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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	AOB item for the meeting of the “Agriculture and Fisheries” Council on 9-10 December 2024. Joint letter of Ministers of Agriculture on Annual Performance Clearance <i>Information from Spain, on behalf of Latvia and Spain, supported by all Member states</i>

Annual Performance Clearance

At the initiative of the Spanish and Latvian ministers, the agriculture ministers of the 27 Member States have addressed the attached letter to the Commission on the difficulties encountered with the application of the unit amounts and the annual performance clearance procedure, new elements in the CAP’s New Delivery Model.

In this letter, the Member States highlight that the new approach with calculation of the deviations between the planned and the realised unit amounts is not the appropriate instrument to ensure the reliability and regularity of EU agricultural expenditure, nor to assess the progress made in achieving the objectives set out in the CAP Strategic Plans.

Moreover, the practical application of this procedure implies a substantial administrative burden for both Member States and the Commission services and may lead to significant financial reductions in Member States' CAP eligible expenditure that complies with EU rules and the criteria set out in the CAP strategic plans.

While we, the Member States, welcome the Commission's recognition of the shortcomings of the procedure and appreciate its efforts in looking for an interim solution by proposing changes to the CAP secondary legislation, we believe that a definitive solution already in the current planning period is needed. We therefore call on the Commission for the amendment of the CAP basic acts by abandoning the application of unit amounts and by revising the annual performance clearance procedure to decouple the eligibility of agricultural expenditure from the comparison between the realised and the planned unit amounts.

H.E.

Janusz Wojciechowski
Commissioner for Agriculture

Luis Planas Puchades
Spanish Minister of Agriculture,
Fisheries and Food

Armands Krauze
Latvian Minister for Agriculture

Joint letter of Ministers of Agriculture on Annual Performance Clearance

15 November 2024

Dear Commissioner, dear Janusz,

I am writing to you on behalf of the Ministers of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden to draw your attention to the performance clearance procedure that is being applied since the entry into force of the new delivery model of the Common Agricultural Policy (CAP).

One of the new developments of the last CAP reform is its increased performance orientation. The undersigned Ministers share the importance of this new approach, which will undoubtedly allow to demonstrate, with tangible results, the benefits of this policy for the entire EU. In this respect, you can count on our firm commitment to make progress on this new model and to ensure that its implementation is a success.

Annual performance reports are one of the key elements of the new delivery model, and the annual performance clearance is carried out based on these reports.

The purpose of this clearance procedure is to determine the eligibility of CAP expenditure by comparing the planned unit amount per output provided for in the CAP Strategic Plans and the unit amount actually realised. The experience learned after the first performance clearance of financial year 2023 has shown the imperative and urgent need to jointly reflect on the usefulness and added value of this procedure.

Thus, the signatory Member States want to share with the Commission the difficulties we are facing in the framework of performance clearance. Consequently, we would like to highlight that the quantification of deviations between the planned and the finally realised unit amounts is not the appropriate instrument to ensure the reliability and regularity of EU agricultural expenditure, nor to assess the progress made towards achieving the objectives set out in the CAP Strategic Plans.

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In addition, and as regards its practical implementation, we would like to stress the significant administrative burden of this exercise to our administrations, bearing in mind that there are a high number of unit amounts in each strategic plan (which can reach more than 2,000 in some countries), which were inevitable especially in regionalized Member States. It is to be expected that, especially for interventions that are not part of the integrated administration and control system (IACS), the deviations between the planned and the realised unit amount will be very numerous and recurrent. This will require the preparation of numerous justifications by the Member States, which will have to be assessed by the Commission. This increase in the administrative burden is contrary to the principle of simplification defined at the time of approval of the new CAP delivery model.

As regards its consequences, we are deeply concerned about the budgetary impact resulting from this performance clearance mechanism, which may lead to significant financial reductions of eligible expenditures that comply with EU rules and criteria set out in the CAP strategic plans. This would have substantial impact on the national budgets and, ultimately, on support for the agricultural sector.

