



Report: CAP Strategic Plans Project

CAP Reform Post 2020: Lost in Ambition?



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Lost in ambition

Trying to understand the Common Agricultural Policy of the EU means wading through a maze of bureaucracy and hidden lobby interests. Trying to grasp the process and direction of a reform of the CAP is not much easier. You need strong perseverance to decrypt a system lacking in transparency, underpinned by deals and arrangements to favour vested interests.

With this publication we present our work in shedding some light on the CAP reform process which is currently underway. The European Commission has proposed a new policy architecture for the CAP. It is called the *new delivery model* and is based upon so-called National Strategic Plans which are elaborated by EU Member States. If adopted by co-legislators, this reform gives more policy power to the Member States, without setting a solid framework of objectives, targets and deliveries which can respond to the many challenges European farming faces today. In other words, one of the pillars of European Integration - the CAP - is currently being re-nationalised, without a common political compass.

At a rising tide of crises and nationalism, it takes courage and action to save the common house - and it takes vision to be prepared for the bigger challenges to come. Commission President von der Leyen announced a “European Green Deal” as a “man landing on the moon moment”, with the ultimate goal of making Europe carbon neutral by 2030. However, there is no ambition that this Green Deal will shape this CAP reform. Moreover, the targets in the recently adopted “Biodiversity Strategy” and the “Farm to Fork Strategy” have received a frosty reception from both the Council and Parliament – talk of increased environmental ambition is fine, but action is what is needed. In order to save the common house, the European Commission should have the courage to reset this CAP reform process so as to include specific targets on climate, biodiversity and a new food system.

This publication is a first step into a wider policy analysis of CAP Strategic Plans. It is an invitation to all stakeholders to join and cooperate, and to press together for a more substantial and radical reform of the CAP. Giving Member States more space to define needs and potentials of a genuine transition towards a resilient and sustainable farming and food system is an opportunity. But we need common ground and action at the European level to make the paradigm shift towards these sustainable and resilient farming and food systems happen. Warm thanks to Matteo Metta, Lisa Tostado, Oliver Moore, Luise Körner and all contributors for bringing this analysis together.

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Introduction

The Common Agricultural Policy - CAP - is one of the most significant and long-lasting policies of the European Union. In 2018, the European Commission made a CAP reform proposal which had, among other elements, a new delivery model and a green architecture that included new ecological initiatives. So how has this initial Commission CAP communication fared in the months since June 2018?

Since the Commission's proposal, the CAP reform post 2020 has been a drawn-out process. It initiated with some political ambition, which was later backed up with the European Green Deal's targets and objectives. However, it has subsequently lost its way, if it is to seriously tackle the socio-economic and environmental challenges Europe and the world face. The current state of the reform will likely have too little or no impact on many aspects of the CAP, unless the co-legislators work constructively with the Commission in trilogue on conditionalities, eco-schemes, fair distribution of payments, horizontal rules, common market organisation, accountability.

With the help of agri-food lobbies and business-as-usual supporting politicians, the reform process has slowly moved on at two levels: at EU level, both the European Parliament and the Council reached agreement on their respective positions in October 2020, which gives them the mandate to negotiate in the trilogues with the Commission and ap-

prove the full package of three regulations on the CAP post 2020.

At national level, the Member States have set the bases for their national CAP Strategic Plans (e.g. SWOT analyses, assessment of needs, preliminary design of interventions), but much still needs to be prepared before the submission, final approval by the Commission, and entrance into force, most likely to happen only by January 2023.

ARC2020 has worked with progressive NGOs, scientists, and civil society organisations to analyse the reform process at EU level, in a selected number of Member States, and beyond the EU. Figure 1 gives an overview of the policy analyses published in 2020 on various environmental, economic, and social aspects at stake in the CAP reform.

This report compiles all policy analyses carried out and published in 2020 with the aim of:

- **Describing how** the CAP Strategic Plans were being prepared and designed in a selected number of Member States.
- **Identifying good practices and limitations** in the Member States, as well as in the positions of the European Parliament, Council, and European Commission.
- **Providing policy recommendations** to the co-legislators, Member States, and NGOs.



Figure 1. Policy Analyses carried out in 2020 on the EU CAP reform and national CAP Strategic Plans

7. A Rural Proofed CAP post 2020? – Analysis of the European Parliament's Position

This article carries out a 'rural screening' of the European Parliament's position on the CAP post 2020.

8. CAP Performance Monitoring and Evaluation Framework – EP Position

This article assesses whether the European Parliament's position in October 2020 has strengthened, maintained, or weakened the Commission's initial proposal to shift the CAP focus from compliance to performance.

5. CAP implications beyond the EU

This series of articles analyses on the CAP implications beyond the EU. It explores the relationships between CAP (e.g. Common Market Organisation, Strategic Plans, and Horizontal Regulations) with third countries, namely Honduras, Ukraine, Ghana, and the Global South.

6. Will the CAP post 2020 be fairer – and what does that mean?

This article assesses whether the co-legislators are likely to ensure a fairer distribution of payments.

4. CAP Strategic Plans on Climate, Environment – Ever Decreasing Circles

This article assesses how the Member States and EU co-legislators have started to address the European Green deal and higher environmental ambition in the CAP reform.

3. European Green Deal | Revving up for CAP reform, or more hot air?

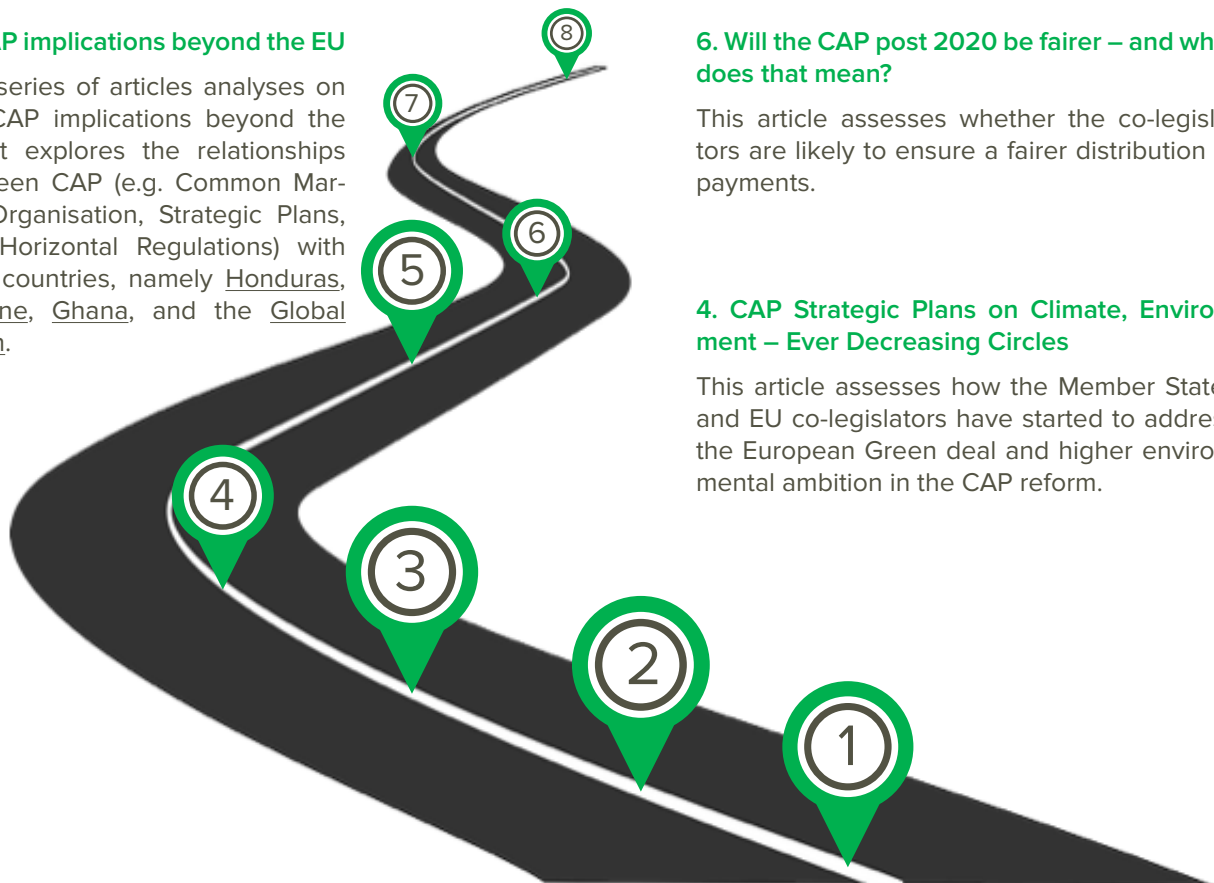
In May 2020, the Commission published the Farm to Fork and Biodiversity strategy. This article shed lights on their implications on the CAP reform.

2. Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

This article provides a framework and example of guiding questions to appraise the level of climate and environmental ambition of CAP Strategic Plans.

1. How Transparent and Inclusive is the Design Process of the National CAP Strategic Plans?

This article analyses good practices and areas to improve the transparency and inclusiveness of the design process of CAP Strategic Plans in the Member States



Click on the links to access each article online

Introduction

As part of a progressive civil society movement, ARC2020's project pursued these objectives by raising the following policy analysis questions:

1. Is there a **transparent and inclusive** approach throughout the design process of the CAP Strategic Plans (e.g. SWOT analyses, Strategic Environmental Assessment, ex-ante evaluation, definition of eco-schemes)?
2. Are the CAP Strategic Plans and CAP reform post 2020 addressing the higher **environmental and climate ambition** required to deal with the climate emergency, biodiversity decline, and depletion of natural resources in global, regional and local agri-food systems?
3. Are the CAP Strategic Plans and CAP reform post 2020 ensuring a **better targeting of support**, including a fairer distribution of direct payments among European farmers?
4. Are the Member States and the EU co-legislators ensuring a **rural proofed CAP reform post 2020**, which promotes sustainable territorial development in rural areas, links local CAP support to cohesion policy, and leverages larger scale investments and support from other EU and national policies?
5. What are the implications of the CAP Strategic Plans and CAP reform post 2020 **beyond the EU**, in relation to trade, rural cooperation, labour rights, environmental standards?

Along the way, ARC2020 has scrutinised policy documents and meetings, scientific publications and audit reports, and networked with progressive NGOs, critical scientists, policy advisors, and stakeholders on the ground.

This report concludes by identifying areas for future policy analysis and action in 2021. These include a critical screening of the decisions to be made in the CAP Strategic Plans on eco-schemes, capping, degressivity, indicators and data systems, decentralisation and division of responsibilities with regional and local authorities, inclusion of health and environmental stakeholders, environmental spending and delivery in Pillar II, and more.

Attention needs to be paid to the last round of the trilogue negotiations, as well as to the approval process of the CAP Strategic Plans. Here the Commission has made numerous promises in relation to transparency, pledging the disclosure of public material, and, importantly, recommendations and criteria to approve or reject the submitted plans.

ARC2020 will continue to play a critical role of CAP-watching in the EU institutions and Member States, and to work with civil society organisations, scientists, farmers and broad rural voices in order to keep attention on the reform and influence national strategic plans. CAP reform is an uphill battle, as is any struggle and social movement that resists the market alienation of the farming community and traditional farming practices, the over-depletion of natural resources, the socio-ecological extinctions, the depopulation and marginalisation of rural areas, and the degeneration of healthy food consumption and values.

While trying to reach an agreement at EU level, the Member States will be engaged with stakeholders and scientists to define the national delivery mechanisms, monitoring and evaluation frameworks, and details of the interventions to be supported in the CAP Strategic Plans. Despite the broader policy and market constraints, the opportunity to identify good practices and advocate for more sustainable food systems and vibrant rural areas is still there - Member States can still make the necessary changes to make the CAP fairer, greener, healthier, and rural-proofed.



How transparent and inclusive is the design process of the National CAP Strategic Plans?

Matteo Metta April 2020

After the first steps made towards designing the National CAP Strategic Plans, this article analyses the transparency and stakeholders inclusivity in six selected Member States: France, Ireland, Italy, Germany, Spain, and Poland. The results show interesting practices in terms of establishing written revision procedures or online platforms but identify numerous limitations and gaps to be urgently addressed by the Member States and the Commission. It also raises some concerns on the implications of the new delivery model for building decentralised governance ca-

capacity and better stakeholder involvement at regional level. To tackle these limitations for the next preparatory steps, the article calls on the Commission and the Member States to work on the following areas: better communication channels; publication of updated and dynamic roadmaps; more transparent consultations and negotiation meetings; clearer written procedures, and better stakeholder consultations. Some recommendations are also provided for NGOs and civil society organisations.

Introduction

Transparency and stakeholder inclusiveness can be argued to be two sides of the same coin. Both are important to trigger systemic changes in the current CAP. After the first steps made towards designing the National CAP Strategic Plans, ARC2020 has animated a network of national coalitions to answer the question: *How transparent and inclusive is the design process of the National CAP Strategic Plans?*

In this analysis, transparency is understood as the proactive disclosure of public information, such as SWOT analyses, roadmaps and timelines, minutes of meetings, workshop reports and lists of consulted stake-

holders. Stakeholder inclusion refers to the engagement of individuals (or a group thereof) with specific roles and responsibilities.

Good practices and limitations on the level of transparency and inclusion have been analysed via online focus groups and qualitative data collection supported by active national coalitions in six Member States: France (FR), Ireland (IE), Italy (IT), Germany (DE), Spain (ES) and Poland (PL). As background, Table 1 provides an overview of the main milestones achieved by these Member States when this analysis was conducted.

Table 1: State of play in the analysed Member States up to end April 2020

Member States	SWOT analysis			Assessment of needs		
	Starting	Consultation	Publication	Starting	Consultation	Publication
DE	Q1 2019		Link*	Q4 2019		
ES	Q2 2019		Link*	Q1 2019		Link*
FR	Q4 2019		Link	Q4 2019		Link**
IE	Q2 2019		Not available	Q2 2020		
IT	Q2 2019		Link	Q1 2020		
PL	Q3 2019		Not available	Q3 2019		

* Documents published as draft. ES covered both assessment and prioritisation of needs

** Needs assessed, but not prioritised yet

Introduction

To this picture, it should be added that:

- Some Member States, such as IE and DE, are starting to work on the CAP interventions
- FR is running a nation-wide public debate accompanying the design of the CAP SPs
- In some Member States, consultations and documents are still internal and therefore cannot complete this table (e.g. IT is working on assessment of needs, but still internally)
- The timeline across almost all EU countries has been, and will continue to be, affected by the

COVID-19 pandemic and political decisions at EU level (e.g. MFF)

The results presented in the following sections show good practices, but also important gaps and areas to be urgently addressed at EU and Member State level. Therefore, this study calls on the Commission, the Member States, and also NGOs and civil society organisations (CSOs) to implement specific actions to increase the level of transparency and inclusion in the remaining steps before the final approval of the CAP Strategic Plans by the Commission.

#Setting up and updating official communication channels Observations



- Setting up of online pages on the ministry websites and online platforms to streamline information exchanges and communication with stakeholders (e.g. FR, ES, IE, IT)
- Establishment of contact points, mailbox, and references to get in touch with the responsible units in the Ministry (e.g. ES, FR)

- The more effective channel to get updates are informal ones (e.g. IT)
- Slow reactions from the Ministries to NGOs and CSOs' questions & contributions (e.g. PL, ES)

Recommendations

1. The Commission should make the **CAPReform Wiki** established in its [management plan](#) (Pag. 67) publicly available within upcoming weeks to facilitate the overview and follow up of the CAP reform process across the Member States. This includes also giving access to the email address of the Commission's '**geographical hubs**' and publishing a schedule' to inform the submission of documents from the Member States to the Commission (e.g. SWOT analysis, assessment of needs, etc.).

2. The Member States should build and improve existing communication channels, including websites and platforms, to continuously and openly interact with the CSOs, NGOs, scientists. This should include sim-

ple tools adapted to the COVID-19 circumstances (e.g. sections with short videos, monthly webinars).

3. NGOs and any active actors should continue to regularly follow the CAP SPs design process throughout its steps, informing the wider society about the directions taken and defending common positions through communication campaigns and meetings.

#Publishing and updating roadmaps

Observations



- Indicative roadmaps of the CAP SPs preparation have been published online in ES and DE
- Clear and easily accessible timeline for public debate around CAP reform (e.g. FR)

- No publication of any roadmaps (e.g. IT, PL)
- Unclear timelines or referring only to past activities (e.g. IE, IT, PL)
- Static (i.e. without adding specific dates along the process) roadmaps (e.g. DE, ES)
- Access to roadmaps only for appointed stakeholders involved in the design process (e.g. FR)

Recommendations

1. The Commission should foster the exchange among the Member States and increase the overall level of information available to the public. To do this, it needs to update and publish progress made by each Member State in preparing the CAP SPs, while also making available the contact reference of the responsible unit in each Member States.

2. The Member States should envisage more dynamic tools for informing citizens about the progress made

and to be made along their roadmaps. Generic timelines should be complemented with specific dates of important meetings, workshops, milestones.

3. NGOs and CSOs should continue to be active at every step of the process to carefully keep track of the consistency between different elements of the CAP SPs (e.g. interventions, SWOT analyses, assessment of needs, SEA, ex-ante evaluations, other EU and national policies).

#More transparent & effective consultation meetings

Observations



- Facilitated workshops involving a diverse range of stakeholders for the SWOT analysis (e.g. DE, IE)
- Minutes, PPT presentations, documents, and lists of organisations attending the meetings with the Ministry are published online (e.g. IE)
- The list of consulted stakeholders is shared among all participants (e.g. FR)

- Bilateral or collective meetings with stakeholders held without publishing minutes or list of organisations attending them (generally across MS)
- Written workshop reports which do not adequately reflect the outcomes and discussions of the meetings or workshop (i.e. DE)
- Collective meetings with the Ministry are poorly facilitated. Interactions are going in one direction (from stakeholders to the ministry) (e.g. FR, IT)

Recommendations

1. The Commission should publish clear criteria to be used for the negotiation and approval of the CAP SPs, including also criteria related to the transparency and inclusivity of their design process. Good practices should be collected and shared across the Member States and the application of tools should be better supported (e.g. Stakeholder Mapping Checklist. Tool 1.4).

2. The Member States should increase the transparency of their consultation meetings and working

progress. Effective facilitation methods must be deployed for gathering and discussing multiple contributions, utilising the most updated online tools during the COVID-19 restriction measures. Workshop reports should include NGOs input.

3. NGOs and CSOs should organise their efforts with allies from other countries, sharing good practices and limitations, and bring them to suggest improvements to their national ministries.

#Setting up clearer written working procedures Observations



- Justifications will be provided by the Ministry if some contributions from the public debate on the CAP reform are rejected (e.g. FR)
- For the public debate, templates are developed to organise the collection of inputs from stakeholders, including NGOs and CSOs (e.g. Kit “J’organise mon débat” in FR)
- Clear instructions, submission forms, tools, timeline, and procedures for the consultations on the draft SWOT analysis (e.g. IE)

- No feedback or justifications after sending comments or contributions to draft documents (across many Member States).
- Lack of clarity on the procedures for written revisions and final outcomes (across many Member States)
- Updated versions of documents accessible only to selected members of official working groups set up by the ministry (e.g across many Member States)
- Still lack of clarity on the criteria to be used for the prioritisation of needs (across many Member States)

Recommendations

1. The Commission should require the Member States to state the criteria for prioritising the assessed needs and examine their implications on the final CAP SPs.

2. The Member States should set up clearer procedures and timeline for written consultations. Justifications for rejecting proposals should be provided to the NGOs. Enough time should be allocated to receive

contributions. Last minute consultation should be avoided. Templates could be provided for collecting contributions. Each stakeholder contribution should be made publicly available.

3. NGOs and CSOs should ask their Member States to set up clear written consultation procedures, suggesting good practices from other EU countries.

#Better and larger involvement of scientists, civil society and NGOs

Observations



- A lot of input provided by smaller stakeholders (compared to larger farm unions) was considered in the validation of the diagnosis and SWOT analysis (e.g. FR)
- SWOT analysis guidelines developed at National level to encourage and coordinate bottom-up, regional contributions to the CAP Strategic Plans

- Apart from the SWOT analysis, CAP consultations and work are mainly based on 'appointed experts' or official actors, like national and regional authorities (e.g. IT, DE). This limits the contribution of other actors (e.g. environmental NGOs).
- Only a few IT regions conducted their own consultation process and SWOT analysis (e.g. Lombardia). This heterogeneity raises some doubts about the regional coherence and territorial representation at national level.

Recommendations

1. The Commission should:

- Make sure that Monitoring committees are set up soon (Article 111 of CSP Regulation) and that their competency on draft strategic plans is not deleted during the negotiation in trilogues (interinstitutional negotiation);
- Set up arrangements for checking the level and diversity of stakeholder consultation in the Member States during the design of the CAP SPs (e.g. list of organisations, meetings)
- Examine how national SWOT analyses and assessment of needs reflect the regional dimensions in countries like IT, DE, FR, ES, PT, BE. Regional imbalance should be avoided.

