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WORKING PAPER

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From: To:	Presidency Working Party on Horizontal Agricultural Questions (CAP Reform)
N° Cion doc.:	9645/18 + COR 1 + ADD 1
Subject:	Proposal for a Regulation on CAP Strategic Plans - Presidency background note on Article 121

With a view to the meeting of the Working Party on Horizontal Agricultural Questions (CAP Reform) on 6-7 February 2020, delegations will find attached a Presidency background note supplementing its drafting suggestions on Article 121 set out in WK 1073/2020.

Presidency background note on Article 121

In its progress report (14983/19), the Finnish Presidency identified elements that require further discussion, among which the New Delivery Model and in particular the provisions relating to non-area-/animal-based interventions (Article 121 of the CAP Strategic Plans Regulation – SPR).

The discussions related to Article 121 showed that the following elements were problematic for many Member States:

- in a high number of cases Member States would have to provide justifications, risking reductions or suspensions of funds;
- the benchmark calculated on the basis of the entire population of projects selected in a certain financial year (FY) would only lead to a limited reduction of deviations, since projects selected within the same call might have different durations and be paid across different years;
- the benchmark calculated on the basis of the entire population of projects selected in a certain FY would even increase the administrative burden for Member States, as they would have to link every payment with a corresponding benchmark not only once, but throughout all the years of implementation of each project. They would also have to justify deviations between the benchmark and the realised unit amount, which might still be significant (see previous point).

As a possible way ahead, four Member States suggested to incorporate in the drafting suggestions the so-called "Option 1b", supported by several others in light of its capacity to significantly reduce the number of deviations for which justifications would be required. In the Commission's view, however, "Option 1b" does not provide for adequate assurance as it would not provide a "stable" connection between the CAP Strategic Plans and the execution of the planned interventions.

With the aim to address the above-mentioned concerns, the Croatian Presidency suggests to redraft Article 121 as set out in WK 1073/2020.

Notes from the Croatian Presidency:

The Presidency drafting suggestions address the main concerns of the Member States, raised during past discussions. With a view to ensuring full transparency and allowing a constructive exchange of views, the following table aims at highlighting the possible pros and cons of the Presidency's approach on the basis of the positions raised so far:

✗ The scope of quantitative data to be provided in APR would be still wide and contains a lot of details.	✓ According to information received from the Commission services, the prescribed set of data would be structured in the APR template (to be provided by the Commission as an implementing act) and in the system for electronic exchange of information concerning shared Fund management between Member States and the European Commission (SFC), thus enabling Member States to adjust in advance their management and monitoring IT systems, in order to have automatic extraction of the relevant data.
✗ Payments with breakdown per year of selection have to be included in the predefined set of data.	✓ Member States would not need to compare realised unit amounts with the average unit amounts for the operations selected in the relevant financial year ("benchmarks"), as this data is not used as a reference value. Member States would not need to justify the difference between the realised unit amount and the "benchmark", thus avoiding a large part of the unwanted extra administrative burden.
	✓ The number of justifications would be reduced to a minimum, as in the suggested text they are obligatory only when the realised unit amounts exceed by more than 50% the average unit amounts for the operations selected for which payments have been made in the relevant financial year.

Illustrative examples

PLANNING	2022	2023	2024
indicative financial allocation	1500	2000	1500
planned No of outputs	5	4	5
PLANNED UNIT AMOUNT	**300**	**500**	**300**

SELECTION		2022	2023	2024
value of projects selected in the relevant FY	*Project 1*	300	600	100
	Project 2	300	700	300
	Project 3	400	800	300
	Project 4	600		400
	TOTAL	1600	2100	1100
average unit amounts for the operations selected in the previous financial year (former “benchmarks”)		**400**	**700**	**275**

Payments with breakdown per year of selection have to be included in the predefined set of data, but it is not used as a benchmark i.e. reference value. <u>No comparison nor justifications for deviations</u> from it are required from the Member States.

Example 1

PAYMENTS					
2022		**2023**		**2024**	
Project 3 (2022)	400	Project 1 (2022)	300	Project 1 (2023)	600
Project 4 (2022) partial	300	Project 2 (2022)	300	Project 2 (2023) partial	350
		Project 4 (2022) partial	300	Project 3 (2023 partial	400
		Project 2 (2023) partial	350	Project 1 (2024)	100
		Project 3 (2023) partial	400	Project 2 (2024)	300
				Project 3 (2024) partial	150
				Project 4 (2024) partial	200
TOTAL AMOUNT PAID:	**700**		**1650**		**2100**
TOTAL OUTPUTS PAID:	**1,5**		**3,5**		**5,5**
REALISED UNIT AMOUNT:	**467**		**471**		**382**

	2022	**2023**	**2024**
selected value of projects paid in FY	1000	2700	3200
No of projects paid in FY	2	5	7
THE AVERAGE UNIT AMOUNT FOR THE OPERATIONS SELECTED FOR WHICH PAYMENTS HAVE BEEN MADE IN THE RELEVANT FY	**500**	**540**	**457**
REALISED UNIT AMOUNT IN FY	467	471	382

Reference value for justifications

no justifications

Example II

PAYMENTS	
2022	
Project 1 (2022) partial	150
Project 4 (2022)	600
TOTAL AMOUNT PAID:	**750**
TOTAL OUTPUTS PAID:	**1,5**
REALISED UNIT AMOUNT:	**500**

	2022
selected value of projects paid in FY	900
No of projects paid in FY	2
THE AVERAGE UNIT AMOUNT FOR THE OPERATIONS SELECTED FOR WHICH PAYMENTS HAVE BEEN MADE IN THE RELEVANT FY	**450**
REALISED UNIT AMOUNT IN FY	500

Reference value for justifications

still no justifications

(≤ 50%)

By way of this kind of comparison the need for justifications is <u>*significantly reduced*</u> *as the average unit amounts for the operations selected and for which payments have been made would be much closer to the realised unit amount of the same operations (potential differences would basically depend on the fact that projects of higher value have been paid in the relevant financial year).*