

## EXPLANATORY MEMORANDUM FOR EUROPEAN UNION DOCUMENT

12680/17

COM(2017) 554 final

### REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 10<sup>th</sup> FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2016 FINANCIAL YEAR

Submitted by the Department for Environment, Food and Rural Affairs

18<sup>th</sup> October 2017

#### SUBJECT MATTER

1. Report 12680/17 provides detailed information on European Agricultural Fund for Rural Development (EAFRD) spend for 2016. The report sets out the budget procedure, the management of 'appropriations' (commitment and payment) and the implementation of the budget. The payment appropriations include that made against the 2007-13 programme.
2. The draft EAFRD budget for 2016 was adopted by the Commission on 24 June 2015. The draft commitment appropriation for the 2014-2020 Rural Development programme was EUR 18.651 billion (£16.446 billion, according to the October Cabinet Office exchange rate of Euro=0.88178). There was no commitment appropriation requested for the 2007-2013 programme. The final 2016 budget was adopted on 25 November 2015 with decreasing payment appropriations, but with no changes to the commitment appropriations.
3. The amount actually committed in 2016 was EUR 18.650 billion (£16.445 billion). The amount not committed of EUR 0.960m (£0.847m) was due to a modification of the allocation for the UK set out in Annex I to Regulation (EU) No 1305/2013 affecting years 2016-2020. Of the EUR 18.651 billion, the UK accounted for EUR 0.851 billion (£0.750 billion).
4. In terms of payment appropriations, the 2016 budget covered both the 2007-13 and 2014-20 programmes. For the former, EUR 4.496 billion (£3.964 billion) was budgeted and used. Of this Romania and Poland received more than EUR 0.5 billion each while the UK accounted for EUR 0.144 billion (£0.127 billion). The report confirms that on average all member states had at the end of 2016 used 97.3% of their EAFRD commitments for 2007-13. For the UK the figure was 97.9%.

5. For the current programme, EUR 7.810 billion (£6.887 billion) was budgeted and paid to member states. The UK accounted for EUR 0.702 billion (£0.619 billion), the second highest of all member states, receiving 9% of budgeted payments. The highest was Germany with 9.5%.
6. Year on year comparison shows that on average for all the member states the payments for the 2007-2013 programmes decreased by 31% in 2016 compared with 2015. During the same period the payments for the 2014-2020 programmes increased by 49%. The UK's payments for the 2014-2020 programmes increased by 21%, and the 2007-2013 programme payments increased by 233%.

## **SCRUTINY HISTORY**

7. The parliamentary scrutiny history relevant to this document is contained in the attached Annex A.

## **MINISTERIAL RESPONSIBILITY**

8. Responsibility lies with the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers, Welsh Ministers and Northern Ireland Executive Ministers.

## **INTEREST OF THE DEVOLVED ADMINISTRATIONS**

9. The devolved administrations have been consulted in the preparation of this Explanatory Memorandum.

## **LEGAL AND PROCEDURAL ISSUES**

10.

**i. Legal Basis**

As this is not a legislative proposal there is no applicable legal base. The Commission is simply complying with its obligation under Article 109 of 1306/2013 to draw up a financial report on the administration of the EAFRD.

**ii. European Parliament Procedure**

As this is not a legislative proposal no legislative procedure will be followed. However, Article 109 requires the Commission to submit the report to the European Parliament and the Council for information.

**iii. Voting Procedure**

Not applicable.

iv. **Impact on United Kingdom Law**

Not applicable.

v. **Application to Gibraltar**

Not applicable.

vi. **Fundamental Rights Analysis**

Not applicable.

