Member States from having to apply the single payment scheme for only one year.

3.5 Regarding direct payments, sufficient time must be built in to allow Member States, and especially their paying agencies, to prepare arrangements that will allow payments to beneficiaries to be made, while establishing the procedures necessary for the new programme to begin. Therefore, the claims for 2014 will be processed under transitional rules.

3.6 As for the second pillar, defining rules for the transition between the two programming periods is standard practice. Transitional rules are generally needed to bridge the two consecutive programming periods. However, for rural development, on this occasion some specific transitional arrangements are needed, notably to deal with the implications of the delay in the new direct payment regime for certain rural development measures, especially the baseline for agri-environment and climate measures and the application of cross-compliance rules. Transitional arrangements are also needed to ensure that Member States can continue undertaking new commitments for area- and animal-related measures in 2014 even if the resources for the current period have been exhausted. These new commitments, as well as corresponding ongoing commitments, will be eligible to be covered by the new financial envelopes of the rural development programmes of the next programming period.

3.7 Under legal commitments relating to Regulation (EC) No 1698/2005, Member States may continue to undertake new legal commitments to beneficiaries in 2014 pursuant to the rural development programmes adopted on the basis of Regulation (EC) No 1698/2005 even after the financial resources of the 2007-2013 programming period have been used up, until the adoption of the respective rural development programme for the 2014-2020 programming period. The expenditure incurred on the basis of these commitments will be eligible under Article 3 of this Regulation.

4. **Budgetary implications**

4.1 This proposal for a regulation simply implements the Commission proposals on the MFF and the CAP reform for financial year 2015, taking into account the European Council conclusions of 8 February 2013. It incorporates external convergence of direct payments, flexibility between CAP pillars and the co-financing rate for rural development.

4.2 For direct payments, compared to the Commission proposal the European Council conclusions of 8 February 2013 correspond to a reduction of EUR 830 million (in current prices) in financial year 2015 (corresponding to claim year 2014 for direct payments).

4.3 The distribution of direct payment ceilings among Member States takes account of external convergence as from financial year 2015. Compared to the Commission proposal, the European Council conclusions modify the timeframe of convergence (six years) and add a minimum of 196 EUR/ha to be reached by financial year 2020. Compared to the Commission proposal, the European Council conclusions increase flexibility between pillars. It will be budgetary neutral: the amounts by which one fund (EAGF or EAFRD) are reduced will be made available to the other fund.

4.4 As regards rural development, this proposal for a regulation aims to ensure the continuity of a number of measures involving multiannual commitments. Those provisions have no financial impact as the rural development allocation remains unchanged. However, the distribution over time of the payments might be slightly different but it cannot be quantified at this stage.

4.5 The proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.

5. General comments

5.1 It is imperative to ensure continuity in payments to beneficiaries in rural areas, as demonstrated by the following facts:

- Over 77% of the EU's territory is classified as rural (47% is farm land and 30% forest) and is home to around half of its population (farming communities and other residents).

- Overall, agriculture and the agri-food industry - which is heavily dependent on the agricultural sector for its supplies - account for 6% of the EU's GDP, comprise 15 million businesses and provide 46 million jobs.

- Europe has 12 million farmers and an average farm size of about 15 hectares (by way of comparison, the US has 2 million farmers and an average farm size of 180 hectares).

5.2 The EESC welcomes the Commission proposal to regulate the period between two programmes.

5.3 Across Europe, a large number of agri-environment schemes, financed by the EAFRD, will be coming to an end in 2014. There are numerous "classic" agri-environment schemes which have been in place for 10 years or more. Many of the beneficiaries of these "classic" schemes are located in remote upland areas and are heavily dependent on agri-environment agreements as a source of income in return for the delivery of vital public benefits. Even if the new rural development regulation is agreed without further delay, it is almost certain that the new programmes will not be approved and in place by 1 January 2014. In the absence of a new programme and support measures, these farmers will have no alternative rural development support scheme to apply for when their existing commitments end in 2014.

5.4 The Commission must put in place systems ensuring that the environmental gains achieved by the previous rural development programmes are maintained, and the income of these farmers is safeguarded. It is important to ensure that neither farmers nor the environment suffer as a result of a failure to agree either the EU budget or the CAP proposals in time for the next rural development programmes to start in 2014.

5.5 As regards direct payments, sufficient time must be built in to allow Member States, and especially their paying agencies, to be well prepared and to thoroughly brief farmers on the new rules sufficiently in advance. Therefore, the claims for 2014 will need to be processed under transitional rules. As for the second pillar, defining rules for the transition between the two programming periods is standard practice. Transitional rules are generally needed to bridge the two consecutive programming periods, as already experienced at the beginning of the current programming period. However, for rural development some specific transitional arrangements will be necessary. This is notably due to the serious implications which any delay in the new direct payment regime may have for certain rural development measures, especially the baseline for agri-environment and climate measures and the application of cross-compliance rules.

5.6 Transitional arrangements are also needed to ensure that Member States can continue undertaking new commitments for area- and animal-related measures and for urgent farm investment measures in 2014, even if the resources for the current period have been exhausted.

5.7 For the horizontal regulation, the need for transitional measures is limited to the Farm Advisory Service (FAS), the Integrated Administration and Control System (IACS) and cross-compliance, due to their link to direct payments. In this regard, specific transitional rules need to be adopted by the Council and the European Parliament before the end of the year, amending current CAP basic acts where necessary.

5.8 Changes in national ceilings may have a negative impact on funds received by farmers in 2014. To minimise this potential consequence, it will be necessary for each national government to clarify their intentions in this respect in advance of their proposals.

5.9 Regulation (EC) No 1698/2005 states that the Member States <u>may</u> continue to undertake new legal commitments, and so it is possible that the State will refuse to honour its commitment because the obligation is discretionary.

Brussels, 18 September 2013

The President
of the
European Economic and Social Committee

Henri Malosse

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