



European Commission  
Directorate-general of Agriculture

# Newsletter

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## The Court of Auditors and the management of the CAP

**The Commission intends to comply scrupulously with the recommendations in the conclusions to the Court of Auditors' Annual Report for 1998\*. Continuing the successful attempts that began in 1993 with EAGGF Guarantee Section expenditure, the Commission will cooperate closely with the Member States to remedy shortcomings in the national administration and control systems. The Commission will also bear in mind the Court's recommendations for completing the internal administrative reform to which the President, Romano Prodi, and Members of the Commission have committed themselves.**

The Court points out that about 80% of expenditure from the budget of the European Union is in fact managed by the Member States, and draws attention to the serious shortcomings still subsisting in their administration and control systems. The Court also severely criticises the Commission's financial management for the 1998 budget year. One of the priorities of the new Commission is to improve the management of Community resources, and it is quite determined to work alongside the Member States towards this goal, while radically reforming its own administrative departments. In February 2000 it will present a detailed draft of its reform plans. Michaela Schreyer, the Member of the Commission with responsibility for the budget, has welcomed the valuable contribution to this process made by the Court of Auditors' report, and has listed four major lines of approach:

- to intensify cooperation with the Member States,
- to reform the Financial Regulation,
- to give programme managers more responsibility,
- to reinforce internal auditing.

### **EAGGF Guarantee Section: a substantial improvement**

CAP resources represent about 45% of the Community budget, and since 1993, the Commission, in collaboration with the Member States and their paying agencies, has been making considerable efforts to reinforce controls with the help of independent auditors, and to introduce an efficient integrated control system. The clearance of EAGGF Guarantee Section accounts has already been substantially improved (see Newsletters Nos 9 and 11). In 1998, the Commission recovered € 655 million paid out by the Member States on behalf of the Union, and expenditure was cut by € 300 million thanks to the application of inspection schemes and penalties. In value terms, the savings

achieved actually offset most of the errors indicated in the Court's report. It is expected that recoveries will reach a similar level in 1999. This means that the real loss to the Community budget is very small.

### **Different approaches**

For a correct interpretation of the errors found by the Court of Auditors when it examined the administration of the Guarantee Section of the EAGGF, it should be borne in mind that the procedures involved take much longer than the Court's own procedures. The Court must complete its work on a given budget year within nine months, i.e. accounts for year n must be audited by October of year n+1, whether or not the Member States reply to the Court's observations in good time. For the EAGGF Guarantee Section, however, the dialogue between the Commission and the Member States to discuss unresolved cases does not take place until October of year n+2. The Commission cannot possibly work at the same pace as the Court of Auditors, since the Commission alone has powers to correct EAGGF Guarantee Section expenditure, and this cannot be done until the arguments of the Member States have been heard and all the prescribed conciliation procedures have been followed. The EAGGF Guarantee Section makes its corrections for the 24 months preceding the date on which the official letter is sent to the Member State.

### **Distinguishing between fraud and genuine mistakes**

It is important to make a clear distinction between the mistakes discovered by the Court, not all of which necessarily imply waste of money or loss to the budget, and actual fraud. The Commission's policy on fraud is one of zero tolerance: any case of suspected fraud is notified to the OLAF, which is the independent fraud-busting office. The OLAF investigates the case in accordance with the rules.

\* Official Journal (OJ C 349) of 3 December 1999. The Commission's replies to the Court's observations are included. The Report is available on the Court of Auditors' website: <http://www.eca.eu.int>.



## After Seattle: Prospects for future WTO negotiations

In Seattle the Europeans were creative, constructive and full of initiative. The EU repeatedly laid agricultural proposals on the table and tried to advance the negotiations, said Commissioner Franz Fischler at a press conference held jointly with Pascal Lamy. "Seattle did not fail because of agriculture. Compared to the other sectors, the talks on agriculture made the most progress over the four days", said Mr Fischler.

However, major differences in approach were also revealed. For the EU delegation the main sticking points were the call by many trading partners for the complete elimination of export subsidies – while other, less transparent forms of assistance to exports remained untouched – and the European wish for the multifunctional role of agriculture to be recognised, i.e. its role in preserving the environment and conserving the landscape and in rural development and food safety. The EU also wanted to grant the developing countries special treatment and to give the least developed countries tariff-free access for essentially all products.

There are now fundamentally three options for the resumption of negotiations:

- convening a new Ministerial Conference,
- reaching a decision in the WTO General Council,
- entrusting the WTO Committee on Agriculture with the opening of negotiations on agriculture.

It seems unlikely, however, that a new Ministerial Conference will be convened given the experiences of Seattle. At all events, negotiations on agriculture should start in 2000 as agreed at the end of the Uruguay Round. The negotiations will be based on Article 20 of the WTO Agreement on Agriculture, which strikes the right balance between progressive reductions in support and protection and what are called "non-trade concerns", amongst which of particular relevance to the EU are the multifunctional role of agriculture (protection of the environment, rural development), food safety and animal welfare.

## In brief

### Promotion of agricultural products in third countries

On 14 December 1999, the Council adopted a Regulation on supporting information and promotion programmes for European agricultural products in third countries (see Newsletter No 9). The aim of the programmes is to support the marketing of EU products in the face of growing competition, by demonstrating how they meet the expectations of a widening group of consumers, thanks to their quality, safety and guaranteed origin. The measures include promotion and advertising, information campaigns, participation in events, etc. As a rule, they will be jointly financed by food industry bodies (30%), Member States (20%) and the Community (50%). In specific cases (information on Community quality and labelling schemes, trade missions, studies to identify new markets), the Union may contribute up to 100%. The detailed arrangements for this Regulation will be set out in implementing legislation.

### Promotion measures in the milk and milk products sector

On 26 November, the Commission approved 19 national programmes to promote and publicise the consumption of milk and milk products in the Community. The measures, costing a total of € 8.1 million, will be financed entirely by the Commission. They started in December 1999 for a duration of one year. The

promotion strategy is organised around four approaches: nutritional information, advertising, public relations, and sports sponsorship.

### José Manuel Silva Rodriguez, the new Director-General

Since 8 December, the Agriculture DG has had a new Director-General in the person of J. M. Silva Rodriguez, who had been Deputy Director-General with special responsibility for rural development since 1997. Mr Silva Rodriguez joined the Commission 1986, as a member of the private office of Commission Vice-President Manuel Marin. He later headed three units in the Agriculture DG (those dealing with processed fruit and vegetables, with tobacco, and with wine, alcohol and derived products), before becoming a principal adviser in the Agriculture DG, and then Director of the organisation of markets in crop products. Mr Silva Rodriguez, who was born in 1949, began work in the private sector after completing his agricultural and commercial training, later joining the Spanish Ministry of Economics and Trade. He was involved in Spain's accession negotiations as an adviser for agricultural affairs. This extensive experience will enable him to take over from Guy Legras, who moved to another job on 1 December (see Newsletter No 17).



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