

Statement made by EU Agriculture & Rural Development Commissioner Phil Hogan to the EU Agriculture & Fisheries Council on CAP Simplification

16 November 2015, Brussels

Dear Ministers,

You will recall that I identified the simplification of the Common Agricultural Policy as one of the key political priorities for my mandate as Commissioner. Indeed, in his Mission Letter to me, President Juncker asked me to prioritise the further simplification of the CAP during the first year of that mandate.

I am now just over a year into my mandate and I want to take this opportunity to give you an update on the simplification of the CAP and to announce a further series of measures which have, as their focus, simplification for the benefit of the farmer.

My commitment to simplifying the CAP is based on three principles:

- Firstly, simplification needs to concentrate on what benefits farmers and other beneficiaries. Making life easier for farmers is a common goal for us all.
- Simplification is also in the interest of national and regional administrations – less time spent on understanding, translating and implementing complex rules means a saving to the taxpayer.
- Of course, a suitable balance must also be struck with the need to ensure that there is also respect the sound financial management of the CAP.

The simplification agenda involves us all, it is a team effort and a bottom-up approach – I have received many proposals from stakeholders and public representatives across the EU. I also welcome the official submissions made by you, the member states, and particularly the Council Conclusions of last May, as well as the Opinions of the Committee of the Regions and the Economic and Social Committee Simplification can only be a success if we continue to work together to make it happen. All of these contributions have helped to inform the decisions taken to date and those being announced to date.

(Actions to date)

I have always made it clear that simplification is an ongoing process – there will be no big bang, but rather a series of announcements. I am committed to bringing forward changes as soon as I can – I see no point in waiting.

So, to date, I have announced two waves of simplification measures. The first, in March of this year, saw an extension to the deadline for direct payments applications. I also gave more flexibility on the eligibility conditions for voluntary coupled support for animals.

In May, I announced a second wave of 6 concrete changes to the Guidelines on Direct Payments to make life easier for farmers and administrations. All of these changes are applicable in claim year 2015 and will ease the burden for farmers and national administrations alike.

(Actions in the pipeline)

During our previous discussion at Council in May, I committed to give you an update on a further wave of simplification measures in the pipeline before the end of this year. So, I am glad to be able to inform you today of some further actions.

(Simplifying the IACS – preliminary checks of aid applications)

My first announcement is one which will have a significant impact on farmers and I believe will make their lives easier. **This measure provides for preventive preliminary checks as part of the aid application process. This should allow national administrations to identify problems with farmers' applications so that, even up to 35 days after the final date of submission, farmers will be allowed to make corrections without the application of any penalties.**

This measure should take away a lot of the fear and uncertainty linked to filling out forms and the ever present fear of fines and disallowances which many farmers experience. The modification of the necessary Implementing Act received a positive opinion of the Committee on Wednesday last and I expect that it will be adopted by the Commission by mid-December.

This is a significant measure which I urge member states to implement. Under the principle of subsidiarity, you are responsible for these checks, so I encourage you to take up the challenge and do it. In putting this preliminary check system in place, we have been informed by the ambitious work undertaken some member states, for example in Italy.

The preliminary check system is in the interests of farmers, national administrations and the sound financial management of the CAP. By identifying errors early in the process, we should be able to reduce the risk of penalties and reductions of payments for farmers. This should likewise make life simpler for national administrations. Not least, it should contribute to the reduction of the error rate of the CAP as a whole – facilitating our common commitment to sound financial management.

(Further Simplifications IACS rules)

I can also announce 4 further simplifications in the Implementing Act governing the Integrated Administration & Control System (IACS):

The first one will reduce the level of some on-the-spot checks for 2016. This will open up the possibility for more Member States to reduce such checks that is currently possible (for some schemes). This will be achieved by modifying the conditions under which on the spot checks are necessary. It will allow national administrations to target on-the-spot checks to where they will have greatest effect. Where overall error rates are below 2 per cent and Member States have updated their LPIS within the last 3 years, it will be possible, for certain schemes, to reduce the on-the-spot-checks from 5 per cent to only 1 per cent of the sample size. This measure will significantly relieve the burden on farmers and national administrations alike.

