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WORKING PAPER

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WORKING DOCUMENT

From: To:	General Secretariat of the Council Working Party on Financial Agricultural Questions
N° Cion doc.:	9634/18 + COR 1 + ADD 1
Subject:	Proposal for a Regulation on Financing, management and monitoring of the CAP - Non-paper from the Commission services on Block 3

Delegations will find attached a non-paper from the Commission services in reply to inquiries from Member States on Articles 12-24 and 44 of the proposed Horizontal Regulation.

TITLE III: FINANCIAL MANAGEMENT OF THE FUNDS

Chapter I: EAGF

COMMISSION PROPOSAL	MS	MS COMMENTS	MS DRAFTING SUGGESTIONS	DG AGRI COMMENTS
Article 12	..			
Article 13	..			
Article 14	FR	The Commission proposes to start with a postponement of the actual. It is a derogation of point 5. of Article 26 of Regulation No 1306/2013. Is that not likely to give rise to requests for the beneficiaries? France would like to know how the minimum amount of € 400 million allocated to the agricultural reserve was estimated? The delegation would like to clarify what the following provision means: "the uncommitted appropriations of the agricultural reserve are carried forward without time limit to finance the agricultural reserve in the following years" and in particular concerning the carry-over of balances. The Commission foresees a gradual decrease of assigned revenues during the MFF. In case of repeated use of the agricultural reserve, will the possibilities of budgeting the agricultural reserve, in particular through the mobilization		The COM proposes an agricultural reserve with a minimum of EUR 400 million at the start of each budget year. The actual amount to put in the annual budget will be assessed depending on estimated needs – so it can be higher if need be. Considering spending on EAGF "crisis measures" over recent years, EUR 400 million represents an appropriate level to ensure sufficient financing for such measures at the start of each year. Please note that the amount proposed in Article 14(2) is bracketed by the AT Presidency for MFF discussions. The proposal aims to have a more flexible agricultural reserve while avoiding the administrative burden related to the annual deduction via the financial discipline mechanism and reimbursement in case the

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		of the sub-ceiling margins, be sufficient?		reserve is not used. Under the new system, the cases of applying the financial discipline in relation to the agricultural reserve would be much more limited. In fact, the agricultural reserve will, in priority, be financed from a roll-over of the unused reserve amount from the preceding budget year. Furthermore, if the minimum amount of EUR 400 milion is not achieved by that roll-over, or a concrete situation would require a higher amount for the reserve, possible EAGF surpluses from the previous year, assigned revenue and availabilities from the current budget may also be used for constituting the reserve amount deemed necessary. Only if all these elements are insufficient and the setting of the reserve would imply exceeding the EAGF net ceiling, it would be necessary to apply financial discipline, though only as last resort, and no longer as a yearly routine as currently the case.
	SE	The rules for the crisis reserve, renamed to agricultural reserve (Article 14), and financial discipline (Article 15) are converted from annual payments to beneficiaries' claims that unused funds will instead be postponed from year to year unless used. It is a simplification for the administration and SE is positive to the changed procedure. Other provisions do		The Commission takes note of the MS position.

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		not differ from the current regulation.		
	LU	LU would like to underline that it fully supports the Commission's proposal to establish a crises reserve that could be carried over from one exercise to the following exercise. This crisis instrument now seems to be sufficiently flexible and simplified. However, LU is also persuaded that the crisis reserve needs a more consistent budget in order to be effective in case a crisis of a larger extent occurs.		COM proposes an agricultural reserve with a minimum of EUR 400 million at the start of each budget year. The actual amount to put in the annual budget will be assessed depending on estimated needs – so it can be higher if need be. Considering spending on EAGF "crisis measures" over recent years, EUR 400 million represents an appropriate level to ensure sufficient financing for such measures at the start of each year. Please note that the amount proposed in Article 14(2) is bracketed by the AT Presidency for MFF discussions.
	DK	Denmark is very pleased that non-committed appropriations of the agricultural reserve shall be carried over from one financial year to antoher. We think that this is a simplification in relation to how the appropriations is administrated today. Denmark would like the agricultural reserve		The Commission takes note of the MS position. The agricultural reserve is proposed to be used for EAGF-financed market support measures referred to in Article 14(1) of the HZR proposal (i.e. public storage, private storage and exceptional market support

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		to be used on preventive measures. Especially, when it comes to prevent plant or zoonosis diseases. We would like to see this reflected in Article 219-221 of Regulation (EU) No. 1308/2013.		measures).
	FI	14. 1 In the earlier Horizontal Regulation there was the word 'major' before 'crises'. Does this mean that the threshold for using the reserve is not as high as it was before?		Yes, the new agricultural reserve will not be a tool of last resort. It will be used for EAGF-financed market support measures referred to in Article 14(1) of the HZR proposal.
	HU	14.1and 14.2 The Hungarian opinion on the new rules of the agricultural reserve is the following: 1. We disagree with the fact that, according to the current rules on the crisis fund, the amounts withdrawn in 2020 are part of the new agricultural reserve for 2021. In our opinion, this amount, once it has not been used, must be returned to farmers in accordance with current rules in 2021. The 2014-2020 periods must be closed. 2. In the first year of the new period, in 2021, the replenishment of the agricultural reserve cannot be effected by applying financial discipline and thus with the reduction of the support of farmers, even with a slight reduction. 3. The Commission should not only speak in word, but also in writing, in a statement that it applies financial discipline only as a last		With a view to simplification, the HZR proposal foresees that unused amounts of the 2020 crisis reserve shall be carried over and used to set up the new agricultural reserve in financial year 2021. If the reserve in financial year 2021 would not be financed through the carry over, it would have to be financed through the other means already mentioned in previous reply (assigned revenue, surplus, availabilities under the EAGF net ceiling). However, without prejudice to the negotiations of the MFF 2021-2027, it is likely that the EAGF net ceiling in financial year 2021, similar to financial year 2014, will be insufficient to cover needs, even when taking into account potential surplus and assigned revenue. This is because the allocation for direct payments of calendar

