



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from:	Presidency
to:	Permanent Representatives Committee / Council
Subject:	Multiannual Financial Framework (2014-2020) - Section of the Negotiating Box relating to Heading 2 (Sustainable growth : natural resources)

Delegations will find enclosed the sections of the Negotiating Box relating to Heading 2.

The Negotiating Box is drawn up and developed under the responsibility of the Presidency. It is not binding on any delegation. This will remain the case throughout the negotiating process. The Presidency continues to be guided by the principle that nothing is agreed until everything is agreed.

The Negotiating Box is not a report on the discussions so far. It draws on the input provided by the orientation debates held since July 2011 and has an evolving character. Gradually, as the process advances, it will be updated following discussions within the Council.

HEADING 2 - SUSTAINABLE GROWTH : NATURAL RESOURCES

1. The objective of the Common Agricultural Policy (CAP) is to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour; thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture, to stabilise markets, to ensure the availability of supplies and to ensure that supplies reach consumers at reasonable prices. The reform must be designed in such a way as to integrate it fully into the Europe 2020 strategy objectives notably the objective of sustainable growth, while fully respecting the objectives of this policy as set out in the Treaty.
2. Commitment appropriations for this Heading, which covers agriculture, rural development, fisheries and a financial instrument for the environment and climate action will not exceed the following level:

SUSTAINABLE GROWTH : NATURAL RESOURCES						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X
of which : Market related expenditure and direct payments						
X	X	X	X	X	X	X

3. The Common Agriculture Policy for the period 2014-2020 will continue to be based on the two pillar structure :
 - Pillar I will provide direct support to farmers and finance market measures. Direct support and market measures will be funded entirely and solely by the EU budget, so as to ensure the application of a common policy throughout the single market and with the integrated administration and control system (IACS).

- Pillar II of the CAP will deliver specific environmental public goods, improve the competitiveness of the agriculture and forestry sectors and promote the diversification of economic activity and quality of life in rural areas, while taking into account the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions. Measures in Pillar II will be co-financed by Member States, which helps to ensure that the underlying objectives are accomplished and reinforces the leverage effect of rural development policy.

Pillar I

Level and model for redistribution of direct support - details of convergence across Member States

4. Direct support will be more equitably distributed between Member States, while taking account of the differences that still exist [in wage levels and input costs], by stepwise reducing the link to historical references and having regard to the overall context of Common Agriculture Policy and the Union budget.
5. All Member States with direct payments below [90%] of the EU average will close [one third] of the gap between their current direct payments level and [90]% of the EU average in the course of the next period. [This convergence will be financed by all Member States [with direct payments above the EU average, proportionally to their distance from the EU average] OR [in a linear manner]. This process will be implemented progressively over [4] years from financial year [2015] to financial year [2018]]

Capping of support to large farms

6. Capping of the direct payments for large beneficiaries will be introduced while taking due account of employment. The proceeds of the reduction and capping of payments to large beneficiaries should remain in the Member States where they were generated and should be used for financing projects with a significant contribution to innovation under the EAFRD.

OR

[There will be no capping of the direct payments for large beneficiaries.]

Method for financial discipline

7. [With a view to ensuring that the amounts for the financing of the CAP comply with the annual ceilings set in the multiannual financial framework, the financial discipline mechanism currently provided for in Article 11 of the Regulation 73/2009, pursuant to which the level of direct support is adjusted when the forecasts indicate that the sub-ceiling of heading 2, is exceeded in a given financial year should be maintained, but without the safety margin of EUR 300 000 000.]

OR

[Other provisions concerning financial discipline, including the possibility of maintaining the safety margin and introducing a minimum threshold for farmers affected].

Other elements relating to Pillar I

p.m. possible mechanism to adjust direct payments.

Greening [of direct payments]

8. The overall environmental performance of the CAP will be enhanced through the greening of direct payments by means of certain agricultural practices, to be defined in the *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*, beneficial for the climate and the environment [that all farmers will have to follow]. [The regulation will contain flexibility for the Member States relating to the choice of greening measures.] In order to finance those practices, Member States will use [30] % of the annual national ceiling.

OR

[Other provisions aiming at enhancing the overall environmental performance of the CAP.]

Flexibility between pillars

9. Member States may decide to make available as additional support for measures under rural development programming financed under the EAFRD, up to [10] % of their annual national ceilings for calendar years 2014 to 2019 as set out in Annex II to the Regulation on direct payments. As a result, the corresponding amount will no longer be available for granting direct payments.
10. Member States with direct payments per hectare below [90%] of EU average after general budget reduction, phasing in and redistribution may decide to make available as direct payments under this Regulation up to [5] % of the amount allocated to support for measures under rural development programming financed under the EAFRD in the period 2015-2020. As a result, the corresponding amount will no longer be available for support measures under rural development programming.

Pillar II

Principles for distribution of rural development support

11. Support for rural development will be more equitably distributed between Member States, while taking into account the objectives of the rural development, by reducing the link to historical references and having regard to the overall context of Common Agriculture Policy and the Union budget.
12. The overall amount of support for rural development will be EUR [X]. [The annual breakdown and the minimum amount to be concentrated in less developed regions will be fixed by the European Parliament and the Council.] [To the amounts for the individual Member States will be added the result of the capping referred to in paragraph 6.]

13. [The Commission will, by means of an implementing act, make an annual breakdown by Member State of the final amounts [(including amount generated by the capping of the direct payments)]. In making the annual breakdown the Commission will take into account objective criteria and past performance:]

[Objective criteria to be defined relating to:

- the competitiveness of agriculture;
- sustainable management of natural resources, climate action;
- balanced territorial development of rural areas.]

OR

[The provisions for distributing the overall amount for rural development between Member States will be the following (elements to be inserted):]

Co-financing rates for rural development support

14. The rural development programmes will establish a single EAFRD contribution rate applicable to all measures. Where applicable, a separate EAFRD contribution rate will be established for less developed regions [, regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27, transition regions [*if they are established in the CSF part of the box*]] and for outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93. The maximum EAFRD contribution rate will be:

- [75 - 85]% of the eligible public expenditure in the less developed regions, the outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 ;
- [[75]% of the eligible public expenditure for all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27 [*if this is established in the CSF part of the box*];

- [60] % of the eligible public expenditure for the transition regions other than those referred to in the previous indent [*if they are established in the CSF part of the box*]
- [50 - 55]% of the eligible public expenditure in the other regions.
- [[75]% for operations contributing to the objectives of environment and climate change mitigation and adaptation.]
- amounts transferred from pillar I to pillar II referred to in paragraph 9 as additional support under rural development will be co-financed according the general co-financing rates

OR

[100] % for amounts transferred from pillar I to pillar II referred to in 9 as additional support under rural development.

The minimum EAFRD contribution rate will be 20%. Other maximum EAFRD contribution rates to specific measures will be set in the Regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)].

Other elements

[moved to the CSF section of the box]

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15. Financing under Heading 2 will also support the Common Fisheries Policy and Integrated Maritime Policies, in particular through the European Maritime and Fisheries Fund and an envelope for the international dimension of the CFP as well as activities in the fields of climate and environment through the Programme for the Environment and Climate Action (LIFE).