



2018/0217(COD)

23.11.2018

OPINION

of the Committee on Budgets

for the Committee on Agriculture and Rural Development

on the proposal for a regulation of the European Parliament and of the Council
on the financing, management and monitoring of the common agricultural
policy and repealing Regulation (EU) No 1306/2013
(COM(2018)0393 – C8-0247/2018 – 2018/0217(COD))

Rapporteur for opinion: Zbigniew Kuźmiuk

PA_Legam

SHORT JUSTIFICATION

In the draft horizontal regulation concerning the CAP (COM(2018)393), the Commission proposes to maintain the current financing structure of the CAP from two separate funds: 'the EAGF and the EAFRD. Measures with general coverage paid out in the annual system under the first pillar would be supplemented with funds under the multi-annual pillar II programmes.

In the Commission proposals for the EU's MFF for 2021-2027, the amount allocated to the CAP is EUR 324.3 billion at constant prices. The two pillars of the CAP are expected to be maintained. For direct payments and market interventions, the Commission has provided for EUR 254.2 billion in constant prices, with EUR 70 billion in constant prices for rural development.

The rapporteur disagrees with the decrease in the level of EU funding for the CAP. Significant cuts in CAP expenditure (EUR 31.896 billion in constant prices (2018)) for the first pillar, a reduction of 11%; EUR 26.675 billion in constant prices (2018) for the second pillar, a reduction of 28%) may have a negative impact on the ability to achieve the objectives of this policy. Such cuts would have negative consequences, extending beyond rural areas. In particular, a radical reduction in the financing of the second pillar may halt the process of levelling inequalities between agricultural areas in different Member States. Furthermore, they may disproportionately affect less prosperous countries with the greatest need for further economic convergence. A similar impact could be had by an increase in the level of national co-financing of the expenditure under the second pillar of the CAP.

In the rapporteur's view, increasing the environmental and climate ambitions of the CAP should go hand in hand with providing an increased budget for this purpose. Otherwise, imposing overly ambitious and complicated requirements on farmers will have a negative impact on achieving the objectives and results of the CAP.

The rapporteur insists on ensuring a level playing field for EU farmers in the EU single market. Farmers operating within the EU internal market must meet the same, increasingly high EU production standards. Therefore, the rapporteur advocates full equalisation of the level of direct payments between Member States and insists on the completion of the process of levelling out direct payments in the 2021-2027 financial perspective. With the new CAP objectives, the rate of equalisation of direct payments proposed by the Commission would maintain large, unjustified and inconsistent disparities in support for agricultural producers operating in the single market.

The rapporteur considers that the new agricultural reserve created under the EAGF should constitute a separate budget line, with EAGF expenditure planned for this purpose within the limit of the EAGF for the current year of the 2021-2027 period, without reducing expenditure for direct payments.

The rapporteur is in favour of restoring the exclusion of the financial discipline mechanism to beneficiaries receiving up to EUR 2 000 in direct payments. Coverage for all agricultural beneficiaries, as proposed by the EC, will not achieve the objective of balancing the distribution of direct support between various sized farms.

In the rapporteur's opinion, the Commission proposal to replace the currently binding N+3 rule with the N+2 rule for decommitment of unused budget commitments related to rural development interventions will narrow the implementation of the CAP's strategic plans and threaten the loss of funds by Member States.

The rapporteur proposes increasing the amount of advances for Member States to implement interventions funded from the EAFRD to 5% in the first year of implementation of the CAP strategic plan, i.e. in 2021.

In connection with the new CAP implementation model, the draft regulation extended the list of cases in which the Commission can suspend payments. Meanwhile, in managing CAP-financed programmes, Member States are already striving to contract and spend these funds efficiently.

In the rapporteur's view, the proposed setting of annual milestones will not result in the CAP being better targeted, but in significant administrative burdens and increased financial risks for Member States and farmers.

For the sake of simplification, the rapporteur proposes delete the reimbursement rule in Article 15, which, in his opinion, should be regulated by the provisions of the implementing act rather than a rule laid down in the basic act.

The rapporteur also proposes deleting Article 35 due to the fact that the possibility to use the performance reserve should be conditional on results, but the eligibility of costs at the level of the beneficiary should not be linked to the 'corresponding reported output'. This approach will introduce major limitations and difficulties at the stage of programming and implementing instruments.

