Basic information

2018/0217(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Common agricultural policy (CAP): financing, management and monitoring 2021–2027 Repealing Regulation (EU) No 1306/2013 2011/0288(COD) Amended by 2024/0073(COD) Amended by 2024/0319(COD) Amended by 2025/0236(COD) **Subject** 3.10 Agricultural policy and economies 3.10.12 Agrimonetary policy, compensatory amounts	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	MÜLLER Ulrike (Renew)	18/09/2019
	Shadow rapporteur SANDER Anne (EPP) PICIERNO Pina (S&D) METZ Tilly (Greens/EFA) JURGIEL Krzysztof (ECR) DAVID Ivan (ID) MACMANUS Chris (GUE/NGL)	

Former committee responsible	Former rapporteur	Appointed
AGRI Agriculture and Rural Development		

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development		
BUDG Budgets		
CONT Budgetary Control		

ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
REGI Regional Development	BOGOVIČ Franc (EPP)	02/07/2019

Former committee for opinion	Former rapporteur for opinion	Appointed
DEVE Development		
BUDG Budgets		
CONT Budgetary Control		
ENVI Environment, Public Health and Food Safety		
REGI Regional Development		

Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
JURI Legal Affairs	DZHAMBAZKI Angel (ECR)	01/07/2021

Council of the European Union

European Commission

Commission DG	Commissioner
Agriculture and Rural Development	HOGAN Phil

European Economic and Social Committee

Key events

Date	Event	Reference	Summary
01/06/2018	Legislative proposal published	COM(2018)0393	Summary
11/06/2018	Committee referral announced in Parliament, 1st reading		
08/04/2019	Vote in committee, 1st reading		
15/05/2019	Committee report tabled for plenary, 1st reading	A8-0199/2019	Summary
21/10/2019	Resumption of business from the previous parliamentary term		

19/10/2020	Results of vote in Parliament		
20/10/2020	Results of vote in Parliament		
20/10/2020	Debate in Parliament		
21/10/2020	Results of vote in Parliament		
22/10/2020	Results of vote in Parliament		
23/10/2020	Decision by Parliament, 1st reading	T9-0288/2020	Summary
23/10/2020	Results of vote in Parliament		
23/10/2020	Matter referred back to the committee responsible for interinstitutional negotiations		
09/09/2021	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	GEDA/A/(2021)003502 PE696.354	
23/11/2021	Decision by Parliament, 1st reading	T9-0457/2021	Summary
23/11/2021	Results of vote in Parliament		
23/11/2021	Debate in Parliament		
25/11/2021	Results of vote in Parliament		
02/12/2021	Act adopted by Council after Parliament's 1st reading		
02/12/2021	Final act signed		
06/12/2021	Final act published in Official Journal		

Technical information

Procedure reference	2018/0217(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EU) No 1306/2013 2011/0288(COD) Amended by 2024/0073(COD) Amended by 2024/0319(COD) Amended by 2025/0236(COD)
Legal basis	Rules of Procedure EP 41 Treaty on the Functioning of the European Union TFEU 043-p2
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/9/00344

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE629.392	24/10/2018	
Committee opinion	BUDG	PE625.574	23/11/2018	
Committee opinion	REGI	PE629.655	23/01/2019	
Committee opinion	CONT	PE631.923	13/02/2019	
Committee report tabled for plenary, 1st reading/single reading		A8-0199/2019	15/05/2019	Summary
Text adopted by Parliament, partial vote at 1st reading /single reading		T9-0288/2020	23/10/2020	Summary
Text agreed during interinstitutional negotiations		PE696.354	23/07/2021	
Specific opinion	JURI	PE697.662	01/10/2021	
Text adopted by Parliament, 1st reading/single reading		T9-0457/2021	23/11/2021	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2021)003502	23/07/2021	
Draft final act	00065/2021/LEX	02/12/2021	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2018)0393	01/06/2018	Summary
Document attached to the procedure	SWD(2018)0301	01/06/2018	
Commission response to text adopted in plenary	SP(2021)792	18/01/2022	
Follow-up document	COM(2024)0417	26/09/2024	
Follow-up document	COM(2025)0058	28/02/2025	
Follow-up document	COM(2025)0519	25/09/2025	
Follow-up document	COM(2026)0466	10/09/2026	

