
















Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Awaiting Parliament's position in 1st reading
Common agricultural policy (CAP): financing, management and monitoring 2021?2027 Repealing Regulation (EU) No 1306/2013 2011/0288(COD) Subject 3.10 Agricultural policy and economies 3.10.12 Agrimonetary policy, compensatory amounts Legislative priorities Multiannual Financial Framework 2021-2027	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Agriculture and Rural Development	 MÜLLER Ulrike	18/09/2019
		Shadow rapporteur	
		 SANDER Anne	
		 PICIERNO Pina	
		 DAVID Ivan	
		 METZ Tilly	
		 JURGIEL Krzysztof	
		 MACMANUS Chris	
	Former committee responsible		
 Agriculture and Rural Development	ALDE MÜLLER Ulrike	04/07/2018	
Committee for opinion	Rapporteur for opinion	Appointed	
 Development			
 Budgets			
 Budgetary Control			
 Environment, Public Health and Food Safety	The committee decided not to give an opinion.		
 Regional Development		02/07/2019	
	 BOGOVIČ Franc		
Former committee for opinion			

Council of the European Union European Commission European Economic and Social Committee	DEVE Development	11/07/2018
		Verts/ALE HEUBUCH Maria
	BUDG Budgets	09/07/2018
		ECR KUŹMIUK Zbigniew
	CONT Budgetary Control	12/07/2018
		PPE SCHMIDT Claudia
ENVI Environment, Public Health and Food Safety		
REGI Regional Development	20/06/2018	
	PPE BOGOVIČ Franc	
Commission DG Agriculture and Rural Development	Commissioner HOGAN Phil	

Key events			
01/06/2018	Legislative proposal published	COM(2018)0393	Summary
11/06/2018	Committee referral announced in Parliament, 1st reading/single reading		
08/04/2019	Vote in committee, 1st reading/single reading		
15/05/2019	Committee report tabled for plenary, 1st reading/single reading	A8-0199/2019	Summary
21/10/2019	Committee referral announced in Parliament, 1st reading/single reading		
20/10/2020	Debate in Parliament		
23/10/2020	Decision by Parliament, 1st reading/single reading	T9-0288/2020	Summary
23/10/2020	Matter referred back to the committee responsible		

Technical information	
Procedure reference	2018/0217(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Repealing Regulation (EU) No 1306/2013 2011/0288(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 043-p2
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Awaiting Parliament's position in 1st reading
Committee dossier	AGRI/9/00344

Documentation gateway					
Legislative proposal		COM(2018)0393	01/06/2018	EC	Summary

Document attached to the procedure		SWD(2018)0301	01/06/2018	EC	
Economic and Social Committee: opinion, report		CES3141/2018	17/10/2018	ESC	
Committee draft report		PE629.392	24/10/2018	EP	
Court of Auditors: opinion, report		N8-0019/2019 OJ C 041 01.02.2019, p. 0001	25/10/2018	CofA	Summary
Committee opinion	BUDG	PE625.574	23/11/2018	EP	
Committee of the Regions: opinion		CDR3637/2018	05/12/2018	CofR	
Committee opinion	REGI	PE629.655	23/01/2019	EP	
Committee opinion	CONT	PE631.923	13/02/2019	EP	
Committee report tabled for plenary, 1st reading/single reading		A8-0199/2019	15/05/2019	EP	Summary
Text adopted by Parliament, partial vote at 1st reading/single reading		T9-0288/2020	23/10/2020	EP	Summary

Additional information

Research document

[Briefing](#)

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.

2018/0217(COD) - 25/10/2018 Court of Auditors: opinion, report

OPINION No 7/2018 of the Court of Auditors concerning Commission's proposals for regulations relating to the common agricultural policy (CAP) for the post-2020 period.

The legislative proposal for the CAP after 2020 examined by the Court of Auditors includes three regulations accompanied by an impact assessment, as well as an explanatory memorandum on the three regulations.

The main proposed changes to the CAP for the post-2020 period are as follows:

- one CAP strategic plan per Member State for all CAP expenditure (direct payments, rural development and market measures),
- an attempt to move towards a performance-based system,
- an attempt to redefine the eligibility of spending (reported outputs and a new concept of legality and regularity),
- changes in control systems (a changed role for the certification bodies).

The proposed 'horizontal regulation' includes the financial rules and the monitoring and evaluation framework.

Management and control

The proposal retains some key features such as integrated management and control systems. It reduces the number of regulations constituting the legislative framework from five to three.

The Court notes that the combined programming, within one national CAP strategic plan, of measures currently spread between the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) could help to ensure consistency between the different CAP measures. However, it is difficult to know whether the CAP would be simplified overall, as complexity would increase in other respects (e.g. the proposal introduces an environmental programme with objectives similar to those of two other environmental instruments).

