

Common agricultural policy (CAP): financing, management and monitoring 2021–2027

2018/0217(COD) - 01/06/2018 - Legislative proposal

PURPOSE: to modernise and simplify the common agricultural policy (CAP) beyond 2020 (horizontal regulation on the financing, management and monitoring of the CAP).

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 context in which the last CAP reform was decided in 2013 has shifted considerably. More specifically: (i) agricultural prices have fallen sharply as a result of macroeconomic factors and geopolitical tensions; (ii) the EU has become more open to global markets; (iii) the EU has made new commitments at international level, for example on climate change mitigation (through COP 21).

On the basis of the Commission [proposal](#) for the multiannual financial framework (MFF) 2021-2027, the Commission is presenting a set of regulations which define the legislative framework of the CAP for the period 2021-2027, namely:

- a [regulation](#) defining the objectives of the CAP as well as rules on support for strategic plans to be developed by Member States in the framework of the CAP;
- a **horizontal regulation** on the financing, management and monitoring of the CAP;
- and a common organisation of the markets (CMO) [Regulation](#).

These proposals give shape to the reflections on the future of the CAP presented in the Commission [Communication](#) on the future of food and agriculture in November 2017, which highlighted the challenges, objectives and possible avenues for a **'future-proof' CAP, that needs to be simpler, smarter and more modern, leading to the transition to a more sustainable agriculture.**

The CAP general objectives shall focus on the economic viability, the resilience and income of farms, on an enhanced environmental and climate performance, and on the strengthened socio-economic fabric of rural areas. Moreover, fostering knowledge, innovation and digitalisation in agriculture and rural areas is a cross-cutting objective.

CONTENT: this proposal for a **horizontal regulation of the CAP** seeks to maintain the current structure of the CAP in two pillars with annual measures of general application in **Pillar I** (direct payments) complemented by measures reflecting the national and regional specificities under a multi-annual programming approach in **Pillar II** (rural development).

The financing of the various CAP interventions and measures from the Union budget is provided by (i) the European Agricultural Guarantee Fund (**EAGF**) and (ii) the European Agricultural Fund for Rural Development (**EAFRD**).

Increased subsidiarity for Member States: the new design of the CAP for post 2020 will point to an increased subsidiarity so that Member States can better tailor implementing measures under both Pillars to their realities and farmers' concrete circumstances.

On this basis, the current CAP Horizontal Regulation is adapted to the new delivery model and **reflects more flexibility for Member States in implementing the policy** (in line with their local needs), less bureaucracy for beneficiaries and shift to a **performance-based policy**.

Setting targets at EU level: the move at EU level from an emphasis on compliance to performance requires a clear identification of the objectives which the policy has to achieve: again, these objectives shall be established at EU level. In order to advance towards a more result-driven policy mechanism, there shall be a shift from assurance on legality and regularity of the underlying transactions to assurance on performance and the respect of EU basic requirements, like (IACS) or the governance bodies (paying agencies, coordinating bodies, competent authorities and certification bodies). The robust and reliable governance structures which characterise the CAP will be maintained.

Controls and sanctions: in addition to financing provisions, the CAP Horizontal Regulation continues to have provisions on general principles for checks and penalties, checks for **conditionality** and the Integrated Administration and Control System (IACS). A new system of 'conditionality' shall link all farmers' income support (and other area- and animal-based payments) to the application of environment- and climate-friendly farming practices.

Accordingly, the proposed Regulation lays down rules on financing, management and control systems, clearance processes (annual financial clearance and annual performance clearance) and conformity procedure.

Simplification: in line with the new delivery model, an **annual performance clearance** shall be established in order to check the eligibility of the expenditure in relation to the reported outputs. The proposal also provides for a reduction in the number of paying agencies and strengthens the role of the coordinating body and the certification body. It introduces the concept of the single audit approach and provides that the number of audits carried out by the Commission can be reduced.

AVAILABLE BUDGET: the Commission proposal on the multiannual financial framework for 2021-2027 provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with **EUR 286.2 billion** allocated to the EAGF and **EUR 78.8 billion** for the EAFRD.

These agricultural funds are complemented by **additional funding** from Horizon Europe, as the proposed envelope for this programme includes **EUR 10 billion** to support research and innovation in food, agriculture, rural development and the bioeconomy.

Agricultural reserve: a new agricultural reserve shall be established in the **EAGF**, to provide additional support for the agricultural sector for the purpose of safety-net measures in the context of market management or stabilisation and/or in case of crises affecting the agricultural production or distribution. The amount of the reserve shall be at least **EUR 400 million** at the beginning of each financial year. Non-committed appropriations of the agricultural reserve shall be carried over without time limitation to finance the agricultural reserve in the following financial years.

Transfer of allocations: Member States shall have the possibility to transfer up to **15%** of their CAP allocations between direct payments and rural development and vice versa, to ensure the financing of their priorities and measures.