National parliaments

Document type	Parliament/Chamber	Reference	Date	Summary
Contribution	FR_ASSEMBLY	COM(2018)0393	13/07/2018	

Contribution	PL_SEJM	COM(2018)0393	19/09/2018	
Contribution	PT_PARLIAMENT	COM(2018)0393	25/09/2018	
Contribution	ES_PARLIAMENT	COM(2018)0393	27/09/2018	
Contribution	IE_HOUSES-OF-OIREACHTAS	COM(2018)0393	09/10/2018	
Contribution	DE_BUNDESRAT	COM(2018)0393	23/10/2018	
Contribution	CZ_SENATE	COM(2018)0393	26/10/2018	
Contribution	RO_SENATE	COM(2018)0393	06/11/2018	
Contribution	EL_PARLIAMENT	COM(2018)0393	04/03/2020	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES3141/2018	17/10/2018	
CofA	Court of Auditors: opinion, report	N8-0019/2019 OJ C 041 01.02.2019, p. 0001	25/10/2018	Summary
CofR	Committee of the Regions: opinion	CDR3637/2018	05/12/2018	

Additional information

Source	Document	Date
European Parliament	Briefing	
European Commission	EUR-Lex	

Final act

Regulation 2021/2116
OJ L 435 06.12.2021, p. 0187

Corrigendum to final act 32021R2116R(01)
OJ L 029 10.02.2022, p. 0045

Delegated acts

Reference	Subject
2021/3008(DEA)	Examination of delegated act
2021/3009(DEA)	Examination of delegated act
2022/2919(DEA)	Examination of delegated act
2024/2979(DEA)	Examination of delegated act
2022/2667(DEA)	Examination of delegated act

2022/2729(DEA)	Examination of delegated act
2023/2673(DEA)	Examination of delegated act
2023/2548(DEA)	Examination of delegated act
2023/2704(DEA)	Examination of delegated act
2026/2584(DEA)	Examination of delegated act
2026/2588(DEA)	Examination of delegated act
2026/2751(DEA)	Examination of delegated act

Common agricultural policy (CAP): financing, management and monitoring 2021–2027

2018/0217(COD) - 01/06/2018 - Legislative proposal

PURPOSE: to modernise and simplify the common agricultural policy (CAP) beyond 2020 (horizontal regulation on the financing, management and monitoring of the CAP).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the context in which the last CAP reform was decided in 2013 has shifted considerably. More specifically: (i) agricultural prices have fallen sharply as a result of macroeconomic factors and geopolitical tensions; (ii) the EU has become more open to global markets; (iii) the EU has made new commitments at international level, for example on climate change mitigation (through COP 21).

On the basis of the Commission proposal for the multiannual financial framework (MFF) 2021-2027, the Commission is presenting a set of regulations which define the legislative framework of the CAP for the period 2021-2027, namely:

- a regulation defining the objectives of the CAP as well as rules on support for strategic plans to be developed by Member States in the framework of the CAP;
- **a horizontal regulation** on the financing, management and monitoring of the CAP;
- and a common organisation of the markets (CMO) Regulation.

These proposals give shape to the reflections on the future of the CAP presented in the Commission Communication on the future of food and agriculture in November 2017, which highlighted the challenges, objectives and possible avenues for a **'future-proof' CAP, that needs to be simpler, smarter and more modern, leading to the transition to a more sustainable agriculture**.

The CAP general objectives shall focus on the economic viability, the resilience and income of farms, on an enhanced environmental and climate performance, and on the strengthened socio-economic fabric of rural areas. Moreover, fostering knowledge, innovation and digitalisation in agriculture and rural areas is a cross-cutting objective.

