



Brussels, 7 June 2019
(OR. en)

10008/19

Interinstitutional Files:

2018/0216(COD)

2018/0217(COD)

2018/0218(COD)

AGRI 289
AGRILEG 105
AGRIFIN 36
AGRISTR 40
AGRIORG 32
CODEC 1182
CADREFIN 265

NOTE

From: Presidency

To: Special Committee on Agriculture / Council

No. Cion doc.: 9645/18 + COR 1 + ADD 1
9634/18 + COR 1 + ADD 1
9556/18 + REV 1 (en, de, fr) + COR 1

Subject: Post-2020 CAP reform package

a) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council

b) 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

c) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands

- *Presidency progress report*

I. INTRODUCTION

1. The proposals for a reform of the Common Agricultural Policy (CAP) related to the EU's multiannual financial framework (MFF) 2021-2027 consist of the following three Regulations:
 - A centre-piece **Regulation on CAP Strategic Plans**, encompassing direct payments, sectoral interventions and rural development;
 - A Regulation on the financing, management and monitoring of the CAP (hereinafter: "**Horizontal Regulation**"), replacing the current Regulation with the same name;
 - A Regulation which amends and updates Regulations (EU) No 1308/2013 on common market organisation of agricultural products (CMO), (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on aromatised wine products, (EU) No 228/2013 on the outermost regions and (EU) No 229/2013 on the smaller Aegean islands (hereinafter: "**amending Regulation**").
2. Following a first read-through of the three proposed Regulations by the responsible Council Working Parties and work done both in the Special Committee on Agriculture (SCA) and in the "Agriculture and Fisheries" Council, the Austrian Presidency submitted a first set of drafting suggestions on the three proposals (15058/18 + ADD1, 15046/18, 14195/18) and presented a Progress Report on the state of their examination to the Council on 17 December 2018 (15027/18).
3. Building on the work done by the Austrian Presidency and following further discussions held at the level of Working Party, the SCA and the "Agriculture and Fisheries" Council, the Romanian Presidency submitted a set of revised drafting suggestions for all three Regulations. As a result, the Romanian Presidency considers that the texts of the Horizontal and CMO Regulations are broadly stable, whereas significant progress on the CAP Strategic Plans Regulation has been achieved.

4. Furthermore, the Romanian Presidency proposed discussions on certain provisions on elements which are part of the horizontal negotiations on the Multiannual Financial Framework (MFF) 2021-2027, such as the reduction of payments, agricultural reserve and financial discipline, without however establishing any conclusion on elements covered by the "Negotiating Box" (which are under discussion at the level of the European Council). Moreover, following coordination with the Ad-Hoc MFF Working Party, the Romanian Presidency de-bracketed two provisions that were previously categorized as MFF-related (Article 40 of the Horizontal Regulation and Article 58(2) of the CAP Strategic Plans Regulation).
5. Likewise, under the Romanian Presidency extensive discussions have taken place on delegated and implementing acts, on both Horizontal and CAP Strategic Plans Regulations, following which drafting suggestions were introduced, based also on the input from the Council Legal Service.

II. **STATE OF PLAY WITH THE REGULATION ON CAP STRATEGIC PLANS**

6. The Romanian Presidency organised 16 meetings of the Working Party on Horizontal Agricultural Questions (WP HAQ) and 2 meetings of Agricultural Counsellors/Attachés covering a total of 26 working days to examine the proposal further, mainly on the basis of Presidency papers and explanatory documents from the Commission services, as well as input from the Council Legal Service. Steered by Presidency policy papers, discussions on specific elements of the proposal were also held at 14 SCA and at five "Agriculture and Fisheries" Council meetings.
7. Considering delegations' views expressed in these discussions and sent in writing, the Romanian Presidency presented several versions of revised drafting suggestions: the first two (doc. 7007/19 and doc. 7485/19, published on 1 March 2019 and 13 March respectively), focused on some politically sensitive aspects, while the versions published on 27 May (doc. 9529/19) and 7 June (doc. 10103/19) constituted a comprehensive redraft of the entire proposal.

