



ASSEMBLEIA DA REPÚBLICA

EUROPEAN AFFAIRS COMMITTEE

Written Opinion

COM(2011) 627

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT
AND OF THE COUNCIL on support for rural development by the
European Agricultural Fund for Rural Development (EAFRD)



ASSEMBLEIA DA REPÚBLICA
EUROPEAN AFFAIRS COMMITTEE

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PART I – INTRODUCTORY NOTE

In accordance with the terms of Articles 6 and 7 of Law 43/2006 of 25 August, on monitoring, assessment and pronouncement by the Assembleia da República within the scope of the construction of the European Union, and in accordance with the procedures for the scrutiny of European draft acts approved on 20 January 2010, the European Affairs Committee received the **Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) [COM(2011) 627]**.

In view of its subject, the above draft act was referred to the Committee on Agriculture and the Sea, which analysed the draft act and approved the Report annexed to this Written Opinion, of which it forms an integral part.

PART II – RECITALS

This draft act proposes a Regulation of the European Parliament on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Mindful of the provisions of this proposal, the following issues should be raised:

a) Legal Basis

The European Union is competent to legislate on this matter under the terms of Articles 4(2) and 38 TFEU.

b) Principle of Subsidiarity

The principle of subsidiarity applies since the proposed objective would be more effectively achieved through action at Union level.

c) Content of the draft act

The European Affairs Committee subscribes to the analysis of the draft act by the Committee on Agriculture and the Sea reinforcing its six priorities in line with the



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Europe 2020 strategy in relation to support for rural development in the period 2014-2020, which are:

- Fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
- Enhancing the competitiveness of all types of agriculture and enhancing farm viability;
- Promoting food chain organisation and risk management in agriculture;
- Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry;
- Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
- Promoting social inclusion, poverty reduction and economic development in rural areas.

I think it is also relevant to highlight the likely positive implications for Portugal of the implementation of this regulation, in particular the risk management toolkit and crop insurance. To reproduce part of the Report of the Committee on Agriculture and the Sea, Articles 37 (risk management), 38 (crop, animal and plant insurance), 39 (mutual funds for animal and plant diseases and environmental incidents) and 40 (income stabilisation tools) could constitute valuable indirect support for agricultural production for countries like Portugal.

PART III – CONCLUSIONS

In the light of the above, the Committee concludes that:



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1 – In relation to direct payments, whether or not processed via a Single Payment Scheme, Portugal should encourage the adoption of a faster pace of convergence between the various Member States through the reduction of the difference between the basic level of direct aids and 90% of the EU27 average, and also argue for greater flexibility in the voluntary application of payments tied to production.

2 – This Regulation has limitations in terms of support for irrigation projects, a key area for improving the productivity and competitiveness of Portuguese agriculture, and Portugal should build on the openness already shown by the European Commissioner for Agriculture at a hearing before this Committee to respond to this question.

PART IV – OPINION

In the light of the above, the European Affairs Committee is of the opinion that:

1. This draft act **does not breach the principle of subsidiarity in that the proposed objective will be more effectively achieved through action at EU level;**

2. As regards the issues raised in the recitals, the European Affairs Committee, or the Committee with responsibility for the matter in question, should continue to monitor the legislative process related to this draft act, in particular through the exchange of information with the Government.

São Bento Palace, 13 December 2011

Rapporteur, Sérgio Azevedo

Committee Chairman, Paulo Mota Pinto



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PART V – ANNEX

Report of the Committee on Agriculture and the Sea

Report of the Committee on Agriculture and the Sea

[Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (rural development regulation)]

COM(2011) 627

Rapporteur:
Mário Simões, MP

PART I – INTRODUCTORY NOTE

The Committee on Agriculture and the Sea (CAM) received at the request of the European Affairs Committee and in accordance with Article 7 of Law 43/2006 of 25 August (Monitoring, assessment and pronouncement by the Assembleia da República within the scope of the construction of the European Union), draft acts COM(2011) 625, COM(2011) 626, COM(2011) 627, COM(2011) 628, COM(2011) 629, COM(2011) 630 and COM(2011) 631, on the legislative framework of the CAP for 2014-2020.

It is now necessary for this Committee to consider the proposals and produce its Reports thereon, which will be subsequently referred to the European Affairs Committee.

This Report concerns draft act COM(2011) 627, a Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (rural development regulation).

The context of the above proposals is common to them all as they are all based on the Communication on the CAP towards 2020, which outlined the broad policy options for agriculture and rural areas in the future.

PART II – RECITALS

1. General

The importance of the future challenges for Europe in terms of food security, the environment and territorial balance means that the CAP (Common Agricultural Policy) remains a European strategic policy requiring a more efficient response both in political terms and in the use of budgetary resources.

The Commission states that the EU's objective is the maintenance of a common agricultural policy whose challenges are: 1) viable food production; 2) sustainable management of natural resources and climate action; and 3) balanced territorial development.

The presentation by the Commission of the proposal for a further reform of the Common Agricultural Policy (CAP) is taking place concurrently with the proposals for the Multiannual Financial Framework (MFF) for 2014-2020.

The proposal for the CAP 2014-2020 is based on a model which retains the existing structure consisting of two pillars, with a budget for each pillar at its 2013 level in nominal terms.

The main elements of the legislative framework for the CAP for 2014-2020 are set out in the following regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products ('the Single CMO regulation');
- **Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');**
- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');
- Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

As regards the Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (rural development regulation), the Committee comments as follows:

2. Relevant aspects

2.1. Analysis of the Draft Act

Under the reform of the CAP 2014-2020, the EC proposes that Pillar I and Pillar II of the CAP should work in a coordinated and complementary manner with each other and with the EU funds (the European Rural Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund and the European Maritime and Fisheries Fund (EMFF)).