In the opinion of the rapporteur, Articles 37, 38 and 39 should be deleted on account of their financial consequences for Member States resulting from decisions taken unilaterally by the Commission to suspend payments. In presenting this proposal, the Commission did not substantiate how such a system for implementing the multi-annual strategic plan would ensure better implementation of the objectives than is the case when applying the N+3 rule.

AMENDMENTS

The Committee on Budgets calls on the Committee on Agriculture and Rural Development, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a regulation

Recital 1 a (new)

Text proposed by the Commission

Amendment

**(1a) In its resolution of 30 May 2018
on the Multiannual Financial Framework**

and own resources for 2021-2027 (2018/2714(RSP), the European Parliament deplored the fact that the Commission proposal of 2 May 2018 on the MFF for 2021-2027 led to a 15% reduction in the level of common agricultural policy, and stated that it was particularly opposed to any radical cuts that would adversely impact on the very nature and objectives of that policy. It also questioned, in this context, the proposal to reduce the European Agricultural Fund for Rural Development by more than 25 %.

Amendment 2

Proposal for a regulation Recital 1 b (new)

Text proposed by the Commission

Amendment

(1b) Taking into account the importance of direct payments and all other payments in pillar one as well as second-pillar funds for farmers, which makes a significant contribution to investment and employment in rural areas, and given the fundamental role of common agricultural policy, the severe cuts envisaged for the second pillar of the CAP are not acceptable. Therefore, it is essential to maintain the funding allocated to the common agricultural policy 2021-2027 for the EU-27 at least at the level of the 2014-2020 budget while budgeting the initial amount for the agricultural crisis reserve: EUR 383.255 billion in 2018 prices (i.e. EUR 431.946 billion in current prices).

Amendment 3

Proposal for a regulation Recital 1 c (new)

(1c) Agriculture must not suffer any financial disadvantage as a result of political decisions such as the withdrawal of the United Kingdom from the EU or the funding of new European policies.

Amendment 4

Proposal for a regulation Recital 14

Text proposed by the Commission

Amendment

(14) With a view to ensuring that the amounts for the financing of the CAP comply with the annual ceilings, the financial discipline mechanism by which the level of direct support is adjusted, should be maintained. ***However, the threshold of EUR 2000 should be abolished.*** An agricultural reserve should be maintained to support the agricultural sector in the event of market developments or major crises affecting the agricultural production or distribution. Article 12(2)(d) of Regulation (EU, Euratom) [New Financial Regulation] foresees that non-committed appropriations may be carried over to the following financial year only. ***In order to significantly simplify the implementation for beneficiaries and national administrations, a roll-over mechanism should be used, using any unused amounts of the reserve for crises in the agricultural sector established in 2020.*** For this purpose a derogation from Article 12(2)(d) is necessary, allowing for non-committed appropriations of the agricultural reserve to be carried over without time limitation to finance the agricultural reserve in the following financial year(s). ***Furthermore, as regards the financial year 2020, a second derogation is necessary as the total unused amount of the reserve available at***

(14) With a view to ensuring that the amounts for the financing of the CAP comply with the annual ceilings, the financial discipline mechanism by which the level of direct support is adjusted, should be maintained. An agricultural reserve should be maintained to support the agricultural sector in the event of market developments or major crises affecting the agricultural production or distribution. Article 12(2)(d) of Regulation (EU, Euratom) [New Financial Regulation] foresees that non-committed appropriations may be carried over to the following financial year only. For this purpose a derogation from Article 12(2)(d) is necessary, allowing for non-committed appropriations of the agricultural reserve to be carried over without time limitation to finance the agricultural reserve in the following financial year(s).

the end of year 2020 should be carried over to the year 2021 to the corresponding line of the new agricultural reserve without being returned to the budgetary lines which cover direct payment interventions under the CAP Strategic Plan.

Justification

The exclusion of the financial discipline mechanism should be maintained for beneficiaries who receive up to EUR 2 000 in direct payments. Coverage for all agricultural beneficiaries, as proposed by the Commission, will not achieve the objective of balancing the distribution of direct support between various sized farms. The newly created agricultural reserve should constitute a separate budget item, financed without reducing expenditure for direct payments.

