



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.5.2006  
COM(2006) 237 final

2006/0082 (CNS)

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EC) No 1698/2005 on support for rural development  
by the European Agricultural Fund for Rural Development (EAFRD)**

(presented by the Commission)

## **EXPLANATORY MEMORANDUM**

1. Article 69(6) of Regulation (EC) No 1698/2005 fixes the ceiling of annual appropriations of Community structural spending in the regions eligible under the Convergence Objective (the so-called “capping provision”) and Article 70(3) and (4) of that Regulation sets down the EAFRD contribution rates.
2. In the agreement of the European Council on the Financial Perspective 2007–2013 the ceilings of annual appropriations of Community structural spending in the regions eligible under the Convergence Objective which shall be applicable to each individual Member State concerned were fixed, these ceilings being different from the ceiling fixed in Article 69(6) of Regulation (EC) No 1698/2005.
3. According also to this agreement, an amount of EUR 320 million was allocated to the Republic of Portugal, which may not be subject to the national co-financing requirement as provided for in Article 70(3) and (4) of Regulation (EC) No 1698/2005.
4. In order to bring the “capping provision” in line with the European Council agreement and also with the relevant provision in the Community legislation governing the Structural Funds and the Cohesion Fund for the period 2007–2013, and to exempt Portugal from the application of the co-financing requirement for the amount of EUR 320 million, it is necessary to amend Regulation (EC) No 1698/2005.

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**COUNCIL REGULATION**

**amending Regulation (EC) No 1698/2005 on support for rural development  
by the European Agricultural Fund for Rural Development (EAFRD)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 37 and 299(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Having regard to the opinion of the Committee of the Regions<sup>3</sup>,

Whereas:

- (1) Article 69(6) of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)<sup>4</sup> fixes the ceiling of annual appropriations of Community structural spending in the regions eligible under the Convergence Objective and Article 70(3) and (4) of that Regulation sets out the EAFRD contribution rates.
- (2) In the Financial Perspective 2007–2013<sup>5</sup> agreed upon by the European Council in December 2005, the ceilings of annual appropriations of Community structural spending in the regions eligible under the Convergence Objective, which are to be applicable to each individual Member State concerned, were fixed at a different level than that of the ceiling fixed in Article 69(6) of Regulation (EC) No 1698/2005.
- (3) In accordance with the Financial Perspective 2007–2013, an amount of EUR 320 million was allocated to Portugal, which may not be subject to the national co-financing requirement as provided for in Article 70(3) and (4) of Regulation (EC) No 1698/2005.
- (4) Regulation (EC) No 1698/2005 should be amended accordingly,

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<sup>1</sup> OJ C ..., ..., p. ....

<sup>2</sup> OJ C ..., ..., p. ....

<sup>3</sup> OJ C ..., ..., p. ....

<sup>4</sup> OJ L 277, 21.10.2005, p. 1.

<sup>5</sup> 15915/05.

HAS ADOPTED THIS REGULATION:

*Article 1*

Regulation (EC) No 1698/2005 is amended as follows:

(1) Paragraph 6 of Article 69 is replaced by the following:

“6. The Commission shall ensure that total annual allocations from the EAFRD originating from the EAGGF Guidance Section for any Member State pursuant to this Regulation, and from the ERDF, the ESF and the CF, according to the Community legislation laying down general provisions governing these Funds for the period from 1 January 2007 to 31 December 2013, including the contribution of ERDF according to the Community legislation governing the European Neighbourhood Instrument, from the Instrument for Pre-Accession, according to the Community legislation governing that instrument, and from the part of the FIFG contributing to the Convergence Objective, shall not exceed the following limits:

- 3.7893% of the GDP of Member States whose average 2001–2003 per capita GNI is under 40% of the EU-25 average,
- 3.7135% of the GDP of Member States whose average 2001–2003 per capita GNI is equal or above 40% and below 50% of the EU-25 average,
- 3.6188% of the GDP of Member States whose average 2001–2003 per capita GNI is equal or above 50% and below 55% of the EU-25 average,
- 3.5240% of the GDP of Member States whose average 2001–2003 per capita GNI is equal or above 55% and below 60% of the EU-25 average,
- 3.4293% of the GDP of Member States whose average 2001–2003 per capita GNI is equal or above 60% and below 65% of the EU-25 average,
- 3.3346% of the GDP of Member States whose average 2001–2003 per capita GNI is equal or above 65% and below 70% of the EU-25 average,
- 3.2398% of the GDP of Member States whose average 2001–2003 per capita GNI is equal or above 70% and below 75% of the EU-25 average,
- thereafter, the maximum level of transfer is reduced by 0.09 percentage points of GDP for each increment of 5 percentage points of average 2001–2003 per capita GNI as compared to the EU-25 average.

Calculations of GDP by the Commission shall be based on the statistics published in April 2005. Individual national growth rates of GDP for 2007–2013, as projected by the Commission in April 2005, shall be applied for each Member State separately.

If it is established in 2010 that any Member State's cumulated GDP for the years 2007–2009 has diverged by more than  $\pm 5\%$  from the cumulated GDP estimated according to paragraph 3, including as a consequence of exchange rate changes, the amounts allocated for that period to that Member State pursuant to paragraph 1 will be adjusted accordingly. The total net effect, whether positive or negative, of these adjustments may not exceed EUR 3 000 million. In any event, if the net effect is positive, total additional

resources shall be limited to the level of under-spending against the maximum resources available for commitments from the Structural Funds and the Cohesion Fund for the years 2007–2010. Final adjustments will be spread in equal proportions over the years 2011–2013.

In order to reflect the value of the Polish zloty in the reference period, the result of the application of the percentages referred to in the first subparagraph for Poland shall be multiplied by a coefficient of 1.04 for the period up to the review referred to in the third subparagraph.”

(2) In Article 70, the following paragraph is inserted:

“4a. Paragraphs 3 and 4 may not apply in Portugal for an amount of EUR 320 million.”

#### *Article 2*

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

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. BUDGET HEADING: 05 04 05 01	APPROPRIATIONS (PDB 2007): EUR 12 343 028 111					
2. TITLE: Council Regulation amending Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)						
3. LEGAL BASIS: Article 37 and 299(2) of the Treaty						
4. AIMS: It is necessary to amend Regulation (EC) No 1698/2005: (1) in order to bring the "capping provision" in line with the European Council agreement and also with the relevant provision in the Community legislation governing the Structural Funds and the Cohesion Fund for the period 2007–2013, (2) to exempt Portugal from the application of the co-financing requirement for the amount of EUR 320 million.						
5. FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2006 (EUR million)	FOLLOWING FINANCIAL YEAR 2007 (EUR million)			
5.0 EXPENDITURE – CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) – NATIONAL AUTHORITIES – OTHER	–	–	–			
5.1 REVENUE – OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) – NATIONAL	–	–	–			
	2008	2009	2010	2011	2012	2013
5.0.1 ESTIMATED EXPENDITURE	–	–	–	(1)	(1)	(1)
5.1.1 ESTIMATED REVENUE	–	–	–	–	–	–
5.2 METHOD OF CALCULATION: –						
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?						YES-NO
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?						YES-NO
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?						YES-NO
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?						YES-NO
OBSERVATIONS: (1) The proposed amendments will not lead to any over-spending against the total envelope for Structural Funds.						