

Financial discipline as from financial year 2021 and flexibility between pillars in respect of calendar year 2020

2019/0253(COD) - 31/10/2019 - Legislative proposal

PURPOSE: to ensure certainty and continuity in the granting of support to European farmers in the year 2020 and ensuring the respect of budgetary ceilings for the EAGF by adapting two legislative acts of the Common Agricultural Policy (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: in relation to the financing of the CAP, certain amendments of [Regulation \(EU\) 1306/2013](#) on the financing, management and monitoring of the common agricultural policy (Horizontal Regulation) are needed to ensure that the financial discipline mechanism that makes it possible to respect the maximum ceiling set by the Regulation on the multi-annual financial framework can still operate for financial years post 2020.

In relation to Direct Payments, [Regulation \(EU\) 2019/288](#) amended [Regulation \(EU\) No 1307/2013](#) establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (Direct Payments Regulation) to extend the flexibility between pillars foreseen for calendar years 2015-2019 to calendar year 2020/financial year 2021. This regulation sets up the amounts to transfer from the rural development to direct payments envelope as a percentage of the amount allocated to support financed under the EAFRD in financial year 2021 by Union legislation adopted after the adoption by the Council of the relevant Regulation pursuant to Article 312(2) TFEU. The relevant Union legislation may not be in place by the time the Member States need to notify their decision to transfer. To make it possible to apply the flexibility from rural development to direct payments, it is appropriate to establish the maximum amount that can be transferred based on a fixed amount and not a percentage.

CONTENT: this proposal to amend Regulations (EU) No 1306/2013 and (EU) No 1307/2013 of the European Parliament and of the Council aims to ensure the continuity of certain elements of the Common Agricultural Policy (CAP) for a transitional period of one year from 2014-2020 until the rules on CAP strategic plans are applied, in line with the Commission's [proposal](#) on support for CAP strategic plans.

Update of the reference for determining a financial discipline rate

Expenditure under the EAGF within a given financial year shall respect the maximum ceiling set by the Regulation (EU) No 1306/2013. For that purpose, the said Regulation provides for the determination of a financial discipline adjustment rate. However, currently the relevant provisions refer to Regulation (EU, Euratom) No 1311/2013 which only sets the relevant ceilings for the period 2014-2020.

To ensure that the ceiling for the financing of market related expenditure and direct payments post 2020 will also be respected, the legal reference of Articles 16 and 26 should be amended to include the regulation to be adopted by the Council for financial year 2021 onwards.

Change of the basis for notifying the transfer from rural development to direct payments

To ensure continuity in the possibility for Member States to transfer funds between the two pillars, already decided by the legislators in Regulation (EU) 2019/288, the Commission proposed to replace the percentage of transfer by maximum absolute amounts based on the current maximum percentages.

Member States had the possibility to review by 1 August 2019 the percentage of their national ceiling for direct payments, which they want to allocate to Voluntary Coupled Support (VCS), as well as their detailed support decisions (i.e. list of support measures and their envelopes, targeting, etc.). This review, if any, will apply from claim year 2020.

In addition, Member States will have to notify only by 31 December 2019 or shortly thereafter their transfers between pillars affecting their national ceiling for direct payments for calendar year 2020.

Budgetary implications

The amounts included in the transitional proposal are in line with amounts proposed for the CAP under Heading 3 in the [proposal](#) covering the Multiannual financial framework for the period 2021-2027. For market-related expenditure financed by the EAGF, allocations under Regulation (EU) No 1308/2013 will be adjusted to the level which were proposed for the same sectors in the proposal on support for the CAP strategic plans, for financial year 2021.

The amendments of Regulation (EU) No 1306/2013 ensure that a financial discipline adjustment rate can be determined in financial years 2021 and onwards where the expenditure forecasts for the measures financed under the EAGF net ceiling for a given financial year indicate that the applicable annual ceilings would be exceeded. Thereby, the amendment potentially decreases expenditure under EAGF to the maximum level agreed for the fund in the multiannual financial framework.

The amendment of the flexibility provision for calendar year 2020 (financial year 2021) is a technical adjustment to ensure applicability of the provision and does not have any financial implications compared to those intended for the existing provision. The review option for the voluntary coupled support may lead to financial reallocations between measures within the Member States but these will remain within the national ceiling and as such do not require additional financing.