2. The Member States should:

- Consult a wide range of stakeholders apart from the official authorities, statistical offices, and farmers unions. Stakeholders from the social, environmental, and economic domains should be consulted in a balanced manner. Do not restrict the civil society consultation to one or two environmental NGOs. Small-farmers or organic farming unions, animal welfare, beekeeper unions, consumers NGOs should also be consulted
- Encourage a public debate instead of limiting the consultations between stakeholders and ministries

- Respect and promote gender equality in every step!
- Encourage contributions and proposals, not only comments and revisions.

3. NGOs and CSOs should continue to

- Network with other ally NGOs and CSOs at EU, national or regional level and build collective knowledge and capacity
- Reach out to the citizens, progressive policy makers, and scientists to collect evidence and opinions for their campaign strategies
- Bridge the information gaps on the future directions of the CAP SPs in your country and mobilise collective actions for more sustainable agriculture, forestry, and rural development.

Conclusions

This analysis has highlighted the urgent need for better exchanges of good practices across the Member States in terms of ensuring transparency and inclusivity while designing the CAP Strategic Plans (CAP SPs). More importantly, it calls on the Commission and the Member States to be more responsible and proactive in this area.

The study is limited only to six Member States, but good and bad practices exist elsewhere in the EU. Online exchanges with national coalitions from other countries highlighted the high diversity across EU. In some Member States, the level of transparency and stakeholder inclusion is very minimal. This study also raises some concerns on the effects of the new delivery model on building decentralised regional governance capacity and better involvement of local stakeholders. COVID-19 restrictions have, in many cases, exacerbated the lack of proactive actions in the Member States. Open meetings, debates, and consultations have been cancelled, postponed or transferred to online formats.

A word of caution: full transparency of public decision-making is impossible. However, it is important to look at the ongoing lobbying and official procedures within the EU institutions and the Member States. Two years after the Commission's proposal for the CAP post-2020 regulation, it is still very difficult, even for the authorities working within the ordinary legislative process, to keep track of the latest documents or amendments approved in the Council. A recent example is the French proposal for (drastically) simplifying the Commission requirements for the performance

reviews (PMEF). The proposal was presented on February 2020 during an expert group meeting held by the Commission (see [agenda](#)), and largely approved in one of the Council Working Party's meetings. However, neither the documents, nor the Member State's positions can be easily accessible.

Some skepticism should also be reserved for what concerns 'inclusion' or 'stakeholder consultation', especially with the new delivery model. While a few coalitions highlighted that their contributions were really taken on board after the consultations, there is generally large scope for all Member States to go beyond a 'box ticking' exercise or any form of tokenism in public consultations. It is not an easy task for large countries to deal with a wide arena of stakeholders and consider their aspects (legitimacy, history, representativeness, etc.). However, special attention should be given to the following: the clarity of procedures; removal as far as possible of barriers to accessing consultations; improving facilitation of interactive methods, timeline, justifications and feedback; and equal representation in terms of gender and stakeholder groups.

Nevertheless, our analysis encourages numerous practical actions to increase the level of transparency and inclusion in the next steps of preparation, including their final adoption. After SWOT analysis and assessment of needs, the design of the CAP SPs includes numerous elements, such as the ex-ante evaluation, SEA (Strategic Environmental Assessment), setting up of targets and milestones, definition of interventions and conditionalities, etc. Much is still to come before we can finally judge the level of transparency and inclusivity in the new model of national strategic planning.



Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

Matteo Metta May 2020

The concept of climate and environmental ambition of the future CAP Strategic Plans is multidimensional, yet clear criteria for guiding a transparent appraisal and approval process are still missing. This article provides a framework and examples of guiding questions to check this concept in all the elements of the CAP Strategic Plans.

There is already a “no backsliding” principle - Art. 92 of the Strategic Plan Regulation - so a lack of clear criteria goes against this. The level of ambition will also be led by both the EU institutions and the Member States in different ways, at different times. To this end, the accompanying document to the EU Farm to Fork and Biodiversity Strategies. Different actors will act as promoters, passives, or detractors in this process until the final CAP Strategic Plans’ approval and beyond. ARC2020’s project on #CAP Strategic Plans will continue to foster a large dialogue across the EU. Stakeholders and scientists are invited to share their views on the progress made by the Member States in designing the CAP Strategic Plans and to send their answers or observations to the guiding questions outlined in this article.

Introduction

Last week’s publication of the **Farm to Fork** and **Biodiversity** Strategies marked an important turning point in the CAP reform, at EU and national level. As expected, the European Green Deal will play a crucial role in the preparation and approval of the National CAP Strategic Plans, along with other factors that have hit the reform process started in 2018 (e.g. Election of EU Parliament, Brexit, MFF negotiations, COVID-19).

With a frozen CAP reform process for one to two years (CAP transitional provisions), there is further scope for revision of content, deliverables and implementation of the CAP reform which should be used to intensify debates and suggestions for improvements

To meet the targets and vision outlined in the European Green Deal, the Commission published an analysis of the links between it and the CAP Reform, which we’ve done an analysis of. There are various innovative elements presented in this analysis, which can potentially improve the basic CAP reform text (e.g. minimum ring-fenced spending for Pillar I eco-schemes). The analysis also emphasises increasing the overall level of climate and environmental ambition of the future CAP Strategic Plans, and the role of the Commission itself in the preparatory process, which will be “further reinforced” because of the EU Green Deal.

With higher flexibility for the Member States to design and deliver CAP Strategic Plans, the question of ‘**how can we ensure higher levels of climate and environmental ambition in the Member States?**’ remains shrouded by doubts and reasonable scepticism. Two years after its reform proposal in June 2018, the Commission still has no straightforward and operational answers for this complex question.

Criteria to approve the CAP Strategic Plans

The Commission is so aware of the lack of transparency and clarity laid out for the approval process of the CAP Strategic Plans that a specific section of the analysis between the CAP reform and the European Green Deal was exclusively dedicated to this aspect (see **Section 3.4.1 Increase transparency in the approval process of CAP Strategic Plans**).

In this section, the Commission explains that CAP Strategic Plans will be approved based on five broad criteria, including one about ‘*their consistency and coherence with the CAP reform regulations*’. Considering the gaps in terms of transparency and stakeholder inclusion along the design process of the CAP Strategic Plans observed in some Member States, the outlined criteria proposed by the Commission continue to raise the suspense instead of urgently taking actions and steering the design process towards clear criteria.

Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

It is expected that the Commission will strictly enforce various articles of the proposal for CAP Strategic Plans Regulation, specifically:

- Art. 92 Increased ambition with regard to environmental- and climate-related objectives
- Art. 94 Procedural requirements, which call the Member States to adopt transparent procedures in the design process

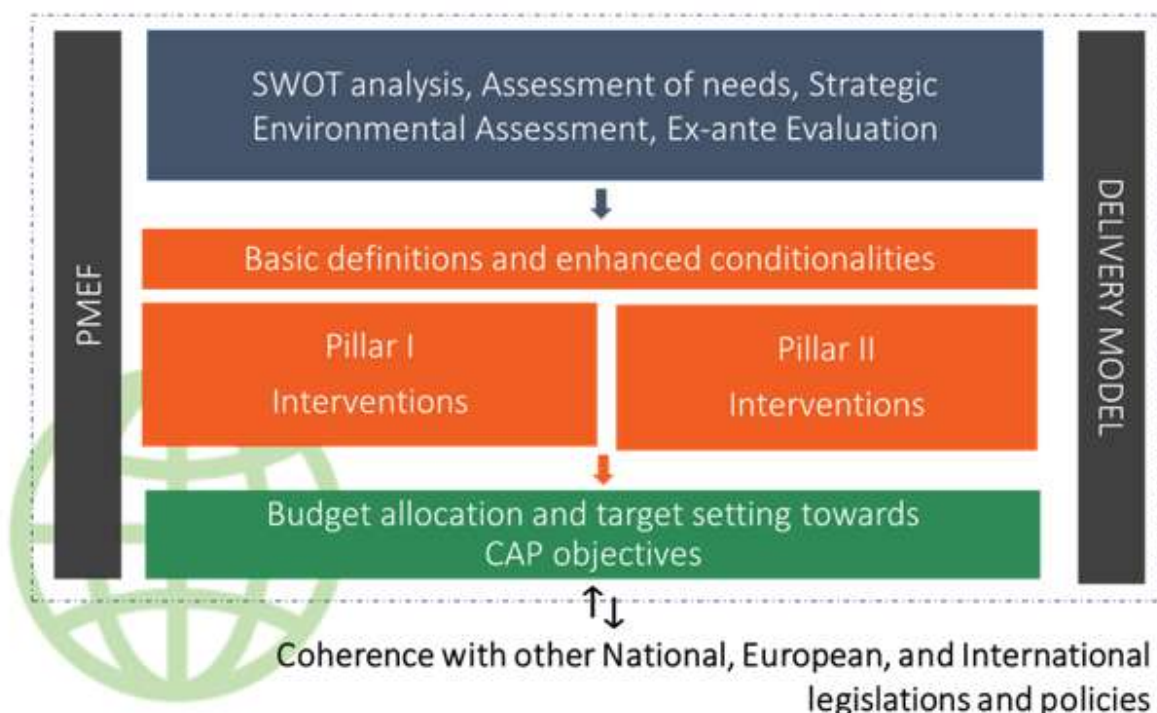
How can we check the level of climate and environmental ambition of the CAP Strategic Plans?

To answer this question, scientists, NGOs, the European Court of Auditors, and civil society organisations

have not been waiting passively. An extensive body of literature, scientific articles, workshops and meetings have put forward specific requests to the Commission and Member States.

One of the main messages coming out from this collective work is that the **level of climate and environmental ambition should be checked and assessed in multiple elements of the CAP Strategic Plans**. This is also confirmed by the Commission's analysis of the links with the European Green Deal (Page 17). To make a quantitative and qualitative judgment about the level of climate and environmental ambition of the CAP Strategic Plan, the following key elements need to be carefully scrutinised (Figure 1).

Figure 1. Key elements to check the climate and environmental ambition of CAP Strategic Plans



Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

Our ARC2020 project on #CAP Strategic Plans calls on NGOs, scientists, civil society organisations working in the Member States to look together at these elements throughout the designing process of the CAP plans.

1. Starting from the SWOT analyses, assessment of needs, SEA, ex-ante evaluation

While in some countries these are considered merely as ‘symbolic’ exercises, these steps are the building blocks of the future CAP Strategic Plans. They can pave the way and justify important decisions in the final plans. It is important to answer key guiding questions, for instance:

- Has the **SWOT analysis been comprehensive**, and covered all territorial aspects related to the environment and climate (e.g. soil erosion, industrial meat production, use of antibiotics in farm animals, water and air pollution)? Have all agri-food sectors been included? This is especially important as it is a building block for later stages.
- Has the **SWOT analysis looked also at the synergies and tensions** among the territorial aspects analysed under each CAP Specific Objectives?
- Have the **needs been prioritised based on a combination of qualitative and quantitative criteria**, as for environmental needs which require specific GIS analysis showing low, medium and high level of need (soil erosion, water quality, soil organic matter, etc.)?
- Has the **Strategic Environmental Assessment expert** been appointed in a transparent way since the **early stages** of the design process of the CAP Strategic Plan?

2. Basic definitions and enhanced conditionality

The “essential is invisible to the eye” *Antoine de Saint-Exupéry (Le Petit Prince)*. Anyone who has ever signed an agreement can confirm how important the contractual conditions are! For the purpose of analysing the level of environmental ambition, it is important to check for instance:

- Have **additional standards** been prescribed to those laid down in Annex III of the Commission proposal, Art. 12(2)?
- Have standards been retained under conditionalities or have they been moved to eco-schemes?

- Have clear and updated procedures been established to monitor, on a large scale, farmer compliance to the enhanced conditionality?
- Has a **system for providing the Farm Sustainability Tool for Nutrients** been established?

3. Pillar I and II interventions: all together

While Pillar I and II interventions can be addressed individually, to draw conclusions on the overall level of environmental ambition, these two key elements need to be checked systematically and all together. Under Pillar I, we suggest answering the following questions:

- Have direct payments been designed with a view to **rewarding sustainable food production methods and the provision of public goods** (e.g. biodiversity protection, maintenance of soil carbon stock, genetic diversity of plant and animal reproductive material, forest fire prevention)?
- Have **coupled direct payments to harmful and intensive production systems** been cancelled or re-qualified with environmental and climate criteria?
- Have **new eco-schemes and direct payments been designed with a bottom-up approach**, e.g. discussed and tested with farmers to analyse their motivations to participate, as well as to test their efficiency and effectiveness to deliver public goods?
- Has a new infrastructure supporting **diversification of production** been included, favouring extensive crop rotation, mixed farming systems, leguminous crops and short inputs and nutrient cycles?

Similarly, for Pillar II interventions, the following questions can be checked in the CAP Strategic Plans:

- Have Agri-Environment-Climate commitments been **discussed, designed, and tested** with a bottom-up approach?
- Has double funding been avoided between **Pillar I Eco-schemes and Pillar II AEC commitments**?
- Has the support to **AEC commitments been paired up with farm advisory services** to help farmers in meeting the commitments?
- Has a **spatial planning or landscape-level implementation** been used to design, target, and monitor the performance of 1) interventions for AEC commitments, 2) payments for areas with natural constraints and 3) payments for areas with specific disadvantages resulting from mandatory requirements?

Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

4. Budget allocation and target setting

Finance is pivotal for backing up a climate and environmentally ambitious CAP Strategic Plans. This can be checked by answering key questions, like:

- Has the budget flexibility in the Member State been used to increase the **budget to targeted payments for public goods in Pillar 2**?
- Has a **significant budget been ringfenced** for climate and environmental interventions in both CAP Pillars?
- Has a **minimum budget been allocated for testing innovative interventions**, like result-based payments, collaborative implementation and auction models for the provision of AECM?
- Have the **baselines been clearly set up for measuring the achievements** towards annual milestones and targets?

5. Performance Monitoring and Evaluation Framework

The PMEF is certainly complex – and unless you sit in on one of the Council working meetings or Commission offices, you will have a hard time having your say (See more on this [here](#)). In any case, the philosophy of the PMEF will always be the same: *‘Member States can develop their own national evaluation plan complementary to the common PMEF’*. Therefore, the key questions are the following:

- Has an **additional data and indicator system** been developed complementarily to the *common* PMEF at EU level, particularly to assess the CAP environmental **effects (not only delivery performance)** on biodiversity, water, soil, emissions, etc.?
- Have the **gaps in list of indicators of the PMEF** been filled up with national and regional indicators aligned with all 17 SDGs goals?
- Have specific evaluation questions and methodologies been developed at the early stage of the CAP Strategic Plans **to assess the tradeoffs and negative tensions** of multiple CAP interventions on the environment, society, and rural economy?

6. Delivery model

In the name of ‘higher flexibility and subsidiarity principle’ for the Member States, higher climate and environmental ambition means answering questions like:

- Have **approaches to reduce the administrative costs of agri-environmental benefits** been designed in the CAP SPs, with a view to reaching higher levels of efficiency and effectiveness?
- Have **environmental Pillar II interventions delegated to regional authorities** been designed and based on regional SWOT analyses and assessments of needs?

7. Coherence with other National, European, and International legislations and policies

Someone calls it: “the big picture”. Others call it: ‘external coherence’. This element is about checking how the CAP Strategic Plans align and address other National, European, and International targets, legislation and policies. Annex XI to the Commission proposal provides an initial list of EU legislation concerning the environment and climate. To this end, the Farm to Fork and Biodiversity strategies targets and actions need to be considered in the CAP Strategic Plans.

Finally, while this list of guiding questions can be further extended or specified in more details, we encourage their application when appraising the CAP Strategic Plans throughout the designing and ex ante evaluation phases.



Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

What role can one play in the designing process?

With the transitional provisions slowing down the CAP reform process, much can be done to play an active and promoting role supporting the Member States until the final adoption of the CAP Strategic Plans. In this process, it is important to act as promoter in all

its possible forms: exchanging good practices among the Member States, backing up ambitious targets and working on solutions to improve or achieve them, actively participating in transparent dialogues between the Commission and the Member States, following Council's working meetings and supporting preparations in the trilogues.



Level of climate and environmental ambition in CAP Strategic Plans =

Promoters - Detractors



Increasing the level of climate & environmental ambition of the CAP post 2020

A promoting role means turning external events like COVID-19 into an opportunity to change for the better. This work is against detractors who continue to water down and increase the level of vagueness of the CAP Strategic Plans. Detractors use the challenges towards a greener agriculture as arguments to backslide the CAP, postponing reforms, or asserting short terms trade-offs between the environment and the economic dimensions of the farming, instead of working on urgent and long-term solutions. Which role would you like to play?

Conclusions

Here ARC2020 has analysed the implications of the CAP reform and the links with the European Green Deal on the CAP Strategic Plans. The concept of cli-

mate and environmental ambition is multidimensional. It needs to be addressed in all the elements of the CAP Strategic Plans. A lack of clear criteria set up at EU level can negatively compromise the “No backsliding” principle of the CAP reform. The level of ambition is in continuous development between the EU institutions and the Member States. Different actors will act as promoters, passives, or detractors in this process until the final plans’ adoption and beyond.

Our ARC2020 project on #CAP Strategic Plans will continue to foster a large dialogue across the EU. Stakeholders and scientists are invited to share their views on the progress in designing the CAP Strategic Plans in the Member States, and to send their answers or observations on the key questions outlined in this article.

Climate and environmentally ambitious CAP Strategic Plans: based on what exactly?

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European Green Deal: revving up for CAP Reform, or more hot air?

Matteo Metta June 2020

The Farm to Fork and Biodiversity strategies have revived the public debate around the long-term future of the CAP. That debate was temporarily overshadowed by the COVID-19 crisis, but much remains to discuss. Before we wade in, it is wise to reflect on where the discussion can take us – and how it can distract from the CAP reform problems more in need of a solution.

CAP reform back on the table

The first (political) effect of the Farm to Fork and Biodiversity strategies has been the reassertion of the initial proposal for a CAP reform, including its highly discussed performance-based delivery model and green architecture. After two years of work and debates, the possibility of **restarting the CAP reform process from scratch** is now very unrealistic, especially with two transitional years of CAP and the growing discontent on several elements of the reform.

By stressing the (potential!) compatibility with Farm to Fork and the Biodiversity strategy, the European Commission inherently enshrined its first proposal which, among others outcomes, will bring more ‘simplification’ in Brussels and shift more responsibilities to the Member States.

This will essentially sideline all of the concerns about the new performance-based delivery model, which is at the heart of this reform, and its potential detrimental effects on building decentralised governance capacity in regionalized countries like Italy, France, Spain, Germany, Portugal, etc.

Delay tactics and softly-softly approach

The second effect of the EU Green Deal is the political debate. This was quite predictable considering the real nature of F2F and the biodiversity strategy. The commentary on the links with CAP reform is growing by the day, across the political spectrum.

The Farm to Fork and Biodiversity strategies are “the beginning of a discussion, rather than the end” said Wolfgang Bartscher, Director-General of the Commission’s DG for Agriculture and Rural Development, in a [webinar](#) with the Irish Farmers Journal on June 4. He added that ambitious environmental targets are “aspirational” and “subject to an impact assessment” that should consider also potential tradeoffs with food security, farmer competitiveness and income.

Questioned from an Irish farming perspective – from which F2F’s 25% organic farming target seems very far off – Bartscher also explained that the Commission will adopt a **case-by-case approach when appraising the level of environmental ambition of the CAP Strategic Plans**. This will allow for consideration of the different baselines in relation to the EU targets.

While the Farm to Fork and Biodiversity strategies are meant to increase political ambition for a greener CAP, in practice, we can already observe the following trends:

- **Member States’ tendency to maintain the current CAP structure.** Old mantras like ‘food security’ and ‘farm competitiveness’ are coming back strongly in favour of business as usual.
- **Member States’ call for impact assessments and stakeholder consultations as delay tactics to avoid making commitments in the CAP Strategic Plans.** Although the call for impact assessments and stakeholder consultations appears to be legally sound, it contradicts with national political contexts which ignore broad stakeholder consultations, uncomfortable evidence, contending science, and any kind of sensitive assessments asking for a fairer distribution of CAP payments in line with a socially just and green reform.
- **The Commission’s softly-softly approach with the Member States** and the sloppy interpretation of how the CAP Strategic Plans will be checked in relation to the European Green Deal and increased environmental and climate ambition.

European Green Deal: revving up for CAP Reform, or more hot air?

To these pragmatic aspects, we should also add the technical problems. These are always useful to escape from serious commitments and accurate accountability mechanisms, e.g.:

- lack of harmonised definitions of the targets,
- lack of updated baseline values identified in the SWOT analysis,
- problems with methodologies and data collections,
- unclear mechanisms to use targets in policy making (e.g. rewarding, rejecting, amending CAP Strategic Plans).

