



**ASSEMBLEIA DA REPÚBLICA**

**EUROPEAN AFFAIRS COMMITTEE**

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## Written Opinion

COM(2011) 628

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT  
AND OF THE COUNCIL on the financing, management and  
monitoring of the common agricultural policy



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#### PART I – INTRODUCTORY NOTE

In accordance with the terms of Articles 6 and 7 of Law 43/2006 of 25 August, on monitoring, assessment and pronouncement by the Assembleia da República within the scope of the construction of the European Union, and in accordance with the procedures for the scrutiny of European draft acts approved on 20 January 2010, the European Affairs Committee received the **Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financing, management and monitoring of the common agricultural policy [COM(2011) 628]**.

The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – ‘The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future’ – COM(2010) 672 final, of 18 November 2010 – outlines the broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP. Among these reform proposals is this Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (‘the horizontal regulation’).

In view of its subject, the above draft act was referred to the Committee on Agriculture and the Sea, which analysed the draft act and approved the Report annexed to this Written Opinion, of which it forms an integral part.

#### PART II – RECITALS

The need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy, keeping the structure of the CAP around two pillars (a) direct payments and market measures providing a basic annual income support to farmers and support in case of specific market disturbances and b) rural development, where Member States draw up and co-finance multiannual programmes under a common framework) led the Commission to outline options including:

- 1) viable food production;
- 2) sustainable management of natural resources and climate action;
- 3) balanced territorial development.

The Commission proposal for the Multiannual Financial Framework (MFF) for 2014-2020 – COM(2011) 500 final, of 29 July 2011 – sets the budgetary framework and main



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orientations for the Common Agricultural Policy (CAP). This foresees that the CAP will maintain its two-pillar structure with the budget for each pillar maintained in nominal terms at its 2013 level and with a clear focus on delivering results on the key EU priorities.

Direct payments should promote sustainable production by assigning 30% of their budgetary envelope to mandatory measures that are beneficial to climate and the environment. Payment levels should progressively converge. Rural development should be included in a common strategic framework with other EU shared management funds. On market measures the financing of the CAP should be reinforced with two instruments outside the MFF: a) an emergency reserve to react to crisis situations; and b) the extension of the scope of the European Globalization Adjustment Fund.

The main elements of the legislative framework for the CAP during the period 2014-2020 are set out in the following regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products ('the Single CMO regulation');
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');
- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');
- Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

A regulation will follow on the scheme for most deprived persons, for which funding is now placed under a different heading of the MFF. New rules on the publication of



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information on beneficiaries taking account of the objections expressed by the Court of Justice of the European Union are also under preparation with a view to reconciling beneficiaries' right to protection of personal data with the principle of transparency.

Mindful of the provisions of this proposal, the following issues should be raised:

#### ***a) Legal Basis***

Having regard to Articles 39 and 43(2) of the Treaty on the Functioning of the European Union, the proposal maintains the current structure of the CAP in two pillars, with annual mandatory measures of general application in Pillar I complemented by voluntary measures better tailored to national and regional specificities under a multi-annual programming approach in Pillar II.

The current structure of four basic legal instruments is also maintained, albeit with the scope of the regulation enlarged.

The legal context of the proposal is the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – 'The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future' – COM(2010) 672 final, of 18 November 2010 – which outlines the future challenges, objectives and broad policy options for the Common Agricultural Policy (CAP) after 2013.

#### ***a) Principle of Subsidiarity***

This draft act does not breach the principle of subsidiarity established in Article 5(3) of the Treaty on European Union. Under the terms of Protocol No. 2 'On the application of the principles of subsidiarity and proportionality', the Common Agricultural Policy is an area of shared competence between the EU and the Member States under the terms of Article 4(2)(d) TFEU. The proposal also maintains the current legal structure of instruments in two pillars, which gives Member States leeway to tailor solutions to their local specificities and also to co-finance Pillar II. The objectives of the regulation cannot be sufficiently achieved by the Member States because of its relationship with the other CAP instruments and the financial limitations of individual Member States.

#### ***b) Principle of Proportionality***

This draft act does not breach the principle of proportionality established in Article 5(4) of the Treaty on European Union in accordance with Protocol No. 2 'On the application



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of the principles of subsidiarity and proportionality' because it does not go beyond what is necessary to achieve the objectives of the Treaty.

#### ***c) Content of the draft act***

In addition to financing provisions, the horizontal regulation brings together provisions on cross compliance, checks and penalties. As a result, the new regulation lays down rules on financing, the farm advisory system, management and control systems, cross compliance and clearance of accounts.

The draft act aims to adjust financing rules on the basis of experience to date, to streamline and enhance cross compliance and to strengthen the farm advisory system.

The regulation provides the basis for a common monitoring and evaluation framework to measure the performance of the CAP during the next period.

