

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

2018/0217(COD) - 23/11/2021 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 485 votes to 142, with 61 abstentions, a legislative resolution, on the proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission's proposal as follows:

## *Scope and subject matter*

This regulation lays down rules on the financing, management and monitoring of the common agricultural policy (CAP), and in particular on: (a) the financing of expenditure under the CAP; (b) the management and control systems to be put in place by the Member States; (c) clearance and conformity procedures.

The financing of the various interventions and measures falling under the CAP from the general budget of the Union should be made by: (a) the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

Under the new CAP delivery model, Member States should be responsible for tailoring their CAP interventions in line with their specific needs and basic Union requirements in order to maximise their contribution to Union's CAP objectives. In order to continue to ensure a common approach and a level playing field, Member States should also establish and design the compliance and control framework for beneficiaries, including compliance with standards for good agricultural and environmental conditions and statutory management requirements

## *Governance bodies*

The regulation provides for the designation by Member States of the governance bodies, namely the competent authority, the paying agency, the coordinating body and the certification body.

Member States should designate a competent **authority at ministerial level** responsible for: (i) the issuing, reviewing and withdrawing of accreditation of paying agencies; (ii) the designation and the issuing, reviewing and withdrawing of the accreditation of the coordinating body.

It is stipulated that the person in charge of the accredited paying agency should provide the Commission with an annual summary of the final audit reports and of controls carried out, an analysis of the nature and extent of errors and weaknesses identified in governance systems, as well as corrective action taken or planned.

Where more than one paying agency is accredited in a Member State, that Member State should designate a **public coordinating body**, to which it shall assign the following tasks: (i) to collect the information to be provided to the Commission and to send that information to the Commission; (ii) to supply to the Commission the annual performance report; (iii) to take or coordinate actions with a view to resolving any deficiencies of a common nature and to inform the Commission of any follow-up; (iv) to promote and, where possible, ensure the harmonised application of Union rules.

The Commission should promote the exchange of best practices between the Member States, in particular as regards the work of the governance bodies.

### ***Agricultural reserve***

A Union agricultural reserve should be established at the beginning of each year in the EAGF to provide additional support for the agricultural sector for the purpose of market management or stabilisation and to respond promptly in the case of crises affecting the agricultural production or distribution.

The amount of the reserve should be **EUR 450 million in current prices** at the beginning of each year of the period 2023-2027, unless a higher amount is set in the Union budget. The Commission could adjust the amount of the reserve during the year, when appropriate, in view of market developments or perspectives in the current or following year and taking into account available appropriations under the EAGF sub-ceiling. If those available appropriations are not sufficient, financial discipline could be used, as a last resort, to fund the reserve up to the initial amount.

A reallocation mechanism should enable any unused amount of the agricultural crisis reserve set up during the year 2022 to be used. To this end, a derogation from the Financial Regulation is introduced to allow the carry-over of non-committed appropriations from the agricultural reserve to finance the agricultural reserve in the following budgetary years until the year 2027.

### ***Rules regarding checks to be carried out***

The management and control systems set up by the Member States should include systematic checks which target, inter alia, the areas where the risk of errors is the highest. Member States should ensure that a level of checks needed for an effective management of the risks to the financial interest of the Union is carried out. The relevant authority should draw its check sample from the entire population of applicants comprising, where appropriate, a random part and a risk-based part.

### ***Area monitoring system***

Member States should set up and operate an area monitoring system, which shall be operational from 1 January 2023. If the full deployment of the system from that date is not feasible due to technical limitations, Member States may choose to set up and start the operation of such a system gradually, providing information for a limited number of interventions only. However, by 1 January 2024, an area monitoring system in all Member States should be fully operational.

### ***Control and penalty system***

Member States should set up a control and penalty system. Member States, through the paying agencies or the bodies delegated by them, should annually carry out administrative checks on the aid application and payment claims to verify legality and regularity. Those checks should be supplemented by on-the-spot checks, which may be executed remotely with the use of technology.

### ***Control system and administrative penalties in relation to conditionality***

Member States should set up a system to verify that beneficiaries receiving direct payments, annual payments or support comply with the obligations. A simplified control system should be set up for small farmers.

No administrative sanctions should be imposed if non-compliance is due to force majeure or exceptional circumstances or if it is due to an order from a public authority.

As regards the calculation of **administrative penalties**, reductions or exclusions should be calculated on the basis of the payments granted or to be granted in respect of the calendar year in which the non-compliance occurred.

In calculating such reductions and exclusions, account should be taken of the severity, extent, permanence, reoccurrence and intentional nature of the non-compliance detected. The reduction should, as a general rule, be 3% and may go up to 15% of the total amount of payments in case of intentional non-compliance. Member States may retain 25% of the amounts resulting from reductions and exclusions.

### ***Control system for social conditionality***

Member States should set up a system providing for the application of administrative penalties to beneficiaries who do not comply with the rules on social conditionality.

The social conditionality mechanism should be based on the enforcement procedures that are carried out by the competent enforcement authorities or bodies responsible for controls on working and employment conditions and applicable labour standards. Such enforcement procedures may take various forms depending on the national system.

The outcome of the controls and the enforcement procedure should be communicated to the paying agencies along with a ranked assessment of the gravity of the breach of the relevant legislation. That mechanism should remain independent from, and should not affect, the functioning of the particular social model of each Member State, nor should it in any way affect the independence of the judiciary.