Bigger budget – but for what?

When the EU's Ministries of Agriculture do unite in chorus, it's to sing for a bigger CAP budget. In May 2020, the Commission presented a new proposal for funding the CAP in the period 2021-2027. Even though the new proposal represents a **total 2% increase** (in real terms) compared to the 2018 proposal, questions remain as to how the budget will be spent.

Will the CAP reform post-2020 be remembered as a **waltz** of the European Parliament & Agri-Ministers of the Council, in which voluntary ecoschemes glide in to take the place of basic standards from enhanced conditionalities that are mandatory for all beneficiary farmers?

If the Farm to Fork or Biodiversity strategies are going to play out as political nudges instead of serious policy commitments, will the Member States and the Commission at least enforce basic EU laws when it comes

to transparency (Art. 94 on procedural requirements of CAP Strategic Plans Regulation) and the no backsliding principle (Art. 92)? Considering the reluctance of several Member States to open their procedures up and disclose public information to citizens, there is little hope for a transparent negotiation between the Commission and the Member States.

Sharpening the focus on reform

Increased ambition will also increase the budget to ensure a socially just transition. There is growing recognition of the power of research & innovation, farm advisory services, and digitalisation to solve many of agriculture's sustainability problems. Nevertheless, we should not forget that these activities are becoming increasingly privatised and hijacked by commercial interests across the EU. These services should instead be channelled into the provision of freely accessible and regular **agri-environmental checks and farm advice**, which will ultimately help farmers to cope with these sustainability challenges on the ground.

The discussions about the Farm to Fork and Biodiversity strategies can fog Member States' outlook on serious CAP reforms – or sharpen their focus. Although there are some controversial aspects that are not covered by either strategy (e.g. lack of targets set up for herbicides and organic farming **in livestock**), it is important to instrumentalize both strategies to call for specific and immediate policy changes.



CAP Strategic Plans on climate, environment – ever decreasing circles

Matteo Metta July 2020

This analysis is based on focus group meetings with national civil society organisations involved in the preparation of CAP Strategic Plans in the Member States, and follows up previous publications about criteria to check the level of environmental and climate ambition and CAP compliance with the European Green deal.

The preparations of CAP Strategic Plans

At Member State level, preparatory activities proceed in line with the progress made in the Council. The following general trends, explained in more detail in our CAP SP series, have been observed:

- **Drafting of generic SWOT analyses and assessments of needs (wish lists)**, which do not express any quantitative/qualitative commitments, leaving room for designing the CAP interventions and budget allocation regardless of (stated) evidence and facts. It seems that Member States are avoiding making themselves accountable in these preparatory phases, which can ultimately be useful to make cosmetic changes in the CAP Strategic Plans.
- **Low transparency and restricted stakeholder involvement**, with limited considerations given to the recommendations advanced by civil society organisations in Ireland, Italy, Germany, Spain, Poland. In Germany, **the associations of the joint platform has advanced specific requests for the eco-schemes in the CAP Strategic Plan**. In France, a **report summarising the outcomes of the public debate** has been published and sent to the Ministry of Agriculture. The report shows the prioritisation of the CAP objectives according to the French citizens involved in the debate, as well as the suggestions for the new CAP Strategic Plans. An official reaction from the Ministry of Agriculture is expected soon. Similar proposals for a more sustainable CAP have been made in other countries, like Poland, Spain, Ireland, but with a few positive reactions or no answer at all. In all these attempts, there seems to be little

space for a deeper policy shift. The highest power in shaping the CAP is still concentrated in the hands of the strong triple alliance: 1) agricultural ministries, 2) farmer unions, and 3) large food industries pushing for keeping ‘business as usual’. There is a growing feeling among progressive NGOs that the stakeholders involvement will be even lower when important decisions must be taken on the CAP Strategic Plans.

- **Low take up of the lessons learned and results of EIP-AGRI operational groups** dealing with result-oriented agri-environmental and climate management (AECM) schemes. In this respect, Member States can be more serious and proactive in designing CAP interventions based on these innovative initiatives, which otherwise will remain only nice to read in magazines and newsletters instead of being approached to scale up and out into the wider agricultural sector.
- **Unclear decentralization of responsibilities in Member States with regional authorities like Italy, Germany, Spain, etc.**, especially with a view of designing more innovative and bottom-up interventions at regional level. Most likely in France, area-based measures, including AECM schemes, will be managed centrally by the national government, whereas the non-area-based measures will be delegated to the regional authorities. In Italy, Germany, Spain, rural development interventions will most likely be delegated to the regional authorities as it is in the current programming period. Does this represent a move away from the problematic ‘one-size-fits-all’ approach fomented by the politicians in Brussels?
- **Lack of serious proposals to reduce the administrative burden and improve the Farm Advisory Services**, which will be essential to help farmers in meeting multiple CAP objectives.
- **Lack of initiatives or intense work to design ambitious eco-schemes and AECM with a bottom-up approach**, which would include farmers, ecologists, environmental NGOs, civil society organisations,

and ITC experts. On the other hand, we noticed an **increase in attention towards reconciling eco-schemes with ‘private sustainability schemes’, which are voluntarily adopted at farm level.**

Some examples of private sustainability schemes are the **High Environmental Value certification** in France or the **Glanbia Ireland Payment** to boost biodiversity in dairy farms. Other **examples were presented in the European Parliament** to lobby/advise the Renew group.

While these initiatives are gaining ground on the assumption that the market can well manage and oversee the environmental sustainability of European farmers, there is currently no evidence or trusted systems in place to prove that this is true or even better than building an effective CAP control and performance system. There is also concern that these private schemes will result in an increase of administrative costs of CAP delivery in terms of double compliance check.

Furthermore, these schemes assume the well-functioning of ‘integrated point systems’ or ‘sustainability performance indicators’. The question is: will they really be less broken or more effective than the current public auditing, monitoring and evaluation of the CAP? Well, considering what is going on between the Commission, the Council and the Member States, and the challenges in building a serious control system and performance-oriented CAP, can we really expect something better from privately managed and certified eco-schemes – supported by public money?

The CAP reform at EU level

In our project on #CAP Strategic Plans, ARC2020 also follows the works in the Council. It might sound exaggerated but, as shown in the **progress report** about the last six months of Croatian Presidency, there has been little left of the initial Commission proposal for a CAP reform.

With the negotiations on the budget for the MFF 2021-2027 still ongoing, and the two-years transitional provisions almost agreed in the trilogues negotiations, there might be some opportunities to really reform the CAP. However, the progress made so far does not offer high hopes. Paradoxically, looking at points 16 to

20 about the Performance Monitoring and Evaluation framework (PMEF), the progress report shows that we might even end up with a new CAP which is less performance oriented than the current one. Under the name of simplification, Member States are working hard to undermine the tools for the Commission to steer the policy along the programming period. Additionally, the report explains that Common monitoring and evaluation indicators might be finalised in delegated acts, instead of the basic legislation. The timeline and working procedures for completing this list are still uncertain. Furthermore, the report shows how the Council is trying to:

- **Water down the proposal for a more performance-oriented CAP**, by drastically reducing the number of indicators subject to (now biannual) performance review or strongly weakening the policy mechanisms linked to the PMEF (e.g. postponing reporting timing, increasing flexibility for deviations to targets and milestones, excluding impact indicators from mid-term review).
- **Gloss over the compliance with the EU Green Deal**, by delaying its robust integration into the current CAP Strategic Plans.
- **Weaken the control system and penalties in relation to enhanced conditionalities**, leaving space for the Member States to deal with non-compliance in an already limited number of *on-spot checks* over the total CAP beneficiaries.



CAP & the Global South: National Strategic Plans – a step backwards?

Hans Wetzels July 2020

Slowly the CAP has become less focused on only promoting exports and more on sustainable development. But that progress might be undone once member states start formulating their own agricultural policy objectives.

Introduction

The EU is a global agricultural powerhouse. Europe imports large quantities of raw commodities like soy, sugar cane or palm oil, tropical fruits and vegetables, while feeding a steady stream of processed foods, grains, dairy and meats back into the world market. EU-food and retail companies are among the biggest on the planet, its farmers receive hefty subsidies and decisions made in Brussels as well as any other European capital can create ripple effects impacting development and food security around the world.

The effect of that ripple can be either positive or negative, says Gilbert Bor. He runs a small farm in the western highlands of Kenya. The landscape around his town, Kapseret, is hilly, soils are colored a deep-red. Village roads are lined with pine trees, cows mostly of the Friesian breed. Besides running his own farm, Bor writes essays and lectures at the regional agricultural university.

Driving around town, Gilbert Bor regularly stops to talk to laborers or inspect cattle. Most farmers in the region grow maize or beans for subsistence. They seasonally collect their seeds in small wooden sheds and have constructed a drainage system for themselves, by themselves. Lately things have been changing for the better around Kapseret. Some years ago, the farming community decided to collectively invest in a milk storage facility to strengthen their bargaining position on local markets, while regional authorities started promoting cash-crops like avocado's or coffee to move farmers up the value chain.

Every morning he gets up at 6 to lead his cows through the woods into the valley below. Recently he planted coffee instead of maize for the first time, he explains. Seedlings were handed out for free by regional authorities: 'For higher value products like coffee, the EU is an important market, so I'm hoping to be able to export,' Bor explains hopefully. 'A lot of what Kenya exports is exempt from taxation in Europe. That also goes for Ghana, Nigeria or Francophone countries.'



photo: Hans Wetzels

Sound policies targeting rural areas for development are absolutely crucial in order to stop the endless exodus of young Africans to the hellish slums of metropolises like Nairobi, but also to stem the seemingly endless stream of migrants risking their lives on the Mediterranean Sea to reach Europe.

Farmers like Bor play a crucial role in that development. For them, the EU can either be a crucial market for African produce, or a major competitor able to overflow local markets with cheap and highly subsidised foods. For that reason, Bor keeps a close eye on the new EU Common Agricultural Policy (CAP) that will shift legislative responsibility from the European Commission to member states.

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‘Almost all EU-countries purchase Kenyan agricultural goods,’ Bor admits. ‘Up until now, farmers who profited most from exports to Europe, were sophisticated companies, doing horticulture or growing flowers. But there are also opportunities for small farmers like me in the organic market for coffee. That depends on what importing countries like Germany or the Netherlands decide to do. African farmers must keep a close eye on EU agricultural policy because it is important for our development. Especially now that the European Commission wants to shift a lot of the decision-making about such things back to national governments. Decisions taken in the EU matter for African farmers.’

Appraising the National CAP Strategic Plans

In 2018, the European Parliament for the first time commissioned a report to research the impact of the EU Common Agricultural Policy (CAP) outside of Europe. That study was head-authored by Professor Maria Blanco of the Technical University in Madrid. ‘During this most recent legislative CAP-period, we have seen progress in the CAP getting better aligned with development goals. But there is still room for improvement,’ Blanco explains. ‘Measuring the external effects of the CAP is complex. Look at sugar, for example. The European Commission wants to tax EU-consumers because they consume too much sugar. At the same time, we keep subsidising our own farmers to produce big quantities of cheap sugar beets.’

The direction of the CAP has for decades been decided at the European level. Since 2014, the CAP has tried to become more compatible with international sustainable development goals than before, the Blanco-report concludes; mainly by phasing out trade-distorting export subsidies and better aligning European with world food prices.

However increased export opportunities for developing countries on an equalised world market, have often proven dangerous for the global south, the Blanco-report concludes. More trade does not necessarily mean better incomes for small farmers, it can put pressure on the environment or bring into a country financial interests for which judicial systems might not be ready, facilitate displacements of local peoples or disrespect human rights, Blanco explains: ‘To stick with

the sugar example; importing sugar cane from outside Europe would actually be cheaper and in theory create economic activity in the global south. However, importing commodities from developing countries could also not at all stimulate sustainable development because we would facilitate land grabs or environmental pollution on the other side of the world.’



photo: Hans Wetzels

In 2018, the European Commission decided to shift legislative responsibility back to EU member-states by allowing them to write National Strategic Plans. How this will play out for developing countries is still unclear. ARC2020 will further analyse possible implications of such policy proposals.

‘Any change in the CAP may have considerable influence not only on domestic markets but in the whole world. If you’d want to assess, ex ante, the possible effects of the upcoming National Strategic Plans, you’ll have to look beyond the CAP,’ Blanco explains. ‘Agricultural policies mainly impact farmers. But the biggest challenges for developing countries lie at other levels of the food chain. The CAP is often not the main driver in those cases. Even in the EU, farmers are not the most important beneficiaries in the web of legislation related to food and farming. Food industries have much more firepower in this respect. Fully understanding the National Strategic Plans implies finding out who’d benefit the most.’

Ongoing dumping

Agriculture has always been at the core of the European project. That, after all, started out in the wake of World War II on the premise of peace, prosperity and achieving food security. As a means to this end, the Common Agricultural Policy (CAP) was conceived in 1962 as a strategy to provide affordable food to citizens and a fair wage to farmers – mostly by imposing strict border protection on imports and fixing commodity prices in Europe at levels well above world markets.

As a result, European agriculture became so efficient that surpluses piled up in a range of key commodities. As a solution, European authorities introduced export refunds for farmers selling cheap on world markets – with terrible consequences for the development paths in the global south. European export subsidies put downward pressure on food prices by overflowing markets, destroyed local farming economies and caused many direct and indirect detrimental effects on the environment as well as working conditions.

Even in recent years, a proposed boost in German dairy-exports has been heavily criticised for the potential economic damage in developing countries, Italian processed tomato paste has increasingly driven local canning factories in Ghana out of the market, while surging exports of chicken meats, powdered and re-fattened milk to Western-Africa after the elimination of EU-milk quotas in 2015, could compound imbalances still further. ‘This ongoing dumping of cheap EU-produce in Africa had undermined livelihoods of farmers in developing countries,’ UN-rapporteur and director of Brussels based thinktank IPES-Food Olivier de Schutter explains. ‘Farmers who do not benefit from subsidies and cannot compete on price terms. Civil society has been raising this issue for decades, suggesting for instance that developing country producers should gain access to judicial remedies in the EU to compensate.’

Highly problematic

More recently, markets for European farm produce have come under pressure due to Brexit, an increas-

ingly protectionist United States and the coronavirus outbreak. In such an economic environment it’s questionable whether EU-governments would still prioritise developmental and sustainability concerns over seeking out new markets in Asia, Latin America or Africa to strengthen their respective agricultural sectors by maximizing output. ‘The real challenge now is that member states will not be as ambitious in their national plans as the CAP itself is right now,’ Blanco fears. ‘I’m afraid that if we lose EU-coordination in favor of national plans, we also lose our best instruments to apply common objectives. Every country will naturally think first about what’s best for their own agricultural economy, instead of considering EU-interests or even the developing world.’

The National Strategic Plans could also prove highly problematic if they’d lead to imports from developing countries facing new and unpredictable barriers at the national level, De Schutter says: ‘If countries concentrate their environmental measures on non-strategic sectors, while relaxing the requirements on and boosting the competitiveness of core export sectors, this could lead to intra-EU trade distortions and even dumping on external markets.’

Conclusions

European agriculture has, by default, a big impact on agricultural systems, livelihoods and development paths around the world. But that impact does not have to be a negative one. A true shift toward sustainability in the EU would create a ripple effect around the world. EU-countries that imported the most organic products in 2019 were the Netherlands (32%), Germany (13%) and Belgium (11%) – with 70 percent of those imports coming from China (13%), Ukraine (10%), Dominican Republic (10%), Ecuador (9%), Peru (7%), Turkey (7%) and India (5%). Imports from China include organic oilcakes, while Ecuador, the Dominican Republic and Peru supply Europe with tropical fruits, nuts and spices, and Ukraine, Turkey and Kazakhstan mainly export organic wheats.

In Kenya, almost 80 percent of farmers work plots smaller than 20 acres. They mainly produce for local markets. But demand for cash crops from Kenya is on

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the increase. A new trade agreement might ship off up to 40 percent of Kenyan avocados to China. But for coffee, mangoes, macadamia nuts or peanuts Europe would remain crucial. According to EU-statistics, trade with African, Caribbean and Pacific (ACP) countries represented 12 percent of all European agri-food imports in 2016.

But a simplified focus on trade has in some countries resulted in displacements of local populations and adverse impacts on rural livelihoods – instead of bringing the development promised.

In the report *Money Flows (2020)* De Schutter's think-tank, IPES-Food, analysed a total of 445 agricultural development projects in Kenya with a cumulative bud-

get of nearly 1.2 billion dollars. More than 70 percent were limited to supporting industrial agriculture via improved pesticide practices, livestock vaccines or reductions in post-harvest losses – mainly because the key imperative to produce large volumes of cheap commodities is hardwired into the global market, De Schutter argues: 'In fact, the biggest problem still is that policies are aimed at helping companies to access commodities from various world regions at the lowest cost. Small-scale farmers in developing countries and in the EU itself pay the price. Despite CAP-reforms over the years, the EU does not seem to want to renounce its vocation as one of the world's leading agricultural exporters.'



The EU Association Agreement with Central America and the case of Honduran banana supply chain.

Melina A. Campos October 2020

This article examines some weaknesses of the Association Agreement between the European Union and Central America in the context of the EU Common Agricultural Policy reform post 2020. The specific focus is on the ‘Special Treatment on Bananas’ conceded to Honduras and its interlinkages with the Common Market Organisation (CMO). The EU CMO and its import/export licences are intertwined with trade power concentration in multinational exporters, EU supermarket price pressure on banana producers, and the impact on labour rights in Central America.

The article suggests that Central America countries should be subject to deeper impact assessments when signing an Association Agreement with the EU. Finally, this contribution raises some questions on the reform of the CAP post 2020.

The importance of Central America¹ in the World Agricultural Market

The story of Central American (CA) agricultural affairs cannot be told without the birth and the international emergence of the fresh fruit trade industry. With their presence in the region (from Guatemala to Panama)

since 1889, American fruit multinational companies (United Fruit Company, Standard Fruit Company, and Cuyamel Fruit) built a striking empire: the fresh produce industry has endowed the region with an unprecedented infrastructure exclusively for exporting bananas to the United States of America (USA).

Colloquially, and somewhat disparagingly, CA nations are known as “Banana Republics” given the socio-political consequences that those American multinationals left behind (Bucheli, 2008). Over time, these multinationals have evolved and developed their business internationally into what we nowadays know as Chiquita, Del Monte, Dole, Fyffes, etc.

Over a century later CA is still an important player for agricultural exports worldwide. The region excels in the export of several agricultural commodities, such as coffee, fresh fruit, and vegetables, seafood, amongst others. According to the Trade Map Data², when consulting the 2015-2019 export data organized by **Harmonized Commodity Description and Coding System**, commonly known as the **Harmonized System (HS)** in four-level tariffs, CA nations are in the top rank of exports on several products. The following table summarises their performance:



¹ Central America is politically integrated by the Republics of: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

² <https://www.trademap.org/Index.aspx>

Table 1: 2019 Ranking of Central American countries' performance by delivering agricultural commodities worldwide (In terms of metric tons)

	Foliage	Roots & tubers	Bananas	Pineapples	Melons	Coffee	Palm oil	Coconut Oil	Cane sugar	Molasses
Costa Rica	11th	7th	4th	1st	11th	22nd	11th	12 th		
El Salvador									16th	9 th
Guatemala	13th		3rd		2nd	11th	4th	8 th	5th	6 th
Honduras			10th	21st	5th	5th	10th	13 th		12 th
Nicaragua		19th	19th			13th			17th	14 th
Panama			13th							

Source: Own elaboration with Trade Map data

When analysing Table 1, CA agricultural exports concentrate on the export of bananas, pineapples, melons, coffee, palm/coconut oil, and sugar cane and its by-products. The CA nations are between the **top 20 countries producing and exporting these commodities** in terms of metric tons (MT).

It is also important to mention that the major production locations are: Costa Rica (CR), Guatemala (GT) and Honduras (HN). El Salvador (SV), even though it is a country with a small territory, mainly focuses on sugar cane production. Panama (PA) is still competitive in the production and export of bananas. Nicaragua (NI), although it does not export as much as its neighbors, is still exporting these commodities to the EU.

The EU and Central America relationship: from a dialogue to the Association Agreement

Since 1960, Central America has been an economically and politically integrated region³. The 1984 San José dialogue constitutes the first **economic and political dialogue** between Central America and the EU. After its incorporation in Luxembourg in 1985, this dialogue evolved as a form of high-level political and economic annual meetings which lasted over a decade (Europe-

an Commission, 1997). The first **cooperation agreement** was signed between both regions and came into effect in March 1987.

In 2000, the EU signed the Cotonou Agreement to commit for a policy framework which improve the welfare conditions in developing nations. With the Cotonou Agreement, the EU institutionalised the **Economic Agreement Partnerships (EPAs)** with the African, Caribbean, and Pacific (ACP) countries.