This regulation includes various simplification elements (it regroups the cross-compliance rules, reduces the number of paying agencies and reinforces the role of the coordinating bodies).

The rules on management and controls will be aligned so as to ensure legal clarity.

On the budgetary implication:

It is proposed that the CAP should focus on its two pillars with EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period.

This funding is complemented by additional funding of EUR 17.1 billion: EUR 5.1 billion for research and innovation; EUR 2.5 billion for food safety; EUR 2.8 billion for food support for the most deprived persons; EUR 3.9 billion in a new reserve for crises in the agricultural sector and EUR 2.8 billion for the European Globalization Adjustment Fund.

#### **PART III – PERSONAL VIEW OF THE RAPPORTEUR**

The Rapporteur considers it relevant to comment that the legislative framework for reform of the CAP does not respond to the problems of Portuguese agriculture and family agriculture in the European Union and is not capable of meeting the need for a sustainable increase in agrifood production in Europe, nor does it take account of the call of the FAO (Food and Agriculture Organization of the United Nations) to meet the planet's food needs in the short to medium term.



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No calendar is established to reduce disparities in the distribution of direct aids during the period covered by the reform so that farm income support is equalised for all Member States.

No mechanisms are proposed to guarantee the right to produce in agriculture; on the contrary, measures are adopted that consolidate the ending of milk quotas and the wine planting ban.

No roadmap is proposed, let alone implemented, for creating a level playing field so that Portuguese farmers can compete with their European counterparts.

#### **PART IV – CONCLUSIONS**

The Budget of the European Union should finance the expenditure of the Common Agricultural Policy (CAP) through the two Funds (the European Agricultural Guarantee Fund - EAGF, and the European Agricultural Fund for Rural Development - EAFRD) either directly or under shared management with the Member States.

In order to establish the financial relationship between the accredited paying agencies and the Union budget, the Commission should clear the accounts of these paying agencies annually.

As personal data or business secrets might be involved in the application of the national control systems and the conformity clearance, the Member States and the Commission should guarantee the confidentiality of the information received in that context.

The advisory procedure should be used for the adoption of certain implementing acts attributed to the Commission (on its own or delegated authority in accordance with Article 290 of the Treaty).

#### **PART V – OPINION**

In the light of the above, the European Affairs Committee is of the opinion that:

1. This draft act does not breach the principle of subsidiarity established in Article 5(3) of the Treaty on European Union in accordance with Protocol No. 2 'On the application of the principles of subsidiarity and proportionality' because the proposed objective would be more effectively achieved through action at Union level;



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2. The legislative framework for the reform of the CAP in the period 2014-2020 should be more ambitious and establish a calendar for reducing disparities in the distribution of direct aids during the period covered by the reform so that farm income support is equalised for all Member States;
3. The EU should adopt a faster pace of convergence between direct aids to farmers in the various Members States through the reduction in the difference between the basic level of direct aids and 90% of the EU27 average;
4. Greater flexibility is needed in the voluntary application of payments tied to production;
5. The scrutiny process in relation to this draft act should be deemed completed. However, given the importance to Portugal of the matter in question, the European Affairs Committee intends, jointly with the other specialist Parliamentary Committees, to continue the monitoring of this legislative process and its coordination with the various Proposals for a Regulation mentioned in this Written Opinion, in particular through the exchange of information with the Government.

São Bento Palace, 13 December 2011

**Rapporteur, Honório Novo**

**Committee Chairman, Paulo Mota Pinto**





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**PART VI – ANNEX**

Report of the Committee on Agriculture and the Sea

Report of the Committee on Agriculture and the Sea

[Proposal for a Regulation of the European Parliament  
and of the Council on the financing, management and  
monitoring of the common agricultural policy (horizontal  
regulation)]

COM(2011) 628

Rapporteur:

Pedro do Ó Ramos, MP

## **PART I – INTRODUCTORY NOTE**

The Committee on Agriculture and the Sea (CAM) received at the request of the European Affairs Committee and in accordance with Article 7 of Law 43/2006 of 25 August (Monitoring, assessment and pronouncement by the Assembleia da República within the scope of the construction of the European Union), draft acts COM(2011) 625, COM(2011) 626, COM(2011) 627, COM(2011) 628, COM(2011) 629, COM(2011) 630 and COM(2011) 631, on the legislative framework of the CAP for 2014-2020.

It is now necessary for this Committee to consider the proposals and produce its Reports thereon, which will be subsequently referred to the European Affairs Committee.

This Report concerns draft act COM(2011) 628, a Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (horizontal regulation).

The context of the above proposals is common to them all as they are all based on the Communication on the CAP towards 2020, which outlined the broad policy options for agriculture and rural areas in the future.

## **PART II – RECITALS**

### **1. General**

The importance of the future challenges for Europe in terms of food security, the environment and territorial balance means that the CAP (Common Agricultural Policy) remains a European strategic policy requiring a more efficient response both in political terms and in the use of budgetary resources.

