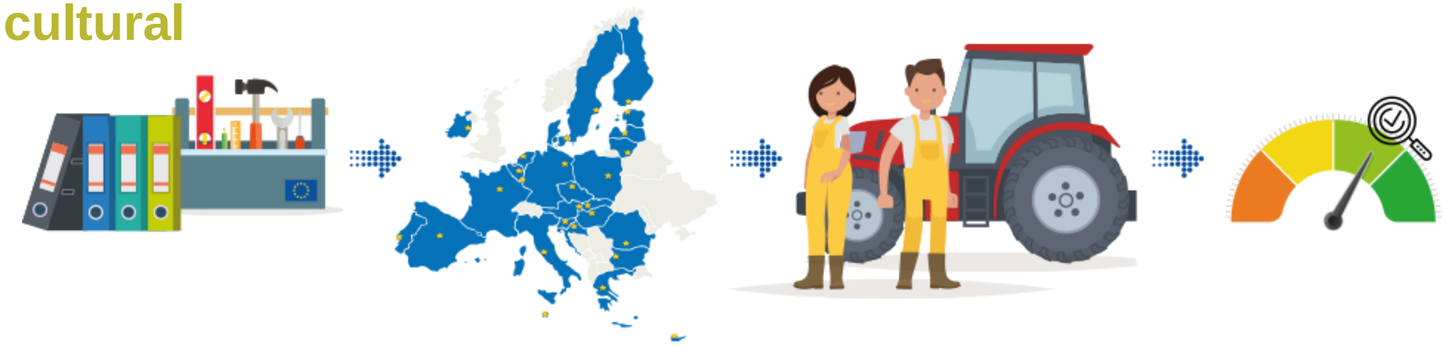
The CAP Post 2020: Impact Assessment

MODERNISING & SIMPLIFYING THE COMMON AGRICULTURAL POLICY
TARGETED, FLEXIBLE, EFFECTIVE

Methods for an evidence based agricultural policy



ASAE/ÖGA
REECAP
Wien – 27/09/2018

Florence Buchholzer
DG Agriculture and Rural Development

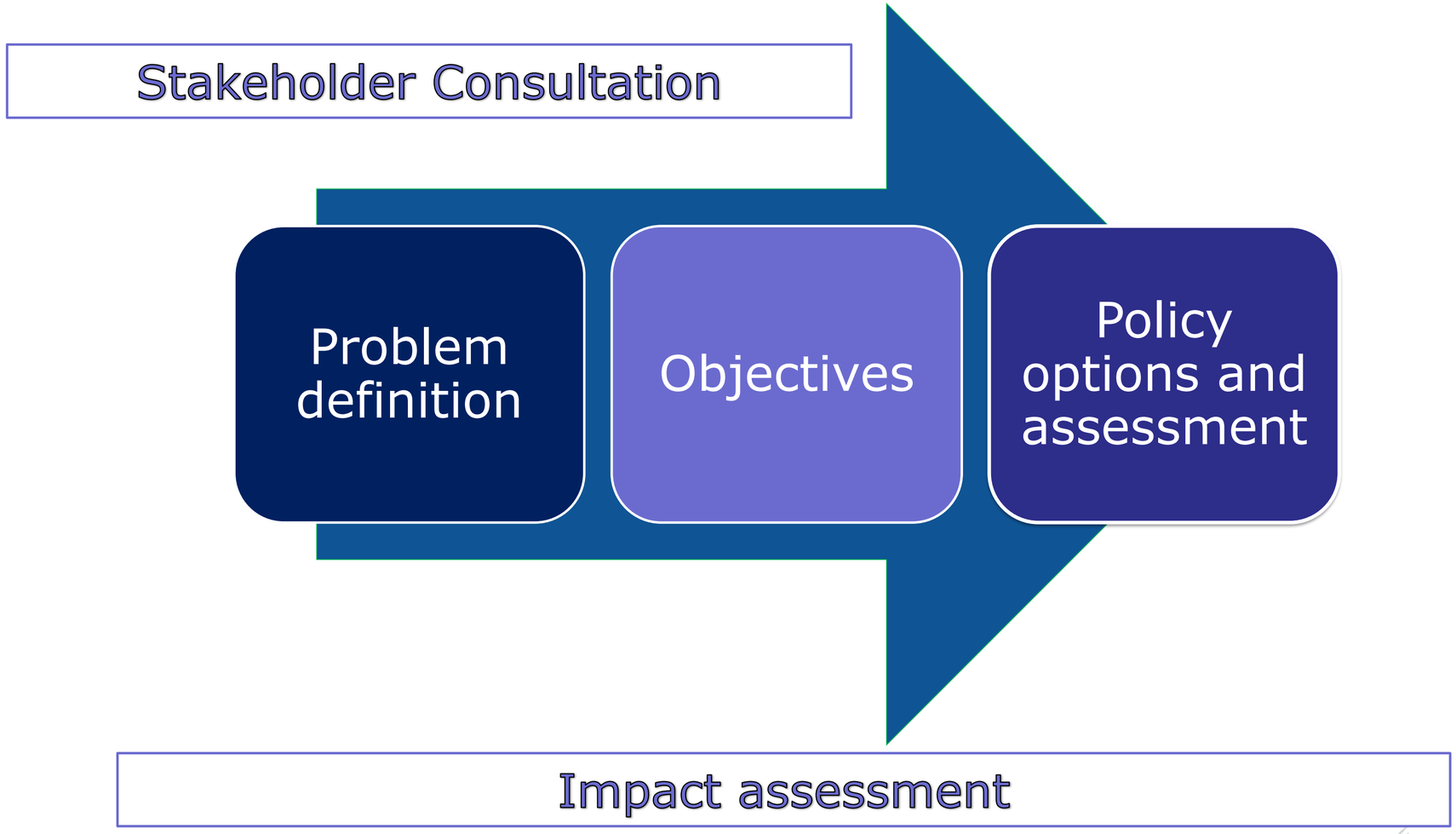
#FutureofCAP

European Commission

Summary of the Impact Assessment

European Commission

Impact Assessment: process



European Commission

IMPACT ASSESSMENT: ITS LOGIC AT A GLANCE

Problem definition, intervention logic, EU value added

- ***Challenges**: targeting, environment/climate ambition, simplification, modernisation*
- *Main change in **policy orientation**: shift from compliance to performance*
- *Rebalancing EU and MS **responsibilities**: focus on objectives and interventions adding EU value*

Objectives, indicators and monitoring data

- ***Objectives**: The entry point for assessing long-term policy performance*
- ***Indicators**: link, directly or indirectly, supported interventions to the achievement of objectives*
- ***Monitoring and Evaluation** Framework: streamlined towards performance*

Constraints, main policy questions and the selection of options

- *The unknown budget envelope led to one budgetary assumption – CAP post-BREXIT*
- *Options mainly differentiate support distribution and environmental/climate ambition*
- *Multi-criteria analysis complements model results - both assess risks and mitigating safeguards*

Outline for the IA report – Multiannual Financial Framework

MAIN REPORT

1. *Political and legal context (Lessons learnt)*
2. *Challenges and objectives*
3. *Programme structure and priorities (New Delivery Model)*
4. *Delivery Mechanisms (Options)*
5. *Monitoring and Evaluation*

ANNEXES

1. *Process*
2. *Consultation*
3. *Evaluations*
4. *New Delivery Model*
5. *Analysis*
6. *Modernisation*
7. *Simplification*
8. *Behavioural insights (JRC)*
9. *References*
10. *Glossary*

