Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	Measures to prevent loss of funds and reduce the administrative burden in the management of EAFRD funds. - *Information from the Bulgarian delegation, on behalf of the Bulgarian, Czech, Greek, Lithuanian, Romanian and Slovak delegations*

Delegations will find in the Annex a note from the Bulgarian delegation on the above-mentioned subject, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 24 June 2024.

ANNEX

MEASURES TO PREVENT LOSS OF FUNDS AND REDUCE THE ADMINISTRATIVE BURDEN IN THE MANAGEMENT OF EAFRD FUNDS

Information from the Bulgarian delegation, on behalf of the Bulgarian, Czech, Greek, Lithuanian, Romanian and Slovak delegations

During the last few years, a number of adverse events has hit the agricultural sector in Europe. High inflation, labor shortages, post-Covid supply chain disruptions, Russia's war of aggression against Ukraine, rising interest rates, rising energy and commodity prices and adverse weather events such as severe droughts and flooding are all impairing the competitiveness of European agricultural production.

This situation has shown the importance of the ability of the European Union to guarantee its food security by increasing the production of agricultural products from key sectors and reducing its strategic dependence on agricultural imports. The removal of customs duties on imports of agricultural products from Ukraine added additional pressure on the sector. All this led to a great uncertainty among farmers, who suffered significant losses and refused to implement approved investment projects which delayed the implementation of the rural development programs.

The regulatory framework for the implementation of the 2014-2020 programs has been adapted in recent years to provide Member States with more liquidity to deal with the consequences of the COVID-19 pandemic and Russia's war of aggression against Ukraine. These measures had their positive impact on the agricultural sector, but their management has put an additional burden on the Managing Authorities and the Paying Agencies. To the usual workload at the end of a program period, when two instruments - the RDP 2014-2020 and the Strategic Plan 2023-2027 - are managed simultaneously, another one - the Recovery and Resilience Plan - has been added - each with its own regulatory framework of rules and separate deadlines for execution. In addition to the constant flow of new regulations alongside the Green Deal, which require continuous adaptation of national rules and financial support programs, this was also added to the administrative burden for the responsible authorities.

In order to fully use and implement the introduced measures enough time and additional administrative resources are needed.

Urgent measures are needed in order to prevent the potential loss of funds at the time of closure of the RDP and to ensure that the programmes' management is as adapted as much as possible to the constant changing conditions and can react to emerging crises, **we would like to propose the extension with 12 months of**:

- **The eligibility period for expenditures,** while the remaining budgetary commitments for 2024 and 2025 are fairly reallocated to the extended period;
- **Administrative closure deadlines** for the period between 2014 and 2020 – application and closure documents submission deadline;
- **Programmes amendment deadline –** similar to the eligibility period for expenditures.

In addition, we would like to propose providing flexibility in disbursement of funds by measures and focus areas (e.g. payments could go above or below the programmed amounts for individual measures or focus areas), but without exceeding the total support amount of RDP.

The flexibilities provided in the regulatory state aid framework helped the Member States in their efforts to overcome the effects of the Russian war of aggression against Ukraine, but resulted in further pressure on public budgets. In order to enable the Member States to address the continuing budget pressure, we propose the following measure:

- **Allow the application of 100% Union co-financing rate** for the Rural Development Programmes. This measure should have retroactive effect for the current accounting year and the last year of application of the RDP.

With the adoption of Regulation (EU) 2024/795 amending Art. 25a and 135 of Regulation (EU) 1303/2013 such facilitations are already implemented in the management of the EU Cohesion Policy Funds where the administrative burden in the implementation process is considerably smaller than the one in the Common Agricultural Policy.

Alternatively, **a complete derogation for all Member States from the N+3 rule**[1] **for 2024 (Budget 2021 of the Financial Plan)** could be introduced.

The reduction of administrative burden for the Managing Authorities under the EAFRD and prevention of potential loss of funds intended for the agricultural producers at the end of the programming period will have a desirable stabilizing effect on the agricultural sector.

In the same economic, environmental and social environment for the agricultural sector, alongside the Rural Development Programmes 2014-2022, the Strategic Plans of Common Agricultural Policy 2023-2027 are also being implemented from 2023 onwards. The N+2 decommitment rule is extremely burdensome for the Member States and needs to be revised to an N+3 rule, as was the case for the 2014-2022 period and is the case for the 2021-2027 period for all Structural Funds except for the EAFRD.

We, therefore, invite the European Commission to consider amending the respective regulations, in accordance with these measures and in close cooperation with the Member States.

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[1] Provisions of Art 38, para 1 of Regulation (EU) 1306/2013 of the European Parliament and of the Council of 17 December 2013