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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Necessary revision of the performance clearance procedure, the green architecture and further simplification needs - <i>Preparation of the Council debate</i>

With a view to the meeting of the Special Committee on Agriculture on 20 January 2025, delegations will find in the Annex a note on the above-mentioned subject.

Necessary revision of the performance clearance procedure, the green architecture and further simplification needs

Introduction

On 1 January 2023, the implementation of the CAP Strategic Plans for 2023-2027 (CAP SP) began. A new model for implementing the CAP, based on results, introduced a change at the level of programming and implementation of the policy.

The experience of the first two years of implementation of the CAP SP has shown that the solutions adopted in the field of the implementation system deserve further attention to ensure an effective response to emerging socio-economic, geopolitical and environmental-climate challenges.

The new delivery model introduced the annual performance clearance procedure and the biennial performance review, which made the system more complex. Although this new approach is essential to demonstrate, with tangible results, the benefits of this policy for the entire EU, during first two years of implementation Member States identified areas for further improvements.

The new support system dedicated to environmental and climate actions – the green architecture of the CAP, which is to help to transform agriculture into a sustainable sector in line with the goals of the European Green Deal, has given rise to concerns about its complexity and acceptance by the farming community.

Important simplification endeavours were discussed and agreed during the Belgian presidency in 2024. At this time many suggestions were presented, but looking at above mentioned factors further solutions should be sought to simplify the CAP and other policies affecting farming, food production and rural areas to better achieve food security goal.

Necessary revision of the performance clearance procedure

The 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 SP and the unit amount actually realised.

Based on the experience of the first performance clearance of financial year 2023, the agriculture ministers of the 27 Member States addressed a letter to the Commission on 15 November 2024 (doc. 16555/24) asking for an imperative and urgent joint reflection on the usefulness and added value of this procedure.

In the letter, the ministers highlighted 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 SP.

Moreover, the practical application of this procedure involves a heavy administrative burden and may lead to significant financial reductions to eligible expenditure that complies with EU rules and criteria set out in the CAP SP.

Therefore, the ministers called for an amendment of the CAP basic acts in order to abandon the unit amount as a performance indicator in the framework of the performance clearance procedure.

On 19 November 2024, the Director General for Agriculture and Rural Development of the European Commission, arranged a meeting for the Member States' Directors-General responsible for agriculture, to take stock as regards this issue and explore the way forward.

In its reply to the letter of the Ministers, dated 29 November 2024, the Commission informed of the solution adopted for the financial year 2024 performance clearance procedure, by introducing a 2% of "de minimis provision" through the amendment of the delegated act (amendment of Commission Delegated Regulation (EU) 2022/127 of 7 December 2021 – doc. ST 16655/24) and committed to consider a change to the basic act if it transpired, after the first full performance clearance exercise of 2024, that the added value of the performance clearance is low compared to the administrative burden.

Necessary revision of the green architecture

Important simplification of CAP rules for farmers and national administrations occurred in 2024 as a part of response to the crisis situation faced by farmers. The legislative and non-legislative actions announced in February 2024 are partly implemented, including flexibilities for GAECs, adjustment of CAP amendment procedures and reduction in controls. The assessment (published in December 2024 – doc. 7723/24 ADD 1) concluded they helped EU farmers by reducing paperwork, saving time, increasing flexibility in farm management.

However, the possibilities and needs for simplifying the green architecture of the CAP have not been fully exhausted. There are still areas where modifications would significantly facilitate its implementation and encourage farmers to strengthen environmental and climate actions on their farms.

There is also room for further simplification in the management of the strategic plans, so as to enable Member States to efficiently respond to emergency situations and eliminate ineffective green provisions unreasonably limiting agricultural production.

In this context, the Presidency would like to encourage Member States to reflect on possible simplifications in the green architecture of the CAP. There might be such options as: the possibility to set higher payment rates, which should include an incentive element and not just compensate for lost revenue and incurred costs; shortening the 5-year commitments in the second pillar of the CAP in order to encourage farmers to participate more in agri-environment-climate programmes; introduction of lump sum payments for eco-schemes covering only one land category, in order to increase the flexibility of the support system; possibility to finance the requirements introduced by newly adopted regulations and directives through eco-schemes, agri-environment-climate and ecological payments and investment measures in order to support farmers to adapt to the new requirements; simplifying environmental requirements in operational programmes for the fruit and vegetable sector to increase the scale of organisation of the sector. There is also a question of the necessity to implement the GAEC 2 (protection of wetlands and peatlands) as a similar obligation has been introduced under the Nature Restoration Law.

Lastly, in terms of streamlining the plan management process, consideration could be given in particular to shortening the time for approval of amendments to the CAP SP, enabling changes to all interventions through a notification and the possibility of introducing modifications more frequently.

Further simplification needs

Simplification remains high on the political agenda, with Member States and stakeholders calling for further actions. This is reflected in Commission president Von der Leyen's Political Guidelines for 2024-2029 and in her mission letters to Commissioners. This entails: (i) ensuring that existing rules are fit-for-purpose, (ii) new rules are 'simpler, more accessible to citizens, and more targeted', (iii) 'stress testing' the acquis to identify and eliminate overlaps and contradictions, (iv) contributing to reducing reporting obligations by at least 25%, and by at least 35% for small and medium-sized enterprises, and (v) leveraging digital tools to deliver better and faster solutions, (vi) while 'maintaining high standards.

Therefore efforts to continue optimising current rules affecting farmers and their experiencing of administrative burden should be seen in the context of maintaining stable and predictable system of delivering the policy and the efforts related to transition to sustainable farming practices for both farmers and administrations.

Regardless of the above, the implementation of the Strategic Plans so far draws attention to the need to closely monitoring the progress made towards the achievement of the targets set out in CAP SP. Designing new interventions within the framework of the CAP SP involved numerous challenges, particularly in defining the target values for result indicators.

For new interventions, such as eco-schemes, the lack of historical data made it impossible to accurately estimate target values. Insufficient data and an uncertain situation at time of preparation of CAP SP contributed to significant risks of errors in these estimates. As a result, there is a serious risk that some result indicators will be achieved at a low level.

Therefore, simplifying the rules regarding the new mechanism for suspension of payments in relation to the multi-annual performance monitoring should be considered.

Member States are invited to share their ideas on possible amendments of the performance clearance procedure as well as of the green architecture of the CAP SP. Furthermore, we invite Member States to indicate their priorities for further improvements to achieve concrete on-farm simplification and also alleviate the burden on national administrations, both in the area of the CAP and other policies affecting farmers.

Based on the experience of the first performance clearance of financial year 2023, the agriculture ministers of the 27 Member States call for an amendment of the basic acts in order to simplify this procedure.

The new support system dedicated to environmental and climate actions – the green architecture of the CAP, which is to help to transform agriculture into a sustainable sector in line with the goals of the European Green Deal, has given rise to concerns about its complexity and acceptance by the farming community.

Despite the changes already introduced, there is still a need for further simplifications to encourage farmers to strengthen environmental and climate actions on their farms.

Presidency suggests the following questions for an exchange of views at the AGRIFISH Council on 27 January 2025:

- 1) **What improvements do you find reasonable in order to avoid significant financial consequences for Member States due to the performance clearance procedure?**
 - 2) **What kind of improvements in the green architecture of the CAP are necessary to ensure a balance between ambitious environmental and climate goals and rational and competitive agricultural production?**
 - 3) **What further, specific elements of the existing legislative framework could be modified at the current stage of implementation?**
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