Commission proposal	**MS**	**MS Comments**	**MS Drafting suggestions**	**DG AGRI Comments**
		resort.		year 2020/financial year 2021, as laid down in Regulation (EU) No 1307/2013, may not have been adjusted downwards to the EAGF net ceiling of financial year 2021. Consequently, it is expected that even if the reserve is financed through carry-over of the crisis reserve from 2020, and even if any potential surplus or amount of assigned revenue will be used to reduce the need for fresh appropriations, it is expected that financial discipline will have to be applied to respect the EAGF net ceiling in financial year 2021. Therefore, unless additional funds for the EAGF are added in the MFF for financial year 2021, a reimbursement in financial year 2021 of unused amounts of the 2020 crisis reserve would imply an increase of the financial discipline rate to finance the new agricultural reserve in that year. In other words, whereas farmers would be reimbursed in 2021 the financial discipline applied in financial year 2020, this would be off-set by a corresponding increase of the financial discipline reduction hence going against the intended simplification. Regarding the 2nd point, please consult the reply to CZ. In case the amount deemed necessary for the agricultural reserve is not achived by the roll-over mecahnism, possible EAGF

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				surpluses from the previous year and availabilities from the current budget may also be used for constituting the reserve amount. It is clear from the legal wording of the proposal that the only legal basis for the Commission to use financial discipline is when this is necessary for the purpose of ensuring the respect of the EAGF net ceiling. Once all pre-allocated envelopes are adjusted to the new MFF, this should be an exceptional situation (under the current MFF, it has only occurred in 2014 when direct payments allocation were not yet adjusted to reflect the MFF 2014 – 2020).
	CZ	The Czech Republic considers problematic the suggested mechanism for setting up the agricultural reserve for year 2021. Is it possible to set up the reserve from unused assigned revenues from year 2020? During the AGRIFIN meeting on 4. 7. the Commission stated, that financial discipline will be used for setting up the agricultural reserve only as a "last resort". Considering lower amount of assigned revenue and increase of flexibility in regard to the use of the reserve appropriations in the next programing period, is it not possible that the financial discipline will have to be used every year as it is in the current period?		Carry-over of the 2020 unsued reserve amount is foreseen instead of the reimbursement and use that as starting amount for the new agricultural reserve in year 2021. If, and how much, unsed assigned revenue from year 2020 is available for 2021 will only be known after execution of the 2020 budget. Reimbursement of the amounts carried-over to financial year 2021 would most likely require an additional cut of the direct payments (financial discipline) for financial year 2021 (even after taking into account any potential assigned revenue) and, therefore, result in a prolongation of the

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		In regard to the financial discipline, what rules will be applied to a minimum threshold of amount of reimbursement per final beneficiary in relation to the non-committed appropriations if the financial discipline will be applied?		current complex and burdensome mechanism of provisional reduction and subsequent reimbursement of the applied financial discipline. As regards the question on a minimum threshold for reimbursement, please see reply to LV for questions on Article 15 below. For other issues raised by CZ, please see reply to FR.
	CZ	As stated during the AGRIFIN meeting on 5 September the Czech Republic considers as problematic the suggested mechanism for setting up the agricultural reserve for year 2021. The Czech Republic suggests creating the reserve from unused assigned revenues or other unused appropriations. The Czech Republic would also like to ask for amending the text of the regulation so that it is clear that the financial discipline will be used only as the last resort in process of setting up the agricultural reserve in the upcoming programing period (as was stated by the Commission during the AGRIFIN meetings).		Regarding the 1st suggestion, please see previous replies. On replenishing the reserve, please see reply to HU.
	LV	The Commission has repeatedly emphasized that the FD will be used as the last resort. We insist that this process should be addressed in the draft regulation.		The Commission proposal aims to have a more flexible agricultural reserve while at the same time avoiding as much as possible the need to apply financial discipline. For

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				details, see the reply to the FR question.
	LV	In the case of use of agricultural reserves (Article 14). Resources of the reserve for next year will be renewed at EU level, or Member States will have to participate in restoring it? This process should be addressed in the draft regulation.		Please see reply to HU on replenishing the reserve.
	DE	The extension of the use of the new agricultural reserve (substituting the current crisis reserve) to market developments with an impact on production and marketing will increase the likelihood of its use. We understand that the objective of the agricultural reserve is -among others- to ensure financing of the agricultural safety net consisting of public intervention and private storage. We kindly ask the Commission to confirm our view. According to the proposal the agricultural reserve can also be used for crisis measures. Which crisis measures does the Commission have in mind? If the crisis measures are extended substantially (e.g. compensating also for negative effects on agricultural production), we see a risk of insufficient funding for market stabilisation measures or the obligatory agricultural safety net, respectively. Does the Commission share this		The agricultural reserve will finance EAGF expenditure for public intervention, private storage and exceptional measures under Articles 219-221 of Regulation (EU) No 1308/2013. The amount proposed in Article 14(2) is the minimum amount at the beginning of each financial year. The actual amount to put in the annual budget will be assessed depending on estimated needs – so it can be higher if need be. Please note that the amount proposed in Article 14(2) is bracketed by the AT Presidency for MFF discussions. Agricultural reserve, under the EAGF, will finance the market measures referred to in Article 14(2) of the HZR proposal. Support for risk management, financed under the EAFRD, will be part of Member States' CAP strategic plans. The various tools can be used simultaneously with due attention to respect of the provisions preventing

