



COMMISSION OF THE EUROPEAN COMMUNITIES

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2004/0054 (CNS)

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period

(presented by the Commission)

EXPLANATORY MEMORANDUM

The accession negotiations in December 2002 provided for accession in 2004 of eight of the countries currently benefiting from the provisions of this Regulation.

The Commission considers the Regulation should be modified in favour of beneficiary countries not due to join the European Union in 2004, to take account of experience with the instrument it setup, whilst respecting its underlying objectives.

Modifications should be made to align certain provisions on those applicable to new Member States. The proposed modifications are the following: (i) an inclusion of a new eligible measure which would enable the rural communities of Bulgaria and Romania to prepare and implement local rural development strategies; (ii) an adaptation of the aid intensities to levels similar to those granted to countries acceding the Union in 2004 and (iii) further clarification of the limits on aid rates. The latter modification shall have retrospective effect vis-à-vis all beneficiary countries. These are the objectives of the present proposal.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of the Regions,

Whereas:

- (1) The support possibilities to prepare rural communities to conceive and implement local rural development strategies in beneficiary countries, which are not acceding to the Union in 2004, namely Bulgaria and Romania, should be aligned on those in beneficiary countries acceding to the Union on 1 May 2004. Therefore a suitable measure should be introduced corresponding to Article 33f of Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations¹, as amended by the act of accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.
- (2) The provisions of Council Regulation (EC) No 1268/1999² as regards limits on aid rates should be clarified. At the same time those provisions should be amended in such a way that subsidies of a nature to facilitate access to credits granted under other instruments are not taken into account in the application of those aid limits. As this would remove a possible ambiguity, that amendment should apply with retrospective effect for all beneficiary countries. It is however necessary to ensure that in all cases the ceilings laid down in the Europe Agreements are complied with.

¹ OJ L 160, 26.6.1999, p. 80.

² OJ L 161, 26.6.1999, p. 87. Regulation last amended by Regulation (EC) No 696/2003 (OJ L 99, 17.4.2003, p. 24).

- (3) The aid intensity limits in hill and mountain regions of Bulgaria and Romania should be aligned from 1 January 2004 on those in Less Favoured Areas of countries acceding to the Union on 1 May 2004, for investments in agricultural holdings and for young farmers, as provided for in Article 33l(2) of Regulation (EC) No 1257/1999.
- (4) The aid intensities and the proportion of the Community contribution in total eligible public expenditure for rural development measures involving infrastructure and certain other measures in beneficiary countries which are not acceding to the Union in 2004, namely Bulgaria and Romania, should be aligned on those in countries acceding to the Union on 1 May 2004.
- (5) It is therefore appropriate to amend Regulation (EC) No 1268/1999 accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1268/1999 is hereby amended as follows:

1. In Article 2, the following indent is added:

"— with regard to Bulgaria and Romania, preparation of rural communities to conceive and implement local rural development strategies, and integrated territorial rural development strategies of a pilot nature, within the limits set by Article 33f of Council Regulation (EC) No 1257/1999*.

* OJ L 160, 26.6.1999, p. 80"

- 2 Article 8 is replaced by the following:

"Article 8

Rate of Community contribution and aid intensities

1. The Community contribution shall not exceed the ceiling of 75% of the total eligible public expenditure.

However, that ceiling shall be:

- (a) 80% for measures referred to in the fourth, seventh, eleventh and sixteenth indents of Article 2, and any project concerning infrastructure;
- (b) 85% for relevant projects under any measure where the Commission determines that exceptional natural disasters have occurred;
- (c) 100% for the measure referred to in the fifteenth indent of Article 2 and in Article 7(4).

2. Public aid shall not exceed the ceiling of 50% of the total eligible cost of the investment.

However, that ceiling shall be:

- (a) 55% for investments in agricultural holdings made by young farmers;
- (b) 60% for investments in agricultural holdings in mountain areas;
- (c) 65% for investments in agricultural holdings in mountain areas made by a young farmer;
- (d) 75% for investments referred to in paragraph 1(b);
- (e) 100% for investments in infrastructure not of a nature to generate substantial net revenue;
- (f) 100% for measures referred to under the sixteenth indent of Article 2

In determining the rate of public aid for the purposes of this paragraph, account shall not be taken of national aid of a nature to facilitate access to credits granted without the benefit of any Community contribution provided under the present instrument.

In any case the Community contribution shall comply with the ceilings on rates of aid and cumulation laid down for State aid in the Europe Agreements.

3. The amount of the Community contribution shall be expressed in euro."

Article 2

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

It shall apply from 1 January 2004.

