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## **PROPOSAL**

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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 1 June 2018

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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No. Cion doc.: COM(2018) 394 final/2

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Subject: 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

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Delegations will find attached document COM(2018) 394 final/2.

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Encl.: COM(2018) 394 final/2



Brussels, 1.6.2018  
COM(2018) 394 final/2

2018/0218 (COD)

This document corrects document COM(2018) 394 final of 1.06.2018.

Concerns the English, French and German versions.

Adding of cross-references on the cover page.

The text shall read as follows:

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**

{SWD(2018) 301 final} - {SEC(2018) 305 final}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

#### **• Reasons for and objectives of the proposal**

The Commission proposal for the Multiannual Financial Framework (MFF) for 2021-2027 (the MFF proposal)<sup>1</sup> sets the budgetary framework and main orientations for the Common Agricultural Policy (CAP). On this basis, the Commission presents a set of regulations laying down the legislative framework for the CAP in the period 2021-2027, together with an impact assessment of alternative scenarios for the evolution of the policy. These proposals provide for a date of application as of 1 January 2021 and are presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by European Council on 29 March 2017.

The latest reform of the CAP was decided in 2013 and implemented in 2015. Since then, the context in which that reform was forged has shifted significantly. In particular:

Agricultural prices have fallen substantially – depressed by macroeconomic factors, geopolitical tensions and other forces.

The emphasis of trade negotiations has moved more visibly from multilateral to bilateral deals and the EU has become more open to world markets.

The EU has signed up to new international commitments – e.g. concerning climate change mitigation (through COP 21) and broad aspects of international development (through the UN's Sustainable Development Goals – SDGs), as well as efforts to better respond to other geopolitical developments including migration.

These shifts have prompted a public debate about whether the 2013 reform goes far enough to help the CAP adequately meet broad ongoing challenges related to the economic health of the farm sector, care for the environment, action over climate change, and a strong and economic and social fabric for the EU's rural areas – especially in view of emerging opportunities for action in the areas of trade, the bioeconomy, renewable energy, the circular economy and the digital economy.

The CAP must be modernised to meet these challenges, simplified to do so with a minimum of administrative burden, and made even more coherent with other EU policies to maximise its contribution to the ten Commission Priorities and the Sustainable Development Objectives. Indeed, as the Commission recalled in its recent Communication on the MFF, a modernised Common Agricultural Policy will need to support the transition towards a fully sustainable agricultural sector and the development of vibrant rural areas, providing secure, safe and high-quality food for over 500 million consumers. Europe needs a smart, resilient, sustainable and competitive agricultural sector in order to ensure the production of safe, high-quality, affordable, nutritious and diverse food for its citizens and a strong socio-economic fabric in rural areas. A modernised Common Agricultural Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizens' expectations for their health, the environment and the climate.

As foreseen in its Programme of Work for 2017, the Commission consulted widely on the simplification and modernisation of the CAP to maximise its contribution to the Commission's ten priorities and to the Sustainable Development Goals (SDGs). This focused

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<sup>1</sup> [COM(2018) 322 final – MFF Regulation].

on specific policy priorities for the future without prejudice to the financial allocations for the CAP in the next MFF. The process included a large consultation, as well as analysis of available evidence on the performance of the CAP, including the relevant REFIT Platform opinions.

The outcome was presented in the Communication adopted on 29 November 2017 and entitled "the Future of Food and Farming". The Communication enables a structured dialogue on the future CAP in EU Institutions as well as with stakeholders. This policy document outlined challenges, objectives and possible avenues for a "future-proof" CAP that needs to be simpler, smarter and modern, and lead the transition to a more sustainable agriculture.

In particular, the Commission identified higher environmental and climate action ambition, the better targeting of support and the stronger reliance on the virtuous Research-Innovation-Advice nexus as top priorities of the post-2020 CAP. It also proposed as a way to improve the performance of the CAP a new delivery model (NDM) to shift the policy focus from compliance to performance, and rebalances responsibilities between the EU and the Member State level with more subsidiarity. The new model aims at better achieving EU objectives based on strategic planning, broad policy interventions and common performance indicators, thus improving policy coherence across the future CAP and with other EU objectives.

- **Consistency with existing policy provisions in the policy area**

Article 39 TFEU sets out the objectives of the CAP:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilise markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.

This proposal is fully consistent with the CAP Treaty objectives. It modernises and simplifies the way the Treaty provisions are implemented.

- **Consistency with other Union policies**

Agriculture and forestry cover 84% of the EU territory. The sectors both depend on and influence the environment. Therefore, a number of the proposed CAP specific objectives will trigger environmental and climate action in line with the respective EU policies.

It is well known that consumption patterns have an influence on public health. Via its link to food and sometimes also the way food is produced agricultural policies are linked to health policies. The proposals reinforce the links to health policy, in particular as regards healthy diets and the decrease of the use of anti-microbials.

The EU is a major importer of commodities and an exporter of valuable agriculture and food products and has therefore an impact on food systems outside the EU. The proposal, in line with Art 208 of TFEU, takes into account the EU development cooperation's objectives of poverty eradication and sustainable development in developing countries, in particular by ensuring that EU support to farmers has no or minimal trade effects.

Finally, like in other sectors, agriculture and rural areas can make better use of new technology and knowledge, in particular of digital technologies. The proposals reinforce the links to research policy by putting the organisation of knowledge exchange prominently in the policy delivery model. Similarly, the emphasis placed on digitisation allows linking up to the EU Digital Agenda.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

### **• Legal basis**

Article 43(2) TFEU as regards amendments to Regulation (EU) No 1308/2013 and Article 114 TFEU and first paragraph of Article 118 TFEU as regards amendments to Regulations (EU) No 1151/2012, (EU) No 251/2014 and Articles 43(2) and 349 as regards amendments to Regulation (EU) No 228/2013 and Article 43(2) as regards Regulation (EU) 229/2013.

### **• Subsidiarity (for non-exclusive competence)**

The Treaty on the Functioning of the European Union provides that the competence for agriculture is shared between the Union and the Member States, while establishing a common agricultural policy with common objectives and a common implementation. The current CAP delivery system relies on detailed requirements at EU level, and features tight controls, penalties and audit arrangements. These rules are often very prescriptive, down to farm level. In the Union's highly diversified farming and climatic environment, however, neither top-down nor one-size-fits-all approaches are suitable to delivering the desired results and EU added value.

In the delivery model in this proposal, the Union sets the basic policy parameters (objectives of the CAP, broad types of intervention, basic requirements), while Member States bear greater responsibility and are more accountable as to how they meet the objectives and achieve agreed targets.

Greater subsidiarity will make it possible to better take into account local conditions and needs, against such objectives and targets. Member States will be in charge of tailoring CAP interventions to maximise their contribution to EU objectives. While maintaining current governance structures – that must continue to ensure an effective monitoring and enforcement of the attainment of all policy objectives - the Member States will also have a greater say in designing the compliance and control framework applicable to beneficiaries (including controls and penalties).

### **• Proportionality**

The economic, environmental and social challenges facing the EU's farm sector and rural areas require a substantial response which does justice to the EU dimension of those challenges. The greater power of choice to be offered to MS in selecting and adapting available policy tools within the CAP to meet objectives, in a more results-based model, should make it even less likely that the CAP oversteps a proportionate level of action.

### **• Choice of the instrument**

Since the original acts are all European Parliament and Council regulations the amendments must be introduced by European Parliament and Council regulation.

### 3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

#### • Ex-post evaluations/fitness checks of existing legislation

The CAP is deeply rooted in the construction and in the development of the European Union (EU). Established in the early sixties around goals enshrined in the Treaty, it has since undergone several waves of reforms to improve the competitiveness of the agricultural sector, to foster rural development, to address new challenges and to better reply to societal demands. The latest major reform was adopted in 2013. In the **2013 reform**, the **general objectives of the CAP were** streamlined around three blocks:

- i. Viable food production
- ii. Sustainable management of natural resources and climate action
- iii. Balanced territorial development

To assess progress towards achieving the above objectives and identify future challenges, a wide consultation process encouraged a structured debate with all stakeholders, including non-agricultural actors. Furthermore, evidence on the performance of the CAP was gathered from a wealth of information available on the CAP (briefly summarised in Box 1 below), which served as background for assessing the achievements and shortcomings of the CAP over the years, but especially with respect to its most recent reform. This concerns in particular:

- evidence collected through the Common Monitoring and Evaluation and Framework (CMEF) which serves for measuring the performance of the CAP<sup>2</sup>;
- A series of evaluation studies scheduled over the current Multiannual Financial Framework (2014-2020) to assess current CAP objectives, with first findings available in 2017/18<sup>3</sup>.

Results concerning progress towards targets and corresponding financial envelopes available in the Annual Implementation Reports (AIR) for Rural Development.

- Additional background documents, data, facts, figures relevant for the impact assessment have been published on the internet page of DG AGRI<sup>4</sup>.

#### • Stakeholder consultations

An open public consultation was held with more than 322.000 submissions, structured dialogue with stakeholders, five expert workshops, opinions of the REFIT Platform, contributions from the European Economic and Social Committee, the Committee of the

<sup>2</sup> Established in art. 110 of European Parliament and Council Regulation (EU) No 1306/2013 of 17 December 2013 [on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations](#) and the Commission Implementing Regulation (EU) No 834/2014 of 22 July 2014 laying down rules for the [application of the common monitoring and evaluation framework of the common agricultural policy](#).

<sup>3</sup> European Commission (2017) [Evaluation and studies plan 2017-2021](#), Direction General for Agriculture and Rural Development.

<sup>4</sup> See:

[https://ec.europa.eu/agriculture/statistics/facts-and-figures\\_en](https://ec.europa.eu/agriculture/statistics/facts-and-figures_en)  
[https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/eco\\_background\\_final\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/eco_background_final_en.pdf)  
[https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/env\\_background\\_final\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/env_background_final_en.pdf)  
[https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/soc\\_background\\_final\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/soc_background_final_en.pdf)

Regions, and from National Parliaments. The process also took into account recommendations of the Agricultural Market Task Force (AMTF)<sup>5</sup> and the Cork Conference on Rural Development (2016).<sup>6</sup>

- **Collection and use of expertise**

In order to gather evidence/knowledge from experts on CAP-related issues a set of specialised workshops were organised between March 2017 and February 2018. These workshops allowed to exchange views between experts and Commission officials, and to advance in the formulation of the key conclusions/ issues to take into account in the modernisation and simplification process.

The five issues to be tackled by workshops were selected in order to cover the most relevant areas where gaps on knowledge and disagreements on policy approaches had been detected. The workshops were designed according to a similar methodology based on the following:

1. collection of the latest evidence available at the level of experts, academics, practitioners and international institutions;
2. focus on practical experiences on the ground;
3. assessment on the potential of new technologies/approaches to improve future policy design in the specific area covered.

The summaries of the workshops and presentations are available at:

[https://ec.europa.eu/agriculture/events/cap-have-your-say/workshops\\_en](https://ec.europa.eu/agriculture/events/cap-have-your-say/workshops_en)

#### Workshop 1: Best practices addressing environmental and climate needs (23/24 March 2017)

This two-day workshop involved a wide range of experts on the environmental and climate challenges. It examined:

- tools available for assessing the environmental needs;
- methods to improve the uptake of the measures (with a focus on the role of behavioural approaches).

#### Workshop 2: Risk management (18/19 May 2017)

This two-day workshop tried to advance in the collection of evidence in the debate on the tools to support the farming community to better face the production, price and income risks. It examined:

- the challenges of the EU market safety net and the recent developments in the risk management system in force in the US;
- the case of future markets in the EU, the EU agricultural insurance and reinsurance sector, the case of a public-private partnership and a crop insurance scheme;
- behavioural aspects of risk management.

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<sup>5</sup> Report of the Agricultural Markets Task Force (the AMTF report) (2016) [Improving market outcomes enhancing the position of farmers in the supply chain](#).

<sup>6</sup> European Commission (2016) [Cork 2.0: European Conference on Rural Development](#), website.

### Workshop 3: Food and related issues (31 May 2017)

The Workshop on food and related issues examined the CAP's alignment to health policy and its capacity to facilitate farmers' adaptation to changes in consumption patterns. In particular Anti-Microbial Resistance warrants increased attention.

### Workshop 4: Socio-economic issues (9 June 2017)

The workshop on socio-economic issues focused on the analysis of the dynamics of growth and jobs in EU agri-food sector. It examined the links between global agriculture and food value chains in the EU from both a conceptual perspective and a practical perspective, based on case-studies.

### Workshop 5: Measuring the CAP environmental and climate performance (26 February 2018)

The workshop examined what basic policy objectives can be set at EU level, how they can be implemented at Member State level, and how they can be monitored, controlled and evaluated.

- **Impact assessment**

The impact assessment supporting the legislative proposals, as well as the opinions of the Regulatory Scrutiny Board (RSB), are available on the following site:

*List of impact assessments and the accompanying opinions of the Regulatory Scrutiny Board*

The RSB initially issued a negative opinion. While appreciating the ambition to modernise and simplify the CAP and the in-depth analysis of different scenarios that usefully highlight the trade-offs between the policy objectives, the Board considered that the report should better explain the rationale, feasibility and functioning of the proposed new delivery model. The required complements were added in the impact assessment report, including in a special Annex on the proposals for the new delivery model. On this basis, the RSB gave a positive opinion with reservations. While acknowledging improvements in the report, the Board requested further specifications on the precise safeguards for mitigating the identified risks. Annex 1 of the impact assessment report (Staff Working Document) spells out adjustments undertaken to meet the requirements of the Board.

