

# Transitional provisions on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

2013/0117(COD) - 18/04/2013 - Legislative proposal

**PURPOSE:** to establish transitional provisions for 2014 regarding certain rules relating to the Common Agricultural Policy (CAP), in particular the system of direct payments.

**PROPOSED ACT :** Regulation of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT :** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND :** the European Commission is working intensively to reach an agreement between EU institutions on the reform of the CAP which will permit the reformed CAP to enter into force on 1 January 2014.

The objective is to reach agreement between the Institutions on the MFF and a political agreement on the CAP reform before summer 2013. It is proposed that the new regulation on the reformed CAP should enter into force on 1st of January 2014.

However, transitional rules are needed to define technical arrangements which will permit a smooth adaptation to the new conditions, while at the same time ensuring continuity of the different forms of support under the CAP.

- As regards **direct payments**, sufficient time must be allowed to Member States, and especially their paying agencies, to be well prepared and to inform farmers on new rules well in advance. Therefore, the claims for 2014 will be treated under transitional rules.
- As for the **second pillar (rural development)**, the definition of transitional rules between two programming periods represents standard practice. However, in this instance, there is also a need for certain specific transitional arrangements, notably regarding the implications the delay in the new direct payment regime has for certain rural development measures especially as regards the baseline for agri-environment and climate measures and the application of the cross compliance rules.
- Transitional arrangements are also needed to ensure that Member States continue to take on new commitments for area and animal-related measures in 2014 even if resources for the current period have been exhausted.

In light of the above, specific transitional rules need to be adopted by the Council and the European Parliament before the end of the year, amending the current CAP basic acts where necessary.

**IMPACT ASSESSMENT :** there was no need for consultation of interested parties or an impact assessment since these adjustments follow from the state of play of the discussions between the Institutions regarding the MFF and the CAP reform.

**LEGAL BASIS :** Article 43 (2) of the Treaty on the Functioning of the European Union.

**CONTENT** : the proposed regulation aims to **establish transitional provisions concerning the application of direct payments for the year 2014 and support for rural development.**

**Direct payments:** transitional measures:

- provide for the prolongation of the main elements of the existing schemes – SPS, SAPS, coupled regimes, and also those granted as specific support under Article 68 – for claim year 2014 ;
- incorporate, subject to the agreement of the European Parliament, the financial impacts of the European Council conclusions of 8 February, including the start of the external convergence process.

The introduction of transitional measures implies that certain dates included in the Commission proposal for direct support after 2013 will have to be adapted accordingly in order to ensure consistency with this draft Regulation.

**Rural development:** the proposal establishes transitional provisions to define how the current measures would be carried over to the next programming period, including their financing from the new financial envelope. In addition, these rules define which baseline and cross-compliance rules should apply in 2014. Lastly, the rules establish transitional provisions for Croatia.

**Transferring funds between pillars:** the transitional measures also include provisions regarding the possibility of Member States transferring funds between pillars. Both the European Parliament on 13 March 2013 and the Agriculture Council on 19 March 2013 took positions on this issue. Whilst the Council took over the European Council conclusions on the MFF, Parliament increased the percentages proposed by the Commission to 15% for transfer to the second pillar and 10% for transfers to the first pillar, the latter being allowed only to those Member States with an average payment below 90% of the EU average. This proposal is without prejudice to the final decision that will be taken by the legislator on this specific issue.

**BUDGETARY IMPLICATIONS** : the draft Regulation only implements the Commission proposals on the MFF and the CAP reform for financial year 2015 taking into account the European Council conclusions of 8 February 2013. It incorporates the external convergence of the direct payments, the flexibility between the CAP pillars and the co-financing rate for rural development.

- For **direct payments**, the European Council conclusions of 8 February 2013 correspond to a **reduction of EUR 830 million** to the Commission proposal in the financial year 2015 (corresponding to claim year 2014 for direct payments).
- Compared to the Commission proposal, the flexibility between pillars is increased according to the European Council conclusions. It will be **budgetary neutral** as exactly the same amounts reduced from one Fund (EAGF or EAFRD) will be made available to the other Fund (EAGF or EAFRD).
- As regards **rural development**, the draft Regulation has **no financial impact** as the rural development allocation remains unchanged. However, the distribution over time of the payments might be slightly different than otherwise but it cannot be quantified at this stage.

**DELEGATED ACTS** : the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.