CONTENT: this proposal for a **horizontal regulation of the CAP** seeks to maintain the current structure of the CAP in two pillars with annual measures of general application in **Pillar I** (direct payments) complemented by measures reflecting the national and regional specificities under a multi-annual programming approach in **Pillar II** (rural development).

The financing of the various CAP interventions and measures from the Union budget is provided by (i) the European Agricultural Guarantee Fund (**EAGF**) and (ii) the European Agricultural Fund for Rural Development (**EAFRD**).

Increased subsidiarity for Member States: the new design of the CAP for post 2020 will point to an increased subsidiarity so that Member States can better tailor implementing measures under both Pillars to their realities and farmers' concrete circumstances.

On this basis, the current CAP Horizontal Regulation is adapted to the new delivery model and **reflects more flexibility for Member States in implementing the policy** (in line with their local needs), less bureaucracy for beneficiaries and shift to a **performance-based policy**.

Setting targets at EU level: the move at EU level from an emphasis on compliance to performance requires a clear identification of the objectives which the policy has to achieve: again, these objectives shall be established at EU level. In order to advance towards a more result-driven policy mechanism, there shall be a shift from assurance on legality and regularity of the underlying transactions to assurance on performance and the respect of EU basic requirements, like (IACS) or the governance bodies (paying agencies, coordinating bodies, competent authorities and certification bodies). The robust and reliable governance structures which characterise the CAP will be maintained.

Controls and sanctions: in addition to financing provisions, the CAP Horizontal Regulation continues to have provisions on general principles for checks and penalties, checks for **conditionality** and the Integrated Administration and Control System (IACS). A new system of 'conditionality' shall link all farmers' income support (and other area- and animal-based payments) to the application of environment- and climate-friendly farming practices.

Accordingly, the proposed Regulation lays down rules on financing, management and control systems, clearance processes (annual financial clearance and annual performance clearance) and conformity procedure.

Simplification: in line with the new delivery model, an **annual performance clearance** shall be established in order to check the eligibility of the expenditure in relation to the reported outputs. The proposal also provides for a reduction in the number of paying agencies and strengthens the role of the coordinating body and the certification body. It introduces the concept of the single audit approach and provides that the number of audits carried out by the Commission can be reduced.

AVAILABLE BUDGET: the Commission proposal on the multiannual financial framework for 2021-2027 provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with **EUR 286.2 billion** allocated to the EAGF and **EUR 78.8 billion** for the EAFRD.

These agricultural funds are complemented by **additional funding** from Horizon Europe, as the proposed envelope for this programme includes **EUR 10 billion** to support research and innovation in food, agriculture, rural development and the bioeconomy.

Agricultural reserve: a new agricultural reserve shall be established in the **EAGF**, to provide additional support for the agricultural sector for the purpose of safety-net measures in the context of market management or stabilisation and/or in case of crises affecting the agricultural production or distribution. The amount of the reserve shall be at least **EUR 400 million** at the beginning of each financial year. Non-committed appropriations of the agricultural reserve shall be carried over without time limitation to finance the agricultural reserve in the following financial years.

Transfer of allocations: Member States shall have the possibility to transfer up to **15%** of their CAP allocations between direct payments and rural development and vice versa, to ensure the financing of their priorities and measures.

Common agricultural policy (CAP): financing, management and monitoring 2021–2027

2018/0217(COD) - 25/10/2018

OPINION No 7/2018 of the Court of Auditors concerning Commission's proposals for regulations relating to the common agricultural policy (CAP) for the post-2020 period.

The legislative proposal for the CAP after 2020 examined by the Court of Auditors includes three regulations accompanied by an impact assessment, as well as an explanatory memorandum on the three regulations.

The main proposed changes to the CAP for the post-2020 period are as follows:

- one CAP strategic plan per Member State for all CAP expenditure (direct payments, rural development and market measures),

- an attempt to move towards a performance-based system,

- an attempt to redefine the eligibility of spending (reported outputs and a new concept of legality and regularity),

- changes in control systems (a changed role for the certification bodies).

