

An agenda for the CAP of the future

Looking forward 50 years later

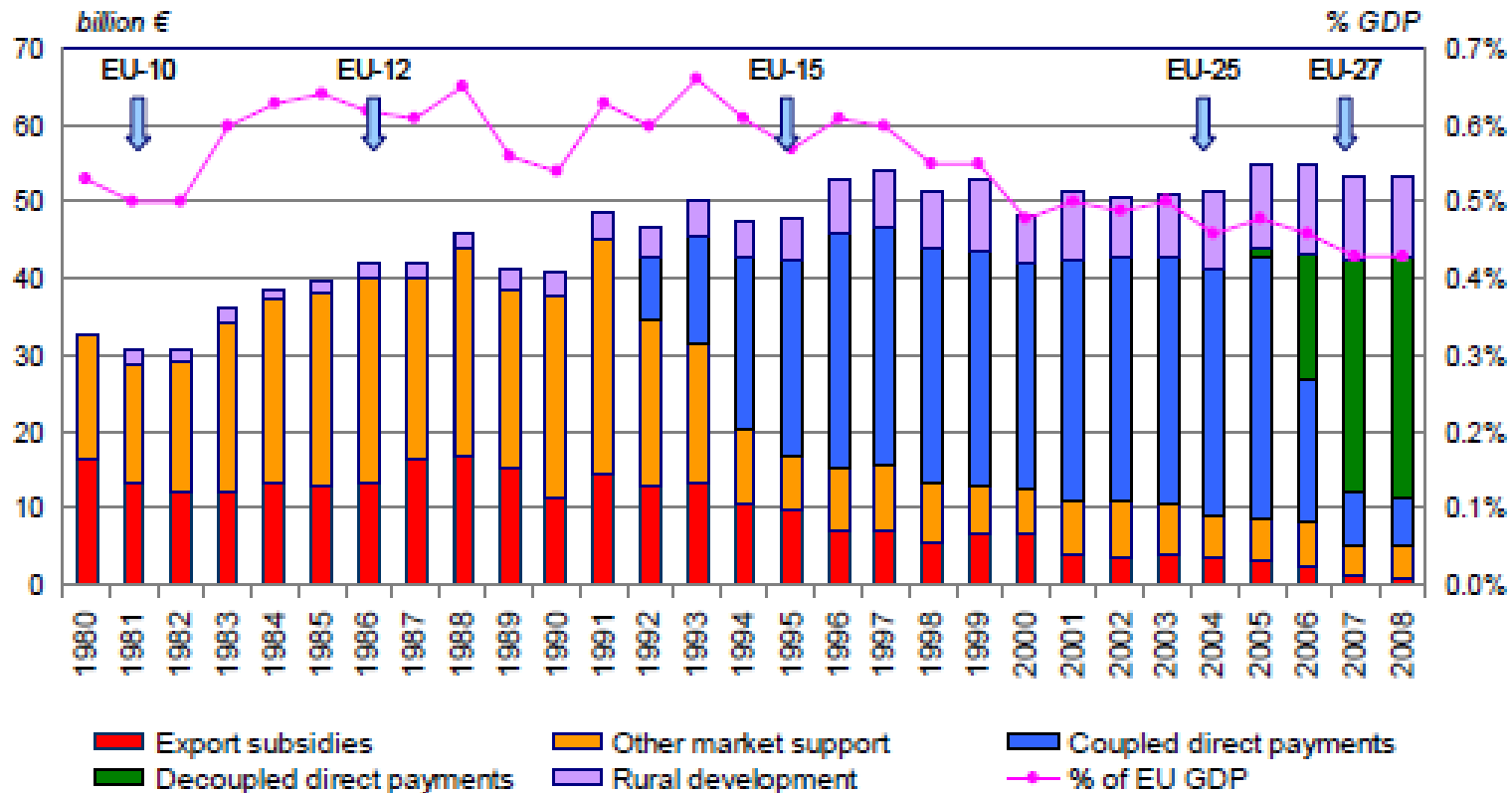
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www.agriregionieuropa.it

Summary

- ❖ Short CAP reform story
- ❖ What is different this time?
 - In the general framework of the EU
 - In the specific of the CAP
- ❖ Which CAP in the future: a new or an old one?
- ❖ Conclusive remarks

The CAP budget evolution



The best known figure on the CAP
It shows the shift from market support to compensatory and direct payments, to SFP
Apparently the CAP has changed a lot...

...but the CAP has really changed ?

- ❖ The litmus paper is the distribution of its support and the obligations for the beneficiaries attached to it. These have not significantly changed in the last 20 years
- ❖ A large part of the CAP (at least the 74% of its funds, devoted to the SFP) is still a **backward looking policy**, favoring the **richest regions and farms, land property, old farmers**, with no significant obligations for its beneficiaries
- ❖ This is the reason why all reforms so far have been not conclusive, and the CAP needs again to be substantially reformed

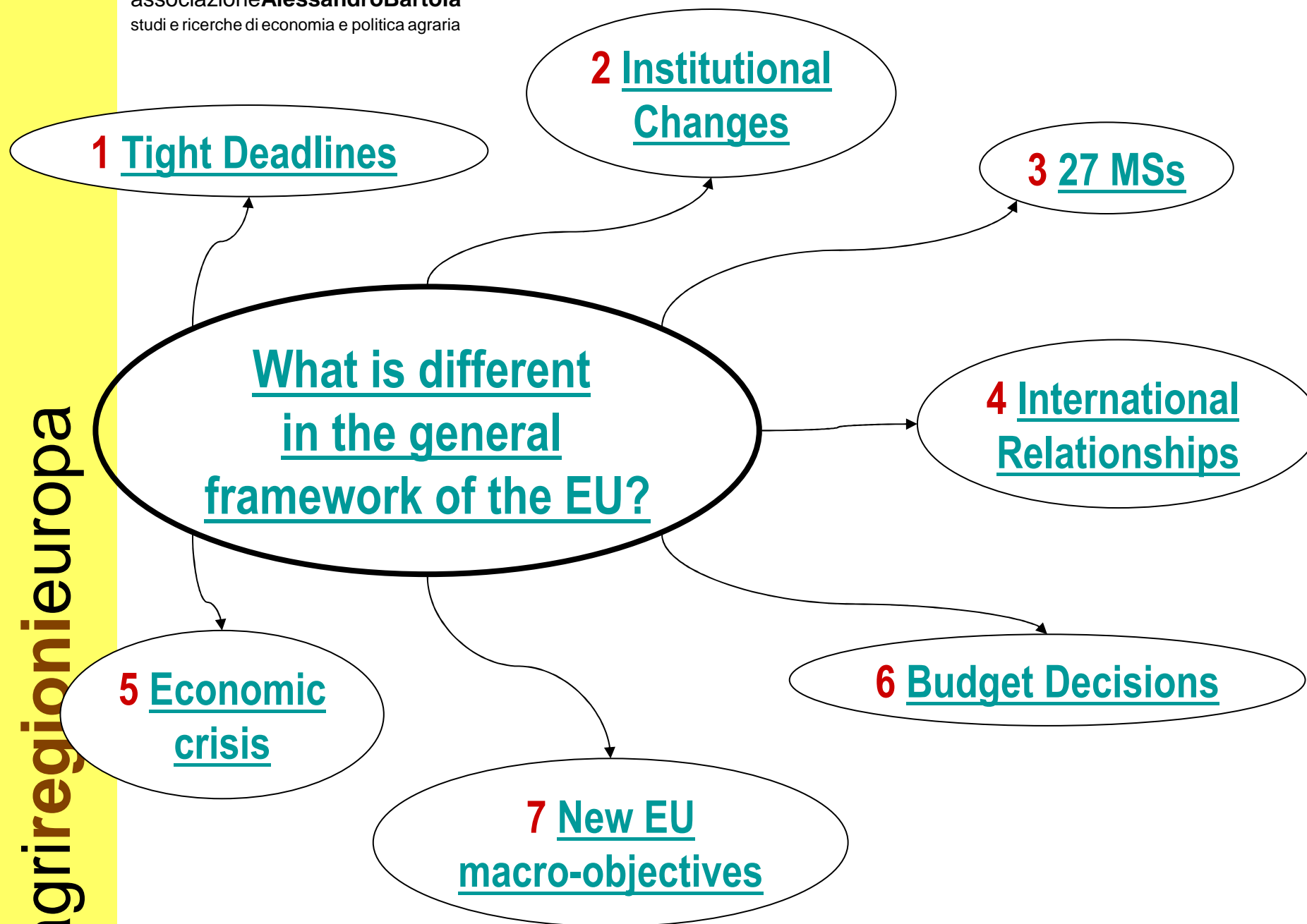
Why this contradiction?