In 2005, the EU and Central America countries started to review their EPAs and give birth to a new **Association Agreement** (Council of the European Union, 2005). The negotiations took place between 2007 and 2010 and came into effect in 2013. Here is a summary. The Association Agreement had three underlying pillars: a) a political dialogue; b) cooperation, and c) trade (European Commission, 2012). The regional strategic paper 2007-2013 about Central America provides a more comprehensive landscape about the EU-CA relations in political, cooperation, and trade relations prior to and during the Association Agreement's negotiation. Furthermore, it highlights the importance of the EU donor approach in the region (European Commission, 2007).

³ The evolution of Central American Integration process can be found at the Organization of American States library: http://www.sice.oas.org/SICA/instmt_e.asp

Prior to the Association Agreement, the EU granted various **Generalized System of Preferences (GSP)** to Central America. GSP remove import duties from products coming into the EU market from economically vulnerable countries. Different types of GSP were granted to Central America (Campos, 2016):

- 1999 - 2001: the GSP without any special arrangement/incentive
- 2002 - 2004: with special arrangements to combat drug production and trafficking
- 2005 - 2008: with special arrangements/incentives for sustainable development & governance
- 2009 - 2011: without any special arrangements/incentives
- 2012 - 2013: without any special arrangement/incentives.

The EU typically signs Association Agreements in exchange for political, economic, trade, or human rights commitments in a country. In exchange, the country may be offered better trade conditions (e.g. tariff-free access) to some or all EU markets and financial or technical assistance.

When comparing the GSP schemes (1999-2013) and the Association Agreement between the EU and Central America, the market access conditions did not change for pineapples, melons or palm oil, simply because these products were not subject to any import duties from the EU side. For bananas and coffee, which were **import sensitivity products** (i.e. products that are socio-economically sensitive to free competition), market access conditions were upgraded, and trade restrictions were relaxed with the conclusion of the Association Agreement.

Analysis of the EU-Central America's Association Agreement (and links with the CAP)

This section describes how some aspects of the CAP, namely the export licences with third countries established in the Regulation 1308/2013 on the Common Market Organisation, which were implicitly negotiated in the Association Agreement with Central America

countries, are linked to the banana export sector in Honduras.

The case of export licences for Honduran bananas

Central America countries deliver 20% of the region's banana production to the EU market, some of which is then also re-exported. In 2019, Belgium and the Netherlands were the 6th and 7th banana exporters worldwide⁴.

Bananas are still a sensitive traded product between both regions. Thanks to the Association Agreement, Central America countries were granted a special treatment with tariff rate quotas. This allowed a **pre-determined quantity** of a product to be imported at **lower import duty rates** (in-quota duty) than the duty rate normally available for that product. As of 2020, the EU will cut its tariff to 75 €/t compared to 114 €/t applied since 2017. Central American exporters must apply for an export licence for being able to export bananas to the EU market. The issuance of such licences has been a duty of the Ministries of Commerce of the Central America region.

Statistical data provided by the Secretary of Economic Development of Honduras⁵ confirms that in the years of implementation of the Association Agreement with the EU, a high number of banana export licences were issued in favor of **multinational companies**.

⁴ Data compiled from <https://www.trademap.org>

⁵ <https://sde.gob.hn/>

Table 2: Overview of Honduran banana export licences issued under the Association Agreement with the EU

Years of Association Agreement Implementation	Total Number of issued banana export licenses	Number of export licenses issued to multinational exporters	Number of export licenses issued to Honduran producers who export banana via multinational exporters	Number of export licenses issued to Honduran producers who directly export banana
2013	28	28	0	0
2014	250	44	196	10
2015	258	52	204	2
2016	314	69	245	0
2017	409	201	208	0
2018	409	234	163	12
2019	140	120	20	0
TOTAL	1808	748	1036	24

Source: Own elaboration with data from the Secretary of Economic Development of Honduras

Between 2013 and 2019, from a total of 1808 export licences, 748 were issued for multinational exporters. And 1036 licences were issued to Honduran producers that supply their bananas to multinational exporters. This represents a high concentration of trade in multinational exporters.

“In 2019, out of 140 banana export licences, 120 were granted to multinational companies and their suppliers”.

According to a former Chiquita employee, today active member and ex-president of the Honduras National Banana Producers’ Association (Asociación de Productores de Bananos Nacionales), both Banana production and export in Honduras is still in the hands of multinational companies (Personal communication, September 29th, 2020). Usually, multinationals do not just possess their own crop parcels, but also buy bananas from Honduran growers. Although multinationals still own the banana export infrastructure in Central America, Honduran producers can apply for individual export licences. However, their banana pro-

duction is usually sold to multinationals who can thus consolidate exports and organise the sales process for the EU market.

As the table No. 2 provides evidence, very few Honduran banana growers export directly to the EU. This market situation does not reflect the desired Association Agreement’s trade welfare objective to strengthen the market access for Small and Mid-size Enterprises (SMEs) in Central America. Title III on social development and social cohesion, article 41, section b) of the agreement literally supports this point:

“trade and investment policies, bearing in mind the link between trade and sustainable development, fair trade, the development of rural and urban micro, small and medium enterprises and their representatives organizations and to corporate social responsibility” (European Union, 2012).

In view of the development of the Honduran banana export sector, it is essential to deliberate how this production and trade model can contribute to rural development, fighting poverty, and reducing inequalities

and exclusion. On the other hand, the current developments at a production and trade level framed within an Association Agreement highlight another relevant topic regarding Central American land use. Thus, this contribution brings up the reflection if the Central American soils will be seen only as productive areas that generate immediate benefits for the multinational companies and, given the market forces, indirectly exclude the SMEs.

In addition, there are other market aspects to consider such as the pressure that both EU traders and retailers exercise on developing countries' exporters. Usually, such price pressures are transmitted to producers and not traders; after all, traders work under commission basis (Campos, 2016). For example, Ecuador, as the largest banana producer in Latin America, emphasises the issue by rejecting the Aldi banana prices (Fruitnet, 2019). It is important to mention that market access conditions of Ecuadorian bananas in the EU market are similar to the Central American mechanism. The Oxfam study "Sweet Fruit, bitter truth" also points out the responsibility of the German supermarket chains in pressuring banana producers in developing countries, thereby the chains can import bananas all year round at very low prices (Oxfam Germany, 2016).

Overall, the sensitivity of the banana case arouses several questions that deserve a thorough scientific and political examination:

- Since bananas have always been a sensitive traded product and in the majority of the cases they have been produced by multinationals, why has the EU always highlighted and marketed banana trade preferences and their market access conditions as a very important step in the trade relations between both regions? Why was an Association Agreement necessary for this when production conditions have not substantially changed?
- After seven years of implementation, is the Association Agreement a policy tool relevant for the SMEs banana producers in Central America, taking into account that today, multinational companies continue to control the trade flows and receive main trade benefits?

- Can the EU, through the CAP reform of its Common Market Organization Regulation, incorporate better trade mechanisms and provisions that create a win/win situation for developing countries and include their SMEs structure, especially when operationalizing market access activities for sensitive products such as the Honduran banana case in the frame of an Association Agreement?
- To what extent will EU banana producers continue to be recipients of sectorial types of interventions in the new CAP reform? And, in which ways do such interventions compete or find synergies with sustainable banana production and trade in Central America?

Other spillovers: Workers' rights

Recently, a study conducted by the International Labor Rights Forum, the International Union of Food Workers (IUF), the Latin America Regional Secretariat (Rel UITA), and Fair World Project, with support from 3F International, uncovered the labor conditions of Fyffes subsidiaries in Honduras. Fyffes plc is a billion dollar, Japanese-owned fruit and fresh produce company headquartered in Dublin, Ireland.

Foxvog & Rosazza⁶ documented how Honduran workers on Fyffes' melon farm have been subject to precarious work conditions. The report unveiled the following practices: workers in their sixties or seventies, who have worked over two or three decades are not subject to social security system; reported rampant wage theft with salaries below the minimum wage established by the Honduran government; inhumane working conditions such as occupational injuries and fainting during labor hours given the extreme weather conditions, and exposure to toxic agrochemicals. Similar work conditions occur in the banana industry. Likewise, the Oxfam study "Sweet Fruit, bitter truth", exposed the poor labor conditions of banana and pineapple farm operators in Costa Rica and Ecuador (Oxfam Germany, 2016).

For the CAP reform post 2020, there has been a lot of discussion about the environmental and climate standards of EU imports, especially in the context of the EU Green Deal. However, it is important for the European

⁶ www.laborrights.org/fyffeshondurasreport

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Commission to develop stronger mechanisms that impede EU companies to import agricultural goods from farms that are faulting on labor rights.

Labor conditions are also an issue within the EU. The documentary “Europas dreckiges Ernte” exposed this market failure on labor rights within the EU territory and the deficiencies of certification standards/bodies, with certified Spanish and Italian companies infringing on migrant’s labor rights (ARD, 2019), (Foxvog & Rosazza, 2020).

It is important to point out that multinational companies might exercise different policies in different countries. In Costa Rica and Panama, multinational banana producers/traders such as Chiquita and Dole develop sustainable banana production projects, even supported by international cooperation agencies⁷. It may well be the case that labor conditions for banana workers have improved and are better than in Honduras. But again, the question arises: have multinational companies operating in Costa Rica and Panama at some point in time violated labor rights and benefited from the Association Agreement trade conditions?

Recently during the 2020 edition of the “Green Week”⁸ trade fair, German Supermarket chains agreed on better labor rights and decent living wages for workers on banana fields in developing countries (Banana-Link, 2020). This is a voluntary measure that hopefully

is aligned with the German initiative for a new supply chain regulation (Initiative Lieferkettengesetz⁹) and contribute to the improvement of the labor conditions situation in all Central America countries where multinationals are operating. This is an important step considering that **the existent infrastructure and logistics in Central America banana fields belong to the multinational companies**. After all, this is a 100 years old business in their hands and we believe they will not allow newcomers to make a rapid incursion in the business, says a German fruit importer (personal communication, June 2013).

On a global scale, this is a plausible step on behalf of the German supermarket chains. After all, these chains control around 50% of food distribution via supermarkets within the EU (Metro AG, 2015), and are a vital distribution mechanism for delivering bananas to EU consumers. In this sense, the German Supermarket chains are the “multinational customers” and have the bargaining power to change multinational exporters’ business philosophy. When this measure endeavoured at the Green Week is straightened with the new German initiative for a supply chain regulation (Initiative Lieferkettengesetz, 2019), it will probably become the right market force for demanding a change in farm operators’ labour conditions at banana plantations worldwide.



⁷ <https://www.rewe-group.com/en/newsroom/press-releases/1452>

⁸ <https://www.gruenewoche.com/>

⁹ <https://lieferkettengesetz.de/>

The CAP and how the EU can improve the Association Agreement with Central America

In September 2020, Mr. Peter Altmaier, current Minister of the German Ministry for Economic Affairs and Energy, in his role of Coordinator of Economic/Trade affairs of the German Presidency of the EU 2020¹⁰, presented the priorities of the **German Presidency on Foreign Trade affairs of the European Council** to the European Parliament (European Parliament, 2020).

During the INTA Committee meeting, many Members of the European Parliament (MEPs) raised several questions on sustainable supply chains within and outside the EU. In his view, Mr. Altmaier believes that **the EU should counterbalance the extent to which it needs to consider every single foreign trade issue concerning sustainability** in order to facilitate the signing of more Association Agreement deals between the EU with other nations.

But, in disagreement with Mr. Altmaier's point of view, it is necessary that the EU conducts more impact assessments when negotiating an Association Agreements, especially in the interest of both parties and to deliver a proper accountability on the trade pillar for the achievement of the Sustainable Development Goals (SDGs) in alignment with the EU sustainability principles. Simply because the favorable prices of imported agricultural products, with high intermediation margins within the EU market cannot continue to be leveraged in the policy of reducing costs to the detriment of the exploitative working conditions of farm operators in developing countries. Such as the case of the Honduran tropical fruit exports in the hands of multinational companies.

When assessing possible interlinkages between the CAP and the Honduran agri-food supply chains, the Policy Brief Checking the Chain: Achieving Sustainable and Traceable Global Supply Chains Through Coordinated G20 Action is a valuable source suggesting **how rigorous legislation on a national levels** could safeguard international alignment for enabling more transparent supply chains and implement due diligence (Spertus-Melhus & Engelbrechten, 2020). The development of such policies on a G-20 level are also

in accordance with the proposal for a directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain (European Parliament, 2018).

When negotiating any Association Agreement, the EU could develop other mechanisms for developing countries that are equivalent to the trader database mechanism established in Art. 10 of the Commission Implementing Regulation No. 543/2011 on fruit and vegetables and processed fruit and vegetables sectors, especially when applied to exporters gaining market access to the EU.

Coupled with the previous points, compliance in the attainment of transparent agri-food supply chains in developing countries should be part of the EU Green Deal strategies (e.g. Farm to Fork strategy) for ensuring a fair economic return for farmers/producers and improving their welfare situation.

The CAP reform should consider the recommendations proposed by civil society organisations, such as the Policy Brief 'Raising the ambition on global aspects of the EU Farm to Fork Strategy', which pledges for seven key strategies for enabling the transition towards sustainable food supply chains. Some of these recommendations can definitely help to rectify the situations of Honduras and Central America banana supply chains when trading with the EU (CIDSE, 2020), (European Commission, 2020).

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Implications of the CAP beyond the EU: Ukraine

Hans Wetzels October 2020

Ukraine is a major agricultural exporter to the European Union. A progressive CAP could force Ukrainian agriculture towards more sustainability. But the current nationalisation of the CAP might steer such environmental ambitions off course.

Introduction

Grain is the currency of currencies, Vladimir Lenin once wrote. Ever since the second half of the 19th century Ukraine has cultivated that idea. The harbor town of Odessa became the most important exporting center of the Russian Empire – redirecting the rivers of grain flowing out of the Ukrainian heartland toward the then rapidly expanding industrial cities of Europe. The highly fertile, humus-rich black earth is legendary for its productivity, enabling smart trading houses to amass fortunes.

Up to this day, Ukraine is a major global supplier of grains, sunflower, oilseeds, and has growing meat, dairy and soya producing industries. In total the country has about 30 million hectares of highly productive soils: the biggest agricultural acreage in the European zone. Ukraine is the third exporter of grain and the fifth for wheat worldwide. Since the country gained independence in 1991 after the collapse of the Soviet Union, oligarchs scrambled for the land and were able to amass their fortunes, leading to rapid land concentration, growing inequality and environmental degradation in rural areas.

According to a 2013 joint report by the UN Food and Agricultural Organization (FAO) and the European Bank for Reconstruction and Development (EBRD), global food demand projections indicate an even bigger role for former Soviet countries like Kazakhstan, Russia and Ukraine in feeding the world – mainly because of their fertile soils, low land prices and proximity to important markets in Europe, China and the Middle East. According to the same report, agricultural outputs could grow by more than 30 percent the coming decades. 'Right now the most of Ukrainian exports

to the EU are still raw materials in bulk, like oilseeds and cereals,' regional FAO-director Raimund Jehle explains. 'Thus the pressure from the oligarchs to not raise environmental standards too much is quite high. A greening of the CAP, putting more focus on diversity in agriculture, rural development or protecting biodiversity would have rather positive effects in countries like Ukraine because it would push the government into different directions instead of only thinking in terms of exporting more bulk commodities.'

What are the main exports, imports and trade relations with the EU?

Ukrainian agribusiness has fared fairly well providing Europe with bulk commodities. Fully integrated conglomerates like Kernel (leasing and operating more than 500.000 hectares of land) or Myronivsky Hliboproduct (MHP – 370,000 hectares of land) produce corn and sunflower, export grains or chicken meats, and usually operate through a complex network of subsidiaries often registered in tax havens. Despite the (soon to be lifted) moratorium on land sales, foreign agricultural players have flocked into Ukraine as well. For the German-American seed conglomerate Bayer-Monsanto, Ukraine represents more than 20 percent of total European market share. The world's biggest grain trader, Cargill from Minnesota (USA), started loading ships from a brand new cargo in the port of Odessa last year and even the Chinese government wants a piece of the pie and signed an export agreement with the Ukrainian government in 2017.

Since the (much disputed) Association Agreement signed by the European Commission and the Ukrainian government came into effect in 2017, trade links have only become stronger. According to [Commission figures](#), trade with Ukraine increased by more than 48 percent since 2016. The EU thus remains Ukraine's largest trading partner – accounting for more than 40 percent of trade flows in 2019. Important exports from the EU include heavy machinery, chemicals and farm equipment. Main European imports include unmilled

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maize, iron ore, oil seeds and soft vegetables, with most Ukrainian being purchased by Poland (2.661 million euro's), Italy (2.501 million) and Germany (2.242 million). Early 2019 Poland even displaced Russia as the top buyer of Ukrainian goods. 'Agriculture is one of the three leading industries in Ukraine that bring in the most revenue from exports,' says Maria Didyk of UN Global Compact; a large corporate agricultural initiative trying to align multinational companies with certain principles concerning human rights and the environment. 'Global Compact has a couple of the biggest players in the agribusiness as our members. Environmental, social and governance metrics have become a critical part of investment decision-making and for agricultural development to be sustainable we must attach as many domestic agribusinesses to those principles as possible.'

How are labour, development and the environment related to the EU market and policies?

Exactly those environmental, social and metrics of good governance have been under pressure since Ukraine morphed from a communist into a wild-west capitalist economy. Land concentration often borders semi-legality, while examples of ground water pollution, bribery of

local officials, illegal logging or unsafe manure storage are legion. Legally prohibited genetically modified crops are exported from Odessa port in large quantities and a governmental moratorium on farm inspections makes it hard to monitor animal rights.

Jehle is the regional FAO-program director for Eastern Europe – including Ukraine, Albania, Georgia, Moldova and Armenia. Both FAO and the EU have been heavily involved in helping Ukrainian authorities draft agricultural reforms from 2015, he says: 'In agriculture, Ukraine is the fourth EU- trading partner after the UK, Brazil and the US. Downside is that the land concentration in rural areas is enormous; farms of over 30.000 hectares are not unusual, and that leads to problems both on the social and the environmental level. But besides those commodities, the biggest export growth in fact lies in sectors dominated by small-holders, like fruits. Since the Association Agreement came into effect, fruit exports to the EU have doubled, and the export of vegetables has grown from 11 million euro's in 2015 to 86 million in 2018. Compared to bulk commodities, those numbers are still relatively small, fruits and vegetables account for about 3 percent of agricultural exports from Ukraine. But the opportunities for bigger growth are there.'



The implications of CAP reform on Ukrainian agriculture

For a European supplier like Ukraine, it matters what EU-legislation like the CAP looks like. The regional FAO-director believes that higher sustainability standards in Europe could stimulate Ukraine to develop due diligence mechanism and certification schemes, or lead to decreasing pesticide use, better treatment of animals and help combat land concentration.

On the other hand, for Ukrainian farmers oriented on exporting their produce, it also makes a huge difference how EU member states utilise CAP-funding to support their own farmers. Roman Makukhin teaches a course of organic business at Kyiv-Mohyla Business School in the Ukrainian capital and grows fruit on a biodynamic farm in the countryside. 'The CAP is highly discriminative against Ukrainian farmers,' he explains. 'The Ukrainian fruit sector might be growing, but Poland also exports a lot to Ukraine. All of that is free of quota's and highly subsidised by Brussels. That lead to a decline in animal production and the cutting of our apple gardens. That way, the EU is directly diminishing non-commodity agricultural production in Ukraine before it can even develop. Germany could be the main market for Ukrainian organic and biodynamic produce. Instead, the CAP remains focused on efficiency and keeping Ukraine on a path of commodity-driven destruction of the environment.'

Since legislative responsibilities for the CAP shift from the European Commission to the Member States, national governments are busy drafting National Strategic Plans to line out how the CAP will be implemented inside their territories. Assessing how that will impact third countries is a highly complex process depending on member states' political landscapes, markets and crop specifics, Jehle says. Whereas fruit producers could benefit from a decrease in unconditional income support for EU-farmers, the influence of commodity exporters on Ukrainian agriculture would only diminish with far-reaching and enforceable sustainability demands in the CAP. 'To understand the implications of CAP-reform, you have to carefully study what the structure of the agricultural sector in a target country looks like,' Jehle explains. 'Environmental standards inside the EU could have a major

upward effect in Eastern-Neighborhood or accession countries like Ukraine or Serbia. Right now, they mainly think in terms of intensive commodity production as a way to generate revenue.'

Matthias Krön is director of the Donau Soja Organisation in Vienna. He thinks even bulk production could become much more sustainable if the EU puts the right policies in place. Since start of operations in 2012, his international non-profit association has rapidly expanded into most countries around the course of the Danube river and now runs offices in Austria, Serbia, Moldova, Romania, Poland and Ukraine to bring back protein production onto European soils. The landmark Green Deal the European Commission presented to the world in 2019 could be a major step forward greening agriculture inside as well as outside the EU. 'We have to keep a sharp eye on how vested interests will try to water that down,' Krön stresses. 'In essence, the CAP only has jurisdiction inside the EU. So, to translate sustainability demands in the CAP to supplier countries like Brazil or Ukraine, we will need due diligence and certification procedures, importing standards concerning pesticide use or animal rights. A failure to develop such mechanisms of due diligence or to monitor and regulate imports could very well lead to European farmers demanding actual protectionist measures. A lot of the soya coming out of the Ukraine right now is illegally genetically modified while those same crops are prohibited in the EU. The case for regulation of imports is getting stronger the higher the standard in the EU gets.'

