

# The CAP towards 2020

## Legal proposals



# Outline

- 1. Context and process of the CAP reform**
- 2. Policy challenges and objectives**
- 3. Direct payments**
- 4. sCMO**
- 5. Rural development proposals in detail**

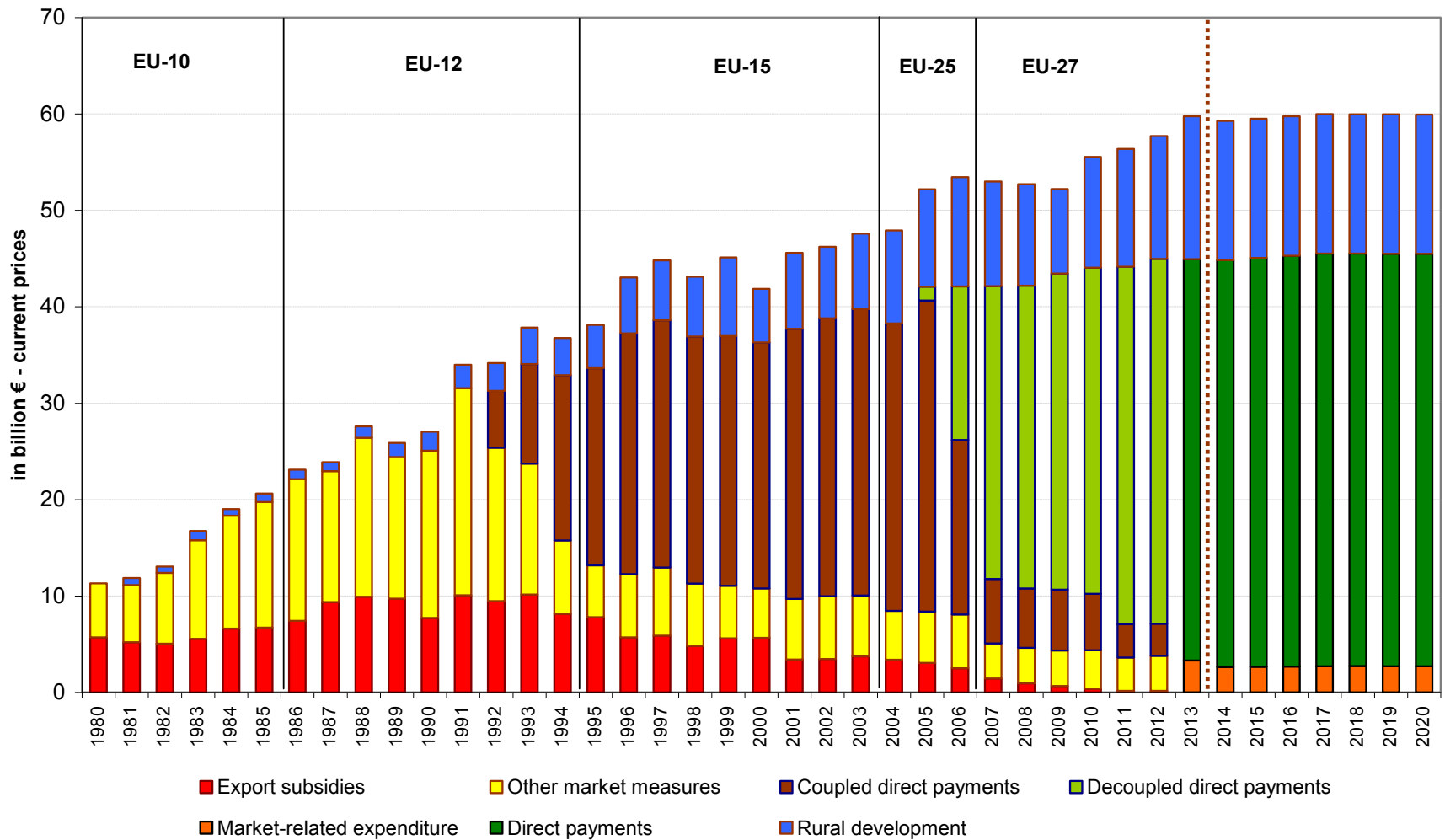
# The CAP reform in context

- EU agriculture faces challenges stemming from the economic crisis:
  - Food security concerns about production and distribution
  - Price volatility impacts on costs and prices of both food users and producers
  - Overall environment of limited budgetary resources
- EU agriculture also faces broader challenges:
  - Price changes are not equally reflected across food chain
  - Slow-down in productivity and deterioration in terms of trade
  - Production intensification pressures due to increased costs with its environmental consequences
  - Additional pressures from climate change mitigation and adaptation
- CAP reform needs to address both market and policy failures:
  - Markets need more transparent signals
  - Policies need to target new challenges
  - Productivity and innovation should aim at sustainable growth

# Where we are with the CAP reform process

12 April – 11 June 2010	Public debate (EU citizens and organisations)
19-20 July 2010	Public conference
<b>18 November 2010</b>	<b>Commission Communication 'The CAP towards 2020'</b>
23 November 2010 – 25 January 2011	Consultation on Impact assessment (stakeholders)
<b>29 June 2011</b>	<b>Commission proposals on the EU budget 2014-2020*</b>
<b>12 October 2011</b>	<b>Commission legal proposals on the CAP</b>
	The legal proposals are accompanied by an <u>impact assessment</u> that evaluates alternative scenarios for the evolution of the policy on the basis of extensive quantitative and qualitative analysis
<hr/>	
2011-2013	<i>Debate in the European Parliament and the Council</i>
<i>By the end of 2013</i>	<i>Approval of Regulations and implementing acts</i>

# The path of CAP expenditure 1980-2020 (in current prices)



Source: DG Agriculture and Rural Development

Notes:

2011 = Budget; 2012 = Draft Budget;

2013 = EAGF subceiling for direct payments and market-related expenditure + pillar 2 in commitments.