- ❖ **The strong path dependency**
 - Only changes in the CAP appearance have been able so far to pass the scrutiny of the political debate
 - Until now, all the subsequent CAP reforms (even those supported by good analysis and good proposals) have been systematically diluted to the point that the final regulations have affected much more the surface than the substance

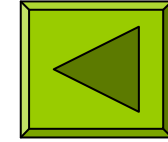
- ❖ **The next will be the fifth time we experience the same story (it is time to learn the lesson and take steps accordingly)**
 1. Mac Sharry reform (1992)
 2. Agenda 2000 (1999)
 3. Mid term review (Fischler Reform) (2003)
 4. Health Check (2009)
 5. **Post-2013 CAP (2012-13?)**

Will this time be different?

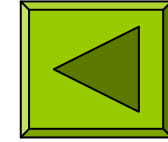
- ❖ Let us look at what is different ...
 - in the general framework
 - within agriculture and rural development



The EU agenda



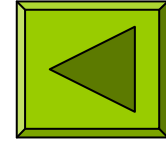
- 3 March 2010 – **Published Strategy Eu-2020**
- 12 April 2010 – **Ciolas launched the Consultation on the future CAP**
- June 2010 - **Strategy Eu-2020 approved**
- 19-20 July 2010 - **Conference on the future CAP**
- Autumn 2010 - **COM on future policies and the budgetary framework from 2014**
- December 2010 - **COM on the CAP from 2014**



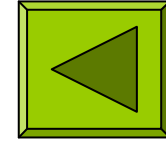
Institutional Changes

- ❖ Lisbon Treaty entered into force : Co-decision power by the EP
- ❖ New European Parliament
- ❖ New Commission Barroso 2
- ❖ New Commissioner for Agriculture Dacian Ciolos
- ❖ A reinforced role of conservative and even eurosceptic forces
 - both in the EU institutions
 - and in MSs Parliaments and Governments

In 27: for the first time



- ❖ Fischler reform was decided by 15 MSs
- ❖ It will be the first time that 27 MSs
 - Will decide on the EU future
 - Starting from the Budget
 - The CAP together with all the other EU policies

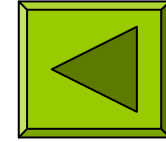


International Relationships

- ❖ Several global challenges ask for a more outwardly oriented EU action
 - Climate change
 - Economic and financial integration
 - Open markets: new competitive scenarios + market volatility
 - Immigration

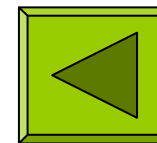
- ❖ But there are also less international constraints in the current debate on the future EU policies
 - WTO is in deadlock
 - Some Countries have adopted neo protectionist policies
 - Others have undertaken regional/bilateral agreements

Economic Crisis



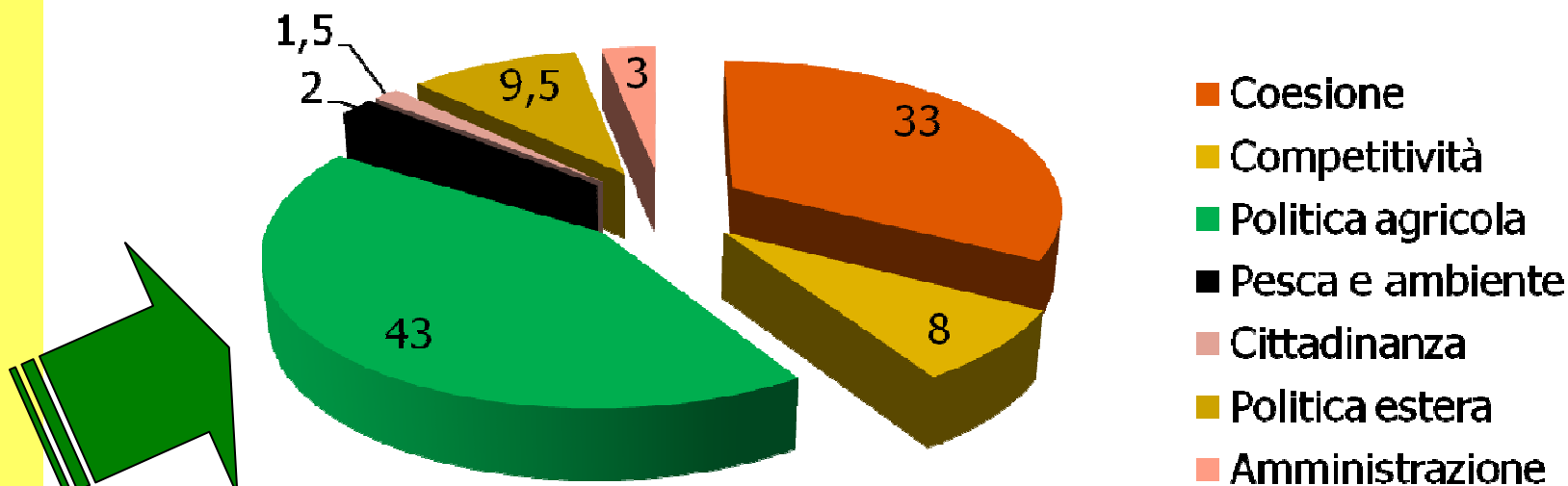
- ❖ It has several direct effects on the list of the EU priorities
 - Growth and employment
 - Monetary issues (Greek case, PIIGS)
 - Fiscal policies integration
 - Public debt -> pressure on spending
 - Markets volatility

- ❖ All these new priorities will require a different distribution of the EU budget




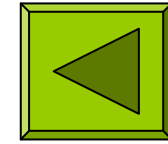
Budgetary decisions at the Center

- ❖ The *Budget Review* has been postponed; as a consequence, no adjustments to the budget after the Dec05 compromise
- ❖ **Overall funding will not increase (if not decrease)** for the EU after 2013, while several strategic policies require more funds
- ❖ The CAP budget will be considered as a reserve from which to draw funds for other policies