Soya is one of the growth sectors for Ukrainian agriculture. The former Soviet republic has already become the biggest soybean producer in Europe. According to an analysis presented by Donau Soja Organisation, exports of Ukrainian soybeans have increased tenfold between 2006 and 2016. After seemingly unbeatable giants Brazil (56% of the global market) and the United States (29%), Canada, Paraguay (both 3,7%) and Argentina (2,3%), Ukraine (1,4%) now ranks sixth in terms of export. 'We try to implement a standard for our farmers that is actually higher than current EU-standards,' Krön says. 'In the future we want to further model that on the eco-schemes in the new CAP. The more robust the European production standard gets, the more incentive Ukrainian have in

joining our organization and being certified. But we do have a problem concerning rule of law in Ukraine and we need due diligence mechanism to counter those.'

Final thoughts on CAP re-nationalisation

It remains questionable whether the incoming CAP-nationalisation will alter the European decision making landscape in such a way that international agriculture can move towards bigger sustainability. The European Parliament as well as the EU Council of Ministers have already taken aim for the environmental ambitions the European Commission set out in the Green Deal during a long week of debates and voting sessions in October 2020. With parliamentarians voting down environmental targets, national ministers in the Council pushed through ring-fencing even less money for eco-schemes than first proposed. Krön: 'For international organizations like ours, the CAP-nationalisation is a strategic disadvantage. Farmers' lobbies always have the best access to politicians on the national level and they usually don't lobby for an increase in production standards. But the devil is in the details. If the EU-institutions still come up with strong indicators concerning the protein content of soybeans, crop rotation or pesticide residues, the playing field in the national capitals will still be leveled.'

Still a lot depends on which direction national governments will decide to choose to implement the CAP. For Ukraine, Poland is a crucial partner inside the EU. According to a government official deeply involved in drafting the Polish National Strategic Plan (NSP), Warsaw is still working on 'a strategic layer' before being able to tell more about any particulars to be expected in the Polish CAP-NSP: 'In our timetable we assume that the final version of our NSP will be prepared by August 2021. Because of COVID-19, the budget discussions on the EU Multiannual Financial Framework and the Farm to Fork Strategy, some elements already drafted need to be completed or changed now.'

In an earlier interview with Arc2020, Polish MEP Czesław Siekierski of the traditional farmers' party Polskie Stronnictwo Ludowe (PSL) said a lot of current problems for farmers are the result of opening the border with Ukraine. Since then, cheap grains, soft fruits and poultry come streaming into Poland from its eastern neighbour. The

current conservative government in Poland has risen to power for a part on promises to fight rural poverty. In a letter sent in June 2020 about the Polish NSP, the Minister of Agriculture Jan Ardanowski suggests that the government is indeed anticipating more support for 'smaller entities possibly having a bigger potential', 'depending on the situation on the market, the type of product offered' and company details. Ardanowski also underlines he wants to ensure that 'an increasing number' of entities would become eligible for financial CAP-support. 'To understand what this could mean we have to think in terms of quantities,' FAO-director Jehle explains. 'The increase of fruits and vegetables exports from Ukraine has been significant in terms of monetary value. But Poland already is a major producer of apples. If you look at the amount of produce on the market, Polish farmers won't increase their production of apples in such a way it could limit the development of the Ukrainian sector. What matters is the market conditions inside the EU. If Polish farmers have to live up to different standards that will pit the two countries against each other. Besides that, whatever Poland is going to do in their NSP, they're not all of a sudden going to produce ten million tons more of sunflower or soya. Simply because they do not have the same climatic conditions as Ukraine does.'

According to Jehle, an ambitious Polish CAP-NSP could not affect Ukrainian agricultural development fundamentally. What would matter more in third countries in the Eastern-Neighborhood and Balkans would be preventing a high level of environmental ambition being watered down by the EU-institutions in Brussels, which would in effect signal to Ukrainian farmers large-scale exports are the best way forward. 'Whatever complains Polish or German farmers may have about cheap fruits or grains coming in from the Ukraine, the nationalization of the CAP does not allow for import restrictions,' Jehle states. 'The Polish government may decide to use their NSP for subsidizing farmers and arranging targets for the environment and rural development in a certain way. To understand the effects that could have on Ukraine, you will have to very precisely analyze the markets for very specific products. The Polish government might want to stimulate smaller entities, but in the end, they will still have to compete with Ukrainian products on price and quality. Because the responsibility for trade policies will firmly remain in the hands of the European Commission.'

Implications of the CAP beyond the EU: Ghana

Hans Wetzels November 2020

The EU exports large quantities of milk and poultry to Western Africa. An even bigger focus on efficient commodity production in Europe might seriously hamper the status of Ghana as an emerging economy.

Introduction

The Republic of Ghana sits on the Atlantic coast Ocean and borders Togo, Côte d'Ivoire, and Burkina Faso. The country has a population of about 29.6 million inhabitants and consistently ranks in the top three African countries for freedom of speech and press freedom, has professional broadcast media and an expanding economy. According to World Bank data Ghana's three main export commodities are oil, gold and cocoa. Economic growth outside the oil sector is expected to accelerate as the government's new policies in the agriculture sector and the promotion of agribusiness begin to take effect.

In 2019, the Dutch Embassy in the Ghanaian capital Accra commissioned an extensive study to chart growth opportunities in the poultry sector. According to the report, Dutch companies could make hefty profits from selling technical equipment and cheap feed to farmers in Ghana, or gain a business foothold in Africa themselves, using the Ghanaian economy, heralded a true beacon of regional development, as a home-base. *'Gaining the world's confidence with a peaceful political transition and a grounded and firm commitment to democracy has helped in expediting Ghana's growth in foreign direct investment in recent years,'* the embassy-report reads. *'The agriculture sector is expected to grow by 7.3% on the back of the government flagship programs in the sector which will enhance performance in the crops and livestock sub-sectors.'*

Active government policy

The government of Ghana puts in a lot of effort to draw in foreign investors. Processing businesses are given a five-year tax holiday, agribusinesses can expect tax rebates and custom duty exemptions have

been put in place for agricultural and industrial machinery. The Dutch Embassy stresses that there are *'specific investment opportunities'* for the production of improved seeds, fertilisers, pesticides, and weedicides, and for companies to produce and install cold-chain equipment at farms. It also sees growing potential for cash crops and livestock to sell on African and European Union (EU) markets.

Poultry, the report continues, is one of the sectors with the biggest development potential. However – consumption patterns of households inside Ghana are still heavily weighted towards imported frozen poultry products. Most of the chicken meats in supermarkets and stores are imported from the United States, Brazil or the EU. Foreign produce is cheaper than local poultry, making it difficult for Ghanaian producers to compete and benefit from the growing urban demand for chicken meats in the entire region of Western Africa. *'Ghana is still an agriculture-based economy,'* poultry farmer Anthony Akunzule explains. *'The sector employs up to 65 % of Ghanaians in general. But farming is especially important in rural communities, employing about 97% of the population. Poultry has the highest turnover and its short cycle of production is an important key to fast income generation for otherwise poor farmers. But European exports of frozen chickens to Ghana negatively affect the potential performance of the poultry industry.'*

In 2013, the government in Accra removed customs duties on inputs like feed, drugs and vaccines to try to stimulate local poultry production, and has worked towards better access to veterinary services. In 2014, the government launched the 'Broiler Revitalization Project' and introduced a new legislation obliging traders to buy 40 percent of their chicken meats from farmers inside Ghana. In 2017, a flagship program called 'Planting for Food and Jobs (PFJ)' was introduced aimed at producing agricultural commodities for a new domestic processing industry – making Ghana the regional food basket it has historically been and creating much needed jobs in the process. Those active government interventions seem to be paying off. According to calculations by the UN Food and Agricul-

tural Organization (FAO), in 2000, more than 58 percent of all domestic poultry consumption came from Ghanaian farmers. In 2011, that number dropped to a mere 20 percent – but has rose again to 38 percent in 2016. Government data indicate increasing exports to neighboring countries like Burkina Faso, Cote d'Ivoire or Mali between 2017 and 2020 thanks to the PFJ-program and the number of enrolled farmers has grown from 200.000 in 2017 to 1,49 million now.

EU Policies

Nevertheless, major bottlenecks remain, Akunzule explains. Besides export crops like cocoa or cashew nuts, the cultivation of maize, rice, yams and cassava is important for farmers selling onto domestic markets in Ghana. Besides his own farm, Akunzule also runs an NGO called Ghana Poultry Network (GAPNET) in partnership with Veterinarians Without Borders from Canada. He is also a member of Slow Food International. According to the national poultry association of Ghana, in 2020, over 90 percent of the annual demand for chicken meat is still provided for by foreign producers. According to EU trade statistics, European farmers exported some 175.000 metric tons of frozen chicken to Ghana in 2019 – as compared to only 13.000 tons in 2003. Chicken farmers losing their livelihoods to cheap EU imports often embark on a dangerous journey across the Sahara to cross the Mediterranean Sea towards Europe in search of a better life. Akunzule: *'With globalization, European agricultural policies influence Ghanaian agriculture and will keep doing so in the future. This is especially the case of fruit and vegetable exports from Ghana to the European Union. In recent times, there was a ban on Ghanaian fruits due to chemical residues issues. But EU-policies also slow the growth of our poultry industry and the exports of quality day-old chicks from the EU to Ghana affect operations of local hatcheries.'*

Poultry is not the only sector and Ghana not the only country harmed by European exports to West Africa. After EU milk quotas were removed in 2015, markets in Europe were left awash in milk, sending prices tumbling down and forcing EU-producers to seek out export opportunities. Especially the export of fat-filled milk powder has since then risen to a total 276.892 tons in 2018 – a 234 percent increase in ten years, according to data gathered by the European Milk

Board (EMB). Global players such as Danone, Arla or FrieslandCampina have since increased processing capabilities in West African countries such as Nigeria and Côte d'Ivoire, providing the whole region with cheap dairy produced there and drowning out local farming communities in Ghana or Burkina Faso in the process. In a joint statement published in April 2019, the EMB and various African producers' associations (representing nearly 50 million livestock keepers in the region) sound the alarm: *'Local dairy development can contribute substantially to the sustainable socio-economic development of often fragile and marginal rural areas, and to more security, peace and regional cooperation. Local systems of mini-dairies, collection centres, local industries and local distribution networks provide consumers with high quality local dairy products.'* But instead: *'attracted by a growing West African demand, European dairy companies are investing heavily in processing and marketing to find new outlets for their surpluses of various milk powders. They export from Europe, and import into West Africa skimmed or whole milk powders to Africa at a low cost. It is impossible to face this unfair competition.'*

Political solutions

For the international farmers' alliance the solution is political, they write. African authorities should raise import taxes, implement targeted VAT-exemption measures on local milk, reinforce market transparency regarding re-fattened powder blended with vegetable oils, and oblige foreign investors to get buy milk locally: *'the massive export of re-fattened powder blends with vegetable oils is the most harmful consequence of a failed European policy. A policy that pushes to produce more and more at the lowest possible price, leading to successive price crises.'*

But as Ghana already charges import duties on poultry that still damages its domestic markets – European policies facilitating cheap commodity exports, centred around the EU Common Agricultural Policy (CAP), should also be scrutinized, EMB suggests. The EU could consider halting the promotion of milk exports, and internally should allow European producers to benefit from prices covering their production costs and adopt measures to manage the supply side of Eu-

European dairy production in the event of a crisis. This in turn, the EMB writes, would avoid the structural cyclical overproduction which now ends up on African markets.

In 2018, the European Parliament for the first time commissioned a report to research such external effects of European agricultural policies. Professor Alan Matthews of Trinity College Dublin also co-authored a [report about the external dimensions of the CAP](#) – this time requested by the European Committee of the Regions. Focusing on the exports of milk powder, poultry and processed tomatoes, his study surprisingly concludes that, although the CAP continues to have a production-stimulating effect inside the EU, the direct impact in developing countries is relatively small. *'Take a look at the case of poultry. In the EU poultry is a high cost activity and still we have all these cheap exports,'* Matthews explains. *'From a purely economic point of view that doesn't make sense. So you need to take an exact look at what is being traded. The EU mainly exports dark chicken meats, for the simple reason that European consumers don't prefer to eat those parts of the bird, while African demand for cheap protein is growing. So, industrial chicken producers in Europe are trying to at least get some value for produce they wouldn't sell on their home markets anyway. The low value the EU exports at certainly means trouble for local producers in Ghana because it depresses prices on African markets. But you have to be really careful which policy you target, because in this case, the CAP is not to blame.'*

Wrong focus

Also in the case of milk recent export growth has been mainly the result of the elimination of milk quotas and of product innovations, Matthews stresses: *'What we found was the increase in exports of fat-filled milk powders was driven by a period of extra-ordinary high butter prices. For decades butterfat was in the doghouse because it was deemed unhealthy. But then suddenly nutritionists rehabilitated butter and prices shot through the roof. Cheaper vegetable oils particularly palm oil have since then been used in milk powders, which is why exports increased. That certainly can be a threat to local dairy industries. But it*

has nothing to do with CAP as such. To find a solution, you have to focus on the right problem. I would suggest organizing roundtables involving Ghanaian producers, some of the traders, processors and the local government, back them up by EU funding to write a dairy strategy that would work for Ghana first. Because of course you can't build up local supply chains when your electricity is gone half the day.'

Reflections on the reform of the Common Market Organization

On the European side, the overproduction of milk would require a more structural look at the agricultural system. The Common Market Organization (CMO) is the framework of market measures under the CAP. Following a series of reforms, all separate measures were codified in 2007 into one single CMO, covering all agricultural products. In October 2020, the European Parliament again voted on a whole range of CMO-amendments. In a news bulletin analyzing that [vote](#), the EMB expressed disappointment at the rejection of amendment 277 for compulsory production reduction as an instrument to deal with dairy crises – keeping solutions primarily in the realm of the market instead of capping overproduction. *'Strong agriculture lobbies exist in Europe as well as in developing countries,'* Matthews comments. *'Consumer demands in urban areas in Africa are growing at lightning speed and EU-produce gives access to cheap protein that many low-income households would otherwise not have. So, I am reluctant to say we should ban cheap European exports to Africa. What we need is for African governments to build and develop local supply chains as markets are growing. Companies have the responsibility to do so and European governments must consider how exports influence those development paths.'*

Will the CAP post 2020 be fairer – and what does that mean?

Matteo Metta September 2020

The post 2020 reform promised to deliver a fairer CAP: better targeting and distribution of resources. At the core of a fairer CAP, the Commission introduced mandatory capping – upper limits to payments – and degressivity – progressive reduction of payments above a certain level – to address a skewed distribution of around 80% of direct payments to only 20% of European farms. One month before the final plenary vote in the European Parliament and trilogue negotiations with the Council, the proposal does not seem to go towards its expected direction. What can we expect to happen? Matteo Metta reports on the state of play.

Background

It used to be a lively debate; it remains the main slogan of this reform: **a fairer CAP**. A fairer CAP can mean many things: from more equal distributions of Pillar I direct payments among different types of farmers *within* and *among* EU Member States, to a CAP that respects the socio-economic, gender, and environmental conditions *within* and *beyond* the EU.

In the Commission's proposal (June 2018), a 'fairer' CAP mainly referred to a better distribution of direct payments, for instance from larger to smaller beneficiaries or to young farmers. This article looks only at three principal mechanisms: **capping, degressivity and redistributive payments**. It partially covers the **PMEF** (Performance Monitoring and Evaluation Framework).

We draw insights by comparing the current CAP 2014-2020 with the proposal post 2020 in light of the recent positions of the European Parliament and Council's Working Meetings on the distribution of direct payments.

The analysis is based on studies, regulations, Commission proposals, Council's progress reports and meetings, and informal positions of EP's political groups retrieved until Monday 21st September 2020. Overall, the article aims to answer the following questions: *what are the points most likely to find agreements in*

the negotiations for a fairer CAP, and where are the knots to be untied at this last stage of the legislative procedure?

You CAP, we Adjust

Capping was a voluntary mechanism introduced in the CAP to stop paying farmers above a certain threshold, on the premise that they can be efficient also with lower levels of support, given their possibility to adjust via economies of scale. As established in Art. 11 of R1307/2013, Member States should have reduced the amount of direct payments for the part exceeding EUR 150 000 by at least 5 %, unless they decided to implement the redistributive payments using more than 5 % of the national ceiling for direct payments.

A European Parliament study (2015) on the implementation of the first pillar of the CAP 2014 – 2020 showed that when capping is voluntary, this is inconsistently implemented across the EU Member States. Only 12 countries applied mandatory capping in the current programme. Among these, six set up high thresholds. For instance, Italy capped direct payments at EUR 500 000/farm with a 50% reduction for the part of the amount exceeding 150,000 Euro. The remaining countries did not impose any capping or degressivity at all (France, Germany, Romania, Croatia, etc.).

Countries with higher land concentrations (e.g. HU, SK, CZ, PL), but also those with different farm structure, have always shown some resistance towards capping direct payments. These countries appear to want to placate owners of large farms, and to avoid taking resources from them. The main anti-capping rhetoric uses arguments ranging from 'labour displacement', 'food sovereignty', 'food security', to the classic 'simplification' or 'protecting the diversity of EU farming'.

The inconvenient truth is that Ministries of agriculture do not want to upset large beneficiaries, such as large scale land owners, who could end up creating artificial solutions to meet new policy requirements, nor they

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want to stop an inevitable ‘structural change’ in agriculture (e.g. bigger and more capital intensive agricultural holdings).

Capping and degressivity: unpacking the conundrum

Negotiations around capping and degressivity are interrelated to many other decisions on CAP (e.g. the annual envelope for direct payments, conditionalities for small scale farmers, ringfencing of eco-schemes, payment entitlements). However, key decisions around these mechanisms might be boiled down to the following points:

- Enforcement: voluntary or mandatory for the Member States?
- Threshold: max amount of EUR/farm above which to apply the capping and degressivity

- Deductions: what to exclude from the amount of direct payment subject to capping and degressivity (e.g. labour costs, eco-schemes, income support for young farmers, etc.)
- Exemptions: under which conditions capping is not mandatory in the Member States (e.g. minimum amount of complementary redistributive payments)
- Reallocation mechanisms: where the surplus budget obtained from capping and degressivity is shifted to other interventions.

Table 1 benchmarks some of these key points between the current CAP and the reform post 2020 proposed by the Commission. As the latter is not adopted yet, we make this comparison based on EP political groups’ informal positions and publicly available Council’s progress reports and meetings.

Table 1: Commission, Parliament and Council’s positions on reductions of direct payments in the current CAP 2014-2020 compared to the CAP post 2020

CAP 2014-2020		CAP post 2020			
		Commission’s proposal	European Parliament’s group positions (Sept 2020) ¹¹		Council’s position
References	R1307/2013	COM/2018/392 final	EPP’s informal position	Greens’ informal position	Council’s progress reports ¹²
Capping of direct payments	Voluntary	Mandatory	In favour of mandatory, but also with exception	In favour of mandatory	Voluntary
Threshold (EUR/farm)	Up to MS	100 000	100 000	50 000	Up to MS

¹¹ We analysed four informal political groups’ positions on this matter (EPP, RE, Greens, GUE), which were made available at the date of this analysis (Sept 2020). Only those specifically addressing these points are displayed in Table 1.

¹² The analysis considered all progress reports from the Austrian (2018) to the German (2020) presidency. Documents about Council’s amendments were not accessible and could have enriched the analysis.

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CAP 2014-2020		CAP post 2020			
		Commission's proposal	European Parliament's group positions (Sept 2020) ¹¹		Council's position
Degressivity before capping	at least 5 % for the part of the amount (of direct payments) exceeding EUR 150 000	<ul style="list-style-type: none"> by at least 25 % for the part between 60 000 and 75 000 by at least 50% for the part between 75 000 and 90 000 by at least 75 % for the part between 90 000 and 100 000 by 100% for the amount exceeding EUR 100 000 	NOT in favour of any degressivity	<ul style="list-style-type: none"> by at least 25 % for the part between 35 000 and 40 000 by at least 50% for the part between 40 000 and 45 000 by at least 75 % for the part between 45 000 and 50 000 by 100% for the amount above EUR 50 000 	Up to MS to choose degressivity or complementary redistributive income support
Deductions for calculating the amount of direct payment subject to capping	Up to MS	<ul style="list-style-type: none"> salaries linked to an agricultural activity declared by the farmer, including taxes and social contributions; and equivalent cost of regular and unpaid labour linked to an agricultural activity practiced by persons working on the farm [...] 	Expenses for eco-schemes, young farmers and 50% of labour costs	Expenses for eco-schemes, animal welfare, and labour costs	Some Member States expressed their position in favour of subtracting expenses on labour costs, ecoschemes, and young farmers. Generally, the Council strives for more flexibility to specify the method to calculate amounts to be deducted.

