



Council of the  
European Union

Brussels, 13 April 2016  
(OR. en)

7901/16

AGRI 183  
AGRIFIN 37  
FIN 229

**NOTE**

---

From: General Secretariat of the Council  
To: Delegations

---

Subject: Proposal for a Regulation of the European Parliament and of the Council  
fixing the adjustment rate provided for in Regulation (EU) No 1306/2013 for  
direct payments in respect of calendar year 2016  
- Information from the Presidency

---

Delegations will find in Annex an information note from the Commission on the above mentioned proposal in view of the Special Committee on Agriculture on 18 April 2016.

## SCA 18 APRIL 2016 - INFORMATION NOTE

### COMMISSION PROPOSAL ON FINANCIAL DISCIPLINE IN CALENDAR YEAR 2016 (COM(2016)159)

#### 1. INTRODUCTION

This working document provides technical explanations on the budgetary calculations underlying the Commission proposal COM (2016) 159 of 22 March 2016 on financial discipline to be applied to direct payments in respect of calendar year 2016 (corresponding to financial year 2017 for direct payments).

The explanations in this working document are additional to the information already presented in the financial statement that accompanies the legislative proposal.

#### 2. THE NEED TO APPLY FINANCIAL DISCIPLINE IN CALENDAR YEAR 2016 (FINANCIAL YEAR 2017)

##### 2.1. The basis

According to Article 25 of Regulation (EU) No 1306/2013<sup>1</sup>, for the period 2014-2020 the reserve for agricultural crises needs to be established annually through a financial discipline mechanism. Moreover, Article 26 of the same regulation foresees that financial discipline should be applied when the forecasts for the financing of direct payments and market-related expenditure indicate that the relevant sub-ceiling for a given financial year under heading 2 of the Multiannual Financial Framework will be exceeded.

---

<sup>1</sup> Regulation (EU) No 1306/2013 of the European Parliament and European Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy

The available amounts for the financing of the market-related expenditure and direct payments taking into account all the financial transfers between the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) is set by Regulation (EU) 2016/257<sup>2</sup> (hereinafter EAGF net balance), to be taken into account in the upcoming technical adjustment of the MFF<sup>3</sup>.

## 2.2. Amount of financial discipline

Article 25 of Regulation (EU) No 1306/2013 foresees a crisis reserve of EUR 2 800 million (in 2011 prices) over seven years included under Heading 2 and to be financed by financial discipline<sup>4</sup>. For financial year 2017, the **crisis reserve** amounts to **EUR 450.5 million** in current prices.

In drawing up the 2017 Draft Budget<sup>5</sup>, the first budgetary estimates for direct payments and market related expenditure showed that the EAGF net balance for financial year 2016 of **EUR 44 146 million** is not likely to be exceeded.

Therefore, as financial discipline is not required in order to ensure the respect of the EAGF net balance, the Commission proposal on financial discipline takes only into account the establishment of the crisis reserve.

The amount of financial discipline is consequently identical to the amount of crisis reserve at EUR 450.5 million.

---

<sup>2</sup> Commission Implementing Regulation (EU) 2016/257 of 24 February 2016 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure.

<sup>3</sup> In accordance with Article 6 of Regulation (EU, EURATOM) No 1311/2013

<sup>4</sup> Article 26 of Regulation (EU) No 1306/2013 also foresees that if the amount of the crises reserve has not been used, it will be reimbursed to farmers.

<sup>5</sup> The Commission is scheduled to present the Draft Budget 2017 in May.

### 3. THE ADJUSTMENT OF DIRECT PAYMENTS

#### 3.1. Amounts subject to financial discipline

According to Article 26 of Regulation (EU) No 1306/2013, financial discipline applies to **all direct payments** defined as the support schemes listed in **Annex I to Regulation (EU) No 1307/2013**<sup>6</sup>. In financial year 2017 (corresponding to calendar year 2016 for direct payments) **Croatia** is **still** exempted, as it is in the process of phasing-in of direct payments. However, in Bulgaria and Romania support is fully phased-in as from calendar year 2016, meaning that the financial discipline will apply. Moreover, Article 8(1) of Regulation (EU) 1307/2013 foresees that the financial discipline reduction shall apply only to the direct payments **in excess of EUR 2 000**.

#### 3.2. The adjustment rate

The rate is calculated as a division of the amount of financial discipline by the amounts subject to financial discipline in the provisional estimates for the Draft Budget 2017.

The methodology to estimate the amounts subject to financial discipline takes into account for each Member State the share of direct payments exceeding EUR 2 000 resulting from the declaration of expenditure related to calendar year 2014, (see Annex I) and the modification in the structure of direct payments as of calendar year 2015 being the first year of implementation of the schemes foreseen by Regulation (EU) No 1307/2013. The estimates for Bulgaria and Romania, which are subject to financial discipline for the first time, are based on the Farm Accountancy Data Network (FADN).

---

<sup>6</sup> Regulation (EU) No 1307/2013 of the European Parliament and European Council establishing rules for direct payments to farmers under support schemes and within framework of the common agricultural policy.

The rate for 2017 is 1.366744 % (see table below). As in previous years, it is rounded to 6 decimals to be as accurate as possible.