The proposed 'horizontal regulation' includes the financial rules and the monitoring and evaluation framework.

Management and control

The proposal retains some key features such as integrated management and control systems. It reduces the number of regulations constituting the legislative framework from five to three.

The Court notes that the combined programming, within one national CAP strategic plan, of measures currently spread between the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) could help to ensure consistency between the different CAP measures. However, it is difficult to know whether the CAP would be simplified overall, as complexity would increase in other respects (e.g. the proposal introduces an environmental programme with objectives similar to those of two other environmental instruments).

Eligibility of expenditures based on achievements

The Commission's assessment of eligibility would be based on measured achievements and the functioning of governance systems and would not take into account the rules applicable to individual beneficiaries set out in the CAP strategic plans. The Court considers that the term "achievements" is imprecise and that, for some interventions, implementation depends on the beneficiaries' compliance with the commitments set out in the CAP strategic plans.

Eligibility of spending based on outputs

The Commission’s assessment of eligibility would be based on output measures and the operation of governance systems, and would exclude rules for individual beneficiaries contained in the CAP strategic plans. ‘Output’ is not clearly defined in the proposal. In the Court’s view, there are interventions where output depends upon beneficiaries’ compliance with commitments set out in the CAP strategic plans.

Certification bodies' checks

The paying agencies would have to ensure legality and regularity of operations financed by the CAP. Certification bodies would check the functioning of the governance systems, consisting of governance bodies and ‘basic Union requirements’. The latter would be defined as the rules laid down in the CAP strategic plan regulation and the horizontal regulation. It is unclear whether the certification bodies’ checks would cover definitions and specific eligibility criteria laid down in the CAP strategic plans.

Verification of regularity and legality

In the proposal, the Member States’ supervisory role does not change, although control of legality and regularity by the certification bodies is no longer mandatory. The reporting and the assurance the Commission obtains changes significantly. The Commission would, under the proposal, receive neither control statistics from paying agencies, nor assurance on payments to individual farmers from certification bodies.

The Commission remains ultimately responsible for implementing the budget, including the payments made within Member States. The Court understands the proposal as having the impact of weakening Commission accountability over this.

Furthermore, under the proposal, the Commission would no longer be able to quantify the extent to which payments breached rules. It would also make it harder to apply a single audit approach, notably because of the reduced role for certification bodies.

Common agricultural policy (CAP): financing, management and monitoring 2021–2027

2018/0217(COD) - 15/05/2019 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Agriculture and Rural Development adopted the report by Ulrike MÜLLER (ALDE, DE) on the proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows.

Competent authority

The report proposes that Member States shall designate an authority at ministerial level responsible for:

- the issuing, reviewing and withdrawing of accreditation of paying agencies;

- the issuing, reviewing and withdrawing of the accreditation of the coordinating body;

- the appointment, and revocation thereof, of the certification body.

The Commission shall promote the exchange of best practices for the operation of governance systems between Member States.

Coordinating bodies

Where more than one paying agency is accredited, Member States shall appoint a public coordinating body, to which it shall assign the following tasks:

- to collate the documents, data and information to be provided to the Commission and to send that information to the Commission;

- to furnish the annual accounts, the annual clearance report and the performance report, by condensing and collating the data and documents submitted by paying agencies;

- to take or coordinate actions with a view to resolving any deficiencies of a common nature and to keep the Commission informed of any follow-up;

- to ensure the harmonised application of Union rules.

Budget ceiling

It is very important that the Member States have the limits concerning payments so that there is no possibility for those Member States who uses first to have the most.

EU agricultural crisis reserve

This reserve shall be established in the budget of the CAP to provide additional support for the agricultural sector for the purpose of market management or stabilisation and to respond promptly in the case of crises affecting the agricultural production or distribution.

The appropriations for the reserve shall be entered directly in the Union's budget and deployed, in the financial year or years for which additional support is required.