Different policy options are presented and discussed in the impact assessment report. There is no preferred option in the impact assessment. Instead various combinations of elements of the proposals were tested in the different options to see what optimum mix could be distilled.

The options essentially test contrasted approaches to achieve the identified objectives:

1. varying levels of environmental and climate ambition, focussing on the potential effects of obligatory and voluntary systems of delivery;
2. different ways to support farm income and in particular its distribution between different farmers, focussing on the potential effects on small and medium-sized farms.
3. broader socio-economic interventions, in particular under the rural development policy, as well as cross-cutting approaches for modernisation.

The first option tests the potential of a voluntary eco-scheme to increase environmental and climate ambition. It also examines the potential role of risk management tools with lower



direct payments in supporting farmers' income. Two sub-options reflect different MS environmental ambitions and approaches to direct payments within the new delivery model.

In another option, direct payments are better targeted and the implementation of conditionality is more ambitious in order to improve the joint economic and environmental performance of the CAP, as well as address climate challenges. Sub-options are also developed to illustrate possible differences in MS ambition regarding environmental and climate objectives.

A final option places strong emphasis on environmental care and employment – and shifts the focus on small and medium size farmers as a way to keep jobs in rural areas. MS are obliged to allocate 30% of pillar I payments to provide top ups for four schemes that would be voluntary for farmers - organic farming, permanent grassland, Areas with Natural Constraints (ANC) and linear landscape elements, to further encourage climate action and sustainable management of natural resources.

The impact assessment points out the difficult trade-offs that are inherent to a policy addressing so many diverse objectives, when basic parameters are significantly changed.

A key basic parameter is the level of CAP support. The cut of 5% proposed by the Commission in its May 2018 Communication for the 2021-2027 MFF is within the range considered in the impact assessment.

With respect to farm income, both the level and the distribution of support matter. Securing an adequate level of support and thus farm income remains a key element for the future, in order to ensure food security, environmental and climate ambition, as well as rural vitality. **Better targeting of support** to small and medium sized farms and areas with natural constraints can help keeping more jobs on farms and farming activity on the whole territory, hence strengthening the socio-economic fabric of rural areas. Capping and convergence can improve the distribution of direct payments. It is clear that any option that significantly redistributes direct payments towards farms and regions of lower productivity will, in the short-term, lead to a reduction of EU competitiveness, while it enhances the protection of the environment. Less clear, however, is the appropriate combination of measures that could mitigate negative income effects while at the same time better addressing challenges that are also pertinent for agriculture - such as environment and climate, or societal expectations. This requires incentivising adjustments that improve both the socio-economic as well as the environmental performance of the sector.

Contributions from the stakeholder consultation and analyses demonstrate that this is possible, provided that the necessary accompanying measures addressing a **higher environmental and climate action ambition** enable the adoption of best practices (in both conventional and other forms of farming) that include knowledge, innovation and the latest pertinent technology.

On the basis of the assumptions and choices made in the analysis, there are potential trade-offs in the achievement of economic, environmental and social objectives of the CAP, as well as with respect to its desired modernisation and simplification. In summary, redistribution could lead to manageable income impacts, and support the desired increased ambition of environmental and climate action and other **CAP synergies**. This, however, would require that the sector and the policy grasp the opportunities offered by innovation and technologies already allowing modernisation and simplification.

Other assumptions and choices would certainly alter detailed results, but not the main underlying message – that *the preferred option for the future CAP should combine the most*

*performing elements of the various options, but avoid their weaknesses by introducing the necessary safeguards to ensure an EU level-playing field.* This implies the need for clear criteria for the level and the distribution of income support (e.g. capping and/or degresivity), the climate and environmental ambition, conditionality, the incentives for modernisation and the appropriate degree of subsidiarity/simplification.

- **Regulatory fitness and simplification**

The complexity of the current policy implementation to a large extent is linked to the stress on compliance with detailed rules, laid down at EU level. The proposed new delivery model will remove the layer of EU level eligibility criteria for support which will allow the Member States to define eligibility conditions that are most suited to their particular circumstances. This is expected to produce a substantial simplification.

Historically the CAP developed in successive reforms into different instruments. Sometimes the coordination of these instruments has proved to be difficult. Under the current proposal all the different support elements of the CAP are brought together into one single and coherent framework which will reduce the administrative burden of the CAP implementation.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union.

#### **4. BUDGETARY IMPLICATIONS**

The Commission proposal on the multiannual financial framework for 2021-2027 (COM(2018) 322 final) 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. A new agricultural reserve will be established in the EAGF to finance additional support for the agricultural sector. Unused amounts of the reserve in one year shall be carried over to the following.

As regards distribution of the direct payments among Member States, it is proposed that all Member States with direct payments below 90% of the EU average will see a continuation of the process started in the period of 2014-2020 and will close 50% of the existing gap to 90%. All Member States will contribute to financing this external convergence of direct payments levels. The Member States' allocations for direct payments in the CAP Strategic Plan regulation are calculated on this basis.

For rural development, it is proposed to rebalance the financing between the EU and Member States' budgets. In line with what is foreseen for the European Structural and Investment Funds, an increase in national co-financing rates will allow keeping public support to European rural areas largely unchanged. The distribution of EAFRD support is based on objective criteria linked to the policy objectives and taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain measures such as LEADER and the payments for management commitments.

A certain level of flexibility for transfers between allocations will be offered to the Member States. Up to 15% of respective direct payments can be transferred to EAFRD allocation and vice versa. A higher percentage can be transferred from direct payments to EAFRD allocation for interventions addressing environmental and climate objectives and installation grants for young farmers.

Details on the financial impact of the CAP proposal are set out in the financial statement accompanying the proposal.

## 5. OTHER ELEMENTS

### • **Implementation plans and monitoring, evaluation and reporting arrangements**

A shift towards a more performance-oriented policy requires the establishment of a solid performance framework that, based on a set of common indicators, will allow the Commission to assess and monitor the performance of the policy. The current **Common Monitoring and Evaluation Framework (CMEF)** and the current monitoring system of Direct Payments and Rural Development would be used as a basis for monitoring and assessing policy performance, but they will have to be streamlined and further developed (including consistency between the two pillars). Further investment into developing appropriate indicators and ensuring sufficient data streams would be needed.

A new **Performance Monitoring and Evaluation Framework (PMEF)** will cover all instruments of the future CAP: the CAP Strategic Plans as well as those elements of the CAP not covered by the CAP Strategic Plans (some parts of the Common Markets Organisation, specific schemes). Performance would be measured in relation to the Specific Objectives of the policy by using a set of common indicators.

The new model will be organised around the following principles:

- Context indicators remain pertinent, as they reflect relevant aspects of the general trends in the economy, environment and society, and are likely to have an influence on performance.
- A selection of a limited, but more targeted set of indicators should be made primarily in a way to choose those that reflect as closely as possible whether the supported intervention contributes to achieving the objectives versus established baseline and using clear definitions.
- Overall policy performance will be assessed multi-annually on the basis of impact indicators. Annual policy performance follow-up will rely on the full list of result indicators.
- Output indicators would annually link expenditure with the performance of policy implementation. The latter is an annual exercise, and relies on a list of (primarily already available) output indicators.
- The reliability of relevant performance indicators can be facilitated by synergies between statistical and administrative data, but requires the presence of a system of quality controls.

In essence, what is being proposed is a shift in responsibilities and opportunities within a common framework, clearly defined and enforced, to deliver on more than one key objective at the same time, namely simplification, result-orientation (rather than compliance) and policy efficiency and effectiveness.

An annual performance review is foreseen as the key element of the ongoing monitoring and steering of policy implementation. In order to make an annual performance review operational, adequate output indicators and result indicators will have to be submitted jointly in an annual report on the implementation of the CAP Strategic Plan, the so-called *Annual Performance Report*. MS will report annually on realised output and expenditure as well as distance to targets set for the whole period, expressed as values of result indicators.

Evaluations will be carried out in line with paragraphs 22 and 23 of the Interinstitutional Agreement on Better Law-Making of 13 April 2016<sup>7</sup>, where the three institutions confirmed that evaluations of existing legislation and policy should provide the basis for impact assessments of options for further action. The evaluations will assess the programme's effects on the ground based on the programme indicators/targets and a detailed analysis of the degree to which the programme can be deemed relevant, effective, efficient, provides enough EU added value and is coherent with other EU policies. They will include lessons learnt to identify any lacks/problems or any potential to further improve the actions or their results and to help maximise their exploitation/impact.

- **Explanatory documents (for directives)**

Not relevant.

- **Detailed explanation of the specific provisions of the proposal**

The proposal concerns three regulations:

- Regulation of the European Parliament and of the Council on 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 (hereinafter: CAP Strategic Plan Regulation)
- 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 (hereinafter: CAP Horizontal Regulation)
- 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. (hereinafter: Amending Regulation)

These regulations combined adjust the CAP by aligning its objectives to the Juncker priorities and the SDGs while at the same time simplifying the policy implementation. The CAP will become more adjusted to local circumstance by the removal of eligibility condition for

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<sup>7</sup> Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016; OJ L 123, 12.5.2016, p. 1–14.

support at EU level. Member States will be able to define most eligibility conditions at national level to make them appropriate for their specific circumstances. At the same time, the administrative burden linked to controls will be reduced by limiting the direct link between EU level eligibility conditions and the final beneficiaries.

With the aim of further improving the sustainable development of farming, food and rural areas, the CAP general objectives 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.

The new CAP will pursue the following specific objectives:

- (a) Support viable farm income and resilience across the EU territory to enhance food security;
- (b) enhance market orientation and increase competitiveness including greater focus on research, technology and digitalisation ;
- (c) Improve farmers' position in the value chain;
- (d) Contribute to climate change mitigation and adaptation, as well as sustainable energy;
- (e) Foster sustainable development and efficient management of natural resources such as water, soil and air;
- (f) Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;
- (g) Attract young farmers and facilitate business development in rural areas;
- (h) Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
- (i) Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare.

To deliver on these objectives Member States shall ensure simplification and performance of CAP support. They will design interventions that are appropriate in their circumstances based on the types of interventions mentioned in the regulation. The Member States will have to pay particular attention to the environmental and climate specific objectives, to generational renewal, and to the modernisation of the policy implementation by focusing on a better use of knowledge and advice and new (digital) technologies.

The Member States will present their proposed interventions to achieve the EU specific objectives in a CAP Strategic Plan. The legislation lays down rules on the content of such a CAP Strategic Plan and the Commission will check the plans and approve them. The CAP Strategic Plans will combine most CAP Support instruments financed under the EAGF (including the sectoral programmes that until now have been established under the CMO regulation) and EAFRD. In this way a single coherent intervention strategy per Member State will be designed though Member States. In the CAP Strategic Plans Member States will set targets on what they want to achieve in the programming period using commonly defined result indicators.

Once the CAP Strategic Plans are established Member States will annually report on the progress made in the implementation using a system of common indicators. The Member

States and Commission will monitor progress and evaluate the effectiveness of the interventions.

The section below provides information on the specific content of the three regulations.

### **CAP Strategic Plan Regulation**

Title I provides for the scope of the regulation as well as definitions.

Title II presents the CAP general and specific objectives that have to be pursued through the interventions designed by the Member States in their CAP Strategic Plans. Title III introduces a number of common requirements for the CAP strategic Plans, as well as elements which apply to several interventions. The common requirements concern compliance with general principles and fundamental rights such as the avoidance of distortion of competition, respect for the internal market and non-discrimination as well as the respect of the rules of WTO domestic support. They also include requirements as regards specific elements to be defined in the CAP plans, such as what is an agricultural area, an agricultural activity, a genuine farmer, a young farmer. This section describes, the obligations under 'conditionality' (the requirements any beneficiary of area-based payments has to comply with concerning good agricultural practices but also obligations stemming from EU legislation, and the need to have well-functioning farm advisory services.

Finally this Title presents the types of interventions that the Member States may use to implement their CAP Strategic Plans. Types of interventions are the broad categories of interventions that Member States may use in their CAP Strategic Plans.

Title IV provides financial provisions. It includes in particular financial allocations per Member State and per Fund and defines the flexibility for transferring allocations between funds. It provides the contribution rates for EAFRD in relation to public expenditure in the Member States and sets out some minimum or maximum financial allocations for specific purposes.

Title V presents the rules on the CAP Strategic Plans. It mentions what elements Member States have to take into account when drafting a CAP Strategic Plan and what shall be its minimum content including targets and financial planning. This title also explains what rules apply for the approval of the CAP Strategic Plans by the Commission and how such plans can be amended.

Title VI provides the necessary elements on coordination and governance. It attributes responsibilities to Member States' authorities for specific tasks related to the CAP Strategic Plans. It establishes a monitoring committee to involve all stakeholders. It also establishes networks that have to facilitate the successful implementation of the CAP Strategic Plans. These networks will be established both at national and at EU level. Finally, this title establishes the European Innovation Partnership in order to stimulate the exchange of knowledge and innovation.

Title VII introduces the performance monitoring and evaluation framework laying down rules on what and when Member States have to report progress on their CAP Strategic Plans and rules on how this progress will be monitored and evaluated. This title in particular contains the rules on a performance bonus for good environmental and climate performance.

