

Brussels, 9 October 2025  
(OR. en)

13631/25

**AGRI 465**  
**FIN 1163**  
**AGRIFIN 107**

**NOTE**

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From:	General Secretariat of the Council
To:	Delegations
Subject:	Financing, management and monitoring of the common agricultural policy (CAP) in the 2025 CAP, MFF and related proposals

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With a view to the item on the agenda of the meeting of the Working Party on Financial Agricultural Questions (AGRIFIN) on 9 October 2025 on the Financing, management and monitoring of the common agricultural policy (CAP) in the 2025 CAP, MFF and related proposals, delegations will find in the Annex the presentation given by the Commission services related to that subject.



# 2028-2034 MFF

## Assurance model and financial management essentials, focus on the CAP

### AGRIFIN

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# General overview

- Part 1: Assurance model
- Part 2: Financial management

# Part 1: Assurance model

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# Continuity and flexibility (1)

- Build on the strengths of the CAP governance structure - **Continuity and predictability for Paying agencies**
  - Same role in management and control of CAP measures
  - Same accreditation requirements
- However:
  - **Flexibility** for MS in the process of **accreditation** and for the authority in charge
  - **Flexibility** for MS to **coordinate** at national level when more than one Paying agency, but necessary to have a single authority coordinating the implementation of the Plan,

## Continuity and flexibility (2)

- Continuation of the **assurance model** from the current CAP, with the three blocks, at national and EU level
- Continuation of the **single audit approach**
- Same tools for the Commission to **protect the Union budget**: interruption, suspensions, financial corrections
- With some changes, to enhance and better reflect the performance based model (e.g. annual accounts)

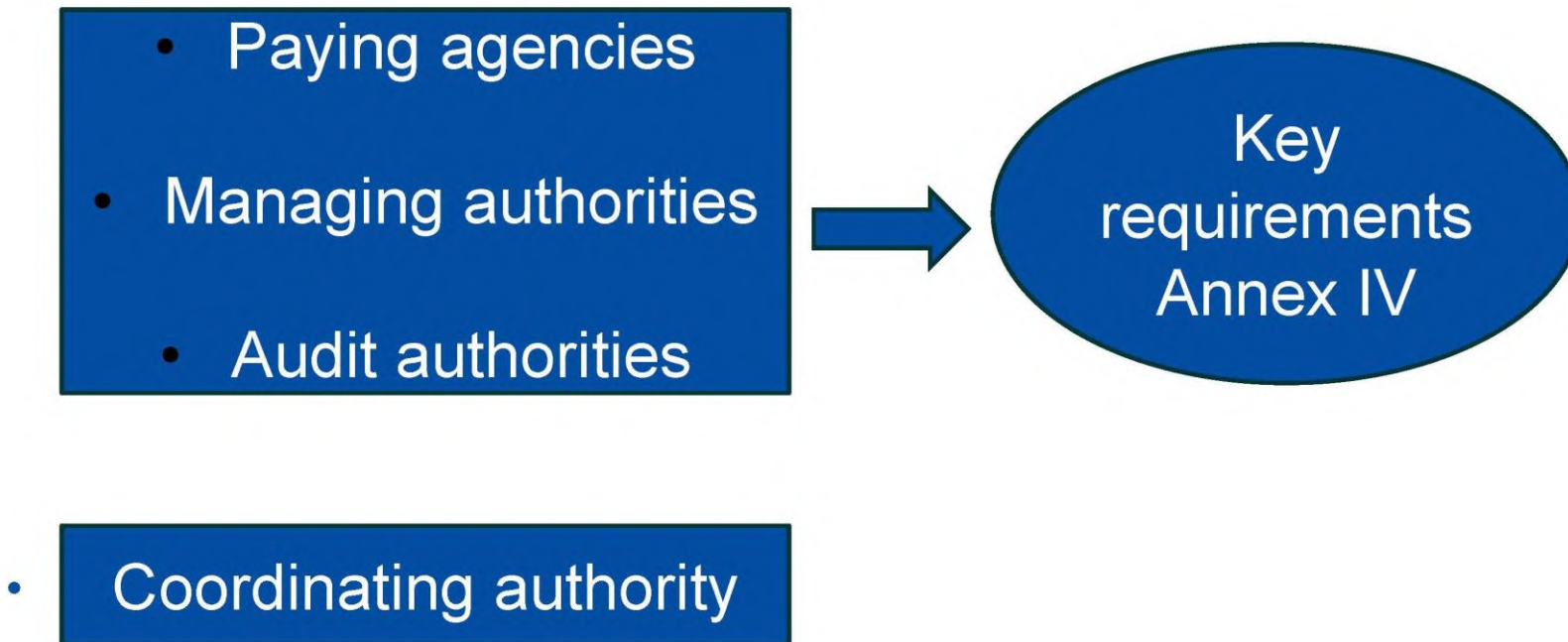
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# Assurance model - Overview