The new delivery mechanism for the rural development programme (Pillar II) aims to reinforce the strategic approach, among other things by setting clearly defined common priorities for rural development at EU level, making the necessary adjustments in the light of experience gained with previous rural development programmes.

The future rural development regulation aims to create the conditions for improving agricultural productivity and sustainability, promoting resource efficiency and building bridges between research and practice and encouraging innovation.

In this context, the rural development policy retains the long-term strategic objectives of contributing to the competitiveness of agriculture, the sustainable management of natural resources, climate action and the balanced territorial development of rural areas. In line with the Europe 2020 strategy, these broad objectives for rural development support for 2014-2020 are given more detailed expression through the following six EU-wide priorities (Article 5):

- Fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
- Enhancing the competitiveness of all types of agriculture and enhancing farm viability;
- Promoting food chain organisation and risk management in agriculture;
- Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry;
- Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
- Promoting social inclusion, poverty reduction and economic development in rural areas.

These priorities should be the basis of programming, including the definition of target indicators in relation to each of them. The regulation includes rules on the preparation,

approval and revision of programmes that largely follow current rules, and opens up the possibility for thematic sub-programmes on: young farmers; small farms; mountain areas; short supply chains. Annex III of the regulation includes an indicative list of measures and operations of particular importance to thematic sub-programmes.

The list of individual measures has been streamlined and individual measures have been reviewed, with a number of adjustments introduced to address issues of scope, implementation and uptake raised in the current period. With most measures potentially serving more than one objective or priority, it is no longer deemed appropriate to group them into axes.

A specific measure for organic farming is proposed, and a new delimitation for areas facing specific natural constraints is introduced.

Member States should maintain the level of support dedicated to each rural development programme for climate change mitigation and adaptation and land management (25% of the EAFRD contribution).

The regulation also proposes a risk management toolkit including support to mutual funds and a new income stabilisation tool, offering new possibilities to deal with the strong volatility in agricultural markets that is expected to continue in the medium term.

Leader and networking approaches will continue to play a key role, in particular for the development of rural areas and the spreading of innovation. Support through Leader will be consistent and coordinated with the support for local development from other EU shared management funds. A prize for innovative local cooperation projects will support transnational initiatives in favour of innovation.

2.2. Implications for Portugal

In Portugal's case, an aspect that appears positive is the continuation of certain measures and the introduction of new support mechanisms such as the risk management toolkit and crop insurance. Articles 37 (risk management), 38 (crop, animal and plant insurance), 39 (mutual funds for animal and plant diseases and environmental incidents) and 40 (income stabilisation tools) could constitute important and valuable indirect support for agricultural production for countries like Portugal.

In terms of the provisions on eligible expenditure for EAFRD support, it is proposed that this should be preceded by an environmental impact assessment. In the case of irrigation, the regulation proposes that only *“investments that lead to a reduction of previous water use by at least 25% shall be considered as eligible expenditure”*, which could make future investments in new or existing irrigation projects unviable. In Portugal’s case, this provision could have very negative consequences.

3. Principle of Subsidiarity

The proposals comply with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States that is being handled at EU level with a view to maintaining a sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States.

The maintenance of the current structure of instruments in two pillars and the flexibility between them gives Member States more leeway to tailor solutions to their local specificities and also co-finance Pillar II.

PART III – PERSONAL VIEW OF THE RAPPORTEUR

Although the inclusion of the personal view of the Rapporteur is optional under the terms of Article 137 of the Rules of Procedure, this Rapporteur considers it relevant to state that this Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (rural development regulation) forms part of the legislative framework for the Common Agricultural Policy 2014-2020.

The Rapporteur is of the view that the legislative framework for reform of the CAP 2014-2020 should be more ambitious in terms of the equitable distribution of direct aids between Member States. Also, it is puzzling that no date is set for the approximation of the uniform unit value of direct payments in Pillar I between Member States and yet such uniformity will be mandatory from 2019 within a Member State (Article 22(5) of the direct payments regulation). This duality of criteria seems to the Rapporteur to be misguided.

The Rapporteur also finds it incomprehensible that the regulation on the rural development programme is so limited in terms of support for irrigation projects. In view of this, the Parliamentary Committee on Agriculture and the Sea confronted the European Commissioner for Agriculture at a hearing at the Assembleia da República on 8 November 2011. The Commissioner showed a willingness to rethink this matter and to adapt the rural development regulation as regards investment in irrigation, which is key to improving the productivity and competitiveness of Portuguese agriculture.

PART IV – CONCLUSIONS

In view of the above, the Committee on Agriculture and the Sea is of the opinion that:

1. This draft act **does not breach the principle of subsidiarity** in that the proposed objective will be more effectively achieved through action at EU level.
2. The proposal for a regulation on **rural development should be revised** to widen support for investment projects in irrigation, in particular the article on eligible investment expenditure.

3. The European Commissioner for Agriculture indicated at a parliamentary hearing the possibility of revising the regulation to widen the support for investment in irrigation. In the light of the above, this draft act merits future monitoring.

4. The Committee on Agriculture and the Sea considers the scrutiny of this draft act completed and that **this Report** should be referred to the European Affairs Committee in accordance with the terms of Law 43/2006 of 25 August 2006.

São Bento Palace, 28 November 2011

Rapporteur, Mário Simões

Committee Chairman, Vasco Cunha