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NOTE

From:	Presidency
To:	Delegations
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Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council - Policy debate

I. INTRODUCTION

1. On 1 June 2018, the Commission proposed a reform of the Common Agricultural Policy (CAP) for the time after 2020, including a **CAP Strategic Plans Regulation (CAP SPR)**, encompassing direct payments, interventions in certain sectors and rural development, updating and replacing the current Direct Payments and Rural Development Regulations.

2. On 21 July 2020, the European Council adopted conclusions on the multi-annual financial framework (MFF) for 2021-2027, containing guidance also on key elements of the MFF-related sectoral legislative acts, including the CAP SPR.
3. On 21 October 2020, the "Agriculture and Fisheries" Council agreed a General Approach on the CAP reform, hereby providing the Presidency with a negotiating mandate (doc. 12148/20 REV 1 + ADD 1). On 23 October 2020, the European Parliament concluded the vote on its negotiating position.
4. On 10 November 2020, the negotiations with the European Parliament on the three CAP reform Regulations were kicked-off at a jumbo trilogue. Since then, seven trilogues dedicated to the CAP SPR took place (19 November, 1 and 17 December 2020, as well as on 22 January, 10 and 23 February, and 11 March 2021).
5. The topics covered so far in the CAP SPR negotiations with the European Parliament include:
 - the green architecture (block 1: conditionality, eco-schemes, Farm Advisory Services);
 - the new delivery model (block 2: objectives, indicators, unit amounts, annual performance reports, performance review);
 - the scope and common requirements (block 4);
 - direct payments (block 5: definitions, reduction of payments, internal convergence, redistributive payments, small farmers, young farmers)
 - sectoral interventions (block 6)
 - rural development interventions (block 7).

II. STATE OF PLAY

Topics provisionally agreed

6. The trilogue discussions with the European Parliament and the Commission have allowed to reach provisional agreements in particular on:
- some **definitions** in Art. 3 and 4, such as 'farmer', 'holding', 'arable land' and 'permanent crops';
 - the majority of the **objectives** set out in Art. 5 and 6;
 - the European Parliament's amendments related to **sustainable development, gender perspective** and the **global dimension of the CAP** in Art. 9a, 9c and 10a;
 - **WTO domestic support** in Art. 10;
 - some elements of the green architecture, such as the **principle and scope of conditionality** in Art. 11, **Member States' obligations relating to GAECs** in Art. 12, **Farm Advisory Services** in Art. 13 (except of the Farm Sustainability Tool for Nutrients) and several GAECs and SMRs set out in Annex III; further work is needed in particular on the eco-schemes in Art. 28;
 - the implementation of the **Blair House agreement** in Art. 10a;
 - some provisions on **direct payments**, such as the minimum requirements for direct payments in Art. 15a and for decoupled direct payments in Art. 16;
 - several provisions on **sectoral interventions** and **rural development** interventions;

- the key elements of the new delivery model, in particular **annual performance reports** and **biennial performance reviews** (opposed by the Commission), a **benchmark** for performance clearance as in the Council General Approach, **maximum planned average unit amounts** for both IACS and non-IACS rural development interventions, tolerance levels for deviations of 35% in 2025 and 25% in 2027 for the performance review; further technical work is needed on additional indicators.

Topics with marked divergent positions

7. The trilogue discussions have shown marked divergent Council and European Parliament positions in particular on the following topics:
 - **Social conditionality** (Art. 11a): the European Parliament asks for a "fully-fledged" social conditionality system, similar to environmental conditionality, with checks against relevant directives and administrative penalties; when discussing this amendment in the SCA, delegations expressed concerns about the administrative burden that this would entail, recalling that employment and social rights are already regulated at national level;
 - **Active farmer** (Art. 4): in line with the philosophy of the performance based new delivery model, the Council's General Approach provides for a voluntary active farmer concept, while the European Parliament and the Commission ask for its mandatory application; further divergences include the criteria in the definition, with the Parliament requiring active farmers to engage in a minimum agricultural activity and providing public goods, and the Parliament's request for a negative list;

- **New farmers** (Art. 4): the European Parliament asks to add a definition for new farmers, together with support measures for the installation of new farmers under pillar II, while the Council's General Approach targets the limited CAP resources to young entrants to ensure generational renewal;
- **Schemes for boosting competitiveness** (Art. 28a): the European Parliament wants to oblige Member States to set up "boost-schemes" to support farmers who commit to spend money for improving their competitiveness; while this amendment has not been yet discussed in the Council, the Presidency believes that the scope of this scheme is already covered by other rural development interventions;
- **Capping and degressivity** (Art. 15): positions diverge in particular on whether the reduction of payments will be voluntary, as called for by the Council, or mandatory, as asked for by the European Parliament and proposed by the Commission. Further differences relate to the scope of application (to be limited to BISS according to the Council but extended to all direct payments according to the European Parliament and the Commission), the differentiation made by the Council between capping and degressivity and the extent to which salaries may be deducted before direct payments are reduced;
- **Internal convergence** (Art. 20): the main difference between positions relates to the question whether payment entitlements should be fully aligned by claim year 2026, as requested by the European Parliament, or reach a minimum value of 75% of the planned average unit amount, as proposed by the Commission and supported by the Council's General Approach;

- **Payments for small farmers** (Art. 25): the co-legislators are divided on whether this scheme is to be applied on a voluntary (Council and Commission) or mandatory basis (European Parliament); another difficulty is linked to the Parliament's request for setting an EU wide maximum amount for the eligibility of this aid;
- **Redistributive payments** (Art. 26): the main dividing line between the Council and the European Parliament is whether to give Member States the choice to grant these payments, as requested by the former, or to oblige them, as asked for by the latter and proposed by the Commission;
- **Income support for young farmers** (Art. 27): views diverge on the minimum level to be allocated to young farmers, with the European Parliament requesting a minimum of 4% of direct payments, compared to the 2% proposed by the Commission and backed by the Council; another decision is required on whether these funds should be used under pillar I only, as asked for by the European Parliament, or under both pillars, as called for by the Council and the Commission;
- **Annex IXaa**: the European Parliament asks to set out the maximum amounts of support for certain types of rural development interventions in a detailed list, in line with the current Rural Development Regulation 1305/2013; the Presidency believes that such a list reflects the "old CAP", preventing the future CAP to deploy its full potential, position supported by the Commission.
- **Result indicators used for performance review**: while the Commission and the European Parliament want all result indicators to be used for performance review, the Council's General Approach limit them to twelve. Furthermore, the Council asks for the possibility to use any other relevant result indicators of Annex I or any other CAP Strategic Plan specific result indicators for the performance review, which is opposed by both the European Parliament and the Commission.

III. WAY FORWARD

8. While the trilogues held so far allowed the Council and the European Parliament to align their views on several topics, further intensive work will be needed to reach a comprehensive agreement on the whole CAP SPR.
9. *On the basis of this document, Ministers will be invited to exchange views at the next "Agriculture and Fisheries" Council on the outstanding issues, with a view to providing the Presidency with guidance for the forthcoming trilogue discussions. They will in particular be invited to focus on the following issues:*

Targeting of payments: active farmer, capping, degressivity, redistributive payments, internal convergence, small farmers, young farmer, new farmer;

New Delivery Model:

Mini package from the 5th trilogue (benchmark for performance clearance, biennial performance review, maximum planned unit amounts for non-IACS Rural Development interventions, tolerance levels for deviations), CAP Strategic Plan-specific indicators, result indicators for performance review, Annex IXaa