Rural development for 2013 includes UK voluntary modulation and Article 136 "unspent amounts". As these cease to exist end 2013, the corresponding amounts are put back to direct aids as from 2014.

# What are the challenges for Europe ?

Commission Communication 'The CAP towards 2020'

## Challenges

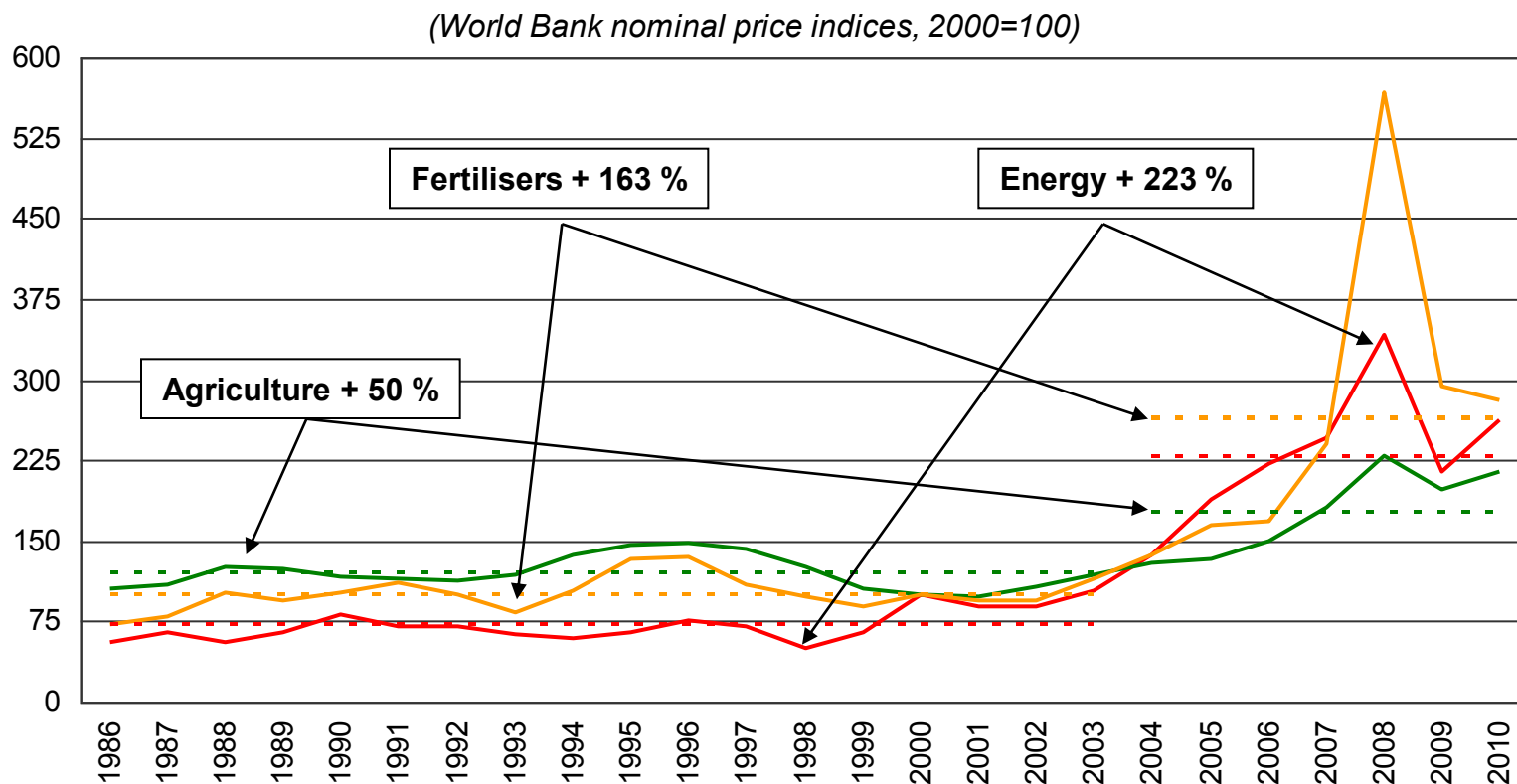
Economic