An initial amount of **EUR 400 million** in current prices shall be set up in 2021 in addition to the EAGF and EAFRD budgets, while further funds could be added each year together with any unused money from the previous year, until it reaches EUR 1.5 billion. If this is not enough, the so-called financial discipline mechanism, which reduces direct payments for farmers, shall be activated, but only as a last resort and excluding the first EUR 2 000 of payments.

Checks by the Commission

Members endorsed the shift from a system based on checking that beneficiaries comply with detailed rules to a new performance-based one, focused on achieving results as defined in national strategic plans. To avoid overburdening national administrations and farmers, Member States shall report their achievements to the Commission once every two years, not every year as proposed.

In the case of serious deficiencies detected in the Member State's management and control systems, and in order to ensure the protection of the financial interests of the Union, the Commission may extend its checks to confirm the terms on which the operations financed by the funds were undertaken and checked to ensure compliance with applicable Union law for all the interventions laid down in the CAP Strategic Plans.

The Commission may continue to carry out the extended monitoring as long as the serious deficiencies in the governance system persist.

The Commission shall summarise that information and publish multiannual reports, communicating them to the European Parliament.

Recoveries for non-compliance

Member States shall request recovery from the beneficiary for any undue payment following the occurrence of irregularities and other cases of non-compliance by beneficiaries with the conditions of the interventions referred in the CAP Strategic Plan and bring legal proceedings to that effect where necessary.

Protection of the financial interests of the Union

Member States shall set up efficient management and control systems in order to ensure compliance with the Union legislation governing Union interventions. The control systems shall be described in the national CAP Strategic Plan. Such management and control systems may include early warning mechanisms.

Control and penalties system

Member States shall set up a control and penalties system for the aid. Member States, through the paying agencies or the bodies delegated by them, shall carry out administrative checks on the aid application to verify the eligibility conditions for the aid. Those checks shall be supplemented by on-the-spot checks.

For each of the interventions, Member States shall ensure that the control sample for on-the-spot checks carried out each year covers at least 5 % of all beneficiaries. That percentage shall be increased appropriately where any significant non-compliance in the context of a given intervention or measure is detected. However, Member States may reduce that percentage where the error rates remain at an acceptable level.

In the case of intentional non-compliance, the percentage reduction shall be at least 15 % of the total amount of the payments and may as amount to the total exclusion from payments and may apply for one or more calendar years.

Common agricultural policy (CAP): financing, management and monitoring 2021–2027

2018/0217(COD) - 23/10/2020 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted by 434 votes to 185, with 69 abstentions, amendments to the proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the Common Agricultural Policy (CAP) and repealing Regulation (EU) No 1306 /2013.

The matter was referred back to the committee responsible for inter-institutional negotiations.

The main amendments adopted in plenary concern the following points:

CAP's fundamental role

Members stressed that the CAP has a fundamental role with direct payments and second-pillar funds to farmers contributing significantly not only to food security, but also to investment and employment in rural areas.

Affirming that the drastic cuts envisaged for the CAP were unacceptable, they suggested refocusing the CAP on its core activities, maintaining the funds allocated to it for the EU-27 over the period 2021-2027 at least at the level of the 2014-2020 budget, and restoring the initial amount of the budget allocated to the agricultural crisis reserve.

Competent authority

Members proposed that Member States should designate an authority at ministerial level responsible for (i) issuing, reviewing and withdrawing the accreditation of paying agencies and the coordinating body; (ii) designating and revoking the certification body.

The competent authority should immediately inform the Commission of the issuing or withdrawal of accreditations and encourage the exchange of best practices for the functioning of governance systems between Member States.

The head of the accredited paying agency should prepare and send a performance report to the Commission by 15 February of the year following the financial year concerned at the latest.

Coordinating bodies

Where more than one paying agency is accredited, Member States should designate a public coordinating body to which they entrust the following tasks:

- collating information to be provided and sending it to the Commission;

- providing the annual accounts, the annual audit and the report on the results bringing together the data submitted by the paying agencies;

- taking or coordinating action to resolving any shortcomings of a common nature and keeping the Commission informed of any follow-up;

- ensure the harmonised application of Union rules.