8. The discussions held at technical and political level, as well as the delegations' reactions to the Presidency drafting suggestions, helped to secure significant progress by better understanding Member States' positions, clarifying the Commission's proposal, further aligning it to the delegations' views and stabilising concepts. The discussions also helped clarifying the need to offer Member States enough leeway to adapt the provisions of the Regulation to the situation on the ground and to preserve the "common" element of agricultural policy.
9. With reference to the last version of its drafting suggestions, the Romanian Presidency focussed its efforts on the following aspects:
 - With a view to stabilising **definitions and related conditions**, while taking into account Member States' concerns, the Romanian Presidency proposed new definitions, such as “public expenditure” and “AKIS”, and redrafted the definitions of “mutual funds”, “intermediate body”, “permanent grassland”, “young farmer” and “genuine farmer”. In addition, the Romanian Presidency dedicated extensive discussions to the proposal brought forward by some Member States to widen the definition of “eligible hectare” in order to make more room for a richer environmental contribution of the agricultural areas. Therefore, the Romanian Presidency suggested a redrafted text, which may require further discussion;
 - In relation to the **types of interventions in the form of direct payments**, the Romanian Presidency organised extensive discussions on the reduction of payments (Article 15) and the complementary redistributive income support for sustainability (Article 26), which led to suggestions with a view to simplification. Such suggestions relate to: the voluntary subtraction of labour costs from the amount of direct payments to be granted to farmers and the method of calculation of these amounts (Article 15(2)) and the voluntary nature of the complementary redistributive income support for sustainability (Article 26(1)). The Romanian Presidency also included certain provisions in other Articles in order to respond to Member States' specificities;

- The main amendments for the **sectoral types of interventions** are mostly technical and include changes on substance related to: the extension of the scope of "other sectors", in order to cover the products falling under point (x) of Article 1(2) of the current CMO Regulation, based on the Member States' assessment of needs; flexibility for producer organisations in the fruit and vegetables sector to choose in their operational programs between environment and climate change objectives; inclusion of agri-environmental-climate or organic farming commitments assumed by producers organisations members under actions covered by the EAFRD for the 15% environmental threshold; flexibility to choose between the implementation of objectives at the level of producer organisations or at the level of associations; increase of co-financing for environmental and climate change objectives; broadening of the scope of investments in the wine sector; establishment of a threshold of 80% for the co-financing of expenditure for information and promotion actions in the wine sector; flexibility in the olive oil sector and other sectors to choose in the CAP Strategic Plans between producer organisation system and structural interventions; However, further discussion might be necessary in relation to the 15% suggested by the Presidency in Article 44(7) and on the provisions related to "other sectors" in Article 60a;
- As regards the **types of interventions for rural development**, the most important changes concern: the introduction of a revision clause in Article 65; the possibility to re-designate the areas with natural or other areas specific concerns in Article 66; certain adjustments to the list of ineligible investments under Article 68, as well as a more flexible approach as regards the possible types of risk management tools in Article 70. In addition, Article 75 on the use of the EAFRD delivered through or combined with InvestEU was significantly changed in order to be in line with the provisions of the Common Provision Regulation (CPR) and InvestEU Regulations;

- In relation to the "**new delivery model**", extensive discussions were held both at technical and political level, particularly on the new performance framework. As a result, the Romanian Presidency proposed several changes to Title VII on "Monitoring, reporting and evaluation" to better adapt the reporting requirements to the specificities of interventions falling outside the Integrated Administration and Control System (IACS) and to allow a more flexible approach regarding the performance review. The new proposals are related to the possibility to set up the average annual unit amounts in the Annual Performance Report for non-IACS interventions based on the operations selected in the previous financial years, as suggested under option 1 from the Joint Paper of the Austrian and Romanian Presidencies. In addition, reporting of results is suggested to be assessed against milestones every two years. Moreover, the Romanian Presidency included increased degressive percentages for the deviations from the biennial milestones, as follows: 45% in 202{3}, 40% in 202{5} and 35% in 202{7} (the specific years may change depending on the start of implementation of the new policy). The suggestions will soften the consequences of the performance review, while the annual reporting of results will allow a timely adjustment of the implementation in order to avoid the consequences of a higher deviation from the biennial milestones;
- Following Member States' requests, the Romanian Presidency opened the discussion on Annex I on **indicators**. The Commission was asked to present 70 fiches for the context, output, result and impact indicators, which represented the basis for the first redrafting of Annex I by the Presidency. Further clarifications will, however, be needed on the new delivery model", notably on aspects related to planning and reporting requirements and indicators;

