

Feedback on Multiannual Financial Framework - CAP Strategic Plans

August 2018

This note sets out IEEP's initial assessment of the [legislative proposal for the Common Agricultural Policy \(CAP\) after 2020](#) published by the European Commission in June 2018. The legislative proposals reaffirm the Commission's stated intentions for next CAP to place greater emphasis on the environment and support the transition towards a fully sustainable agricultural sector through a new delivery model focused on results. While the new approach offers some potential to support a more environmentally ambitious CAP, it does not set a clear direction of travel for the EU to comprehensively address the pressing sustainability challenges facing the sector and society. Moreover, it contains many loopholes which risk maintaining the status quo or could even go back on previous achievements. To ensure the proposals reach their full potential IEEP highlights some of the opportunities and risks for the next reform based on our initial assessment of the text. The note is not meant to be exhaustive and further thinking and research will be required to support the European Parliament and Member States in the elaboration of their positions as co-legislators ahead of the interinstitutional negotiations and adoption of the final legislation.

New Delivery Model

The new delivery model is potentially a bold move to deliver more coherent, creative and innovative approaches and shift to a performance based CAP that meets the needs of farmers, citizens and the environment. However, for the Member States to deliver a higher level of ambition for the environment and climate, CAP funds must be spent in a very different way. A recent [evaluation](#) on the greening of the CAP, conducted by IEEP on behalf of the Commission, shows that Member States tend not to be very ambitious of their own accord. Similar [findings](#) are echoed by the European Court of Auditors. They also found that weak greening choices under Pillar 1 stifled investment in more advanced environmental interventions under Pillar 2. In terms of key instruments, the continued focus on direct payments, even with the redistribution proposed, leaves the bulk of CAP spending potentially unaligned to the ambitious delivery of public goods. The emphasis placed on these instruments appears not to fit with the logic of a results-orientated delivery model and continues a system that has been shown to be an inefficient, ineffective and inequitable way of supporting policy goals, including farmers' incomes.

More sufficient safeguards are necessary to ensure that the future programming and implementation of CAP Strategic Plans meets the Commission's stated intentions and is not simply dependent on the political will of individual Member States. For the new delivery model to increase environmental ambitious and not go back on what has already been achieved, the EU's common framework needs to be based on a concrete set of results-orientated objectives. The framework must also be more clearly grounded on meeting EU targets and international commitments with ring-fenced spending for the environmental action in both Pillar 1 and 2. Other safeguards including strong accountability, the right level of engagement from stakeholders and [robust monitoring of Member States' performance](#) are critical too and require further improvement.

Enhanced conditionality

Although the new "enhanced conditionality" decoupled payments introduces some welcomed additional components such as crop rotation and a farm nutrient management tool, it largely maintains the existing requirements and leaves a lot of discretion for the Member States to set the level of ambition. Additionally such a tool does not signal the urgent need to lift the environmental performance of the CAP on a progressive basis as it remains largely based on static requirements.

Voluntary schemes targeting environmental and climate actions

The mandatory proposed eco-scheme has the potential to reward and incentivise those farmers who wish to integrate and make a measurable contribution to meet EU environmental and climate objectives and national targets as part of their farm enterprise. Unlike conditionality, support can address a wide range of environmental objectives based on continuous development with payments proportional to the level of ambition achieved. This could present a unique opportunity to pay farmers for the achievement of environmental and climate outcomes not fully remunerated by the majority of market channels on a truly in stepwise manner – the more achieved, the more one could receive. However, for such an instrument to be effective it must be clearly targeted and adequately financed – with at least 30% of decoupled support ring-fenced for interventions that will enhance public good delivery. It is also critical this measure does not turn into a substitute for higher levels of environmental ambition under Pillar 2 – especially at a time when spending on rural development programmes is expected to see sizeable cuts.

Training, advice and innovation

Finally, the principle that increased emphasis on training, advice and innovation should be a feature of the new CAP is the right one. In general terms, with a view to increase EU agriculture's environmental performance and foster the transition towards more sustainable practices, the importance of independent advisory services must not be underestimated. Well-informed advice should also not be limited to the administrative and compliance aspects of CAP schemes. Instead the primary focus should be on each measure's purpose, the ways of optimising their environmental and climate effects and how this can be effectively and efficiently brought into farm management systems.