## **APPLICATION TO THE EUROPEAN ECONOMIC AREA**

11. Not applicable.

## **SUBSIDIARITY**

12. Although this is not a legislative proposal we have considered the principle of subsidiarity. In accordance with Article 4 of the Treaty on the Functioning of the European Union, the EU shares competence with member states in the area of agriculture. Article 5 on the Treaty of the European Union provides that in areas that do not fall within its exclusive competence, the Union shall act only if and only so far as the objectives of the proposed action can, by reason of the scale or effects of the action, be better achieved at Union level. Here, the decision has been made by the legislators that the preparation of the annual financial report on the EAFRD is best carried out at Union level.

## **POLICY IMPLICATIONS**

13. On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation.

14. There are no policy implications as these reports are factual accounts of spending in the EU and member states under EAFRD for the financial year 2016.

## **CONSULTATION**

15. The devolved administrations have been consulted in the preparation of this Explanatory Memorandum. No wider consultation has taken place.

## **IMPACT ASSESSMENT**

16. Not applicable.

## **FINANCIAL IMPLICATIONS**

17. We have set out the financial implications for the EU and the UK under 'Subject Matter' and 'Policy Implications' above.

## **TIMETABLE**

18. Not applicable.



**GEORGE EUSTICE MP**  
**MINISTER OF STATE FOR AGRICULTURE, FISHERIES AND FOOD**  
**DEPARTMENT FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS**

**PARLIAMENTARY SCRUTINY HISTORY RELEVANT TO A:**

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 10th FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2016 FINANCIAL YEAR**

**EM 12847/16: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 9TH FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2015 FINANCIAL YEAR**

**DATE EM SIGNED: 18/10/2016**

<b>COMMONS</b>	<b>LORDS</b>
NOT IMPORTANT CLEARED (REPORT NO. 15 - 25/10/2016)	CLEARED (BUT SENT FOR INFORMATION TO ENERGY AND ENVIRONMENT) AT CHAIRMAN'S SIFT 1633 - 25/10/2016

**EM NO /TITLE: UNNUMBERED EM/ECA REPORT NO. 23 ERRORS IN RURAL DEVELOPMENT SPENDING: WHAT ARE THE CAUSES, AND HOW ARE THEY BEING ADDRESSED?**

**DATE EM SIGNED: 27/02/2015**

**SCRUTINY COMMITTEES' RECOMMENDATIONS:**

<b>COMMONS</b>	<b>LORDS</b>
CLEARED AS NOT LEGALLY OR POLITICALLY IMPORTANT REPORT NO. 35 - 03/03/2015	CLEARED AT CHAIRMAN'S SIFT 1577 - 10/03/2015

**EM NO /TITLE 7685/16, 7685/16 ADD 1: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 8TH FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2014 FINANCIAL YEAR**

**COMMISSION STAFF WORKING DOCUMENT ACCOMPANYING THE DOCUMENT REPORT FROM THE COMMISSION TO THE EUROPEAN**

**PARLIAMENT AND THE COUNCIL 8TH FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2014 FINANCIAL YEAR**

**DATE EM SIGNED: 26/04/2016**

**SCRUTINY COMMITTEES' RECOMMENDATIONS:**

<b>COMMONS</b>	<b>LORDS</b>
NOT IMPORTANT CLEARED (REPORT NO. 32 - 02/05/2016)	CLEARED (ENERGY AND ENVIRONMENT) AT CHAIRMAN'S SIFT 1619 - 03/05/2016

**EM NO /TITLE 15997/14, 15997/14 ADD 1: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 7TH FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2013 FINANCIAL YEAR**

**COMMISSION STAFF WORKING DOCUMENT ACCOMPANYING THE DOCUMENT REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 7TH FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) 2013 FINANCIAL YEAR**

**DATE EM SIGNED: 04/12/2014**

**SCRUTINY COMMITTEES' RECOMMENDATIONS:**

<b>COMMONS</b>	<b>LORDS</b>
CLEARED AS NOT LEGALLY OR POLITICALLY IMPORTANT REPORT NO. 25 - 10/12/2014	CLEARED AT CHAIRMAN'S SIFT 16/12/2014