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Subject: Post-2020 CAP reform package

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

b) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013

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

- Presidency progress report

I. INTRODUCTION

1. The Commission published on 1 June 2018, as part of a number of sectoral legislative proposals designing European policies, a package of three legislative proposals for the Common Agricultural Policy (CAP) in the period 2021-2027. It comprises:
 - A centre-piece Regulation on CAP Strategic Plans, encompassing direct payments, sectoral interventions and rural development;
 - A Regulation on the financing, management and monitoring of the CAP (hereinafter: Horizontal Regulation), updating and replacing the current Regulation with the same name; and
 - An amending Regulation (Regulation on common market organisation (CMO) of agricultural products), which amends and updates Regulations (EU) No 1308/2013 on CMO, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on aromatised wine products, (EU) No 228/2013 on the outermost regions and (EU) No 229/2013 on the smaller Aegean islands.
2. Under the AT Presidency, these three proposals were discussed at 23 meetings at Working Party level, 7 meetings of the Special Committee on Agriculture (SCA) and at each meeting of the "Agriculture and Fisheries" Council. For each of the proposals, the responsible Council Working Parties completed a first read-through. Work also involved the production of written comments from delegations, written explanations by the Commission and drafting suggestions from the Presidency. All this work allowed the Presidency to put together this Progress Report, which highlights for each of the proposals where the Council stands with its examination of the texts.

3. The Presidency suggested amendments for each of the three proposals are set out in documents 15046/18, 15058/18 and 14195/18. The AT Presidency underlines that their suggested amendments should not be regarded as an agreed Council position. The AT Presidency believes however that all efforts were made by delegations to allow the incoming RO Presidency to continue the examination work on the basis of concrete drafting suggestions.
4. The respective Working Parties, basing themselves on the delegations' comments and on the Commission's (written) contributions and explanations, are currently examining Presidency suggestions for the re-drafting of the Commission's proposals. Since the proposed CAP Strategic Plan Regulation is the centre-piece of the current CAP reform, most redrafting suggestions can be found there. In the case of the proposed Horizontal Regulation, the changes proposed by the Presidency are less numerous because the Commission did not propose many changes compared to the current Regulation and because the changes that are proposed will depend on the outcome of the substantial policy discussions on the CAP Strategic Plan Regulation. As far as the proposed CMO Regulation is concerned, various initial proposals were subject to modifications to reflect Member States' positions. Moreover, some additional suggestions were included following delegations' proposals.
5. The Council can only establish its full position on the proposed three CAP reform Regulations once their key political and financial elements have been agreed within the horizontal negotiations on the multi-annual financial framework (MFF) for 2021-2027.

II. STATE OF PLAY WITH THE CAP STRATEGIC PLAN REGULATION

6. The Working Party on Horizontal Agricultural Questions (WP HAQ) has been designated as the Council's preparatory body responsible for the technical examination of the proposal for a Regulation on CAP Strategic Plans. Under the AT Presidency, the WP HAQ met 17 days to examine that proposal, which was also on the agenda of six SCA meetings. On two occasions (July and October 2018), Ministers in the "Agriculture and Fisheries" Council exchanged views on some overarching aspects of the proposal and provided guidance for its technical examination.

7. The first read-through of the proposal was completed by the WP HAQ on 13 September 2018. The outcome of the technical examination was summarised by the Presidency in three "state of play" reports (docs. 11490/18, 12228/18 and 12447/18), which were broadly welcomed by the SCA on 10/24 September and 1 October. The Presidency compiled these reports into a Progress Report (doc. 12717/18) which was presented to the Council on 15 October 2018.
8. Following the guidance received from the SCA and the Council, as well as on the basis of the comments submitted by delegations, the Austrian Presidency redrafted the Commission proposal; the changes suggested covered all Titles and a majority of Articles, and included both technical adjustments and more substantial changes. In carrying out this exercise, the Presidency:
- Liaised with the Commission to receive further clarification, when needed, with a view to the redrafting process;
 - Corrected some "clerical" errors in the proposed text, e.g. wrong cross-references;
 - Clarified the text and made it more reader-friendly;
 - Included some preliminary legal/linguistic adjustments;
 - Aimed to take up comments and suggestions from delegations reflecting commonly shared wishes. For this reason, not all individual suggestions could be accommodated, but only those which were most shared or pointed towards an acceptable direction for most delegations;
 - Deliberately set aside some aspects (indicated by curly brackets {} in the attached Presidency text) on which it considered further reflection to be needed, or time not being ripe yet to propose an alternative wording;
 - Refrained from redrafting provisions concerning certain financial and horizontal elements of the proposal (indicated by square brackets []), which are expected to form part of the horizontal negotiations on the Multiannual Financial Framework (MFF) 2021-2027.