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		view? How would the Commission react? What is the Commission's view on the interaction of several financial instruments for crisis measures (agricultural reserve, risk management instruments in the second pillar, solidarity fund and national measures)?		double funding.
	ES	14.1 We request that the agricultural reserve be made with the credits not executed from the previous year in order to avoid applying financial discipline automatically to build the agricultural reserve and the elimination of paragraph 2 of article 14 is proposed so that the amounts deducted to farmers in 2020 will be returned in 2021 and avoid discriminatory treatment compared to other financial years.	A reserve intended to provide additional support for the agricultural sector for the purpose of market management or stabilization or in the case of crises affecting the agricultural production or distribution ("the agricultural reserve") shall be established at the beginning of each year in the EAGF **and taking into account the credits not executed within the framework of the EAGF of the previous year**	Please see replies to CZ and HU.
	PL	14.2 One should depart from the proposed by the EC lack of return in 2021 unused in 2020 crisis reserve for agricultural producers in the form of an increase in direct payments. The new agricultural reserve should constitute a separate budget item (with expenses planned for this purpose within the limit of 2021) without using up the expenditure on direct payments in 2014-2020. This is justified by	2. The amount of the agricultural reserve shall be at least EUR 400 million in current prices at the beginning of each year of the period 2021-2027. The Commission may adjust the amount of the agricultural reserve during the year when appropriate in view of market developments or perspectives in the current or	See previous replies. Unless additional funds are foreseen in the MFF to finance the reserve in financial year 2021, the reimbursement of the crisis reserve of 2020, instead of carry-over for the financial year 2021 reserve, will be off-set by a corresponding financial discipline cut in order to respect the EAGF net ceiling.

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		the nature of the disbursement of funds from this reserve to support market mechanisms under the next multiannual financial framework.	following year and taking into account available appropriations under the EAGF. By way of derogation from point (d) of Article 12(2) of the Financial Regulation, non-committed appropriations of the agricultural reserve shall be carried over without time limitation to finance the agricultural reserve in the following financial years.	
	RO	14.2 We require the COM to explain how the reserve from the last financial year of the current programming period will be transferred in another financial year.		Article 14(2) of the HZR proposal clarifies that the carry-over of the unused amount of the crisis reserve for financial year 2020 is made possible by way of derogation from point d of Article 12(2) of the Financial Rgulation (2018/1046). The latter specifies that the amounts can only be returned to direct payment lines. Via this derogation, technically, this carry-over will not be different than the usual carry-over of non-committed appropriations.
	SK	Slovakia strongly disagrees with the proposal that the total unused amount of the crisis reserve available at the end of year 2020 will not be reimbursed to farmers. Justification: The proposal is contrary to Article 26(7) of the Regulation (EU) No. 1306/2013.		Regarding the non-reimbursment of the unused amounts of the 2020 crisis reserve, please see previous replies. The HZR foresees the carry over/ non-reimbursement of the unused amounts of the 2020 crisis reserve. The HZR proposal also repeals Regulation (EU) No

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				1306/2013. Therefore, the COM considers that there is no legal contradiction, and that its proposal aims at avoiding the administrative burden related to the reimbursement of financial discipline while ensuring the same outcome (i.e. setting up the new agricultural reserve).
	IT	14.2 The establishment of the agricultural reserve for the year 2021 is made by carrying over to year 2021 the total unused amount of the crisis reserve available at the end of year 2020, without this amount being returned to the budgetary lines as required by Article 26 of Reg. (EU) no 1306/2013. Why does the article not consider the use of different financial resources to finance the agricultural reserve, such as possible budget surpluses for the year 2020?		Regarding the non-reimbursment of the unused amounts of the 2020 crisis reserve, please see previous replies.
Article 15	LV	According to financial discipline (Article 15), the applicable threshold of 0,2% is not clear. Will it be applied at European Union, Member State, measure or beneficiary level?		The COM proposes several elements of simplification related to the financial discipline mechanism. This includes e.g. the possibility not to apply the reimbursement in cases where amounts involved would be insignificant and cause excessive administrative burden. The 0.2% would be applied at EU level (i.e. non-committed appropriations compared to the total EAGF ceiling) in which case the Commission should not make a regulation making amounts available for Member States to

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				reimburse to farmers. The reason is that if the global amount available for reimbursement is less than 0.2%, then the amounts per Member State to reimburse to farmers would in many cases be minor seen in the light of the number of beneficiaries.
	LU	LU welcomes the proposal to abolish the threshold of 2.000 EUR and instead leaving the MS the possibility to apply an individual minimum threshold in case of reimbursement to the final beneficiary. This is certainly a good example for simplification.		The Commission takes note of the MS position.
	RO	We consider the financial discipline mechanism is difficult to implement and we require the COM to eliminate this article.		The financial discipline mechanism remains necessary to ensure that the annual EAGF ceiling is respected. Its application is however simplified and it would only have to be used in exceptional cases.
	LV	Technical clarification. There is incorrect reference in the Article 15 (1). Article 5 (2) does not contain subpoint (f).		The Commission takes note. It should be read as point (e) of Article 5(2).
	ES	15.1 We propose to maintain the application of financial discipline only to beneficiaries over 2000 euros because the change has important financial consequences on small recipients of aid and is a measure contrary to the protection of small farms that are sought in another proposals of the Regulations.	An adjustment rate for direct payments interventions referred to in point (c) of Article 5(2) of this Regulation and Union financial contribution to the specific measures referred to in point (f) of Article 5(2) of this	Experience shows that the EUR 2 000 threshold is entailing a heavy administrative burden for Member States and the Commission. In light of the further changes to the financial discipline mechanism and as financial discipline will in future only be applied exceptionally and no longer

