

European Communities

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EUROPEAN PARLIAMENT

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## Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 531/75) for a regulation on the crediting of securities, deposits and guarantees furnished under the common agricultural policy and subsequently forfeited

Rapporteur: Mr P. LAGORCE

1.2.1

PE 43.892/fin.



By letter of 17 February 1976 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the crediting of securities, deposits and guarantees furnished under the common agricultural policy and subsequently forfeited.

On 20 February 1976, the President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Agriculture for its opinion.

On 17 March 1976 the Committee on Budgets appointed Mr Lagorce rapporteur.

It considered this proposal at its meeting of 13 April 1976 and unanimously adopted the motion for a resolution.

Present: Mr Lange, chairman; Mr Aigner and Mr Maigaard, vice-chairmen; Mr Lagorce, rapporteur; Mr Artzinger, Lord Bruce of Donington, Mr Clerfaÿt, Mr Dalyell, Mr Fletcher, Mr Gerlach, Mr Lautenschlager, Mr K. Nielsen (deputizing for Mr Concas), Mr Notenboom, Mr Pêtre and Mr Yeats.

The opinion of the Committee on Agriculture is attached.

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A

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation on the crediting of securities, deposits and guarantees furnished under the common agricultural policy and subsequently forfeited

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>;
- having been consulted by the Council on 17 February 1976 (Doc. 531/75);
- having regard to Articles 43 and 209 of the Treaty establishing the EEC;
- having regard to the report of the Committee on Budgets and the opinion of the Committee on Agriculture (Doc. 99/76);

1. Approves the basic principle of the proposal from the Commission, in other words the crediting to the Community of securities furnished under the common agricultural policy and forfeited when an operator who has received financial aid from the EAGGF fails to meet his commitments.
2. Feels that, contrary to what the Commission has proposed, there should be no derogations from this principle and therefore proposes to amend the draft regulation;
3. Requests that the sums derived from the crediting of these securities to the Community be entered as revenue in the General Budget;
4. Invites the Commission to adopt the following amendments in accordance with the second paragraph of Article 149 of the Treaty establishing the EEC.

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<sup>1</sup>OJ No. C 55, 9.3.1976, p.3

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Regulation (EEC) No. \_\_\_\_\_ of the  
Council of

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- unchanged

on the crediting of securities, deposits  
and guarantees furnished under the common  
agricultural policy and subsequently for-  
feited

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty  
establishing the European Economic  
Community, and in particular Articles 43  
and 209 thereof,

- unchanged

Having regard to the proposal from the  
Commission,

Having regard to the opinion of the  
European Parliament,

Whereas, under Community Regulations  
numerous securities are required in  
connection with operations relating to  
agricultural products; whereas provision  
must be made for the crediting of such  
securities in cases where they are forfeited;

- unchanged

Whereas, in most cases where securities are  
forfeited, the European Guidance and  
Guarantee Fund (EAGGF) suffers a financial  
disadvantage either because it has financed  
a measure and the operator has failed to  
meet his obligations or because such failure  
by the operator subsequently involved the  
EAGGF in additional expenditure because of  
the mechanisms of the agricultural markets  
whereas this disadvantage should consequently  
be remedied by setting against EAGGF expenditure  
any security which is forfeited;

- unchanged

Whereas, however, those securities which are  
unlikely to cause a sufficiently substantial  
financial disadvantage to the EAGGF should be  
retained by the Member States;

- deleted

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<sup>1</sup>For complete text, see OJ No. C 55,

Whereas any security forfeited in food aid operations should be deducted from expenditure in the 'food aid expenditure' chapter of the budget;

- unchanged

Whereas it is also right that any security forfeited as part of a specific operation should be deducted from the expenditure relating to that type of operation;

- unchanged

Whereas similar rules already exist in on particular sector, and are therefore superceded by the present Regulation,

- unchanged

HAS ADOPTED THIS REGULATION:

Article 1

1. Subject to paragraph 2 hereof, this Regulation shall apply to any security, deposit or guarantee furnished pursuant to provisions adopted under the common agricultural policy (hereinafter referred to as 'security'), and to fractions thereof.