Source: own elaboration (Sept 2020)

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Shall we ‘cap’ or shall we not?

Although based only on a small portion of the EP wide political representations, Table 1 shows that the EP and Commission are aligned on the establishment of **mandatory** capping. A similar result was reached also in the COMAGRI vote in April 2019 (mandatory capping at 100 000 EUR/farm, see [Herranz-Garcia’s report](#)). EEP believes that capping should not be mandatory when the Member States allocate 10% of their national envelop of direct payments to redistributive income support payments.

On the other hand, the Council - made up of national agriculture ministers from the Member States - is strongly united in keeping capping and degressivity **voluntary** for the Member States. The main rationale was already stated in the [Austrian Progress Report](#) in June 2018:

“The proposed reduction of payments (Art. 15) could hamper the economic prospects of certain farms, especially farms taking part in schemes for the climate and the environment and farms held by young people. It may induce farm divisions and generate considerable administrative burden, in particular through the deduction of labour costs.”

By (mis-)using environmental, social (i.e. young farmers), and technical (e.g. administrative burden) concerns, the Council is watering down the Commission’s proposal to avoid any mandatory capping. Alternative provisions could be created for a mandatory and tailor-made capping, which addresses this issue at national level, by taking into account socio-economic conditions. In practice, however, the Council is trying to avoid any provisions which ask Member States to commit for mandatory capping, as well as to undermine stricter checks when approving ‘fairer’ CAP Strategic Plans.

This is clearer in the last German Presidency background document (p. 7) on ‘[State of play on the CAP reform and exchange of views](#)’, published on 16 September 2020:

“On the basis of the European Council’s conclusions on MFF, the Presidency has adapted the legal drafting by indicating that **capping should be voluntary** for Member States. Keeping the spirit of the original Commission’s proposal, it has also introduced a voluntary mechanism for reducing direct payments under EUR 100 000 and a voluntary capping for larger recipients beyond that limit that would provide a maximum degree of flexibility for Member States”.

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The exchange of views held on 21 September showed a large consensus among the national Ministries of Agriculture on the voluntary nature of capping. The Commissioner of Agriculture, Mr Janusz Wojciechowski, first stated his disappointment at the Council's directions, but then applauded the fast speed consensus process of the German presidency.

Degressivity

Regarding degressivity, language used is at variance with positions adopted. From the text above, the Council claims to respect the spirit of the Commission's proposal (i.e. *reducing direct payments under EUR 100 000*) but leaves any decisions up to the Member States. It is unclear on which basis is the Council claiming to respect the Commission's political power when they are systematically removing any actual obligations for the Member States.

Will countries like Italy continue to have a high threshold for capping (EUR 500 000) and why so? Will countries like Germany or France change their distribution mechanism and introduce mandatory capping? In other words, which political stand are agricultural ministries going to take to seriously address issues like 'disappearing farmers', 'land concentration', 'capital-intensive agriculture', 'rent seeking farmers', 'low generational renewal'.

Is it 'fair' enough for the Ministries of Agriculture to ask for more flexibility and exempt small scale farmers from any conditionalities and on-spot checks when, on the other hand, they are the ones protecting larger beneficiaries and watering down any redistribution mechanisms?

If agricultural ministries and MEPs are concerned about the effects of capping on employment in rural areas, why don't they envisage a **complementary support for employment** under direct payments (i.e. rewarding annual work units), like the ones tabled by the EP's Green Party? There are certainly different ways to introduce capping without offsetting employment, but there seems to be low interest on this.

Where does surplus money go?

Where the surplus money is shifted to is another controversial decision concerning capping and degressivity of direct payments. In the spirit of a fairer redistribution, recital 25 and Article 15(3) of the Commission proposal establish that the product of reduction of payments shall be primarily used for 'decoupled direct payments' – giving priority to *complementary redistributive payments* over basic income support, eco-scheme, young farmers – or to transfer it to Pillar II. In relation to this point, we could not find specific positions of EP political groups or, they have not been explicitly expressed across the board.

Regarding the Council, there are still numerous question marks on the exact details, but the general position is again strong for higher flexibility. In June 2018, the Austrian Progress Report stated: "*there is a need to clarify the provisions for the use of the product resulting from the reduction of payments, in particular with regard to the pillar under which it could be spent*". On the 21 September, the Ministries of Agriculture gave a clearer answer: we want more flexibility!

Fast rushing towards the approval

In a blog posted in 2019, Prof. Alan Matthews (Trinity College Dublin, Ireland) put forward a compromise for capping direct payments and, at the same time, '*not taking money away from larger beneficiaries*'. A full reading on his proposal is certainly revealing. In a nutshell, instead of reallocating budget through complementary redistributive payments, he suggested to channel the product of capping towards *eco-schemes* and/or *agri-environmental-climate commitments*, giving higher priority to larger farmers to encourage their public goods provision.

While this proposal can be consistent with rational of the CAP (public money for public goods), in reality, the Council is just concerned about two things: 1) quickly form a common position for the negotiations with the Parliament in October; 2) reduce any risk of low uptake of eco-schemes (and its financial implications). There is little hope for these kinds of solutions. On eco-schemes, arguments have been made at Council level for dropping the proposal of mandatory ringfencing, giving more flexibility in the first implementation

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years (including full flexibility into any other direct payment areas for two years, as proposed by the German Presidency on 3rd September), watering down conditionalities (especially GAEC 9) to make space for ‘easy to uptake’ ecoschemes.

Performance Monitoring and Evaluation Framework

A **fairer** and **performance-oriented** CAP was so high in the initial Commission’s political agenda outlined by the ex-commissioner of agriculture, Mr Phil Hogan, that three common indicators were proposed in Annex I:

- **Result Indicators R.6** – Redistribution to small farms: Percentage additional support per hectare for eligible farms below average farm size (compared to average)
- **Result Indicators R.7** – Enhancing support to farms in areas with specific needs: Percentage additional support per hectare in areas with higher needs (compared to average)
- **Impact Indicator I.24** – A fairer CAP: Improve the distribution of CAP support

Although there were some limitations on the quality of these indicators, as there are always in almost all existing indicators in Annex I, a large number of Member States were in favour of the Ireland, France, Germany, Austria, and Spain’s proposal to delete **R.6** and **R.7** because considered to be “*non-relevant to measure CAP’s performance*”. Nevertheless, the Croatian Presidency kept these two indicators in the revised version of Annex I and we will continue watching the progress.

As regards the impact indicators, and particularly I.24, the last publicly available information goes back to March 2019 (Grexe meeting). If someone has seen any updates on indicator fiches or has news about them, please let us know – it has not been seen by many.

Are we really going to see a fairer CAP?

Whether capping and degressivity will be mandatory or not across Europe, and how, will most likely be known only when the European Parliament’s position is voted in plenary. If this will be different from the Council’s position

(which is united for voluntary), then we need to see the outcomes of the trilogue meetings.

A voluntary capping might come at the expense of a common level playing field across the EU. It could be desirable only if Member States come up with ambitious and tailor-made proposals for capping, degressivity and redistributive payments at national level. Voluntary capping requires also a rigorous, transparent and evidence-based approval process of the CAP Strategic Plans, rather than just recommendations to get a ‘fair’ stamp from the Commission. We should learn from the experience with the implementation of the current CAP 2014-2020.

The Commissioner, the German Presidency of the Council, and many Agricultural Ministries (except Lithuania) firmly agree that we are very close to a new CAP. That is true when the reform is all about ‘flexibility’ and ‘subsidiarity’. If the aim were to have a common reform, many other decisions about a more equal distribution of CAP direct payments were still pending. People expecting to see a fairer CAP across Europe may be very disappointed. Instead of a better reform at EU level, the new CAP might end up repeating the same business as usual.

Final thoughts

For a fairer CAP, we should enlarge our focus beyond capping, redistributive payments, or degressivity, and consider the full picture, to include payment entitlements, external convergence, sectorial support, and more. A fairer CAP is all about better targeting of resources, which ultimately means asking politicians and administrations to be more selective and accurate on the way support is designed and delivered to address specific and targeted needs.

While the idea of simplification is laudable, CAP needs to keep strong its political will to reduce inequalities even in the face of its technical challenges. In practice, this means that in addition to a political shift, the CAP shall continue to build capacity and equip administrative units with the right tools, database, arrangements, and skills to distribute payments more accurately. A fairer CAP goes hand in hand with the upgrading of delivery mechanisms and technical assistance too.

Will the CAP post 2020 be fairer – and what does that mean?

Finally, a fairer CAP must not be limited to its socio-economic dimension, such as better targeting of direct payments to small scale or young farmers. A large share of CAP spending is for environmental and climate purposes. Are we really scrutinizing enough and setting up more selective criteria about how Pillar I and II interventions are going to address the beneficiaries and areas with the most urgent environmental problems (e.g. soil erosion risks, water pollution, biodiversity decline, flood)? And what of the broader interpretation of fairness – of inclusion and CAP's impact outside the EU? There is a lot to consider when it comes to fairness, and CAP has much progress to make.

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A rural proofed CAP post 2020 – Analysis of the European Parliament's adopted position

Matteo Metta November 2020

In the aftermath of the European Parliament's adopted position agreed in October 2020, this article provides a detailed analysis of the adopted amendments in relation to the various aspects more relevant to rural development: financial allocation, flexibility between funds, LEADER, Smart Villages, environmental spending, organic farming, decentralization of delivery mechanism, etc.

The analysis reveals that the European Parliament tried to fill the legislative gaps contained in the Commission's initial proposal, but still falls short of providing clarity and a serious EU response to more systematic rural issues. The article urges the co-legislators to look beyond the agricultural sector when negotiating in the final rounds and ensure a rural proofed CAP post 2020.

CAP reform at EU level: State of Play

On Friday 23 October 2020, the **European Parliament** adopted its final positions on the various parts of the European Commission's 2018 legislative proposal for the CAP reform post-2020, namely:

- Regulation establishing rules on CAP Strategic Plans
- Horizontal regulation establishing rules on financing, management and monitoring the CAP
- Regulation establishing rules on Common Market Organisation for agricultural products.

After two and a half years of negotiations on these three pieces of legislation, the **Council** also adopted its position on Wednesday 21 October 2020.

In the coming months, the Council and European Parliament will negotiate their own positions to reach an agreement in the trilogues, unless the Commission withdraws its initial proposal.

In the background, the trilogues on CAP will continue in parallel with the negotiations on the Multi-Financial Framework 2021 – 2027 and the second wave of the

COVID-19 pandemic. To some extent, these factors can still influence the results of the CAP reform and its rural development pillar.

A rural screening of the European Parliament's position on the CAP post 2020

This article analyses the European Parliament's adopted text on the CAP Strategic Plan Regulation, particularly in relation to rural development aspects.

This 'rural screening' aims to check whether the European Parliament's position has strengthened or weakened the rural development policy **within** and **outside** the CAP Strategic Plan Regulation (e.g. synergies and coherence with Cohesion Funds).

More in detail, the analysis checks whether the European Parliament sufficiently covered some legislative gaps or maintained some of elements in the Commission's proposal which are important for the design and delivery of **rural development interventions following a territorial approach**.

After assessing the most relevant amendments adopted by the European Parliament, the article draws some conclusions and suggests recommendations directed to the co-legislators involved in the last rounds of the trilogue negotiations.

Strengthening Rural Development within the CAP

Application of the principle of equal treatment and gender equality

Amendment 125 introduces the '**integration of a gender perspective**' in Article 9 *General Principles*.

In the same spirit, Amendment 10 and 19 to recitals add a legal background regarding '**gender equality**'. Accordingly, the Commission should check how the

Member States ensure the application of [Directive 2010/41/EU](#) in the CAP Strategic Plans.

Considering the current experience in the CAP and Rural Development Programmes, it remains unclear how this will be translated in a concrete and effective manner, and whether these points will be checked in the approval of the CAP Strategic Plans. Hopefully,

these provisions will ensure no discrimination whatsoever on both **sexual** and **gender** grounds, at least in the CAP delivery.

Article 5 General Objectives

The CAP post 2020 pursues three general objectives: the last one is relevant for the rural development.

Amendment 104

Proposal for a regulation

Article 5 – paragraph 1 – point c

Text proposed by the Commission

(c) to strengthen the socio-economic fabric of rural areas.

Amendment

(c) to strengthen the socio-economic fabric of rural areas, ***in order to contribute to the creation and maintenance of employment, by guaranteeing a viable income for farmers, pursuing a fair standard of living for the entire agricultural population and tackling rural depopulation, with a particular focus on the less populated and the less developed regions, and balanced territorial development.***

Narrowing rural development down or tightening it up to agriculture and farmers’ income is certainly a debatable position taken in the last vote of the European Parliament, especially because **guaranteeing viable farm income is a need already addressed in the first general CAP objective**. As recouped in other amendments voted mainly by the major conservative parties of the European Parliament (i.e. EPP, RE, S&D), this amendment represents the usual claw back reclaiming rural development money for agriculture and farmers.

It is important to remember that although they play a crucial role, farmers are not the sole actors to be mentioned when it comes to rural development. A whole range of actors and institutions need to be mobilized and supported and their networking needs to be properly funded.

Despite the number of studies and public consultations showing that rural areas’ problems are more systematic and require a territorial (rather than sectorial) approach, the amendments assessed in this analysis clearly **demonstrate a return to ‘agriculture first’ in the EU rural development policy**. If the Parliament and Council adopt these amendments now, what is the relevance of the [Commission’s public consultation on the Long-Term Vision for Rural Areas](#) when it comes to shaping rural development policy for the next seven years?

Article 6 Specific Objectives

With Amendment 113, the European Parliament adopted a more comprehensive and detailed position on the CAP specific objective (h), which is the one more related to **rural development**.

Amendment 113

Proposal for a regulation

Article 6 – paragraph 1 – point h

Text proposed by the Commission

(h) promote employment, growth, social inclusion *and* local development *in rural areas*, including bio-economy and sustainable forestry;

Amendment

(h) promote *social and territorial cohesion in rural areas including through employment creation, growth, investment, social inclusion, combatting rural poverty and through* local development, including *high quality local services for rural communities, focusing in particular on areas with natural constraints; promoting decent living, working and economic conditions; diversification of activities and income, including agri-tourism, bio-economy, circular economy, and sustainable forestry, while ensuring gender equality; promoting equal opportunities in rural areas through specific support measures, and recognition of women's work in agriculture, crafts, tourism and local services;*

In the proposed additions, however, specific references to other important tools are missing. One example is **social farming**. It is argued here that social farming has been largely overlooked in many CAP interventions (e.g. interventions supporting Cooperation, Investments, AKIS), despite its highly needed and proved contribution to foster social inclusion in agriculture and rural areas.

While forgetting to add any reference to **social farming**, the EPP, S&D, and RE have followed the suggestions of high-tech, large farm corporation and machinery lobbies to add more provisions for **precision farming**, even by sinking money from the EAFRD budget (see the section on the amendments related to Investments and Smart Villages Strategies).

In any case, the risk of turning this specific objective into a long wish list is already very high. Its definition,

however, frames the choice and features of each intervention, so much so that many elements are poorly addressed in the CAP Strategic Plan Regulation: e.g. social farming, urban-rural mobility infrastructure, digital connectivity, digital human capital and cooperation for a sustainable digitalisation of rural areas.

Article 13 Farm Advisory Services

Amendment 1129 establishes that a **minimum share of 30 %** of the budget allocated to farm advisory services shall contribute to the CAP specific objectives related to climate mitigation and adaptation, energy and resource efficiency, and biodiversity.

Moreover, it establishes that Member States shall ensure that farm advisory services are equipped to provide advice **on both production and the provision of public goods**.

While moving Farm Advisory Services towards the provision of public goods is a laudable initiative, it is important to bear in mind that **Farm Advisory Services are funded by EAFRD budget for rural development**. These amendments set better aims for Farm Advisory Services, but still narrow EAFRD budget down to farmers (=farm advisory services).

Farm Advisory Services for public goods are important for a sustainable agriculture. The question is why are they not ringfenced also under EAGF allocation (e.g. in operational programmes under sectorial type of interventions, or for helping the adoption of ecoschemes like agroecology or organic farming)?

Farmers and public authorities need Pillar I budget to build a functioning public advisory system and ensure access to timely, regular and independent advice and agri-environmental health checks: e.g. monitoring soil quality, water quality, disease control, weather and climate counselling, animal health.

In many parts of the EU, for instance, soil quality monitoring does not happen in any substantial way. On the contrary, in countries like Austria, **publicly funded soil monitoring has been common practice for many years**. The State has built a data system which monitors soil parameters at farm level, like soil organic matter or erosion by water. This should be the basis for providing independent farm advice, but also monitoring and evaluating the CAP.

Finally, no amendments have been added to clarify who are the beneficiaries of farm advisory services: the farmers or advisors, or both? The final choice seems to be left to the Member States in the CAP Strategic Plans.

Article 28 Eco- and Boost schemes

With Amendment 1130, the European Parliament introduced the possibility to support **animal welfare** under ecoschemes (Pillar I). In the current programming period 2014-2020, this was possible only under Rural Development measures (e.g. M14 Payment for Animal Welfare). Pillar I support to animal welfare (i.e. under ecoschemes) might be positive, but also very risky as it can represent another form of support to industrial livestock. Therefore, any claims to a greener and more compassionate CAP will depend on higher en-

vironmental and animal welfare conditionalities set up in the ecoschemes.

Amendment 1131 stresses that ecoschemes shall be **different from, or complementary to** Agri-Environmental and Climate Management commitments (AECM commitments) under Pillar II (i.e. Article 65). Amendment 1132 stresses that the national list of ecoschemes shall consider **regional needs** and be subject to **bi-annual assessments** from the Commission. Member States like Italy, France or Spain will have to be very smart and collaborative with the regional authorities to identify and meet the regional needs through Pillar I interventions (i.e. animal welfare under ecoschemes), which most likely will be managed centrally at national level.

'Boost schemes' are among the novelties introduced by the compromise amendments voted by EPP, S&D, RE. In these schemes: *"Member States shall support active farmers who make commitments to expenditure beneficial for boosting agricultural competitiveness of the farmer"* (Amendment 238). It is hard to understand what is expected here and how it relates to other interventions.

The same amendment specifies that 'boost schemes' shall be **consistent** with many rural development interventions, namely Investments (Art 68), Installation of young farmers and business start-ups (Art 69), Risk management tools (Art. 70), Cooperation (Art. 71), and Knowledge exchange and information (Art. 72). Maybe, boost schemes were introduced to ensure Pillar II interventions are channelled towards farmers, rather than creating a new type intervention under Pillar I. Rather than an innovation in Pillar I, this reflects the usual **'don't steal farmers money'** position of COPA, machinery, land lobbies, and agricultural ministries towards the EAFRD and rural development policy.

Article 64 Rural Development Interventions

As voted already in 2019 (before the last EU elections), the European Parliament adopted a few changes to the initial list of the types of rural development interventions proposed by the Commission. The main changes relate to the terminology for the environmental, climate, and other management commitments, which are now called **'Agri-environmental sustain-**

ability, climate mitigation and adaptation measures and other management commitments’.

A similar terminological change has been proposed to the interventions for the ‘**installation of young farmers, new farmers, and sustainable rural business start-up and development**’. This amendment might have positive implications if it opens the possibility to support not only new start-ups, but also **existing** rural business (i.e. with the term ‘development’).

Furthermore, various amendments have been voted here to introduce an intervention supporting the ‘**installation of digital technologies**’. In this case, however, the difference with other investments (Article 68) remains unclear. Moreover, the final beneficiary of the ‘installation of digital technologies’ needs to be better defined.

Besides the actual installation of digital technologies at individual level, much more could have been done to foster a **sustainable design, access, and use of digital technologies** in rural areas. Moreover, the position voted by the Parliament lacks a serious EU strategy to achieve the European Green Deal target of ‘*completing fast broadband internet access in rural areas reach*’, as highlighted in the [Commission SWD on the links between the CAP and the Green Deal](#) (pag. 11). **The lack of integration between the CAP and the Green Deal can be found also in the rural development interventions, not only in the overall level of environmental ambition.**

Article 65 Environmental, Climate and other Management Commitments

Compared to the Commission’s initial legislative proposal for Article 65, Amendment 1133 establishes that payments can be granted also for the **protection and improvement of genetic resources, and animal health and welfare**.

In this same amendment, the European Parliament introduced the possibility to provide **financial incentives** on top of the payment to compensate beneficiaries for costs incurred and income foregone resulting from these commitments.

