

# European Communities

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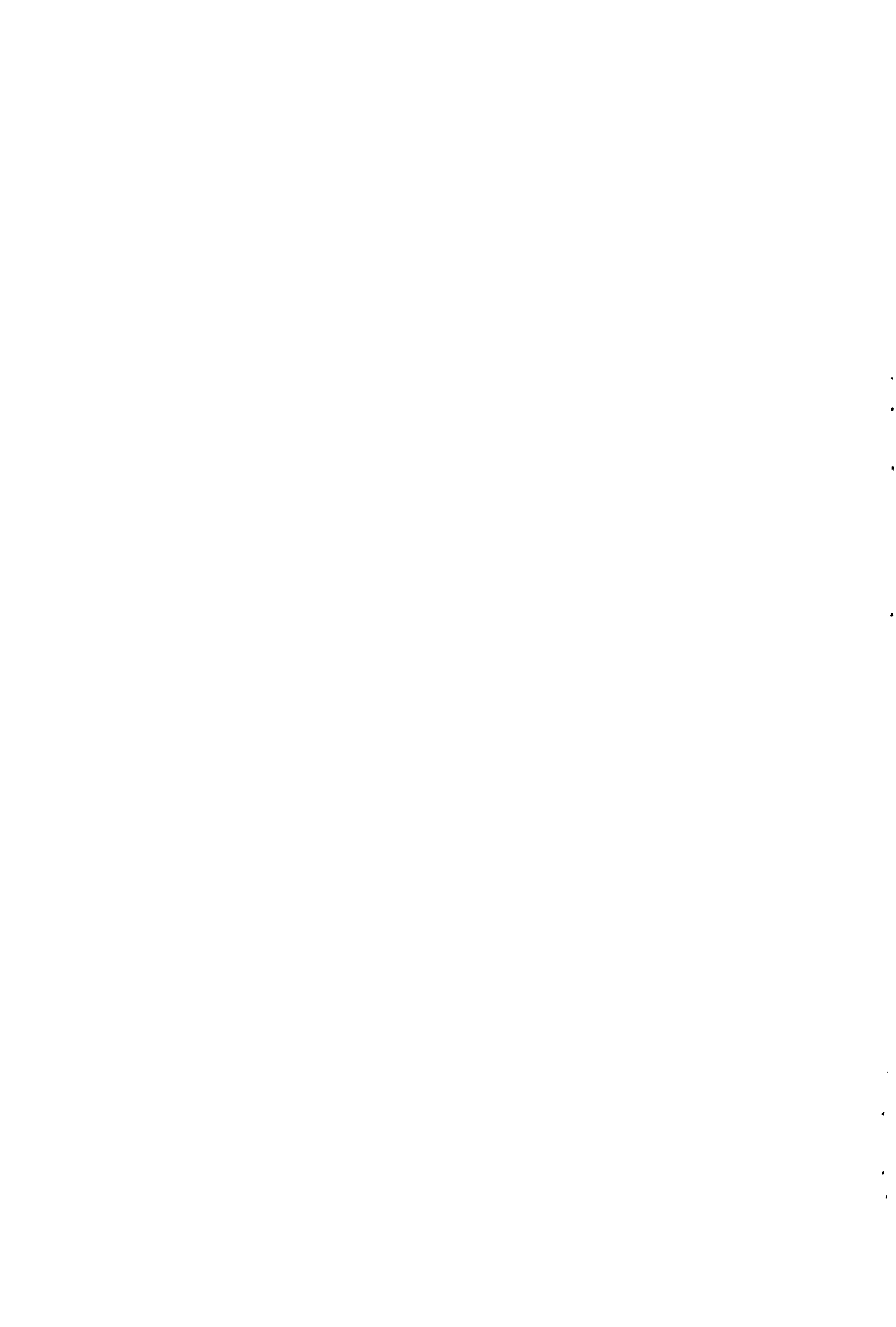
### Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 208/75) for a regulation amending Regulation No. 17/64/EEC on the/conditions for granting aid from the European Agricultural Guidance and Guarantee Fund

Rapporteur: Mr C. LABAN

PE 41.806/fin.



By letter of 29 July 1975 the President of the Council of the European Communities requested the European Parliament, pursuant to Articles 43 and 209 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No. 17/64/EEC on the conditions for granting aid from the European Agricultural Guidance and Guarantee Fund.