Eligibility of expenditures based on achievements

The Commission's assessment of eligibility would be based on measured achievements and the functioning of governance systems and would not take into account the rules applicable to individual beneficiaries set out in the CAP strategic plans. The Court considers that the term "achievements" is imprecise and that, for some interventions, implementation depends on the beneficiaries' compliance with the commitments set out in the CAP strategic plans.

Eligibility of spending based on outputs

The Commission's assessment of eligibility would be based on output measures and the operation of governance systems, and would exclude rules for individual beneficiaries contained in the CAP strategic plans. Output is not clearly defined in the proposal. In the Court's view, there are interventions where output depends upon beneficiaries' compliance with commitments set out in the CAP strategic plans.

Certification bodies checks

The paying agencies would have to ensure legality and regularity of operations financed by the CAP. Certification bodies would check the functioning of the governance systems, consisting of governance bodies and basic Union requirements. The latter would be defined as the rules laid down in the CAP strategic plan regulation and the horizontal regulation. It is unclear whether the certification bodies checks would

cover definitions and specific eligibility criteria laid down in the CAP strategic plans.

Verification of regularity and legality

In the proposal, the Member States supervisory role does not change, although control of legality and regularity by the certification bodies is no longer mandatory. The reporting and the assurance the Commission obtains changes significantly. The Commission would, under the proposal, receive neither control statistics from paying agencies, nor assurance on payments to individual farmers from certification bodies.

The Commission remains ultimately responsible for implementing the budget, including the payments made within Member States. The Court understands the proposal as having the impact of weakening Commission accountability over this.

Furthermore, under the proposal, the Commission would no longer be able to quantify the extent to which payments breached rules. It would also make it harder to apply a single audit approach, notably because of the reduced role for certification bodies.

2018/0217(COD) - 15/05/2019 Committee report tabled for plenary, 1st reading/single reading

The Committee on Agriculture and Rural Development adopted the report by Ulrike MÜLLER (ALDE, DE) 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 committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows.

Competent authority

The report proposes that Member States shall designate an authority at ministerial level responsible for:

- the issuing, reviewing and withdrawing of accreditation of paying agencies;
- the issuing, reviewing and withdrawing of the accreditation of the coordinating body;
- the appointment, and revocation thereof, of the certification body.

The Commission shall promote the exchange of best practices for the operation of governance systems between Member States.

Coordinating bodies

Where more than one paying agency is accredited, Member States shall appoint a public coordinating body, to which it shall assign the following tasks:

- to collate the documents, data and information to be provided to the Commission and to send that information to the Commission;
- to furnish the annual accounts, the annual clearance report and the performance report, by condensing and collating the data and documents submitted by paying agencies;
- to take or coordinate actions with a view to resolving any deficiencies of a common nature and to keep the Commission informed of any follow-up;
- to ensure the harmonised application of Union rules.

Budget ceiling

It is very important that the Member States have the limits concerning payments so that there is no possibility for those Member States who uses first to have the most.

EU agricultural crisis reserve

This reserve shall be established in the budget of the CAP 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 appropriations for the reserve shall be entered directly in the Union's budget and deployed, in the financial year or years for which additional support is required.

An initial amount of EUR 400 million in current prices shall be set up in 2021 in addition to the EAGF and EAFRD budgets, while further funds could be added each year together with any unused money from the previous year, until it reaches EUR 1.5 billion. If this is not enough, the so-called financial discipline mechanism, which reduces direct payments for farmers, shall be activated, but only as a last resort and excluding the first EUR 2 000 of payments.

Checks by the Commission

Members endorsed the shift from a system based on checking that beneficiaries comply with detailed rules to a new performance-based one, focused on achieving results as defined in national strategic plans. To avoid overburdening national administrations and farmers, Member States shall report their achievements to the Commission once every two years, not every year as proposed.

In the case of serious deficiencies detected in the Member State's management and control systems, and in order to ensure the protection of the financial interests of the Union, the Commission may extend its checks to confirm the terms on which the operations financed by the funds were undertaken and checked to ensure compliance with applicable Union law for all the interventions laid down in the CAP Strategic Plans.

The Commission may continue to carry out the extended monitoring as long as the serious deficiencies in the governance system persist.

The Commission shall summarise that information and publish multiannual reports, communicating them to the European Parliament.

Recoveries for non-compliance

Member States shall request recovery from the beneficiary for any undue payment following the occurrence of irregularities and other cases of non-compliance by beneficiaries with the conditions of the interventions referred in the CAP Strategic Plan and bring legal proceedings to that effect where necessary.

Protection of the financial interests of the Union

Member States shall set up efficient management and control systems in order to ensure compliance with the Union legislation governing Union interventions. The control systems shall be described in the national CAP Strategic Plan. Such management and control systems may include early warning mechanisms.