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		Otherwise, there would be a significant increase in the administrative burden due to the significant increase in the number of beneficiaries who would have to process a possible reimbursement of very small amounts. Therefore, it is understood that there must be such a limit.	Regulation and granted under Chapter IV of Regulation (EU) No 228/2013 and Chapter IV of Regulation (EU) No 229/2013, ("the adjustment rate") shall be determined by the Commission **for beneficiaries over 2.000 euros** when the forecasts for the financing of the interventions and measures financed under that sub-ceiling for a given financial year indicate that the applicable annual ceilings will be exceeded	annually, the COM has proposed to abolish the threshold. In case financial discipline will have to be applied, the threshold would only imply a marginal cut in the amounts for beneficiaries whereas application of the threshold is a systemic administrative complication at all levels. As an example, if a farmer receiving EUR 2000 of direct payments, exceptionally in a year would be subject to a financial discipline reduction of 0.5%, it is a cut of only EUR 10. Moreover, the COM proposal for the CAP Plan allow Member States to target support to the benefit of small farmers when justified. As such, the threshold is not needed and also not an effective way of replying to any specific needs of small farmers.
	PT	15.1 Portugal would like that the existing exemption of € 2,000 per beneficiary should be maintained for the purpose of applying the adjustment rate (its elimination is referred in recital 14).		Please see reply to ES.
	DK	15.1 There is a reference here to Article 5, paragraph 2, litra f . As far as we can see there is only up to litra ”e”. in paragraph 5 We suppose that this is what the Comission has in mind? (Litra e and not f)	1. An Adjustment rate for direct payments interventions referred to in point (c) of Article 5 (2) of this Regulation and Union financial contribution to the specific	The COM takes note. Please see reply to LV.

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			measures referred to in point ***(e)***…..	
	RO	15.1 We would like to ask the COM to explain how it can apply the adjustment rate based on forecasts, since they are only estimations. In case the discipline is applied and the ceiling is not overrun, what happens to the amounts resulted from the application of the discipline and not used?		The financial discipline adjustment rate can only be based on forecasts as it has to be set ex-ante in order to ensure that EAGF expenditure remains within the EAGF net ceiling and to ensure that it can be applied to direct payments paid as from 1 December each year. In cases where the budget execution is lower than the budget amounts and where financial discipline has been applied, Article 15(3) lays down the rules for potential reimbursement. Beyond the specific case of reimbursement, the amounts corresponding to the financial discipline applied can be carried over to the following year to finance needs as well as for financing the agricultural reserve if need be. Beyond that, normal rules for treatment of a budgetary surplus apply.
	EL	15.1 Although in the previous regulations the limit for the implementation of the adjustment rate was defined in REGULATION (EU) No 1307/2013, we comment on this in the current regulation proposal since it was discussed in the working group. We disagree	The adjustment rate determined by the Commission, for the purpose of the financial discipline, shall only apply to direct payments in excess of EUR 2 000 to be granted to farmers in the corresponding calendar year.	Please see reply to ES.

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		with the ending of the 2000 euro limit in the application of the adjustment rate for the purpose of financial discipline. We do not think that it adds to simplicity. We would like to continue supporting small farmers.		
	PL	15.1 a) (NEW point) The exclusion of the financial discipline mechanism should be maintained for beneficiaries receiving up to 2000 euros for direct payments. The coverage of all agricultural beneficiaries proposed by the EC with the mechanism of financial discipline is an activity that will not serve the purpose of greater balancing the distribution of support directly between farms of all sizes. In addition, Member States have implemented IT systems to implement the financial discipline mechanism with a threshold of 2000 euros. The change will trigger the necessity of additional costs of reconstruction of IT systems.	1a. The adjustment rate shall only apply to direct payments in excess of EUR 2 000 to be granted to farmers in the corresponding calendar year.	See previous replies.
	DK	15.2 Until 1 December of the calender year the Commission may – on the basis of new information - adapt the adjustment rate which is the basis of the financial discipline that the beneficiaries contribute to. Denmark initiaties direct payments from the 1 December. In the weeks up to 1. December – when we prepare the payments to 40.000 beneficiaries – the Paying Agency runs a number to it-preparations. If the adjustment	2. Until ***1 November*** of the calender year in respect of which the adjustment applies, the Commission………	The adaptation of the financial discipline rate is linked to the Commission's autumn amending letter updating the budgetary estimates for the EAGF ahead of the budget conciliation. The Commission always strived to provide Member States with the final financial discipline adjustment rate as early as possible. There is no change in this regard. Moreover, the proposed adjustment rate is known to Member States sufficiently in advance (as the draft regulation is

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		rate is adapted or changed just a few days before 1 December it means that we have to run a similar number of adjustment payments afterwards. This is a very resource demanding process – which we would like to avoid.		presented for vote in the committee on the agricultural funds, which normally takes place in the second half of October).
	FI	15.2 Financial discipline has to be as accurate as possible so that there is no need to return back ("carousel") because of this, but the adjustment of the financial discipline must also be made so early that the payments can be made in due time. The possibility to make direct payments with up-to-date information concerning financial discipline from 1 January should not be jeopardized.	Until 1 December **November** of the calendar year in respect of which the adjustment rate applies, the Commission may, on the basis of new information, adopt implementing acts adapting the adjustment rate set in accordance with paragraph 1. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 101(2).	Please see reply to DK.
	HU	15.3 …. unless the overall amount of non-committed appropriations available for reimbursement represents less than 0,2% of the annual ceiling for EAGF expenditure. What about this amount?		Similarly to other non-committed appropriations, it will be carried-over to the next financial year. See also previous reply.
	ES	15.3 Idem *Paragraph 1*	Where financial discipline has been applied to payments for **beneficiaries over 2.000 euros**, the appropriations carried over in accordance with	Please see reply to ES on Article 15(1).