Furthermore, the number of on-the-spot controls and checks can also be reduced by **increasing the efficiency of the selection of samples – particularly by carrying out a range of different samples during the course of a single on-the-spot-check**. This responds directly to concerns of farmers, who feel they are subject to a number of unnecessary and repeat inspections over the course of the year, in situations where one inspection would serve perfectly well to gather all the relevant information.

I am also **introducing management rules for a system of collective claims under the second pillar, specifically in relation to agri-environmental and climate measures**. This should be combined with a system of real-time notification of activities leading towards a more result-oriented agri-environmental and climate measure. It will allow farmers to come together to deliver public goods more effectively and efficiently than they otherwise could by acting alone. This is in the interests of the farmers themselves, and of course, in the interests of our environment and climate as a whole.

The fourth IACS-simplifying measure in this package will **provide farmers with further possibilities to modify their declaration regarding the use of**

agricultural parcels for the purpose of greening. This is a practical proposal which will have a positive impact on farmers who may need to adapt their cultivation plan during the growing season.

I am pleased to confirm that the abovementioned measures, all of which will require modifications to the Implementing Act received a positive opinion of the Committee on the 11th of November last and I expect that they will be adopted by the Commission by mid-December. On that basis, most of the changes will be applicable as from Claim Year 2016. Indeed, some of them will be applicable retroactively for 2015, which will further simplify the lives of farmers and national administrators.

(Voluntary Coupled Support)

I'm announcing today three proposed changes to further simplify Voluntary Coupled Support. I want to make VCS a tool which can be used in as simple, rapid and effective manner as possible, especially in times of market volatility. As you know, VCS is targeted at keeping our farmers in business in those areas facing particular geographical challenges, such as our islands and mountainous and outermost regions, as well as those vulnerable sectors facing particular challenges.

National administrations will have the possibility to transfer funds between different VCS measures – this reflects my view that you are best placed to spot challenges in particular sectors and respond rapidly; There will also be a **new option to modulate unit rates of aid**, to take into account economies of scale and further target support to smaller farmers; And thirdly, I propose **to streamline the notification when changes are made to VCS schemes**, so we can cut through the red tape to make these changes quickly and effectively and enable Member States to move money between schemes more easily.

(Young Farmers Scheme)

I intend to **give discretion to national administrations regarding the access to the young farmers scheme of legal bodies jointly controlled by young farmers and other farmers who do not meet the young farmer criteria**. In proposing this measure, I am responding to the request of several Member States to have greater flexibility and subsidiarity in determining which legal persons could qualify as young farmers. Indeed, some Member States found it very difficult, within their respective legal frameworks, to determine appropriate rules in cases where both young farmers and other farmers shared control of the enterprise. At the same time, those Member States who have the means to do

so should be allowed to continue to apply the qualification rules as they currently apply them.

This modification will increase the effectiveness and the outreach of the scheme by allowing Member States to focus on those arrangements among young farmers which best suit their national framework and reality on the ground. It should also allow for reducing the administrative burden linked to controls. It also gives national administrations the possibility to further align the Pillar One provisions for access to the Young Farmer Scheme with their implementation under Rural Development Programmes in Pillar Two.

I expect that the modification of the Delegated Act with regard to changes both to voluntary coupled support and the Young Farmers' Scheme will be adopted by the end of this month and should therefore be applicable as from Claim Year 2016.

(Market measures)

With regard to market measures and the Common Market Organisation, there are a number of proposals which are now coming to fruition. Discussions with your national experts on the simplification of rules regarding **public intervention** and **private storage, import and export licences** and **producer organisations** have been concluded. To take the example of public intervention and private storage aid, the aim is to simplify the schemes for operators and paying agencies, reflecting the need to act quickly in times of crises to stabilise markets and ensure cash-flow to operators. For producer organisations, the intention is to align as many sectors (though not the fruit and vegetable sector) with the existing rules for the outsourcing of the activities of recognized producer organisations and associations.

The relevant delegated acts are expected to be adopted by the Commission in the first quarter of 2016. This simplification process is also important as it aligns the rules with the Lisbon Treaty.

(Actions foreseen for 2016)

As I have already mentioned, I do not see simplification as a one off, big bang measure, but rather an ongoing process. Accordingly, I intend that the process will continue next year and beyond with further opportunities for simplification being identified and implemented. Work is already well advanced on other parts of the simplification package pertaining to market measures. I expect that that further new delegated regulations will be adopted in the first half of 2016 in relation to **marketing standards, wine support**

schemes, fruit and vegetables, trade mechanisms, carcass classification and member states' notifications.