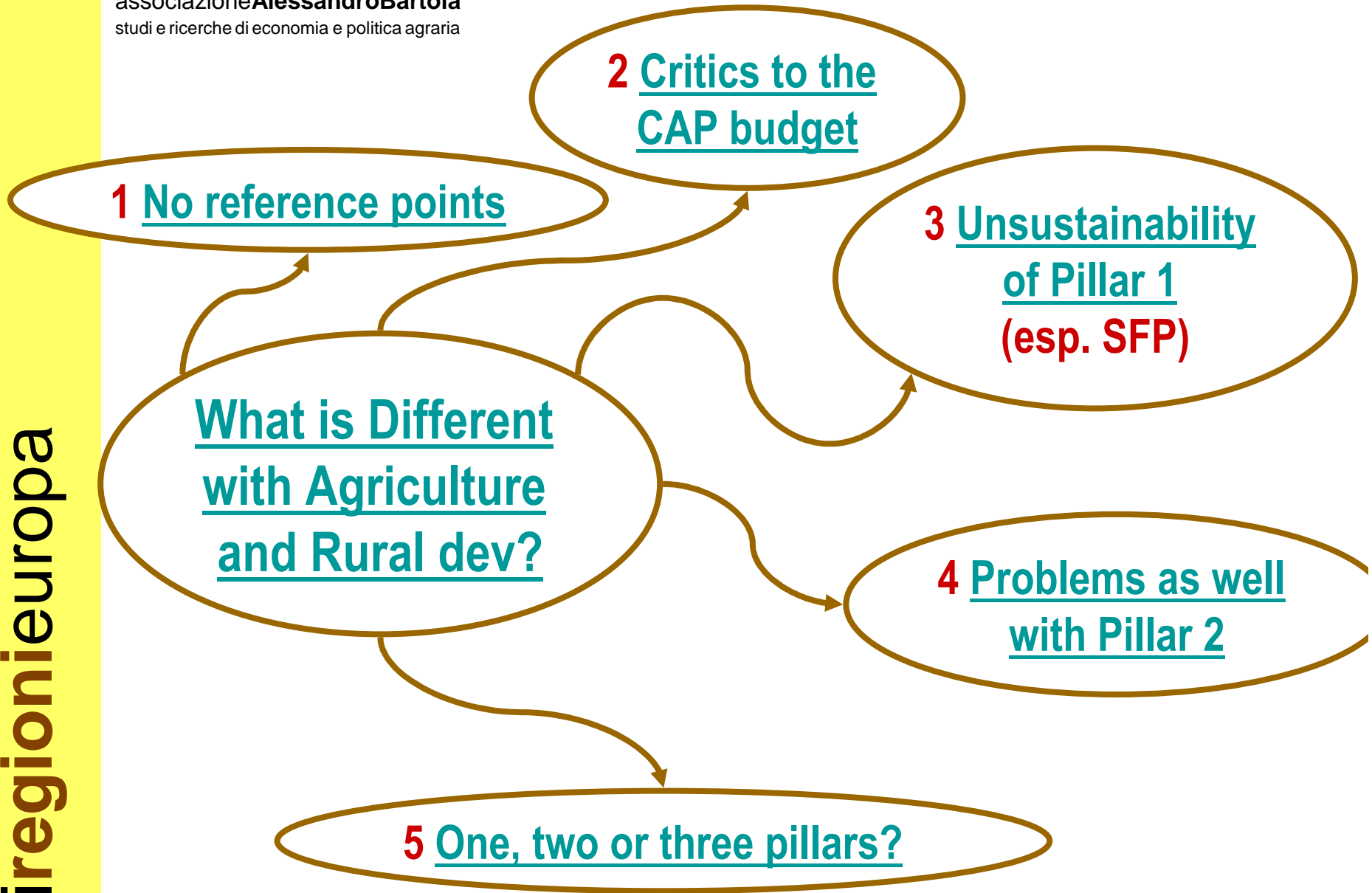
Which macro-objective for EU-2020?

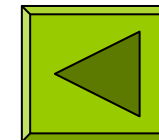
- ❖ Each previous programming period a main target 
 - 1988-92 Single European Market OK
 - 1993-99 Monetary Union OK
 - 2000-06 Enlargement OK
 - In 2007-13 the Lisbon-Göteborg strategy (even if decided in 2000) was (at least partially) failed
- ❖ Strategy EU-2020 proposes for the future a still vague **“intelligent-sustainable-inclusive growth”** (??) in which (in a previous version) agriculture was not even mentioned: not because of an oversight



Is still the CAP a priority in the EU?

Probably no more
Not as in the past



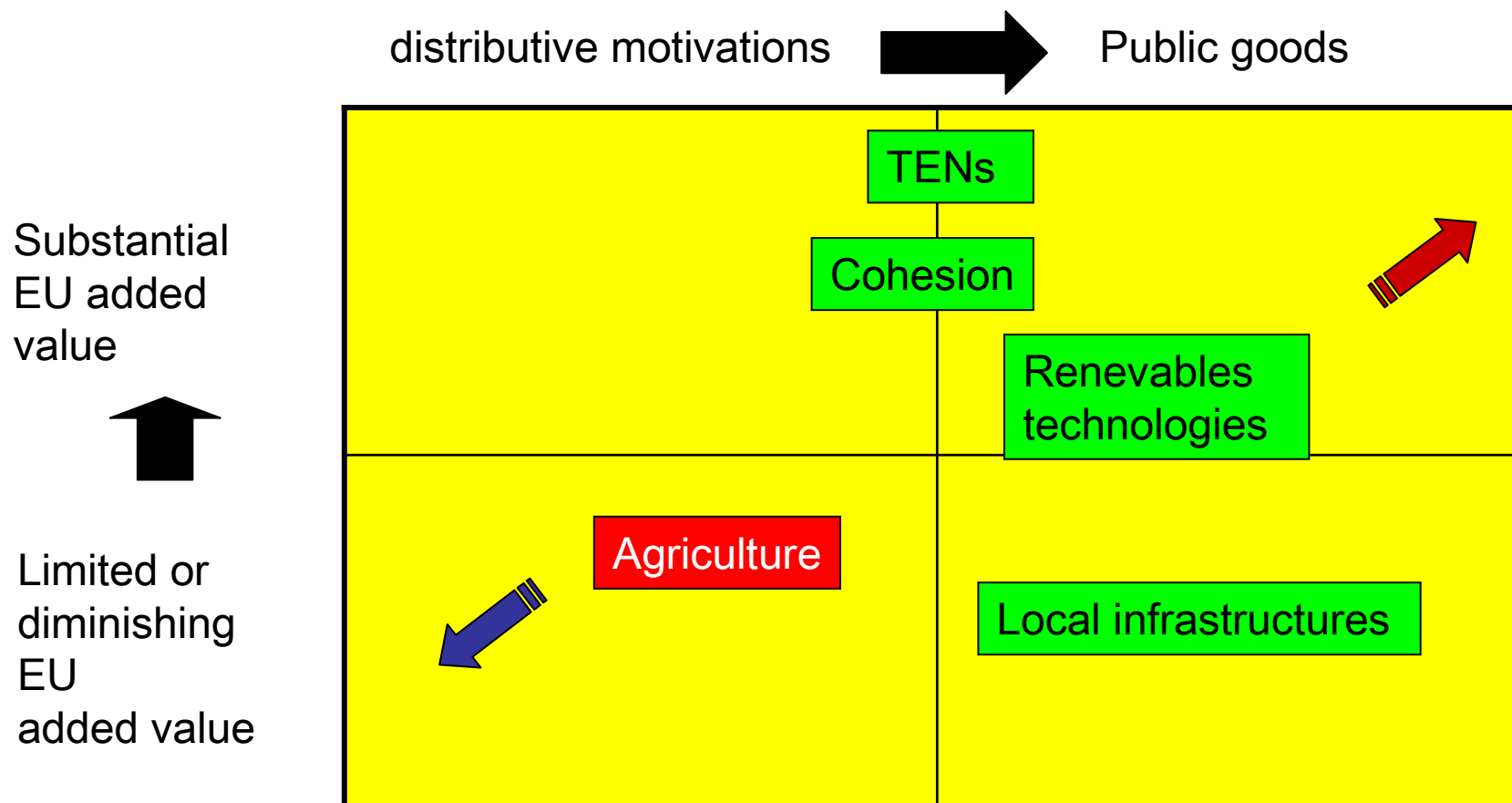


No reference points for the future CAP

- ❖ The Health Check had two objectives:
 - “To fine tune the 2003 reform” **REACHED**
 - “To contribute to the discussion on future priorities on the field of agriculture” **MISSED**
- ❖ The debate within the HC was prevalently internal to the agricultural lobbies and institutions
- ❖ In the meantime, in the Budget Review consultation
 - Many mention the CAP (budget)
 - While the contributions from the agricultural side were very few
- ❖ This has determined a very risky separateness btw the CAP and all the other EU policies

