

Belgian Court of Audit



Two types of aid in the agricultural sector: investment aid and aid for setting up young farmers

Presentation by Ms Nelly Mercier, Senior Auditor

at the Joint Training Event of the Contact Committee and the EUROSAI
Experience with the development and carrying out CAP audits
Prague, 25-27 October 2010

Introduction

The Walloon Rural Development Program

2000-2006

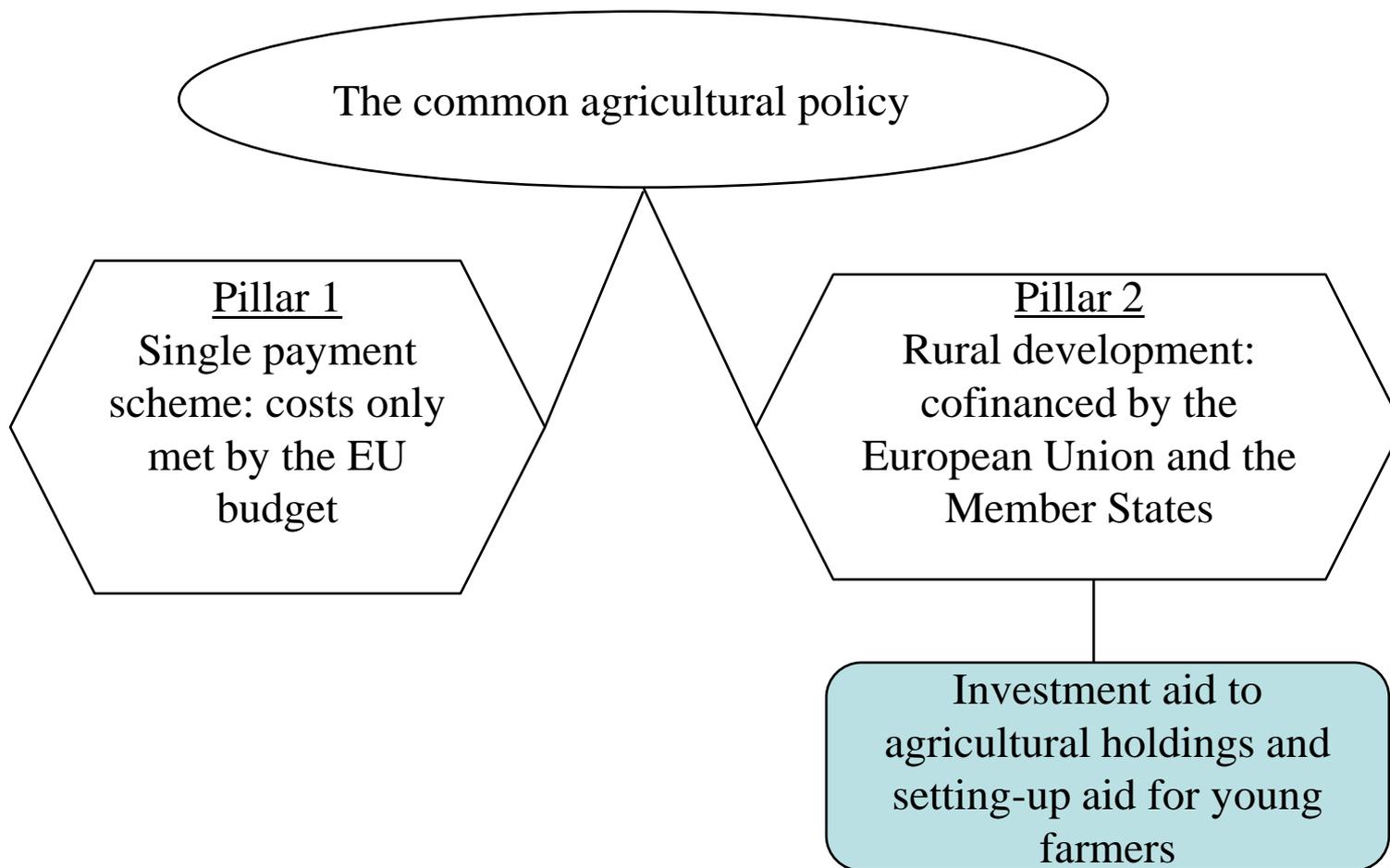


10 measures among which :

- investment aid to agricultural holdings and
- setting-up aid for young farmers



The Walloon Rural Development Program in the CAP's second pillar



Introduction

The Belgian Court of Audit carried out a performance audit of the two measures. The report was published in June 2005.