The new delivery model relies primarily on the biennial performance review, based on the fulfilment of milestones and targets through various indicators, which do allow measuring the aforementioned achievement of objectives.

Already at the Agriculture and Fisheries Council of Ministers, held on 23 September 2024, 22 Member States, at the initiative of the Latvian delegation, expressed our deep concern about the increasing difficulties and the negative financial consequences of this clearance procedure and called on the European Commission to adopt a more proportional and balanced approach in its interpretation of the new model.

In response, the Commission presented at the beginning of October its simplification proposal based on the definition of a *de minimis* threshold of EUR 1 000 applicable to the financial impact of each deviation from the unit amount, up to a maximum of EUR 100 000 per Member State. While we appreciate this first step, we consider it clearly insufficient as it does not resolve the difficulties we are facing.

That is why, through this letter, we firmly emphasize the need for an implementation of the basic act in line with the interpretation we, the Member States, had made, that deviations below a threshold of 50% do not have to be justified. In addition, we call on the Commission to consider qualitative as well as quantitative information in its assessment of the justifications.

If this approach is not accepted, a review of the existing regulatory should be initiated without delay in order to make the necessary adjustments to abandon the unit amount as a performance indicator.

The EU institutions, must work hand in hand to make Europe simpler, a mandate that is expressly set out in the political guidelines of the President of the Commission for the period 2024-2029 to the College of Commissioners.

That is why, in this work of simplification and rationalisation, we must identify those procedures that are superfluous, and whose removal does not undermine the achievement of the EU's objectives nor jeopardise the EU's financial interests, as we must concentrate our efforts on working for and with European farmers.

Norbert Totschnig Austrian Federal Minister of Agriculture, Forestry, Regions and Water Management	David Clarinval Belgian Deputy Prime Minister and Minister for the Self-Employed, SMEs and Agriculture, Institutional Reforms and Democratic Renewal
Georgi Tahov, PhD Bulgarian Minister of Agriculture and Food	Josip Dabro Croatian Deputy Prime Minister and Minister of Agriculture, Forestry and Fisheries
Dr. Maria Panayiotou Cypriot Minister of Agriculture, Rural Development and Environment	Marek Výborný Czech Minister of Agriculture
Jacob Jensen Danish Minister of Food, Agriculture and Fisheries	Piret Hartman Estonian Minister of Regional Affairs and Agriculture
Sari Essayah Finnish Minister of Agriculture and Forestry	Annie Genevard French Minister of Agriculture, Food Sovereignty and Forestry
Cem Özdemir German Federal Minister for Food and Agriculture	Konstantinos Tsiaras Greek Minister of Rural Development & Food

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István Nagy Hungarian Minister of Agriculture	Charlie McConalogue Irish Minister for Agriculture, Food and the Marine
Francesco Lollobrigida Italian Minister of Agriculture, Food Sovereignty and Forestry	Kazys Starkevičius Lithuanian Minister of Agriculture
Martine Hansen Luxembourg Minister of Agriculture, Food and Viticulture	Anton Refalo Maltese Minister for Agriculture, Fisheries, and Animal Rights
Femke Marije Wiersma Dutch Minister of Agriculture, Fisheries, Food Security and Nature	Czesław Siekierski Polish Minister of Agriculture and Rural Development
José Manuel Fernandes Portuguese Minister of Agriculture and Fisheries	Florin Ionuț Barbu Romanian Minister of Agriculture and Rural Development
Richard Takáč Slovak Minister of Agriculture and Rural Development	Mateja Čalušić Slovenian Minister of Agriculture, Forestry and Food
Peter Kullgren Swedish Minister for Rural Affairs	
	<p><u>In copy:</u></p> <p>Christophe Hansen Commissioner-designate for Agriculture and Food</p> <p>Valdis Dombrovskis Commissioner-designate for Economy and Productivity; Implementation and Simplification</p>