Individual limits for Member States

The annual ceiling for EAGF expenditure should be constituted by the maximum amounts that set individual limits for the Member States.

Crisis reserve

Members proposed to revise and strengthen the current crisis reserve to support the establishment of an EU agricultural crisis reserve. This reserve should be established in the budget of the CAP to provide additional support for the agricultural sector for the purpose of market management or stabilisation and to respond promptly in the case of crises affecting the agricultural production or distribution. The appropriations for the reserve should be entered directly in the Union's budget and deployed, in the financial year or years for which additional support is required.

An initial amount of EUR 400 million in current prices should be set up in 2021 in addition to the EAGF and EAFRD budgets, while further funds could be added each year together with any unused money from the previous year, until it reaches EUR 1.5 billion. If this is not enough, the so-called financial discipline mechanism, which reduces direct payments for farmers, should be activated, but only as a last resort and excluding the first EUR 2 000 of payments.

Suspension and reductions of payments in relation to the multi-annual performance review

Members endorsed the shift from a system based on checking that beneficiaries comply with detailed rules to a new performance-based one, focused on achieving results as defined in national strategic plans. To avoid overburdening national administrations and farmers, Member States shall report their achievements to the Commission once every two years, not every year as proposed.

Funds resulting from reductions in payments in relation to the multi-annual performance review would be placed in a performance reserve and would be used to reward Member States for satisfactory performance in relation to the specific objectives of the CAP Strategic Plan.

Protection of the financial interests of the Union

Member States should set up efficient management and control systems to ensure compliance with the Union legislation governing Union interventions. The control systems should be described in the national CAP Strategic Plan. Such management and control systems may include early warning mechanisms.

Control and penalties system

Member States should set up a control and penalties system for the aid. Member States, through the paying agencies or the bodies delegated by them, should carry out administrative checks on the aid application to verify the eligibility conditions for the aid. Those checks should be supplemented by on-the-spot checks.

For each of the interventions, Member States should ensure that the control sample for on-the-spot checks carried out each year covers at least 5 % of all beneficiaries. That percentage should be increased appropriately where any significant non-compliance in the context of a given intervention or measure is detected. However, Member States may reduce that percentage where the error rates remain at an acceptable level.

In the case of intentional non-compliance, the percentage reduction should be at least 15 % of the total amount of the payments and may as amount to the total exclusion from payments and may apply for one or more calendar years.

Common agricultural policy (CAP): financing, management and monitoring 2021–2027

2018/0217(COD) - 23/11/2021 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 485 votes to 142, with 61 abstentions, a legislative resolution, on the proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306 /2013.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission's proposal as follows:

Scope and subject matter

This regulation lays down rules on the financing, management and monitoring of the common agricultural policy (CAP), and in particular on: (a) the financing of expenditure under the CAP; (b) the management and control systems to be put in place by the Member States; (c) clearance and conformity procedures.

The financing of the various interventions and measures falling under the CAP from the general budget of the Union should be made by: (a) the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

Under the new CAP delivery model, Member States should be responsible for tailoring their CAP interventions in line with their specific needs and basic Union requirements in order to maximise their contribution to Union's CAP objectives. In order to continue to ensure a common approach and a level playing field, Member States should also establish and design the compliance and control framework for beneficiaries, including compliance with standards for good agricultural and environmental conditions and statutory management requirements

Governance bodies

The regulation provides for the designation by Member States of the governance bodies, namely the competent authority, the paying agency, the coordinating body and the certification body.

Member Stated should designate a competent **authority at ministerial level** responsible for: (i) the issuing, reviewing and withdrawing of accreditation of paying agencies; (ii) the designation and the issuing, reviewing and withdrawing of the accreditation of the coordinating body.

It is stipulated that the he person in charge of the accredited paying agency should provide the Commission with an annual summary of the final audit reports and of controls carried out, an analysis of the nature and extent of errors and weaknesses identified in governance systems, as well as corrective action taken or planned.

