

Framework for the financing of the CAP from 2007 Regulation 1290/2005



Purpose and scope ART. 1

“This Regulation sets specific requirements and rules on the financing of expenditure falling under the common agricultural policy, including expenditure on rural development.”



Council Regulation 1290/2005

TWO FUNDS UNDER THE EU BUDGET

EAGF – FEAGA

European Agricultural Guarantee Fund

EAFRD - FEADER

European Agricultural Fund for Rural Development



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What is financed?

EAGF/FEAGA: (ART. 3)

SHARED MANAGEMENT (via Paying Agencies = PAs)

- ✓ **Export refunds**
- ✓ **Intervention measures related to agricultural markets**
- ✓ **Direct payments to farmers**
- ✓ **Promotion of agricultural products**

CENTRALISED MANAGEMENT (Payments by the Commission directly)

- ✓ **Veterinary and phytosanitary measures**
- ✓ **Promotion of agricultural products**
- ✓ **Conservation of genetic resources**
- ✓ **Agricultural accounting information system**
- ✓ **Agricultural surveys**
- ✓ **Fisheries**



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What is financed?

EAFRD/ FEADER: (ART. 4)

SHARED MANAGEMENT (via Paying Agencies = PA's)

- ✓ **EU financial contribution to rural development programmes**

WHAT MAY ALSO BE FINANCED BY BOTH FUNDS (ART. 5)

CENTRALISED MANAGEMENT (Payments by the Commission directly)

- ✓ **Measures concerning analysis, monitoring, information, control, technical and administrative assistance**
- ✓ **Technical means for information, interconnection, monitoring and control**
- ✓ **Commission information on the CAP**
- ✓ **Studies and evaluation**
- ✓ **Rural development concerning the CAP: dissemination, raising awareness, promoting cooperation and enhancing experience at Community level**



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What is financed?

NB

Measures financed under the Funds must always have a legal base in EU legislation and in the European budget.



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EU BUDGET (example)

TITLE 05 = AGRICULTURE AND RURAL DEVELOPMENT

**CHAPTER 0502 = INTERVENTION IN AGRICULTURAL
MARKETS**

ARTICLE 050201= CEREALS

ITEM 05020101= EXPORTS REFUNDS FOR CEREALS

Detailed level, not in the budget

**SUB. ITEM 050201011000013 = REFUNDS COMMON WHEAT
GRAIN AND FLOUR-MARKETING
YEAR 2003 AND EARLIER**



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EAGF AND EAFRD FEAGA ET FEADER 10 basic elements

1. Accredited paying agencies
2. Accredited coordinating bodies
3. Certification of the accounts by an independent body
4. The same annuality for both funds
5. Regular uniform declarations of expenditure on predefined dates
6. Annual statement of assurance signed by the person in charge of the paying agency
7. Definition of roles for Member States and the Commission under shared management
8. Predefined payment deadline for the Commission
9. Annual clearance of accounts
10. Conformity clearance of accounts



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Who are involved

ACCREDITED PAYING AGENCIES (Art 6 par. 1,2,4)

Accreditation by MS, guaranteeing

- that eligibility and compliance with EU rules is checked before payments
- accurate and exhaustive accounts
- checks are made
- documents presented within time limits
- proper archives

MS must withdraw accreditation if the conditions are no longer met.

The Commission is informed. (Art 8(5))

The Commission only reimburses payments made by accredited Paying Agencies.



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ACCREDITED COORDINATING BODY (CB) (Art. 6(3))

Only CB if more than one PA

Role of CB

- Collect information from PA's, make it available and send it to the Commission
- Promote harmonised application of EU rules

Accreditation as regards the processing of financial information
(for example information system and archiving)

The Commission must be informed (Art. 8(1))



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When is it financed

SHARED MANAGEMENT

FINANCIAL FLOW

1. EAGF/FEAGA

Monthly payments (financial exercise = PA's payments 16/10 – 15/10)

M = MONTH

M: PA's pay beneficiary with funds mobilised by the Member State (MS). Art. 14

M+1: PA (or coordinating body = CB if more than one PA in the MS) sends declaration of expenditure to the Commission. (Art.14)