Environmental

Territorial

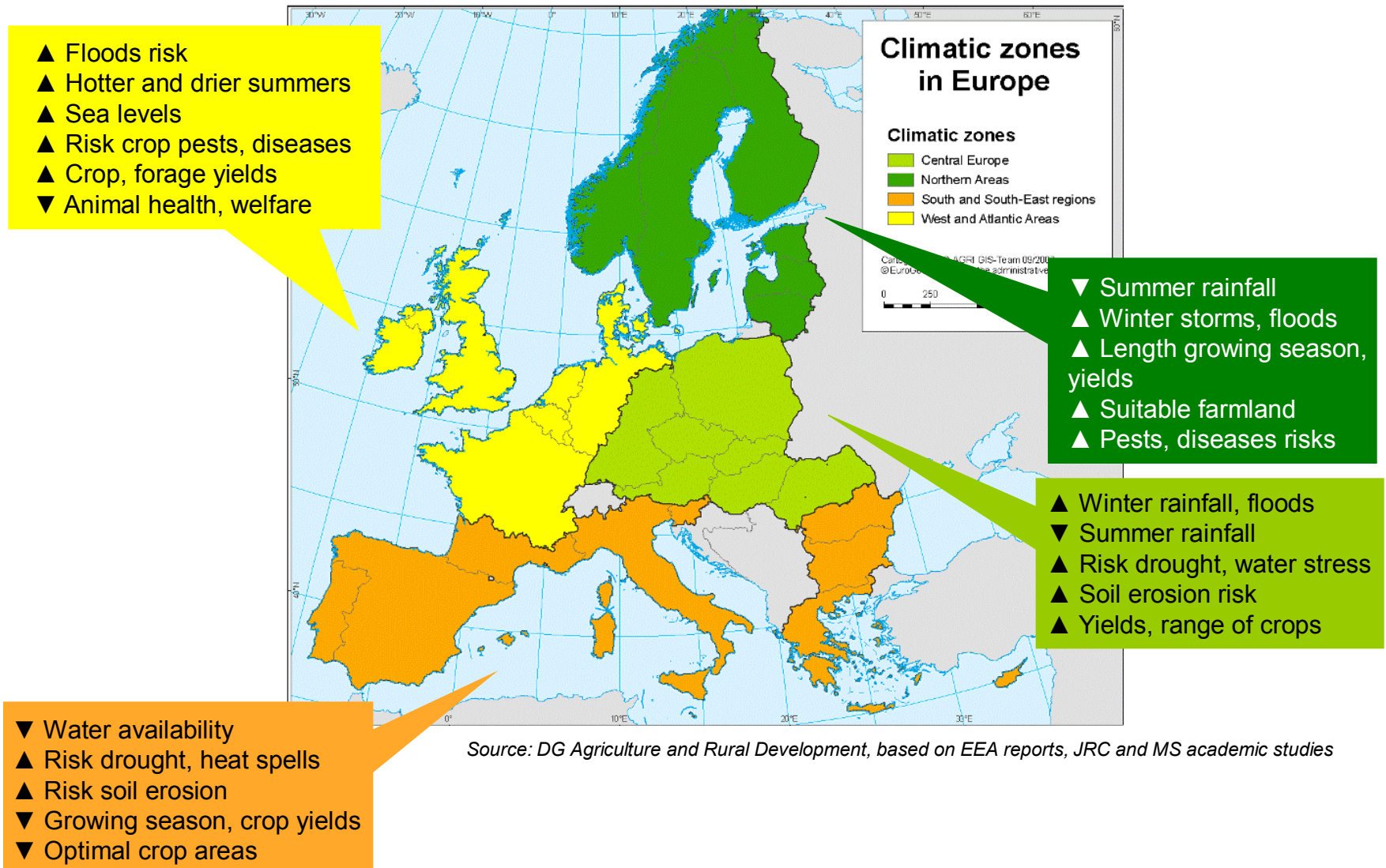
- **Economic challenges**
  - Food security
  - Price variability
  - Economic crisis
- **Environmental challenges**
  - GHG emissions
  - Soil depletion
  - Water/air quality
  - Habitats and biodiversity
- **Territorial challenges**
  - Vitality of rural areas
  - Diversity of EU agriculture