Amendment 5

Proposal for a regulation Recital 16 a (new)

Text proposed by the Commission

Amendment

(16a) Equalising the level of direct payments among the Member States is essential in order to ensure a level playing field in the EU's single market. There is an urgent need for a fair distribution of direct payments between Member States.

Amendment 6

Proposal for a regulation Recital 22

Text proposed by the Commission

Amendment

(22) As regards the financial management of the EAFRD, provision should be made with regard to budget commitments, payment deadlines, decommitment and interruptions. Rural **development** interventions are financed from the Union's budget **on** the basis of commitments made in annual instalments. Member States should be able to draw on the Union Funds provided for as soon as

(22) As regards the financial management of the EAFRD **established regarding the relevant lines of Common Provisions Regulation**, provision should be made with regard to budget commitments, payment deadlines, decommitment and interruptions. Rural **development** interventions are financed from the Union's budget the basis of commitments made in annual instalments.

the CAP Strategic Plans are approved. A suitably restricted prefinancing system is therefore needed, to ensure a steady flow of funds so that payments to beneficiaries under the interventions are made at the appropriate time.

Member States should be able to draw on the Union Funds provided for as soon as the CAP Strategic Plans are approved. A suitably restricted prefinancing system is therefore needed, to ensure a steady flow of funds so that payments to beneficiaries under the interventions are made at the appropriate time.

Amendment 7

Proposal for a regulation

Article 3 – paragraph 1 – point a

Text proposed by the Commission

(a) a **severe** natural disaster gravely affecting the holding;

Amendment

(a) a natural disaster gravely affecting the holding;

Justification

The definition of weather-related phenomena having the characteristics of a natural disaster is based on national law. Grading the level of a natural disaster will lead to unnecessary interpretation difficulties.

Amendment 8

Proposal for a regulation

Article 8 – paragraph 3 – subparagraph 2

Text proposed by the Commission

The deadline of 15 February referred to in the first subparagraph may be **exceptionally** extended by the Commission to 1 **March**, upon request by the Member State concerned, as provided for in the second subparagraph Article 63(7) of the Financial Regulation.

Amendment

The deadline of 15 February referred to in the first subparagraph may be extended by the Commission to 1 **May**, upon request by the Member State concerned, as provided for in the second subparagraph Article 63(7) of the Financial Regulation.

Justification

The suggested time frame of four months for the completion, certification and the Management Committee procedure of the performance report could be challenging and it would be shorter than the time frame currently in place for reporting under Pillar II. Sufficient time for gathering the information should be allowed.

Amendment 9

Proposal for a regulation

Article 14 – paragraph 2 – subparagraph 3

Text proposed by the Commission

Amendment

Moreover, by derogation from point (d) of Article 12(2) of the Financial Regulation, the total unused amount of the crisis reserve available at the end of year 2020 shall be carried over to the year 2021 without being returned to the budgetary lines which cover the actions referred to in point (c) of Article 5(2) and made available for the financing of the agricultural reserve. ***deleted***

Justification

The Commission's proposal not to return, in 2021, the unused 2020 crisis reserve in the form of increased direct payments to agricultural producers should be dropped. The new agricultural reserve should constitute a separate budget item (with expenditure planned for this purpose as part of the 2021 limit) without reducing expenditure for direct payments in 2014-2020. This is justified by the nature of the disbursement of funds from this reserve, which should support market mechanisms under the next MFF.

Amendment 10

Proposal for a regulation

Article 15 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. The adjustment rate shall only apply to direct payments in excess of EUR 2000 to be granted to farmers in the corresponding calendar year.

Justification

The exclusion of the financial discipline mechanism should be maintained for beneficiaries who receive up to EUR 2 000 in direct payments. Coverage for all agricultural beneficiaries, as proposed by the Commission, will not achieve the objective of balancing the distribution of direct support between various sized farms. This amendment will also trigger the need for

additional costs to rebuild IT systems.