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			point (d) of Article 12(2) of the Financial Regulation shall be used to finance expenditure under point (c) of Article 5(2) of this Regulation, to the extent necessary to avoid the repeated application of financial discipline.	
	DK	15.3 It is stated here that "where financial discipline has been applied the appropriations carried over in accordance with the Financial Regulation shall be used to finance expenditure to the extent necessary to avoid the repeated application of financial discipline". Does this mean that non-committed appropriations must be used before financial discipline is initiated? Furthermore, it is mentioned that where appropriations to be carried over remain available, the Commission may set out per Member States the amounts of non-committed appropriations to be reimbursed to the final beneficiaries, unless the overall amount of non-committed appropriations represents less than 0,2 percent of the annual ceiling for EAGF expenditure. Does this mean that if the non-committed appropriations are sufficiently small, they		The intention is that, for simplification reasons, if there are non-committed appropriations available from the previous year (where financial discipline was applied), these shall not be reimbursed if at the same time a financial discipline will have to be applied in the following year. In that case, these non-committed appropriations shall be carried over and used to limit or avoid the need for repeated financial discipline. Yes, if the amount of non-committed appropriations represents less than 0.2 percent of the annual EAGF ceiling, it will not be reimbursed to MS/beneficiaries. The reimbursement amount per individual beneficiary would be disproportionate to the administrative burden it would entail.

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		will not be reimbursed to the beneficiaries?		
	SI	15.3 Slovenia would like to have explanation document regarding the provisions attached to the new mechanism of Agricultural reserve and ways of use the Financial discipline.		See explanations to previous questions.
	DK	15.4 Finally, it is mentioned that Member States may apply a minimum threshold of amounts of reimbursement per final beneficiary. Does this mean that the Member States may/can establish their own minimum threshold for the situations where the Member State does have to reimburse an amount to the beneficiary?		Yes, that is the intended reading.
	EL	15.4 For the implementation of this paragraph, we would like to have clarification about who is going to define the "*objective and non-discriminatory criteria"* by which the amounts set by the Commission in accordance with the second subparagraph of paragraph 3 will be reimbursed to the final beneficiaries. The Member State or the Commission by delegated act?		It is for the Member States to define the "objective and non-discriminatory criteria". Also under current rules, Member States are defining how the reimbursement is made.

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	IT	15.4 The proposal provides for Member States the reimbursement of the amounts set by the Commission in accordance with the second subpagraph of paraghraph 3 to the final beneficiaries, according to objective and non-discriminatory criteria. But how is it established if a criterion is objective and non-discriminatory?		Please see reply to EL.
	LV	15.7 In order to reduce administrative burden and do not cause negative financial consequences for small or medium-size farms, it is necessary to determine threshold for direct payments before applying adjustment rate, therefore paragraph seven should be added.	7. The adjustment rate determined in accordance with this Article shall only apply to direct payments in excess of EUR 2 000 to be granted to farmers in the corresponding calendar year in accordance with Article 14 of Regulation ..../ ... CAP Strategic Plan	Please see reply to ES.

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Article 16	..			
Article 17	..			
Article 18	..			
Article 19	CZ	Art. 19 para. 4 – How will the Commission inform Member States of overrun of financial ceilings by the Member State?		In case of overrun of financial ceilings, the Commission shall inform the Member States forthwith of such overrun (Article 19.4). It is the purpose to maintain the same

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				transparency as it is the case today. Currently, there is a well-established and functioning procedure: in case of an overrun of a ceiling, MS are contacted by e-mail by the Unit in charge and asked to confirm that the declaration is correct and that there is an overrun or if there is e.g. a incorrect booking that can be corrected in a following declaration. Finally, as is the case now, the new regulation foresees that any reduction on the payments will be confirmed in the financial clearance decision (new Article 37.3).
	IT	19.5 The Commission justifies as a simplification the adoption of implementing acts determining the monthly EAGF payments for the Member States, but without applying the procedure referred to in Article 101. The Commission also points out that the procedure referred to in Article 101 is not foreseen for EAFRD payments. Italy welcomes simplification, but in this this case considers the necessity to apply this procedure.	It is appropriate that these implementing acts be adopted by the Commission by applying the advisory procedure provided for in Article 101	See reply to EL below.
	EL	19.5 We would prefer implementing acts to follow the procedure refered to in article 101.		The reasoning behind the proposed change is the following: − The information to the MS is maintained, it has also been reinforced by adding in the Article,

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				paragraph 4, that the Commission shall inform the MS of any overrun of the ceilings that will lead to a reduction in a coming monthly decision. In addition, in case of non respect of payment deadlines, MS are also informed, see article 37(2). Therefore, with the proposed procedure MS are duly informed in advance of any possible reductions. – The proposed procedure can already be used currently for supplementary payments (see article 18(4) of Reg. 1306/2013). – The proposed procedure reduces the administrative burden for both MS and Commission, while maintaining the necessary information of MS. – This is also an alignment to what is done for EAFRD payments, where the Commission informs MS about any possible overrun and payments are effected without any Committee procedure.
	LV	19.5 According to this paragraph, Commission doesn't need to consult Agricultural Funds Committee before adopting implementing acts determining the monthly payments to be paid to		See reply to EL.

