EU Budget: the CAP after 2020

MODERNISING & SIMPLIFYING THE COMMON AGRICULTURAL POLICY
TARGETED, FLEXIBLE, EFFECTIVE

A STRONG BUDGET FOR A STRONG CAP

JUNE 2018

#FutureofCAP
The Future CAP in a nutshell
THE FUTURE CAP PRIORITIES AT A GLANCE

➢ Simplification and modernisation of the CAP

➢ Support to the development of a knowledge-based agriculture

➢ Higher ambition on environment and climate action

➢ A fairer and more effective distribution of support across MS and farmers

➢ A more balanced way of working together
Analysis and wide public consultation confirm major achievements of the CAP...
- Increase in EU competitiveness turned the EU into a net agro-food value-added exporter
- Positive impact on jobs, growth and poverty reduction spread in all EU rural areas
- Relative income stability within a very volatile farm-income and commodity-price environment

...but analysis and public opinion also reveal shortcomings to be addressed...
- Despite progress, the environmental performance of EU agriculture requires improvement
- Productivity growth is mainly driven by labour outflow and less by R&I or investment
- Equity, safety net and simplicity questions persist despite CAP efforts to address them

...in a changing broader environment within which the CAP operates
- Expectations about the level of agricultural and commodity prices changed from CAP post-2013
- The world trade environment has shifted from multilateral to bilateral/regional agreements
- New climate change, environmental and sustainability commitments stem from COP21 and SDGs
Main challenges at a glance
COMMODITY PRICE WAVES (REAL PRICE INDICES)

WORLDWIDE EXTREME WEATHER EVENTS

Natural catastrophes worldwide - number of events

Meteorological events: Tropical storm, extra-tropical storm, convective storm, local storm
Hydrological events: Flood, mass movement
Climatological events: Extreme temperature, drought, forest fire

Source: © 2017 Münchener Rückversicherungs-Gesellschaft, Geo Risks Research, NatCatService (January 2017)
THE NEED TO DO MORE ON CLIMATE AND ENVIRONMENT

**Reduction in environmental impact indicators (2010=100)**

Source: Eurostat.
CAP budget level and distribution
THE CAP IN THE MFF CONTEXT

Continuity within new EU priorities in a post-BREXIT MFF

• A 5% cut in expenditure, but a more targeted approach to improve efficiency and performance
• The "C" in the CAP remains strong, implies a better sharing of responsibilities between EU and MS
• Better link to other policies (esp. environment, climate, research, health) improves mutual efficiency

Main changes in the CAP

• Stronger environmental/climate ambition with conditionality, eco-schemes and strategic plans
• Specifying the objectives that add EU value to render the CAP more sustainable, simpler and modern
• Better targeting of support improves synergies between the economy and the environment

Main expected impact from changes

• Stronger reliance on research, knowledge transfer and digital economy to modernise CAP and sector
• A needs-based approach increases subsidiarity and flexibility to promote common EU objectives
• The CAP shift from compliance to performance parallels MFF shift towards more focus on incentives
 HOW MUCH: CAP BUDGET IN PERSPECTIVE (current prices)

**Source**: EC-DG AGRI.

**Note**: Budget figures are actual until budget year 2016, programmed from 2017-2020, and based on the MFF proposal for 2021-2027.
FOR WHOM: CONVERGENCE OF DIRECT PAYMENTS (2027)

Source: EC-DG AGRI.
Note: Direct payment amounts exclude payments for cotton.
CAP objectives and priorities
WHAT FOR: THE NEW ARCHITECTURE OF CAP OBJECTIVES

**BROADER CAP OBJECTIVES**

- Foster a Resilient Farm Sector
- Bolster Environment and Climate
- Strengthen Fabric in Rural Areas

**SPECIFIC CAP OBJECTIVES**

**Economic**
- Ensure fair income
- Increase Competitiveness
- Rebalance power in food chains

**Environment & Climate**
- Climate change action
- Environmental care
- Landscapes and biodiversity

**Social**
- Generational renewal
- Vibrant rural areas
- Food and health quality

**CROSS-CUTTING CAP OBJECTIVES**

- Sustainability
- Modernisation
- Simplification
The CAP shift towards performance
Agriculture and Rural Development

EU Specific objectives

Set of common Indicators

Broad types of interventions

Identification of needs in MS's CAP Plan

Tailor CAP interventions to their needs

Implementation / Progress towards targets

MEMBER STATES
Multi-annual programming approach for the whole CAP

COMMON OBJECTIVES  INDICATORS  TYPES OF INTERVENTIONS

**Assurance**

*Annual Performance Clearance*
Linking expenditure to output

**Monitoring**

*Annual Performance Review*
Checking progress towards targets

**Policy performance**

*Interim Evaluation*
Assessing performance towards objectives
How: The New Green Architecture of the CAP

Current Architecture

- Farm advisory services
- Knowledge transfer
- Innovation
- Cooperation

Level of requirement

- Climate & Environmental measures in Pillar II
  - (AECM, Forestry measures, investment measures... )
- Greening
  - (3 detailed obligations on crop diversification, permanent grassland and EFA)
- Cross-compliance
  - (on Climate/Env, 7 GAEC standards - water, soil, carbon stock, landscape - and requirements from Nitrates Directive and Natura 2000 Directives)

New Architecture

- Eco-schemes in Pillar I
- Climate & Environmental measures in Pillar II
  - (AECM, Forestry measures, investment measures... )
- New, enhanced conditionality
  - (on Climate/Env, 14 practices built upon EU minima (climate change, water, soil, biodiversity and landscape) and requirements from Nitrates Directive, Water Framework Directive and Natura 2000 Directives)