On 29 August 1975 the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

The Committee on Agriculture appointed Mr Laban rapporteur.

It considered the proposal at its meeting of 2 and 3 October 1975 and unanimously adopted the motion for a resolution.

Present: Mr Houdet, chairman; Mr Laban, vice-chairman and rapporteur; Mr Boano, Mr Bourdellès, Mr Brégégère, Mr De Koning, Mr Della Briotta, Mrs Dunwoody, Mr Frehsee, Mr Hansen, Mr Hughes, Mr Kofoed, Mr Liogier, Mr Martens and Mrs Orth.

The opinion of the Committee on Budgets is attached.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No. 17/64/EEC on the conditions for granting aid from the European Agricultural Guidance and Guarantee Fund.

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
- having been consulted by the Council pursuant to Articles 43 and 209 of the EEC Treaty (Doc. 208/75),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 297/75),

1. Approves the Commission's proposal;
2. Asks the Commission strictly to ensure that appropriations which become available because projects have not been carried out remain earmarked for improving agricultural structures and production conditions, as also the processing of agricultural products, and are used preferentially in areas with a weak agricultural structure, while maintaining an equitable geographical distribution.

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<sup>1</sup> OJ No. C 178, 6.8.1975, p. 3

EXPLANATORY STATEMENT

1. The proposal from the Commission of the European Communities on which the European Parliament has been consulted aims at amending the conditions for granting aid from the European Agricultural Guidance and Guarantee Fund, Guidance Section.

2. The Committee on Agriculture does not feel it necessary in this report to go into great detail on the working of the European Agricultural Guidance and Guarantee Fund. Suffice it to point out that the scope, conditions for granting aid and procedures for the Guidance Section of the EAGGF were regulated in part 2 of Council Regulation No. 17/64 of 5 February 1964, on the conditions for granting aid from the European Agricultural Guidance and Guarantee Fund<sup>1</sup>.

This states among other things that the Commission shall decide on aid applications for financing projects from the EAGGF, Guidance Section, after consulting the Joint Committee on Agricultural Structures and must moreover consult the Fund Committee on financial aspects. If the Commission has thus decided to support a particular project financially, the appropriate bodies in the Member States have to keep the Commission regularly informed of the progress made with the project and on request supply all the background information showing that the financial and other conditions have been met. If these conditions have not been met, the aid may be reduced or withdrawn, again after consulting the abovementioned committees.

3. The present proposal aims mainly at extending the possibilities of withdrawing or cutting back the aid to cases where:

- the beneficiary abandons the project;
- the beneficiary is unable to start work within two years following notification of the decision;
- the beneficiary carries out only a part of the project.

It has been found that an increasing number of projects have not been carried out or have been only partially completed. It has unfortunately transpired that the trend towards abandoning projects is most marked in areas where the agricultural structure particularly needs strengthening.

<sup>1</sup> OJ No. 34, 27 February 1964.

However much one must deplore the fact that a number of farmers in agriculturally weak areas are incapable, even with EAGGF aid, of wholly financing their projects, compelling the entire or partial cancellation of the aid in such cases, it is important to look into the causes of this situation.

Among them are inflation, the general rise in cost of material, etc., and high interest rates.

Since the projects in question relate mainly to agrarian infrastructure, and show a return only in the fairly long term, it is clear that a period of some length elapses between starting work and the time when the investment makes a higher financial yield possible. Interest charges therefore remain a burden throughout this period, which makes repayment obligations more difficult.

4. Your committee therefore shares the opinion of the Commission of the European Communities that measures towards rational use of the appropriations are essential.

In the event of the beneficiary voluntarily abandoning his project, it is clear that it must be possible to withdraw the aid. If delays arise, chances are high that the project will not be completed in time, so that the appropriations lapse and can no longer be used to improve agricultural structures.

5. However, the Committee on Agriculture draws attention to the need to keep the cancelled appropriations for structural improvements in agriculture.

Moreover, your committee considers it important for appropriations withdrawn on the basis of the present proposal to be used preferentially for financing projects in the same region. In any case, steps should be taken to avoid too many appropriations being cancelled in one area, whilst capital accumulates in regions where there is already a good infrastructure, so that agricultural structure in affected areas falls increasingly behind. Moreover, a reasonable geographical distribution should be aimed at.

In 1964 the Council in a resolution advocated the principle of reasonable geographical distribution.