Where more than one paying agency is accredited in a Member State, that Member State should designate a **public coordinating body**, to which it shall assign the following tasks: (i) to collect the information to be provided to the Commission and to send that information to the Commission; (i) to supply to the Commission the annual performance report; (iii) to take or coordinate actions with a view to resolving any deficiencies of a common nature and to inform the Commission of any follow-up; (iv) to promote and, where possible, ensure the harmonised application of Union rules.

The Commission should promote the exchange of best practices between the Member States, in particular as regards the work of the governance bodies.

Agricultural reserve

A Union agricultural reserve should be established at the beginning of each year in the EAGF to provide additional support for the agricultural sector for the purpose of market management or stabilisation and to respond promptly in the case of crises affecting the agricultural production or distribution.

The amount of the reserve should be **EUR 450 million in current prices** at the beginning of each year of the period 2023-2027, unless a higher amount is set in the Union budget. The Commission could adjust the amount of the reserve during the year, when appropriate, in view of market developments or perspectives in the current or following year and taking into account available appropriations under the EAGF sub-ceiling. If those available appropriations are not sufficient, financial discipline could be used, as a last resort, to fund the reserve up to the initial amount.

A reallocation mechanism should enable any unused amount of the agricultural crisis reserve set up during the year 2022 to be used. To this end, a derogation from the Financial Regulation is introduced to allow the carry-over of non-committed appropriations from the agricultural reserve to finance the agricultural reserve in the following budgetary years until the year 2027.

Rules regarding checks to be carried out

The management and control systems set up by the Member States should include systematic checks which target, inter alia, the areas where the risk of errors is the highest. Member States should ensure that a level of checks needed for an effective management of the risks to the financial interest of the Union is carried out. The relevant authority should draw its check sample from the entire population of applicants comprising, where appropriate, a random part and a risk-based part.

Area monitoring system

Member States should set up and operate an area monitoring system, which shall be operational from 1 January 2023. If the full deployment of the system from that date is not feasible due to technical limitations, Member States may choose to set up and start the operation of such a system gradually, providing information for a limited number of interventions only. However, by 1 January 2024, an area monitoring system in all Member States should be fully operational.

Control and penalty system

Member States should set up a control and penalty system. Member States, through the paying agencies or the bodies delegated by them, should annually carry out administrative checks on the aid application and payment claims to verify legality and regularity. Those checks should be supplemented by on-the-spot checks, which may be executed remotely with the use of technology.

Control system and administrative penalties in relation to conditionality

Member States should set up a system to verify that beneficiaries receiving direct payments, annual payments or support comply with the obligations. A simplified control system should be set up for small farmers.

No administrative sanctions should be imposed if non-compliance is due to force majeure or exceptional circumstances or if it is due to an order from a public authority.

As regards the calculation of **administrative penalties**, reductions or exclusions should be calculated on the basis of the payments granted or to be granted in respect of the calendar year in which the non-compliance occurred.

In calculating such reductions and exclusions, account should be taken of the severity, extent, permanence, reoccurrence and intentional nature of the non-compliance detected. The reduction should, as a general rule, be 3% and may go up to 15% of the total amount of payments in case of intentional non-compliance. Member States may retain 25% of the amounts resulting from reductions and exclusions.

Control system for social conditionality

Member States should set up a system providing for the application of administrative penalties to beneficiaries who do not comply with the rules on social conditionality.

The social conditionality mechanism should be based on the enforcement procedures that are carried out by the competent enforcement authorities or bodies responsible for controls on working and employment conditions and applicable labour standards. Such enforcement procedures may take various forms depending on the national system.

The outcome of the controls and the enforcement procedure should be communicated to the paying agencies along with a ranked assessment of the gravity of the breach of the relevant legislation. That mechanism should remain independent from, and should not affect, the functioning of the particular social model of each Member State, nor should it in any way affect the independence of the judiciary.