# Common agricultural policy (CAP): financing, management and monitoring 2014-2020

2011/0288(COD) - 12/10/2011 - Legislative proposal

PURPOSE: to reform the Common Agricultural Policy (CAP) after 2013 (horizontal Regulation).

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

BACKGROUND: the Commission presents a set of regulations laying down the legislative framework for the CAP in the period 2014-2020. The current reform proposals are based on the Communication on the CAP towards 2020 that outlined broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP, namely (1) viable food production; (2) sustainable management of natural resources and climate action; and (3) balanced territorial development.

A common theme that has emerged throughout this process is the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy, keeping the structure of the CAP around two pillars that use complementary instruments in pursuit of the same objectives.

- Pillar I covers direct payments and market measures providing a basic annual income support to EU farmers and support in case of specific market disturbances.
- Pillar II covers rural development where Member States draw up and co-finance multiannual programmes under a common framework.

The framework set out in the Commission proposal for the multiannual financial framework for the years 2014-2020 (MFF) proposal foresees that the CAP should maintain its two-pillar structure with the budget for each pillar maintained in nominal terms at its 2013 level and with a clear focus on delivering results on the key EU priorities.

- Direct payments should promote sustainable production by assigning 30% of their budgetary envelope to mandatory measures that are beneficial to climate and the environment.
- Payment levels should progressively converge and payments to large beneficiaries be subject to progressive capping.
- Rural development should be included in a Common Strategic Framework with other EU shared management funds with a reinforced outcome-orientated approach and subject to clearer, improved ex-ante conditionalities.
- Finally, on market measures the financing of the CAP should be reinforced with two instruments outside the MFF: (1) an emergency reserve to react to crisis situations; and (2) the extension of the scope of the European Globalization Adjustment Fund.

On this basis, the main elements of the legislative framework for the CAP during the period 2014-2020 are set out in the following regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation) ('the Single CMO regulation');
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');
- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');
- Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

The rural development regulation builds on the proposal presented by the Commission on 6 October 2011 that sets out common rules for all funds operating under a Common Strategic Framework. A regulation will follow on the scheme for most deprived persons, for which funding is now placed under a different heading of the MFF.

In addition, new rules on the publication of information on beneficiaries taking account of the objections expressed by the Court of Justice of the European Union are also under preparation with a view to finding the most appropriate way to reconcile beneficiaries' right to protection of personal data with the principle of transparency.

IMPACT ASSESSMENT: the three scenarios elaborated in the impact assessment are:

- an adjustment scenario that continues with the current policy framework while addressing its most important shortcomings, such as the distribution of direct payments;
- an integration scenario that entails major policy changes in the form of enhanced targeting and greening of direct payments and reinforced strategic targeting for rural development policy in better coordination with other EU policies, as well as extending the legal base for a broader scope of producer cooperation; and
- a refocus scenario that reorients the policy exclusively towards the environment with a progressive phasing out of direct payments, assuming that productive capacity can be maintained without support and that the socio-economic needs of rural areas can be served by other policies.

The impact assessment concludes that the integration scenario is the most balanced in progressively aligning the CAP with the EU's strategic objectives. It will also be essential to develop an evaluation framework to measure the performance of the CAP with a common set of

indicators linked to policy objectives.

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

CONTENT: in the light of the importance of future challenges for food security, the environment and territorial balance, the CAP remains a policy of strategic importance to ensure the most effective response to the policy challenges and the most efficient use of budgetary resources.

The main elements of the proposal are as follows:

It is proposed to maintain the current structure of instruments in two pillars where Member States have more leeway to tailor solutions to their local specificities and also co-finance Pillar II.

The new European Innovation Partnership and risk management toolkit are also placed within Pillar II. At the same time the policy will be better aligned with the Europe 2020 strategy (including a common framework with other EU funds) and a number of improvements and simplification elements introduced.

In addition to financing provisions, the horizontal regulation brings together relevant rules for all instruments, such as provisions on cross compliance, checks and penalties. As a result, the regulation now lays down rules on financing, the farm advisory system, management and control systems, cross compliance and clearance of accounts.

Cross compliance: the current rules were reviewed with a view to simplification, strengthening the climate change dimension within GAEC and ensuring consistency with the provisions of greening and of relevant environmental measures offered under rural development.

Paying agencies: the proposal foresees reducing the number of paying agencies and reinforcing the role of the coordinating body. This will render the system more transparent and less burdensome for both national administrations and the Commission services. There will be fewer accreditations and declarations of assurance required at Member State level and the number of Commission audits can be reduced.

Management and controls: the rules on management and controls will be aligned, as far as possible, for the two pillars of the CAP so as to bring legal clarity and harmonised procedures. Moreover, the regulation foresees empowering the Commission to allow for a reduction of the number of on-the-spot checks for Member States with properly functioning control systems and low error rates.

Lastly, the regulation provides the basis for a common monitoring and evaluation framework to measure the performance of the CAP during the next period.

BUDGETARY IMPLICATION: in current prices, it is proposed that the CAP should focus on its core activities with EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period.

The Pillar I and Pillar II funding is complemented by additional funding of EUR 17.1 billion consisting of:

- EUR 5.1 billion for research and innovation,
- EUR 2.5 billion for food safety and
- EUR 2.8 billion for food support for the most deprived persons in other headings of the MFF,
- EUR 3.9 billion in a new reserve for crises in the agricultural sector,
- up to EUR 2.8 billion in the European Globalization Adjustment Fund outside the MFF, thus bringing the total budget to EUR 435.6 billion over the 2014-2020 period.

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Distribution of support among Member States: it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis.

Rural development aid:  this is based on objective criteria linked to the policy objectives taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain measures such as knowledge transfer, producer groups, cooperation and Leader.

Lastly, some flexibility for transfers between pillars is introduced (up to 5% of direct payments): from Pillar I to Pillar II to allow Member States to reinforce their rural development policy, and from Pillar II to Pillar I for those Member States where the level of direct payments remains below 90% of the EU average.

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.