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Subject: Regulation on CAP Strategic Plans
- Presidency discussion paper on the new delivery model

With a view to the "Agriculture and Fisheries" Council on 14 May 2019, delegations will find in the Annex a Presidency discussion paper to steer the ministerial debate.

**Discussion paper on the new delivery model for the ministerial debate on 14 May AGRIFISH
Council**

For the purpose of steering the policy debate in the “Agriculture and Fisheries” Council, the Presidency would like to propose the questions below.

Key issues of the new delivery model:

For the CAP post-2020, the Commission proposed to shift from a compliance-based to a performance-based policy focusing on outputs and results (the “New delivery model”). This principle has been generally backed up by the Member States.

The key constituting elements of the performance framework of the "new delivery model" are the governance system, the annual performance clearance and the performance review. Setting the unit amounts in advance within the CAP Strategic Plans is of key importance for the performance clearance. Matching expenditure with reported outputs (unit amount), the assessment of the governance systems, as well as the monitoring of implementation by reviewing the progress towards annual milestones based on result indicators are key elements of the "new delivery model". Nevertheless, some elements of the proposal have been identified as problematic and require further discussion at Working Party and SCA levels to make the new system more practicable.

- **Reporting of milestones and performance review:**

The Commission’s proposal sets out an annual performance review linked to annual milestones based on result indicators. Many Member States have criticized this approach given their experience with the current system of reporting applied in Rural Development, claiming that annual milestones would cause significant administrative burden. Moreover, the annual performance review would, in the case of wrong estimates of annual milestones, require justifications and adjustments that might not add to ensuring the progress of the CAP implementation.

As a result, in its drafting suggestions on the CAP Strategic Plans Regulation the Austrian Presidency proposed to replace annual milestones by biennial milestones, an annual performance review by a biennial one, and to increase from 25% to 35% the possible deviation from planned milestone values that would not entail the necessity to provide justifications, while maintaining an annual performance clearance as laid down in the Horizontal Regulation. Many Member States welcomed this change, with some of them demanding an even lower frequency in reporting and an even higher percentage of possible deviation.

Under the Romanian Presidency, delegations reiterated their openness to the proposed performance framework but stressed again the need to move towards a model that suits Member States' needs. They broadly agreed on the need to increase the tolerance margin proposed by the Commission and repeated their concerns about annual milestones for certain types of interventions. Different options were supported, such as checking the achievement of milestones every second year (or only twice during the policy implementation) or avoiding setting milestones for the first years.

Therefore, the issue of a progressive approach, which would include a deviation from the targets, was discussed during the “Agriculture and Fisheries” Council of 28 January 2019 and received broad support by the Ministers.

Consequently, the Romanian Presidency in its redraft (7485/19) suggested in the newly introduced Article 121a to allow for a higher deviation from the respective milestones in the first years of implementation without the need to provide a justification, starting from more than 45% in the financial year 2022, 40% in the financial year 2023 and 35% in 2024 and subsequent financial years. However, this approach could only be implemented with annual milestones and an annual performance review, “annual” being thus left in curly brackets for the performance review. In their written positions and oral interventions, many delegations have still reiterated their concerns regarding the annuality of both milestones and the performance review.

During the discussions so far, the Commission made it clear that it would be difficult to accept biennial milestones. An annual performance review of the progress in the implementation of the plans, based on annual milestones, is essential in order to identify and address timely the possible implementation weaknesses. The Commission also stressed that failing to respect the proposed 25% gap would not automatically lead to an action plan, since Member States could provide satisfactory justifications. Moreover, the Commission highlighted that in case some elements are not realistic in the plan, they would need to be amended. Therefore, the plan, including the milestones, can be amended, possibly by reorienting some interventions. Since this must be done in a timely manner, an annual performance review based on annual milestones would better suit the new proposed performance system, committing both Member States and the Commission.

Do you consider that an annual performance review and annual milestones, instead of biennial, should be set out, which would allow the implementation of the agreed progressive approach and tolerance as laid down in the new Article 121a, permitting a timely addressing of the potential implementation weaknesses in the Member States' progress of policy implementation?

- **Establishing unit amounts for non-area/animal-based interventions:**

The establishment of planned annual unit amounts is a key element for the “new delivery model”, whereas the verification of the realized annual unit amount (ratio between expenditure and outputs) is essential for the performance clearance.

While this approach seems to be feasible for area/animal-based interventions, for which a clear definition and a certain variation of unit amounts is possible, planning appears to be less precise for the non-area/animal-based interventions, such as multiannual projects etc. Due to their nature, the establishment of planned unit amounts in the form of an average amount of support could create difficulties when planning for the entire duration of the CAP Strategic Plan in advance. Many Member States expressed concerns that this may increase the risk that they would have to justify every year for every intervention mismatch between planned and actual unit amounts and that this would not be in line with a practicable and efficient reporting system.

Several options have been discussed in the Working Party in order to try to find a workable solution for these types of interventions, such as an increased flexibility for the adoption of the planned unit amounts or the use of a different quantified element to replace unit amounts.

The Commission has explained that the justifications which Member States should provide in case of the possible mismatches would be sufficient, but also expressed concerns on the option to use a different quantified element to replace unit amounts by an average rate of support for these types of interventions. It also highlighted that an increased flexibility for the planning of unit amounts would in principle be compatible with the new delivery model, since the way how to adapt amounts would provide a more realistic approach, address the concerns raised by the Member States, reduce the administrative burden to a certain extent and provide a basis for the annual performance clearance.

Do you consider necessary to provide in the Regulation for a certain flexibility as regards the annual unit amounts for the non-area/animal-based interventions without affecting the functioning of the key elements of the New Delivery Model?