Budget reform - key policies

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Source: Iain Begg, Improving the Rationale and the Political Decision Process. The 2008/9 EU Budget Review, European Institute, LSE. Lisbon 5 November 2007 (Budget Review Consultation)

Commission's study on EU Spending (11/08)

Consequences for the EU budget

	Title	Commitments 2007 <i>As % of total commitments</i>	Changes to the budget		
			Gradual	Economically efficient	
Macroeconomic	1	0.4	0	0	
Social Affairs and Employment	(4)	0.7	0	0	
Cohesion Policy	13, 4	31.7	-	--	
Competitiveness and Single Market Policies	2,3, 12, 14, 20	0.6	0	0	
Research and Development	8, 10	3.5	+	++	←
Education and Culture	15	1.0	0	0	
Environment	7	6.6			
Agriculture and Rural Development	5	40.8	-	---	←
Fisheries and Maritime issues	11	0.7	+	++	
Network industries (Energy, Transport, Information society, Postal sector)	6, 9,	2.6	+	++	←
Health and Consumer Policy	17	0.4	0	0	
Freedom, Security and Justice	18	0.7	0	0	
Defence	n.a.	n.a.	?	+	
Foreign Aid and Neighbourhood Policies	19, 21, 22, 23	5.5	+	++	←

A Study on EU Spending - Final Report Commissioned by the European Commission, Directorate General for Budget
 www.sotte.it - 2010 - Groupe de Bruges

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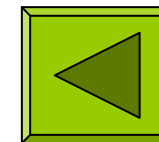
Meta-study on spending evaluation

	Competitiveness				Cohesion			Natural resources				Citizenship			Global partnership		
	Research	Innovation, SMEs	Transport & Energy	Learning & Jobs	Cohesion for growth	Cohesion fund	Cohesion for employment	Agriculture	Rural development	Fishery	Environment	Justice, freedom, security	Health, consumers protection	Media, culture, youth	Cooperation	Humanitarian assistance	Enlargement
Relevance	==	==	+	+	+	+	+	-	+	-	+	+	+	==	==	+	+
Coherence	==	==	+	-	+		+	-	+	-	+	+	-		==	==	==
EU added value	+	==	+	+	+	+	+				+	+	+		-	+	==
Effectiveness	+	+	-	+	+	+	+	==	+		+	+	+		==	+	==
Sustainability				+		-	==	-							-	==	-
Efficiency	==		==		==	==	==	-				==			==	-	==
Unintended impacts						+		-									



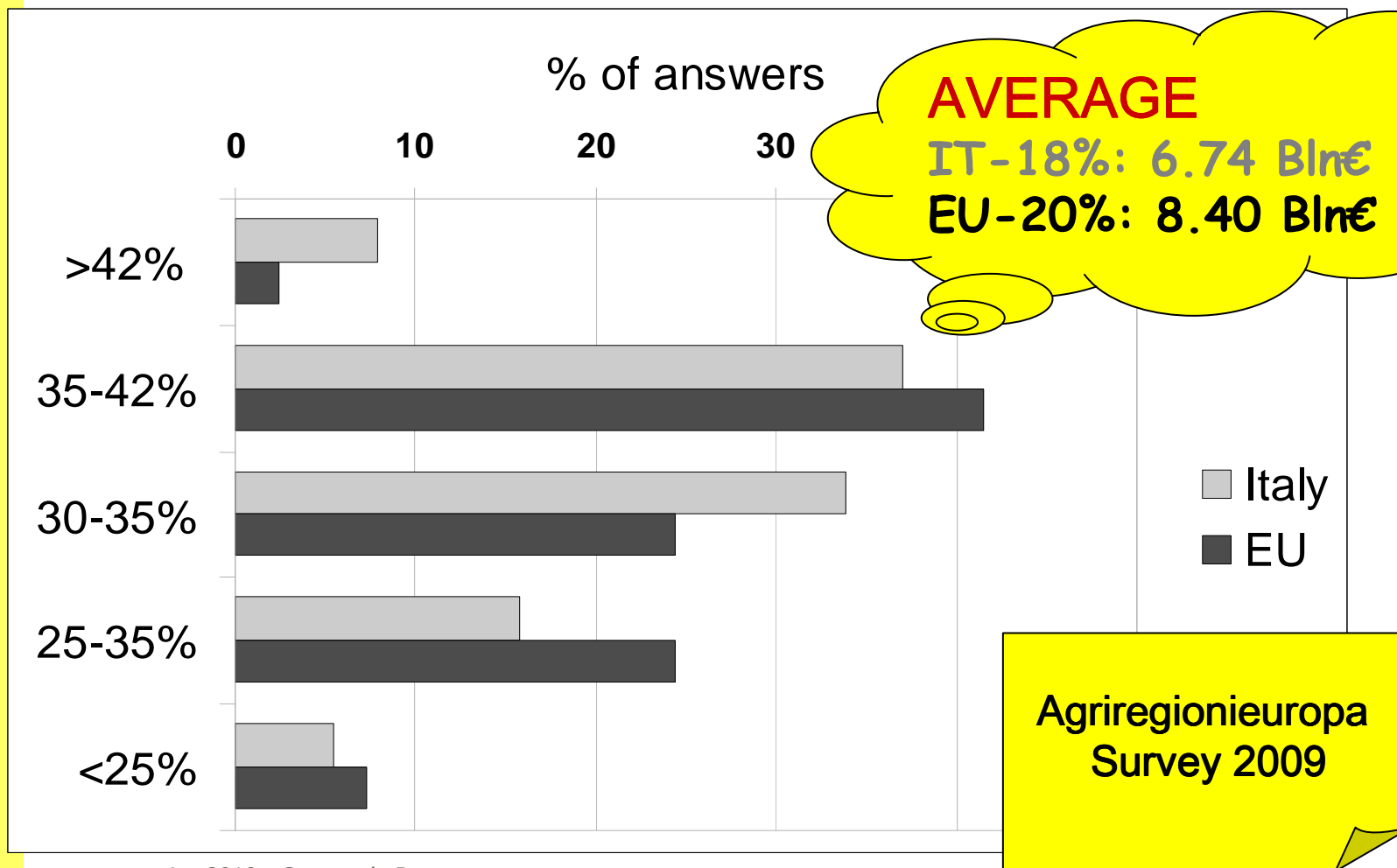
Eureval, Rambøll management, Meta-study on lessons from existing evaluations as an input to the Review of EU spending, Final Report, January 2008
Evaluation for the European Commission, Contract ABAC-101930

How much less?