Finally, Titles VIII and IX concern the competition rules, which explain how in particular State aid rules have to be applied, and the final provisions that explain what regulations are repealed and when the regulation becomes applicable.

### **CAP Horizontal Regulation**

It is proposed to maintain the current structure of the CAP in two pillars with annual measures of general application in Pillar I complemented by measures reflecting the national and regional specificities under a multi-annual programming approach in Pillar II. However, 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. More subsidiarity means rebalancing the responsibilities in the management of the CAP and looking for a new relationship between the European Union, the Member States and the farmers.

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.

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 will be established at EU level. In order to advance towards a more result-driven policy mechanism, there will 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 the Integrated Administration and Control System (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.

In addition to financing provisions, the CAP Horizontal Regulation continues to have provisions on general principles for checks and penalties, checks for conditionality and IACS. As a result, the regulation lays down rules on financing, management and control systems, clearance processes (annual financial clearance and annual performance clearance) and conformity procedure.

This regulation includes various simplification elements. First of all, the new annual performance clearance reflects the shift from compliance by the individual beneficiary to performance of the policy in the Member States.

Furthermore, it foresees reducing the number of paying agencies and reinforcing the role of the coordinating body and certification body in line with the new delivery model. This will render the system more transparent and less burdensome for both national administrations and the Commission. The concept of the single audit approach is introduced, in line with the Financial Regulation and the number of Commission audits can be reduced.

### **Amending Regulation**

The Communication on the Future of Food and Farming confirms market orientation as a key element of the CAP, but also highlights challenges related to environmental sustainability and climate change. Moreover, it places the agricultural sector squarely in the debate about food and citizens' concerns in that regard, recalling that "the most important role for the policy is to help farmers anticipate developments in dietary habits and adjust their production according to market signals and consumers' demands". As detailed rules that may prevent the necessary adjustments are laid down at EU level, the reform presents an opportunity to make necessary

changes. The CAP should furthermore address citizens' concerns regarding sustainable agriculture production.

It is therefore foreseen to maintain the architecture and main features of Regulation (EU) 1308/2013, while amending a limited number of provisions in view of economic, environmental and societal evolutions experienced since its entry into force in 2014.

Firstly, it is foreseen to delete provisions related to sectorial interventions that have previously been laid down in Regulation (EU) No 1308/2013, as these interventions of the future CAP will be regulated under the CAP Strategic Plan Regulation and be part of Member States' strategic plans, to ensure a better coherence of CAP interventions.

Secondly, while the successive 2008 and 2013 reforms of the wine policy have overall reached their objectives, resulting in economically vibrant wine sector, new economic, environmental and climatic challenges have appeared. Therefore, the regulation foresees a number of specific amendments to existing rules to cope with these challenges.

Thirdly, the Communication on the Future of Food and Farming called for geographical indications (GIs) to be made more attractive to farmers and consumers, and render the system easier to manage. It is therefore proposed to amend current rules on GIs, spread over four basic Acts, aiming at a simpler GI system, faster registration of geographical indications and more efficient approval of amendments to product specifications. These changes aim to a simplified GI system that would be more understandable to consumers, easier to promote and would reduce administrative costs of managing the system.

On rules for wine GIs, limiting the EU scrutiny of applications to checking them against manifest errors, separating intellectual property rules from other requirements laid down in the product specification as well as habilitating Member States to decide on amendments that do not have impacts at EU level, would streamline approvals, shorten timelines, and rationalise resources, in line with the twin principles of subsidiarity and proportionality. In the same vein, simplification of some specific procedures, for example the opposition procedure, is envisaged to make the approval process more efficient.

Clarification of the definition of 'Protected Designation of Origin' for wines will enable producer groups to use new varieties, also needed in response to climate change, and allow proper justifications of applications in line with viticulture and oenological realities. Strengthening protection of GIs against counterfeiting of GIs on the internet and on goods in transit is also proposed.

The simplification proposed for wine GIs has to be applied also to agricultural products and foodstuffs: to ensure reasonable level of coherence between the schemes and bring the above benefits to producers of GIs in this sector, too. The aromatised wines GI scheme that only has 5 out of 3350 GIs, cannot be operational and should be merged into another scheme – the agricultural products and foodstuffs scheme is appropriate as already covers other alcoholic beverages.

Furthermore, the regulation foresees provisions that merely translate into internal legislation commitments taken by the EU and its Member States in the context of recent World Trade Organization Ministerial Decisions, notably on export subsidies.



Finally, it is proposed to delete a number of obsolete provisions, *inter alia* the system of production regulation and requirements applying to the sugar sector that expired at the end of the 2016/2017 marketing year.

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**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 43(2), Article 114, the first paragraph of Article 118 and Article 349 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>8</sup>,

Having regard to the opinion of the Committee of the Regions<sup>9</sup>,

Having regard to the opinion of the Court of Auditors,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘The Future of Food and Farming’ of 29 November 2017 sets out the challenges, objectives and orientations for the future Common Agricultural Policy (CAP) after 2020. These objectives include, *inter alia*, the need for the CAP to be more result-driven, to boost modernisation and sustainability, including the economic, social, environmental and climate sustainability of the agricultural, forestry and rural areas, and to help reducing the Union legislation-related administrative burden for beneficiaries.
- (2) Since the CAP needs to sharpen its responses to the challenges and opportunities as they manifest themselves at Union, international, national, regional, local and farm levels, it is necessary to streamline the governance of the CAP and improve its delivery on the Union objectives and to significantly decrease the administrative burden. In the CAP based on delivery of performance (‘delivery model’), the Union should set the basic policy parameters, such as objectives of the CAP and basic requirements, while Member States should bear greater responsibility as to how they meet the objectives and achieve targets. Enhanced subsidiarity makes it possible to

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<sup>8</sup> OJ C , , p. .

<sup>9</sup> OJ C , , p. .

better take into account local conditions and needs, tailoring the support to maximise the contribution to Union objectives.

- (3) To ensure coherence of the CAP, all interventions of the future CAP should be part of a strategic support plan which would include certain sectoral interventions that were laid down in Regulation (EU) No 1308/2013 of the European Parliament and of the Council<sup>10</sup>.
- (4) Annex II to Regulation (EU) No 1308/2013 sets out certain definitions concerning sectors falling within the scope of that Regulation. Definitions concerning the sugar sector set out in Section B of Part II of that Annex should be deleted because they are no longer applicable. In order to update definitions concerning other sectors referred to in that Annex, in light of new scientific knowledge or market developments, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the amendment of those definitions. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council. Consequently, the individual empowerment delegated to the Commission in point 4 of section A of Part II of that Annex to amend the definition of inulin syrup should be deleted.
- (5) Part I of Regulation (EU) No 1308/2013 should be simplified. Redundant and obsolete definitions and provisions empowering the Commission to adopt implementing acts should be deleted.
- (6) The limits of Union aid for the supply of fruit and vegetables and of milk and milk products in educational establishments, set out in Article 23(a) of Regulation (EU) No 1308/2013 should be updated.
- (7) Provisions concerning Aid schemes set out in Sections 2 to 6 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013 should be deleted as all types of interventions in these sectors will be set out in Regulation (EU).../... of the European Parliament and of the Council<sup>11</sup> (*CAP Strategic Plan Regulation*).
- (8) In view of the decrease in the actual area planted with vines in several Member States in the years 2014-2017, and in view of the potential loss in production ensuing, when establishing the area for new planting authorisations referred to in Article 63(1) of Regulation (EU) No 1308/2013, Member States should be able to choose between the existing basis and a percentage of the total area actually planted with vines in their territory on 31 July 2015 increased by an area corresponding to the planting rights under Regulation (EC) No 1234/2007 available for conversion into authorisations in the Member State concerned on 1 January 2016.

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<sup>10</sup> Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p. 671).

<sup>11</sup> Regulation (EU).../... of the European Parliament and of the Council of .... 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 (OJ L ..., ....., p...).

- (9) Rules for classifying wine grape varieties by Member States should be modified to include the wine grape varieties *Noah*, *Othello*, *Isabelle*, *Jacquez*, *Clinton* and *Herbemont*, previously excluded. To ensure that wine production in the Union develops a higher resistance to diseases and that it uses vine varieties better adapted to changing climatic conditions, provision should be made allowing *Vitis Labrusca* varieties and varieties stemming from crosses between *Vitis vinifera*, *Vitis Labrusca* and other species of the genus *Vitis* to be planted for wine production in the Union.
- (10) To enable producers to use vine varieties that are better adapted to changing climatic conditions and with higher resistance to diseases, provision should be made permitting products using designations of origin not only from vine varieties belonging to *Vitis vinifera* but also from vine varieties stemming from a cross between *Vitis vinifera* and other species of the genus *Vitis*.
- (11) Provisions concerning certificates of compliance and analysis reports for imports of wine should be applied in light of the international agreements concluded in accordance with the Treaty on the Functioning of the European Union ('TFEU').
- (12) The definition of a designation of origin should be aligned with the definition in the Agreement on Trade-Related Aspects of Intellectual Property Rights<sup>12</sup> ('TRIPS Agreement'), approved by Council Decision 94/800/EC<sup>13</sup>, in particular with Article 22(1) thereof, in that the name is to identify the product as originating in a specific region or a specific place.
- (13) To ensure coherent decision-making as regards applications for protection and objection submitted in the preliminary national procedure referred to in Article 96 of Regulation (EU) No 1308/2013, the Commission should be informed in a timely and regular manner when procedures are launched before national courts or other bodies concerning an application for protection forwarded by the Member State to the Commission, as referred to in Article 96(5) of Regulation (EU) No 1308/2013. Implementing powers should be conferred on the Commission in order to, in those circumstances and where appropriate, suspend the examination of the application until the national court or other national body has adjudicated on the challenge to the Member State's assessment of the application in the preliminary national procedure.
- (14) Registration of geographical indications should be made simpler and faster by separating the assessment of compliance with intellectual property rules from the assessment of compliance of the product specifications with the requirements laid down in the marketing standards and labelling rules.
- (15) The assessment carried out by the competent authorities of Member States is an essential step in the procedure. Member States have knowledge, expertise and access to data and facts that make them the best placed to verify whether the information provided in the application is correct and truthful. Therefore, Member States should guarantee that the result of that assessment, which is to be faithfully recorded in a single document summarising the relevant elements of the product specification, is reliable and accurate. Having regard to the principle of subsidiarity, the Commission should subsequently scrutinise applications to ensure that there are no manifest errors

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<sup>12</sup> Uruguay Round of Multilateral Trade Negotiations (1986- 1994) - Annex 1 - Annex 1C - Agreement on Trade-Related Aspects of Intellectual Property Rights (WTO) (OJ L 336, 23.12.1994, p. 214).

<sup>13</sup> Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ L 336, 23.12.1994, p. 1).

and that Union law and the interests of stakeholders outside the Member State of application are taken into account.

- (16) The period during which an objection can be made should be extended to three months to ensure that all interested parties have sufficient time to analyse the application for protection and the possibility to submit a statement of objection. To ensure that the same procedure for objections is applied under Regulation (EU) No 1308/2013 and under Regulation (EU) No 1151/2012 of the European Parliament and of the Council<sup>14</sup> and thus enable Member States to forward objections stemming from natural or legal persons residing or established in their territory to the Commission in a coordinated and efficient manner, objections from natural or legal persons should be submitted via the authorities of the Member State in which they reside or are established. To simplify the objection procedure, the Commission should be empowered to reject inadmissible statements of objection in the implementing act conferring protection. Therefore, Article 111 of Regulation (EU) No 1308/2013 conferring implementing powers on the Commission to reject inadmissible objections under a separate implementing act should be deleted.
- (17) To increase procedural efficiency and in order to ensure uniform conditions for the conferral of protection on designations of origin or geographical indications, implementing powers should be conferred on the Commission to adopt implementing acts conferring protection without recourse to the examination procedure in circumstances where no admissible statement of objections to the application for protection has been submitted. Where an admissible statement of objection has been submitted, implementing powers should be conferred on the Commission to adopt implementing acts in accordance with the examination procedure either conferring protection or rejecting the application for protection.
- (18) Having due regard to the TRIPS Agreement, in particular to Articles 22 and 23 thereof, and to the General Agreement on Tariffs and Trade<sup>15</sup> ('GATT Agreement') in particular Article V thereof on freedom of transit, both of which were approved by Council Decision 94/800/EC and aim at strengthening the protection of designations of origin and geographical indications, and to combat counterfeiting more effectively, the protection conferred by Article 103(2) of Regulation (EU) No 1308/2013 should be extended to cover goods which are in transit across the Union customs territory and to goods which are sold over the internet or by other means of electronic commerce.
- (19) It should be possible to cancel the protection of a designation of origin or geographical indication in circumstances where they are no longer in use or where the applicant referred to in Article 95 of Regulation (EU) No 1308/2013 no longer wishes to maintain that protection.
- (20) In view of the ever increasing consumer demand for innovative grapevine products with a lower actual alcoholic strength than the minimum actual alcoholic strength set out for grapevine products in Part II of Annex VII to Regulation (EU) No 1308/2013, it should be possible to produce such innovative grapevine products also in the Union.
- (21) It is necessary to provide for definitions of de-alcoholised grapevine products and partially de-alcoholised grapevine products. These definitions should take into account the definitions set out in the Resolutions of the International Organisation of Vine and

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<sup>14</sup> Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs (OJ L 343, 14.12.2012, p. 1).

