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WORKING PAPER

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Delegations
N° Cion doc.:	9645/18 + COR 1 + ADD 1
Subject:	Proposal for a Regulation on CAP Strategic Plans - risk management - Comments from the Italian delegation

Delegations will find attached the comments from the Italian delegation on risk management (Article 70) of the above mentioned proposal.

WORKING DOCUMENT

SUBJECT: Proposal to amend Article 70 of the Regulation on CAP strategic plans - Strengthening risk management tools in terms of resilience

1. Since the CAP reform proposal presented in 2018, the European Commission has placed particular emphasis on risk management tools, starting from the consideration that the agricultural sector suffers more than other sectors from damage to production potential caused by natural disasters, adverse weather conditions and catastrophic events.

In order to strengthen intervention strategies and support the viability and competitiveness of farms in the face of such disasters, the Commission proposed in Article 70 that Member States should make it compulsory to activate voluntary risk management tools for farmers. In subsequent negotiations in the Council, Article 70 was amended by making improvements to its form but making the activation of risk management tools in the Strategic Plans of the new CAP optional. Every year more than 20% of European agricultural enterprises suffer a loss of income exceeding 30% of the average income of the previous three years (source: DG Agri) and this instability is due to both price volatility and loss of production in qualitative and quantitative terms increasingly due to adverse weather and climate events in particular catastrophic events. Nevertheless, risk management tools are still not widespread at EU level with around 7.6% of entrepreneurs benefiting from 2014-2020 funds.[1]

2. The new 'Farm to Fork' strategy and the proposal for the first European Climate Law (COM(2020) 80 final of 4.3.2020) require the EU institutions and Member States to ensure continued progress in improving adaptive capacity, strengthening resilience and reducing vulnerability to climate change by implementing adaptation strategies and plans that include comprehensive risk management frameworks, based on rigorous climate and vulnerability benchmarks and progress assessments.

3. In the light also of the Recommendations contained in the EU Court of Auditors' Special Report No 23/2019, in which the auditors specify that, "in the context of climate change, public support should support prevention/adaptation measures,

[1] https://enrd.ec.europa.eu/sites/enrd/files/focus-area-summary_3b.pdf ; Italy with the 2014/2020 NSRP represents the Member State with the most important budget for measure 17 (about 1.6 billion euros divided into insurance premiums 17.1 with about 1.4 billion euros, mutual funds 17.2 with about 100 million euros and Income Stabilisation Instrument 17.3 with about 100 million euros).

encouraging farmers to be better prepared and resilient", it is now time to take the opportunity to increase the CAP's ambition to fight and adapt to climate change, by adding to the list of tools a real risk management strategy. This, through the activation of a (optional for MS) multi-level risk management architecture with a compulsory "entry level" for all farms benefiting from CAP first pillar aid aimed at covering (through insurance, mutual or mixed schemes) catastrophic adversities in agriculture.

Italy, in view of the new post-2020 CAP strategy, is therefore hypothesising a new reinforced structure of risk management tools, according to a pyramid model based on 3 levels:

- Level 1: National "basic" compulsory "basic" coverage (insurance/mutualistic) against catastrophic risks for all farms in the First Pillar receiving direct payments, co-financed by the Second Pillar;

- Level 2: Optional insurance and mutual insurance cover against other risks and supplementary policies "beyond the catastrophic baseline" in Pillar 2;

- Level 3: Systemic actions with optional prevention, business advice & innovation on risk management and enhancement of ex-post interventions in Pillar 2 (current Measures 2, 5, 8 and 16).

For more technical details on the proposal, please refer to the proceedings of the Conference of 28 November 2019 "Risk management in the post-2020 Pac"[2].

4. In conclusion, according to the current text of the regulation, the risk management tools are optional for the Member States. In line with this approach, Italy proposes to allow the Member States to introduce in the NSP in their countries an obligation for the farmers, with a small percentage of the direct payment (up to 5%), to participate in risk management tools covering catastrophic events. This provision has the purpose of improving farmers' resilience in the context of climate change.

Taking into account the previous points, please refer to Annex 1 for the text of the proposed amendments to Article 70.

[2] http://www.ismea.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/11159 You can consult the Ismea intervention and the conclusions of the Minister of Agricultural Policies.

ANNEX I

ITALY – Amendment proposal on new Article 70 in order to strengthen risk management tools against extreme events in order to improve farm resilience

Presidency drafting suggestions (wk 8409 Rev. 1):	**ITALY - Drafting suggestions to current Presidency text (yellow highlighted):**	**Technical justifications**
Article 70 Risk management tools 1. Member States ~~shall~~ **may** grant support for risk management tools under the conditions set out in this Article and as further specified in their CAP Strategic Plans, **based on their assessment of needs following the analysis of the situation in terms of strengths, weaknesses, opportunities and threats ('the SWOT analysis')**.	No modifications	
…. *Omissis*…..	**New paragraph - Article 70(1a) "Member States may provide in their CAP Strategic Plans that a part of the resources effectively paid out to the beneficiaries of direct payments and of the aids provided by types of interventions in certain sectors, must be used to cover the private share due by farmers for participation in risk management tools covering catastrophic events in order to increase resilience".**	Inclusion of the possibility for Member States, in the light of the SWOT analysis, needs and intervention strategy, in accordance with paragraph 1, to include the obligation to participate in risk management tools geared towards covering catastrophic risks in order to increase resilience at the heart of the Green Deal, F2F, the new European Climate Law and the 2030 Biodiversity Strategy.
4. **When providing support under paragraph 3,** Member States shall establish the following eligibility conditions: (a) the types and coverage of eligible ~~insurance schemes and~~	4. **When providing support under paragraph 3,** Member States shall establish the following eligibility conditions:	

~~mutual funds~~ **risk management tools**; (b) the methodology for the calculation of losses and triggering factors for compensation; (c) the rules for the constitution and management of the mutual funds **and, where relevant, other eligible risk management tools**.	(a) the types and coverage of eligible ~~insurance schemes and mutual funds~~ **risk management tools**; (b) the methodology for the calculation of losses and triggering factors for compensation; (c) the rules for the constitution and management of the mutual funds **and, where relevant, other eligible risk management tools**.	
……omissis……	**<u>(d) Where the specific requirements referred to in paragraph 1a) are included in the CAP Strategic Plan, the maximum amount used to cover the private share due by farmers may not exceed 5% of the resources effectively paid out to the beneficiaries.</u>**	Share of the premium to cover the private part of the catastrophic risk (30%): provision is made in the legislation for the possibility of covering the cost of private participation by deduction from the resources effectively paid to the beneficiaries. This is without prejudice to the public co-financing of the remaining 70%.

Please note: the proposed amendments are highlighted in yellow.