Control and penalties system

Member States shall set up a control and penalties system for the aid. Member States, through the paying agencies or the bodies delegated by them, shall carry out administrative checks on the aid application to verify the eligibility conditions for the aid. Those checks shall be supplemented by on-the-spot checks.

For each of the interventions, Member States shall ensure that the control sample for on-the-spot checks carried out each year covers at least 5 % of all beneficiaries. That percentage shall be increased appropriately where any significant non-compliance in the context of a given intervention or measure is detected. However, Member States may reduce that percentage where the error rates remain at an acceptable level.

In the case of intentional non-compliance, the percentage reduction shall be at least 15 % of the total amount of the payments and may amount to the total exclusion from payments and may apply for one or more calendar years.

2018/0217(COD) - 23/10/2020 Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted by 434 votes to 185, with 69 abstentions, amendments to the proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the Common Agricultural Policy (CAP) and repealing Regulation (EU) No 1306/2013.

The matter was referred back to the committee responsible for inter-institutional negotiations.

The main amendments adopted in plenary concern the following points:

CAPs fundamental role

Members stressed that the CAP has a fundamental role with direct payments and second-pillar funds to farmers contributing significantly not only to food security, but also to investment and employment in rural areas.

Affirming that the drastic cuts envisaged for the CAP were unacceptable, they suggested refocusing the CAP on its core activities, maintaining the funds allocated to it for the EU-27 over the period 2021-2027 at least at the level of the 2014-2020 budget, and restoring the initial amount of the budget allocated to the agricultural crisis reserve.

Competent authority

Members proposed that Member States should designate an authority at ministerial level responsible for (i) issuing, reviewing and withdrawing the accreditation of paying agencies and the coordinating body; (ii) designating and revoking the certification body.

The competent authority should immediately inform the Commission of the issuing or withdrawal of accreditations and encourage the exchange of best practices for the functioning of governance systems between Member States.

The head of the accredited paying agency should prepare and send a performance report to the Commission by 15 February of the year following the financial year concerned at the latest.

Coordinating bodies

Where more than one paying agency is accredited, Member States should designate a public coordinating body to which they entrust the following tasks:

- collating information to be provided and sending it to the Commission;
- providing the annual accounts, the annual audit and the report on the results bringing together the data submitted by the paying agencies;
- taking or coordinating action to resolving any shortcomings of a common nature and keeping the Commission informed of any follow-up;
- ensure the harmonised application of Union rules.

Individual limits for Member States

The annual ceiling for EAGF expenditure should be constituted by the maximum amounts that set individual limits for the Member States.

Crisis reserve

Members proposed to revise and strengthen the current crisis reserve to support the establishment of an EU agricultural crisis reserve. This reserve should be established in the budget of the CAP 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 appropriations for the reserve should be entered directly in the Union's budget and deployed, in the financial year or years for which additional support is required.

An initial amount of EUR 400 million in current prices should be set up in 2021 in addition to the EAGF and EAFRD budgets, while further funds could be added each year together with any unused money from the previous year, until it reaches EUR 1.5 billion. If this is not enough,

the so-called financial discipline mechanism, which reduces direct payments for farmers, should be activated, but only as a last resort and excluding the first EUR 2 000 of payments.

Suspension and reductions of payments in relation to the multi-annual performance review

Members endorsed the shift from a system based on checking that beneficiaries comply with detailed rules to a new performance-based one, focused on achieving results as defined in national strategic plans. To avoid overburdening national administrations and farmers, Member States shall report their achievements to the Commission once every two years, not every year as proposed.

Funds resulting from reductions in payments in relation to the multi-annual performance review would be placed in a performance reserve and would be used to reward Member States for satisfactory performance in relation to the specific objectives of the CAP Strategic Plan.

Protection of the financial interests of the Union

Member States should set up efficient management and control systems to ensure compliance with the Union legislation governing Union interventions. The control systems should be described in the national CAP Strategic Plan. Such management and control systems may include early warning mechanisms.

Control and penalties system

Member States should set up a control and penalties system for the aid. Member States, through the paying agencies or the bodies delegated by them, should carry out administrative checks on the aid application to verify the eligibility conditions for the aid. Those checks should be supplemented by on-the-spot checks.

For each of the interventions, Member States should ensure that the control sample for on-the-spot checks carried out each year covers at least 5 % of all beneficiaries. That percentage should be increased appropriately where any significant non-compliance in the context of a given intervention or measure is detected. However, Member States may reduce that percentage where the error rates remain at an acceptable level.

In the case of intentional non-compliance, the percentage reduction should be at least 15 % of the total amount of the payments and may amount to the total exclusion from payments and may apply for one or more calendar years.