- Thematic discussions were held at the technical and political level on the "**green architecture**", considered by the Presidency as one of the cornerstones of the CAP reform. The Presidency dedicated several meetings of the Working Party and of the SCA, as well as the April "Agriculture and Fisheries" Council to this item, in order to find a balance between accommodating the specificities in the Member States with regard to the enhanced conditionality proposed by the Commission and the preservation of the broadly accepted higher environmental ambition. Special attention was dedicated, in particular, to the following aspects:
 - i) whether and to which extent small farmers should be covered by conditionality; in this respect, the Presidency concluded that Member States are divided on the universal applicability of conditionality *vis-à-vis* the exemption of small farmers. As a result, the Presidency proposed to include the "farm size" as a main risk factor to be taken into account, in conjunction with a simplified control and penalty system for this category of farmers;
 - ii) whether eco-schemes should be voluntary or mandatory for Member States and how to avoid unspent amounts when the uptake by farmers is lower than planned;
 - iii) the redrafting of the GAECs in Annex III to better respond to Member States' specificities and concerns; GAEC 5 was kept within the Farm Advisory Services and a new description of the FaST was provided;

- iv) the deletion of some Statutory Management Requirements (SMRs) related to animal health; some Member States argued that the implementation of the directives concerned is covered by the Official Controls Regulation, which puts in place a comprehensive EU framework for controls, audits and penalties whereby farmers who do not comply with the fundamental and important infringements will be sanctioned under the national legislation. Other Member States were concerned that the penalties were too high, but some Member States are satisfied with the experience of animal identification being part of conditionality and expressed their concerns that veterinary security in the entire EU might be jeopardised if it was not strengthened anymore with conditionality. Therefore, the Presidency placed the SMRs 7 to 10 in brackets and added a footnote that the text of art 86(1) of the Horizontal Regulation (HzR) on penalties should be further elaborated;

However, as the opinions in relation to the abovementioned points are divergent, the Presidency considers that further work is required and, therefore, they remain “open”;

- As regards the **coordination and governance framework**, the Presidency focused its efforts on accommodating regionalised/federal Member States’ constitutional provisions in respect of the setup of the Managing Authority by further amending Article 110. Furthermore, the provisions concerning the consultation of the Monitoring Committee on the Annual Performance Report were modified to increase Member States' leeway with regard to completing the procedural requirements for the submission of the Annual Performance Report to the Commission;

- In relation to the **financial provisions**, the Romanian Presidency focused on two main aspects:
 - i) the level of coupled support: Member States expressed diverging positions ranging from calls to phase out this payment to supporting the Commission proposal (10%+2%), keeping the current level of support (13%+2%) and increasing the level up to 23%+2%. The Presidency considers that, as a compromise, it is important to keep at least the present level of allocation, to be endorsed ultimately at political level;
 - ii) the level of technical assistance: following delegations' requests, the Presidency suggested that the increase to 6% of the EAFRD contribution applies for CAP Strategic Plans where the total amount of Union support for rural development is up to EUR 1.5 billion;
- The Romanian Presidency also focused its work on the Competition provisions, mainly on redrafting Article 131 (State aid) and Article 133 (National fiscal measures).

III. STATE OF PLAY WITH THE HORIZONTAL REGULATION

10. On the basis of the Austrian Presidency's text of the proposal (15046/18), the Working Party on Financial Agricultural Questions (WP AGRIFIN) examined the proposed new Horizontal Regulation further and discussed various additional drafting suggestions put together by the Romanian Presidency, some of which were also discussed in the SCA and in the Council, such as the agricultural reserve and financial discipline. In order to show the evolution of the Council's emerging position on the proposal, the Presidency published on 7 June a latest version of the consolidated text of the proposal, which reflects all drafting suggestions considered in the Council and its preparatory bodies thus far (10135/19).¹

¹ It should be noted that the WP HAQ is responsible for the examination of the provisions in the Horizontal Regulation on the Integrated Administration and Control System (IACS) (Articles 63-73) and on the control system and penalties in relation to conditionality (Articles 84-87).

11. Member States generally believe that significant progress has been made to make the current Horizontal Regulation fit for purpose for the "financing, management and monitoring" of a new *performance*-based CAP. The Presidency drafting suggestions in the text have added clarity and simplified certain provisions of the Horizontal Regulation. However, some challenges remain regarding the New Delivery Model and the alignment of the Strategic Plan Regulation with the Horizontal Regulation. For example, according to some delegations, the policy shift may in fact result, in the short term, in a higher administrative burden for administrations taking into account the additional and/or changing tasks of the governance bodies involved (e.g. paying agencies, certification bodies). Although delegations acknowledge that the relationship between the Commission and final beneficiaries could become simpler as a result of the New Delivery Model, they have difficulties identifying where simplification will occur in the relationship administrations-beneficiaries.
12. In reply to Member States' concerns expressed in the WP AGRIFIN, the Presidency proposed several drafting suggestions to the text of the Horizontal Regulation, such as: Article 8.2 in order to address the outstanding issue of regionalised or federal Member States and as regards the accreditation of new, additional paying agencies; Article 30 to explicitly state that the first payment made under financial instruments represents an advanced payment within the meaning of the last paragraph of Article 35; Article 42 in order to extend the Commission empowerments to adopt delegated acts also for sectoral types of interventions; and the alignment of the provisions on transparency with the current transparency requirements applicable to EAGF and EAFRD as set out in the current Horizontal Regulation (1306/2013).
13. Several other changes of a more technical nature were made in order to add clarity to the text and ensure the correlation with the Strategic Plan Regulation, including changes in the IACS chapter and as regards the control and penalty system and conditionality.