The Commission states that the EU's objective is the maintenance of a common agricultural policy whose challenges are: 1) viable food production; 2) sustainable management of natural resources and climate action; and 3) balanced territorial development.

The presentation by the Commission of the proposal for a further reform of the Common Agricultural Policy (CAP) is taking place concurrently with the proposals for the Multiannual Financial Framework (MFF) for 2014-2020.

The proposal for the CAP 2014-2020 is based on a model which retains the existing structure consisting of two pillars, with a budget for each pillar at its 2013 level in nominal terms.

The main elements of the legislative framework for the CAP for 2014-2020 are set out in the following regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products ('the Single CMO regulation');
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');
- **Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');**
- Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No. 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

As regards the Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (horizontal regulation), the Committee comments as follows:

## **2. Relevant aspects**

The future legislative framework of the Common Agricultural Policy 2014-2020 maintains the present two-pillar structure. The structure of four basic legal instruments is also maintained, albeit with the scope of the financing regulation enlarged to bring together common provisions into a single regulation known as the '*horizontal regulation*'.

The horizontal regulation brings together relevant rules for all instruments, such as provisions on cross compliance, checks and penalties. The aim is to adjust financing rules on the basis of experience to date, to streamline and enhance cross compliance and to strengthen the farm advisory system.

The proposed regulation under scrutiny lays down rules on: a) the financing of expenditure under the common agricultural policy, including expenditure on rural development; b) the farm advisory system; c) the management and control systems to be put in place by the Member States; d) the cross-compliance system; e) clearance of accounts.

The various measures of the Common Agricultural Policy, defined in the Treaty, are financed by the European Agricultural Guarantee Fund (EAGF) and the Agricultural Fund for Rural Development (EAFRD). Both these Funds operate under shared management between the Member States and the Union, based on the principles of sound financial management, transparency and non-discrimination.

As regards simplification, the regulation groups all cross-compliance rules in one single legislative act, thereby improving their readability. In addition, it foresees reducing the number of paying agencies and reinforcing the role of the coordinating body, with the aim of rendering the system more transparent and less burdensome for both national administrations and the Commission services. There will be fewer accreditations and declarations of assurance required at Member State level and the number of Commission audits can also be reduced.

The regulation also foresees empowering the Commission to reduce the number of on-the-spot checks for Member States with properly functioning control systems and low error rates, which could reduce the administrative burdens for both farmers and national administrations.

As regards cross-compliance, the regulation strengthens the climate change dimension within good agricultural and environmental condition (GAEC) and consistency with the provisions on greening and relevant environmental measures offered under rural development.

### 3. Principle of Subsidiarity

The proposals comply with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States that is being handled at EU level with a view to maintaining a sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States.

The maintenance of the current structure of instruments in two pillars and the flexibility between them gives Member States more leeway to tailor solutions to their local specificities and also to co-finance Pillar II.

### PART III – PERSONAL VIEW OF THE RAPPORTEUR

Although the inclusion of the personal view of the Rapporteur is optional under the terms of Article 137(3) of the Rules of Procedure, this Rapporteur considers it relevant to state that this **Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (horizontal regulation)** forms part of the legislative framework for the Common Agricultural Policy 2014-2020.

The Rapporteur is of the view that the legislative framework for reform of the CAP 2014-2020 should be more ambitious in terms of the equitable distribution of direct aids between Member States. It is puzzling that no date is set for the approximation of the uniform unit value of direct payments in Pillar I between Member States and yet such uniformity will be mandatory from 2019 within a Member State (Article 22(5) of the direct payments regulation). This duality of criteria seems to the Rapporteur to be misguided.

As regards the regulation on the rural development programme, the limitation on support for irrigation projects is regrettable. In view of this, the Parliamentary Committee on Agriculture and the Sea confronted the European Commissioner for Agriculture at a hearing at the Assembleia da República on 8 November 2011. The Commissioner showed a willingness to rethink this matter and to adapt the rural development regulation as regards investment in irrigation, which is key to improving the productivity and competitiveness of Portuguese agriculture.

#### **PART IV – CONCLUSIONS**

In view of the above, the Committee on Agriculture and the Sea is of the opinion that:

1. This draft act **does not breach the principle of subsidiarity** in that the proposed objective will be more effectively achieved through action at EU level.
2. Consideration of this draft act has not raised any issues which call for subsequent follow-up.
3. The Committee on Agriculture and the Sea considers the scrutiny of this draft act completed and that **this Report** should be referred to the European Affairs Committee in accordance with the terms of Law 43/2006 of 25 August 2006.

São Bento Palace, 28 November 2011

**MP acting as Rapporteur, Pedro do Ó Ramos**

**Committee Chairman, Vasco Cunha**