

Abstract

Two types of aid in the agricultural sector - Co-financing of investments and aid for setting up young farmers

The audit of both types of aid performed by the Court of Audit highlighted the budgetary difficulties encountered, the complex and ambiguous regulations, the flaws and slowness in the granting and payment procedure and the shortcomings in the internal control. The Court of Audit made several recommendations aimed at improving the system.

The European Union intervenes through the European Agricultural Guidance and Guarantee Fund (EAGGF) to implement agricultural structure and rural development policies, notably through grants for investments and for setting up young farmers. In its rural development programme 2000-2006 the Walloon Region regarded upholding these contributions as a priority.

In view of their political and financial importance, the Court of Audit devoted a special audit to these two types of aid, examining how the Region's department deals with the applications and processes them, what are the risks related to financing in the form of interest subsidies and how the regional guarantee is granted and managed.

The risk of losing part of EAGGF co-financing due to the slow pace of payments did not materialize in 2003; however, due to the budgetary restrictions the Walloon Region set for itself at the start of 2004 large numbers of payments had to be postponed and the debudgeting process initiated in the previous year had to be amplified, this time, however, without a decree authorizing it. In spite of its importance as a budgeting tool, the amount of outstanding commitments cannot for the moment be established in a reliable way.

As the investigation of the application only takes place after the loan has been granted by a bank, or when the investment has come to an end, the Court of Audit recommends setting up an authorization procedure prior to the start of the investment programme.

The regulations appear to be complex due to the diversity of the aid schemes. Moreover, they are subject to interpretation. The Court noticed divergences in the application of regulatory texts and it stressed the difficulty of determining the amounts eligible for subsidy in certain cases. The eligibility conditions should be re-examined and the control of commitments taken by the beneficiaries could be improved. Finally, the waiting time for the aid granting decision and the payment has increased as a result of the increasing number of applications and the lack of budget credits.

As far as the risk linked to the current system of awarding aid in the form of interest subsidies is concerned, it is the Court's opinion that if the Region wishes to maintain this system, it should be amended in order to avoid deviations and to ensure maximum transparency. With the current extremely low interest rates, the security measures in the regulation that are aimed at preventing such deviations have lost their efficiency. The Court's analysis of subsidized credit rates revealed the perverse effects of the current system.

Moreover, the current risk of undue payment could be reduced by creating a secured transmission and control mechanism and by ensuring the payment is traceable.

The number of applications for the guarantee is limited and the termination of bank credits does not always entail a regional intervention, but the previous years' crises and the case of special credits being awarded to the bovine sector, and for which several dozens of farmers have major reimbursement difficulties, should incite to vigilance. Some regulatory provisions call for clarification and the validity of several ministerial circulars, some of them dating back a long time, could be re-examined. Besides, some procedure adjustments might bring concrete improvements regarding the management of guarantee files. Several precautions would also enable the Region

to better protect its Treasury's interests when applying for the guarantee turns out to be unavoidable.

Responding to the Court's arguments, the minister put forward the following elements. The important supplementary means granted to the General Directorate for Agriculture made it possible to greatly reduce the payment delays of the first semester of 2004 and the new supplementary means granted should enable the Directorate to maintain its catching-up efforts. Besides progressively modernizing the computer systems, several measures have been taken to improve the administrative follow-up, the control of commitments and the budgetary follow-up. The minister also intends to favour aid in capital over interest subsidies in the 2007-2013 rural development programme. The Court's findings regarding the regional guarantee will be taken into account in the renewed system of grants for setting-up farmers and investments. Lastly, the minister considers the possibility of setting up a neutral structure aimed at evaluating the farms involved and the validity of the project before granting any aid.