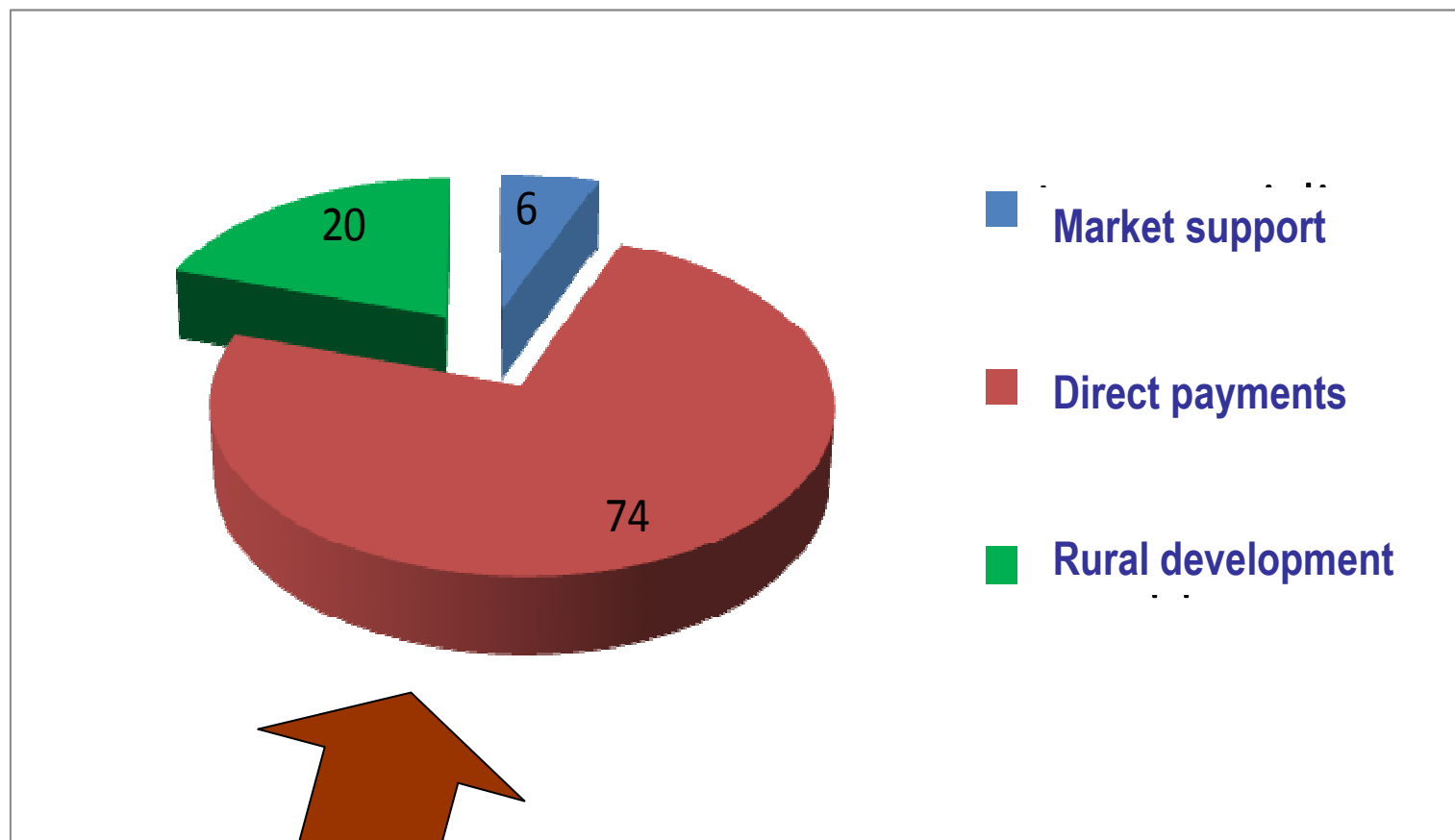


Currently 42% (53,8 billion euro)

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The first pillar slice



Which the real nature of the SFP

- ❖ Is it an income support?
 - Not calculated in relation with income
- ❖ Is it a payment for public goods?
 - Only indirectly targeted to compliance
 - nor tailored on its additional costs
- ❖ Is it a transitory adjustment assistance payment?
 - Justified but only in the short term
- ❖ Is it a rent? (a payment for doing nothing)
 - is hardly justifiable
 - translates to land values

The forum of Agriregionieuropa on SFP

❖ In favour ...

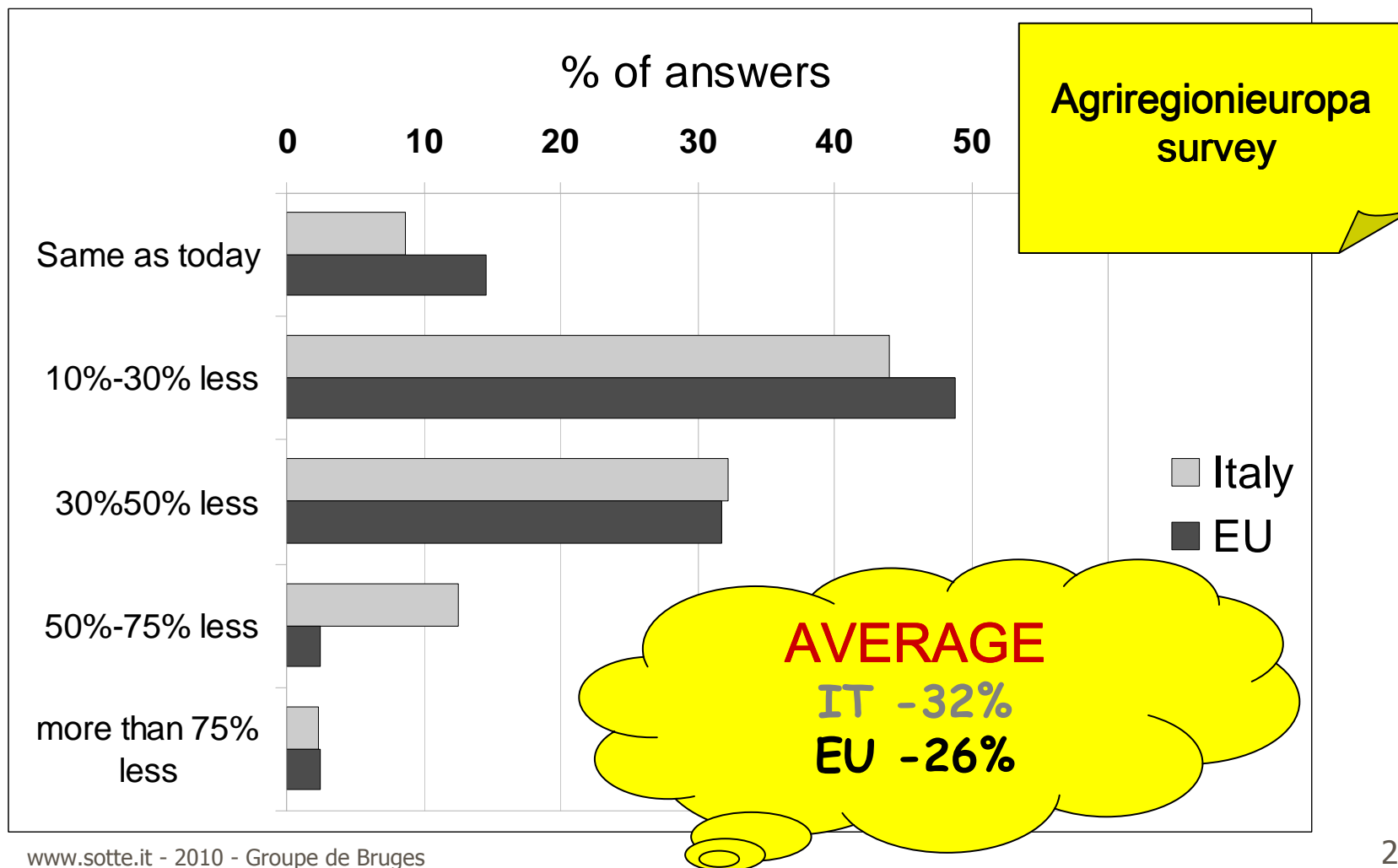
- "a precondition for the existence of agriculture in the long run" De Filippis
- "a minimum level of stewardship in the EU rural area" Frascarelli

❖ Against...

