

COLLOQUIUM – THE REFORM OF THE C.A.P.

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Topic I: The concept of the strategic plans

1. Introduction

The Commission's proposals for the reform of the CAP after 2020¹ cover a whole range of agricultural policy issues such as direct income support, risk management, environment and climate and the development of rural areas. It was, however, the idea to introduce a new delivery model² that attracted particular attention. The concept of strategic planning is at the heart of that new model. That is why we need to carefully examine that new concept, especially if we want to grasp the inner logic of the reform. However, strategic planning is closely linked with other key aspects of the new model such as performance, subsidiarity, targeting and simplification. We should, therefore, look at the various aspects of the proposals in their broader context so as not to get lost in a petty discussion about the technical aspects of the strategic planning process.

In the first part of my presentation I will briefly outline the proposed approach. In the second part, I will give you some more detailed explanations on its core components. In a third part we will briefly look at the consequences of the new model for the assurance process. To conclude I will provide you with a short summary of the reactions to the concept by lawmakers and stakeholders.

2. Outline of proposed approach as a whole

At present, the rules governing the CAP are laid down in great detail in legal acts at EU level and they are then applied by the Member States on the ground. This rule-based approach is a key reason for the complexity of the policy, and for the fact that its implementation is almost exclusively revolving around its legally correct application rather than around the delivery of the intended policy goals. In order to change that, the Commission proposed:

¹ The proposals can be downloaded under: <https://ec.europa.eu/commission/publications/natural-resources-and-environment>

² See <https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap#keyaspects>

- **on the one hand** to concentrate, at EU level, on setting out
 - the CAP objectives,³
 - the types of measures that could be used⁴ and
 - a limited number of governance and basic EU requirements.⁵
- **On the other**, it would be up to the Member States
 - to break down the EU level objectives into quantified national targets,⁶
 - to identify and specify the interventions that are relevant to them,⁷ and
 - to define the legal framework for beneficiaries.⁸

In doing all that Member States would go through several steps of strategic planning:⁹ They would

- carry out SWOT and needs analyses,¹⁰
- choose their interventions from the types of interventions provided for in EU law (Strategic Plan Regulation) and
- ensure their choices and their CAP implementation systems to be in line with the basic requirements set out in EU law.

In order to ensure the CAP to remain a common policy and to avoid distortions of competition as much as possible, in addition to the three elements just mentioned, Member States' Draft National Strategic Plans would, at the end of the process, be subject to Commission scrutiny and approval.¹¹ This is meant to create greater "policy discipline" in comparison with the status quo where Member States can autonomously decide on the options they wish to implement.

In order to ensure the increased environmental and climate ambition of the reform to materialize, Member States would also be required to demonstrate in their strategic

³ Articles 5 and 6 Strategic Plan Regulation (SPR)

⁴ Articles 14 et seq. SPR

⁵ See definition in Article 2(b) and (c) Horizontal Regulation (HZR).

⁶ Article 91 2nd paragraph SPR

⁷ Article 91 3rd paragraph SPR

⁸ Article 9 3rd paragraph SPR

⁹ Articles 95 et seq. SPR

¹⁰ Article 91 2nd paragraph and Article 96 SPR

¹¹ Article 106 SPR

plans how they intend to realize the greater overall contribution to the achievement of the specific environmental- and climate-related objectives (“no-backsliding”).¹²

3. Performance, simplification and subsidiarity

I would now like to provide you with some more detailed explanations, “putting a bit more flesh to the bones”.

- **Performance.** For a performance-based CAP the focus is on **what** the policy should achieve and whether it achieves its goals, instead of concentrating in great detail on **how** this is done. Given the workload linked with introducing performance orientation, it is clear, that a performance approach cannot simply be added to the current compliance-based CAP delivery model. An accumulation of both layers would undoubtedly overstretch the administrative capacity of farmers, Member States and Commission.

This is why under the new performance-based delivery model there would be fewer and lighter EU rules, which are basically limited to:

- i. setting out the EU CAP objectives to be pursued,
- ii. keeping (only) the essentials of the current CAP governance system in place (e.g. paying agencies,¹³ certification bodies,¹⁴ IACS) and
- iii. setting out the basic EU requirements that are needed to keep a level playing field and ensure the CAP remains a common policy.

It is crucial to stress that the focus of the new model is on performance **at Member State level, not at individual farmer level**. What counts for the European Union is that its overall objectives are attained. In this framework, the monitoring of measurable deliverables to achieve policy objectives is a key element with regard to Member States’ performance.¹⁵

- **Simplification.** The performance orientation goes hand in hand with another important rationale of the proposals, which is simplification. The CAP has over time become more and more complex, and administratively burdensome for farmers and national administrations. It has been increasingly criticized for that, by basically all actors involved.

¹² Article 92 SPR

¹³ Article 8 HZR

¹⁴ Article 11 HZR

¹⁵ See Articles 115 et seq and Article 39 HZR

Simplifying the policy, from an EU perspective, requires the Union, first and foremost, to reduce and limit the number, scope and depth of the rules adopted at EU level, i.e. by Parliament and Council and by the Commission. Member States have been in the past keen to ensure in their CAP implementation maximum legal certainty, in particular, to avoid financial corrections. In case of doubt, they tend to apply the most stringent option towards their farmers. This has created a dynamic, which resulted in producing more and more rules and controls and it has triggered requests for more and more interpretations and guidelines.

To break this trend the proposed model will no longer set detailed rules for individual beneficiaries, but fewer EU rules and requirements only **addressed to the Member States**.¹⁶ The Member States would in turn establish on that basis, by means of national law, the legal framework applicable to farmers.¹⁷ The Commission would thus concentrate in the future on its relations with Member States, leaving it to them to design the rules applicable at farm level. A CAP with a lighter EU framework that leaves greater margins to Member States on the ground is quite likely to have good potential to simplify the lives of farmers.