9. The Presidency presented its drafting suggestions to the WP HAQ on 8 and 22/23 November 2018. Most delegations welcomed the Presidency text and considered it a good basis for further work. In addition to their oral comments made during the meeting, delegations submitted contributions in written form. The Presidency took both of them into account when preparing its revised drafting suggestions (doc. 15058/18), applying the same approach as described in point 8.
10. All over the examination process the proposed "new delivery model" has turned out as one of the key elements of the CAP Strategic Plans proposal. In the Commission's view, it is supposed to ensure a shift to performance-orientation and lead to a simplification of the policy implementation as well. The in-depth discussions held on the "new delivery model" and its performance aspects in the WP HAQ, the SCA and the Council have made it clear that delegations can back the proposed policy shift *in principle*, but that further improvements are needed to make the system more practicable. Elements that will require further analysis under the future Presidencies include in particular: i) the opportunity of establishing in advance annual values for output indicators; ii) the feasibility of unit amounts for non area-based interventions; iii) the appropriateness of proposed result indicators; iv) the modalities and timetable for reporting on milestones; v) the requirements on reporting, in conjunction with the applicable deadlines of the Financial Regulation and the necessity for assurance in the annual discharge procedure.
11. Further consideration will also be needed on other elements, including those for which the Austrian Presidency has made drafting suggestions and some of those for which no drafting suggestions were yet made. In particular, an in-depth analysis of the indicators will have to take place in the coming months.

III. STATE OF PLAY WITH THE HORIZONTAL REGULATION

12. The Working Party on Financial Agricultural Questions (WP AGRIFIN) examined the proposed new Horizontal Regulation with the exception of the chapters on the Integrated Administration and Control System (IACS) (Articles 63-73) and on the control system and penalties in relation to conditionality (Articles 84-87), the examination of which was entrusted to the Working Party on Horizontal Agricultural Questions (WP HAQ) because of the specific technical expertise available there.
13. Under the AT Presidency, a Presidency Progress Report on the Horizontal Regulation was presented to the Agriculture and Fisheries Council of November 2018 (doc. 14197/18). At this Council, Ministers held a policy debate on the proposal, focussing in particular on the implications of the CAP Strategic Plans Regulation and the new delivery model on the work of paying agencies and certification bodies and on whether the proposed new annual performance framework would render the CAP more efficient (doc. 14198/18).
14. On the basis of the interventions from Ministers, it can be established that Member States generally have an open mind towards the newly proposed delivery model and the performance-based approach but certain issues were highlighted as requiring further discussion, such as: technical assistance (Articles 6 and 7); workload and responsibilities of national governance bodies (Articles 8, 9, and 11), including the issue of the number of paying agencies; agricultural reserve (Article 14); financial discipline (Article 15); reporting obligations; reductions/suspensions of payments (Articles 37-40); annual financial clearance and annual performance clearance (Articles 51-52); transition period; and N+3 de-commitment rule (Article 32).

15. Following the November Council, the AT Presidency presented delegations with a number of drafting suggestions for a selection of Articles in the proposal with the aim to make the text of these Articles more acceptable to delegations. The WP AGRIFIN discussed these drafting suggestions, covering both technical clarifications of the text of some Articles as well as more substantial changes to the text, at its meetings on 21 November and 4 December. Delegations could broadly support the suggested technical clarifications, which the Presidency introduced in the following Articles in its Presidency text of the proposed Horizontal Regulation (15046/18): Article 6 "EAFRD expenditure"; Article 8 "Paying agencies and coordinating bodies", paragraph (3)(b); Article 11 "Certification bodies", paragraph (1)(d); Article 15 "Financial discipline", paragraphs (1) and (5); Article 30 "Interim payments", paragraphs (1), (3), (4), and (9); Article 32 "Automatic decommitment for CAP Strategic Plans", paragraphs (1), (2), and (4)(b); Article 34 "No double funding"; Article 55 "Provisions specific to the EAFRD", paragraphs (1) and (2); Article 88 "Communication of information", paragraph (1); Article 96 "Publication of information relating to beneficiaries", paragraphs (1) to (3); and Article 102 "Repeal", paragraph (1).
16. The Presidency text also sets out a number of substantial drafting suggestions in the following Articles: Article 3 "Exemptions in cases of force majeure and exceptional circumstances"; Article 8 "Paying agencies and coordinating bodies", paragraphs (2), (2)(b), and (4); Article 35 "Eligibility of expenditure incurred by the paying agencies"; Article 52 "Annual performance clearance", paragraphs (2) & (3); Article 75 "Scrutiny by Member States", new paragraph 3; Article 78 "Mutual assistance", paragraph 2; Article 79 "Programming and reporting", title, new paragraph (2)(b) and paragraphs 5 and 6; Article 80 "Special departments", whole Article deleted; Article 81 "Reports", whole Article deleted; and Article 83 "Implementing powers", paragraphs (c) to (g).