# Recent trends in commodity prices



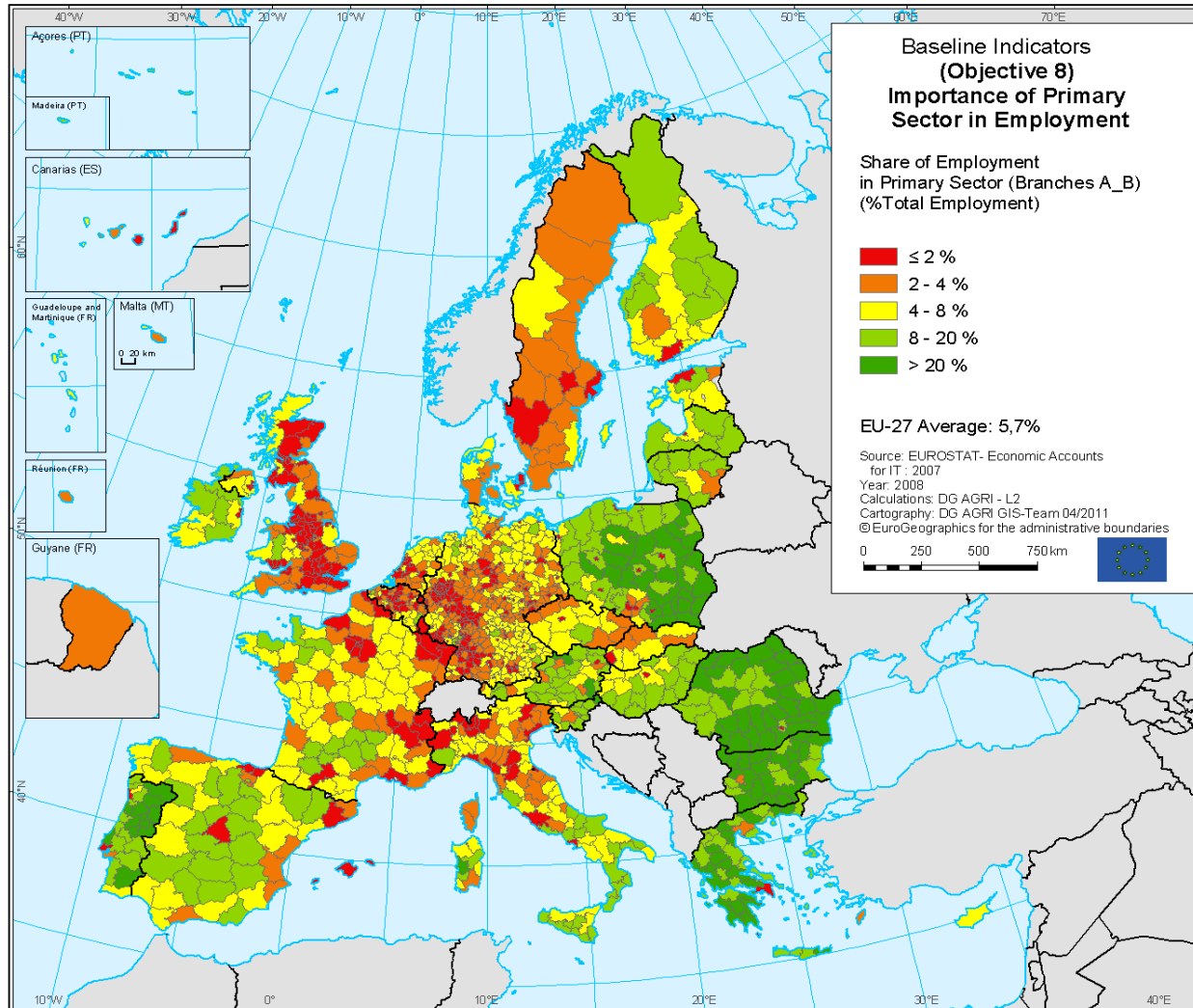
Source: World Bank.

# Climate change – Possible impacts on EU agriculture





# Importance of primary sector in employment



# CAP instruments to meet the objectives

**Enhanced competitiveness**



**More sustainability**

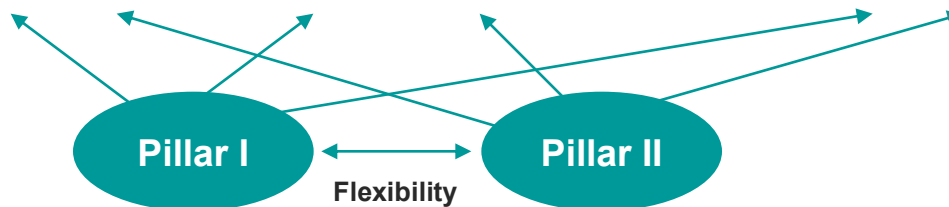


**Greater effectiveness**

- Continued market orientation
- 'Reserve for crisis' fund / risk management toolkit
- Improved position of farmers in the food chain
- Research, innovation and knowledge transfer and an improved Farm Advisory System

- New 'green' payment in Pillar I
- Enhanced cross compliance for climate change
- Two environmental priorities for rural development
- Research, innovation and knowledge transfer and an improved Farm Advisory System

- Redesign of direct payments
- Common strategic framework for EU funds
- Redistribution of direct payments across and within Member States
- Redistribution of rural development envelopes
- Simplification of the policy



# MFF proposals set out the architecture for the CAP...

- Refocus on core and new activities with the current structure in two pillars
- New design for better targeted and more equitably distributed direct payments:
  - Convergence of payments over the period
  - Compulsory 'greening' of pillar I (sustainable ecosystem support): 30% of DP envelope
  - Support targeted to active farmers
  - Simplified scheme for small farmers
  - Capping the level of direct payments for the largest farms
- Market expenditure and crisis mechanisms:
  - Current measures restructured
  - New emergency mechanism to react to crisis situations (outside the MFF)
  - Scope of intervention of the European Globalisation Fund extended to farmers
- Rural development policy:
  - Focused on results
  - Under a Common Strategic Framework with other EU funds
- Enhanced impetus on research, innovation and knowledge transfer

# MFF proposals on support for European agriculture

*in billion EUR*

*2011 prices*

*Current prices*

- « **Nominal freeze** » of CAP amounts at 2013 level

	2011 prices	Current prices
<b>Heading 2 of MFF</b>		
- Pillar I - Direct payments and market-related expenditure	281.8	317.2
- Pillar II - Rural development	89.9	101.2
<b>Total CAP</b>	<b>371.7</b>	<b>418.4</b>

- **Additional amounts** available for agriculture
  - in other Headings of MFF, and
  - outside MFF

	2011 prices	Current prices
<b>Other Headings of MFF</b>		
- Heading 1: Most deprived persons	2.5	2.8
- Heading 1: Research and innovation on food security, bio-economy and sustainable agriculture	4.5	5.1
- Heading 3: Food safety	2.2	2.5
<b>Outside MFF</b>		
- Reserve for crises in the agricultural sector	3.5	3.9
- European Globalisation Fund	Up to 2.5	Up to 2.8
<b>Total additional amounts</b>	<b>Up to 15.2</b>	<b>Up to 17.1</b>

<b>Total amounts for 2014-2020</b>	<b>Up to 386.9</b>	<b>Up to 435.5</b>
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# Flexibility between pillars

- MFF proposals:
  - “Commission will make proposals to permit flexibility between pillars”
- CAP reform proposals (Article 14 of draft DP reg):
  - Before 1 August 2013
  - All MS can decide to shift **max. 10%** of their direct payments to rural development, and
  - MS with on average direct payments below 90% of EU average at end of convergence can decide to shift **max. 5%** from their rural development envelope to direct payments.