Moreover, the amendment allows Member States to **vary the level of payments** according to the **level of**

ambition of sustainability in each commitment or set of commitments. As any ambition, it will all depend on where the baseline is set out. Besides this additional flexibility in setting up the payments, Member States will continue to decide on whether to deliver AECM payments **based on commitments vs based on results, or a combination of both**.



New Section: Organic Farming

Amendment 811 introduces a new section in the CAP Strategic Plans Regulation. This amendment establishes that *Member States shall assess the level of support needed for **agricultural land managed under organic certification***. The relevance of this amendment is questionable, considering that the three major EP political groups (EPP, S&D, RE) rejected any serious commitments to integrate the CAP with the Farm to Fork and Biodiversity strategy targets, including those for organic farming. It is also narrowed to land and does not include livestock.

Anyway, the amendment establishes that, to increase the share of organic land, the “*Member States shall determine the appropriate level of support towards organic **conversion and maintenance** through rural development measures in **Article 65***”. Full stop.

The amendment does not mention eco-schemes under Pillar I. Annual payments under ecoschemes can indeed support the **maintenance** of existing land (and livestock) under organic farming. The positive effect of ecoschemes on **conversion to organic farming** should not be neglected, especially if the Member

States commit to providing more stable support to environmentally friendly farming practices in the long run. Therefore, it would be wise to include or, at least, recall to **ecoschemes** under Pillar I in this new section.

Article 68 Investments

Amendment 1139 establishes that **investments under EAFRD support shall be subject to an ex ante environmental assessment**. This is to avoid the situation whereby investment projects likely to have negative effects on the environment are supported.

It would be curious to see how this amendment will work and be translated in practice, considering that in many Rural Development Programmes 2014 – 2020, investments were supported to increase livestock size and intensity. Most likely, this amendment will be dumped in the trilogues negotiations with the Council, under the counterargument of *'high administrative burden and we need more simplification'*.

The same amendment determines that investments in the forestry sector will need to include the requirement of **planting species adapted to the local ecosystems**, or equivalent instruments in the case of forestry holdings **above a certain size**. But which size? Economic size or surface? This needs to be defined.

30% of the budget allocated to investments shall be dedicated to the environment and climate objectives, and higher priority shall be given to investments made by young farmers.

When complementary with other Union instruments, **rural development investments can also be used to support broadband infrastructure**. With the vagueness of 'complementary', this amendment is interesting because, so far, there has not been serious commitment from DG AGRI to dedicate CAP budget for the full coverage of high-speed connectivity in rural areas. Nor does there seem to be strong will among the Directorate Generals to increase coherence between the CAP and other funds under the Cohesion Policy.

Rural areas could be penalised by the confusion around which European fund should lead the support for guaranteeing full high-speed coverage in rural areas.

Under Article 68, a new text has been adopted by the Parliament concerning **investments in irrigation**, both in irrigated and drained areas. These investments were already supported in the Rural Development Programmes 2014 – 2020. This is an important amendment and shall direct investments under Art 68 towards **water savings**. It will be important to follow up on this amendment as it might be, as it were, watered down in the triologue negotiations, or ineffectively implemented on the ground.

Water problems are often more systemic than technical (e.g. market oriented and intensive agriculture), and investments to increase **savings from water use** (i.e. at farm level) should be complemented by those aimed at **savings from water abstraction** (i.e. reducing the loss of water along the delivery pipelines until the farm).

Amendment 1168 establishes that Member States may grant support for the **installation of digital technologies in rural areas**. In this amendment, the installation of digital technologies can be granted to Smart Villages rural enterprises, but also **to support precision farming** or **ICT infrastructure at farm level**.

As in many other amendments, the three major EP political groups created a loophole to use EAFRD budget to support agriculture, precisely **precision farming**. As things stand, in addition to investments (Article 68), precision farming can absorb support also from 'boost schemes', 'ecoschemes', and many other interventions under EAFRD (e.g. cooperation, farm advisory, AKIS).

Article 69 Installation of young farmers and rural business start-up

Amendment 477 extends the scope of this intervention also to include **'new farmers'** and **'sustainable rural business development'**. It is unclear whether business *development* can be assumed as also providing support to **existing** businesses. In that case, this amendment can be considered positive, as grants could be guaranteed to new businesses, but also to those already operating in the territory for many years.

The same amendment determines that any support *'shall be conditional on the presentation of a **business plan**'*. The amendment also includes support

to **farm diversification of agricultural activities**, thus ensuring that grants are used to integrate agriculture into the wider rural economy and society.

In relation to *'non-agricultural activities in rural areas being part of local development strategies'*, Amendment 482 specifies that *grants shall be given to **farmers diversifying their activities**, but also to **micro-enterprises and natural persons in rural areas***. While for farmers, the major political groups were disinterested about putting conditions in terms of farm economic, this amendment adds some (unclear) conditions about the size of rural enterprise (i.e. it must be micro). This might prevent support to **small-medium rural enterprises**. At the same time, the amendment does not prevent **large farm beneficiaries of Pillar I** also absorbing funds from EAFRD budget size (e.g. a large beneficiary farm from Pillar I or a large intensive livestock corporation like Friesland Campina can thus receive EAFRD support for their **corporate social responsibility**).

Amendment 483 defends young and new farmers' access to EAFRD budget under this article, even if they belong to, and benefit from Pillar I market support to producer organisations.

Finally, it can be noted that for business plans requiring the **collective action of multiple partners** like in **social farming** (i.e. actors from the health, education, social prison services), the European Parliament did not include any provisions to encourage the Member States to combine the grants under this article with other rural development interventions (e.g. cooperation, knowledge transfer and information, investments). EPP, S&D, and RE stressed the combination of multiple interventions for 'boost schemes', but not for social farming.

Article 70 Risk Management Tools

With amendments 486, 1152cp1 and 1063, Member States have the flexibility to choose whether to grant support for risk management tools or not at all in their CAP Strategic Plans. Nothing new. In any case, whether mandatory or voluntary for the Member States, the target of **risk management tools is narrowed and oriented towards farmers and income loss related to 'agricultural activity'**.

The definition of 'agricultural activity' will be given in each CAP Strategic Plan, but it will very likely be narrowed to **'agricultural production'**, as if agriculture had only a productivist dimension. It will be important to check whether this definition can also include **'farm diversification activities linked to agriculture'** (e.g. agritourism, farm schools, social services, direct selling, farm camping).

This might be important to protect small-medium scale farms that brings people to rural areas and take higher risks in diversifying their gainful activities and provide community services. When an on-farm direct selling channel is broken by a catastrophic event, farmers face income and commercial damages (e.g. consumers changing outlets or sellers). Similar risks can be found in agritourism, farm schools, or social services, as observed during the COVID-19 pandemic for instance.

Therefore, the definition of agricultural activities will be crucial to understand if risk management tools will matter for rural development in general or be narrowed down to agricultural production. If included in the CAP Strategic Plan, it is suggested here that they target **farm income losses in a broader sense**, not only from agricultural production. Example of farm insurance schemes covering also farm business diversification can be found in Ireland (FBD farm insurance).

Finally, although funded by EAFRD financial allocation, these risk management tools continue to be framed for farmers, and less concerned about other types of rural enterprises which are important for the attractiveness and population of rural areas.

Article 71 Cooperation

In relation to this article, Amendments 497 and 1170cp2 extend the support for cooperation also to **existing EIP AGRI Operational Group projects or Local Action Groups**, and not necessarily to new ones. The same amendment specifies that cooperation projects can be funded **if at least one entity is involved in agricultural production** (LEADER Local Action Groups might be exempt from this requirement).

No provisions have been included to clarify the composition of Local Action Groups (balance between private and public partners) and to encourage the support for LAGs to design and carry out cooperation

projects with other LAGs within the same MS, outside their own MS, or beyond the EU.

With Amendment 502 and 1170cp4, *Local Action Groups may request the payment of an advance from the competent paying agency if such possibility is provided for in the strategic plan. The amount of the advances shall not exceed 50 % of the public support for the running and animation costs.*

Amendment 830cp2 brings the **LEADER initiative back to a strong focus on farmers** and forestry holdings.

Amendments 500 and 1170cp2 establishes that **co-operation support can be granted also to producer organisations and producer groups**, despite all the Union financial assistance that these producer organisations can receive under Pillar I Market Support. In this case, cooperation in terms of **promoting short food supply chains** shall be more promoted. With amendment 501 and 830cp1, Member States shall not support interventions with negative effects for the environment. The criteria and rules to enforce this point are unclear.

Article 72 Knowledge exchange and information

Amendment 505 introduces the possibility to grant knowledge exchange and information support to agriculture, forestry, agroforestry, environmental and climate protection, **rural business, smart villages**, and CAP interventions. **A definition of Smart Village is still missing in the legislative act.**

Amendment 506 adds that support under this article might be given also to the **creation of plans and studies**. Unless the purpose and target use of these plans/studies are specified later in the trilogues, it is unclear how they can be useful for farmers or rural businesses, or how their lessons shall be seriously considered by the managing authorities in shaping the CAP Strategic Plans.

To these grants, Amendment 510 excludes **courses of instructions or training** which are part of the **statutory normal education programmes or systems at secondary or higher levels**. In general, the CAP is a public policy which should strengthen public institutions

working for public interests, rather than emptying their capacity and room of action.

The question is whether this amendment will discourage or prevent universities or secondary schools to provide courses, trainings, and demonstrations, with or without necessarily being paid. More explanations are needed to justify the exclusion of these institutions, which are often public and equipped with labs and skills useful for knowledge exchange and information. On the contrary, their involvement should be prioritised.

Amendment 512 encourages the prioritisation of the delivery of rural development interventions **in favour of rural women** with a view to promote greater inclusion of women in the rural economy.

Amendment 513 introduced the development of **Smart Villages Strategies**. However, the amendment does not provide or adopt any **description of Smart Village Strategy** as for instance exists for Community-led Local Development Strategies (Article 33 of the Common Provision Regulation 1303/2013).

Without a description of '*WHAT this strategy is composed of* (targets, interventions, partners, etc.)', '*WHO can design and implement it* (LAGs, regions)', etc., the development of Smart Village Strategies might not be uniform and comparable across the EU, and it will also be hard for the Commission to develop technical assistance for the Member States (e.g. A Smart Village Strategy start-up kit).

In contrast, the European Parliament's amendments provide more information on the purposes, interventions, and focus of Smart Villages Strategies. Accordingly, **Smart Village Strategies can also support precision agriculture!**

In terms of governance, while the amendment mentions that it is the Member State that shall develop and implement the Smart Village Strategy in the CAP Strategic Plans, it then adds that Smart Villages Strategies can be included into 'integrated strategies of CLLD'. Does it mean that Local Action Groups shall adopt a national Smart Village Strategy, and if so, why should this not come from the bottom? Also, the governance aspects of Smart Villages can be better clarified.

While the concepts of Smart Villages might be clear for many, it is important to properly spell them out for all and in the legal acts. This might clarify the differences with (if any), but also strengthen the synergies with LEADER or CLLD strategies, and the coordination and responsibilities among funds.

Finally, the amendment makes some reference to the coordination between EAFRD and other European Structural and Investment Funds, although the CAP Strategic Plan Regulation has very weak provisions on this aspect. As will be pointed out later, the EAFRD fund is excluded from the Common Provision Regulation which regulates the EU Cohesion Policy.

Article 83 Financial allocation for types of interventions for rural development

Compared to the initial Commission proposal outlined in June 2018, the European Parliament adopted higher figures for the financial allocation to rural development interventions, by increasing the budget from **EUR 78 811 million** to **EUR 109 000 million** in current prices (amendment 533).

However, the European Parliament position on the EAFRD financial allocation will have to be negotiated

with the figures agreed by the Council in July 2020, which correspond to **EUR 87 441.3 million**. The Council has a stronger say on the negotiation of the budget.

Moreover, it is worth noting that the European Parliament and Council's figures on CAP are still pending the **final adoption of the Multi-Financial Framework 2021 – 2027** (supposedly ending by December 2020).

Finally, the same amendment establishes that single EAFRD contribution rate shall be defined for each region (classified at NUTS 2 level) with different GDP per capita.

Article 86 Minimum and Maximum financial allocations

Amendment 1134 does not provide any increase of budget allocated to LEADER (5%), despite its evidenced contribution to rural development. It, however, increases the EAFRD budget ringfenced for **CAP environmental objectives from 30% to 35%** compared to the initial Commission proposal for post 2020 and compared to the current programming period (2014-2020). Table 1 provides a more detailed comparison, considering also which interventions are included in this ringfenced budget.



Table 1 Comparison of environmental spending in Pillar II

	RDP 2014 – 2020 (Article 59(6) of Reg. 1305/2013)	Commission proposal for CAP post 2020 (Art 86)	European Parliament' position post 2020 Am. 1134 to Art 86
EAFRD financial allocation to climate and environment spending	At least 30%	At least 30%	At least 35%
Interventions included under the climate and environmental spending	<ul style="list-style-type: none"> ■ Art 17 Investments in physical assets related to the environment and climate ■ Art 21 Forestry investment ■ Art 28 AECM commitments ■ Art 29 Organic Farming ■ Art 30 NATURA 200 and WFD ■ Art 31 ANC (100% of allocated budget) ■ Art 33 Animal Welfare ■ Art 34 Forest conservation and enviro & climate services 	Interventions addressing the specific environmental- and climate-related objectives set out in points (d), (e) and (f) of Article 6(1) of this Regulation, <u>excluding interventions based on Article 66 (ANC).</u>	<p>Interventions of all types addressing the specific environmental- and climate-related objectives set out in points (d), (e), (f) and (i) of Article 6(1) of this Regulation.</p> <p>A maximum of 40 % of payments granted in accordance with Article 66 may be taken into account for the purposes of calculating the total EAFRD contribution referred to in the first subparagraph.</p>

Compared to the Commission proposal post 2020, the European Parliament's position presents an increase in the budget for environmental spending, but **continues to leave this diluted by including 40% of budget allocated to ANC.** The inclusion of 40% of ANC budget under Pillar II's environmental and climate spending goes against the Commission's initial proposal and evidence.

For instance, as demonstrated in [this report on the Status of EU protected habitats and species in Ireland](#), 85% of those sites are in a poor conservation state and 70% are suffering negative impacts from farming, with intensive grazing and overgrazing by livestock farmers the biggest culprit. In other countries, there continues to be a lack of evidence on the environmental assessment and data collection on the impacts of ANC payments, often justified by a Common Monitoring and Evaluation System with poor indicators.

Therefore, the inclusion of ANC payments, as well as for Animal Welfare under the environmental spending

of Pillar II, continues to be controversial because of the lack of evidence showing its climate and environmental contribution, and especially because of the lack of strong conditionalities linked to this intervention.

The same amendment determines that, at least **30% of the total EAFRD contribution shall be reserved for the first three CAP specific objectives related to farm competitiveness.** This includes Investments (Art 68), Risk Management tools (Art 70), Cooperation (Art 71), and Knowledge exchange and information (Art 72).

The same amendment excludes 'rural development interventions' (installation of young farmers and business start-up) from Annex X, which is the reserve budget set aside to contribute specifically to the CAP objective 'attract young farmers and facilitate rural business development'.

Commission proposal

4. ***For each Member State the minimum amount set out in Annex X shall be reserved for contributing to the specific objective 'attract young farmers and facilitate business development' set out in point (g) of Article 6(1). On the basis of the analysis of the situation in terms of strengths, weaknesses, opportunities and threats ('the SWOT analysis') and the identification of the needs that are to be addressed, the amount shall be used for the following types of interventions:***

(a) the Complementary Income Support for Young Farmer as laid down in Article 27;

(b) the installation of young farmers referred to in Article 69.

Amendment approved

4. ***Member States shall reserve at least the amounts set out in Annex X for the complementary income support for young farmers as laid down in Article 27.***

If this amendment is adopted in the trilogues too, this means that the reserves set aside in Annex X will be confined only on 'complementary income support for young farmers' (i.e. Pillar I). The support for the 'installation of young farmer and rural business start-up (Art 69)' will be left on the shoulders of rural development interventions under EAFRD budget.

Article 90 Flexibility between direct payments and EAFRD allocations

Instead of maintaining and increasing the Commission's proposal to transfer budget from Pillar I to II, the three major political groups voted in favour of the opposite. Transfers to EAFRD are reduced from a maximum of 15% to 12% of total allocations for direct payments (EAGF). This restricts the Member States' room of *manoeuvre* to increase support for rural development.

Additionally, the spending from this transfer to EAFRD shall be **conditioned** towards environmental and climate interventions, which in most of the cases tend to be area-based and easy to spend (except for in-

vestments). Finally, the European Parliament voted to postpone any transfers to Pillar II **from 2021 to 2023**.

The same amendment specifies that the transfers to EAFRD may be deducted from **basic income support for sustainability** (i.e. Article 86 4(a)) **or coupled income support** (i.e. Article 86 4(c)), **or a combination of both**. This positive, but also logical, as it means that transfer to Pillar II will not come from ecoschemes (if they are adopted).

Decentralisation of the design, delivery, monitoring and evaluation of rural development interventions

With several amendments, the European Parliament stressed the **regional dimension of the CAP Strategic Plans**, and the importance of **decentralising the governance capacity** and delivery mechanism from national to regional level, particularly for rural development interventions. It is in relation to these aspects that the higher subsidiarity pledged by the CAP post 2020 might become a concrete reform.

The following amendments support the initial **Commission reform aimed at simplifying and getting rid**

of direct interactions between the European Commission and Regional Authorities (e.g. approval of 118 RDPs, assessment of 118 Annual Implementation Reports). Nevertheless, they show how the European Parliament agreed to add provisions which could help the decentralisation of rural development interventions at regional levels.

*“Taking due account of the administrative structure of the Member States, the CAP Strategic Plan should, where appropriate, include **regionalised interventions** for Rural Development” – Amendment 49 to Recital 55.*

*“Considering that flexibility should be accorded to Member States as regards the choice of **delegating part of the design and implementation of the CAP Strategic Plan at regional level through Rural Development intervention programmes in line with the national framework** [...], it is appropriate that the **CAP Strategic Plans provide a description of the interplay between national and regional interventions**” – Amendment 56 to Recital 60.*

*“Where elements relating to rural development policy are dealt with on a regional basis, Member States should be able to establish **regional managing authorities**” – Amendment 57 to Recital 69. Amendment 58 to Recital 70 also adds the establishment of **regional monitoring committees**.*

Amendment 119 to Article 7 proposes that: **Member States may break down the output indicators and result indicators laid down in Annex I into more detail in relation to national and regional features in their Strategic Plans.** It is still unclear if regional authorities shall also set up regional targets in relation to result indicators to be used in the performance review, as well as their role in collecting data and assessing impact indicators.

Amendment 121 to Article 8 allows Member States and **Regions to pursue the CAP objectives by specifying the interventions.** It is unclear if this would allow regions to design any kind of interventions, such as those under Chapter II (direct payments), III (sectori-

al interventions), and IV (rural development). This is a possibility, but it is hard to see it being realised.

If rural development interventions are going to continue as usual (i.e. managed and monitored at regional level), one can question whether this CAP reform has improved or created more confusion when it comes to establishing and maintaining important **strategic and programme management tools** (e.g. regional SWOT analysis, regional assessment of needs, regional partnership agreements, regional evaluation plans, etc.).

Strengthening Rural Development outside the CAP: synergies with Cohesion Policies

Among the novelties of this CAP reform post 2020, the European Agricultural Fund for Rural Development (EAFRD) does not form part of the new Common Provision Regulation 2021-2027 (European Parliament, 2019). This used to be the case in the current period 2014-2020.

The Common Provision Regulation (CPR) sets out common rules for shared management funds. The new CPR will cover seven funds: 1) the European Regional Development Fund, 2) the Cohesion Fund, 3) the European Social Fund Plus, 4) the European Maritime and Fisheries Fund, 5) the Asylum and Migration Fund, 6) the Internal Security Fund and 7) the Border Management and Visa Instrument.

The Commission proposal for CAP Strategic Plan Regulation has assumed that the Rural Development interventions will anyway be affected by certain articles of the CPR 2021-2027 but did not provide effective provisions to strengthen the coherence with the European Structural and Investment Funds.

Article 2(2) of the CAP Strategic Plan Regulation establishes applicable provisions from the CPR to rural development interventions. Regarding this article, it is true that the European Parliament's position tried to stress the coherence with ESIF funds (Amendment 75). However, this amendment touches mainly upon **principles** like 'sound economic governance' (Chapter III of Title II of CPR), territorial development and CLLD (Chapter II of Title III). Much more is needed in terms of actual coordination instruments and legislative articles.

As things stand, rural development interventions and funds are not required to be part of the **Partnership Agreements**, which are strategic documents agreed between the Commission and the Member States to set out arrangements for using multiple funds for the EU Cohesion Policy in an effective and efficient way.

It is true that Article 98(d)(iii) of the CAP Strategic Plan Regulation establishes that *Member States shall provide an overview of the coordination, demARCation, and complementarities between the EAFRD and other Union Funds active in rural areas*. However, this is a provision only within the CAP Strategic Plan Regulation, rather than at interservice level (i.e. among different Directorial Generals or Managing Authorities in the Member States).