40% of budget climate relevant

Mandatory for farmers

Voluntary for farmers
OVERVIEW OF THE NEW DIRECT PAYMENTS

Reduction of all direct payments
Above EUR 60 000 and capping at 100 000

To DP (primarily for redistributive income support for sustainability) and/or to RD

Coupled support
- Wide range of sectors (new: non-food products replacing fossil material in the bio-economy)
- Up to 10% (+ 2% for protein crops) of DP envelope, to be decided by MS

Complementary income support for young farmers
- Additional payment per hectare
- For young farmers who are newly set up for the 1st time

Eco-schemes
- Practices beneficial to environment and climate
- Requirements and amount per hectare to be determined by MS

Complementary redistributive income support for sustainability
- Additional amount per hectare
- not exceeding national average
- From bigger to smaller and medium-sized farms
- Amount(s) per hectare, ranges of hectares and max number of hectares to be determined by MS

Basic Income support for sustainability (BISS)
- Possibility for uniform rate per eligible hectare or differentiation by groups of territories facing similar socio-economic or agronomic conditions
- Minimum requirements (min. farm size)
- If with payment entitlements (PEs):
  - further internal convergence (no PE value < 75% average by 2026 at latest)
  - maximum value of PE

Definitions (specified by MS): Genuine farmers, young farmers, agricultural activity, eligible hectare, agricultural area (arable land, permanent crops, permanent grassland)
8 broad EU interventions to be tailored and defined by Member States (replacing around 70 measures and sub-measures)

**HIGHLIGHTS**

**Minimum budget ring-fencing of total EAFRD contribution:**
- 30% for interventions addressing the three environmental/climate objectives
- 5% for LEADER

**Mandatory to programme risk management tools** (no minimum budget requirements)

**Possibility to enhance synergies with and fund LIFE projects and Erasmus-type exchanges for young farmers**

**Overview of the coordination, demarcation and complementarities between EAFRD and other EU funds in rural areas in the CAP Plan**

**Possibility of using financial instruments (incl. working capital), also in combination with grants**

**Increase of the maximum amount of aid for the installation of young farmers (up to EUR 100,000)**
CAP Impact Assessment
IMPACT ASSESSMENT: ITS LOGIC AT A GLANCE

Problem definition, intervention logic, EU value added

• Problem to address: targeting, environment/climate ambition, simplification, modernisation
• Main change in policy orientation: shift from compliance to performance
• Rebalancing EU and MS responsibilities: focus on objectives and interventions adding EU value

Objectives, indicators and monitoring data

• The entry point for assessing long-term policy performance is the set of CAP specific objectives
• Indicators link, directly or indirectly, supported interventions to the achievement of objectives
• Streamlined Monitoring and Evaluation Framework reflects CAP policy shift towards performance

Constraints, main policy questions and the selection of options

• The unknown budget envelope led to one budgetary assumption – CAP post-BREXIT
• Options mainly differentiate income distribution and environmental/climate ambition aspects
• Multi-criteria analysis complements model results - both assess risks and mitigating safeguards
The CAP Cycle: Potential Risks

**Administrative risks**
- Adequate administrative capacity

**Market risks**
- Un-level playing field between farmers
- Insufficient uptake of intervention

**Implementation issues**
- Uneven national requirements
- Insufficient use of innovative solutions for checks and monitoring
- Insufficient performance

**Administrative & timing issues**
- Inappropriate capacity for planning
- Unfair treatment of CAP plans
- Delays in approval of CAP plans

**Timing issues**
- Inadequate planning of data monitoring
- Timely evaluation results

**Inadequate strategy**
- Imbalance between economic, environmental and social dimensions
- Complex or incoherent strategy
- Inadequate targeting of beneficiaries

**Implementation issues**
- Insufficient quality of monitoring data

**Lack of vision**
- Lack of support towards modernisation
- Lack of ambition with regard to targets
THE CAP CYCLE: SAFEGUARDS

PLANNING

- CAP plan approval
- Stakeholder consultation
- SWOT analysis
- EC support

PERFORMANCE AND ASSURANCE

- Performance bonus
- Suspension of payments
- EU audits
- Financial correction

POLICY IMPLEMENTATION

- Action plan for remedial actions
- Reduction in payments
- Annual review meetings
- Monitoring committee meetings
- Performance reporting, review and assurance

EVALUATION

- Interim evaluations (CAP Plan)
- Interim evaluation and report EC
- Ex-post evaluations
- Conditionality
- CAP plan requirements
- No backtracking rule
- Budget earmarking
- EU basic requirements
- Ex-ante evaluation

EU RULES

- No backtracking rule
- Budget earmarking
- EU basic requirements
IMPACT ASSESSMENT: ITS CONCLUSIONS AT A GLANCE

Redistribution and better targeting of support: income effects
- Income effects are asymmetric with respect to farm size and sector affected
- Both cuts and the distribution of support matter, negatively impacting short-run competitiveness
- Flexibility in redistribution of support crucial in mitigating potentially negative income impacts

The dilemma of raising environmental ambition: mandatory or voluntary?
- Voluntary measures increase flexibility and improve targeting, but introduce uncertainty in ambition
- Mandatory measures increase area coverage and improve ambition, but are by design less targeted
- The right balance, based on needs and evidence, requires appropriate administrative capacity

Risks and mitigating factors: impact on modernisation and simplification
- Challenges at the EU level: Simplification of legislation and approval procedures of Strategic Plans
- Challenges at the MS level: Evidence supporting a needs-based approach for Strategic Plans
- Challenges at the farm level: Better link to advice and faster integration into Farming 4.0 realities
REPORTS AND MORE INFORMATION

**On MFF Material**


http://ec.europa.eu/budget/mff/index_en.cfm

**On CAP legislative proposals, Impact Assessment and Background**


*Thank you for your attention!*