M+2: (3rd working day) Commission reimburses MS. (Art. 14)

Financial resources (EU BUDGET) not used within the financial year are “lost”



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2. **EAFRD/FEADER (2007 – 2013 programming period)**
 - **Financial programming within financial ceilings. (Art. 22)**
 - **Annual budget commitments for rural development programmes by Commission before 1st May – first commitment only when the programme is adopted by the Commission. (Art. 23)**
Committed differentiated credits must be paid before paid N+2 (Art. 29)
 - **Prefinancing :**
7% of EAFRD contribution to the programme (Art. 25)
 - **Intermediate payments (financial exercise = PA's payments 16/10 – 15/10):**
Commission pays within 45 days of receiving declaration. (Art. 26)



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FINANCIAL FLOW

- **Payment of balance:**
After the Commission has received the last annual execution report, last annual accounts and corresponding clearance Decision (covering payments until 31.12.2015 = N+2 to be paid by the Commission by 31.12.2016 at the latest.



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A PREDIFINED PAYMENT DEADLINE FOR THE COMMISSION

EAGF/FEAGA same as for EAGGF/FEOGA Guarantee

Monthly payments by MS must be reimbursed on the third working of M+2 based on payment declarations by MS. (Art. 15(3))

EAFRD/FEADER

Intermediate payments shall be made within 45 days of registration of MS's declaration of expenditure. (Art. 26 (5)) (For prefinancing and payment of balance see previous sheet and Art. 25 and 28)



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SAME ANNUALITY OF THE ACCOUNTS FOR BOTH FUNDS

EU financial year (calendar year N) covers PA payments

From 16 October N – 1

To 15 October N

**(for EAFRD/FEADER, dissociated credits can be different:
credits committed in N must be paid at the latest in N+2)**

**(for EAGF/FEAGA, non dissociated credits: no distinction
is made between commitments and payments credits)**



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Information flow for reimbursement

REGULAR UNIFORM DECLARATIONS OF EXPENDITURE ON PREDIFINED DATES (ART. 8(2)c, ART. 15, 26)

Monthly declarations:

- 1) Third working day M+1: Global amount paid for previous month.
 - 2) “FAX of the 10th“ of M+1 with expenditure on main lines = Articles in the EU budget.
“Table 104” 20th of M+1 = expenditure per sub-item.
 - 3) EAFRD/FEADER: Four payment declarations per year (for end January, end April, end July and 15 November for expenditure incurred till the end of the previous month.)
- MS must also include forecasts of future expenditure (Budget discipline)



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ANNUAL CLEARANCE OF ACCOUNTS (Art. 30)

(Financial) clearance of accounts

- **Decision based on the annual accounts with statement of assurance by the person in charge and certification report by the independent body.**
- **The clearance Decision covers completeness, accuracy and veracity of the annual accounts. It is without prejudice to conformity clearance.**
- **The Commission must decide by 30 April N+1. Possible corrections (positive or negative) will be included in a future monthly payment. (Normally concerning June expenditure).**



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ANNUAL STATEMENT OF ASSURANCE SIGNED BY THE PERSON IN CHARGE OF THE PAYING AGENCY (Art. 8 (I) c (iii))

Member States shall send to the Commission the annual accounts of the accredited paying agency with a statement of assurance signed by the person in charge of the accredited paying agency.

(as Commission Director Generals must provide a statement of assurance for their accounts)



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CONFORMITY CLEARANCE OF ACCOUNTS (Art. 31)

- **Exclusion from EU-financing due to non conformity with EU rules**
- **Based on Commission inspections, checks and controls**
- **Strict procedure offering several opportunities for the Member State to be heard before the Commission decides to exclude EU-financing**
- **Deadline: The Commission must have notified the MS no later than 24 months after the expenditure was made (for multi annual measures and rural development programmes 24 months after final obligation on the recipient)**



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DEFINITION OF ROLES FOR MS AND THE COMMISSION UNDER SHARED MANAGEMENT

