

Cross Compliance and EU rural development policy 2007-2013

**Outline of the proposal [COM (2004) 490 final]
Proposed new baselines**

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Two legislative text proposals:

- **Proposal for a Council Regulation on the financing of the CAP**
=> creates a new financing framework for the CAP (“new 1258”) with
 - ⌘ The European Agricultural Fund for Guarantee
=> EAFG
 - ⌘ The European Agricultural Fund for Rural Development
=> EAFRD
- **Proposal for a Council Regulation on support for Rural Development from the European Agricultural Fund for Rural Development (EAFRD)** => the new rural development regulation



Simplification

CURRENT

5 types of programming

Guarantee

Guarantee Objective 2

Guarantee new MS

Guidance Objective 1

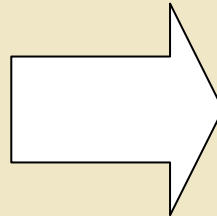
Guidance LEADER+

*3 financial
management and
control systems*

Guarantee

Guarantee new MS

Guidance



One single

- programming system
- set of financial rules
- rural development fund
- control system
- Make it simple
- For all rural areas in the EU

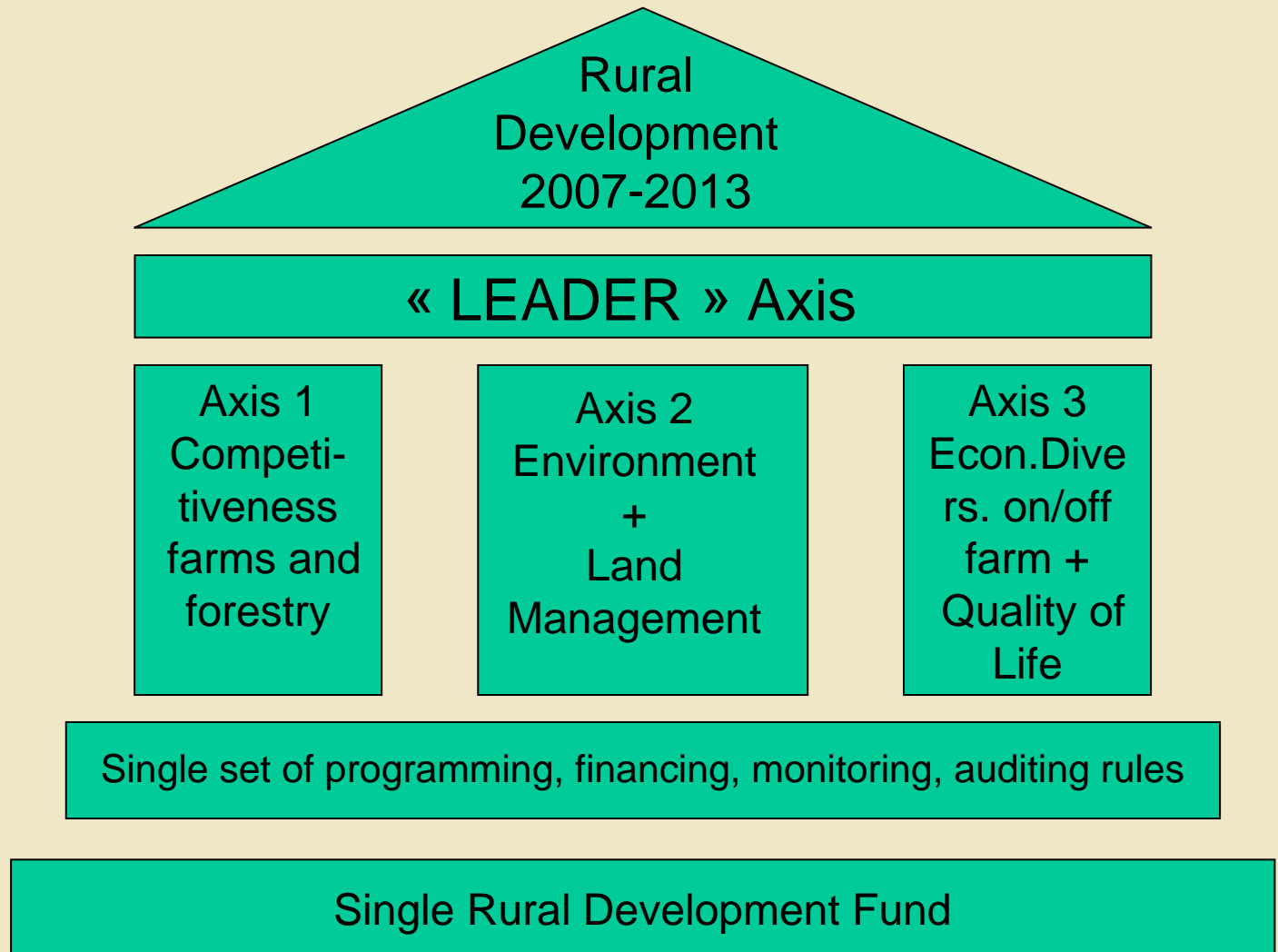


Policy focus on 3 main objectives:

- **Improving the competitiveness of the agricultural sector through support for restructuring**
- **Enhancing the environment and the countryside through support for land management**
- **Enhancing the quality of life in rural areas and promoting diversification of economic activities**



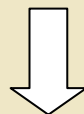
Rural Development Policy 2007-2013: Foundations



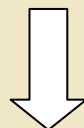
Programming steps

Building blocks

- EU strategy document setting out the EU priorities for the priority axes



- National strategy plans translating the EU priorities to the member state situation and ensuring complementarity with Cohesion policy



- National or regional rural development programmes articulating the
 - ❧ 4 priority axes with the
 - ❧ measures (15 under axis 1, 12 under axis 2, 8 under axis 3)



Axis 1: Improving Competitiveness

1. Measures aiming at improving **human potential**: vocational training; setting up of young farmers; early retirement; management, relief and advisory services, ...
2. Measures aiming at restructuring **physical potential**: investments to improve production, processing and marketing structures (and infrastructures), ...
3. Measures aiming at improving the **quality of agricultural production and products**: adaptation to new EU standards; participation in food quality schemes; promotion for quality products.
4. **Transitional measures** for the **new Member States** (until 2008): semi-subsistence farms; setting up of producer groups.



Axis 2: Environment/Land Management

Measures targeting the sustainable use of

- **Agricultural land:**
mountain areas; other areas with handicaps; Natura 2000 areas; agri-environment and animal welfare; support for non-productive investments
- **Forestry land:**
first afforestation; first establishment of agro-forestry systems, Natura 2000 areas; forest-environment; restoring forestry production potential and introducing prevention actions; support for non-productive investments



Axis 3: diversification, quality of life

- 1. Diversification of the rural economy:**
diversification to non-agricultural activities; support for micro-enterprises; tourism; protection and management of natural heritage
- 2. Improvement of the quality of life:**
basic services; village renewal; rural heritage
- 3. Training and capacity building**



Axis 4: the LEADER approach

- Implementation of local development strategies through a LEADER approach to contribute to the achievement of the objectives of one or several of the three thematic axes
- Inter-territorial and trans-national cooperation between LAGs
- Capacity building and functioning of LAGs



EU maximum cofinancing rates

- At the level of the axis as share of total eligible public expenditure
- Axis 1 and 3: 50% (75% in Convergence regions)
- Axis 2 and 4: 55% (80% in Convergence regions)
- Outermost regions/small Aegean islands: + 5 percentage-points
- Minimum cofinancing rate of 20% per axis

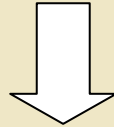
Balance (Minimum % of **total** programme funding)

- Axis 1 and 3: **15%**; Axis 2: **25%** ; Axis 4: **7%**

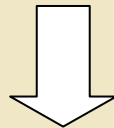


Reporting based on a common framework for monitoring and evaluation

- Annual progress reports at programme level



- National summary reports on progress in implementation of the national strategy



- Annual Commission summary report to the Council and the EP on the progress in implementation of the EU strategy and priorities



Financial management and control:

Similar to the Structural Funds:

- Differentiated appropriations, automatic decommitment (n+2)
- Managing Authority and Monitoring Committee

Using Guarantee bodies and procedures:

- A Paying Agency and a Certifying Body
- Annual financial clearance of accounts and conformity clearance decisions