# New design of direct payments (1)

- In 2014, EU farmers would have access to:

## Compulsory schemes (all MS):

- Basic payment scheme
- ‘Green’ payment\*
- Young farmers scheme

(+)

## Voluntary schemes (MS choice):

- Coupled support
- Support in natural constraint areas

*All payments subject to cross compliance*

*All farmers will have access to the Farm Advisory System*

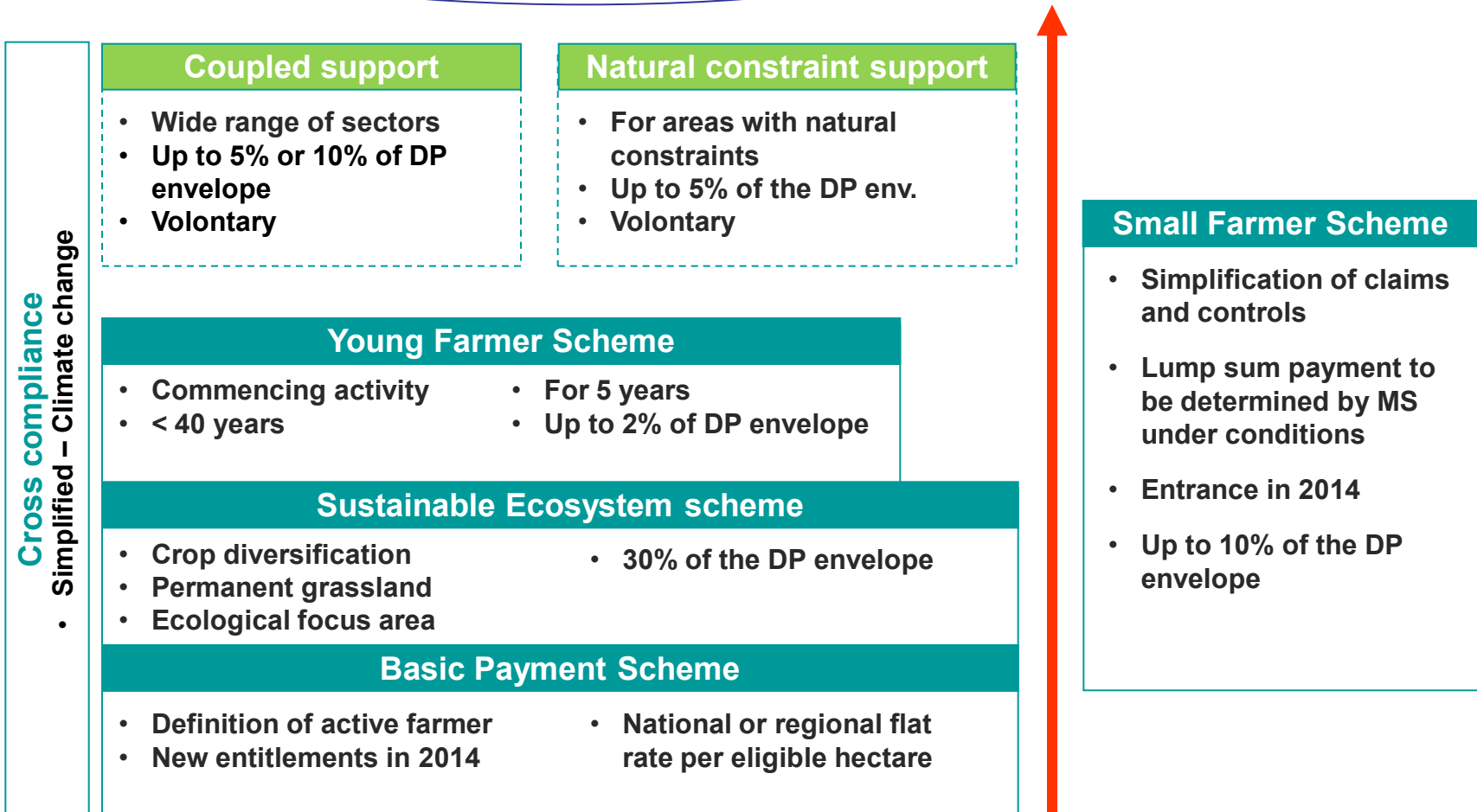
OR

A simplified scheme for small farmers (compulsory for MS, choice for farmer)

\* Payment for agricultural practices beneficial to climate change and the environment

# New design of direct payments for farmers (2)

## Degressivity and Capping (all layers except Green Payment)



# The Direct payments regulation

## “green payment” or payment for agricultural practices beneficial for the climate and the environment

- On top of BPS
- Compulsory for MS and for farmers if they opt for BPS
- Additional per hectare payment to fulfil 3 measures which are beneficial for the environment and climate change, simple, annual, non-contractual and generalized over the whole EU
- These 3 measures are, depending on the type of farm land:
  - Crop diversification on arable land: minimum 3 crops (max 70% and min 5%)
  - 7% of arable land and permanent crop area should be devoted to ecological focus area (including fallow land, terraces, landscape features, buffer strips, etc.)
  - Parcels of permanent grassland shall be maintained at farm level