The coherence of rural policies with other cohesion funds, but also Horizon Europe, LIFE+, Erasmus, etc. is important for dealing with the most systemic issues of rural depopulation and divides with urban areas. As these issues are affected by many factors, it is important to establish provisions to ensure good governance among funds and policies.

Final reflections for the trilogues negotiations

This article carried out a rural screening of the European Parliament's position on the CAP Strategic Plan Regulation. Overall, the analysis revealed that:

- **The Commission's proposal contained several legislative gaps for rural development** (e.g. coherence with other European policies, interventions for Smart Villages, decentralisation of the design, delivery mechanism, monitoring and evaluation of rural development interventions).
- **The European Parliament's position tried to overcome these gaps; however, many adopted amendments need to be clarified and fine-tuned in detail** (e.g. criteria to reject investments with negative consequences on the environment or description of Smart Village Strategies).
- **In some cases, the European Parliament's position removed important proposals of the Commission to support rural development** (e.g. installation of young farmers and business start-up supported by the reserve budget in Annex X, or exclusion of ANC under environmental spending).

- **The European Parliament's position on several interventions needs to strike the right balance towards all rural potentialities**, which go beyond the agricultural sector and can aim to support an integrated approach to rural development.

The Commission and the European Parliament shall team up and acknowledge the lack of EU suitable response to the rural issues: fewer local education or job opportunities/choices, difficulties in accessing public services or transport services, inadequate internet or health coverage, or a lack of cultural venues/leisure activities.

The European Parliament's Rapporteur and Shadow Rapporteur should hold the rural voice strong during the trilogue negotiations with the Council and must not echo the old view of 'rural as space for the agricultural sector and farmers'. This view is visible in the number of amendments and loopholes voted by the Parliament to channel rural development interventions mainly towards farmers (e.g. Smart Village Strategies supporting Precision Agriculture).

While there are apparently some steps forward compared to the current rural development programme 2014 - 2020 (e.g. higher budget for climate and environmental spending in Pillar II), each amendment should be critically analysed with existing evidence and the conditionalities linked to the spending (e.g. ANC, Animal Welfare). Any final conclusions on the level of 'rural' or 'environmental' ambition of this CAP should look at the details, as well as at the broader picture (e.g. flexibility to transfer budget to Pillar II, delegations of powers to the regions, etc.).

Finally, we urge the Commission to consider whether this CAP reform is fit for purpose or rather be withdrawn in light of its lack of integration with the European Green Deal. Meanwhile, the Commission can seek strategic alliances with other European policies and funds and address them soon in the ongoing CAP reform. Rural areas and populations count on Mr Jorge Pinto Antunes (DG AGRI, Member of the Cabinet responsible for the Long-term vision for rural areas and Smart villages/digitalisation) and Mr Roberto Berutti (DG AGRI, Member of the Cabinet responsible for Rural Development) to draw support from other funds towards rural areas, as well as to ensure that the CAP post 2020 is rural proofed.

CAP Performance Monitoring and Evaluation Framework – European Parliament's position

Matteo Metta November 2020

This article assesses whether the European Parliament's adopted position in October 2020 has strengthened, maintained, or weakened the Commission's initial proposal to shift the CAP focus from compliance to performance. The results show that despite lofty rhetoric, the Parliament has undermined many elements of the performance approach of the CAP reform. In this context, will the Commission consider withdrawing its CAP proposal, or strongly holding its positions on the CAP reform via amendments, during the trilogue negotiations?

Introduction

A new way of working, focused on performance and higher flexibility for the Member States, was a core element of CAP reform post 2020. As outlined on the Commission's [website](#), this reform aimed to shift the emphasis from rules and compliance towards results and performance. This in turn would have simplified and modernised how the CAP works.

The Commission's proposal was largely welcomed by EU legislators and national agri-ministries looking for more freedom to design interventions back home, meaning also less attention from the technocratic Brussels on compliance and checks.

On the other hand, a 'performance-approach' is a jargon (or belief) widely accepted in our contemporary '*performance society*', whose activities are increasingly digitalised, associated to quantitative values and matrices, controlled by dashboards, embedded with digital devices, mixed with gamification principles (e.g. performance bonus, penalties, gadgets), etc.

In a heavily scrutinised CAP, 'performance' was also a fancy concept for agri-ministers and EU co-legislators to convey a new look of 'modernity' to an old-fashion CAP. For example, it is no doubt an attention-seeking move for MEPs – some who have been for three mandates in the AGRI-Committee of the European Parliament – to proposing a leading-edge English term like

'*performance review*'. However, this can also be seen as window dressing to sell some novelties in the policy reform to their allied national media, farmers unions and food industry.

In the Commission's initial proposal, a simplified and performance-oriented CAP reform consisted of:

- **More flexibility to the Member States to design interventions** and reach EU wide common objectives and results.
- **A revised list of output, results, and impact indicators**, introducing new elements to capture the CAP 'correlation' with aspects like pesticides use in agriculture, smart villages, antimicrobial resistance in agriculture, etc.
- **A common reporting approach and timeline**, based on *annual performance reports and review meetings* about the implementation of the CAP – based on financial data, output and result indicators, the latter to be used for target and milestones setting.
- **A streamlined administration**, with the Commission dealing only with 27 CAP Strategic Plans merging Pillar I and II interventions, rather than 118 Rural Development Programmes, in many cases, managed at lower subsidiarity levels (regional authorities).
- **Rewarding mechanisms for high environmental performances** based on the attribution of a performance bonus.
- **Correcting mechanisms for low CAP performance**, based on the submission of a justifications/action plan by the Member States to the Commission, and the reduction of payments in case of high deviations from annual planned output and expenditure ratio.

These are the main elements which compose the **Performance Monitoring and Evaluation Framework (PMEF) for the CAP post 2020**. There are many other important aspects and details related to these and other elements of the PMEF, for instance *ex ante*, interim and *ex post* evaluations; evaluation plans; rules on publication, functionally independency, and transparency of evaluations; certifying bodies, etc. There

CAP Performance Monitoring and Evaluation Framework – European Parliament's position

are also aspects *about* the PMEF itself, which would deserve a separate analysis: data quality and situations in the Member States; indicators reliability and sensitivity; civil society and scientists' engagement; transparency and independency; additional indicators at national and regional level; evaluation capacity at national, regional, and local levels; political misuse or lack of use of evaluations to steer the CAP.

This article is limited only to an analysis of the position adopted by the European Parliament in October 2020 compared to the Commission's initial proposal for the PMEF, and checks whether this has strengthened, maintained, or weakened the Commission posi-

tion. Table 1 presents a short summary of the findings, followed by a more detailed discussion of the most critical amendments.

Having been elected by European citizens, the Parliament's position should ostensibly represent the EU citizens' rights and demands for accountability, transparency, value-for-money and more sustainable agricultural and rural policy. Its analysis is important as it will be negotiated in the coming months with the position agreed by the agri-ministries in the Council. A final agreement between the co-legislators on the CAP post 2020 is expected around summer 2021.

Table 1. Analysis of the European Parliament's position on the Commission's proposal for the PMEF

European Commission's initial proposal in June 2018	European Parliament's adopted position in October 2020
More flexibility to the Member States to design interventions	Maintained , although many enhanced conditionalities have been weakened and new common elements have been proposed (e.g. menu of ecoschemes; rejection of investments under rural development interventions likely to have negative effects on the environment)
A revised list of output, results, and impact indicators	Maintained , although the Parliament was less involved in the development of technical indicator fiches and therefore made mainly cosmetic changes to Annex I
A common reporting approach and timeline, based on annual performance reports and review meetings	Weakened . <i>Annual</i> reporting on realised expenditure, output and result is common practice in the current programming period, and an important legal and accountability tool for CAP spending. The Parliament included realised expenditure and output but excluded <i>result indicators</i> from annual performance reporting. The Parliament has voted to have results indicators reported 'multi-annually', most likely every two years.
A streamlined administration	Unclear . The Parliament reintroduced regional governance elements (managing authorities, monitoring committees, targets, evaluation plans), but did not clarify whether these should interact with the Commission, or only with the national administration.
Rewarding mechanisms for high environmental performance	Deleted
Correcting mechanisms for low CAP performance	Mixed . Reductions of payments have been deleted. Mechanisms of justifications and action plans have been in some parts maintained, in others weakened.

Removing annual reporting on result indicators

Amendment 54 to Recital 58 removes the legal background for the Member States to report the achievement of targets on an 'annual basis'. This is a step backwards compared to the current RDP where the reporting was annual. In the direction of watering down the Member States' commitments to annual performance reporting, the major three political groups – Renew Europe, EEP and S&D group - voted for following amendments:

- Amendment 662 to Article 115 (removing "annual" performance reporting)
- Amendment 673, 674, 675, 676, 679, and 680 to Article 121 (removing "annual" performance reviews and reports)
- Amendment 685 to Article 122 (removing "annual" review meetings)

The Parliament not only removed the annual frequency of performance reports, but also limited the time of action for the Commission, by restricting to "*the maximum of one month*" for the Commission to review and provide observations to the performance reports (Amendment 681).

The Council has adopted a similar position to have bi-annual reporting of target achievements. This was grounded on the Member States' quests for simplification and fear to be penalised by the Commission in case of deviations, a situation which is difficult to imagine considering the political dimension beyond the technocratic nature of this exercise. In any case, these positions undermine the few tools available for the Commission to steer the policy towards the agreed, EU-wide objectives.

Weakening performance mechanisms

Related to the removal of *annual* reporting on result indicators, and their postponement to multiannual reporting, the Parliament:

- **Maintained** the provision of justifications to the Commission when the Member States deviates from the planned targets (Amendment 682 to Article 121). However, it now requires the Member States to submit of an action plan only "when necessary".

- **Removed** the performance bonus to reward good performance in relation to climate and environmental targets (Amendment 688 to Article 122 and Amendment 689 to Article 124).

Scapegoating the EU for a weak PMEF's data systems

Amendment 800 to recital 58 acknowledges the lack of, and weaknesses in, indicators for monitoring CAP results in relation environment-specific objectives (biodiversity, water, soil). The Commission has already identified these weaknesses a long time ago. On many occasions, the Commission asked the Member States to tackle these issues, with little success.

Data and accountability problems are often rooted in the Member States, rather than in EU statistics. Instead of dealing with the real causes of the problems – the lack of public commitments and the quest for so-called 'simplification and deregulation' pushed by agri-ministries – the Parliament can be seen to engaging in gaslighting. This amendment shifts the problem from the Member State or regional level - where usually it originates - to the EU institutions, by demanding the Commission somehow to solve the issue with the EU budget. All the while the Member State is let off the hook for poor data collection.

Moreover, Amendments such as 116 to Article 7, might sound positive because they clarify that a "*common indicator shall be based on official sources*". However, these amendments naively overlook the fact that already existing official sources are often lacking, outdated, and need the Member States' investments in data collection to overcome their weaknesses. Furthermore, if data gaps exist in the Eurostat or FADN, the Parliament's adopted amendment 699 removes the Member States from any responsibility to solve them and leaves them instead on the Commission's shoulders.

Having not encouraged the national and regional governments to seriously collaborate with the Commission, MEPs who voted in favour of the Parliament's adopted text cannot go on national media in good faith claiming to have strengthened the existing accountability system. It is evident instead that three major political groups in the Parliament are not actually

interested in creating a stronger accountability system by, for instance, addition provisions on the adoption of data quality standards.

What would such a genuine attempt to get accountability for the money spent in CAP look like? It would mean interoperability of databases, smart application forms for beneficiaries, open and secure access to anonymized databases to allow independent evaluations, and more in this vein.



A Regional PMEF: what is the Commission's role?

In the position adopted by the European Parliament, numerous amendments introduced a regional dimension to the CAP Strategic Plans, for instance: regional managing authorities, regional monitoring committee, regional intervention programmes, regional evaluations, regional evaluation plans, etc. Amendment 119 to Article 7 introduced the breakdown of output and result indicators at regional level as it is the case in the current programming period 2014-2020.

A major change in how CAP functions, part of what was promoted as a new delivery model, is the transfer of significant responsibility over to national authorities. If the European Parliament's amendments – which introduce again regional governance aspects

(programmes, authorities, SWOTs, indicators) – are agreed with the Council in the trilogues negotiations, it remains unclear whether the Commission will stick to its initial proposal to deal only with 27 CAP Strategic Plans, or will go back to the current situation where the Commission deals with 118 RDPs.

Stability vs improvement of common indicators

Amendment 120 to Article 7 sets a timeline for the Commission to carry out a full assessment of the CAP indicators: output, result, and impact. Only **by the end of the third year** of application of the CAP Strategic Plans, can the Commission revise the list of indicators in Annex I. This amendment might ensure stability in the indicator collection and analysis (benchmarking, measuring progresses, etc.), assuming that these indicators are correct, meaningful, and precise. Otherwise, EU citizens will need to wait at least until 2026 (i.e. three years after the likely entrance into force of the CAP Strategic Plans in January 2023) to have an improved accountability system.

Commission's powers on PMEF: from implementing to delegated acts

Amendment 671 to Article 120 changes Commission's powers in relation to the PMEF, passing from the ability to adopt *implementing* to *delegating* acts. There are various differences between these two instruments in terms of the role of expert committees, Parliament, and Council, which are well explained in this [link](#).

In simple terms, reducing the Commission's powers from implementing to delegating acts ensures that the Parliament and Council can still have two months to formulate objections to any acts adopted by the Commission to supplement the provisions regulating the PMEF (e.g. list of indicators, methods of calculation, guarantees for accuracy and reliability, etc.).



Postponing assessments of CAP Strategic Plans' integration with the European Green Deal

In terms of integration with, and efforts to reach the European Green Deal targets, the Parliament established that the Commission should conduct this assessment only 'after' the approval of the CAP Strategic Plans, rather than before (Amendments 987 and 1335 to Article 127). The Parliament could have included this assessment as part of the Member States' 'ex ante evaluation' of the CAP Strategic Plans, and/or as criteria for the Commission to approve the national CAP Strategic Plans. Besides rhetoric, it is questionable as to whether the three major political groups ever believed in the urgent importance of the Farm to Fork and Biodiversity Strategies. As the MEP Paolo De Castro (S&D) put in a [webinar held on Friday 6th November](#) and attended by more than 600 participants including agronomists, students, researchers, e.g.: *"We cannot believe in this ideology. The Farm to Fork and Biodiversity strategies are just a communication, not a legislation"*.

Improving impact indicators relevant for the European Green Deal

Positive news comes via amendment 1340 to Article 129, in which the European Parliament demands the Member States improve the quality and frequency of data collection for key targets foreseen under the European Green Deal, corresponding to:

- I.10 GHG emission from agriculture
- I.15 GNB on agricultural land
- I.18 Farmland Bird Index
- I.19 Protected Species and Habitats
- I.20 Landscape features
- I.26 Antibiotic use
- I.27 Pesticides
- C.32 Agricultural area under organic farming (if the amendment refers to the new PMEF fiches).

The need for this amendment reflects the many issues and concerns about the data quality available to carry out sensitive assessments of these, and many other impact indicators.

Evaluations in the Member States

Article 126 of the Commission's initial proposal established that all evaluations in the Member States should be made public. However, no amendments have been added by the Parliament to clarify a common timeline across the Member States, and how this timeline at national level should be harmonized also with the Commission's multiannual evaluation plan (Article 127).

No amendments have been added to make more explicit the 'practical' differences or relationships between the evaluations under Article 126 and the (most likely bi-annual rather than annual) performance reports (Article 121). In terms of 'functionally independent evaluations', no amendments have been proposed to ensure this condition in practice by, for instance, adding provisions to publish open databases on CAP beneficiaries (anonymised, structured, longitudinal, and interoperable databases).

Evaluation Plans in the Member States

Article 126 of the Commission's proposal established the Member States' submission of an evaluation plan to their (national) Monitoring Committee no later than one year after the adoption of the CAP Strategic Plans. However, no amendments have been added to ensure the submission of the evaluation plans also to the Commission, which would allow their analysis and the needs of capacity building across the Member States. If the Parliament wanted to help the Commission to identify data gaps or areas of improvements in the PMEF at national level, this could have been a first step.

Indicators

Considering the little involvement of the European Parliament in the discussions on the technical fiches, there is little to assess from the Parliament's position on the indicators. Besides some cosmetic amendments on the titles of the indicators, the Parliament as well as many civil society organisations and scientists have hardly followed the detailed work and technical

changes on the indicators fiches. Nevertheless, it is argued here that the analysis of the new PMEF indicators deserves a careful technical, as well as political screening.

Besides the common elements of the PMEF, compared to the current legislation for Rural Development, the new CAP reform does not contain any provisions which encourage or slightly regulate the Member States to develop and assess national or regional indicators 'additional' to, or complementary to the common one included in Annex I.

Final thoughts

More than the indicators themselves, it is the broader framework of the PMEF itself that is weak and might be further undermined in the trilogues negotiations. This does not only refer to the amendments discussed in this article, but goes beyond: e.g. the final use of indicators to steer the policy; the investments to improve the frequency, rapidity, and quality of data reporting on societal and environmental challenges; the political will among EU, national and regional institutions to view evaluation as an opportunity for policy transformation rather than a EU-led burden, symbolic, or a bureaucratic task.

There needs to be a stronger and more concrete commitment to improve the transparency, integration, and precision of the accountability systems at multiple governance levels (European, national and regional levels), which finally engage and guide citizens in evidence based decision making processes, and sensibly demonstrate value for money spent to provide public goods and services.

CAP reform post 2020: areas of future policy analysis and action for civil society organisations

Matteo Metta November 2020

The CAP is a constitutive pillar of European integration and one of the largest EU policies in terms of budget, legislation, interventions, authorities, administrative tools, and more. While the objectives set out in the Treaty of Rome are confined to the socio-economic domain, such as stabilisation of agricultural markets, productivity and provision of food supply, as well as ensuring a fair income for farmers, the CAP is a policy increasingly relevant to the environmental, territorial development, trade, health domains too.

2021 will be a crucial year to analyse the policy reforms that are expected at EU and especially national levels. Some examples of areas to be analysed concern:

The trilogue negotiations between the European Commission, Council and Parliament

- Which positions are going to be strengthened or weakened? How will the Commission play a role in the negotiations, for instance by acknowledging the lack of integration of the CAP with the European Green Deal and withdrawing or substantially improving its initial proposal?

The Commission's approval of the 27 CAP Strategic Plans

- The Commission has often indicated and recently formally stated (page 19) that it will increase the level of transparency and establish a structured dialogue with the Member States throughout the approval of the CAP Strategic Plans. The publication of a detailed, unambiguous, and comprehensive list of criteria is essential and long-awaited. The list shall be subject to public scrutiny to ensure a level playing field for all Member States and avoid loopholes which can grant the stamp of approval to unfair, environmentally damaging, and non-rural proofed CAP Strategic Plans.

The Member States' process of preparing the CAP Strategic Plans

- Besides expecting to see Member States be transparent and fair when actively involving scientists and all types of stakeholders at regional and local level, it is important to see a strong commitment to **research and use of evidence and facts**. Attention should be paid to the use of **biophysical maps to prioritise needs and improve the targeting of support**, as well as to indicators and data on a large number of aspects like soil erosion, soil organic matter, farmland bird index, pesticide use, etc.

The Member States' design of CAP Strategic Plans

- With higher flexibility and subsidiarity delegated at national level, many **'voluntary' aspects of the CAP Strategic Plans** will represent important areas of analysis. These areas include: definitions; capping; degressivity; budget allocations beyond mandatory ring fencing (e.g. for LEADER, Agri-Environmental and Climate commitments, redistributive payments); criteria to reject investments with negative environmental impacts; menus of practices that qualify as ecoschemes; conditionalities; the division of responsibilities with regional authorities; additional PMEF indicators specific to the Member States and the use of tools to reduce the administrative burden etc.

The global dimension of CAP beyond the EU

- The CAP is closely bound to ecosystems, agri-food sectors, and rural areas all over the world. With the objectives pledged in the EU's Farm to Fork and Biodiversity strategies, the reform of the Common Market Organisation and Horizontal regulations can create opportunities to address socio-economic inequalities and the exploitation of natural resources in global food supply chains, forestry and rural areas, or further exacerbate them. Member States will have the powers to address these issues also in the

CAP reform post 2020: areas of future policy analysis and action for civil society organisations

national strategic plans, for instance by adjusting their market support interventions (e.g. transnational associations of producer organisations).

Whether at EU institutional or Member State level, CAP is hugely impactful. Both the trilogues and the submission of CAP Strategic Plans are opportunities for agri-food and rural policy to be made fit-for-purpose.

The stakes are too high – with climate breakdown, biodiversity collapse, rural depopulation, economic disparities, and the many, multifaceted impacts of covid-19 for things to just trundle along as usual. Will politicians, civil servants and stakeholders step up to the mark and deliver? We will be watching – and analysing, - what happens next.



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