



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 5.4.2006
COM(2006) 149 final

Proposal for a

COUNCIL REGULATION

adapting Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), by reason of the accession of Bulgaria and Romania to the European Union

(presented by the Commission)

EXPLANATORY MEMORANDUM

On 20 September 2005 the Council adopted Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development which makes changes to the *acquis* on which the accession negotiations with Bulgaria and Romania were based. This regulation does not take account of the results of the accession negotiations or indeed of enlargement itself. There is therefore a need to adapt both the Act of Accession and the text of the new rural development regulation before accession to ensure that the two are compatible.

Specifically, there is a need to:

- adapt the rural development-related annexes of the Act of Accession so that the negotiation results are compatible with the new *acquis* (where references in the Act of Accession have become obsolete or where the negotiation results are not immediately compatible with the new rural development regulation);
- adapt articles 29 and 34 of the Act of Accession insofar as they refer to transitional and implementing rules for rural development;
- adapt the new rural development regulation so that it can be applied to Bulgaria and Romania and so that it incorporates as appropriate the accession negotiation results.

The guiding principles followed in preparing these adaptations have been that the fundamental character and principles of the accession negotiation results should be maintained and that the adaptations should be limited to what is absolutely necessary.

These proposals have no financial implications for the Community budget.

The proposals made in the legal texts (two Council Decisions and a Council Regulation respectively) are described below.

LEADER – Minimum financial threshold for axis 4

Regulation (EC) No 1698/2005 establishes that within each rural development programme there must be a compulsory Leader axis to support locally designed and implemented rural development strategies, and that this axis must account for a minimum percentage of the EAFRD contribution to the programme. Given the lack of experience of Bulgaria and Romania in implementing the Leader approach and in order to build sufficient local capacity to apply Leader, the average financial contribution of 2.5% for the Leader axis applicable to the EU-10 should be applied for the period 2010–2013 only for Bulgaria and Romania. The legal text also clarifies how this percentage is to be calculated.

LEADER + type measures

Measures agreed with Bulgaria and Romania relating to support for acquisition of skills intended to prepare rural communities to conceive and implement local development strategies differ from the provisions of Regulation (EC) No 1698/2005. The results of the negotiations with Bulgaria and Romania should be maintained in this area.

Advisory Services

The provisions of Regulation (EC) No 1698/2005 concerning support for the use of advisory services differ in both their scope and level of financial support for beneficiaries from those laid down for the period 2007–09 in the Accession Treaty. So as to avoid any possibility of double financing for the first three years of the programme, Bulgaria and Romania should be given the choice of implementing either the measure provided for in Annex VIII to the Act of Accession or the measure provided for in Regulation (EC) No 1698/2005. Furthermore, in order to give effect to the joint statement by the Council and Commission regarding Bulgaria and Romania, entered in the minutes of the Council meeting of 19/20 September at which political agreement on Regulation (EC) No 1698/2005 was reached, it is proposed to extend the Accession Treaty measure on the provision of advisory services until 2013 for farmers receiving semi-subsistence support.

Agri-environment and animal welfare measures

The accession negotiation results included a provision for Bulgaria and Romania to cofinance agri-environment and animal welfare measures at the level of 85%. To ensure consistency with the new financial architecture of Regulation (EC) No 1698/2005, under which co-financing rates are no longer set at the level of the measure, but at axis level, it is proposed to apply a maximum co-financing rate of 82% to Bulgaria and Romania for axis 2 (instead of the maximum of 80% provided for under Regulation (EC) No 1698/2005) over the entire programme and programming period. This figure of 82% is based on the expected weighting of the agri-environment and animal welfare measures within these countries' overall expenditure under axis 2 and so maintains an equivalent benefit to that accorded in the Accession Treaty.

Complements to national direct payments

Council Regulation (EC) No 1290/2005 on the financing of the common agricultural policy has established a single Fund for Community support for rural development, replacing the two previous sources of funding (EAGGF-Guidance and Guarantee). As a result, it is necessary to clarify the basis for calculation of the 20% ceiling specified in the complement to direct payments measure provided for in Annex VIII of the Act of Accession on amounts of 2nd pillar funds which can be transferred to be used as complements to direct payments to farmers under the 1st pillar of the CAP. Taking into account the need for consistency with the provisions applied to the EU-10, the rural development needs of the two countries, and the importance of guarding against potentially excessive transfers of 2nd pillar funds to the 1st pillar, it is proposed that the 20% ceiling should apply to the EAGGF-Guarantee component only.

Transitional and implementing rules

References to transitional and implementing rules in the Act of Accession of Bulgaria and Romania should be adapted to comply with the procedures set out in Regulation (EC) No 1698/2005.

Technical adjustments

Bulgaria and Romania should be added to the list of new Member States to which transitional measures apply under Regulation (EC) No 1698/2005. It is necessary to delete the following provisions of Annex VIII of the Act of Accession, which are either (1) now covered directly by Regulation (EC) No 1698/2005: support for semi-subsistence farms undergoing

restructuring, producer groups, technical assistance, or (2) no longer applicable: requirement that investment support be limited to agricultural holdings for which economic viability at the end of the realisation of the investment can be demonstrated.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Treaty of Accession of Bulgaria and Romania, and in particular Article 4(3) thereof,

Having regard to the Act of Accession of Bulgaria and Romania, and in particular Article 56 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) Council Regulation (EC) No 1698/2005¹ introduced general rules governing Community support for rural development policy for the programming period 2007 to 2013 and established priorities and measures for rural development.
- (2) Those general rules and measures should be adapted to allow their implementation in Bulgaria and Romania as from the date of accession of those countries to the European Union.
- (3) Regulation (EC) No 1698/2005 establishes a compulsory Leader axis within the rural development programme, which must account for a minimum percentage of EAFRD contribution to the programme. Given the lack of experience of Bulgaria and Romania in implementing the Leader approach and in order to build sufficient local capacity to apply Leader, the average financial contribution of 2,5% for the Leader axis should be applied for the period 2010–2013 for those countries.
- (4) With a view to allowing Bulgaria and Romania to benefit until 2013 from the transitional measures concerning the support to semi-subsistence agricultural holdings and the setting-up of producer groups, Bulgaria and Romania should be added to the list of countries benefiting from these measures.
- (5) Regulation (EC) No 1698/2005 should therefore be amended accordingly,

¹ OJ L 277, 21.10.2005, p. 1.

HAS ADOPTED THIS REGULATION:

Article 1

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

- (1) In Article 17(2), the following subparagraph is added:

“For Bulgaria and Romania, the average of at least 2,5% of the EAFRD total contribution for axis 4 shall be respected during the period 2010–2013. Any contribution from the EAFRD for that axis during the period 2007–2009 shall be taken into account for the calculation of that percentage.”
- (2) In Article 20(d), the introductory words are replaced by the following:

“transitional measures for Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia and Slovakia concerning:”

Article 2

This Regulation shall enter into force on 1 January 2007 subject to the entry into force of the Treaty of Accession of Bulgaria and Romania.

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

Done at Brussels,

*For the Council
The President*