14. In Article 15 (Financial discipline), following the request of a significant number of Member States, the threshold of EUR 2,000 was introduced. The modification takes into consideration the fact that this provision is already implemented; therefore, the Member States' systems are functional. Moreover, since the financial discipline will be used in the future as a last resort, as further strengthened by the footnote introduced by the Presidency, the application of the whole mechanism should not imply an additional administrative burden for the Member States. Nevertheless, further discussions are needed on this aspect, as Member States views on the matter are still divergent.
15. Certain provisions in the proposed Horizontal Regulation have been amended but may need to be reviewed pending the establishment of agreement on the CAP Strategic Plans Regulation and on the MFF:
- It remains to be seen if the final wording of a certain number of provisions in the Horizontal Regulation would need to be adapted in view of the final text of the proposed CAP Strategic Plans Regulation, such as: Article 8 making reference to the annual performance report; Articles 38-40 on the suspension of payments in relation to the annual clearance, to the multi-annual performance reporting, or to deficiencies in the governance systems and Article 52 on the annual performance clearance. Some further refinement of the text of some other Articles may be needed as well, such as in Articles 74-83 on scrutiny of transactions.
 - Provisions with budgetary implications have been set aside in the proposal pending further progress on the MFF. These provisions, which appear between square brackets in the text of doc. 9513/19, include: Article 14 on the (amount of the) agricultural reserve and the carry-over of the current crisis reserve; Article 15 on the reimbursement of financial discipline to beneficiaries; Article 29 on initial pre-financing amounts; and Article 32 on the date for automatic de-commitment and the proposed N+2 rule.

IV. STATE OF PLAY WITH THE CMO REGULATION

16. The Romanian Presidency continued the work launched by the Austrian Presidency and clarified several questions identified as open and requiring further discussion. To this end, a policy debate took place in the "Agriculture and Fisheries" Council in January during which the Ministers presented their views on the Commission's proposal to allow the classification of certain wine varieties, including six prohibited varieties as well as those belonging to the species *Vitis labrusca*. In subsequent SCA meetings in February and March, more questions related mainly to the wine sector such as planting authorisations, a new proposal for labelling of wine products, de-alcoholised and partially de-alcoholised wines and geographical indications were debated allowing the Romanian Presidency to propose revised drafting suggestions for the proposed CMO Regulation on 12 March 2019 in document 7451/19.
17. Following the comments of the delegations received during bilateral meetings in the week of 20 May 2019, the Romanian Presidency revised the text again with a view to the meeting of the "Agriculture and Fisheries" Council on 18 June 2019 (7451/1/19 REV 1 + COR 1). The amendments proposed by the Presidency seek in particular to:
- Strike a balance as regards wine varieties by maintaining the existing prohibition on six specific hybrid varieties and on the species *Vitis labrusca* but allowing the use of hybrids in PDO wines;
 - Clarify the rules on checks on wine labelling to ensure a proportionate approach;
 - Make the use of terms "de-alcoholised" and "partially de-alcoholised" mandatory on the labelling of such wine products;
 - Change the rules concerning authorisations for new plantings and extend the period for converting planting rights into authorizations;

- Provide a transitional period for the new requirement to indicate the nutritional value and the list of ingredients of wine on its labelling;
- Maintain the current provision for the hemp imports;
- Extend the marketing rules for wine to the olive oil sector;
- Prolong the national aids in Finland until 2027.

18. All provisions with budgetary implications or of horizontal nature were set aside pending further progress on the MFF. These provisions, which appear between square brackets in the text, include: (1) budget appropriations for the supply of fruit and vegetables and of milk and milk products in educational establishments (school scheme), (2) budget allocations provided in Regulation 228/2013 on the outermost regions and (3) budget allocations provided in Regulation 229/2013 on the smaller Aegean islands. Items related to Brexit were also identified and appear in the text between curly brackets: amendment to Article 149 of Regulation 1308/2013 and the related recital 23a.