<sup>15</sup> Uruguay Round of Multilateral Trade Negotiations (1986 - 1994) – Annex 1 – Annex 1A – General Agreement on Tariffs and Trade in Goods (WTO) (OJ L 336, 23.12.1994, p. 1).

Wine (OIV), OIV-ECO 433-2012 *Beverage Obtained By Partial Dealcoholisation of Wine* and OIV-ECO 523-2016 *Wine With An Alcohol Content Modified by Dealcoholisation*.

- (22) In order to ensure that the rules governing labelling and presentation of products in the wine sector also apply to de-alcoholised or partially de-alcoholised grapevine products, to establish rules governing the dealcoholisation processes for the production of certain de-alcoholised or partially de-alcoholised grapevine products within the Union, and rules concerning the conditions of use of closures in the wine sector in order to ensure that consumers are protected from misleading use of certain closures associated with certain beverages and from hazardous closure materials that may contaminate the beverages, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (23) The rules on production and the requirements applying to the sugar sector expired at the end of the 2016/2017 marketing year. Article 124 and Articles 127 to 144 of Regulation (EU) No 1308/2013 are now obsolete and should be deleted.
- (24) Measures and rules concerning imports of hemp set out in Article 189 of Regulation (EU) No 1308/2013 are redundant and obsolete and should be deleted.
- (25) Articles 192 and 193 of Regulation (EU) No 1308/2013 should be deleted as such measures are no longer necessary in view of the end of the production regulation in the sugar sector. In order to ensure that the Union market is adequately supplied by means of imports from third countries, implementing powers should be conferred on the Commission to suspend import duties for cane and beet molasses.
- (26) The Ministerial Decision of 19 December 2015 on Export Competition of the 10<sup>th</sup> WTO Ministerial Conference in Nairobi<sup>16</sup> sets down rules on export competition measures. As regards export subsidies, WTO members are required to eliminate their export subsidy entitlements as of the date of that Decision. Therefore, Union provisions on export refunds set out in Articles 196 to 204 of Regulation (EU) No 1308/2013 should be deleted.
- (27) In respect of export credits, export credit guarantees and insurance programmes, agricultural exporting state trading enterprises and international food aid, Member States may adopt national measures respecting Union law. Since the Union and its Member States are WTO Members, such national measures should also comply with the rules laid down in that WTO Ministerial Decision of 19 December 2015, as a matter of Union law and international law.
- (28) Obsolete reporting obligations of the Commission regarding the milk and milk products market, the extension of the school scheme scope and the application of competition rules to the agriculture sector should be deleted. Reporting obligations

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<sup>16</sup> WT/MIN(15)/45, WT/L//980

concerning the apiculture sector should be integrated in Regulation (EU) .../... (*CAP Strategic Plan Regulation*).

- (29) In view of the repeal of Regulation (EU) No 1306/2013 of the European Parliament and of the Council<sup>17</sup> by Regulation (EU).../... (*CAP Strategic Plan Regulation*), provisions concerning checks and penalties related to marketing standards and protected designations of origin, geographical indications and traditional terms should be integrated in Regulation (EU) No 1308/2013.
- (30) Provisions concerning the reserve for crises in the agricultural sector laid down in Chapter III of Part V of Regulation (EU) No 1308/2013 should be deleted as updated provisions concerning the agricultural reserve are laid down in Regulation (EU) .../... of the European Parliament and of the Council<sup>18</sup> (*Horizontal Regulation*).
- (31) In view of the limited number of registrations of geographical indications of aromatised wines under Regulation (EU) No 251/2014 of the European Parliament and of the Council<sup>19</sup> the legal framework for the protection of geographical indications for those products should be simplified. Aromatised wines and other alcoholic beverages with the exception of spirit drinks and of grapevine products listed in Part II of Annex VII to Regulation (EU) No 1308/2013 should have the same legal regime and procedures as other agricultural products and foodstuffs. The scope of Regulation (EU) No 1151/2012 should be extended to cover those products. Regulation (EU) No 251/2014 of the European Parliament and of the Council should be amended to take account of this change as regards its title, scope, definitions and provisions concerning labelling of aromatised wine products. A smooth transition for the names protected under Regulation (EU) No 251/2014 should be ensured.
- (32) Procedures related to the registration of protected designations of origin, protected geographical indications and traditional specialities guaranteed laid down in Regulation (EU) No 1151/2012 should be streamlined and simplified to ensure that new names can be registered within shorter time periods. The opposition procedure should be simplified.
- (33) Provision should be made for specific derogations that permit the use of other names alongside the registered name of a traditional speciality guaranteed. The Commission should fix transitional periods for the use of designations that contain names of traditional specialities guaranteed, in line with the conditions for such transitional periods already in existence for protected designations of origin and protected geographical indications.
- (34) The procedure for approval of amendments to product specifications laid down in Regulation (EU) No 1151/2012 should be simplified by introducing a distinction between Union and standard amendments. In accordance with the subsidiarity principle, Member States should be responsible for approving standard amendments

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<sup>17</sup> Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p. 549).

<sup>18</sup> Regulation (EU).../... of the European Parliament and of the Council of .... on the financing and monitoring of the common agriculture policy and repealing Regulation (EU) No 1306/2013 (OJ L ..., ....., p...).

<sup>19</sup> Regulation (EU) No 251/2014 of the European Parliament and of the Council of 26 February 2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and repealing Council Regulation (EEC) No 1601/91 (OJ L 84, 20.3.2014, p. 14).

and the Commission should retain responsibility for approving Union amendments to product specifications.

- (35) The amounts of financial resources available to finance measures under Regulations (EU) No 228/2013<sup>20</sup> and (EU) No 229/2013 of the European Parliament and of the Council<sup>21</sup> should be updated.
- (36) Regulations (EU) No 1308/2013, (EU) No 1151/2012, (EU) No 251/2014, (EU) No 228/2013 and (EU) No 229/2013 should therefore be amended accordingly.
- (37) Transitional arrangements should be put in place for applications for protection and for the registration of protected designations of origin, geographical indications and traditional specialities guaranteed that have been submitted before the date of entry into force of this Regulation and for the expenditure incurred before 1 January 2021 under the aid schemes for olive oil and table olives, fruit and vegetables, wine, apiculture and hops established in Articles 29 to 60 of Regulation (EU) No 1308/2013.
- (38) In order to ensure a smooth transition to the new legal framework laid down in Regulation (EU) .../... (*CAP Strategic Plan Regulation*), the provisions concerning amendments to Regulation (EU) No 1308/2013 as regards certain aid schemes and the reserve for crisis in the agricultural sectors and the provisions concerning amendments to Regulations (EU) No 228/2013 and (EU) No 229/2013 should apply from 1 January 2021,

HAVE ADOPTED THIS REGULATION:

#### *Article 1*

#### **Article Amendments to Regulation (EU) No 1308/2013**

Regulation (EU) No 1308/2013 is amended as follows:

- (1) Article 3 is amended as follows:
  - (a) paragraph 2 is deleted;
  - (b) paragraphs 3 and 4 are replaced by the following:
    3. The definitions set out in Regulation (EU) .../... of the European Parliament and of the Council\* [*Horizontal Regulation*] and Regulation (EU) .../... of the European Parliament and of the Council\*\* [ *CAP Strategic Plan Regulation*] shall apply for the purposes of this Regulation, save as otherwise provided for in this Regulation.
    4. The Commission shall be empowered to adopt delegated acts in accordance with Article 227 amending the definitions concerning the sectors set out in Annex II to the extent necessary to update the definitions in light of market developments.

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<sup>20</sup> Regulation (EU) No 228/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in the outermost regions of the Union and repealing Council Regulation (EC) No 247/2006 (OJ 78, 20.3.2013, p. 23).

<sup>21</sup> Regulation (EU) No 229/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in favour of the smaller Aegean islands and repealing Council Regulation (EC) No 1405/2006 (OJ L 78, 20.3.2013, p. 41).



\* Regulation (EU) .../... of the European Parliament and of the Council of .... on the financing and monitoring of the common agriculture policy and repealing Regulation (EU) No 1306/2013 (OJ L ..., ....., p...).

\*\* Regulation (EU) .../... of the European Parliament and of the Council of .... 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 (OJ L ..., ....., p...).';

(2) Article 5 is replaced by the following:

*'Article 5*

**Article Conversion rates for rice**

The Commission may adopt implementing acts fixing the conversion rates for rice at various stages of processing.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).';

(3) Article 6 is deleted;

(4) Chapter II of Title I of Part II is amended as follows:

(a) the title is replaced by:

*'CHAPTER II*

*Aid for the supply of fruit and vegetables and of milk and milk products in educational establishments';*

(b) the heading 'Section 1' and its title are deleted;

(c) Article 23a is amended as follows:

(i) paragraph 1 is replaced by the following:

'1. Without prejudice to paragraph 4, the aid under the school scheme allocated for the distribution of products, the accompanying educational measures and the related costs referred to in Article 23(1) shall not exceed EUR 220 804 135 per school year.

Within that overall limit, the aid shall not exceed:

(a) for school fruit and vegetables: EUR 130 608 466 per school year;

(b) for school milk: EUR 90 195 669 per school year.';

(ii) in the third subparagraph of paragraph 2, the last sentence is deleted;

(iii) paragraph 4 is replaced by the following:

'4. Without exceeding the overall limit of EUR 220 804 135 laid down in paragraph 1, any Member State may transfer once per school year up to 20% of either one or the other of its indicative allocations.';

(d) Sections 2 to 6 covering Articles 29 to 60 are deleted;

- (5) in Article 63, paragraph 1 is replaced by the following:
- '1. Member States shall make available each year authorisations for new plantings corresponding to either:
    - (a) 1% of the total area actually planted with vines in their territory, as measured on 31 July of the previous year; or
    - (b) 1% of an area comprising the area actually planted with vines in their territory, as measured on 31 July 2015, and the area covered by planting rights granted to producers in their territory in accordance with Article 85h, Article 85i or Article 85k of Regulation (EC) No 1234/2007 and available for conversion into authorisations on 1 January 2016, as referred to in Article 68 of this Regulation.';
- (6) in Article 81, paragraph 2 is replaced by the following:
- '2. Subject to paragraph 3, Member States shall classify which wine grape varieties may be planted, replanted or grafted in their territories for the purpose of wine production.  
Member States may classify wine grape varieties where:
    - (a) the variety concerned belongs to the species *Vitis vinifera* or *Vitis Labrusca*; or
    - (b) the variety concerned comes from a cross between the species *Vitis vinifera*, *Vitis Labrusca* and other species of the genus *Vitis*.Where a wine grape variety is deleted from the classification referred to in the first subparagraph, grubbing up of this variety shall take place within 15 years of its deletion.';
- (7) in Article 90, paragraph 3 is replaced by the following:
- '3. Save as otherwise provided for in international agreements concluded in accordance with the TFEU, the import of the products referred to in paragraph 1 shall be subject to the presentation of:
    - (a) a certificate evidencing compliance with the provisions referred to in paragraphs 1 and 2, drawn up by a competent body, included on a list to be made public by the Commission, in the product's country of origin;
    - (b) an analysis report drawn up by a body or department designated by the product's country of origin, if the product is intended for direct human consumption.';
- (8) in Section 1 of Chapter 1 of Title II of Part II, the following Subsection 4a is inserted:

'Subsection 4a

### **Checks and penalties**

*Article 90a*

#### **Checks and penalties related to marketing rules**

1. Without prejudice to acts concerning the wine sector that have been adopted pursuant to Article 57 of Regulation (EU) [.../...] (*Horizontal Regulation*), in the event of infringement of Union rules in the wine sector, Member States

shall apply proportionate, effective and dissuasive administrative penalties in accordance with Title IV, Chapter I of that Regulation (*Horizontal Regulation*).