Description	Amount in EUR, current prices Financial year 2017
Amount to be reduced from direct payments by financial discipline	450 500 000
Amounts subject to financial discipline in the Draft Budget 2017	÷ 32 961 549 998
<b>Financial discipline adjustment rate</b>	= <b>1.366744%</b>

### 3.3. The estimated financial discipline per budget item of direct payments

By applying the adjustment rate to the amount subject to financial discipline by direct payment scheme and Member State, the reduction due to financial discipline can be estimated by budget item (direct payment scheme). The estimated reduction due to financial discipline per budget item is presented in the financial statement that accompanies the legislative proposal (see also Annex II).

## 4. FINAL REMARKS

Based on these budgetary calculations, the Commission presented on 22 March 2016 a legislative proposal to apply financial discipline.

The financial discipline regulation is to be adopted by the European Parliament and the Council by 30 June 2016. If it is not adopted by that date, the Commission will set the adjustment rate in accordance with Article 26(3) of Regulation (EU) No 1306/2013.

In autumn 2016, the Commission will as usual review its forecasts for market-related expenditure and direct payments when preparing the Amending Letter to the 2017 Draft Budget. This also gives the opportunity to review the financial discipline adjustment rate. In this context, if necessary, the Commission may adopt by 1 December 2016 an Implementing Regulation adapting the adjustment rate.

## Annex I

### Methodology for financial discipline calculation

The rate is calculated as the division of the amount of financial discipline by the amounts subject to financial discipline in the provisional estimates for the Draft Budget 2017.

The **denominator** is calculated based on the **budgetary forecast** for direct payments and on an estimate of the **share of direct payments above EUR 2 000**. For each direct payment scheme existing in calendar year 2016 and each Member State except Croatia, the budgetary forecast is multiplied by the estimated share of direct payments above EUR 2 000 for this particular scheme and Member State.

As financial discipline has been applied since calendar year (CY) 2013, data on the share of direct payments below EUR 2 000 are now available in the declarations of expenditure of the Member States. On the basis of these declarations for CY 2014, which is the most recent year with final figures available, the share of direct payments below EUR 2 000 (hence not subject to financial discipline) are known at the level of Member States and by support scheme.

The effective share of payments below EUR 2 000 by scheme based on these declarations is applied in calendar year 2016 (budget 2017), by using information coming from past schemes for the new ones.

The effective share of CY 2014 is kept for SAPS, cotton and POSEI. Depending on Member States, the effective share of CY 2014 for SPS and SAPS is applied to redistributive payment, basic payment scheme, payment for agricultural practices beneficial for the climate and the environment, payment for areas with natural constraints and payment for young farmers. The share for voluntary coupled support is calculated on the basis of the effective share for coupled support in CY 2014. Additional controls have been implemented to make sure the accuracy of the estimate for CY 2016.

As declarations on expenditure affected by the reduction rate are not yet available for Bulgaria and Romania, which are submitted to financial discipline for the first time, calculations for them are based on the Farm Accountancy Data Network (FADN).

This gives the amount subject to financial discipline by direct payment scheme (per budget line). With summing up the obtained amounts of direct payments schemes existing in calendar year 2016, the total amount subject to financial discipline is obtained: EUR 32 961.5 million. The calculation can be illustrated as follows:

Budget item (direct payment scheme existing in calendar year 2016)	Member State (except Croatia)	Budgetary forecast	Share of direct payments above 2000 EUR	Amount subject to financial discipline
05 03 .....	...	(a1)	(b1)	(c1) = (a1) x (b1)
...	...	(a2)	(b2)	(c2) = (a2) x (b2)
...	...	...	...	...
<b>Total</b>				<b>EUR 32 961.5 million</b>



## Annex II

### The estimated financial discipline per budget item of direct payments

By applying the adjustment rate to the amount subject to financial discipline by direct payment scheme and Member State, the reduction due to financial discipline can be estimated by budget item (direct payment scheme). This allows the calculation of the budget forecast by scheme after financial discipline (see the table below).

Budget item (direct payment scheme existing in calendar year 2016)	Member State (except Croatia)	Amount subject to financial discipline	Reduction due to financial discipline	Budgetary forecast after financial discipline
05 03 .....	...	$(c1) = (a1) \times (b1)$	$(d1) = (c1) \times 1.366744\%$	$(e1) = (a1) - (d1)$
...	...	$(c2) = (a2) \times (b2)$	$(d2) = (c2) \times 1.366744\%$	$(e2) = (a2) - (d2)$
...	...	...	...	...
...	...	...	...	...
<b>Total</b>		<b>EUR 32 961.5 million</b>	<b>EUR 450.5 million</b>	

The estimated reduction due to financial discipline per budget item is the following:

Budget item (direct payment scheme existing in calendar year 2016)	Reduction due to financial discipline (EUR million)
05 03 01 02 Single area payment scheme (SAPS)	43.2
05 03 01 07 Redistributive payment	17.2
05 03 01 10 Basic payment scheme (BPS)	198.4
05 03 01 11 Payment for agricultural practices beneficial for the climate and the environment	130.8
05 03 01 12 Payment for areas with natural constraints	0.0
05 03 01 13 Payment for young farmers	5.4
05 03 02 40 Crop-specific payment for cotton	3.3
05 03 02 50 POSEI – Community support programmes	5.0
05 03 02 52 POSEI – Aegean Islands	0.1
05 03 02 60 Voluntary coupled support	47.1
05 03 02 61 Small farmers scheme	p.m.