- Governance of the Plan - Plan authorities
- Paying agencies (Art 52)
- Coordinating authority (Art 50)
- Audit authority (Art 53)
- 15 key requirements (Annex IV)
- New assurance model - comparaison 1
- Assurance building blocks
- Annual Assurance package (Art 59)
- Single audit approach (Art 61)
- New assurance model - comparaison 2
- Interruption of payment deadline (Art 66)
- Suspension of payments (Art 67)
- Financial Corrections (Art 68)
- 6 • New assurance model - comparaison 3

## Governance of the Plan - Plan authorities



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# Paying agencies (Art 52) – [Art 9 HZR]

- Principle of accreditation of PA maintained
- For CAP, same functions as today
  - Carrying out **checks** (management verifications) to ensure:
    - **Milestones and targets (outputs)**
    - **Use of funds in compliance with the applicable law**
  - **Payment** to beneficiaries
  - Draw up and sign the *management declaration* and submit information on the *implementation progress* of the measures in the Plan

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# Coordinating authority (Art 50) – [Art 10 HZR]

- When more than one MA/PA – MS set up a Coordinating authority
- Functions are listed in Article 50
  - ❖ Submit **payment applications** to the Commission (up to 6 per year, by 31 October)
  - ❖ Coordinate and submit the **annual assurance package**, including the management declaration
  - ❖ Functions linked to the **implementation of the Plan**
  - ❖ Administrative capacity building, exchange best practices, communication with citizens

# Audit authority (Art 53) – [Art 12 HZR]

- New elements:
  - Name changed for CAP
  - Public authority (may delegate audit work to public or private bodies)
- Functions –provide assurance on compliance with applicable law, through:
  - Fulfilment of milestones and targets or outputs
  - Functioning of management and control systems
- Annual audit opinion and summary of audits (annual assurance package)

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# 15 key requirements (Annex IV) – [Art 1 R. 2022/127]

Separation of functions	Measures to avoid, prevent, detect and correct irregularities	Compliance with the applicable law	Fulfilment of conditions for payment	Reliable audit opinion
Appropriate system audits	Audit trail	Reliable system to record and store data	Reliable system to aggregate data	Procedure to ensure adequate financial flows
Transparent & non-discriminatory selection	Anti-fraud strategy	Procedures for reporting irregularities	Procedure for recovery of unduly paid funds	Arrangements to continue paymentes

# New assurance model - comparaison 1

	<b>New MFF</b>	<b>HZR (R. 2116/2021)</b>
• Paying agencies	<ul style="list-style-type: none"> <li>• Key requirements</li> <li>• Management and control of CAP measures</li> <li>• No submission function</li> </ul>	<ul style="list-style-type: none"> <li>• Accreditation (criteria in DA)</li> <li>• Management and control of CAP measures</li> </ul>
• Coordinating auth	<ul style="list-style-type: none"> <li>• New name</li> <li>• One CA per Plan</li> <li>• Payment applications and annual assurance package</li> </ul>	<ul style="list-style-type: none"> <li>• If one or more PA</li> <li>• Submit annual performance report</li> </ul>
• Competent auth	N/A	Accreditation functions
• Audit authority	<ul style="list-style-type: none"> <li>• New name, Public authority</li> <li>• Opinion on payment application (targets/outputs), MCS, compliance with applicable law</li> </ul>	<ul style="list-style-type: none"> <li>• Public or private body</li> <li>• Opinion on accounts, MCS, performance reporting</li> </ul>