2. In order to protect Union funds and to protect the identity, provenance and quality of Union wine, the Commission shall be empowered to adopt delegated acts in accordance with Article 227 relating to:
  - (a) the establishment of an analytical databank of isotopic data to help detect fraud to be constructed on the basis of samples collected by Member States;
  - (b) rules governing control bodies and the mutual assistance between them;
  - (c) rules governing the common use of the findings of Member States.
3. The Commission may adopt implementing acts laying down all measures necessary for establishing:
  - (a) the procedures relating to Member States' own databanks and to the analytical databank of isotopic data that will help detect fraud;
  - (b) the procedures relating to cooperation and assistance between control authorities and bodies;
  - (c) as regards the obligation referred to in paragraph 3, rules for performing checks on compliance with marketing standards, rules governing the authorities responsible for performing the checks, as well as on the content, the frequency and the marketing stage to which those checks are to apply.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).';

(9) Article 93 is amended as follows:

- (a) in paragraph 1, point (a) is replaced by the following:
  - (a) 'a designation of origin' means a name which identifies a product, referred to in Article 92(1):
    - (i) whose quality or characteristics are essentially or exclusively due to a particular geographical environment, with its inherent natural factors and, where relevant, human factors;
    - (ii) as originating in a specific place, region or, in exceptional cases, a country;
    - (iii) produced from grapes which originate exclusively from that geographical area;
    - (iv) the production of which takes place in that geographical area; and
    - (v) which is obtained from vine varieties belonging to *Vitis vinifera* or a cross between the *Vitis vinifera* species and other species of the genus *Vitis*.';
- (b) in paragraph 2, point (c) is replaced by the following:
  - (c) fulfil the requirements referred to in points (a)(i) to (v) of paragraph 1; and'
- (c) paragraph 4 is replaced by the following:

4. Production, as referred to in points (a)(iv) and (b)(iii) of paragraph 1, shall cover all the operations involved, from the harvesting of the grapes to the completion of the wine-making processes, with the exception of any post-production processes.';
- (10) in Article 94(1), the introductory sentence is replaced by the following:  
'Applications for protection of names as designations of origin or geographical indications shall include:'
- (11) in Article 96, the following paragraphs 6 and 7 are added:
6. The Member State shall inform the Commission without delay if any procedure is initiated before a national court or other national body concerning an application for protection that the Member State has forwarded to the Commission, in accordance with paragraph 5.
7. Where appropriate, the Commission may adopt implementing acts to suspend the examination of the application referred to in Article 97(2) until a national court or other national body has adjudicated on a challenge to an application for protection where the Member State has considered that the requirements are fulfilled in a preliminary national procedure in accordance with paragraph 5.
- Those implementing acts shall be adopted without applying the procedure referred to in Article 229(2) or (3).';
- (12) In Article 97, paragraphs 2, 3 and 4 are replaced by the following:
2. The Commission shall examine applications for protection that it receives in accordance with Articles 94 and 96(5). It shall scrutinise them for manifest errors, taking into account the outcome of the preliminary national procedure carried out by the Member State concerned.
- Scrutiny by the Commission should not exceed a period of six months from the date of receipt of the application from the Member State. Where this period is exceeded, the Commission shall inform the applicants in writing of the reasons for this delay.
3. Where, on the basis of the scrutiny carried out pursuant to paragraph 2 of this Article, the Commission considers that the conditions laid down in Articles 93, 100 and 101 are met, it shall adopt implementing acts concerning the publication, in the *Official Journal of the European Union*, of the single document referred to in point (d) of Article 94(1) and of the reference to the publication of the product specification made in the course of the preliminary national procedure.
- Those implementing acts shall be adopted without applying the procedure referred to in Article 229(2) or (3).
4. Where, on the basis of the scrutiny carried out pursuant to paragraph 2 of this Article, the Commission considers that the conditions laid down in Articles 93, 100 and 101 are not met it shall adopt implementing acts rejecting the application.
- Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).';
- (13) Articles 98 and 99 are replaced by the following:

*'Article 98*

**Objection procedure**

Within three months from the date of publication in the *Official Journal of the European Union*, of the single document referred to in point (d) of Article 94(1), the authorities of a Member State or of a third country, or any natural or legal person having a legitimate interest and resident or established in a third country, may submit a statement of objection to the Commission opposing the proposed protection. A statement of objection shall be duly substantiated.

Any natural or legal person having a legitimate interest and resident or established in a Member State other than the Member State that forwarded the application for protection may submit the statement of objection via the authorities of the Member State in which it is resident or established within a time limit permitting a statement of objections to be submitted lodged within the time limit referred to in the first paragraph.

*Article 99*

**Decision on protection**

1. Where the Commission has not received an admissible statement of objection in accordance with Article 98, it shall adopt implementing acts conferring the protection. Those implementing acts shall be adopted without applying the examination procedure referred to in Article 229(2) or (3).
2. Where the Commission has received an admissible statement of objection it shall adopt implementing acts either conferring protection or rejecting the application. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).
3. Protection conferred pursuant to this Article shall be without prejudice to compliance of products concerned with other Union rules relating in particular to the placing of products on the market, marketing and to food labelling.'

(14) in Article 103, the following paragraph 4 is added:

- '4. The protection referred to in paragraph 2 shall also apply with regard to goods entering the customs territory of the Union without being released for free circulation within the customs territory of the Union and with regard to goods sold through means of electronic commerce in the Union.';

(15) Article 106 is replaced by the following:

*'Article 106*

**Cancellation**

The Commission may, on its own initiative or at the duly substantiated request of a Member State, a third country, or a natural or legal person having a legitimate interest, adopt implementing acts cancelling the protection of a designation of origin or a geographical indication in one or more of the following circumstances:

- (a) where compliance with the corresponding product specification is no longer guaranteed;
- (b) where no product has been placed on the market bearing the designation of origin or geographical indication for at least seven consecutive years;

- (c) where an applicant satisfying the conditions laid down in Article 95 declares that it no longer wants to maintain the protection of a designation of origin or a geographical indication.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).';

- (16) Article 111 is deleted;
- (17) in Section 2 of Chapter I of Title II of Part II, the following Subsection 4 is added:

'Subsection 4

### **Checks related to designations of origin, geographical indications and traditional terms**

#### *Article 116a*

#### **Checks**

1. Member States shall take the necessary steps to stop unlawful use of protected designations of origin, protected geographical indications and protected traditional terms referred to in this Regulation.
2. Member States shall designate the competent authority responsible for carrying out the checks in respect of the obligations laid down in this Section. To that end, Articles 4(2), 4(4), 5(1), 5(4) and 5(5) of Regulation (EU) 2017/625 of the European Parliament and of the Council\* shall apply.
3. Within the Union, the competent authority referred to in paragraph 2 or one or more delegated bodies within the meaning of point (5) of Article 3 of Regulation (EU) 2017/625 operating as a product certification body in accordance with the criteria laid down in Chapter III of Title II of that Regulation, shall verify annual compliance with the product specification, during the wine production and during or after conditioning.
4. The Commission shall adopt implementing acts concerning the following:
  - (a) the communication to be made by the Member States to the Commission;
  - (b) rules governing the authority responsible for verifying compliance with the product specification, including where the geographical area is in a third country;
  - (c) the actions to be implemented by the Member States to prevent the unlawful use of protected designations of origin, protected geographical indications and protected traditional terms;
  - (d) the checks and verification to be carried out by the Member States, including testing.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).

\* **Regulation (EU) 2017/625 of the European Parliament and of the Council of 15 March 2017 on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products, amending Regulations (EC) No 999/2001, (EC) No 396/2005, (EC) No 1069/2009, (EC) No 1107/2009, (EU) No 1151/2012, (EU) No 652/2014, (EU) 2016/429 and (EU) 2016/2031 of the European Parliament and of the Council, Council Regulations (EC) No 1/2005 and (EC) No 1099/2009 and Council Directives 98/58/EC, 1999/74/EC, 2007/43/EC, 2008/119/EC and 2008/120/EC, and repealing Regulations (EC) No 854/2004 and (EC) No 882/2004 of the**

- (18) Article 119 is amended as follows:
- (a) in paragraph 1, the introductory sentence is replaced by the following:  
'Labelling and presentation of the products referred to in points 1 to 11, 13, 15, 16, 18 and 19 of Part II of Annex VII marketed in the Union or for export shall contain the following compulsory particulars:';
  - (b) the following paragraph 4 is added:  
'4 Member States shall take measures to ensure that the products referred to in paragraph 1 which are not labelled in conformity with the provisions of this Regulation are not placed on the market, or are withdrawn from it if already placed on the market.'
- (19) in Article 120(1), the introductory sentence is replaced by the following:  
'Labelling and presentation of the products referred to in points 1 to 11, 13, 15, 16, 18 and 19 of Part II of Annex VII may, in particular, contain the following optional particulars:';
- (20) in Article 122, paragraph 1 is amended as follows:
- (a) in point (b), point (ii) is deleted;
  - (b) in point (c), the following point (iii) is added:  
'(iii) terms referring to a holding and the conditions for their use.';
  - (c) in point (d), point (i) is replaced by the following:  
'(i) the conditions of use of certain bottle shapes and of closures, and a list of certain specific bottle shapes;';
- (21) Section 1 of Chapter II of Title II of Part II is amended as follows:
- (a) Article 124 is deleted;
  - (b) the heading "Subsection 1" and its title are deleted;
  - (c) Subsections 2 and 3 covering Articles 127 to 144 are deleted;
- (22) in Article 145(3), the first sentence is replaced by the following:  
'Member States which provide in their CAP strategic plans for restructuring and conversion of vineyards in accordance with point (a) of Article 52(1) of Regulation (EU) .../...[CAP Strategic Plan Regulation], shall on the basis of the vineyard register submit to the Commission by 1 March each year an updated inventory of their production potential.';
- (23) Article 189 is deleted;
- (24) Articles 192 and 193 are deleted;
- (25) in Chapter IV, the following Article 193a is added:

*'Article 193a*

**Suspension of import duties for molasses**

The Commission may adopt implementing acts suspending import duties in whole or in part for molasses falling within CN Code 1703.

Those implementing acts shall be adopted without applying the procedure referred to in Article 229(2) or (3).';

- (26) In Part III Chapter VI, covering Articles 196 to 204, is deleted;
- (27) In Article 225, points (a) to (d) are deleted;
- (28) In Part V, Chapter III covering Article 226 is deleted.
- (29) Part II of Annex II is amended as follows:
  - (a) in point 4 of Section A, the second sentence is deleted;
  - (b) Section B is deleted;
- (30) Annex III is amended as follows:
  - (a) the title is replaced by the following:

**'STANDARD QUALITY OF RICE AND SUGAR AS REFERRED TO IN ARTICLE 1a OF REGULATION (EU) No 1370/2013\***

**\* Council Regulation (EU) No 1370/2013 of 16 December 2013 determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products (OJ L 346, 20.12.2013, p. 12)';**
  - (b) in Part B, Section I is deleted;
- (31) Annex VI is deleted;
- (32) in Part II of Annex VII, the following points (18) and (19) are added:
  - '(18) The term 'de-alcoholised' may be used together with the name of the grapevine products referred to in points 1 and 4 to 9, where the product:
    - (a) is obtained from wine as defined in point 1, sparkling wine as defined in point 4, quality sparkling wine as defined in point 5, quality aromatic sparkling wine as defined in point 6, aerated sparkling wine as defined in point 7, semi-sparkling wine as defined in point 8, or from aerated semi-sparkling wine as defined in point 9;
    - (b) has undergone a dealcoholisation treatment in accordance with the processes specified in Section E of Part I of Annex VIII; and
    - (c) has a total alcoholic strength of no more than 0,5% by volume.
  - (19) The term 'partially de-alcoholised' may be used together with the name of the grapevine products referred to in points 1 and 4 to 9, where the product:
    - (a) is obtained from wine as defined in point 1, sparkling wine as defined in point 4, quality sparkling wine as defined in point 5, quality aromatic sparkling wine as defined in point 6, aerated sparkling wine as defined in point 7, semi-sparkling wine as defined in point 8, or from aerated semi-sparkling wine as defined in point 9;
    - (b) has undergone a dealcoholisation treatment in accordance with the processes specified in Section E of Part I of Annex VIII; and



- (c) has a total alcoholic strength of more than 0,5% by volume and following the processes specified in Section E of Part I of Annex VIII its total alcoholic strength is reduced by more than 20% by volume compared to its initial total alcoholic strength.';
- (33) in Part I of Annex VIII, the following Section E is added:
- 'E. Dealcoholisation processes
- The following dealcoholisation processes, whether used each of its own or in combination, shall be allowed to reduce part of or almost all the ethanol content in grapevine products referred to in points 1 and 4 to 9 of Part II of Annex VII:
- (a) partial vacuum evaporation;
- (b) membrane techniques;
- (c) distillation.
- The dealcoholisation processes shall not result in organoleptic defects of the grapevine product. The elimination of ethanol in grapevine product must not be done in conjunction with the increase of the sugar content in the grape must.'

*Article 2*  
**Amendments to Regulation (EU) No 1151/2012**

Regulation (EU) No 1151/2012 is amended as follows:

- (1) in Article 2, paragraphs 2 and 3 are replaced by the following:
- '2. This Regulation shall not apply to spirit drinks or grapevine products as defined in Part II of Annex VII to Regulation (EU) No 1308/2013, with the exception of wine-vinegars.
3. This Regulation, and in particular the registrations made pursuant to Article 52, shall be without prejudice to compliance of products concerned with other Union rules relating in particular to the placing of products on the market, marketing and to food labelling.;

(2) in paragraph 1 of Article 5, point (b) is replaced by the following:

'(b) whose quality or characteristics are essentially or exclusively due to a particular geographical environment, with its inherent natural factors and where relevant human factors;';

(3) in paragraph 1 of Article 7, point (d) is deleted;

(4) in paragraph 1 of Article 10, the introductory sentence is replaced by the following:

' A reasoned statement of opposition as referred to in Article 51(1) shall be admissible only if it is received by the Commission within the time limit set out in that paragraph and if it:';

(5) in Article 13, the following paragraph 4 is added:

'4. The protection referred to in paragraph 1 shall also apply with regard to goods entering the customs territory of the Union without being released for free circulation within the customs territory of the Union and with regard to goods sold through means of electronic commerce.';

- (6) Article 15 is amended as follows:
- (a) in paragraph 1, the second subparagraph is replaced by the following:  
'Those implementing acts shall be adopted without applying the examination procedure referred to in Article 57(2).';
- (b) in paragraph 2, the introductory sentence is replaced by the following:  
'Without prejudice to Article 14, the Commission may adopt implementing acts extending the transitional period mentioned in paragraph 1 of this Article in justified cases where it is shown that:';

- (7) the following Article 16a is inserted:

*'Article 16a*

**Existing geographical indications for aromatised wine products**

Names entered in the register established pursuant to Article 21 of Regulation (EU) No 251/2014 **of the European Parliament and of the Council**\* shall automatically be entered in the register referred to in Article 11 of this Regulation. The corresponding specifications shall be deemed to be the specifications for the purposes of Article 7 of this Regulation.

