



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.10.1997
COM(97) 515 final

97/0267 (CNS)

Proposal for a
COUNCIL REGULATION (EC)
Amending Regulation (EEC) n° 2262/84
laying down special measures
in respect of olive oil
(presented by the Commission)

EXPLANATORY MEMORANDUM

1. The proper application of the Community regulations on olive oil required the setting-up of inspection agencies responsible for overseeing compliance with regulatory obligations in the Member States producing olive oil.

2. Council Regulation (EEC) No 2262/84, as last amended by Regulation (EC) No 533/97, provides that 50% of the actual expenditure of the agencies is to be covered by the general budget of the Communities up to the marketing year 1997/98 and that before 1 January 1998 the Council, in accordance with Article 43(2) of the Treaty acting on a proposal from the Commission, is to decide on a method for financing the expenditure in question from the 1998/99 marketing year.

3. The proposed method involves maintaining the Community contribution to agencies' expenditure for one year at the 50 % rate.

The financial impact on the Community budget is estimated at ECU 12.1 million in total over the 1998 and 1999 financial years.

In view of the fact that a draft reform of the MO for olive oil is currently under examination, before 1 October 1998 the Commission will consider the need to continue part-financing the agencies after the 1998/99 marketing year.

Proposal for a
COUNCIL REGULATION (EC) No

amending Regulation (EEC) No 2262/84 laying down special
measures in respect of olive oil

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 43(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas, in accordance with Article 1(5) of Council Regulation (EEC) No 2262/84¹, as last amended by Regulation (EC) No 533/97², the Council, acting on a proposal from the Commission, is to adopt before 1 January 1998 the method for financing actual expenditure of agencies as from the 1998/99 marketing year;

Whereas work customarily entrusted to the agencies must be carried out during the 1998/99 marketing year; whereas, as a consequence, provision should be made for a Community contribution to the agencies' expenditure for that period in order to ensure they can operate effectively and in accordance with the rules within the framework of the administrative autonomy provided for in Regulation (EEC) No 2262/84,

HAS ADOPTED THIS REGULATION:

¹ OJ No L 208, 3.8.1984, p. 12.

² OJ No L 83, 25.3.1997, p. 1.

Article 1

The last two subparagraphs of Article 1(5) of Regulation (EEC) No 2262/84 are hereby replaced by the following:

"50% of the agencies actual expenditure for the 1998/99 marketing year shall be covered by the general budget of the European Communities.

Before 1 October 1998, the Commission shall consider the need to maintain the Community contribution to the agencies expenditure and, where appropriate, shall present a proposal to the Council. In accordance with the procedure provided for in Article 43(2) of the Treaty, the Council shall decide before 1 January 1999 on any financing of the expenditure in question."

Article 2

This Regulation shall enter into force on the seventh day following its publication in the Official Journal of the European Communities.

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

Item B2 - 511 - Inspection in agriculture

1. TITLE OF OPERATION

Council Regulation (EC) amending Regulation (EEC) No 2262/84 laying down special measures in respect olive of oil (extension of Community part-financing of olive oil agencies for one year).

2. BUDGET HEADING(S) INVOLVED

B2 - 511

3. LEGAL BASIS

Article 43 of the Treaty establishing the EC.
Council Regulation (EEC) No 2262/84, as last amended by Regulation (EC) No 533/97.

4. DESCRIPTION OF OPERATION

4.1. General objective

To extend for one year the duration of the financial contribution from the general budget of the European Union to actual expenditure of the four inspection agencies in order to ensure they operate normally and to enhance their administrative autonomy.

4.2. Period covered: one year

In view of the fact that a draft reform of the MO for olive oil is currently under examination, the continuation of Community part-financing of the agencies depends on the type of the reform and the time it is to be introduced. Before 1 October 1998 the Commission will consider the need to continue the Community contribution to the agencies' expenditure.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1. NCE

5.2. DA

6. TYPE OF EXPENDITURE OR REVENUE

- Subsidy for joint financing (50%) with other sources in the public sector; the Community contribution is provided on the basis of a work programme and a forecast budget which the agencies submit to the Commission each year (see point 9.1 for description of type of expenditure).

7. FINANCIAL IMPACT

7.1. Method of calculating total cost of operation (ECU million): drawn up on the basis of previous utilization. Italy 6.5, Spain 2.4, Greece 2.3, Portugal 0.9.