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# Assurance building blocks

**ACCREDITED PAYING AGENCIES**

- Fulfilment of Milestones/Targets/outputs
- Compliance with Applicable law
- Sign management declaration
- Obligations listed in Art 58

**AUDIT AUTHORITIES**

- Audits on milestones and targets/outputs
- System audits (functioning of MCS)



compliance with applicable law

**COMMISSION**

- System audits
- Verification of work of audit authorities
- Targeted risk-based audits on milestones and targets
- Interruption, suspension, financial corrections

# Annual Assurance package (Art 59) – [Art 9(3) HZR]

## Paying agencies

- Management declaration (template in Annex XII)
- Information for the Report on the implementation progress (no annual accounts, template in Annex IX)

## Audit Authorities:

- Annual Audit opinion (template in Annex XIII)
- Summary of the audits

# Single audit approach (Art 61) – [Art 48 HZR]

- Continue to implement the single audit approach for the CAP!
- Principle of coordination of the audit work between the Commission and the audit authority
- If opinion of AA is reliable and the MS is “part of EPPO”:

The Commission audits only the work of the audit authority

- Exceptions:
  - If no valid audit opinion from AA on a milestone or target
  - Specific risk or suspicion of fraud, corruption, Col or another serious non-compliance
  - Need to re-perform the work of the AA
  - AA does not functions properly

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## New assurance model - comparaison 2

- No more Article 37 and definition of **eligibility**, but payments to MS linked to milestones and targets or corresponding outputs (as approved in the Plan)
- Further reinforcement of the **single audit approach**
- No more annual accounts in the **assurance package**, but **reporting on progress** and new role for the Coordinating authority in submitting payment applications and the annual assurance package to the Commission

## Interruption of payment deadline (Art 66) – [Art 32(10) HZR]

- COM has information to suggest a **serious non-compliance**
- COM needs to perform **verifications on a milestone/target**
- COM has indication that a milestone/target may have been **reversed**

# Suspension of payments (Art 67) – [Art 42 HZR]

- The measures to correct (**interruption** phase) have not been taken by the Member State
- there is a **serious non-compliance** with no corrective actions
- a **milestone/target** was not achieved or was reversed
- there is a **reasoned opinion** in respect of an infringement procedure
- **Other cases (...)**

# Financial Corrections (Art 68) – [Art 55 HZR]

## WHEN

- **Suspension** for at least 6 months and no corrective measures in place
- **Serious non-compliance** for which no corrective measures taken
- **Fraud, corruption or COI**, not detected, reported and corrected by MS
- **Milestones and targets** unfulfilled or reversed after the end of the Plan

## HOW

- Principle of **proportionality**, take account of seriousness, frequency, financial implication
- Correspond to the **actual financial loss or risk** for the Union budget
- **Extrapolated or flat-rate corrections**
- **MS** has the possibility to present within 2 months its observations (since the presentation of the its conclusions by COM)

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## New assurance model - comparaison 3

- **Serious non-compliance v serious deficiency** triggering protection of Union budget by the Commission
- No more action plans, but **reference to corrective measures** to be taken by the MS
- More cases listed triggering **suspensions and financial corrections**
- No more conformity procedure, but the possibility of a **contradictory procedure** between the COM and the MS

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# Part 2: Financial management

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# Financial management - Overview

- Overall structure of the NRP and CAP
- National allocation of minimum amounts for CAP income support
- Budgetary commitments (Art 14)
- Pre-financing (Art 17)
- Submission and assessment of payment applications (Art 65)
- Payment Timeline (Art 65)