Funding origin for the EAFRD

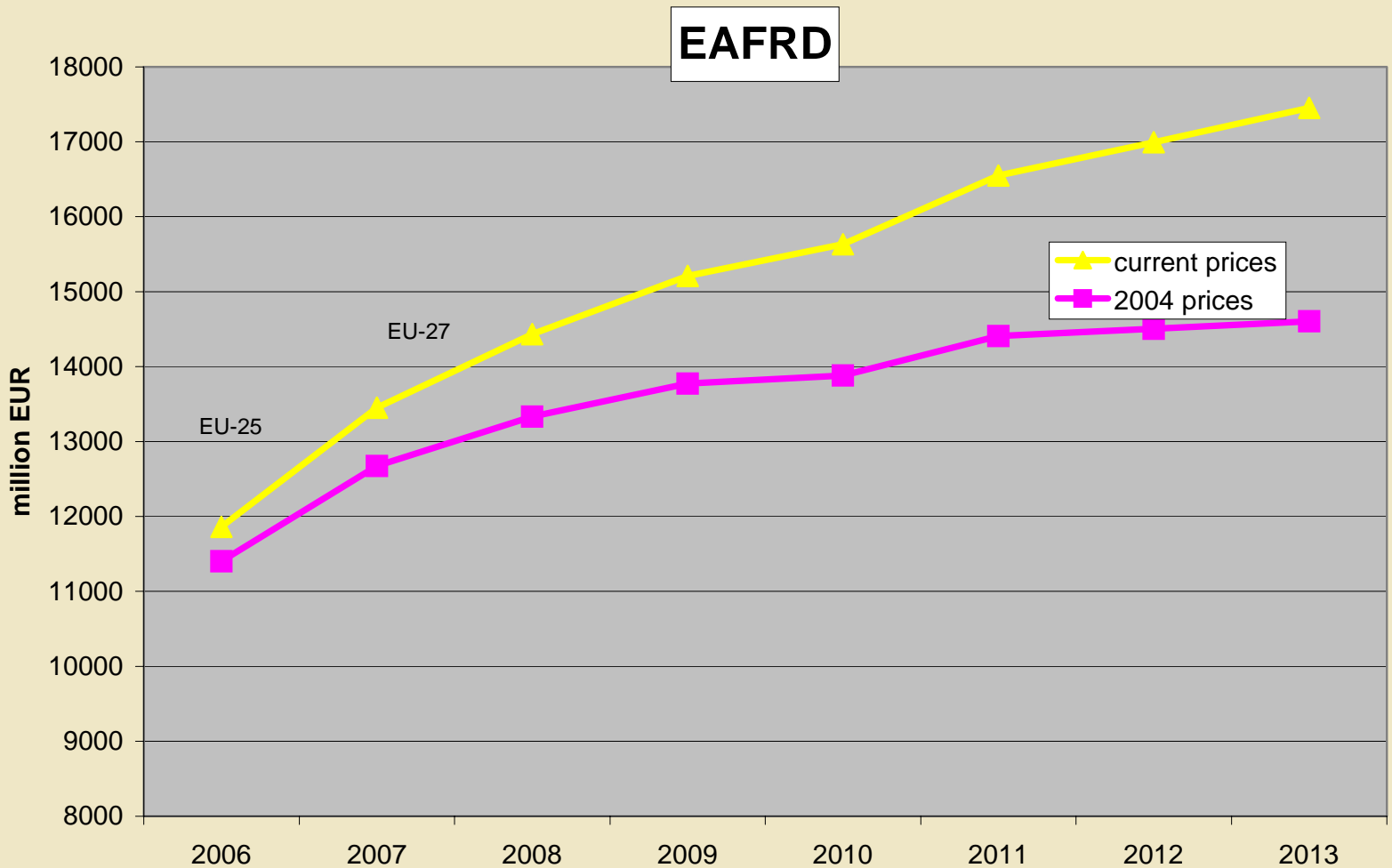
Guarantee	€56.0 bn
<ul style="list-style-type: none">▪ EU-15 + EU-10 unchanged at 2006 level▪ Bulgaria + Romania phased in	
Guidance	€32.8 bn
<ul style="list-style-type: none">▪ Transfer from Cohesion heading, including statistical phasing-out Convergence regions▪ Bulgaria + Romania (EU-10 average)▪ Leader+	
<u>Sub-total</u>	<u>€88.75 bn</u>
Modulation - Transfer 1st to 2nd pillar	€7.0 bn
Cotton (2007)/tobacco transfers (2011)	€1.4 bn
<u>Total funding 2007-13</u> (2004 prices)	<u>€97.2 bn</u>

⌘ 3% or 2.66 bn EUR LEADER axis reserve

⌘ 0.3% or 0.27 bn EUR Commission technical assistance



Indexation at 2%:

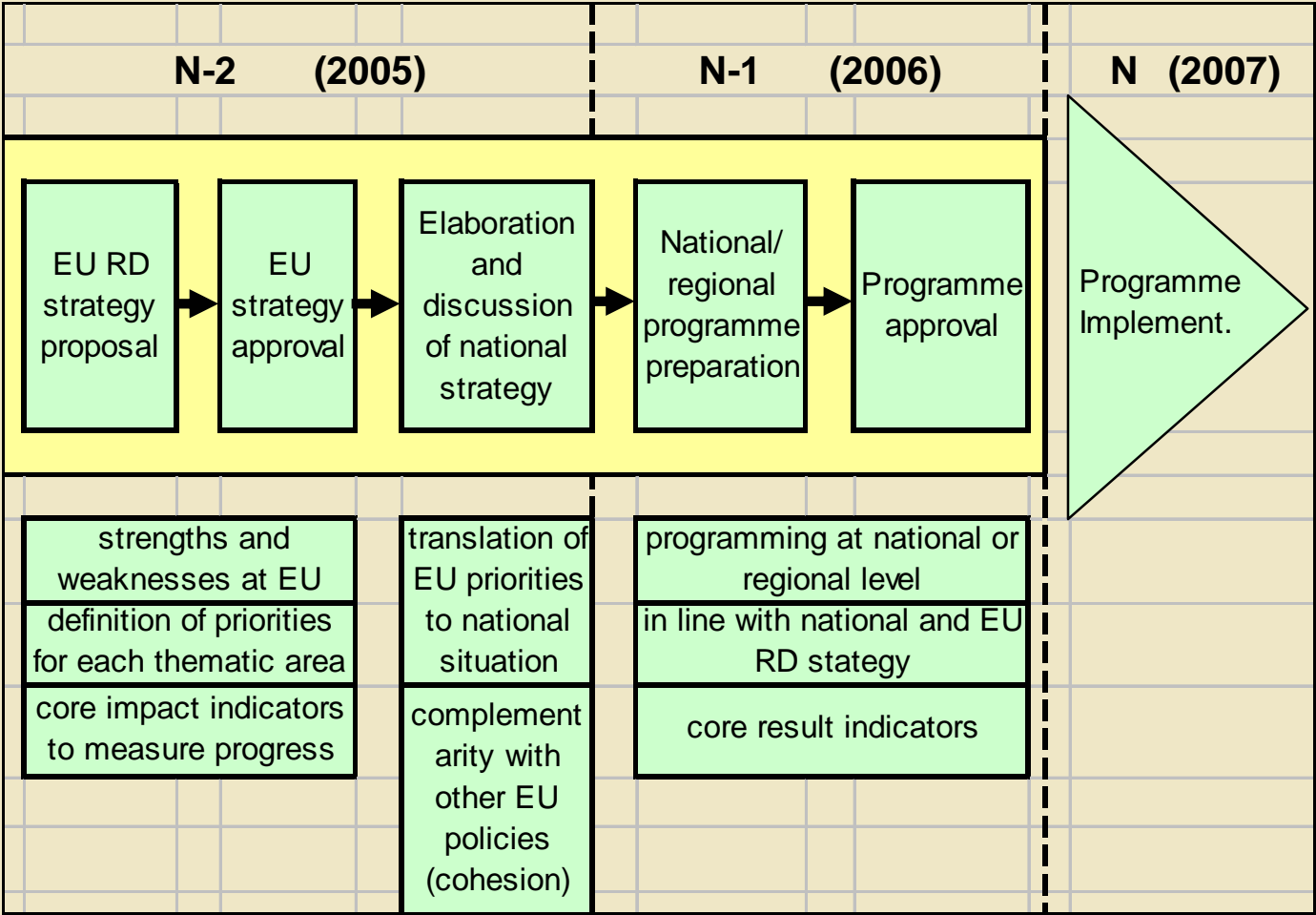


Conclusion

- Single and simpler coherent framework for rural development
- Focus on commonly agreed EU priorities,
- while leaving sufficient programming flexibility for the MS
- Increased accountability at EU, national and regional level for results obtained



Timetable:



New Baselines RD measures

- **Axis 2 => payments subject to cross-compliance (sanction approach)**
- **For agri-environment new baseline (eligibility condition) comprising**
 - cross compliance
 - relevant national legislation
 - minimum requirements concerning pesticides and fertiliser use to be fixed in the programme
- **Axis 1 => for investment aids ex-ante eligibility (relevant legislation)**



New Baselines RD measures

- Replacing concept of (usual) Good Farming Practices)
- Simplification:
 - Align with 1st pillar
 - Use of same control system
 - Also sanction approach