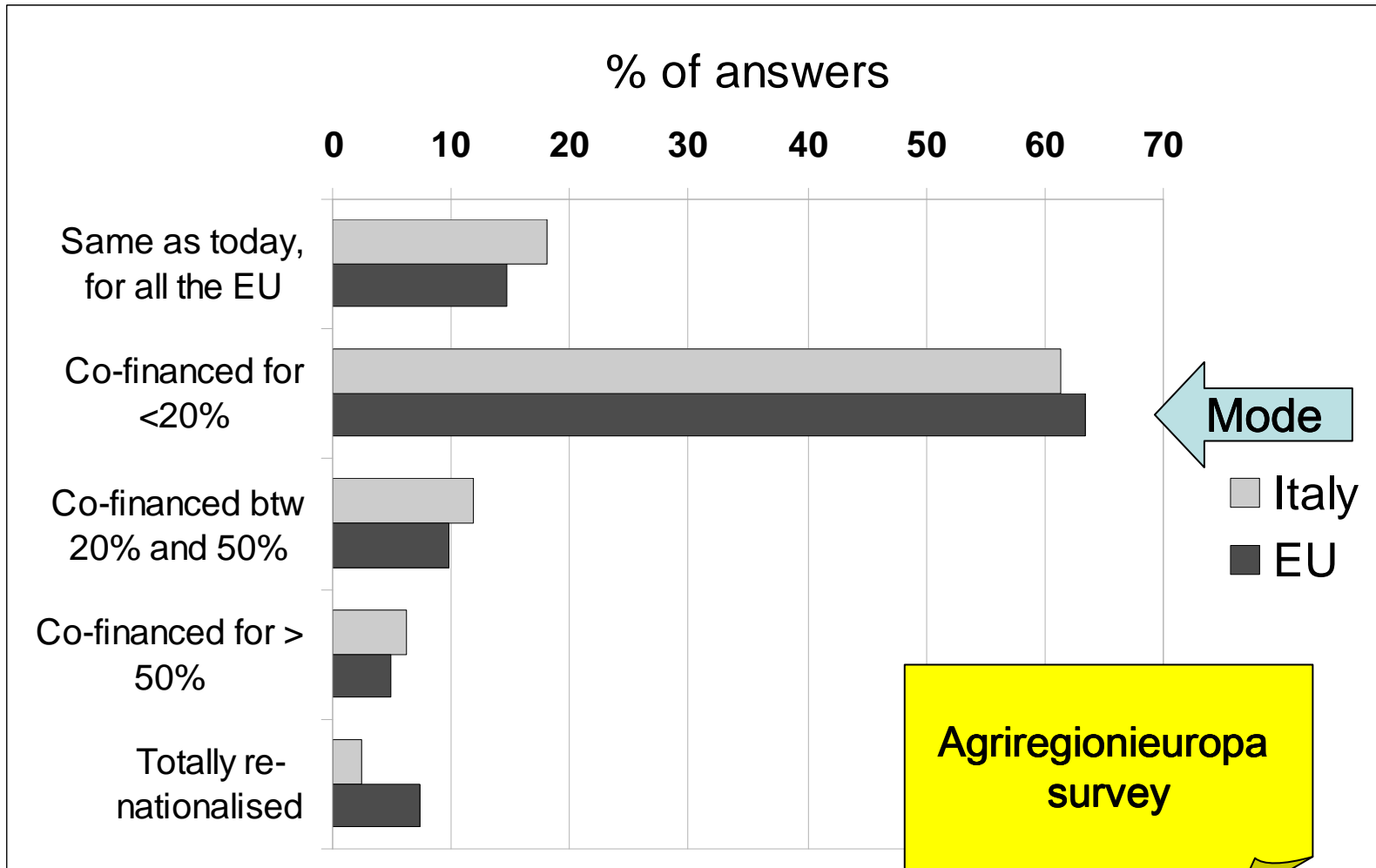
- "It is not an appropriate solution, even if regionalized" Corsi
- "It is a clear violation of the targeting principle in economic policy" Scoppola
- "It is capitalised in land prices and lacks of legitimacy" Zanni
- "It is likely to become over time a pure rent," Pretolani
- "It produces a range of side effects against the principle of equity and fails to guarantee efficiency," Giacomini
- "It will be the "crowbar" for dismantling the CAP", Comegna

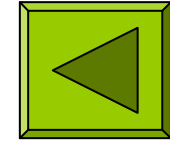
How much less will be the SFP post2013?

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How the SFP will be funded after 2013?



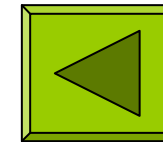


Conclusions on Pillar I

- ❖ SFP (in its present form) should rapidly phase out or radically change
- ❖ Its persistence
 - drains resources for better finalised policies
 - isolates agriculture in the debate on the future of the EU
- ❖ Its only advantage
 - being easy money, with no constraints, no cofinancement, in continuity with the past, it has a strong support by a large part of the agricultural lobbies and several MSs

What about Pillar II?

- ❖ Basically more acceptable
 - Environmental (Goteborg: Sustainability)
 - Oriented towards small and medium enterprises
 - Integrates sectoral and territorial objectives
- ❖ But delays and inefficiencies in its implementation
 - administrative delays
 - Poor linkages between axes I and II (sectoral policy) and axes III and IV (territorial policy)
 - Priority given to more traditional and easier measures (innovative and qualifying measures are delayed)
 - Gap between objectives and results (concentration, selectivity)

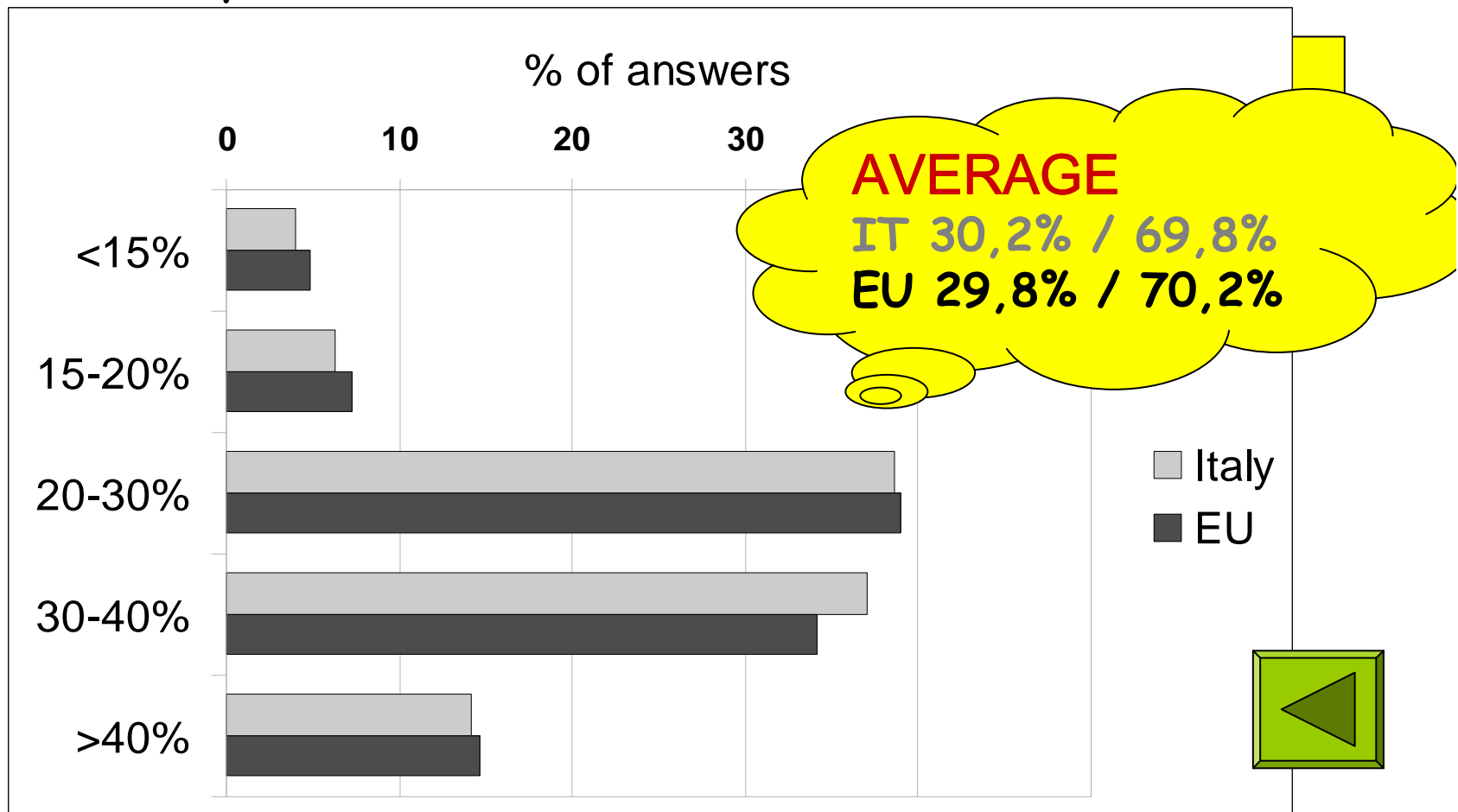


Conclusion on Pillar II?