The aim is a massive reduction in the number of Commission level CMO Regulations from around 200 presently, to around 40 delegated and implementing regulations – this will make the job of national administrations easier and lead to significant cost and resource efficiencies for competent authorities across the EU.

(Direct Payment Administrative Penalties)

One of the issues which arises most frequently when I meet farmers throughout the EU is the proportionality of administrative penalties. I have asked my services in DG AGRI to look at how we can simplify the administrative penalty system for direct support, particularly with a view to the application of appropriate penalty levels that reflect the seriousness or otherwise of the breach of the rules of the scheme. In this regard, I want to see particular attention paid to fairness for farmers with small holdings, for whom the application of high penalties may well compromise their very viability. Of course any review of the application of administrative penalties must reflect the need to maintain sound financial management of what is, after all, taxpayers' money, but I believe that an appropriate balance can be struck between the needs to protect public money while, at the same time, applying a more proportionate system of penalties.

(Greening)

In relation to Greening, I am committed to an assessment of its implementation of the after the first year of application and, as reflected in the REFIT part of the Commission Work Programme, I will come with concrete proposals where appropriate. Based on this review, I expect to present a **package of changes to the Delegated and Implementing Acts pertaining to Greening before the summer of 2016**. This will respond to the commitment made by the Commission in April 2014. Any changes introduced should then become applicable as of claim year 2017.

(Rural Development)

As you know, Rural Development comes under the horizontal regulation covering all European Structural and Investment Funds (ESIF). A **High Level Group for simplification** has recently been appointed. The mission of this Group, chaired by former Commission Vice President Siim Kallas, is to assess how to simplify draw-down and usage of ESI Funds in order to reduce the administrative burden for beneficiaries and member states alike.

It is my hope that practical measures, such as the flexibility to modify RDPs more than once per annum, with particular regard to the use of Financial Instruments, can be considered. This would allow managing authorities to react rapidly and flexibly to the changing needs of the rural economy in terms of jobs- and growth-stimulating measures.

Apart from the work of the High Level Group, at technical level my services will review the implementing rules for rural development in early 2016. The objective will be to **simplify the programming rules for financial instruments**. **This is one of the most significant potential improvements for 2016. Any change which can simplify access to financial instruments should benefit the rural economy, in particular by giving access to affordable finance to young farmers seeking to enter the profession and modernise holdings – something we can all agree on as essential for the future of the CAP, and for rural Europe as a whole.**

At the same time, and based on the experience from the programming exercise, the impact of **information obligations** on small beneficiaries will be assessed and, if necessary, the rules will be simplified.

(Possible Reopening of the Basic Acts)

While the immediate focus remains on the Implementing and Delegated Acts, there is a point at which, perhaps when all the current and foreseen measures are implemented, we will have reached the limits of what can be achieved in relation to Implementing and Delegated Acts **without opening the Basic Acts**.

The discussions on the draft Council Conclusions showed that the decision whether and, if so, when to open the Basic Acts is not an easy one and requires **careful consideration and good preparation**. However, I have open mind regarding this, and should we be in agreement that further simplification can be delivered through opening the Basic Act, then I believe that we should give it serious consideration.

Indeed, it may be that some of the measures and reviews foreseen could only be implemented through the reopening of the Basic Acts. For example, such an approach could be required in relation to any decisions taken following the EFA review or in relation to concerns expressed to me by farmers concerning the definition of active farmers, etc.

(Conclusion)

I would like to conclude by thanking everyone for your comprehensive and constructive contributions on simplification over the last year, not least

through the Council Conclusions of May last. I want to thank public representatives at all levels, local, national and European, as well the experts in your administrations, the stakeholder groups and individual farmers who have bought into this process through submitting positive proposals.

I also want to pay tribute to you, the Council, and the European Parliament, for buying into simplification - particularly in view role in approving changes to Delegated Acts, which are necessary to take simplification further. I thus count on your support, as we need to work together to be able to progress the simplification agenda.

Simplification is a team effort – together we can make the lives of farmers and other beneficiaries easier as well as simplify work for our national administrations. This is in all of our interests. I count on your continued support!

Thank you.