- Objectives of the audit
- Follow-up of this audit in September 2010



Outline

- Methodology
- Internal control
- Budgetary management
- Complex regulations
- Internal control and decision-making processing time
- Risks related to aid in the form of interest subsidies
- Minister's response



Methodology

- Exploiting management databases
 - Findings on all applications for aid projects
 - Findings on a proportional stratified sample
- Consultations of six banks
 - on aspects related to the subsidized credit interest rate
- Consultations of 15 European supreme audit institutions
 - to collect information on the regulations and audits which could be relevant to the subject
- Interviews
 - civil servants of the local administration units
 - civil servants of the central administration unit



Budgetary management

Walloon Rural Development – budgetary envelope
for period 2000-2006 (euro)

Aid measures	Public expenditure (Walloon Region and EAGGF)	EAGGF
Investment	36,522,600.00	9,023,400.00
Setting-up of young farmers	44,048,800.00	9,690,200.00

Both: capital subsidy or interest subsidy

Complex regulations

Seventeen aid schemes and additional premiums



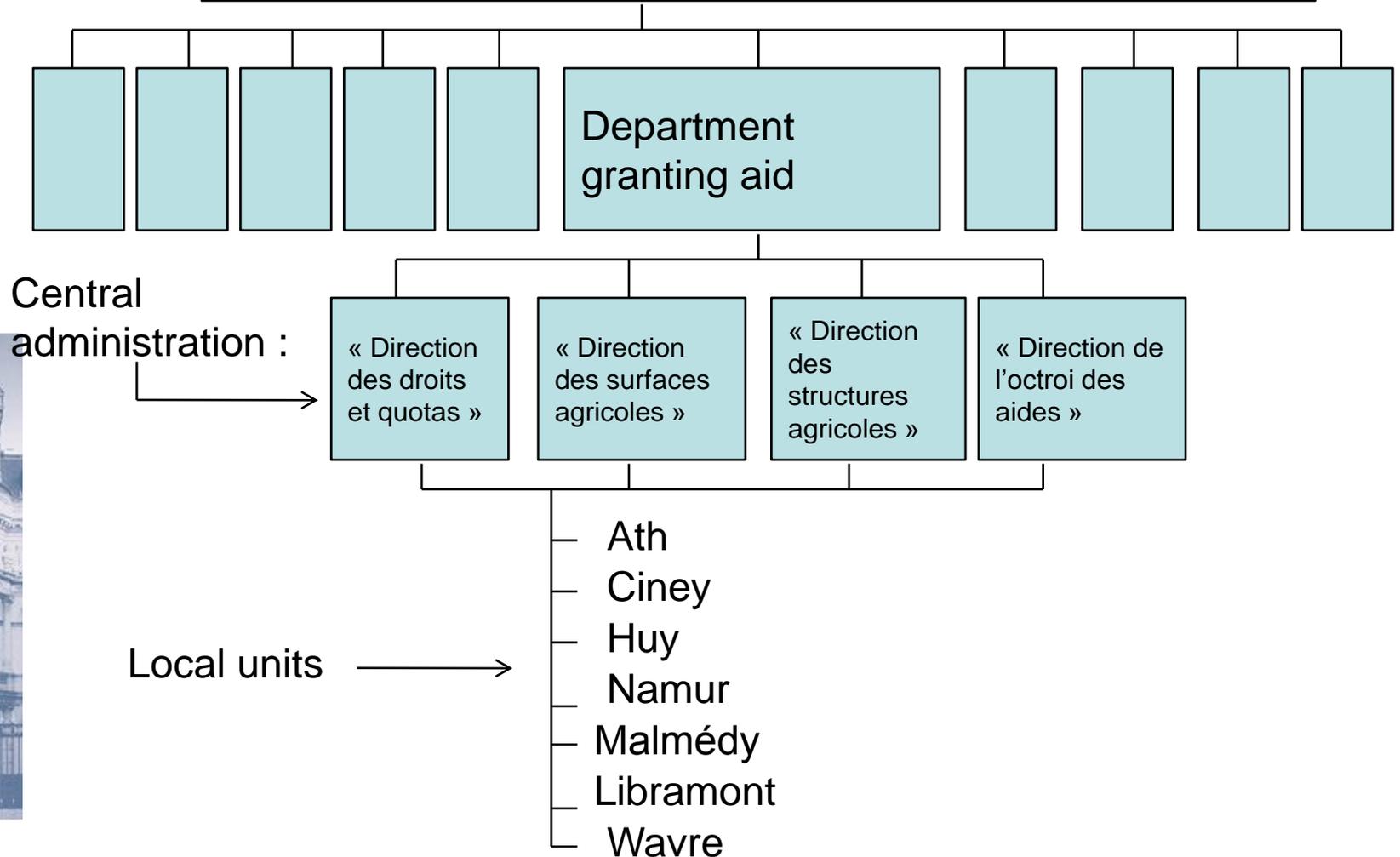
Risks of different interpretations



Consequence : unequal treatment among beneficiaries



Organization chart - Operational general directorate Agriculture, Natural resources and Environment



Complex regulations



Recommendations :

- measures for giving clear and precise instructions
- forum for frequently asked questions



Internal control and decision-making processing time

The application's examination took place

- when the loan had already been granted by the bank
- when the investment had come to an end



Recommendation :

Authorization procedure prior to the start of the investment programme



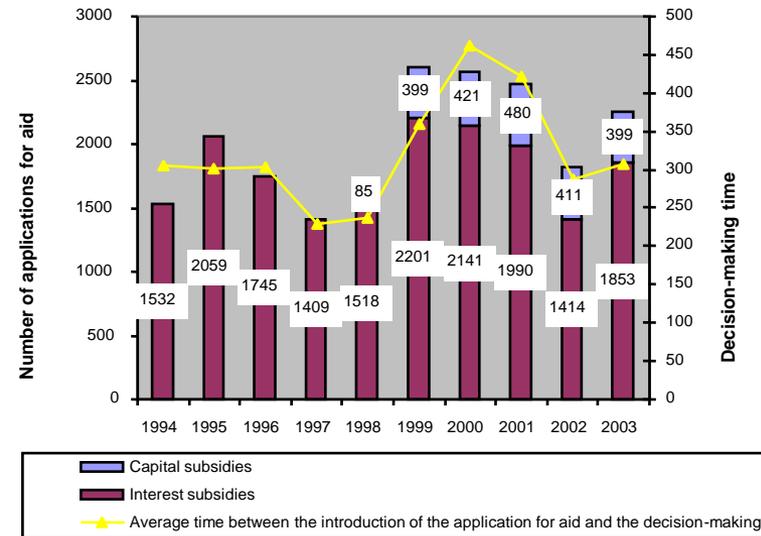
Internal control and decision-making processing time

Between 1994 and 2003

- the number of agricultural holdings decreased by about 30 %,
- the number of applications for aid rose by more than 47 %

Consequences :

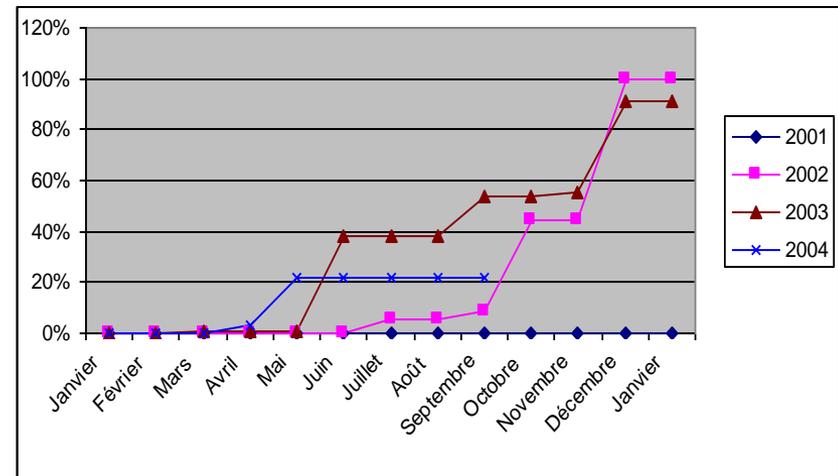
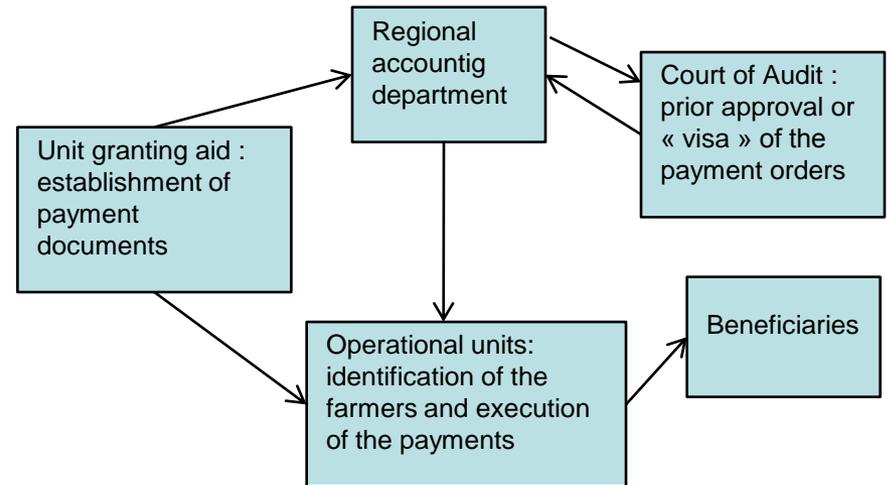
- saturation in all concerned units
- impact on the decision-making processing time
- Decision-making time
 - Investment aid : more than 14 months
 - Setting-up aid : 6 to 7 months