- ❖ Pillar 2 is more coherent with EU strategy
- ❖ It would be very important to further invest on it, improving the efficiency and effectiveness in its administration, maintaining the link between sectoral and territorial objectives
- ❖ Unfortunately it has not the same support of pillar I
 - The Copa-Cogeca refusal to whatever modulation in the HC
 - The opposition (especially of new MSs) to co-financement
 - Even with a lot of supporters at regional and local level (Leader)

Ratio between the 2° and the 1° pillar in the 2014-2020 period?

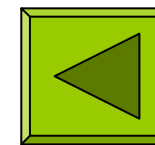
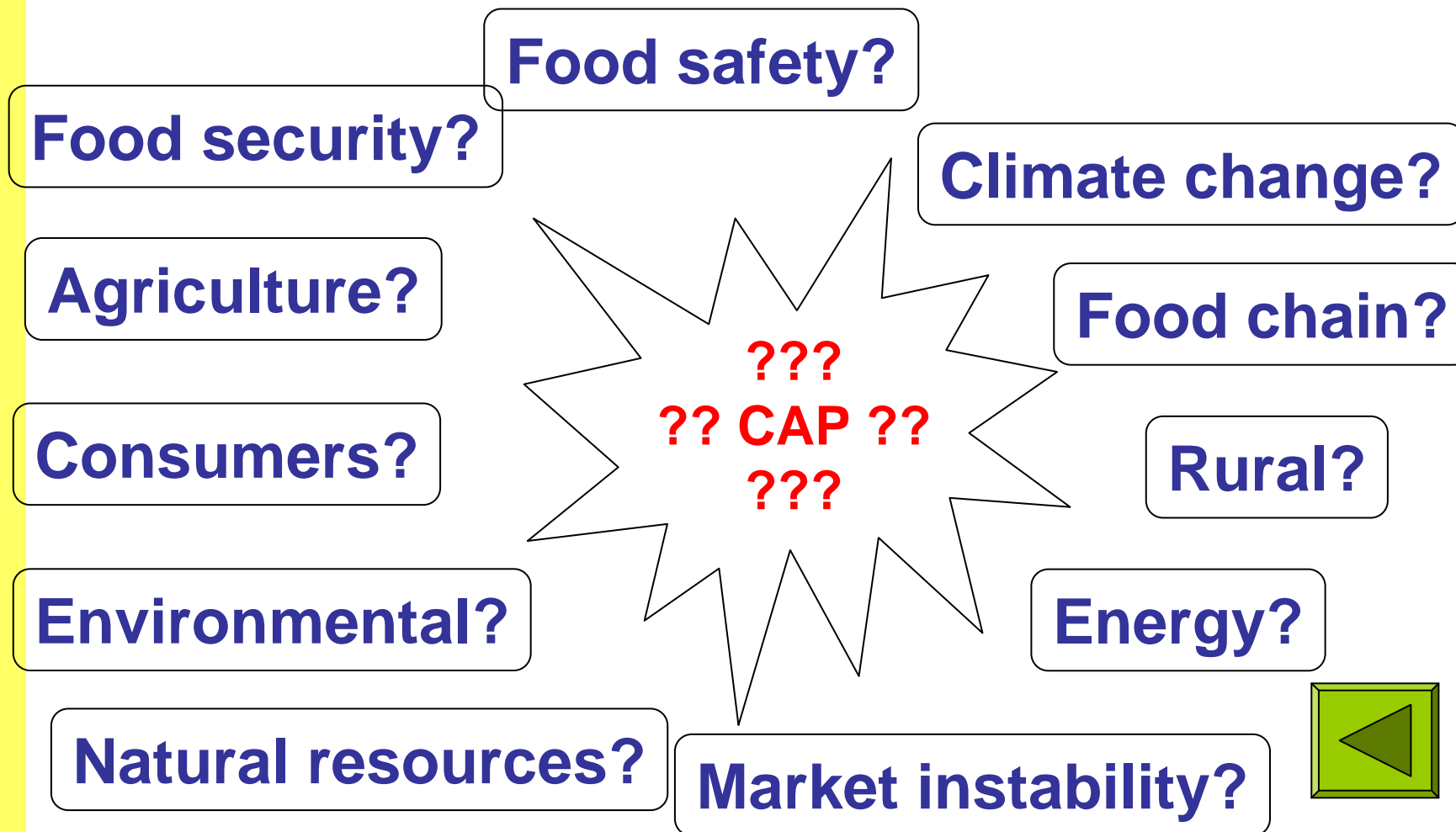
Currently 20% to 74%



One, Two or, maybe, Three pillars?

❖ Which name for the future CAP?

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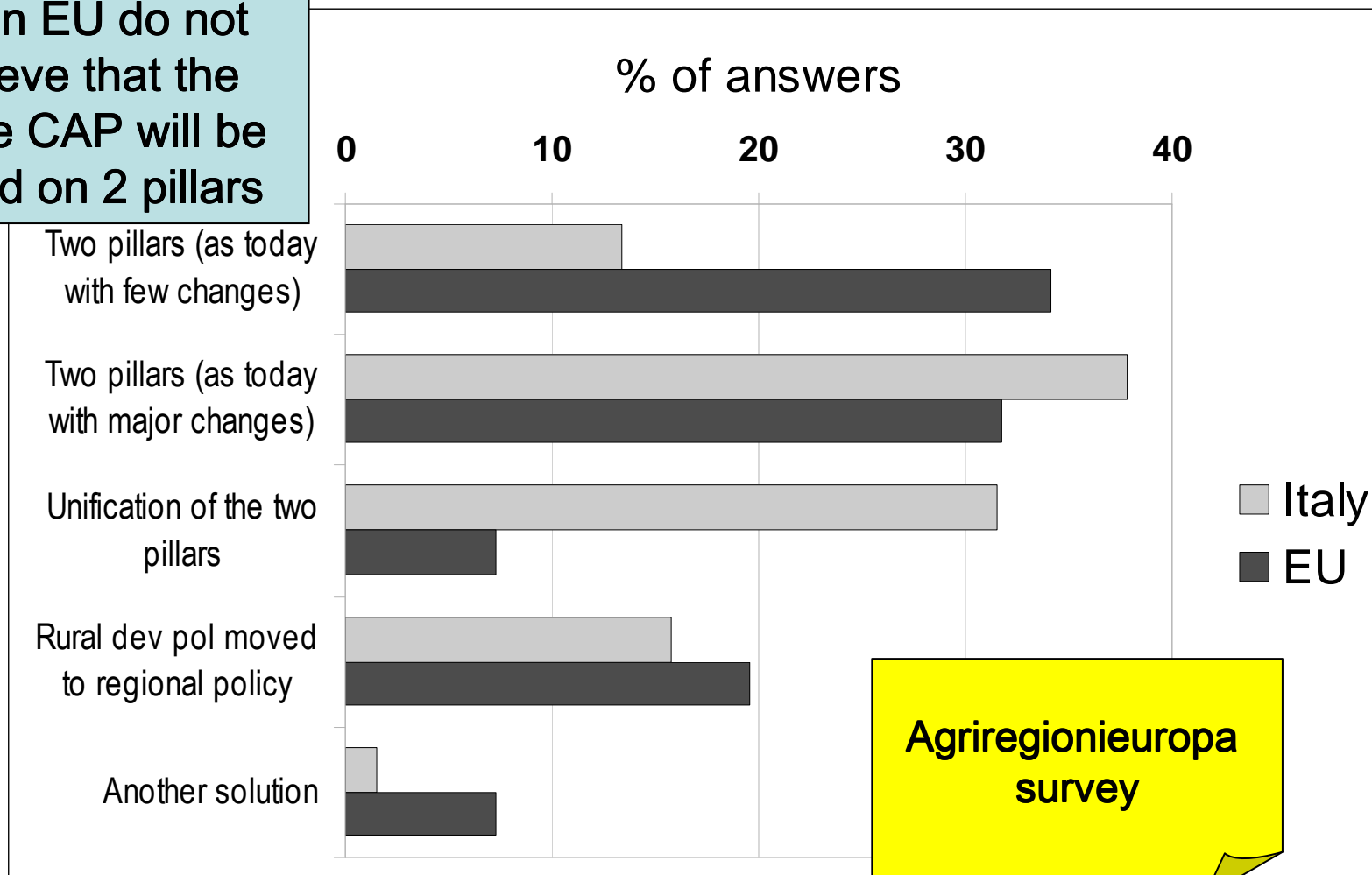