# The Direct payments regulation

## Degressivity, capping on basic income support

- Amounts to farmers with large direct payments are reduced and, ultimately, capped:
  - by 20 % for the tranche of more than EUR 150 000 and up to EUR 200 000
  - by 40 % for the tranche of more than EUR 200 000 and up to EUR 250 000
  - by 70 % for the tranche of more than EUR 250 000 and up to EUR 300 000
  - by 100 % for the tranche of more than EUR 300 000
- Labour intensity of farms taken into account
  - salaries paid are subtracted when establishing the threshold
- The « green payment » not concerned by degressivity and capping

# Direct payments

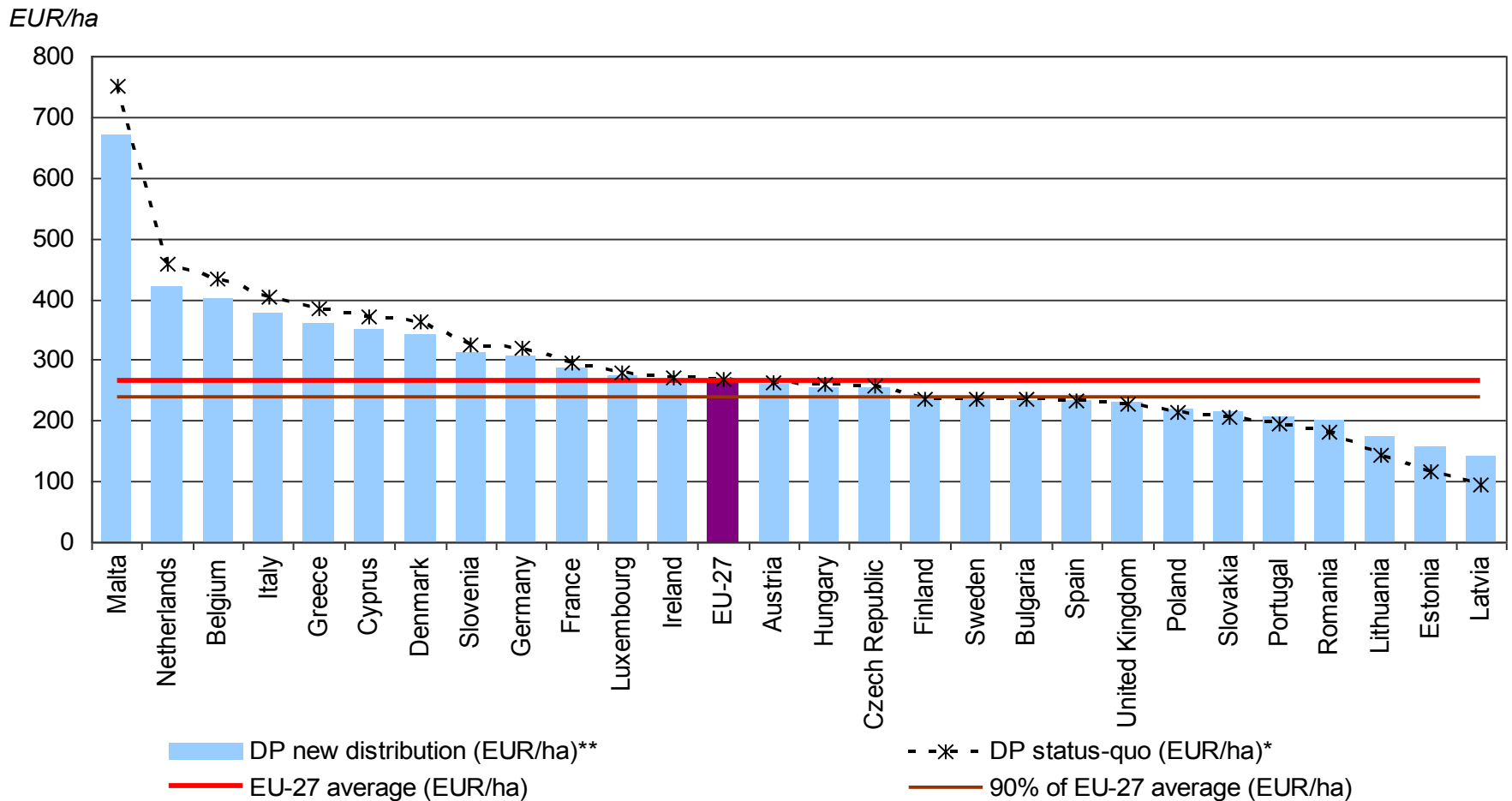
Calculation of **average levels of direct payments per hectare**:

- Direct payments envelopes divided by **potentially eligible area (PEA)** as declared by Member States (IACS statistics) for claim year 2009

**Convergence** of direct payments:

- MS with direct payments below the level of 90% of EU average should close 1/3 of the gap between their current level and this level
  - MS that are above the average will contribute proportionally to convergence
  - Example: If, by 2020, a MS gains EUR 40 million from convergence, its current envelope will increase by:
    - EUR 10 million in 2015 (budget year)
    - EUR 20 million in 2016
    - EUR 30 million in 2017 and
    - EUR 40 million as from 2018.
- => Over the period, global gain from convergence = EUR 180 million