However, point 2 of Article 1 shall apply from 1 January 2000 as far as the newly introduced second last subparagraph of Article 8(2) of Regulation (EC) No 1268/1999 is concerned.

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

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

Policy area: *Agriculture and Rural Development*

Activity: *The SAPARD pre-accession instrument*

TITLE OF ACTION: COUNCIL REGULATION AMENDING REGULATION (EC) NO 1268/1999 ON COMMUNITY SUPPORT FOR PRE-ACCESSION MEASURES FOR AGRICULTURE AND RURAL DEVELOPMENT IN THE APPLICANT COUNTRIES OF CENTRAL AND EASTERN EUROPE IN THE PRE-ACCESSION PERIOD

1. BUDGET LINE + HEADING

05 05 01 01 (B7-010) Heading 7 – The SAPARD Pre-accession instrument

2. OVERALL FIGURES

2.1. Total allocation for action in 2004

€225,2 million for commitment.

2.2. Period of application

From entry into force till end of SAPARD programmes.

2.3. Overall multi-annual estimate of expenditure

- (a) Schedule of commitment appropriations/payment appropriations (financial intervention) (see point 6.1.)

€ million

	Year 2004	Year 2005	Year 2006	Total
Commitments	226,7	250,3 (*)	(**)	

(*) Subject to the amount, which will be proposed in the PDB 2005.

(**) The proposed measures will be financed within the SAPARD envelopes, as annually determined in the framework of the budgetary procedure in application of the "road maps" endorsed by the Copenhagen summit.

- (b) Technical and administrative assistance and support expenditure

N.A.

- (c) Overall financial impact of human resources and other administrative expenditure (see points 7.2 and 7.3)

N.A.

2.4. Compatibility with financial programming and financial perspective

Proposal is compatible with existing financial programming.

2.5. Financial impact on revenue

N.A.

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions form applicant countries	Heading in financial perspective
Non-comp	Diff	NO	NO	YES	No 7

4. LEGAL BASIS

EC Treaty – Article 308 and Council Regulation (EC) No 1268/1999.

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

The existing regulation should be modified in favour of beneficiary countries not due to join the European Union in 2004, to take account of experience with the instrument it set up, whilst respecting its underlying objectives.

Modifications should also be made to align certain provisions on those applicable to new Member States and in a limited case with retrospective effect vis-à-vis all beneficiary countries.

5.1.2. Measures taken in connection with ex ante evaluation

N.A.

5.1.3. Measures taken following ex post evaluation

N.A.

5.2. Action envisaged and budget intervention arrangements

The proposed modifications include a new measure to provide an opportunity for the beneficiary countries to start preparing for the implementation of local rural development initiatives. It also includes provisions to (enable the Commission to adjust the annual financial allocations in accordance with the relative need and absorption capacity), to adapt the rate of Community contribution and aid intensities to those agreed for the acceding countries, to allow for national aid not to be taken into account in determining the public aid rate without prejudice to the state aid provisions of the Europe Agreements in order to permit national measures, such as loan guarantee or credit schemes to facilitate access of beneficiaries to credits.

Rate and form of the implicated financial assistance will not be different to those of the measures already included in the approved programmes.

5.3. Methods of implementation

The actions under SAPARD are implemented on a decentralised basis by the beneficiary third countries (Article 163 of the Financial Regulation).

6. FINANCIAL IMPACT

6.1. Total financial impact on Part B (over the entire programming period)

The total financial impact is shown under 2.3.

6.2. Calculation of costs by measure envisaged (over the entire programming period)

N.A.

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

There is no impact on human resources.

7.2. Overall financial impact of human resources

N.A.

7.3. Other administrative expenditure deriving from the action

N.A.

8. FOLLOW-UP AND EVALUATION

8.1. Follow-up arrangements

The indicators for inputs, outputs and results as well as the provisions for the collection of data are laid down in the approved programmes.

8.2. Arrangements and schedule for the planned evaluation

In accordance with Article 12 of Regulation (EC) No 1268/1999 and Article 42 of Regulation (EC) No 1260/1999 mid-term evaluation of the SAPARD programmes shall be carried out no later than 31 December 2003 and ex-post evaluation not later than three years after the end of the programming period (Article 43 of Regulation (EC) No 1260/1999).

9. ANTI-FRAUD MEASURES

Under Article 15 of Regulation (EC) No 2222/2000 the provisions of Regulation (EC) No 2185/96 and of Article 8(1) and (2), and Article 9(1) and (2) of Regulation (EC) No 1258/1999 shall apply mutatis mutandis for the control of the execution of the SAPARD programmes.

Concerning irregularities the applicant countries are required to apply the rules contained in Regulation (EC) No 1681/94.