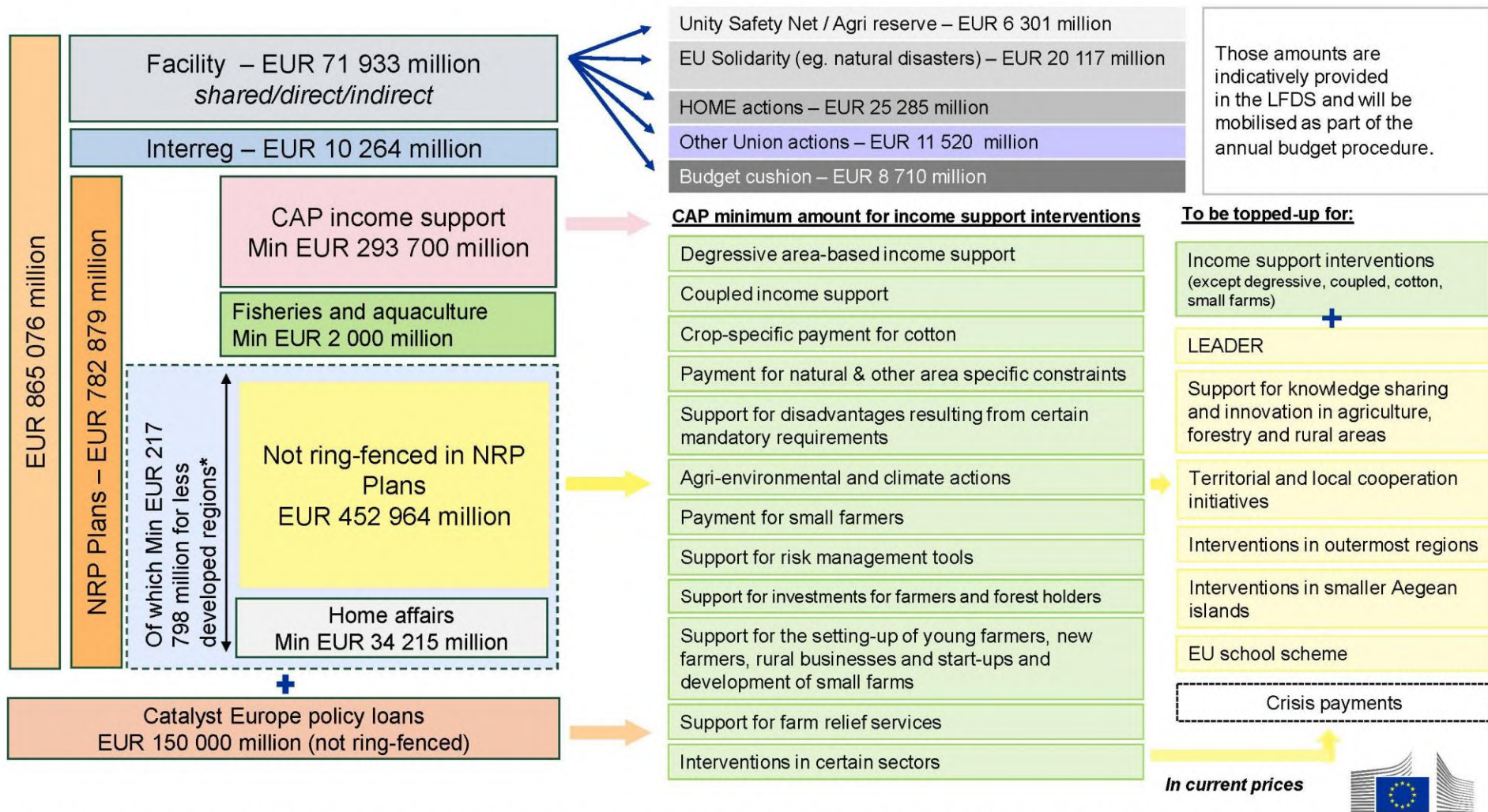
# Financial management essentials

- **Income support** is **guaranteed** until 2034 ensuring **stability** and **predictability** for farmers' income and their business prospects
- Agriculture and rural areas will gain from various **funding opportunities** and **synergies** with other policy areas within and beyond the NRPP
- **Higher pre-financing** and **CAP payments** specificities catered for : exemption from **flexibility** requirements, payments linked to **outputs**