\* **Regulation (EU) No 251/2014 of the European Parliament and of the Council of 26 February 2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and repealing Council Regulation (EEC) No 1601/91 (OJ L 84, 20.3.2014, p. 14).';**

- (8) in paragraph 1 of Article 21, the introductory sentence is replaced by the following:  
'A reasoned statement of opposition as referred to in Article 51(1) shall be admissible only if it is received by the Commission before expiry of the time limit and if it:';
- (9) the following Article 24a is inserted:

*'Article 24a*

**Transitional periods for use of traditional specialities guaranteed**

The Commission may adopt implementing acts granting a transitional period of up to five years to enable products the designation of which consists of or contains a name that contravenes Article 24(1) to continue to use the designation under which they were marketed on condition that an admissible statement of opposition under Article 49(3) or Article 51 shows that such name has been legally used on the Union market for at least five years preceding the date of the publication provided for in point (a) of Article 50(2).

Those implementing acts shall be adopted without applying the examination procedure referred to in Article 57(2).';

- (10) in Article 49, the following paragraphs 8 and 9 are added:
- '8. The Member State shall inform the Commission without delay if any procedure is initiated before a national court or other national body concerning an application lodged with the Commission, in accordance with paragraph 4.
9. Where appropriate, the Commission may adopt implementing acts to suspend the scrutiny of the application for registration referred to in Article 50 until a national court or other national body has adjudicated on a challenge to an

application for registration where the Member State has taken a favourable decision in a national procedure in accordance with paragraph 4.

Those implementing acts shall be adopted without applying the examination procedure referred to in Article 57(2).';

- (11) Article 50 is replaced by the following:

*'Article 50*

**Scrutiny by the Commission and publication for opposition**

1. The Commission shall examine applications for registration that it receives in accordance with Article 49(4) and (5). The Commission shall review the applications for manifest errors, taking into account the outcome of the scrutiny and opposition procedure carried out by the Member State concerned.

Scrutiny by the Commission should not exceed a period of six months from the date of receipt of the application from the Member State. Where this period is exceeded, the Commission shall inform the applicant in writing of the reasons for the delay.

The Commission shall, at least each month, publish the list of names for which applications for registration have been submitted to it, as well as the date of their submission.

2. Where, based on the scrutiny carried out pursuant to paragraph 1, the Commission considers that the conditions laid down in Articles 5 and 6 are fulfilled as regards registration applications under the scheme set out in Title II, or that the conditions laid down in Article 18(1) and (2) are fulfilled as regards applications under the scheme set out in Title III, it shall publish in the *Official Journal of the European Union*:
- (a) for applications under the scheme set out in Title II, the single document and the reference to the publication of the product specification;
  - (b) for applications under the scheme set out in Title III, the specification.';

- (12) Article 51 is amended as follows:

- (a) paragraph 1 is replaced by the following:

- '1. Within three months from the date of publication in the *Official Journal of the European Union*, the authorities of a Member State or of a third country, or a natural or a legal person having a legitimate interest and established in a third country may lodge a reasoned statement of opposition with the Commission.

A natural or a legal person having a legitimate interest, established or resident in a Member State other than that from which the application was submitted, may lodge a reasoned statement of opposition with the Member State in which it is resident or established within a time limit permitting an opposition to be lodged pursuant to the first subparagraph.';

- (b) paragraph 2 is replaced by the following:

2. The Commission shall examine the admissibility of the reasoned statement of opposition based in particular on grounds of opposition laid down in Article 10 as regards protected designations of origin and protected geographical indications and based in particular on the grounds for opposition laid down in Article 21 as regards traditional specialities guaranteed.';

(c) paragraph 3 is replaced by the following:

3. If the Commission considers that the reasoned statement of opposition is admissible it shall, within five months from the date of publication of the application in the *Official Journal of the European Union*, invite the authority or person that lodged the reasoned statement of opposition and the authority or body that lodged the application with the Commission to engage in appropriate consultations for a reasonable period that shall not exceed three months.

The authority or person that lodged the reasoned statement of opposition and the authority or body that lodged the application shall start such appropriate consultations without undue delay. They shall provide each other with the relevant information to assess whether the application for registration complies with the conditions laid down in this Regulation. If no agreement is reached, this information shall be provided to the Commission.

At any time within the period of consultations, the Commission may, at the request of the applicant extend the deadline for the consultations by a maximum of three months.';

(d) paragraph 5 is replaced by the following:

5. The reasoned statement of opposition and other documents which are sent to the Commission in accordance with paragraphs 1, 2 and 3 shall be in one of the official languages of the Union.';

(13) in Article 52, paragraph 2 is replaced by the following:

2. If the Commission receives no admissible reasoned statement of opposition under Article 51, it shall adopt implementing acts, without applying the examination procedure referred to in Article 57(2), registering the name.';

(14) in Article 53, paragraphs 2 and 3 are replaced by the following:

2. Amendments to a product specification are classified into two categories as regards their importance: Union amendments, requiring an opposition procedure at the Union level and standard amendments to be dealt with at Member State or third country level.

An amendment is considered to be a Union amendment where:

- (a) it includes a change in the name of the protected designation of origin, protected geographical indication or traditional speciality guaranteed;
- (b) it risks to void the links referred to in point (b) of Article 5(1) for protected designations of origin and of Article 5(2) for protected geographical indications;

- (c) it introduces changes to the production method or to the use of raw materials and ingredients that deviate from the traditional practice and uses for traditional specialities guaranteed;
- (d) it entails new restrictions on the marketing of the product.

All other amendments to product specifications are considered standard amendments. A temporary amendment that concerns a temporary change in the product specification resulting from the imposition of obligatory sanitary and phytosanitary measures by the public authorities or a temporary amendment necessary because of a natural disaster or adverse weather conditions formally recognised by the competent authorities are also considered to be standard amendments.

Union amendments shall be approved by the Commission. The approval procedure shall follow, *mutatis mutandis*, the procedure laid down in Articles 49 to 52.

Standard amendments shall be approved by the Member State in whose territory the geographical area of the product concerned is located and notified to the Commission. Third countries shall approve standard amendments in accordance with the law applicable in the third country concerned and notify them to the Commission.

Amendments shall be scrutinised taking into account other elements of the product specifications. Where appropriate, the Commission or the Member State concerned may invite the applicant to modify other elements of the product specifications.

- 3. In order to facilitate the administrative process of Union and standard amendments to product specification, including where the amendment does not involve any change to the single document, the Commission shall be empowered to adopt delegated acts, in accordance with Article 56, complementing the rules of the amendment application process.

The Commission may adopt implementing acts laying down detailed rules on procedures, form and presentation of an amendment application and notification of standard amendments to the Commission. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 57(2).';

- (15) in Point I of Annex I, the following indents are added:

- aromatised wines as defined in Article 3(2) of Regulation (EU) No 251/2014;
- other alcoholic beverages, except for spirit drinks and grapevine products as defined in Part II of Annex VII to Regulation (EU) No 1308/2013.'

### *Article 3*

#### **Amendments to Regulation (EU) No 251/2014**

- (1) the title is replaced by the following:

**'Regulation (EU) No 251/2014 of the European Parliament and of the Council of 26 February 2014 on the definition, description, presentation and labelling of aromatised wine products and repealing Council Regulation (EEC) No 1601/91'**

- (2) in Article 1, paragraph 1 is replaced by the following:

- '1. This Regulation lays down rules on the definition, description, presentation and labelling of aromatised wine products.';
- (3) in Article 2, point 3 is deleted;
- (4) in Article 5, paragraph 4 is replaced by the following:
- '4. Sales denominations may be supplemented or replaced by a geographical indication of aromatised wine product protected under Regulation (EU) No 1151/2012.
- (5) in Article 8, paragraph 2 is replaced by the following:
- '2. The name of the geographical indication of aromatised wine product protected under Regulation (EU) No 1151/2012 shall appear on the label in the language or languages in which it is registered, even where the geographical indication replaces the sales denomination in accordance with Article 5(4) of this Regulation.
- Where the name of a geographical indication of aromatised wine product protected under Regulation (EU) No 1151/2012 is written in a non-Latin alphabet, it may also appear in one or more of the official languages of the Union.';
- (6) Article 9 is deleted;
- (7) Chapter III is deleted.

#### *Article 4*

#### **Amendment to Regulation (EU) No 228/2013**

In Article 30, paragraphs 2 and 3 are replaced by the following:

'2. In respect of each financial year, the Union shall finance the measures provided for in Chapters III and IV, up to a maximum annual sum of:

- in the French overseas departments: EUR 267 580 000
- Azores and Madeira: EUR 102 080 000
- Canary Islands: EUR 257 970 000

3. The sums for each financial year to finance the measures provided for in Chapter III may not exceed the following amounts:

- in the French overseas departments: EUR 25 900 000
- Azores and Madeira: EUR 20 400 000
- Canary Islands: EUR 69 900 000

The Commission shall adopt implementing acts establishing the requirements in accordance with which Member States may amend the allocation of resources allocated every year to the various products benefiting from the supply arrangements. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 34(2).'

#### *Article 5*

#### **Amendment to Regulation (EU) No 229/2013**

In Article 18, paragraphs 2 and 3 are replaced by the following:

'2. The Union shall finance the measures provided for in Chapters III and IV up to a maximum amount of EUR 23 000 000.

3. The amount allocated to finance the specific supply arrangements referred to in Chapter III shall not exceed EUR 6 830 000.'

#### *Article 6*

#### **Transitional provisions**

1. The rules applicable before the date of entry into force of this Regulation shall continue to apply to applications for protection of designations of origin or geographical indications received by the Commission pursuant to Regulation (EU) No 1308/2013 before the date of entry into force of this Regulation and to applications for registration of protected designations of origin, protected geographical indications or traditional specialities guaranteed received by the Commission pursuant to Regulation (EU) No 1151/2012 before the date of entry into force of this Regulation.
2. The rules applicable before the date of entry into force of this Regulation shall continue to apply to applications for protection of names of aromatised wines as geographical indication received by the Commission pursuant to Regulation (EU) No 251/2014 before the date of entry into force of this Regulation. However, the decision on registration shall be adopted pursuant to Article 52 of Regulation (EU) No 1151/2012 as amended by point (13) of Article 2 of this Regulation.
3. Articles 29 to 60 of Regulation (EU) No 1308/2013 shall continue to apply after 1 January 2021 as regards expenditure incurred before 1 January 2021 within the aid schemes referred to in those Articles.

#### *Article 7*

#### **Entry into force and application**

This Regulation shall enter into force on the [X] day following that of its publication in the *Official Journal of the European Union*.

Points (1)(b), (4), (8), (17), (22), (27), (28) and (31) of Article 1 and Articles 4 and 5 shall apply from 1 January 2021.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## **LEGISLATIVE FINANCIAL STATEMENT**

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Grounds for the proposal/initiative
- 1.5. Duration and financial impact
- 1.6. Management mode(s) planned

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
  - 3.2.2. *Estimated impact on appropriations of an administrative nature*
  - 3.2.3. *Third-party contributions*
- 3.3. Estimated impact on revenue



## 1. FRAMEWORK OF THE PROPOSAL

### 1.1. Title of the proposal

- a) 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;
- b) 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;
- 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.

### 1.2. Policy area(s) concerned (*Programme cluster*)

Programme cluster 8 - Agriculture & Maritime Policy under Heading 3 of the Multiannual Financial Framework (MFF) 2021-2027 – Natural Resources and Environment

### 1.3. The proposal/initiative relates to:

- a new action following a pilot project/preparatory action<sup>22</sup>
- the extension of an existing action
- a merger or redirection of one or more actions towards another/a new action

### 1.4. Grounds for the proposal/initiative

#### 1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The objectives of the Common Agricultural Policy (CAP), set out in Article 39 of the Treaty on the Functioning of the European Union, aim at:

(a) increasing agricultural productivity (including through technical progress and optimum usage of the factors of production);

(b) thus ensuring a fair standard of living for the agricultural community (including by increasing earnings);

(c) stabilising markets;

(d) ensuring the availability of supplies; and

(e) ensuring that supplies reach consumers at reasonable prices.

<sup>22</sup> As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

Those are adjusted and articulated to the challenges mentioned in section 1.4.2 below in order to put the emphasis on the 10 Commission priorities for 2015-2019 and UN Sustainable Development Goals and in order to fulfil the above the proposals aiming to lay down the legislative framework for the Common Agricultural Policy for the period 2021-2027 – A simpler, smarter, modern and more sustainable CAP.

- 1.4.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

The cross-border and global nature of key challenges faced by EU agriculture and rural areas require a common policy at EU level. The CAP addresses those challenges by:

- securing a single market and level playing field via a common income safety net system of support that underpins food security and avoids potential distortions of competition;
- shoring up EU farming sector resilience necessary to harness globalisation and
- delivering on key dimensions of sustainability challenges like climate change, water use, air quality and biodiversity via the CAP environmental architecture.

In other areas, a strong EU-wide dimension needs to be combined with more subsidiarity. These areas include food safety (e.g. harmonisation of standards), rural area challenges (with big gaps in rural unemployment existing between Member States), poor rural infrastructure and services, weaknesses in research and innovation, and problems related to food quality, public health and nutrition. An appropriate EU-level response to these challenges allows more effective and efficient action when combined with more flexibility at Member State level.