1. unchanged

2. However this Regulation shall not apply to any security furnished:

2. deleted

(a) in connection with the issue of licences without advance fixing of the rate of refund, levy or accession compensatory amount; or

(a) deleted

(b) under a tendering procedure for the sole purpose of ensuring the submission by tenderers of genuine tenders.

(b) deleted

Articles 2 to 6 unchanged

EXPLANATORY STATEMENTIntroduction

1. The purpose of the Commission's proposal for a regulation is to rectify the present situation in which the numerous securities furnished pursuant to various Community regulations under the common agricultural policy, are credited to the Member States.

The Commission's proposal is based on the following principle:

These securities are forfeited as a result of non-compliance with the commitments entered into in return for financial aid from the EAGGF. This non-compliance is to the detriment of the EAGGF and the securities should therefore be credited to the Community rather than to the Member States.

2. The Commission envisages two exceptions to this principle:

- a) securities furnished upon the issue of licences without advance fixing of the rate of refund, levy or compensatory amount,
- b) securities furnished in connection with tendering procedures with the sole purpose of ensuring that the tenders submitted are genuine.

The Commission considers that in these cases failure to meet commitments does not result in substantial detriment to the EAGGF and that these securities may therefore be credited to the Member States. Unlike the Commission, the Committee on Budgets feels that there should be no derogation from the principle of crediting the securities to the EAGGF. It therefore proposes to amend the draft regulation.

Position of the Committee on Budgets

3. The Committee on Budgets agrees with the Commission's proposal as regards both the principles on which it is based and the existing unsatisfactory situation which it aims to rectify.

It is particularly concerned that the majority of securities should be credited to the Community as, according to information from the Commission, this regulation would enable 5 - 8 million units of account to be recovered each year.

It also requests that the sums derived from the crediting of these securities to the Community be entered as revenue in the General Budget.



OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr SCOTT-HOPKINS

On 9 March 1976 the Committee on Agriculture appointed Mr Scott-Hopkins draftsman.

It considered the draft opinion at its meeting of 22 and 23 March 1976, and adopted it unanimously.

The following were present : Mr Houdet, chairman; Mr Laban, vice-chairman; Mr Scott-Hopkins, draftsman; Mr Dalyell (deputizing for Mr Cifarelli), Mr Delmotte (deputizing for Mr Della Briotta), Mrs Dunwoody, Mr Früh, Mr Howell, Mr Kofoed, Mr Martens, Mrs Orth and Mr Suck.

### The purpose of the Commission's proposal

1. The purpose of this proposal is to clarify the financial regulations governing securities<sup>1</sup>, furnished by individuals or enterprises within the common agricultural policy, so as to ensure the proper administration or to avoid fraud in, for example, the issuing of export/import licences, tenders, private storage contracts, the advance fixing of aid, in denaturing operations or for the sale of goods from intervention stores for specified purposes.
2. At present there is no regulation governing securities forfeited, due to non-compliance with Community regulations. Such securities, in the absence of specific provisions, are entered by Member States in their national budgets.
3. The Commission proposes that such forfeited securities should be credited to the EAGGF.

### Securities in the common agricultural policy

4. The common agricultural policy provides for more than 100 securities in all the major agricultural sectors.

The purpose of such securities is to limit the financial risks to the EAGGF of operations undertaken with individuals or enterprises within the framework of the market organization of the major agricultural products.

The role played by securities varies considerably:

- to ensure that prescribed administrative procedures are followed correctly;
- to prevent fraud;
- to guarantee payment and conditions laid down in contracts.

A full classification of different types of securities laid down within the common agricultural policy is given in the Annex.

