

The Notre Europe work on CAP beyond 2013

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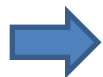
Remaining issues after the reforms

- 1992-2008 reforms remarkably consistent. Reduced imbalances. Made farm support more effective. Soothed international relations. Shift towards public goods. Transparency, etc. Some remaining issues:
- **Leakages:** have been reduced (capitalization SFP controversial). But still reduce efficiency of support and generate patrimonial effects.
 - ➔ Need to move away from support that capitalizes into an equity value. Non transferability can play a role.
 - ➔ Need to go away from the “compensation logic” and the “rights to cash support” logic and move towards **contract for services**.
- **Concentration of payments regardless of services.** Shocking between and within MS (Romania).
 - ➔ Need for global reconsideration of payments rather than adjustments (modulation) that make CAP more acceptable.

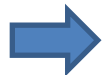
Remaining issues after the reforms (2)

- **Environmental issues: poor record.**

- Less inconsistencies between environmental policies and CAP related « incentives to pollute » but still some contradictions with SFPs/historical rights. Possible new threats from market incentives.
- Rather disappointing record of AES. Shift of budget from Pillar 1 to Pillar 2 cannot ignore the transaction & administration costs. Need for less frequent changes and simplification.
- Eco conditionality: pedagogical but limited impact due to lack of serious constraints and poor enforcement.




Need for simpler, more easily enforceable schemes.



More sticks in the carrot/sticks policy mix?

Remaining issues after the reforms (3)

- **The national interest** / budget returns game is still the driving force of reforms and CAP implementation. Clearly the major root of the problem.
 - The limitation of the co-financing to pillar II measures does not ensure the desired responsibility on Pillar I.
 - CAP budget still used as a way to organize transfers between MS ("French rebate", olive oil payments, etc.)
 - The UK compensation is no longer justified. Rebates, structural funds and the CAP seen as a global issue.
-  Need to move away from the preservation of national envelopes logic (easier said than done).

General directions

- Guidelines
 - Focus on essential market failures
 - Convert support into incentives
 - Allocate public money according to returns in social value and services
 - Extend subsidiarity in the design and the financing of the CAP measures
- Principles
 - Differentiation and targeting (according to space and practices)
 - Proportionality (link between value of service and aids)
 - Consistency : (e.g. aids to organic farming larger than to conventional)
 - Simplicity and stability (to build on learning processes and returns to scale due to sunk administrative costs)
- But aware that implementable better than ideal. Recognize the limits of fine tuning and administrative costs.

Market management

- Safety net needed (Ukraine/Russia). Need also to limit volatility.
- Stick to intervention with some adjustments. Lower prices, and exceptional circumstances. Rules based system.
- If WTO reduction in tariffs makes impossible to use intervention deficiency payments as a last resort safety net. Ad hoc fund left untouched under normal conditions would make it possible to cope with administrative constraint.
- Globally unconvinced by EU funded risk management instruments.
- Level of stocks seems determinant of volatility (studies needed). Efforts for buffer stocks need to be considered both for food security and volatility reduction objectives but caution required.

Payments

- Principles
 - Freedom to contract and commitment to service instead of a right to cash
 - Responsibility/accountability. Public money= public services= control.
 - A better articulation between the SFP and incentives to husband rural public goods
 - Discipline national interests and second thoughts in the decision process regarding national financial balances
 - Payments more homogenous across orientations, differentiated according to services and locations
- Could take the form of a three stage Contractual Payment Scheme covering pillar I and II
- No religion regarding decoupling if jointness with public goods. Use WTO flexibility on tariffs if needed

Payments (2)

- First level: replace the SFP by a contract: **Basic husbandry payments (BHP)** that
 - target commercial farms in areas considered as “ordinary” (main part of rural territory)
 - are tied to commitments made by operators, (this changes the logic of cross compliance)
 - are scaled down/current SFP
 - are neither tradable nor transmissible to heirs
 - have a limited but significant duration
- Here: cursor can be adjusted, but reality principle

Payments (3)

- Second level : Green points payments (GPP)
 - Target farms which use production techniques such as organic or who commit to a higher level of environmental services than basic regulations
 - they are a schedule of *credit points* associated with a menu of commitments/ rural landscapes & resources.
 - GPP would be prescribed for portions of the rural territory which are environmentally sensitive or endowed with high nature value assets.
 - They could also contribute to alleviating the footprint of agriculture in “ordinary areas” by supporting farms engaging in organic methods.
 - Also time limited payments

Payments (4)

- Third level : **Natural handicap payments**
 - are contractual payments targeting farms in rural zones with natural handicap which cannot compete but are essential to the rural fabric.
 - These payments may be coupled with production or animal heads under conditions of low inputs or low stocking rates (Scottish study).

Horizontal issues

- Coherence with other policies
 - Lisbon agenda: less interference with market unless needed. No need to interfere with farm size or land market unless environmental issues.
 - Work on inconsistencies between food safety and rural development policies, food quality policies, etc.
 - Competition policy: shocking inconsistencies. But the competition policy, more than the CAP should be adjusted.
- Subsidiarity
 - Some degree of renationalization, but acknowledge the existence of European public goods. EU level policy to control pollution through Directives and regulations.
 - Maintain a significant common policy especially regarding Pillar II.
 - However, financial responsibility: All payments, including Pillar I co-financed by the national budgets.

Horizontal issues (2)

- Fairness
 - Cap payments per individual at a level that cannot exceed maximum capacity to supply services. Rather than modulation.
 - Broaden the role of the CAP as a food policy, in particular in the area of food security for poorest consumers.
 - Rural policy should be biased less towards farming, and other rural actors should be eligible to similar support if they provide similar services.