It should be noted, however, that, although delegations generally agree to the need to amend the above mentioned Articles, further consideration of the Presidency's substantial drafting suggestions will be needed under the incoming RO Presidency.

17. Any changes introduced in the Presidency text of the proposal on the Integrated Administration and Control System (IACS) (i.e. Articles 63-73) and on the control system and penalties in relation to conditionality (i.e. Articles 84-87) are the result of the work in the WP HAQ. The WP HAQ will examine these provisions further and the final result of the work of the WP HAQ on those two chapters will eventually be integrated, without any re-discussion in the WP AGRIFIN, in the Council's position on the proposal.
18. In order for the AT Presidency to leave behind a comprehensive overview of where delegations stand on Articles addressed in the AT Presidency's redrafting efforts described above as well as on possible further redrafting work to be done, further comments were requested on 4 December, asking delegations to indicate where and what kind of further changes they would like to see to be made in the proposal. The contributions from delegations in reply to this request for comments will need to be processed and analysed in the New Year and be put for discussion in the WP AGRIFIN under the incoming RO Presidency.
19. All provisions with budgetary implications or of horizontal nature have been set aside pending further progress on the MFF. These provisions, which appear between square brackets in the text, include: the (amount of the) agricultural reserve and the carry-over of the current crisis reserve (Article 14(2)); the reimbursement of financial discipline to beneficiaries (Article 15(4)); initial pre-financing amounts (Article 29(1)); the date for automatic de-commitment and the proposed N+2 rule (Article 32(1) and (4)); and the proposed Article on the suspension of payments in relation to deficiencies in the governance system (Article 40).

IV. STATE OF PLAY WITH THE CMO REGULATION

20. The Working Party on Agricultural Products was designated as the Council preparatory body in charge of the technical examination of the proposal, which started in July 2018 and continued in September 2018 under the Austrian Presidency. During these months, a first round of examination of the proposal was carried out and the Commission provided further clarification on specific aspects of the text.

21. The first read-through of the proposal was completed by the Working Party on Agricultural Products on 12 September 2018. The outcome of the technical examination was summarised by the Presidency in a Progress Report (doc. 14012/18¹), which was broadly welcomed by the SCA on 6 and 12 November).
22. The Presidency Progress Report was presented to the "Agriculture and Fisheries" Council on 19 November 2018. At this Council, Ministers held a policy debate on the proposal, focussing in particular on the effectiveness of the current market support measures. On the basis of the interventions from Ministers, it could be concluded that many Member States had no major appetite for a review of the CMO and were of the opinion that the Commission managed to use currently available instruments in a flexible and timely manner in the recent years.
23. Following the guidance received from the SCA and the Council, as well as on the basis of the comments submitted by delegations, the AT Presidency presented delegations with a number of suggested amendments (doc. 14195/18), including both technical adjustments and more substantial changes. In carrying out this exercise, the Presidency aimed to take up comments and suggestions from delegations reflecting commonly shared views. For this reason, not all individual suggestions could be accommodated, but only those which were most shared or pointed towards an acceptable direction for most delegations.
24. The Presidency is going to present its suggested amendments to the Working Party on Agricultural Products on 12 December 2018. Most of the changes in substance concern the provisions related to the geographical indications and wine sector. Other changes to the Regulation (EU) No 1308/2013 on CMO are mostly technical and aim at correcting erroneous cross-references or deletions related to the reassignment of sectoral interventions to the CAP Strategic Plan Regulation or to obsolete provisions applying to the sugar sector and concerning export subsidies.

¹ The progress report for the CMO as set out initially in document 13578/18 was considered by the SCA on 6 November. The SCA debated also three questions proposed in the report and provided guidance to the continuing discussions in the Working Party on the Agricultural Products.

25. Elements that will require further analysis under the future Presidencies include those presented in curly brackets and in particular: deletion of marketing years (point 3), changes to the rules concerning authorisations for new plantings (point 5) and opening the possibility to classify the so-called prohibited wine grape varieties (point 6 and 9(v)). With a view to achieving progress on the latter, the AT Presidency organised a technical seminar on 11 December 2018 to review scientific arguments for and against the Commission's proposal and exchange views on the benefits and drawbacks of the hybrid varieties in the context of environmental and phytosanitary concerns.
26. All provisions with budgetary implications or of horizontal nature were set aside pending further progress on the MFF. These provisions, which appear between square brackets in the text, include: (1) budget appropriations for the supply of fruit and vegetables and of milk and milk products in educational establishments (school scheme), (2) budget allocations provided in Regulation 228/2013 on the outermost regions and (3) budget allocations provided in Regulation 229/2013 on the smaller Aegean islands.
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