Some examples

MS

- **Accredit PA's (Art. 6)**
- **Pay beneficiaries (ensure eligibility, controls etc.) (Art. 7)**
- **Proper accounting, archives, control systems, etc. (Art. 7)**
- **Reports to Commission on payments, forecasts. (Art. 8)**
- **Ensure certification of accounts. (Art. 7,8)**
- **Prevent and pursue irregularities, recover lost sums. (Art. 9)**



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Commission

- **Refunds MS (for payments effected by accredited PA's) (Art. 15, 26)**
- **Ensures respect of budget discipline, including payment deadlines and financial ceilings. (art. 16-20)**
- **Controls MS management and control systems (clearance of accounts) (Art. 9)**
- **Controls that prefinancing is reimbursed (Art. 9)**



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The monthly payments are made without prejudice to the clearance of accounts procedures.

The commission also controls in the context of the monthly payments:

- If the Respect of deadlines are not respected the EU reimbursement will be gradually reduced and excluded if 5 months or more late above a tolerance of 4% (Derogation and exceptional circumstances)**
- In case of doubt of respect of Community rules the Commission may reduce or suspend monthly payments (Art. 17)**



SOME OTHER FEATURES

- ✓ **Budgetary discipline**
- ✓ **Use of the EUR**
- ✓ **Irregularities**
- ✓ **Transition rural development**
- ✓ **Assigned revenue**



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BUDGETARY DISCIPLINE EAGF/FEAGA (Art 18-21)

- Financial perspective annual ceilings must always be respected (after application of modulation = transfer from CAP market oriented measures to rural development = transfer from EAGF/FEAGA to EAFRD to FEADER)
- Financial ceilings expressed in EUR must be respected in EUR
- Possible adjustment of direct aids (R. 1782/03 Art. 11(i))
- If the budget is exceeded in spite of the measures referred to above:
Payments to MS are reduced proportionally for the month in question and corrected next year to ensure that all MS get the same global financing rate.
- Early Warning System. Expenditure is compared to previous expenditure profiles to monitor the situation during the year.



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USE OF THE EUR (Art. 45)

EAGF/FEAGA

MS payments to beneficiaries in NC or possibly EUR (R. 2799/98 agrimonetary Regulation)

EAFRD/FEADER

MS payments to beneficiaries in NC

MS declarations of payments in EUR (conversion rate: monthly rate as published in the official journal)

Commission payments to MS in EUR



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USE OF THE EUR

Direct payments

MS declarations of payments in EUR (conversion rate, most recent rate set by the European Central Bank before 1.10)

Commission payment to MS in EUR.

Other payments

Present system for MS declarations of payments in NC, conversion by the Commission via the rate of the 10th (M+1), Commission payment to MS in EUR

Other options?

To be finally decided and laid down in the implementing provisions



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IRREGULARITIES (Art. 32, 33)

EAGF/FEAGA

- Sums recovered due to irregularities to be credited to EAGF/FEAGA as assigned revenue
- MS may keep 20% of amounts recovered
- If no recovery 4 years after the finding (8 years in case of action before court):
 - 50% of amount to be borne by MS
 - 50% of amount to be borne by the Fund

EAFRD/FEADER

- Sums recovered may be re-used by the MS
- If not recovered before the closure of a programme
 - 50% shall be borne by the MS and
 - 50% by the Fund(same 4/8 years limit as for EAGF/FEAGA)



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ASSIGNED REVENUE (Art. 34)

From the 2007 budget exercise there will no longer be negative expenditure, as known under the EAGGF/FEOGA Guarantee

Negative expenditure for EAGF/FEAGA will become

•Assigned revenue (income to the EU budget)

- Sums arising from fraud and irregularities
(Budget lines 05 02 99, 05 03 99 05 04 01 99 and 05 08 99 in the 2005 budget)
- Super levy for milk
(Budget line 05 03 02 11 in the 2005 budget)
- Conformity clearance decisions
(Budget line 05 07 01 07 in the 2005 budget)
- Sugar(still to be determined)

•Negative corrections

- All other negative amounts



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Committee of the Funds (Art. 41)

Monthly meeting with MS representatives:

- Consultation on the monthly payments for EAGF
- Expenditure situation

The Committee is also consulted or asked for advice

- Concerning the annual budget
- Clearance of accounts decisions
- Change in Commission Regulation



Thank you for your attention!

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