New Baselines RD measures

“Article 48

Reduction or exclusion from payments

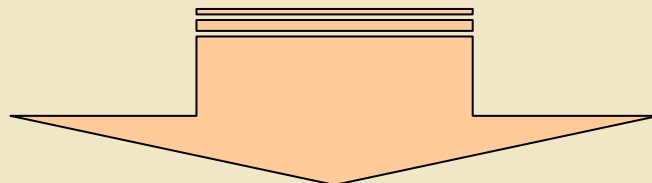
Where beneficiaries receiving payments under Article 34 (a)(i) to (iv) [i.e.: agricultural areas: handicaps, N 2000, agri-environment and AW] (b)(i), (iv) and (v) [forests: afforestation agric.land, N 2000, forest-environment] do not respect on the whole holding, as a result of an action or omission directly attributable to them, the mandatory requirements provided for in Articles 4 and 5 and Annexes III and IV of Council Regulation (EC) No 1782/2003, the total amount of their payments to be granted in the calendar year in which the non-compliance occurs shall be reduced or cancelled.

Detailed rules for the reductions and exclusions shall be laid down in accordance with the procedure referred to in Article 95(2). In this context account shall be taken of the severity, extent, performance and repetition of non-compliance.”

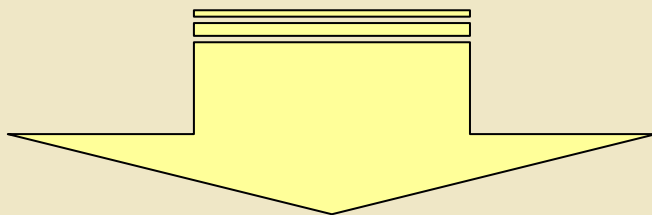


Implementing cross-compliance

Council Regulation (EC) No 1782/2003 :
Title I, Chapter 1



2. Commission Regulation (EC) No 796/2004 :
Common Implementing Rules



3. National Implementation



Council Regulation (EC) No 1782/2003

Main provisions on cross-compliance:

- ▶ **A farmer receiving direct payments shall respect the statutory management requirements and the good agricultural and environmental condition**
- ▶ **The competent national authority shall provide the farmer with the list of statutory management requirements and the good agricultural and environmental condition to be respected**
- ▶ **In case of non-respect, reduction or cancellation of the direct payments to be granted in the calendar year in which non-compliance occurs**



Statutory Management Requirements

▶ **Statutory management requirements stem from 19 Community legislative acts in the areas of public, animal and plant health, environment and animal welfare (Annex III)**

▶ **5 Directives in the area of the environment from 2005:**

1. **Wild Birds Directive**
2. **Groundwater Directive**
3. **Sewage Sludge Directive**
4. **Nitrates Directive**
5. **Habitats Directive**

▶ **Directives apply as implemented by the Member States**



Good Agricultural and Environmental Conditions

▶ **Minimum requirements for Good Environmental and Agricultural Condition (GAEC) are to be defined by MS, on the basis of the common framework set up in Annex IV**

▶ **The common framework covers four issues:**

1. **Protecting soil from erosion**
2. **Maintaining soil organic matter**
3. **Maintaining soil structure**
4. **Ensuring a minimum level of maintenance and avoiding deterioration of habitats**

▶ **Obligation to maintain land under permanent pasture**



Controls

▶ MS are required to carry out **on-the-spot checks** to verify whether the farmer complies with statutory management requirements and minimum requirements for GAEC

▶ MS may make use of their existing administration and control systems

These systems must be **compatible with the integrated administration and control system** (i.e., to allow, without any problems or conflicts, a common functioning of, or exchange of data between, them)



Sanctions

- ▶ Reductions or exclusions shall only apply if the non-compliance relates to an **agricultural activity or an agricultural land of the holding, including the parcels on set aside**
- ▶ Sanctions must take account of the **severity, extent, permanence and repetition** of the non-compliance found
- ▶ The percentage of reduction applicable depends on **negligence or intentionality** of non-compliance



Commission Regulation (EC) No 796/2004

- ▶ **Obligation to maintain land under permanent pasture**
 - Definition of permanent pasture
 - Obligations at MS level
 - Obligations at farmer level
- ▶ **Controls**
 - Competent control authority
 - Minimum control rate
 - Selection of the control sample
 - On-the spot checks and control reports
- ▶ **Sanctions**
 - Competent authority
 - Sanctions – negligence
 - Sanctions – intentional non-compliance

