

The Court found that the follow-up of European investment aid and setting-up aid could be improved

The Court carried out an audit on the European aid to rural development, more particularly investment aid to existing farm businesses and setting-up aid to facilitate the establishment of young farmers. It found that the payment cycle was sufficiently transparent and that the procedure manual issued and regular meetings of supervising staff contributed to a high quality internal control. Nevertheless the sometimes lengthy processing times and the follow up of aid were found to be a problem. The regulatory provisions were sometimes subject to extensive interpretation in circulars and annexes to Flemish decrees and enforcement was not always transparent. The Court recommended refining the regulatory provisions in certain cases. The government body should also take action to improve files follow-up and reduce the processing time in external services.

European programme for rural development

The EU Common Agricultural Policy is at present built around two pillars: the traditional Agricultural Policy (formerly market-support measures, presently mainly farm payments) and rural policy. For the period 2000/2006 Flanders received 193 million EUR from the European Union to promote its rural development although the initial amount it could receive was about 214 million EUR. The underutilization was mainly observed in 2001. From 2002 onwards appropriations were nearly all used up. Investment aid to existing farms and support for the establishment of young farmers are the main instruments of the second pillar and in the period 2000/2006 both accounted for about 45% of European co-funding of rural policy. The aid can be granted in the form of a capital premium or an interest subsidy depending on whether funding is provided with own financial resources or through bank lending.

Flemish rural programme

The Flemish rural programme 2000/2006 was hampered by late approval due, inter alia to the late notification of European instructions and the mandatory consultation between the regions and the federal authority. Flanders grant investment and setting-up aid through the Flemish Agricultural Investment Fund ('Vlaams Landbouwinvesteringsfonds (VLIF)). The section for Structure and Investments ('Structuur en Investeringsen') within the Agency for Agriculture and Fisheries is responsible for VLIF management. The payment of (European and Flemish) aid to the farmer (or his bank) goes through the Flemish payment body.

Publicity and enforceability

The wide range of information channels and the 4000 or so new applications per year with the VLIF show that investment and setting-up aid in the agricultural sector enjoys wide recognition. A minus point is that the Flemish decrees in question were enacted with retroactive effect, causing legal uncertainty for those concerned.

Internal control of the subsidization cycle

The section for Structure and Investments is made up of a central administration body and five provincial external services. The Court noticed that a regular consultation between these parties and the written notes for guidance drafted by the central administration body helped ensure equality in the treatment of aid applications by the external services. In some external services

the processing time of aid applications was nevertheless too long so that there was a risk that the recipient of an interest subsidy might be confronted with financial difficulties. The external services did not check systematically whether the recipients still met the conditions for eligibility. In theory the farmer, and the bank if an interest subsidy is involved, has to communicate relevant changes such as the cessation of the farm activity. This was not always done and the possibilities to impose penalties are limited. The undue payments were recovered without any interest. Moreover there is no absolute certainty that similar investments were not subsidized through different channels.

The granting of aid

The Court found several inaccuracies in the regulatory provisions. Annexes to the Flemish decree of 24 November 2000 differ in several respects from the decree itself. This is also true of several circulars. Moreover the enforcement of regulatory provisions sometimes lacks transparency. Files do not make out clearly for instance how file administrators determine work time, income and the number of full staff members. Movable capital investments are not subject to a cost evaluation process in spite of the European Commission's recommendations.

Financial flows

Financial reporting on the use of EU funds was clear enough. Nevertheless the Court noticed in the course of its investigation that the payment cycle varied strongly between files and that sometimes relatively long time intervals occurred.

Evaluation of the programme

Flanders already entrusted two of the three EU mandatory evaluations to independent evaluators. It can still wait till 2008 for the completion of the final evaluation. The management committee takes care of the progress reports required.

Minister's response

In his answer of 7 December the Flemish Minister for Agriculture and Rural Policy said that he agreed to the Court's findings and general conclusion. He promised account would be taken of the recommendations, what in his opinion should result in a reinforcement of VLIF in its role of major instrument for the execution of the Flemish rural programme.