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		the Member States. We understand that it is simplification, but we believe that consultation with the Committee on monthly payments is required, at least in the form of written procedure.		
	EL	19.5 The AFC role should be maintained.	The Commission shall adopt the implementing acts determining the monthly payments referred to in paragraph 3 without applying the procedure referred to in Article 101.	See reply to EL.
	NL	19.5 Those implementing should be adopted in accordance with the advisory procedure	The Commission shall adopt the implementing acts determining the monthly payments referred to in paragraph 3 ~~without applying the procedure referred to in Article 101~~. **Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 101(2).**	See reply to EL.
	NL	19.6 Those implementing should be adopted in accordance with the advisory procedure	The Commission may adopt implementing acts determining supplementary payments or deductions adjusting the payments made in accordance with paragraph 3~~, without applying the procedure referred to in Article 101~~. **Those implementing acts shall be adopted in accordance with the advisory procedure referred to**	See reply to EL.

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			in Article 101(2).	
	LV	19.6 Commission, without the comitology procedure, may adopt implementing acts imposing additional payments or deductions that correct the monthly payments to be paid to the Member States. We understand that it is simplification, but we believe that consultation with the Committee on monthly payments is required at least in the form of written procedure.		This procedure can currently be used for supplementary payments (see current article 18 (4) of Regulation 1306/2013, so status quo.
	ES	19.6 Spain requests that this procedure of monthly payments go through the Committee as before for clarity and transparency	The Commission may adopt implementing acts determining supplementary payments or deductions adjusting the payments made in accordance with paragraph 3, ~~without~~ **implementing** the procedure referred to in Article 101.	See reply to LV
Article 20	FR	As regards the ineligibility of staff costs under the EAGF, France calls for the continuation of the derogations currently applied to the sectoral CMO programs and the POSEI.		There is no change in existing rules (the existing derogations are intended to be kept).
	IT	**In line with previous financial regulations, this article considers that expenditure related to administrative and personnel costs effected by Member States and beneficiaries of EAGF aids are not financed by the EAGF. However, payment to beneficiaries of an EAGF contribution**	It is appropriate to clarify this situation and include in article 20 of the Proposal a reference to possible derogations. Detailed clarifications are necessary in this regard in a specific document.	The Commission has proposed in Article 20 to maintain the long-standing principle for the EAGF. A non-paper on CAP expenditure under direct management was issued on 8 October 2018 (reference WK 11881/2018 INIT). It is necessary to distinguish actions under direct management on the one hand and actions under technical assistance of the MS on the other.

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		for these expenses is foreseen for certain sectoral measures of the CMO-Reg. (EU) No. 1308/2013, and this appears to be contrary to article 20 of the proposal **To finance the technical assistance, the Commission has furthermore specified that the maximum 4% of the total EAFRD contribution provided for in art. 86.3 of the CAP Strategic Plan Regulation covers the strategic plan as a whole: so it can therefore also concern measures related to the EAGF.**		
	HU	**We are waiting for the Commission working document on technical assistance for the I and II pillar of the CAP as was requested at the meeting AGRIFIN of 19 September too.**		A non-paper on CAP expenditure under direct management was issued on 8 October 2018 (reference WK 11881/2018 INIT).
	LV	**Latvia approves that technical assistance expenses are not covered by ELGF, but we strongly emphasize** that the maximum		For EAFRD, the COM proposal for the CAP Strategic Plan Regulation (SPR) maintains the current approach on technical

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		amount of technical assistance funding available to the Member States should be determined in percentage of the total available funding for the implementation of the **whole strategic plan (EAFRD+EAGF)**, and **not just from the rural development (EAFRD)** financial envelope. **We point out** that with the reduced funding for rural development, it will not be possible for Member States to implement all the measures included in the proposal for a regulation on the management, monitoring, evaluation and publicity of the EAFRD and the EAGF.		assistance of the Member States. So Member States can use a part of their EAFRD allocation for technical assistance. The percentage limits on EAFRD technical assistance referred to in art 86(3) of SPR relate the total EAFRD contribution to the CAP plan.
	EL	Expenditure relating to administrative and personnel cost in relation to EAGF and specifically to the CAP Strategic Plans should be also covered from the technical assistant. We would find useful the circulation of a working paper by the Commision stating expenses which can be covered by the technical assistance.		Please see replies to FR and LV.
	LV	We understand the Commission's explanation given during the AGRIFIN meeting on 19th of September. There are certain programs within EAGF, which has not fixed amounts, for example, fruits and vegetables program. In this case it would be necessary to determine the scope of the EAGF from which percentage is calculated. We understand that technical assistance expenses are not covered by EAGF, but **we strongly emphasize that amount of technical assistance**		The Commission takes note of the MS position. Please also see reply to your earlier question. Any increase of the percentage of Member States' EAFRD allocation that can be used for techncal assistance of the Member States will be at the expense of support available to beneficiaries, notably farmers.

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		should be determined as a percentage of the total EAFRD and EAGF contribution to the CAP Strategic Plan, and not just from the rural development (EAFRD) financial envelope. However, if amount of technical assistance will be determined as a percentage from the rural development (EAFRD) financial envelope, then it **should be higher than 4%.** We point out that with the reduced funding for rural development, it will not be possible for Member States to implement all the measures included in the proposal for a regulation on the management, monitoring, evaluation and publicity of the EAFRD and the EAGF.		
	NL	It should be made clear that this provision does not hinder payments in respect of ECO-schemes and AECM, where they are based on income forgone and cost incurred, and certain sectoral type of interventions since beneficiaries do get money borne by the Fund adressing administrative and personnel costs.		Please see reply to FR.
	HR	In the light of all the changes to the concept (CAP SP), and of the whole set of obligations that the EC has transferred to the MS, at least part of these costs should be covered by the EAGF fund.		Please see replies to FR and LV.
	LU	LU would like to stress that certain task eligible for Technical Assistance under EAFRD are overlapping with task needed for the management and payment of measures from EAGF. This makes it particularly	LU would like to delete this article	The Commission has proposed in Article 20 to maintain the long-standing principle for the EAGF. A non-paper on CAP expenditure under