- 1.4.3. *Lessons learned from similar experiences in the past*

On the basis of the evaluation of the current policy framework, an extensive consultation with stakeholders as well as an analysis of future challenges and needs, a comprehensive impact assessment has been carried out. More details can be found in the impact assessment and the explanatory memorandum that are accompanying the legal proposals.

- 1.4.4. *Compatibility and possible synergy with other appropriate instruments*

Predominantly as regards the CAP, significant synergies and simplification effects will be obtained by including under one strategic framework of the CAP Strategic Plan the implementation of interventions financed by the EAGF and EAFRD. The structures already in place in the Member States shall be sustained while management and control rules simplified and tailored to specific interventions implemented by the Member States.

The CAP maintains strong synergies with climate and environment policies, food safety and health-related issues, digital agenda in rural areas and bioeconomy, knowledge and innovation enlargement and neighbourhood policy, trade and development policies, Erasmus+.

The CAP will work in synergy and complementarity with other EU policies and funds such as actions implemented under the European Structural and Investment

Funds, the InvestEU fund, the ninth Framework Programme for Research as well as environmental and climate-related policies. Where appropriate, common rules will be established in view of maximising consistency and complementarity between funds, while making sure that specificities of these policies are respected.

Synergies with the Research Framework Programme (FP) will be secured in the FP9 cluster on “Food and Natural Resources” whose objective is to make agriculture and food systems fully safe, sustainable, resilient, circular, diverse and innovative. The CAP will forge even stronger links to EU Research and Innovation policy by introducing bioeconomy as a priority for the CAP. Under the cluster on “Food and Natural Resources”, emphasis is also given to reaping the benefits of the digital revolution, so Research and Innovation activities will contribute to the digital transformation of agriculture and rural areas.

The legislative proposals concerned by this financial statement should be seen in the broader context of the proposal for the Common Provisions Regulation laying down a single framework of common rules for funds such as the EAFRD, the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Maritime and Fisheries Fund and others. That framework regulation will make an important contribution to reducing administrative burden, to spending EU funds in an effective way, and to put simplification into practice.

## 1.5. Duration and financial impact

### limited duration

- in effect from 01/01/2021 to 31/12/2027
- Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to beyond 2027 for payment appropriations.

**unlimited duration** for 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

- Implementation as from 2021 (budget year).

## 1.6. Management mode(s) planned<sup>23</sup>

### Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

### Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

<sup>23</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:

<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 70 and 71 of the Financial Regulation;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

#### Comments

No substantive change compared to the present situation, i.e. the bulk of expenditure concerned by the legislative proposals on the CAP will be managed by shared management with the Member States. However, a very minor part will continue to fall under direct management by the Commission.

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

*Specify frequency and conditions.*

A performance, monitoring and evaluation framework shall be established with a view to:

- (a) assess the impact, effectiveness, efficiency, relevance, coherence and EU added value of the CAP;
- (b) set milestones and targets for CAP Strategic Plans specific objectives;
- (c) monitor progress made towards achieving the CAP Strategic Plan targets;
- (d) assess the impact, effectiveness, efficiency, relevance and coherence of the CAP Strategic Plans interventions;
- (e) support a common learning process related to monitoring and evaluation.

The Managing Authority and the Monitoring Committee will monitor the implementation of the CAP Strategic Plan and progress made towards achieving CAP Strategic Plan targets.

#### **Annual performance reports**

By 15 February 2023 and 15 February of each subsequent year until and including 2030, Member States shall submit to the Commission annual performance reports on the implementation of the CAP Strategic Plan in the previous financial year. These reports shall set out key qualitative and quantitative information on implementation of the CAP Strategic Plan by reference to financial data, output and result indicators. They shall also include information about realised outputs, realised expenditure, realised results and distance to respective targets.

The data transmitted shall relate to achieved values for indicators for partial and fully implemented interventions. They shall also set out a synthesis of the state of implementation of the CAP Strategic Plan realised during the previous financial year, any issues which affect the performance of the CAP Strategic Plan, in particular as regards deviations from milestones, underlining reasons and, where relevant, the measures taken.

The Commission shall carry out an Annual Performance Review and an Annual Performance Clearance based on the information provided in the Annual Performance reports.

#### **CAP strategic Plan evaluation**

Member States shall carry out ex ante evaluations, including an analysis of the strength, weaknesses, opportunities and threats relevant for the CAP Strategic Plan concerned in order to identify the needs to be addressed by the CAP Strategic Plan.

Evaluations of CAP Strategic Plans shall be carried out by the Member States to improve the quality of the design and implementation of plans, as well as to assess their effectiveness, efficiency, relevance, coherence, EU added value and impact in relation to their contribution to the CAP general and specific objectives.

### **Performance assessment by the Commission**

The Commission shall establish a multiannual evaluation plan of the CAP to be carried out under the responsibility of the Commission.

The Commission shall carry out an interim evaluation to examine the effectiveness, efficiency, relevance, coherence and EU added value of the Funds taking into account the indicators set out in Annex VII. The Commission may make use of all relevant information already available in accordance with Article 128 of Financial Regulation.

The Commission shall carry out a retrospective evaluation to examine the effectiveness, efficiency, relevance, coherence and EU added value of the Funds.

Based on evidence provided in evaluations on the CAP, including evaluations on CAP Strategic Plans, as well as other relevant information sources, the Commission shall present an initial report on the implementation of this Article, including first results on the performance of the CAP, to the European Parliament and the Council by 31 December 2025. A second report including an assessment of the performance of the CAP shall be presented by 31 December 2031.

### **Reporting based on a core set of indicators**

The information provided by the Member States is the basis on which the Commission shall report on the progress towards the achievement of specific objectives over the whole programming period using for this purpose a core set of indicators.

In compliance with its reporting requirement pursuant to Article 38(3)(e)(i) of the Financial Regulation, the Commission shall present to the European Parliament and the Council the performance information referred to in that Article measured by the core set of indicators.

## **2.2. Management and control system(s)**

### *2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The CAP is primarily implemented in shared management with the Member States. The existing governance bodies set up in the Member States, notably the paying agencies and certification bodies, have shown their effectiveness in protecting the EU budget and ensuring sound financial management. The steady low error rate levels under the CAP in the most recent years show that the management and control systems set up by the Member States function properly and provide reasonable assurance.

The new delivery model under the CAP acknowledges this situation by conferring more subsidiarity on Member States in deciding and managing the control systems in place within a more general set of rules at the level of the Union. Moreover, following the strategy on budgeting focused on results and performance oriented payments, the CAP will link the eligibility of the payments to the actual delivery on the ground. Performance is therefore at the heart of the financial management and assurance model in the legislative proposals for the CAP post 2020.

The control strategy for the new period will be fully in line with the single audit approach, ensuring that accredited paying agencies and certification bodies provide the necessary assurance. The Commission will pay particular attention to the

effective functioning of the governance systems in place and the reliability of the performance reporting. As currently, there will be an audit strategy drafted at the beginning of the period and a multi-annual working programme.

To summarize, the Commission will ensure that the governance systems set up in the Member States are functioning effectively, will reimburse the payments incurred by the accredited paying agencies and will carry out annual performance clearance assessing the achieved outputs reported by the Member States.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

There are more than seven million beneficiaries of the CAP, receiving support under a large variety of different aid schemes. The downward trend in the reduction of the error rate in the domain of the CAP shows robust and reliable management and control systems in the paying agencies.

The CAP has been implemented so far through detailed eligibility rules at the level of the beneficiary which added complexity, administrative burden and risk of error. The costs of the management and control system, in order to mitigate this risk, have been considered as somewhat disproportionate.

The legislative package for the CAP post 2020 reduces substantially the compliance element, increasing the focus on performance. Obligations stemming from EU rules are to be fulfilled by Member States who then should put in place the appropriate management and control system. Member States will have more flexibility to design the schemes and measures that better fit their concrete realities. Therefore, the CAP funding will be conditioned to a strategic delivery of the policy towards common objectives defined at EU level. The CAP Plan will be the agreement between the Member States and the Commission whereby the strategy for 7 years, targets, interventions and planned expenditure are laid down and approved.

The proposal for the regulation on the financing, management and monitoring of the common agricultural policy adapts the current set up to this new delivery model, while maintaining the well-functioning governance bodies (paying agencies and certification bodies). As in the current situation, every year the head of each paying agency is required to provide a management declaration which covers the completeness, accuracy and veracity of the accounts, the proper functioning of the governance structures, including fulfilment of EU basic requirements, and the reliability of the performance reporting. An independent audit body (Certification Body) is required to provide an opinion on these elements.

Expenditure will be reduced if the Member State has not delivered outputs to the agreed standards. Compliance audits will still be carried out to assess the functioning of the governance structures. The Commission will continue to audit agricultural expenditure, using a risk-based approach in order to ensure that its audits are targeted to the areas of highest risk, in accordance with the single audit principle. Furthermore, there are clear mechanisms for suspensions of payments for cases of serious deficiencies in the governance structures or significant underperformance trends.

The main risk envisaged for the new period is that the alleviation of concrete and detailed rules on how the management and control system in the Member State should be established at the level of the paying agencies may have a reputational

impact for the Commission in cases where eligibility rules established by the Member States are not respected. It should be stressed that the Commission will ensure that governance systems are in place and outputs and results are being achieved. In the spirit of budgeting focused on results, the Commission will put the focus to what the policy delivers.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

The new delivery model for the CAP is expected to significantly reduce the cost of controls, both for Member States and beneficiaries.

The EU level requirements have been significantly reduced and they have been set at the level of the Member States, who should use this opportunity to adapt the obligations to be fulfilled by beneficiaries to the concrete national or regional circumstances.

Member States will define the management and control system within the simplified EU framework defined in the legislative proposals. The Integrated Administration and Control System (IACS), accountable for roughly 88% of the CAP payments, is maintained although specific elements, so far defined at EU level, will be left to Member States. Therefore, intensity and scope of controls which is the main cost driver is no longer defined at EU level.

The focus on performance requires a robust and reliable reporting system, which as mentioned in previous sections, will be subject to independent audits. It is not expected though that this has a significant impact on the administrative burden of the Member States, since most of the output indicators are already available in the accredited paying agencies.

The Member States have the potential to simplify and reduce the administrative burden linked to the management and control of the CAP, since they will be able to tailor eligibility rules at beneficiary level and decide most suitable way to control (no one-size-fits-all). As stated in the Impact Assessment accompanying the CAP legislative proposals, chapter on simplification, the delivery costs for the new CAP are not expected to be higher (currently at 3.6%), even when taking into account the enhanced focus on performance reporting.

As regards the expected level of errors, according to the new delivery model, the eligibility of the expenditure is assessed in terms of outputs achieved. Therefore, errors would not be calculated in respect to legality and regularity of individual transactions but on the level of outputs achieved in relationship with the expenditure reimbursed. The expenditure which has not a corresponding output will be reduced in the framework of the annual performance clearance, so the EU budget remains protected.

**2.3. Measures to prevent fraud and irregularities**

*Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.*

The legislative package envisages that Member States shall ensure effective prevention against fraud, especially in the areas with a higher level of risk, preventing, detecting and correcting irregularities and fraud. Member States must



impose effective, dissuasive and proportionate penalties as laid down in Union legislation or national law, and recover any irregular payments plus interests.

These EU basic requirements are part of the governance structures that will be audited by the Certification Bodies and on a risk-based approach, also by the Commission following the single audit principle.

Details will be addressed, as appropriate, in a revised AGRI Anti-fraud Strategy. It is however not expected that the typology of fraud and other serious irregularities will substantially change in the future compared to the status quo.

The current approach of delivering targeted training to Member States on the prevention, detection and correction of fraud and other serious irregularities is likely to be extended onto the future CAP. The same applies to thematic guidance notes for Member States on specific areas of high risk.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL

The amounts indicated in this financial statement are expressed in current prices.

In addition to the changes resulting from the legislative proposals as listed in the accompanying tables below, the legislative proposals imply further changes which have no financial impact.

As regards the market-related expenditure, it should be underlined that the amounts taken into account for market-related expenditure are based on the assumption of no public intervention buying-in and other measures related to a crisis situation in any sectors.

A new agricultural reserve will 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 will be at least EUR 400 million at the beginning of each financial year. The unused amounts of the agricultural crisis reserve in financial year 2020 will be carried forward to financial year 2021 to set up the reserve; an annual roll-over of the unused amounts will apply in the period 2021-2027. In case the reserve is used, it will be re-filled using existing budgetary availabilities or by fresh appropriations. In case the specific EAGF sub-ceiling fixed in the MFF 2021-2027 is overshoot, the financial discipline will apply to cover all needs above the sub-ceiling, including those for refilling the reserve. Therefore, the repeated application of financial discipline for the purpose of setting up the reserve is not foreseen in the period 2021-2027. The financial discipline mechanism will remain for the purpose of ensuring the respect of the EAGF sub-ceiling.

As concerns direct payments types of interventions, the net ceilings for financial year 2021 (calendar year 2020) set by Regulation (EU) No 1307/2013 of the European Parliament and of the Council, are higher than the amounts allocated to direct payments types of interventions indicated in the accompanying tables, consequently they will need to be adjusted in line with the final agreement on the CAP financial envelope within the deadlines needed for timely implementation in the Member States.

