



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15.04.1999
COM(1999) 169 final

99/0091 (CNS)

Proposal for a

COUNCIL REGULATION

**amending Regulation (EC) No 723/97 on the implementation of
Member States' action programmes on control
of EAGGF Guarantee Section expenditure**

(presented by the Commission)

EXPLANATORY MEMORANDUM

Under Council Regulation (EC) No 723/97 of 22 April 1997, the Community contributes towards the costs incurred by the Member States in implementing new action programmes that arise out of new Community obligations, are approved by the Commission and are aimed at improving the structures or effectiveness of EAGGF Guarantee Section expenditure controls.

To improve controls of EAGGF Guarantee Section expenditure, the scope of this Regulation should be extended such that the Community can recognise and support special control measures by contributing towards the cost of controls required over and above those for which the Member States have made financial and staffing provision. Part-financing certain additional controls under the Community budget in accordance with Community legislation would partly offset the additional costs to be met by the Member States and ultimately bring about savings of Community resources.

The number of controls requested may be increased considerably where widespread irregularities are suspected, from 5% to 25% or even 100%. For example, the additional checks called for in Italy in 1997 (25% instead of 5% in the arable crop sector) revealed before payment ECU 120 million of irregularities, at a cost of ECU 20 million to the Member State. It is only fair that the Community provide financial support for measures designed to prevent fraud and irregularities.

This part-financing may not cover staff costs or costs normally incurred under Article 1(4) of Council Regulation (EEC) No 729/70 on the financing of the common agricultural policy.

As this concerns operations which cannot be planned in advance, EUR 30 million should be allocated over the period from 1999 to 2001 in the first instance.

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amending Regulation (EC) No 723/97 on the implementation of Member States' action programmes on control of EAGGF Guarantee Section expenditure

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas Article 8 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy³, as last amended by Regulation (EC) No 1287/95 of 22 May 1995⁴, lays down that the Member States are to take the measures necessary to satisfy themselves that transactions financed by the European Agricultural Guidance and Guarantee Fund (EAGGF), are actually carried out and are executed correctly, to prevent and deal with irregularities and to recover sums lost as a result of irregularities or negligence;

Whereas Article 1 of Council Regulation (EC) No 723/97⁵ lays down that the Community is to contribute towards the costs incurred by Member States in implementing new action programmes, arising out of new Community obligations, approved by the Commission and aimed at improving the structures or effectiveness of EAGGF Guarantee Section expenditure controls;

Whereas, in order to improve controls of EAGGF Guarantee Section expenditure, provision should be made for Community financing in particular cases where the Commission asks Member States to carry out a number of controls in certain sectors considerably above the minimum rate laid down in other Regulations,

HAS ADOPTED THIS REGULATION:

¹ OJ C

² OJ C

³ OJ L 94, 28.4.1970, p. 13.

⁴ OJ L 125, 8.6.1995, p. 1.

⁵ OJ L 108, 25.4.1997, p. 6.

Article 1

Regulation (EC) No 723/97 is amended as follows.

The following Article 5a is added:

«Article 5a

Within the limits of the financial resources available the Commission may, under this Regulation, provide part-financing of 50% of the additional expenditure incurred by carrying out additional controls in particular cases where the Commission asks the Member States to carry out a number of controls in certain sectors considerably above the minimum rate laid down in other Regulations.

The expenditure in question may not cover staff costs or costs normally incurred under Article 1(4) of Regulation (EEC) No 729/70.»

Article 2

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council
The President*

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Council Regulation amending Regulation (EC) No 723/97 on the implementation of Member States' action programmes on control of EAGGF Guarantee Section expenditure.

2. BUDGET HEADING INVOLVED

B1-3600 – Monitoring and preventative measures - Payments by the Member States.

3. LEGAL BASIS

Article 43 of the Treaty.
Council Regulation (EC) No 723/97 of 22 April 1997.

4. DESCRIPTION OF THE OPERATION

4.1 General objective

The purpose of this Regulation is to provide financial support to the Member States to help them improve controls where the Commission asks them to carry out additional controls in particular cases above the rate laid down in Community legislation.

4.2 Period covered: three years (1999-2001) and arrangements for its renewal

Fixed consecutive three-year period starting from 1999.

5. CLASSIFICATION OF THE EXPENDITURE OR REVENUE

5.1 Compulsory expenditure

5.2 Non-differentiated appropriations

6. TYPE OF EXPENDITURE

a) Part-financing of 50% of the expenditure with other public sector sources.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (definition of unit costs)

As this concerns particular control measures, it is not possible to draw up a detailed list and cost estimate. The calculation has therefore been carried out on the basis of previous experience of similar controls, for which the cost has been estimated at around EUR 30 million, spread over a three-year period.

7.2 Itemised breakdown of cost

CA in EUR million (current prices)

Breakdown	Year (1999)	2000	n + 2	n + 3	n + 4	n + 5 and following years	Total
Part-financing additional controls	10,0	10,0		10,0	---		30,0
Total	10,0	10,0		10,0	---		30,0

7.3 Timetable for commitment/payment appropriations

CA in EUR million

	Year (1999)	2000	n + 2	n + 3	n + 4	n + 5 and following years	Total
Commitment appropriations	10	10		10			30
Payment appropriations							
Year n	10	10		10			30

8. FRAUD PREVENTION MEASURES

Controls are essentially based on an audit involving inspection of expenditure documents, including any information and explanations that are believed necessary, and on on-the-spot checks to examine supporting documents, and/or carry out certain measures.

Where incorrect declarations are found, there are discrepancies between the declared costs and the supporting documents or expenditure is not eligible under the criteria laid down in the legislation, financing is reduced as a result and the amount unduly paid is recovered.

9. ELEMENTS OF THE COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives, target population

- Specific objectives: links with general objective

To provide financial help to Member States to improve controls where additional checks are necessary.

- Target population

As this concerns controls, recipients of Community aid are targeted.

9.2 Grounds for the operation

The operation is based on the need to protect the Community's financial interests, i.e. the need to meet the needs of the Member States for whom these additional control operations constitute a considerable budgetary burden.

9.3 Monitoring and evaluation of the operation

Each special additional control operation is monitored both by the Member States and by Commission staff.