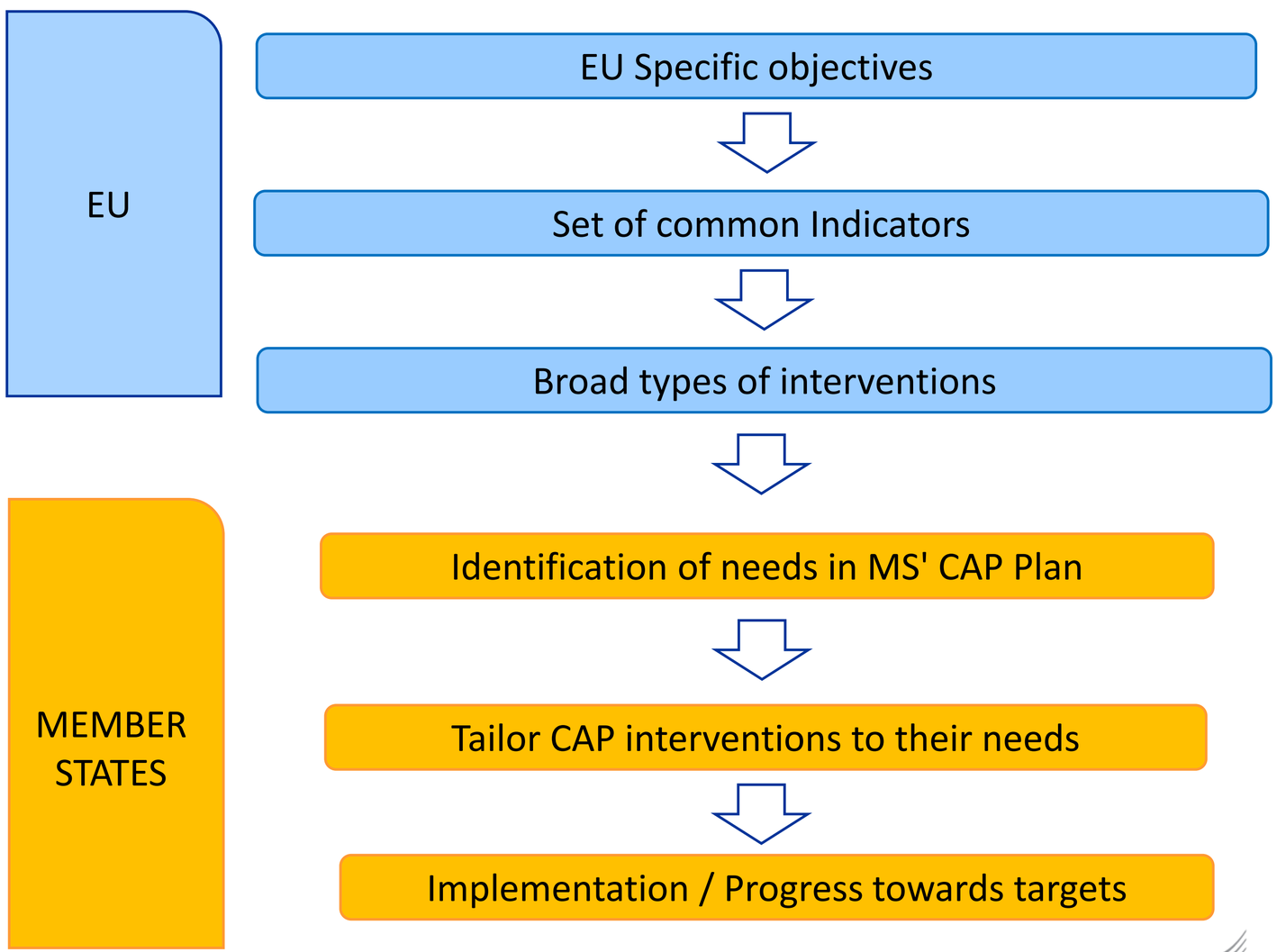
The FUTURE of FOOD and FARMING

COMM (201) 713 final announced priorities for future CAP

https://ec.europa.eu/agriculture/sites/agriculture/files/future-of-cap/future_of_food_and_farming_communication_en.pdf

- ***Simplification and modernisation of the CAP***
- ***Support to the development of a knowledge-based agriculture***
- ***Higher ambitions on environment and climate***
- ***A fairer and more effective distribution of support across MS and farmers***
- ***A new way of working together***