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		difficult to separate one from the other. E.g. for the registration and the OTSC of EFA surfaces it is currently possible to employ additional staff under TA of EAFRD. The performed work of these employees is used for the treatment of measures under both pillars. However, according to this article, these costs would not be eligible for TA under EAGF. This does not make sense and makes the separation between what can be imputed to the TA of EAFRD and what not quite complicated, especially in the view of audit missions from the Commission's services. LU believes that it would be a real simplification to harmonise for both pillars costs that are eligible for TA!		direct management was issued on 8 October 2018 (reference WK 11881/2018 INIT). It is necessary to distinguish actions under direct management on the one hand and actions under technical assistance of the MS on the other.
Article 21	..			
Article 22	FR	The satellite data needed for monitoring are provided free of charge by the Commission to MS. FR would like to know if this free of charge include the radiometric and geometric treatments of these images prior to their use? Does this free application also apply to images other than Sentinel that may be necessary for monitoring, especially for small plots? More generally, with regard to the costs generated by monitoring, France would like to know the funding that will be made available to the Member States (on the basis of Article 7 for example), in order to ensure		The area monitoring system relies on the use of Copernicus Sentinels satellite data that are indeed available for free. Data are not delivered by the Commission but are accessible via data platforms operated by different actors, such as ESA or dedicated DIAS providers. Sentinel data (S1 and S2) are available in various processing levels, which includes also orthorectified and atmospherically corrected imagery. The availability of a given product, its readiness for application and the degree of its completeness in terms of territorial coverage may vary from platform to

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		consistent implementation of these new tools.		platform. EC services, particularly AGRI, JRC and GROW (in collaboration with ESA), are however striving to ensure that Sentinel data is available at the necessary processing level (especially via DIAS) therefore allowing for direct application of these data in IACS. On complementary satellite data, it will be available, in principle, to the extent necessary for a proper functioning of the area monitoring system. At this stage, it is not possible however to foresee the budget that will be available for this purpose. Technical assistance at the initiative of the Commission will not be available for setting up the area monitoring system in the CAP post-2020. The Commission is however strongly committed to supporting MS in developing the area monitoring approach; technical and legal work as well as practical testing is done already in the current period.
	CZ	With regard to the setting up of new systems, we would like to call to speed up the process of draft implementing acts and to provide information on satellite data details.		COM takes note of the call concerning the drafting of implementing acts. Concerning the acquisition of satellite data, COM will finance complementary satellite data, i.e. data complementary to the freely available Copernicus Sentinels data on

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				which the IACS monitoring system relies (cf. Article 68), so as to ensure a proper functioning of the monitoring system. This may include financing e.g. HHR images for areas where Sentinels data will not provide reliable information. COM will discontinue acquiring images for the purpose of the '5% OTSC' since in the next programming period assurance for the Funds does not stem from checking compliance with eligibility conditions at beneficiary level. Instead, and in line with the strategic orientation towards fostering the uptake of new technologies in the CAP, COM will finance data necessary for the proper functioning of the monitoring system which will serve primarily a policy monitoring purpose, i.e. ensuring the availability of EU-wide comprehensive and comparable data for policy monitoring purposes (agricultural, environmental, climate…). If a MS uses the area monitoring system for checks in the context of the IACS control and penalties system (cf. Article 70), the satellite data can be re-used for that purpose as well. At this stage, it is not possible to foresee the budget that will be available for this purpose.
	SE	SE has earlier, for example in the direct support		While an IACS monitoring system has to be

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		committee, emphasized the difficulties in achieving cost-effective implementation of a satellite surveillance system in Sweden due to geographical conditions. MS should choose a system based on an analysis of cost and benefit. Some MS have greater benefit from the system than others. In SE, many checks would still have to be done in the field. SE believes that satellite surveillance systems should not be mandatory for MS as proposed in Art.64.1 (c). There should be transitional solutions and phase-in periods for the MS system. Several of the Commission's new proposal on conditional conditions in terms of conditionality ("cross-compliance") will be very difficult if not impossible to control via satellite. In addition, the majority of conditions in today's cross-compliance would be very difficult to control via satellite. Delegated acts will need to clarify further provisions. It is important that there are no unreasonable requirements and conditions in implementation and delegated acts and that as far as guidance is needed, these should be clear, relevant and fulfilling their function. SE emphasize that they must be designed with understanding of different support systems, such as for pastures.		set up (cf. Art 68), it does not necessarily have to be used for checks in the context of the IACS control and penalties system (cf. Article 70). On IACS controls and penalties, subsidiarity is given so as to allow MS to adapt the design of penalties to the specific interventions chosen by the MS/ region as well as national/regional specificities and needs. Similarly, COM does not propose to make checks by monitoring compulsory in the context of conditionality. Only where MS so decide, the monitoring system will be used for checks of conditionality requirements. However, with a view to modernising IACS and containing its costs, COM would support MS in developing the monitoring system so as to serve the dual purpose of policy monitoring and controls, i.e. performance monitoring and compliance/ eligibility checks respectively.
	NL	In view of the new delivery model the set-up of the integrated system should be left to the descretion of the Member States. This includes the need of satellite data or further processed data coming from or relating to satellite data. This Article should be amended and modernised in order to keep the contribution of the Commission and to adapt it to the new delivery model and	The ~~list~~ **needs** of ~~satellite~~ data **related to satellite data** required for the ~~area monitoring~~ **integrated** system referred to in ~~point (c) of~~ Article ~~64(1)~~ **63(1)** shall be agreed by the Commission and the Member States in accordance	COM takes note of the proposal to give MS full subsidiarity on the set-up of IACS. COM has already adapted the Article taking into account technological developments (the word 'data' is used instead of 'images' so as to allow a much wider range of satellite data to be acquired) and the new