5. The Commission is unable to state with precision the total amount of securities held at any one time under EAGGF regulations: there

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<sup>1</sup> These may be called securities, deposits or guarantees, according to the relevant regulation.

is no system for the regular control of these amounts.

The Commission estimates, on the basis of German and Danish information for 1973, the total amount as 5-9.5 million u.a. per annum, or about 0.1 - 0.2% of the EAGGF budget. By way of comparison, it can be pointed out that this figure is three to four times greater than the average yearly reported irregularities.

#### Forfeited securities and the EAGGF

6. In general, there are no provisions establishing the beneficiary of forfeited securities.
7. The position is clear in certain limited cases, and principally:
  - (a) securities furnished in the framework of the financing of the denaturization of skimmed milk;
  - (b) and of income obtained in the framework of intervention on the butter, skimmed milk powder and Grana Padano or Parmigiano Reggiano cheese markets.

In the first case, forfeited securities are deducted from EAGGF expenditure<sup>1</sup>. In the second, income obtained is transferred to accounts created for determining overall losses<sup>2</sup>.

8. There are three ways of viewing forfeited security; that they be credited:
  - (a) to Member States
  - (b) to the EAGGF
  - (c) to the Communities' common resources.
9. Securities should be seen as payment made:
  - by a person or firm to obtain a benefit
  - and to the EAGGF to cover the risks it incurs in direct financial loss or administrative inconvenience.

Clearly, the security should go to the party bearing the risk, that is the EAGGF or the chapters of the budget financing food aid.

The Commission's proposal is logical, therefore, and one can only regret that it had not been made earlier and that no general

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<sup>1</sup> Article 14 of Regulation No. 2306/70, OJ No. L 249, 17.11.1970, p.4.

<sup>2</sup> Article 5 of Regulation No. 2306/70.

financial provision exists to cover all receipts obtained in the framework of the CAP.

Derogations from the Commission's proposal

10. The Commission proposes that all forfeited securities should be credited to the EAGGF or food aid, except in the cases of securities furnished:
  - (a) in connection with the issue of licences without the advance fixing of the rate of refund, levy or accession compensatory amount;
  - (b) those with the sole purpose of ensuring the submission of genuine tenders.
  
11. There is no logical reason for the exclusion of these two cases, particularly since the EAGGF incurs the risk of administrative expenditure due to speculation, or even increased expenditure at the market management level or increased storage charges.

Consequently, these two derogations should be deleted.

Conclusions

12. The Commission's proposal that securities furnished under the CAP and subsequently forfeited should be credited to the EAGGF or food aid budgetary chapters is perfectly logical and can be approved by the Committee on Agriculture, subject to the following reservations.

In view of the importance of the sums involved, 5 - 9.5 million u.a. per annum, it is to be regretted that provision for the crediting of these sums to the Community budget had not been made earlier.

The lack of clarity in the provisions governing forfeited securities and the inability of the Commission to state the exact amounts involved, to which national bodies they are credited, the manner in which they are entered or even how they are levied, are all clear indications of the necessity for a more thorough Community accounting system and for the rapid introduction of an Audit Office.

Finally, the Committee on Agriculture fails to see any logical basis for the two derogations proposed in the Commission's text, and believes, in consequence, that Article 1, paragraph 2, should be deleted.

Type of securities employed in the  
common agricultural policy

A. Administrative securities

- a) securities required to obtain an import or export certificate;
- b) securities required for the pre-fixing of levies, refunds and aids;
- c) securities for tenders.

B. Securities to cover a financial risk

- a) securities connected with imports not subject to a levy;
- b) securities required for the pre-payment of export refunds, production refunds and premiums;
- c) securities connected to the payment of aids and denaturing premiums;
- d) securities related to private stockage;
- e) securities required to ensure the fulfilment of special conditions concerning importing, packaging and processing;
- f) securities guaranteeing the payment of a purchase price.