7.2. Itemized breakdown of cost

CA (ECU million at current prices)

Breakdown	Budget year n (1998)	n + 1	n + 2	n + 3	n + 4	n + 5 and subsequent years	Total
Part-financing of expenditure incurred by agencies	12.1						12.1
Total	12.1						12.1

7.3. Indicative schedule of commitment/payment appropriations

CA (ECU million)

	Budget year n (1998)	n + 1	n + 2	n + 3	n + 4	n + 5 and subsequent years	Total
Commitment appropriations	12.1						12.1
Payment appropriations							
Year n (1998)	3.1						3.1
n + 1 (1999)		9.0					9.0
n + 2							
N + 3							
N + 4							
N + 5 and subsequent years							
Total	3.1	9.0					12.1

8. FRAUD PREVENTION MEASURES

The agencies regularly submit work programmes. In addition, financial statements give rise to regular monitoring by the Commission; the financial situation at the end of the year is considered by the Commission, which takes a decision on the amount representing actual expenditure of the agencies to be granted to the Member States concerned.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific and quantifiable objectives: target population

- Specific objectives: links with general objective

The types of expenditure covered by the operation are as follows:

Staff costs: Expenditure on staff recruited for work directly connected with the introduction of the system of controls covering olive oil; staff costs, which account for the most important item of expenditure, comprise both wages and salaries and social welfare contributions payable by the employer as well as expenditure on training.

Control structure: Printing of registers and forms and preparation of the latter; equipment for taking samples of olive oil stored; costs of disseminating information to farmers.

Operating expenditure: travelling and subsistence expenses, rental of premises and upkeep, insurance, miscellaneous office expenses (data processing).

- Target population

The recipients of the Community financial contribution are the four agencies in the Member States concerned (I, E, GR and P) with responsibility for monitoring aid to olive oil.

The expenditure is paid directly to the agency; payments take place at the beginning of each quarter and take account of the liquidity position.

9.2. Grounds for the operation

Need for Community budget contribution having regard in particular to the principle of subsidiarity.

Financing of the agencies is justified by the need to protect the Community's financial interests and also to meet the requirements of the Member States concerned for whom the introduction of a system of specific controls constitutes a high, additional budget burden.

- Choices of ways and means

- Advantages over possible alternatives (comparative advantages)
The Community financial assistance provides support for the agencies and also gives them some independence vis-à-vis the various national inspection authorities.
- Explanatory reference to similar Community or national operations
The system of agencies co-financed by the Commission and the Member State is peculiar to the olive oil industry; the operation involves the application of a system of controls which is totally new. No comparison with other operations administered nationally can be made.
- Spin-of and multiplier effects expected
The Community financial contribution represents substantially less than 1% of the aid paid to the olive oil industry but allows an effective system of controls to function with its indisputable deterrent effect. The part-financing of the agencies is therefore fully worthwhile, in view of the fact in particular that the administrative structures of the producer Member States are not sufficiently adapted to carrying out the controls provided for by the Community regulations.

In addition, the controls conducted by the agencies have pointed to many irregularities and at times even to fraud.

Main factors of uncertainty which could affect the specific results of the operation.

The main factors of uncertainty are related to the technical difficulties which the Member States may encounter in complying with the regulations.

9.3 Monitoring and evaluation of the operation

Performance indicators selected

With the view to ensuring the proper application in particular of Community aid for olive oil, the agencies conduct checks entrusted to them in accordance with the Community regulations, record irregularities observed following such checks and inform the Commission staff and the competent authorities of the Member State concerned thereof.

On the basis of results obtained in recent years and of checks conducted by Commission agents, positive conclusions may be drawn regarding the way the agencies operate.

While it is indisputable that in the first few years, the agencies have encountered difficulties of all sorts, their work has gradually had an effect on national authorities. Nowadays it is possible to claim that the four agencies have competent staff experienced in monitoring the various measures connected with olive oil.

Nevertheless, the results of the agencies' work cannot be evaluated solely in terms of figures (checks conducted, proposed penalties, aid recovered, fines collected, etc.). It is reasonable to think that by virtue of the very existence of the agencies, the temptation or the possibility of conducting fraudulent operations is reduced, a dissuasive effect which is very difficult to gauge.

Details and frequency of planned evaluations

The agencies' activities have been monitored very closely by the Commission staff; the latter regularly assess the performance of the agencies and include the results of their work in the EAGGF report each year. The present measure extends the part-financing of the agencies for the 1998/99 marketing year. An assessment of the situation will be made during 1998 and will take account in particular of progress in the reform of the MO for olive oil to decide on any further extension.

Assessment of the results obtained

In view of the difficulties peculiar to the olive oil sector, the agencies appear to play an indispensable part in controls. Controls carried out are used both by the Commission and by the various national authorities. For these reasons the method of financing them should be extended for the 1998/99 marketing year.

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