Further reading

This initial assessment draws on a number of IEEP reports including:

- Evaluation study for the European Commission on the payment for agricultural practices beneficial for the climate and the environment ("greening" of direct payments) – report of the evaluator ([Link](#))
- Report for WWF on ideas for defining environmental objectives and monitoring systems for a results-oriented CAP post 2020 ([Link](#))
- Report for the European Parliament's Agriculture and Rural Development Committee assessing the Commission's plans for CAP reform as set out in November 2017 and the extent to which it address the CAP's performance against its objectives ([Link](#))
- Report on Policy lessons and recommendations from the PEGASUS project (public ecosystem goods and services from land management ([Link](#)))

What is the fate of environmental ambition in the proposed EU agricultural policy?

ISSUE	CURRENT APPROACH	PROPOSED APPROACH	ASSESSMENT
Objectives and targets	CAP is evaluated against its general objectives which cover both Pillar 1 (direct payments and market measures) and Pillar 2 (rural development), but MS are not required to actively contribute to these. Instead, MS must comply with detailed spending rules and target their P2 spending at key priority areas. No specific objectives have to be met by MS for P1 expenditure.	MS to draw up single CAP strategic plans covering both P1 and P2 to deliver agreed contributions linked to CAP specific objectives. This is based on a MS needs assessment, milestones and targets. Three of the specific objectives cover the environment and climate actions although they are not formulated in a results-orientated way.	CAP specific objectives should be results-orientated and grounded on meeting EU targets and international commitments. The common framework must be backed by strong accountability, the right level of engagement from stakeholders and robust monitoring of MS performance.
Key instruments for the environment and climate	P1 and certain P2 instruments are required to fulfil basic EU requirements for keeping farmland in good agricultural and environmental condition and complying with EU law (cross compliance). Farmers are required to apply basic greening practices to receive 30% of P1 (however many exemptions and loopholes exist). Under P2 more advanced environmental actions can be voluntarily programmed by MS.	Pillar 1 and certain Pillar 2 instruments are required to fulfil enhanced conditionality effectively merging cross compliance and greening together with some additional requirements. Additional environmental actions can be voluntarily applied through a new eco-scheme under P1 and more advanced environmental actions under P2 programmed by MS.	Enhanced conditionality introduces some welcome additional components, but largely maintains the existing requirements and leaves a lot of discretion for MS to set the level of ambition. The eco-scheme has the potential to reward and incentivise those farmers who wish to make a measurable contribution to meeting EU environmental objectives and national targets. However it requires adequate ring-fencing (at least 30% P1) and investment in well-informed advice for beneficiaries.
Design of measures	All measures in both pillars are designed in detail at EU level although many offer choices to MS.	The EC will define the range of acceptable “intervention types” but MS would design and choose the specific interventions.	The NDM offers some potential to support a more environmentally ambitious CAP. However, it contains many loopholes which risk maintaining the status quo or could even go back on previous achievements. The continued focus on direct payments, even with the redistribution proposed appears not to fit with the logic of a results-orientated delivery model.
Scope for Member States to select and vary policy instruments	MS choose policy options within P1 (e.g. basic payments calculation, which if any sectors to offer coupled payments to). Measure types within P2 are more targeted with a minimum spend of 30% applying to environmental and climate measures. Some flexibility to shift funds between pillars is allowed up to 15% for most MS, with exceptions applying for some.	MS would need to justify their choice of interventions to the EC, but would have a free choice to determine the details of each intervention. While the minimum spend for P2 applies to environmental and climate measures, there is no minimum spend for the new eco-scheme in P1. 15% shift between funds between Pillars is allowed, no exceptions.	The NDM is potentially a bold move to deliver more coherent, creative and innovative approaches and shift to a performance based CAP. However, for MS to deliver a higher level of environment and climate ambition, CAP funds must be spent in a very different way.