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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

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)¹ 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.

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 from domestic policies to market access, thus threatening to upset the necessary balance of trade-offs and impacting more certain agricultural sectors.

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), and is also exposed to other geopolitical developments such as new large-scale migration.

These shifts have prompted a vigorous 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, the circular economy and the digital economy.

The CAP must be modernised to meet these challenges as well as possible, 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.

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 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.

¹ reference

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.

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**

Articles 42 and 43(2) TFEU as regards CAP Plan Regulation.

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

The EU Treaty establishes 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 CAP³;
- A series of evaluation studies scheduled over the current Multiannual Financial Framework (2014-2020) to assess current CAP objectives, with first findings available in 2017/18³.

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 AGRI⁴.

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

- **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/key issues to take into account in the modernisation and simplification process.

³ 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.

⁴ European Commission (2017) Evaluation and studies plan 2017-2021, Direction General for Agriculture and Rural Development.

⁴ See:

https://ec.europa.eu/agriculture/statistics/facts-and-figures_en

https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/geo_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

⁵ Report of the Agricultural Markets Task Force (the AMTF report) (2016) Improving market outcomes enhancing the position of farmers in the supply chain.

⁶ European Commission (2016) Cork 2.0: European Conference on Rural Development, website.

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

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.

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**

Reference to RSB and summary sheet (forthcoming pending final opinion of the Board)

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

The options essentially test:

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 the distribution of this support between different farmers, focussing on the potential effects on small and medium to big farms.

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.

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 targets.

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 results of the analysis in the impact assessment point out that difficult trade-offs are inherent when the basic parameters of a policy addressing so many diverse objectives are significantly changed.

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 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. 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. 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 - thus inciting adjustments that improve both the 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 this, but not its 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, the climate and environmental ambition, 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)xxx) 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 XXX billion allocated to the EAGF and EUR xxx billion for the EAFRD.

These agricultural funds are complemented by additional funding of EUR XX billion for research and innovation, thus bringing the total budget to EUR xx billion over the 2021-2027 period.

A new crisis 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 [...] of the existing gap to 90%. The Member States' allocations for direct payments in the CAP Strategic Plan regulation are calculated on this basis.

The distribution of EAFRD support will be 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 xx% 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. Regular 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 common and programme specific result indicators.

- **Explanatory documents (for directives)**

Not relevant.

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

The proposal concerns three regulations:

- CAP Plan Regulation (insert final title)
- Horizontal regulation (insert final title)
- Regulation amending the CMO (insert final title)

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 support at EU level. Member States will be able to define these 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 removing the direct link between EU level eligibility conditions and the final beneficiaries.

The CAP objectives focus on the economic viability and income of farms, on an enhanced environmental and climate performance, and on the sustainability of rural areas.

The new CAP will pursue the following specific objectives:

- (a) Support viable farm income and resilience across the EU territory (to support food security);
- (b) Increase competitiveness and enhance market orientation;

- (c) Improve farmers' position in the value chain;
- (d) Contribute to climate change mitigation and adaptation;
- (e) Foster sustainable development and efficient management of natural resources;
- (f) Preserve nature and landscapes;
- (g) Attract young farmers and facilitate business development;
- (h) Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
- (i) Address societal expectations on food and health.

To deliver on these objectives Member States will design interventions that are appropriate in their circumstances. They can choose interventions from 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 all 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 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 Plan Regulation (insert final title)

Title I provides for the scope of the regulation and sets out general framework conditions that are necessary to ensure a common application of certain elements of the regulation and to ensure the compliance with the WTO rules on domestic support

Title II presents the CAP objectives and the specific objectives that have to be pursued but the interventions designed by the Member States.

Title III introduces a number of basic requirements and presents the types of interventions that the Member States may use to implement their CAP Strategic Plans. The Basic 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. The basic requirements also concern the respect of the rules of WTO domestic support, the obligations under 'conditionality' (the obligations any farmer 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.

The 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 arranges for budgetary envelopes per Member State and per Fund. It sets out some minimum or maximum financial allocations for specific purposes, and it provides for rules on transfers between the Funds in a given Member State.

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 common 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 completion 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.

Horizontal regulation (insert final title)

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 Horizontal Regulation is maintained. The 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 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 services. The concept of the single audit approach is introduced, in line with the Financial Regulation and the number of Commission audits can be reduced.

Regulation 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 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 the 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 all interventions of the future CAP will be regulated under the [CAP plan regulation] and be part of Member States' strategic plans, as 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 varietals, 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 regulations 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 and more generally on export competition measures.

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.