The proposal includes a continuation of the process of external convergence of direct payments: Member States with an average support level below 90% of the EU average will close 50% of the gap to 90% of the EU average in 6 gradual steps starting in 2022. All Member States will contribute to financing this convergence. It is reflected in the Member States allocations for direct payments in Annex IV to the CAP Strategic Plans Regulation.

The impact of the reduction of payments in direct support to farmers is budgetary neutral for the direct payments allocation, as the product of the reduction of payments will be used to finance redistributive payment within the same Member State. In case the product of the reduction of payments cannot be accommodated in the financing of direct payments types of interventions, it will be transferred to the EAFRD allocation of the Member State concerned. The amounts of such possible transfer cannot be quantified at this stage.

As regards the revenue assigned to the EAGF, the estimate reflects the effect of granted deferrals and instalments on the past clearance decisions that will be cashed

in after 2020, and the estimated assigned revenue from clearance and irregularities to be collected. The latter is assumed to decrease compared to current levels following the introduction of the new delivery model.

As regards the EAFRD, the proposal foresees a decrease in EU co-financing rates similarly to the other European Structural and Investment Funds. This together with the allocation for the EAFRD types of interventions will allow keeping public support to European rural areas largely unchanged. The allocation between Member States is based on objective criteria and past performance.

The reform proposals contain provisions giving Member States a degree of flexibility in relation to their allocation for direct payments types of interventions and for rural development types of interventions, as well as between the allocation for direct payments types of interventions and for certain sectorial types of interventions. In case Member States decide to use that flexibility, this will have financial consequences within the given financial amounts, which cannot be quantified at this stage.

### 3.1. Heading of the multiannual financial framework and preliminary list of new expenditure budget lines proposed<sup>24</sup>

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 3: Natural Resources and Environment	Diff./Non-diff. <sup>25</sup>	from EFTA countries <sup>26</sup>	from candidate countries <sup>27</sup>	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
3	[08.01.YY] EAGF Non-operational technical assistance	Non-diff	NO	NO	NO	NO
3	[08.01.YY] EAFRD Non-operational technical assistance	Non-dif	NO	NO	NO	NO
3	[08.01.YY] Executive agencies	Non-diff	NO	NO	NO	NO
3	[08.02.YY] Agricultural reserve	Non-diff	NO	NO	NO	NO
3	[08.02.YY] Sectorial types of interventions under the CAP plan	Non-diff	NO	NO	NO	NO
3	[08.02.YY] Market related expenditure outside the CAP plan	Diff and non-diff	NO	NO	NO	NO
3	[08.02.YY] Direct payments types of interventions under the CAP plan	Non-diff	NO	NO	NO	NO

<sup>24</sup> A number of the existing budgetary lines is to be maintained and the numbering is to be adapted to the new budgetary nomenclature (e.g. current chapters 05 07 and 05 08). Following the development of the CAP proposal the nomenclature could be adjusted.

<sup>25</sup> Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

<sup>26</sup> EFTA: European Free Trade Association.

<sup>27</sup> Candidate countries and, where applicable, potential candidates from the Western Balkans

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 3: Natural Resources and Environment	Diff./Non-diff. <sup>25</sup>	from EFTA countries <sup>26</sup>	from candidate countries <sup>27</sup>	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
3	[08.02.YY] Direct payments outside the CAP plan	Non-diff	NO	NO	NO	NO
3	[08.02.YY] EAGF Operational technical assistance	Diff and non-diff	NO	NO	NO	NO
3	[08.03.YY] 2021-2027 rural development types of interventions under the CAP plan	Diff	NO	NO	NO	NO
3	[08.03.YY] EAFRD Operational technical assistance	Diff	NO	NO	NO	NO
7	[08.01.YY] Expenditure related to official and temporary agents in the 'Agriculture and rural development' policy area	Non-diff	NO	NO	NO	NO
7	[08.01.YY] External personnel and other management expenditure in support of the 'Agricultural and Rural Development' policy area	Non-diff	NO	NO	NO	NO
7	[08.01.YY] Expenditure related to information and communication technology equipment and services of the 'Agricultural and Rural Development' policy area	Non-diff	NO	NO	NO	NO

The list of budget items in the table above is preliminary and does not prejudice the concrete budget nomenclature that the Commission will propose in the context of the annual budgetary procedure.

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (with three decimal places)

<b>Heading of multiannual financial framework</b>	<b>3</b>	Natural Resources and Environment
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			2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
08 02 YY – Agricultural reserve	Commitments = Payments	(1)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.		p.m.
08 02 YY – Sectoral types of interventions under the CAP plan <sup>28</sup>	Commitments = Payments	(2)	2,044.116	2,066.584	2,091.060	2,115.010	2,139.737	2,165.443	2,192.347		14,814.294
08 02 YY - Market related expenditure outside the CAP plan	Commitments	(3)	638.309	638.309	638.309	638.309	638.309	638.309	638.309		4,468.163
	Payments	(4)	605.136	611.601	623.808	627.643	629.770	630.334	630.314	109.558	4,468.164
08 02 YY – Direct payments types of interventions	Commitments = Payments	(5)	37,392.689	37,547.129	37,686.679	37,802.859	37,919.038	38,035.217	38,151.396		264,535.007
08 02 YY – Direct payments outside the CAP plan	Commitments = Payments	(6)	421.321	421.321	421.321	421.321	421.321	421.321	421.321		2,949.249
08 02 YY – EAGF operational technical assistance <sup>29</sup>	Commitments = Payments <sup>30</sup>	(7)	71.000	71.000	71.000	71.000	71.000	71.000	71.000		497.000

<sup>28</sup> An increase in the Sectoral types of interventions under the CAP plan is explained by the allocation proposed for the support to the apiculture sector amounting to EUR 60 million, as well as the evolution of the expenditure in fruit and vegetables sector, which is not limited by an EU level envelope, following the observed past level of execution.

<sup>29</sup> Including also the amounts financed currently under chapters 05 07 (Audit of agricultural expenditure) and 05 08 (Policy strategy and coordination of the Agriculture and rural development policy area).

<sup>30</sup> For simplification, the appropriations for EAGF technical assistance are here considered as non-differentiated. The amount of RAL tends to be insignificant compared to the total amounts concerned by this financial statement.

08 01 YY - Appropriations of an administrative nature financed from the EAGF <sup>31</sup>	Commitments = Payments	(8)	13.000	13.000	13.000	13.000	13.000	13.000	13.000		<b>91.000</b>
67 01 & 67 02 – Revenue assigned to the EAGF	Commitments = Payments	(9)	280.000	230.000	130.000	130.000	130.000	130.000	130.000		<b>1,160.000</b>
<b>SUBTOTAL – EAGF</b>	Commitments	(10)=(1+2+3+5+6+7+8-9)	<b>40,300.435</b>	<b>40,527.343</b>	<b>40,791.369</b>	<b>40,931.499</b>	<b>41,072.405</b>	<b>41,214.290</b>	<b>41,357.373</b>		<b>286,194.715</b>
	Payments	(11)=(1+2+4+5+6+7+8-9)	<b>40,267.262</b>	<b>40,500.635</b>	<b>40,776.868</b>	<b>40,920.833</b>	<b>41,063.866</b>	<b>41,206.315</b>	<b>41,349.378</b>	<b>109.558</b>	<b>286,194.715</b>

08 03 YY – Rural development types of interventions	Commitments	(12)	11,230.561	11,230.561	11,230.561	11,230.561	11,230.561	11,230.561	11,230.561		<b>78,613.927</b>
	Payments	(13)	786.139	3,703.699	6,314.312	7,860.977	9,356.414	10,331.700	11,025.236	29,235.450	
08 03 YY – EAFRD operational technical assistance EU	Commitments = Payments <sup>32</sup>	(14)	22.147	22.147	22.147	22.147	22.147	22.147	22.147		<b>155.029</b>
08 01 YY - Appropriations of an administrative nature financed from the EAFRD	Commitments = Payments	(15)	6.000	6.000	6.000	6.000	6.000	6.000	6.000		<b>42.000</b>
<b>SUBTOTAL – EAFRD</b>	Commitments	(16)=(1+2+14+15)	<b>11,258.708</b>	<b>11,258.708</b>	<b>11,258.708</b>	<b>11,258.708</b>	<b>11,258.708</b>	<b>11,258.708</b>	<b>11,258.708</b>		<b>78,810.955</b>
	Payments	(17)=(1+3+14+15)	<b>814.286</b>	<b>3,731.846</b>	<b>6,342.459</b>	<b>7,889.124</b>	<b>9,384.561</b>	<b>10,359.847</b>	<b>11,053.383</b>	<b>29,235.450</b>	
<b>TOTAL appropriations for the</b>	Commitments	=10+16	<b>51,559.143</b>	<b>51,786.051</b>	<b>52,050.077</b>	<b>52,190.207</b>	<b>52,331.113</b>	<b>52,472.998</b>	<b>52,616.081</b>		<b>365,005.670</b>

<sup>31</sup> Including the amounts financed currently under item 05 01 04 01 - Support expenditure for European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance and 05 01 06 01 - Consumer, Health, Agriculture and Food Executive Agency - Contribution from the agricultural promotion programme

<sup>32</sup> For simplification, the appropriations for EAFRD technical assistance are here considered as non-differenciaded. The amount of RAL tends to be insignificant compared to the total amounts concerned by this financial statement.

<b>CAP</b>	Payments	=11+17	41,081.548	44,232.481	47,119.327	48,809.957	50,448.427	51,566.162	52,402.761	29,345.008	365,005.670
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Totals do not tally due to rounding.

<b>Heading of multiannual financial framework</b>	7	‘Administrative expenditure’
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EUR million (with three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
Human resources		125.678	125.678	125.678	125.678	125.678	125.678	125.678		<b>879.746</b>
Other administrative expenditure		6.008	6.008	6.008	6.008	6.008	6.008	6.008		<b>42.056</b>
<b>TOTAL appropriations under HEADING 7 of the multiannual financial framework</b>	Commitments = Payments	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>		<b>921.802</b>

EUR million (with three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
<b>TOTAL appropriations across HEADINGS of the multiannual financial framework</b>	Commitments	<b>51,690.829</b>	<b>51,917.737</b>	<b>52,181.763</b>	<b>52,321.893</b>	<b>52,462.799</b>	<b>52,604.684</b>	<b>52,747.767</b>		<b>365,927.472</b>
	Payments	<b>41,213.234</b>	<b>44,364.167</b>	<b>47,251.013</b>	<b>48,941.643</b>	<b>50,580.113</b>	<b>51,697.848</b>	<b>52,534.447</b>	<b>29,345.008</b>	<b>365,927.472</b>

Totals do not tally due to rounding.



### 3.2.2. Summary of estimated impact on appropriations of an administrative nature

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
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<b>HEADING 7 of the multiannual financial framework</b>								
Human resources	125.678	125.678	125.678	125.678	125.678	125.678	125.678	<b>879.746</b>
Other administrative expenditure	6.008	6.008	6.008	6.008	6.008	6.008	6.008	<b>42.056</b>
<b>Subtotal HEADING 7 of the multiannual financial framework</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>131.686</b>	<b>921.802</b>

<b>Outside HEADING 7<sup>33</sup> of the multiannual financial framework</b>								
Human resources	1.850	1.850	1.850	1.850	1.850	1.850	1.850	12.950
Other expenditure of an administrative nature	17.150	17.150	17.150	17.150	17.150	17.150	17.150	120.050
<b>Subtotal outside HEADING 7 of the multiannual financial framework</b>	<b>19.000</b>	<b>19.000</b>	<b>19.000</b>	<b>19.000</b>	<b>19.000</b>	<b>19.000</b>	<b>19.000</b>	<b>133.000</b>

Totals do not tally due to rounding.

<b>TOTAL</b>	<b>150.686</b>	<b>150.686</b>	<b>150.686</b>	<b>150.686</b>	<b>150.686</b>	<b>150.686</b>	<b>150.686</b>	<b>1 054.802</b>
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

<sup>33</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

### 3.2.2.1. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full time equivalent units*

Years	2021	2022	2023	2024	2025	2026	2027
<b>• Establishment plan posts (officials and temporary staff)</b>							
Headquarters and Commission's Representation Offices	845	845	845	845	845	845	845
Delegations	3	3	3	3	3	3	3
Research							
<b>• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED <sup>34</sup></b>							
Heading 7							
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	57.75	57.75	57.75	57.75	57.75	57.75
	- in Delegations	1	1	1	1	1	1
Financed from the envelope of the programme <sup>35</sup>	- at Headquarters	29	29	29	29	29	29
	- in Delegations						
Research							
Other (specify)							
<b>TOTAL</b>	<b>935.75</b>	<b>935.75</b>	<b>935.75</b>	<b>935.75</b>	<b>935.75</b>	<b>935.75</b>	<b>935.75</b>

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

<sup>34</sup> AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

<sup>35</sup> Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

### 3.2.3. *Third-party contributions*

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
Specify the co-financing body								
TOTAL appropriations co-financed								

### 3.3. **Estimated impact on revenue**

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
  - on own resources
  - on other revenue

please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal						
	2021	2022	2023	2024	2025	2026	2027
67 01 & 67 02	280	230	130	130	130	130	130

For assigned revenue, specify the budget expenditure line(s) affected.

08 02 YY – Sectoral types of interventions

08 02 YY – Direct payments types of interventions

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

Please refer to comments under point 3