Amendment 11

Proposal for a regulation

Article 42 – paragraph 2 – subparagraph 2 – point a

Text proposed by the Commission

Amendment

(a) prior to 1 December but not before 16 October, pay advances of up to **50** % for direct payments interventions;

(a) prior to 1 December but not before 16 October, pay advances of up to **75** % for direct payments interventions;

Justification

In the spirit of simplification harmonized timetables and percentages for advances between direct payments interventions and rural development interventions would be justified.

Amendment 12

Proposal for a regulation

Article 55 – paragraph 1 – subparagraph 2

Text proposed by the Commission

Amendment

Amounts of the Union financing under the EAFRD which are cancelled and amounts recovered, and the interest thereon, shall be reallocated to other rural development **interventions** in the CAP Strategic Plan. However, the cancelled or recovered Union Funds may be reused by Member States only for a rural development operation under the national CAP Strategic Plan and provided the funds are not reallocated to rural development operations which have been the subject of a financial adjustment.

Amounts of the Union financing under the EAFRD which are cancelled and amounts recovered, and the interest thereon, shall be reallocated to other rural development **operations** in the CAP Strategic Plan. However, the cancelled or recovered Union Funds may be reused by Member States only for a rural development operation under the national CAP Strategic Plan and provided the funds are not reallocated to rural development operations which have been the subject of a financial adjustment.

Justification

In accordance with draft EU legislation, the word 'intervention' means the support instrument (Article 3(c) of the draft regulation on the CAP strategic plans). The provision of Article 55 proposed by the Commission would mean that the funds recovered from the beneficiary should be allocated for the implementation of another action and not 'revert' to the budget of the measure under which they were recovered. There is no substantive justification for the funds recovered from beneficiary X not to be used for an operation of beneficiary Y, properly implemented under the support instrument in question.

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Financing, management and monitoring of the common agricultural policy						
References	COM(2018)0393 – C8-0247/2018 – 2018/0217(COD)						
Committee responsible Date announced in plenary	AGRI 11.6.2018						
Opinion by Date announced in plenary	BUDG 11.6.2018						
Rapporteur Date appointed	Zbigniew Kuźmiuk 9.7.2018						
Discussed in committee	26.9.2018						
Date adopted	21.11.2018						
Result of final vote	<table> <tr> <td>+: </td><td>24</td></tr> <tr> <td>–: </td><td>3</td></tr> <tr> <td>0: </td><td>5</td></tr> </table>	+:	24	–:	3	0:	5
+:	24						
–:	3						
0:	5						
Members present for the final vote	Nedzhmi Ali, Jean Arthuis, Lefteris Christoforou, Gérard Deprez, Manuel dos Santos, André Elissen, José Manuel Fernandes, Eider Gardiazabal Rubial, Ingeborg Gräßle, Monika Hohlmeier, John Howarth, Bernd Kölmel, Zbigniew Kuźmiuk, Vladimír Maňka, Jan Olbrycht, Răzvan Popa, Petri Sarvamaa, Jordi Solé, Patricija Šulin, Eleftherios Synadinos, Indrek Tarand, Isabelle Thomas, Inese Vaidere, Monika Vana, Daniele Viotti, Tiemo Wölken, Stanisław Żółtek						
Substitutes present for the final vote	Karine Gloanec Maurin, Giovanni La Via, Ivana Maletić, Andrey Novakov, Tomáš Zdechovský						

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

24	+
ALDE	Nedzhmi Ali, Jean Arthuis, Gérard Deprez
ECR	Zbigniew Kuźmiuk
PPE	Lefteris Christoforou, José Manuel Fernandes, Monika Hohlmeier, Giovanni La Via, Ivana Maletić, Andrey Novakov, Jan Olbrycht, Petri Sarvamaa, Patricija Šulin, Inese Vaidere, Tomáš Zdechovský
S&D	Eider Gardiazabal Rubial, Karine Gloanec Maurin, John Howarth, Vladimír Maňka, Răzvan Popa, Manuel dos Santos, Isabelle Thomas, Daniele Viotti, Tiemo Wölken

3	-
ENF	André Elissen, Stanisław Żółtek
NI	Eleftherios Synadinos

5	0
ECR	Bernd Kölmel
PPE	Ingeborg Gräßle
VERTS/ALE	Jordi Solé, Indrek Tarand, Monika Vana

Key to symbols:

+ : in favour

- : against

0 : abstention