Internal control and payment processing time

- Setting-up premiums : 16 months between submission and payment of premium
- additional premiums to young farmers: 30 months for
- capital subsidies: 6 months
- interest subsidies paid to the banks: 6 or 9 months

Other reasons of the delays:
 → delays in transmission of payment lists between administration units
 → irregular rhythm of payments during the year



Internal control :
decision-making processing time
payment processing time



Recommendations :

- amplification of contacts with farmers
- generalized access to SIGEC and Sanitel databases



Risks related to aid in the form of interest subsidies

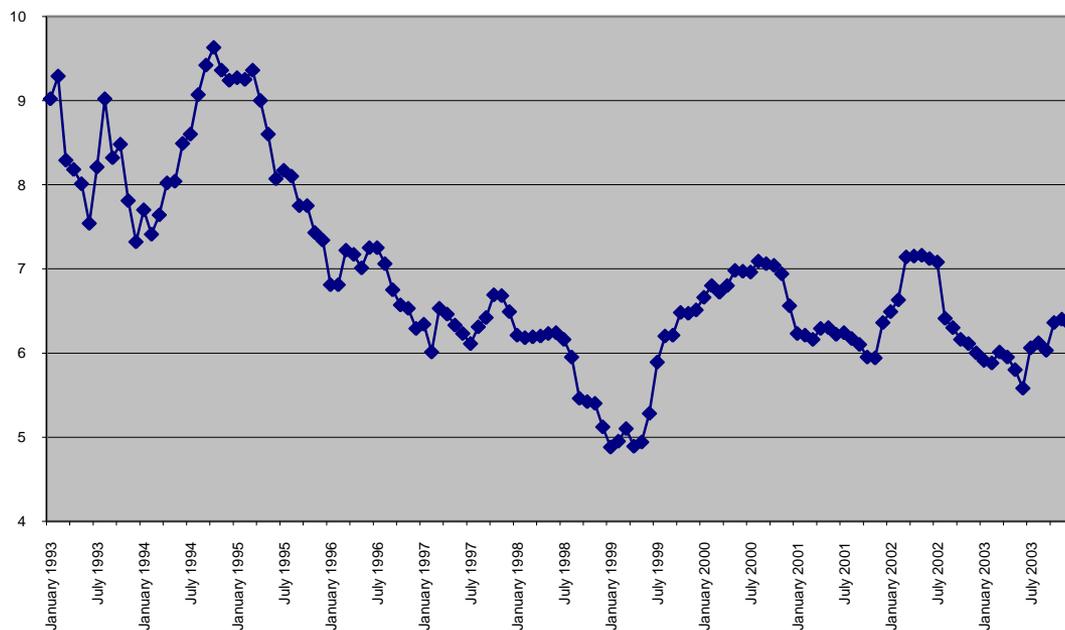
- Description of aid in the form of interest subsidies
 - farmer has to bear a 1% or 3% minimum interest rate
 - Walloon Region's share corresponds to a maximum interest rate of 5%