THE NEW DELIVERY MODEL OF THE CAP



WHY: LESSONS LEARNT FROM ASSESSING THE CAP

Analysis and wide public consultation confirm major achievements of the CAP…

- *Increase in EU competitiveness turned the EU into a net agro-food value-added exporter*
- *Positive impact on jobs, growth and poverty reduction spread in all EU rural areas*
- *Relative income stability within a very volatile farm-income and commodity-price environment*

…but analysis and public opinion also reveal shortcomings to be addressed…

- *Despite progress, the environmental performance of EU agriculture requires improvement*
- *Productivity growth is mainly driven by labour outflow and less by R&I or investment*
- *Equity, safety net and simplicity questions persist despite CAP efforts to address them*

…in a changing broader environment within which the CAP operates

- *Expectations about the level of agricultural and commodity prices changed from CAP post-2013*
- *The world trade environment has shifted from multilateral to bilateral/regional agreements*
- *New climate change, environmental and sustainability commitments stem from COP21 and SDGs*

WHAT FOR: THE NEW ARCHITECTURE OF CAP OBJECTIVES

BROADER CAP OBJECTIVES

FOSTER A RESILIENT FARM SECTOR	BOLSTER ENVIRONMENT AND CLIMATE	STRENGTHEN FABRIC IN RURAL AREAS

SPECIFIC CAP OBJECTIVES

Economic	Environment & Climate	Social
Viable income & Resilience Markets & Competitiveness Farmers' position in value chains	Climate action & Energy Environmental care Landscapes & Biodiversity	Young Farmers Development rural areas Demands on Food § Health

CROSS-CUTTING CAP OBJECTIVES

Sustainability | **Modernisation** | **Simplification**

IMPACT ASSESSMENT: ANALYSED OPTIONS

Option 1 Updated baseline

Updated baseline with envelopes post-Brexit

Option 3

Focus on Environment and RD

- Voluntary environmental schemes
- Less focus on income support
- 2 sub-options reflecting MS's environmental ambition and approach to direct payments (ambitious vs. conservative)