# Overall structure of the NRP and CAP

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\* CAP and CFP interventions above the ringfenced amounts may be counted towards the earmarking for less developed regions provided they are for the benefit of those regions

# National allocation of minimum amounts for CAP income support

1. Within the NRP, a minimum amount of **EUR 293.7 billion** is dedicated specifically and exclusively for CAP income support interventions (“ring-fenced”)
2. The allocation of the minimum CAP income support amount to Member States has been communicated to Council and Parliament.
3. The allocation ensures fairness and continuity for the financing of the agricultural sector and rural areas, based on the respective share of each Member State of the current total CAP envelope for year 2027
4. MS must increase the minimum CAP allocations with available amounts in the NRP Plans for non-income support interventions (e.g. EU school schemes, knowledge sharing, LEADER and local cooperation)
5. MS can also foresee additional amounts for income support interventions (except for degressive-area based income support, coupled support, cotton, small farmers)

## Budgetary commitments (Art 14)

- The Commission makes annual budgetary commitments for each Plan between 2028–2034.
- Commitments are distributed in decreasing annual instalments:
  - 2028: 15.8% | 2029: 15.5% | 2030: 15.1% | 2031: 14.8% | 2032: 14.4% | 2033: 12.8% | 2034: 11.7%
- **Flexibility amount**
  - Flexibility amount of 25% of the Union financial contribution of a Member State is available exclusively for programming related to **crisis situations** (Art. 34) and the **mid-term review** (Art. 25)
  - The flexibility amount allows Member States to adjust funds for exceptional circumstances or priorities

# Budgetary commitments (Art 14)

## General rule for Flexibility amount:

- **Up to 1/5:** may be requested by a Member State in accordance with Article 34 (in case of crisis situations) and any leftover must be programmed at the mid-term review
- **3/5:** May be requested by a Member States under the **mid-term review**. Part may be requested before the mid-term review in justified, exceptional cases
- **1/5:** only be requested by the Member State as of 2031 under Article 34 (in case of crisis situations).
- **Any amount still unprogrammed** by 30 June 2033 can be used for any amendment

**CAP income support**, excluding investments, is not counted towards the flexibility amount (**Art. 35(1)(a–h, j, k, r)**)

## Pre-financing (Art 17)

- Paid subject to Council decision on the Plan & available funds:
  - Total: **10%** of Union financial allocation (Article 14).
  - Paid in three tranches: **4%** in 2028, **3%** in 2029, **3%** in 2030.
  - If Council decision on the Plan adopted after 31 July 2028 → only 2029 & 2030 tranches paid.
  - Pre-financing shall be cleared at the latest **upon reception of the annual assurance package** for the last year of implementation.
  - This represents a **significant increase compared to the current rules for rural development (limited to 1% annually during the first three years)**

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# Submission and assessment of payment applications(Art 65)

- Payment amounts must reflect fulfilled **milestones, targets, or outputs**, supported by evidence.
- To ensure **continuity** and **simplicity**, **specific rules** for certain **CAP interventions** - Article 35(1)(a) to (g) and (o) to (r) and the Unity Safety Net:
  - ✓ amounts included in a payment application represent amounts requested for the corresponding **outputs**.

# Submission and assessment of payment applications(Art 65)

- Payment applications can be submitted **up to six times yearly**, by the **deadline of 31 October**.
- Applications must use the **Annex XI template**.
- Submitted by the **Coordinating Authority** (Article 50),

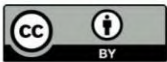
# Submission and assessment of payment applications(Art 65)

- Assessment must consider the **wording, purpose, and context of milestones/targets** (per Annex VIII).
- Applications are **inadmissible if the latest assurance package due** (Article 59) **is not submitted**.
- Technical assistance to each **NRP Plan** chapter: flat rate of up to **3%**, applied to the amount included in each payment application (Article 13).

## Payment Timeline (Art 65)

- Commission pays **within 60 days**, subject to the available resources.
- May be **in instalments**.
- Total pre-financing plus payments **must not exceed 95%** of the Funds' contribution to the Plan.
- Final balance paid **within 10 months** of receipt of the documents for the last year of implementation.

# Thank you for your attention



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