Again, your committee is of the opinion that procedures must be sought for selecting projects in good time in cooperation with Member States, so that projects that offer adequate guarantees of completion and also meet the conditions set can receive financial support at an early stage. At

present the time that elapses between the aid application and the Commission decision ranges from around six months to two years, depending on the date the aid request was submitted.

Subject to these reservations, the Committee on Agriculture can agree with the proposal for the cancellation or reduction of aid in the cases named, in order to allow it to be used to finance other projects.

6. Finally, the Commission proposes to incorporate in Regulation No. 17 '64 adjustments to provisions concerning the financial contribution of the beneficiary and the percentage of aid from the EAGGF in the financing of projects.

The regulation states that the Fund contribution cannot be more than 25%, while the beneficiary's contribution is set at a minimum of 30%. These amounts have, however, been adjusted annually, the beneficiary's financial contribution depending on whether the projects related to agricultural production or marketing structures.

It is proposed to set the maximum percentage contribution from the EAGGF at 45% for projects aimed at improving production structures. Beneficiaries' minimum financial contributions are set at 20% for projects relating to production structures and 38% for projects relating to marketing structures. These percentages remain unaltered, and the Committee on Agriculture gave a favourable opinion on them for the year 1974<sup>1</sup>.

Instead of regulating these adjustments by separate derogations, the Commission now proposes to incorporate these provisions in the regulation itself.

The Committee on Agriculture has no objection to this, since it has no effect on consultation of Parliament.

Your committee can therefore recommend Parliament to approve this proposal for a regulation.

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<sup>1</sup> Report by Mr Liogier, Doc. 295/74.



OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr Durand

On 16 September 1975 the Committee on Budgets appointed Mr Durand draftsman.

It considered the draft opinion at its meeting of 7 October 1975 and adopted it unanimously.

Present: Mr Lange, chairman; Mr Durand, vice-chairman and draftsman; Lord Bessborough, Lord Bruce of Donington, Mr Dalyell, Mr De Keersmaeker (deputizing for Mr Galli), Mr Fabbrini, Mr Gerlach, Mr Kirk, Mr Lautenschlager, Mr Radoux, Mr Rivierez (deputizing for Mr Terrenoire), Mr Shaw and Mr Yeats.

1. The Committee on Budgets has been asked to deliver an opinion assessing the effects on the procedure for implementing the budget of a proposal for a regulation amending Regulation No. 17/64/EEC presented by the Commission to the Council.

2. The relevant provisions of Regulation No. 17/64 are those laying down the conditions for the opening and allocation of assistance from the EAGGF for individual projects under the Guidance Section.

It should be noted that Regulation No. 729/70 provides for the replacement of individual measures by common actions, leading ultimately to the repeal of Regulation No. 17/64.

Only delays in implementing the new policy have so far prevented such repeal.

3. The Commission has drawn up this proposal for a regulation to deal with two problems.

- First of all it brings up-to-date the rules in force and makes them more easily applicable in practice. The assessment of this aspect of the proposal for a regulation concerning the implementation of the Common Agricultural Policy falls within the terms of reference of the committee responsible.
- The Commission wishes also to prevent appropriations set aside for the EAGGF and committed to projects, being cancelled under Article 6(5) of the Financial Regulation in cases where the projects in question are implemented only in part or not at all. To this end, it proposes to set up a procedure allowing aid from the Fund to be withdrawn or reduced in situations where it is clear that the project concerned will not be implemented or will be only partly completed. It will then become possible to use the appropriations thus made available for other agricultural projects before the expiry of the five year period imposed by the Financial Regulation.

#### Opinion of the Committee on Budgets

4. Since this is an improvement in the operation of the procedures for implementing the budget which will help to ensure that appropriations set aside and authorized are more effectively used, the Committee on Budgets is bound to deliver a favourable opinion on this proposal for a regulation.

5. It must, however, make a reservation arising from experience, over recent years, of the delays in utilizing appropriations allocated to individual projects.

Article 2 of the proposal for a regulation is intended to allow the Commission of the European Communities to use for other agricultural projects appropriations allocated in particular to projects which have not started within

a two-year period from the notification of a decision to grant aid.

However, time limits as long as these make it doubtful whether any further utilization of the appropriations within the five year period prescribed by the Financial Regulation would be possible.

Consequently, the proposed system is likely to have little effect in practice and merely serves to make the rules even more complex than they already are.