Option 4

Focus on Economic and Environmental jointness

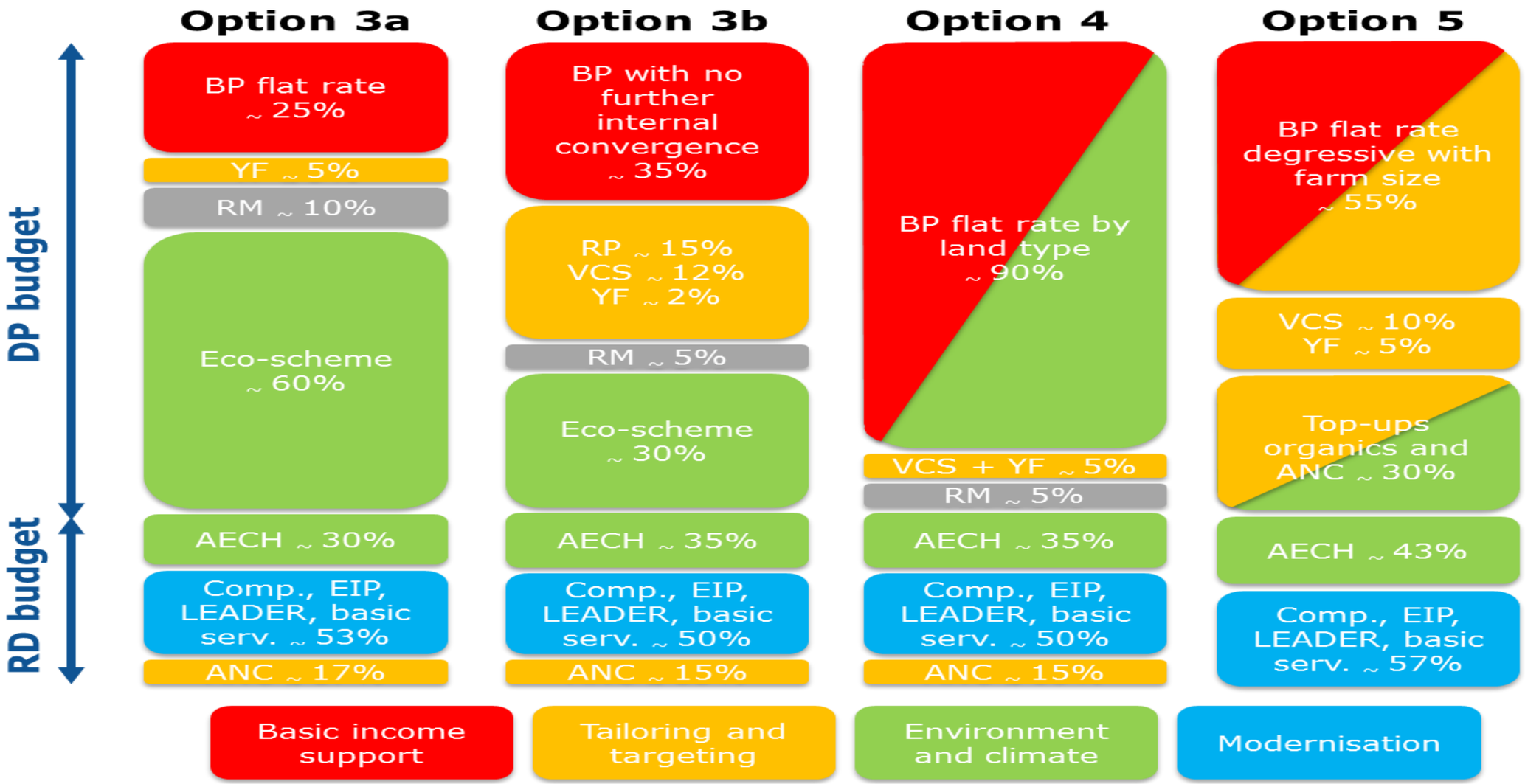
- Strong focus on income support JOINTLY with
- Achieving more environmental benefits via conditionality
- 2 sub-options reflecting MS's environmental ambition

Option 5

Focus on Small Farms and Environment

- Shift focus on small farmers (redistributive payment)
- Environmental top-ups (organic, ANC, hedges, grassland)
- Focus on rural areas (basic services, short supply chains…)