# Redistribution of DP - Closing one third of the gap between current level and 90% of EU average by 2020



\* Calculated on the basis of all direct aids on the basis of Council Regulation (EC) No 73/2009, after modulation and phasing-in, except POSEI/SAI and cotton and potentially eligible area 2009

\*\* Calculated on the basis of Annex II to DP proposal for claim year 2019 (budget year 2020) and potentially eligible area (PEA) 2009

Source: European Commission - DG Agriculture and Rural Development

# Improved instruments to address market developments (sCMO)

Increased financing for research and innovation  
Forum for a Better Functioning Food Supply Chain

## Sustainable consumption - School Fruit and Milk Scheme

- Increased funding
- Possibility of private co-funding



Link to the consumer

## Encouraging common action – better position in the food supply chain

- **Facilitated recognition of:** Producer Organisations (PO), Associations of POs, Interbranch Organisations
- **More clarity as regards competition rules**
- **Link to Rural Development funds (start-up and co-operation measures)**



Common responses to economic and environmental challenges

## Continued market orientation

- End of certain aid schemes (SMP, hops and silkworms)
- End of production limits (sugar, wine)

## Enhanced safety-net

- Exceptional measures – more flexibility and large scope
- Public intervention/private storage – simplified, more responsive to crises
- 'Reserve for crisis' fund



Competitiveness of individual agricultural producers

# Rural development in a new framework

## Europe 2020 strategy

## Common Strategic Framework (CSF)

– covering the EAFRD, ERDF, ESF, Cohesion Fund and EMFF, and reflecting EU2020 through common thematic objectives to be addressed by key actions for each of the funds

## Partnership Contract

– national document outlining the intended use of the funds in the pursuit of EU2020 objectives

## Rural development policy: EAFRD

## Other CSF funds (ERDF, ESF, CF, EMFF)

*Innovation, Environment and Climate Change as cross-cutting objectives*

Priorities

*Fostering knowledge transfer and innovation in agriculture, forestry and rural areas*

Enhancing competitiveness of all types of agriculture and farm viability

Promoting food chain organisation and risk management in agriculture

Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry

Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors

Promoting social inclusion, poverty reduction and economic development in rural areas

## Rural Development Programme(s)

# Regulation on common provisions for CSF Funds

- **A single Regulation will include:**
  - common provisions for all structural instruments of cohesion policy, the rural development policy and the maritime and fisheries policy (EAFRD, ERDF, ESF, CF, EMFF - “CSF Funds”), and
  - In addition, general provisions applicable to cohesion policy only
- **Rationale:**
  - Supports co-ordinated delivery of EU2020 strategy
    - Maximizes effectiveness of structural instruments, which have complementary policy objectives and shared management mode
  - Simplifies legislative framework
    - Common rules proposed for key areas of policy architecture and delivery
    - Where harmonization not appropriate, specific rules in fund-specific regulations



# The Common Strategic Framework (CSF)

- EU strategic document: replaces Community strategic guidelines for rural development
- Ensures a concentrated action and coordination of the CSF funds to translate the EU2020 objectives and targets into key actions
  - Establishes for each **thematic objective** the **key actions** to be supported by each CSF Fund
  - Outlines how the funds **complement** each other and **work together** at EU level to meet the Union priorities of smart, sustainable and inclusive growth
  - Provides for the mechanisms for ensuring coherence and consistency with the economic policies of Member States and the Union.



# Partnership contract (PC)

- **National document** prepared by the Member State with the involvement of partners and approved by the Commission
- Sets out the Member State's strategy, priorities and arrangements for using the CSF Funds, including:
  - For each thematic objective, a summary of the main results expected for each CSF fund
  - Indicative allocation of EU support by thematic objective at national level for each CSF fund
  - Outlines mechanisms to ensure coordination and division of labour at all administrative levels
- Contains milestones and targets established in programmes for the **performance framework**
- Contains a summary of the assessment of the fulfilment of **ex ante conditionalities** and actions to be taken where these are not fulfilled





# Ex-ante conditionalities/ Macroeconomic conditionalities

- Represent essential requirements to ensure that the necessary conditions for the effective use of Union support is in place
  - E.g. sufficient advisory capacity
- To be fulfilled by Member States before the start of the programmes, or early on during the implementation of the programmes – based on an action plan:
  - General ex-ante conditionalities: common to all the CSF Funds
  - Fund-specific ex-ante conditionalities
- Macroeconomic conditionalities:
  - linked to the coordination of Member States' economic policies



# Performance framework

- Member States will include in their programmes **milestones** for the EU priorities on the basis of a common set of indicators
  - milestones established at priority level for the years 2016 and 2018
- **Performance reserve**
  - **5%** of the budget of each CSF Fund in each Member State will be set aside at the beginning of the programming period
- **Performance review** for each CSF Fund:
  - **2017:** assessment of progress for the whole programme period – Commission can make recommendations
  - **2019:** performance reserve to be allocated to those programmes, or priorities within programmes, that have met their milestones (Commission decision)



# The rural development programming: key elements (1)

- Ex ante evaluation
- **Analysis** of the strengths, weaknesses, opportunities and strengths (SWOT) around the priorities for rural development and identification of the **needs** that have to be addressed
- Description of the strategy – reinforced **strategic approach**:
  - Setting **quantified targets against the rural development priorities** and associated areas of intervention
  - Selection of **measures** based on a sound intervention logic, including an assessment of the expected contribution of the measures chosen to achieve the targets
  - Member States shall demonstrate, inter alia, a balanced and adequate financial allocation of resources to the measures to achieve the targets set and appropriate actions to simplify implementation