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		future technologies.	with the specification prepared by each Member State. In accordance with point (b) of Article 7, the Commission shall supply ~~that satellite~~ **such** data free of charge to the authorities competent for the ~~area monitoring~~ **integrated** system or to suppliers of services authorised by those bodies to represent them. The Commission shall remain the owner of the ~~satellite~~ data ~~and shall recover it on completion of the work~~. The Commission may entrust specialised entities to carry out tasks relating to techniques or working methods in connection with the ~~area monitoring~~ **integrated** system referred to in ~~point (c) of~~ Article ~~64(1).~~**63(1).**	delivery model. On the latter, as explained in the comments to CZ, COM will discontinue acquiring images for the purpose of the '5% OTSC' and will finance data necessary for the proper functioning of the IACS monitoring system. Hence, the purpose of acquiring data shifts from compliance to performance which is fully in line with the new delivery model. See also reply to CZ.
	HR	It should be more clearly stipulated under which condition the data recovered from the Member States can be used by the Commission.	The list of satellite data required for the area monitoring system referred to in point (c) of Article 64(1) shall be agreed by the Commission and the Member States in accordance with the specification prepared by each Member State. In accordance with point (b) of Article 7, the	COM takes note of the proposal. However, it does not see the added value of adding the proposed wording (grey highlight) given that a change of approach compared to the current situation is not proposed (the wording has been kept from the current Regulation (EU) No 1306/2013).

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			Commission shall supply that satellite data free of charge to the authorities competent for the area monitoring system or to suppliers of services authorised by those bodies to represent them. The Commission shall remain the owner of the satellite data and shall recover it on completion of the work. The recovered data cannot be used for other purpose than CAP implementation and monitoring without obtaining consent by Member State. The Commission may entrust specialised entities to carry out tasks relating to techniques or working methods in connection with the area monitoring system referred to in point (c) of Article 64(1).	
	DK	Third paragraph of the article says that the Commission shall remain owner of satellite data and shall recover it on completion of the work. If we work with VHR (Very High Resolution)-images the Member States often add a certain value to these pictures, and in that case it is fair to recover the data, since it is the Commission which has provided the	"The Commission shall remain owner of the satellite data and may recover it on completion of the work if value has been added by the Member States."	COM takes note of the proposal. It also wishes to clarify that the Article does not cover Copernicus Sentinels data as indeed those are free of charge and as such not 'acquired'; it concerns only complementary data bought ('acquired') by COM for the purpose of the monitoring system. In sum, no change of approach is foreseen

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		data. However, the new satellite data from Sentinel are free to use. Furthermore, there is no value added by the Member States when they use Sentinel data. We assume that the Commission will not recover these data, hence we proprose a modified text.		compared to the current situation.
	SI	The list of satellite data required Considering the explanation of the Commission regarding same applicability of (Sentinel) data for implementation of monitoring in all MS, Slovenia would like to get additional answer about free access to necessary data for monitoring. - Are the satellite data only the Sentinel satellite data? - If yes, SI consider that the Commission shall provide free access to other images in case of MS, where small-scale parcels prevail. - What of alternative monitoring could be applied for (very) small parcels?		The 'list of satellite data' does not include a list of Copernicus Sentinels data that will be necessary for the IACS area monitoring system. Those data are available free of charge on the DIAS infrastructure. The 'list of satellite data' refers to complementary satellite data (complementary to Copernicus Sentinels data) that will be bought ('acquired') by COM. The purpose is precisely to provide alternative data for areas where Sentinels data will not provide reliable information. Please note that the area monitoring system does not have to be used for checks (subsidiarity is foreseen in Article 70 - controls and penalties system), although with a view to modernising IACS and containing its costs, COM is willing to support MS in developing the monitoring system so as to serve the dual purpose of policy monitoring and controls, i.e. performance monitoring and compliance checks respectively.
	DE	Germany asks for clarification if satellite images used by MS for on the spot controls		See reply to CZ.

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		will continue to be financed by the Union in accordance with this article.		
Article 23	CZ	e) What is meant by ensuring technological monitoring of the agro-meteorological system? What is the link to Member States' systems?		The agro-meteorological system is a complex system composed by multiple components (crop development modeling, meteolorogical forecast, remote sensing data analysis). This require a continuous follow-up to keep this system up-to-date and develop new methodologies in order to make it more efficient. This is done through the collaboration with the quoted institutions as JRC and EEA. Concerning the link to Member States' systems, this is mainly the use of meteorological data from weather stations across the Member States and technical-scientific exchange with institutes in Member States that have a similar system.
	DE	Germany asks for clarification if satellite images used by MS for on the spot controls will continue to be financed by the Union in accordance with this article.		This article covers the satellite images used to ensure the crop monitoring in the context of crop yield forecasting. Therefore, see reply under Article 22.
	HU	Possible expenditure relating to paragraphs a) and d) needs further clarification		The monitoring of agricultural ressources in Europe is meant to assess crop yields in the horizon of one or two years. The actions to be undertaken in the paragraph a) and d) are meant, among others, to feed and collaborate with the international initiatives for monitoring agricultural ressources and markets, as the AMIS initiative

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				(Agricultural Market Information System) and the GEOGLAM (Global Agricultural Monitoring).
Article 24	..			

TITLE III: FINANCIAL MANAGEMENT OF THE FUNDS

Chapter III: Common provisions

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Article 44	..			