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NOTE

From: Presidency
To: Special Committee on Agriculture

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Subject: Regulation on CAP Strategic Plans
- Financial flexibility in direct payments

Delegations will find in the Annex a Presidency paper on the abovementioned subject for an exchange of views at the Special Committee on Agriculture on 16 September 2019.

SCA 16 September 2019 - Financial flexibility in direct payments

Based on the written comments from Member States and the discussions in the "Agriculture and Fisheries" (AGRIFISH) Council, the Special Committee on Agriculture (SCA) and the Working Party on Horizontal Agricultural Questions (WP HAQ), it is clear that Member States want **more flexibility** in the allocation of funds within the direct payment system. The main concern is the difficulty to **plan in advance** the funds to be reserved for eco-schemes - particularly because it is a "new" scheme, thus without prior experience in its implementation - or for the young farmers scheme. This could lead to two unwanted situations:

- In cases of **under-execution** (i.e. fewer applications than planned) there would be a risk of unused funds, even though certain possibilities are provided to transfer them to other interventions.
- In cases of **over-execution** (i.e. more applications than planned) there would not be enough funds to cover the actual needs, unless funds became available due to under-execution in other interventions. This might prove critical especially regarding eco-schemes or the young farmers' scheme. Not having enough funds could send a negative signal and act as a disincentive for farmers. If the goal is to encourage farmers to commit to engage in agricultural practices beneficial for the environment and to support young farmers in their first years after setting up, it is key to ensure sufficient funding.

One way to create the desired flexibility would be to allow the **fixing of maximum and minimum amounts of support per unit. This would consist** in extending the concept of **maximum amount/variation** in Article 89(1) of the CAP Strategic Plans Regulation by allowing the realized unit amount to be not only higher but also lower than the planned unit amount (within certain limits, as the goals of different interventions need to be respected). The current formulation of Article 89(1) allows it to be only higher than the planned unit amount. This change would make it possible to lower the unit amounts planned for direct payments interventions and use the freed funds for other interventions where more funds would be needed.

The proposed possibility to allow the realized unit amount also to be *lower* than the planned unit amount would give Member States the flexibility they are requesting to tackle possible cases of over-execution of certain interventions, notably eco-schemes and complementary income support for young farmers.

If flexibility is increased as suggested, corresponding technical changes would need to be introduced also to Article 99(g) concerning the description of the unit amounts of interventions in the Strategic Plans.

Question for debate: Is the Presidency's suggested approach sufficient to make the financial planning of interventions more flexible?

Drafting proposal:

Change in the first and second sub-paragraph and delete third sub-paragraph of Article 89(1):

Article 89(1)

Without prejudice to the application of Article 15, Member States ~~shall~~ **may** set a maximum **or minimum** amounts of support per unit, **or both** or a percentages of lower or upper variation, **or both** for each intervention of the following types of interventions:

- a) decoupled direct payments and coupled income support referred to in Chapter II of Title III;
- b) payments for management commitments referred to in Article 65;
- c) payments for natural constraints or other area-specific disadvantages referred to in Article 66 and 67.}

The Percentage percentages of **lower or upper** variation ~~is~~ **are** the percentages by which the realised average or uniform unit amount may **be lower than, or** exceed the planned average or uniform unit amount referred to in the CAP Strategic Plan.

~~For each intervention in the form of direct payments, **Member States shall not reduce** the realised average or uniform unit amount shall never be lower than **below the level of** the planned unit amount **for the sole purpose of increasing support for other interventions**, unless the realised output exceeds the planned output as established in the CAP Strategic Plan.~~

For each intervention in the form of direct payments, the realised average or uniform unit amount shall never be lower than the minimum unit amount or the planned unit amount after application of the lower percentage of variation, unless the realised output exceeds the planned output as established in the CAP Strategic Plan.

Where different unit amounts have been ~~defined within~~ **established for** an intervention, this ~~sub~~paragraph shall apply to each uniform or average unit amount of that intervention.