OPTIONS DETAILS and DIFFERENCES

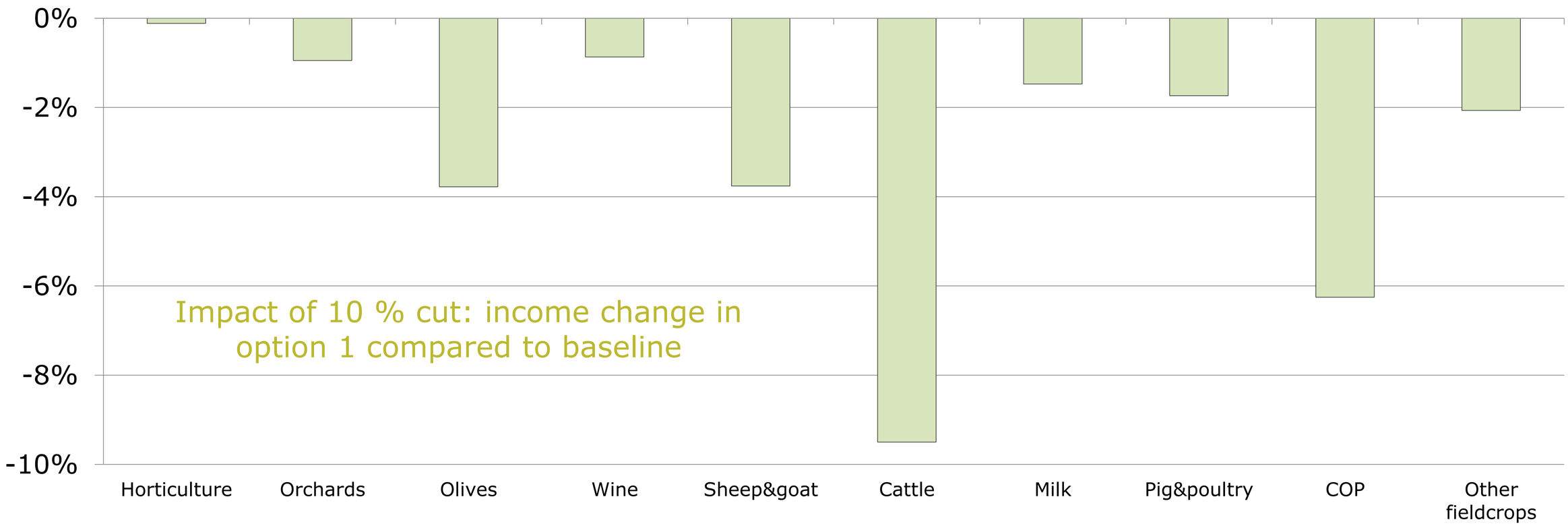


Assumption for overall CAP budget: fixed cut

Substantial impacts for certain sectors to be expected

The higher the share of DP in income the higher the decline caused by budget cuts.

NB: overestimation – as structural change and longer term benefits (environment) are not accounted for here



Source: JRC, IFM-CAP