The CAP is once again at the crossroad between conservation and change

Which the likely structure of the CAP post-2013 ?

Around 1/2 in Italy
1/3 in EU do not believe that the future CAP will be based on 2 pillars

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A pessimistic solution for the CAP

- ❖ **Given the pre-conditions**
 - Less funds, strong path dependency, more lobbying support for the I than II pillar, opposition to co-financement, weak international constraints
- ❖ **purely conservative post 2013 solution**
 - Significant maintenance of SFP (greened, slightly and slowly flattened and regionalized, but in such a way to minimize its redistribution and soften the obligations linked to it)
 - Rural development policy again sacrificed
- ❖ **“things will have to change, just to stay as they are”**
“The Leopard” Tomasi di Lampedusa
- ❖ **Implications of such outcome**
 - additional cuts to the agricultural budget
 - need of further CAP reforms in the future (a new mid term review in 2015-16?)

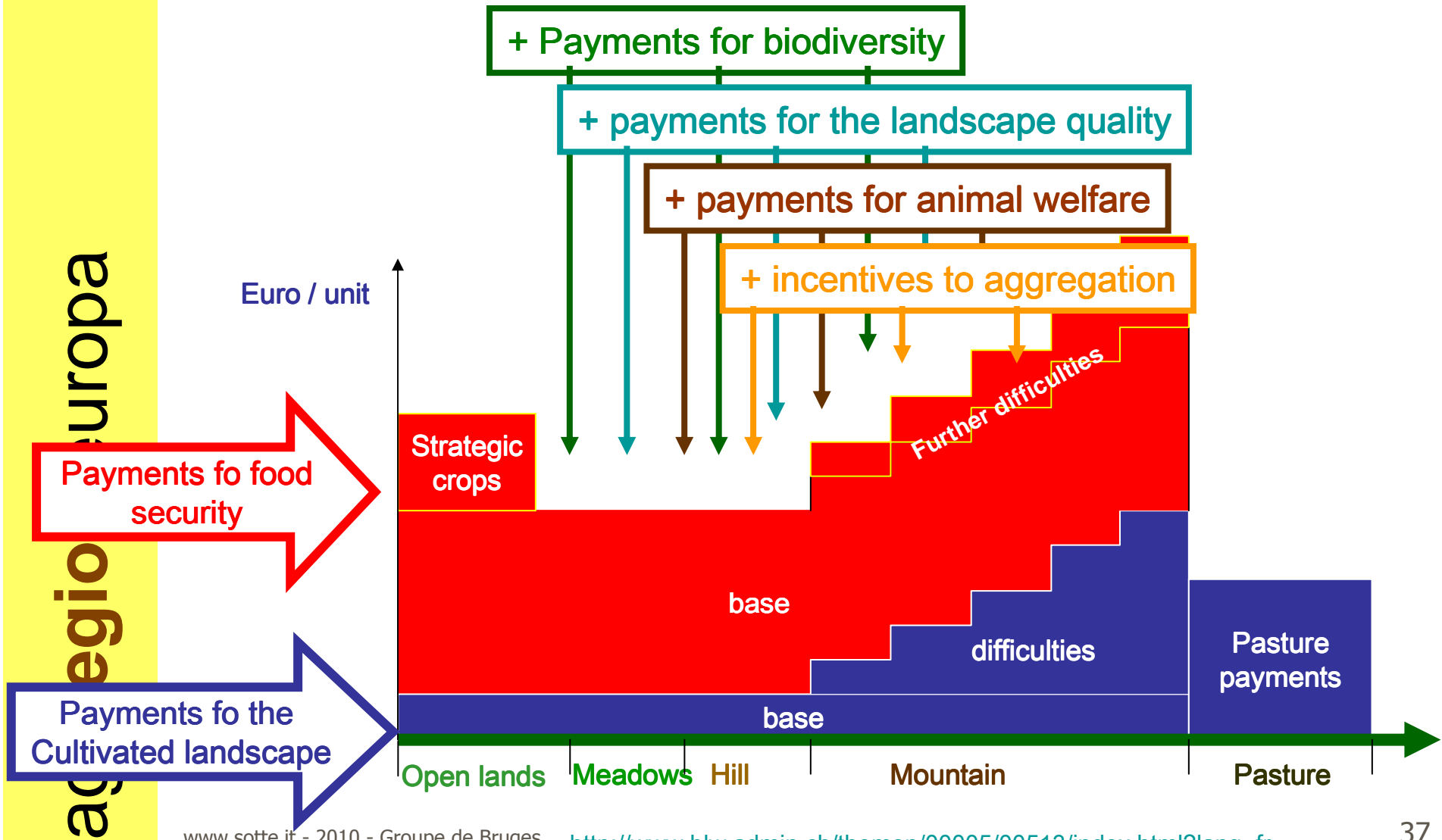
A more desirable post-13 CAP

- ❖ Integrated with the other development policies
- ❖ Projected to the (medium-long term) future
- ❖ Addressed to the general interests of society (market failures: competitiveness, innovation, public goods)
- ❖ 3 key words
 - Targeted
 - a measure for each specific objective
 - Tailored
 - cost effective to repay the lower incomes and the higher costs
 - Contractualized
 - no more : "help", "support", "premium", "subsidy", "assistance", "contribution";
 - but only "payments" and "incentives"

A more desirable post-13 CAP

- ❖ If one refers to the history of the CAP, this solution has **less chances of success**,
- ❖ even though, with it, it could be possible
 - to **defend better the budget** and
 - to use it **more efficiently and effectively**
- ❖ not only benefiting society, but also the future of agriculture

The Swiss solution for substituting the Direct Payments



The lesson of a master

- ❖ Don't you feel responsible for the defects of the CAP?
- ❖ “I am not that proud of the contribution I gave to the design of the CAP, as I am proud for the success I had (through the CAP) to building Europe” Siccio Mansholt
Ancona, 1992



A question for the Conference

- ❖ When will this lengthy, painstaking process of CAP reform come to a convincing conclusion?
- ❖ How could the CAP contribute again to building Europe?
- ❖ What can we do for facilitating and fostering that process?

Thank you

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