Risks related to aid in the form of interest subsidies

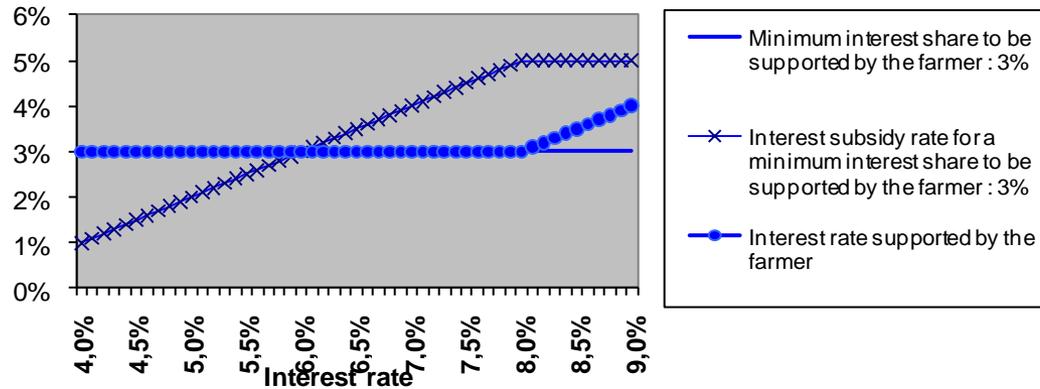
- Since mid-1995, the five-year investment interest rate has been under 8%.

Evolution of investment interest rates from 31 January 1993 to 31 December 2003

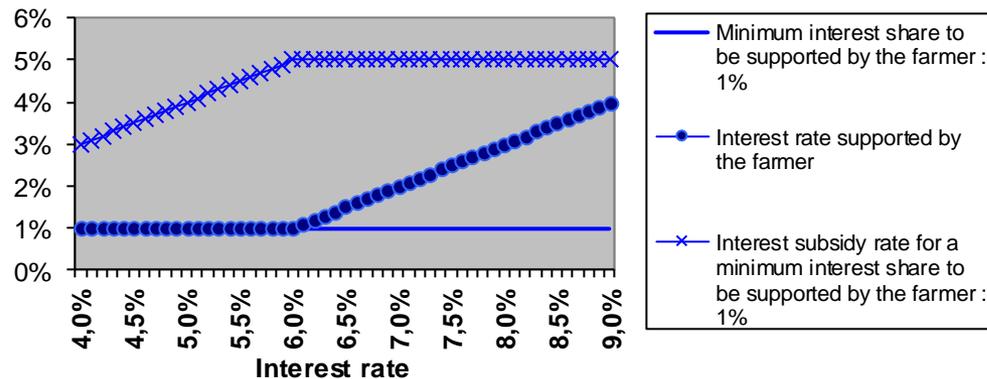


“The pernicious effect of the mechanism”

Evolution of the interest subsidy rate according to the loan evolution for a minimum interest share to be supported by the farmer of 3%



Evolution of the interest subsidy rate according to the loan evolution for a minimum interest share to be supported by the farmer of 1%



Risks related to aid in the form of interest subsidies

Consequence :

└→ loss for the European and regional finances

Recommendations : 2 alternatives

1. To amend the aid in the form of interest subsidies: to avoid deviation and to ensure maximum transparency
2. To adopt the experience of other Member States
—→ System of low-interest loans



Risks related to aid in the form of interest subsidies

 How can risks of undue payment be limited?

- by requiring banks to transmit an IT-supported statement of claims
- by introducing a reliable mechanism for an automated detection of undue payments of interest subsidies
- by increasing the security of payment data files
- by using a unique identification based on the integrated management and control system

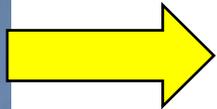


Minister's response

- ⇒ supplementary budgetary resources → to reduce payment delays
- ⇒ progressive modernization of the computer systems
- ⇒ measures to improve the administrative follow-up
- ⇒ favouring aid in the form of capital subsidies rather than interest subsidies in the 2007-2013 rural development program



Risks related to aid in the form of interest subsidies



Recommendations' follow-up :

Since the Walloon Rural Development Program 2007-2013 came into effect:

1. Suppressing all aid in the form of interest subsidies by 2013
2. Modifying the calculation method of interest subsidies from 1st January 2007
3. Reversing the tendency: priority to capital subsidies.
 - Capital subsidies: 77% of aid
 - Interest subsidies: 23 % of aid



A copy of the original report in French is available on our website:

http://www.ccrek.be/docs/Reports/2005/2005_21_Secteur_Agricole.pdf

A copy of the abstract in English is available on our website:

http://www.ccrek.be/DOCS/REPORTS/2005/2005_21_SECTEUR_AGRICOLE_ABSTRACT.PDF



Thank you for your attention

Questions ?