Final impact depends on policy choices

- *The stronger the link to high historic references, the higher the income drop due to regionalisation/flat rates + capping:*

  COP, olive, intensive livestock

- *Sectors with strong VCS => strong drop in income when removed*

  Cattle, sheep, other field crops

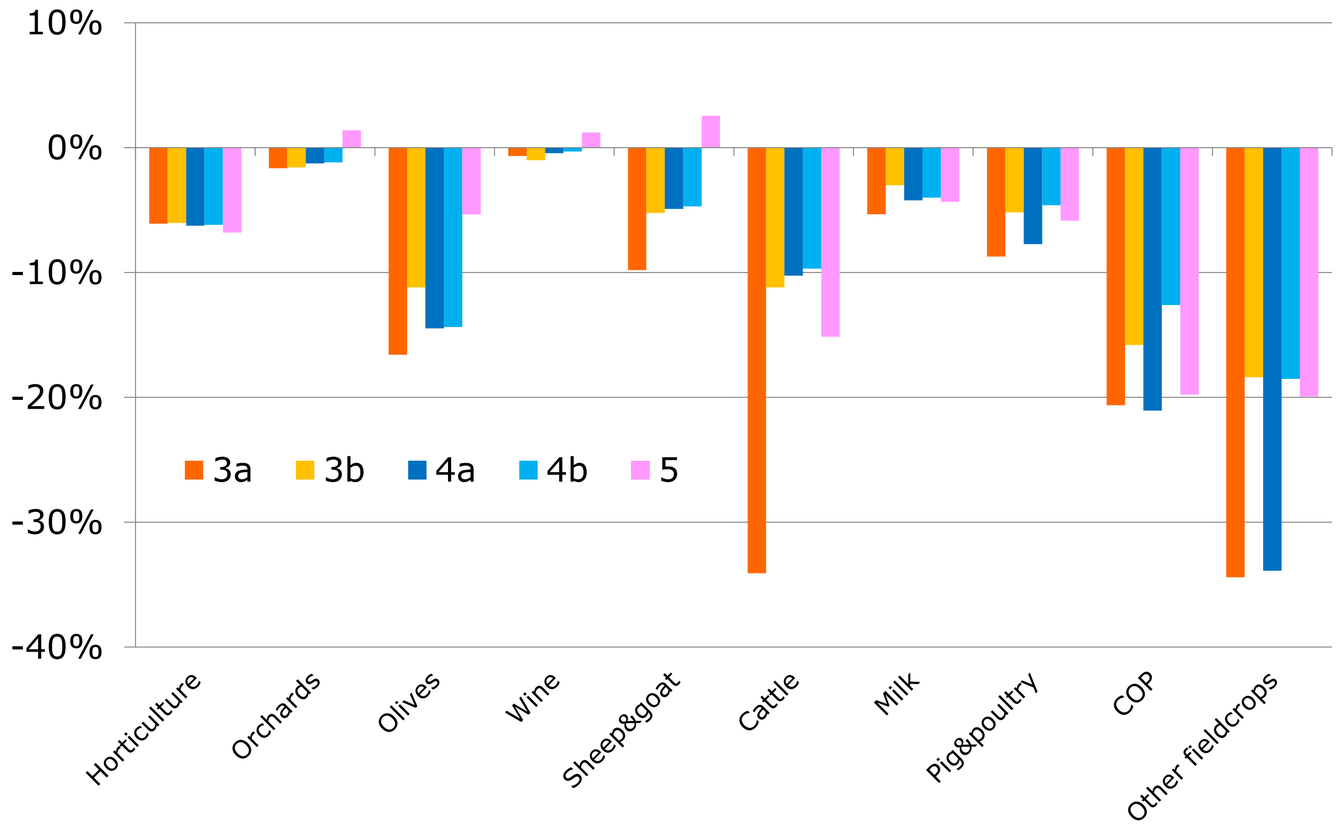
- *The larger the farms the higher income drop*