## The rural development programming: key elements (2)

- Description of each measure selected, financial plan and indicator plan
- Analysis of needs for monitoring and evaluation
- Assessment of ex ante conditionalities and milestones
- Description of coordination mechanisms between different tools in relation to local development
- Description of the approach towards innovation and the EIP
- Information on complementarity with measures financed by other instruments (I pillar, CF, EMFF)



# The rural development programming: sub-programmes

- Possibility of designing thematic sub-programmes for particular sectors, geographical areas or types of beneficiaries (young farmers, small farmers, mountain areas, short supply chain):
  - Higher support rates (aid intensities)
  - Specific SWOT analysis and identification of needs
  - Specific targets at sub-programme level and selection of measures
  - Specific separate indicator plan
- **No separate specific financial management** for sub-programmes



# The rural development programming: streamlined set of measures

- **Continuity** with respect to the present programming period, but:
  - Reduced number of measures to simplify programming
  - Fine-tuning (eligibility conditions, scope, etc.) to address bottlenecks in implementation
  - New measures to cover emerging needs (e.g. risk-management tool to address economic and environmental risks)
- **Flexibility** in the choice of measures within any priority to fully exploit their possible synergetic effects



# Rural development in a new framework: key measures

- Knowledge transfer and information and advisory services
- Investments in physical assets:
  - higher support rates for young farmers, collective and integrated projects
- Farm and business development
  - extended support for young farmers, small farmers and micro and small businesses
- Agri-environment-climate payments and organic farming: more flexibility and reinforced support for joint actions
- Co-operation measure including pilot projects, short supply chain, local promotion and support for setting up of producer groups in all Member States
- New risk management toolkit
- Leader approach strengthened across EU funds
- European Innovation Partnership and Prize for innovative, local cooperation

# EIP on Agricultural Productivity and Sustainability

- Promoting resource efficiency, building bridges between research and practice and generally encouraging innovation
- Acts through operational groups responsible for innovative projects and is supported by a network
- The EAFRD contributes through:
  - Support for the EIP operational groups and the EIP Network
  - Other rural development measures, e.g. Co-operation, Knowledge transfer and Farm Advisory Services
- Following endorsement by Council and European Parliament, establishment of Steering Board during first trimester of 2012
  - EIP Network to be set-up in the second half of 2012





# Fund contribution and financial instruments

- Single co-financing rate across measures up to:
  - 85% in less developed regions, outermost regions and smaller Aegean islands
  - 50% in other regions
- Minimum 25% of the EAFRD envelope to be allocated to climate change mitigation and adaptation and land management measures
  - Agri-environment-climate, organic farming, LFAs

***NB.** MS to provide information on support for climate change objectives in line with the ambition of devoting at least 20% of the Union budget to this end (recital 6)*
- Higher co-financing rate – up to 80% for Knowledge transfer and information actions, Setting up of producer groups, Young farmers, Co-operation, Leader
- Up to 100% EAFRD co-financing for innovative operations financed with capped funds from direct payments
- Simplified and clearer framework for support to financial instruments in the Regulation on common provisions for the CSF funds



# Rural development

- Amount available for rural development in 2014-2020 = 14 451 million EUR/year  
i.e. nominal freeze of 2013 less voluntary modulation UK and less Art 136 Reg 73/2009
- Transfer of EL cotton restructuring (4 million EUR/year) increases the initial envelope  
=> total amount for rural development = 14 455 million EUR/year
- Allocation by Member State:
  - Based on objective criteria linked to policy objectives and past performance
  - Commission will make annual breakdown by Member State, by means of implementing act
- Envelope of 14 455 million does NOT include amounts resulting from capping of direct payments
  - E.g. capping would result in 2020 in total RD envelope of 14 641 million EUR
- 0.25% of RD envelope (14 455 million) available for technical assistance  
=> 8.5 million/year  
 => this amount covers also « Prize for local innovative cooperation projects »

# An overarching objective: Simplification

## Examples

- **Policy instruments**
  - A simple and specific scheme for small farmers (around 30% of beneficiaries)
  - Greening as simple as possible, includes only measures that have an environmental impact AND are manageable / controllable without major extra cost;
- **Payments**
  - Only one Paying Agency for all CAP measures in a MS/Region
  - Simplified costs approach to reimburse beneficiaries (II Pillar);
- **Controls**
  - MS with properly functioning control systems and low error rates may be authorised to reduce the number of controls
  - Cross-compliance: reduction and better streamlining of the obligations (13 SMRs instead of 18 and 8 GAEC instead of 15), follow-up checks to minor infringements repealed; farmers using certification systems less likely to be controlled.

# Rural development: what's new?

- **Single framework** for CSF funds - simplification and harmonisation of rules
  - **Common Strategic Framework** and **Partnership Contract**
  - **Performance review** based on milestones and **ex ante conditionalities**
- 6 priorities for rural development translating **EU2020**
- 3 cross-cutting themes: Innovation, Environment, Climate Change
- Reinforced strategic approach to programming
  - **Quantified targets** at programme level linked to priorities
  - **Streamlined tool-kit of measures** to be combined in relevant packages to address priorities and achieve targets
  - Possibility of **thematic sub-programmes**
- European Innovation Partnership 'Agricultural productivity and sustainability' and Prize for innovative, local cooperation



**Thank you!**