- **Subsidiarity.** This brings me to the third key theme of the CAP reform: the desire to put greater emphasis on subsidiarity. This is about responding to the considerable diversity and heterogeneity of agriculture in an EU of 27 Member States, reaching from Lapland to Sicily and from the Ukrainian border to the Atlantic coast.

The fact that one size does not fit all had already left its traces in the results of the CAP reform in 2013 which opened up a large degree of flexibility for Member States by offering a multitude of alternative implementation options that Member States and regions have actually used in practice.¹⁸ It is very unlikely for this trend to stop this time or even to revert. That is why the proposals give Member States a considerable role in designing “their policy mix” whilst putting that policy mix under the roof of a CAP Strategic Plan and linking them with EU objectives and governance systems. If done well, giving Member States appropriate discretion can help turning the CAP into a policy that is better targeted at the specific problems and needs on the ground. To frame that process the proposals are embedding Member States choices into a rational and structured planning process based on SWOT and needs analyses. In that framework, as already shown above, Member States

¹⁶ See Articles 35(c)(ii), 53(1) 3rd subparagraph HZR

¹⁷ Article 9 3rd paragraph SPR.

¹⁸ E.g. national vs. regionalised direct payment schemes, coupled direct payments optional, capping vs. redistributive payments, optional transfer of direct payment funds to second pillar, broad range of options under greening.

- i. will set their national and regional targets,
- ii. explain why their choices will allow achieving the intended results.
- iii. And the resulting Strategic Plan will be thoroughly scrutinized by the Commission and will finally be subject to Commission approval.

4. Assurance

In the new delivery model the Commission would in the future focus its audits on two different areas:

- for the purposes of assurance,
 - on whether the annual outputs reported by Member States did actually correspond to the expenditure made by the EU budget¹⁹ as well as
 - on whether Member States had operational governance systems in place (paying agencies, IACS etc.),²⁰ and
- for the purposes of performance monitoring, whether Member States' annual performance reporting and its assessment shows sufficient progress towards the targets set out in their Strategic Plans.²¹

The assessments would be carried out using the common output and result indicators set out in Annex I to the Strategic Plan Regulation.²²

In contrast to the rules which are currently in force, the Commission would, as regards performance, exercise its supervisory role in a primarily preventive manner which, however, would not exclude suspending EU financing or making reductions and financial corrections with regard to expenditure already carried out. But this would no longer be the rule as under the current system but rather the *ultima ratio* option.

5. Political discussions

The reactions by lawmakers and stakeholders to the proposed new delivery model and the strategic plan concept were at the beginning rather diverse and accompanied by requests for thorough explanations. The exchanges between the Commission services and Member States' experts were in general of a highly technical character. To give an

¹⁹ Article 52 HZR

²⁰ Article 53 HZR

²¹ Article 121 SPR

²² See Article 7 SPR

exhaustive record of all the questions and objections raised would go far beyond the scope of my report.

- Most Member States were and are during the discussions in Council in principle positive with regard to the reduction of regulatory details at EU level and the opportunity to better target the needs on their territory. Although they are also open to switching from compliance to performance they see a strong need to keep performance measurement (indicators) workable and avoid the risk of financial losses due to alleged underperformance. Member States with decentralized or federal structures attach great importance for the strategic plan process to respect their regions' constitutional rights with regard to defining the content of their rural development policies.²³
- In the Agricultural Committee of the EP two main objections were voiced. Quite a number of MEPs were criticizing what they call a risk of renationalization of the CAP. In addition they considered the new model would unduly reduce the EP's role as co-legislator as too much would happen between Member States and Commission. The COMAGRI position voted before the elections in May 2019, however, did not raise fundamental objections even though it contains certain amendments that could not easily be reconciled with the functioning of the new delivery model.²⁴
- Stakeholders (e.g. COPA) seem to be positive at least in principle but they also request the new model should not renationalize the CAP and simplification for farmers should be ensured.

In addition, we need to bear in mind that the Commission's reform proposals are not only about the new delivery model and Strategic Plans which are the subject of our discussions today. They also tackle a number of other highly controversial issues such as environment and climate, the distribution of direct support between large and smaller holdings (capping, redistribution), the approximation of direct support between new and old Member States and the management of market risks and crises. And on top of all that thrones the thorny issue of the future CAP financing, i.e. whether and to which extent CAP funding should be subject to a reduction.²⁵ As these issues are in a way also interwoven with the new delivery model and the strategic plans approach, the positioning of lawmakers and stakeholders can only be understood in a broader context.

²³ The progress reports drawn up by the Austrian and Romanian Presidencies and further information on the ongoing Council discussions can be accessed through the following link: , <https://www.consilium.europa.eu/en/policies/cap-future-2020/>

²⁴ See the information available on the EP's website under <http://www.europarl.europa.eu/committees/en/agri/work-in-progress.html>

²⁵ https://ec.europa.eu/commission/priorities/democratic-change/future-europe/eu-budget-future_en

6. Questions

The following questions are meant to help structuring the discussions on the strategic plan concept:

- 6.1. Would you agree that the CAP in its present form is too much focused on the legality and regularity of its implementation while leaving only insufficient attention to its targeting and performance?
- 6.2. Would you share the view that the new delivery model provides appropriate arrangements for realizing greater subsidiarity and targeting, while framing Member States' flexibility margins by EU requirements and the strategic planning process?
- 6.3. Can a more preventive audit and assurance approach that is predominantly focused on performance (reaching the targets set out in the Strategic CAP plans) help to loosen the burdens resulting for farmers and administrations from heavy and detailed control and penalty rules?