  COP, extensive livestock farms

- *Change in land allocation with change in farm practises and loss in market revenue*

  COP, other field crops

Impact of change in priorities and cut: income change compared to baseline



Source: JRC, IFM-CAP

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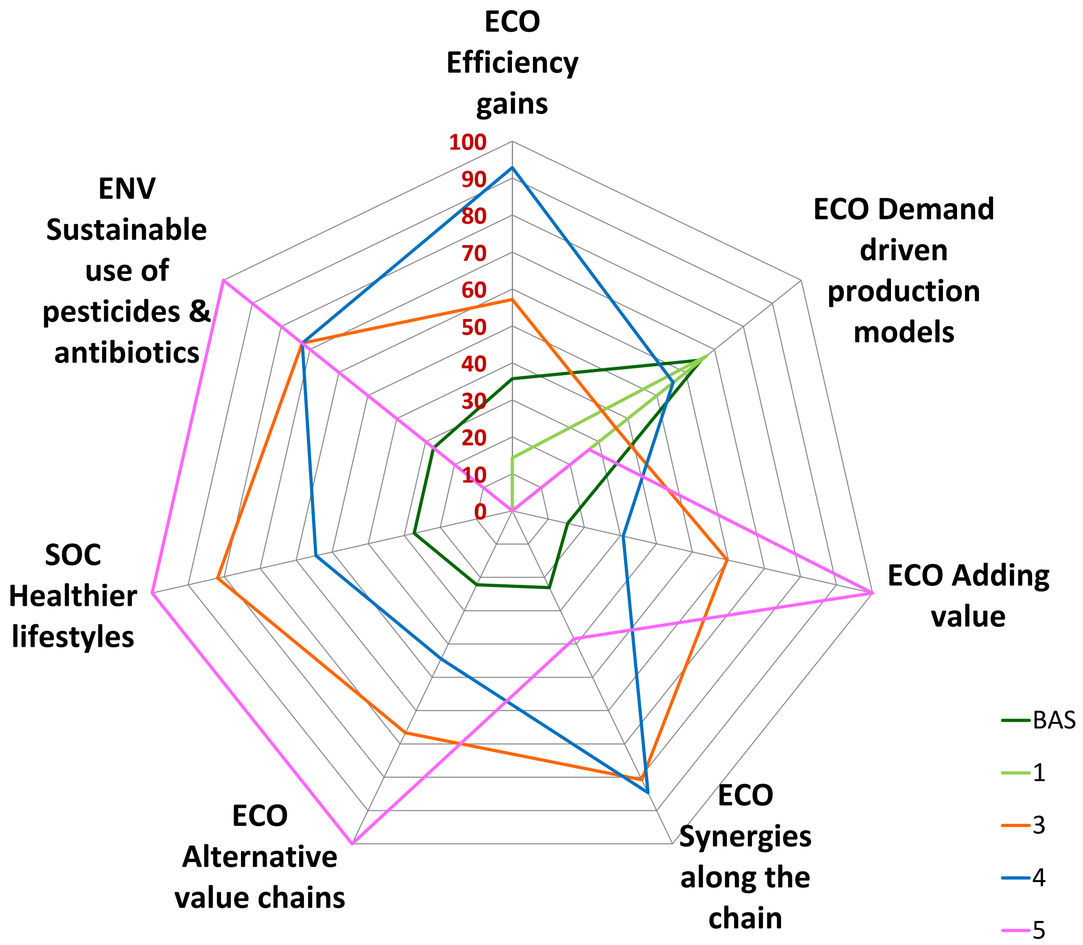
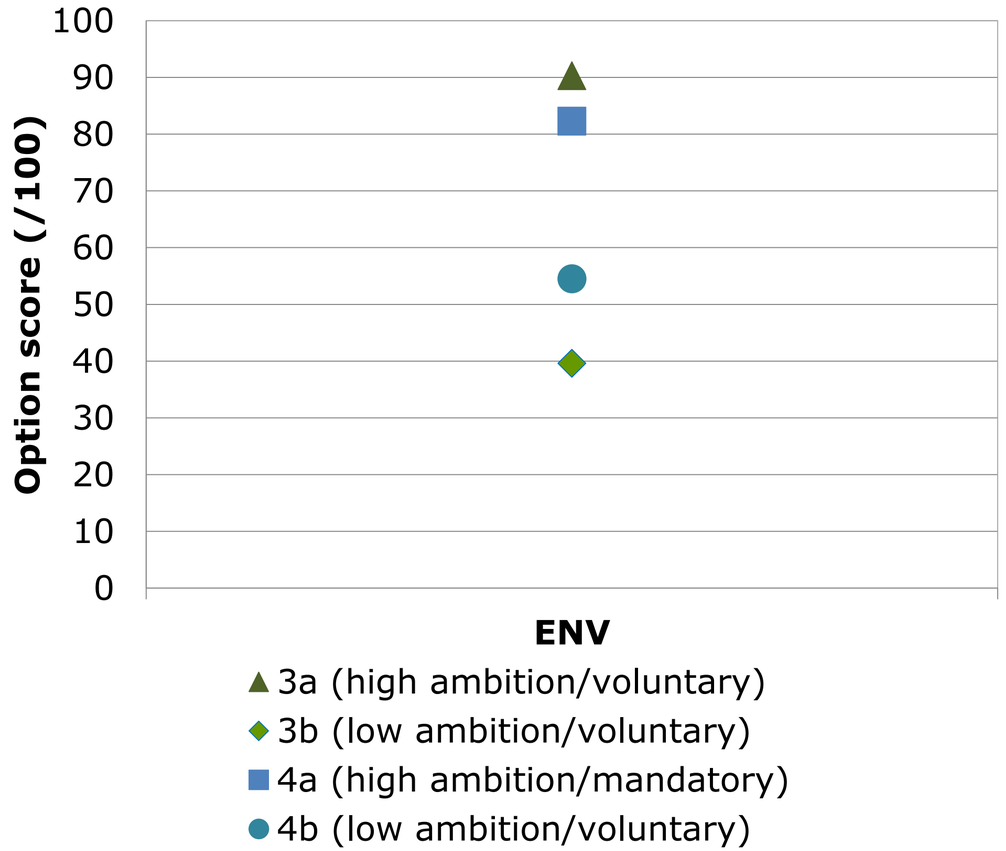
REPLIES to SOCIETAL DEMANDS

Scores of options on Food and Health



Source: Future CAP Impact Assessment.

Environmental score of options - *impact of ambition and voluntary nature*



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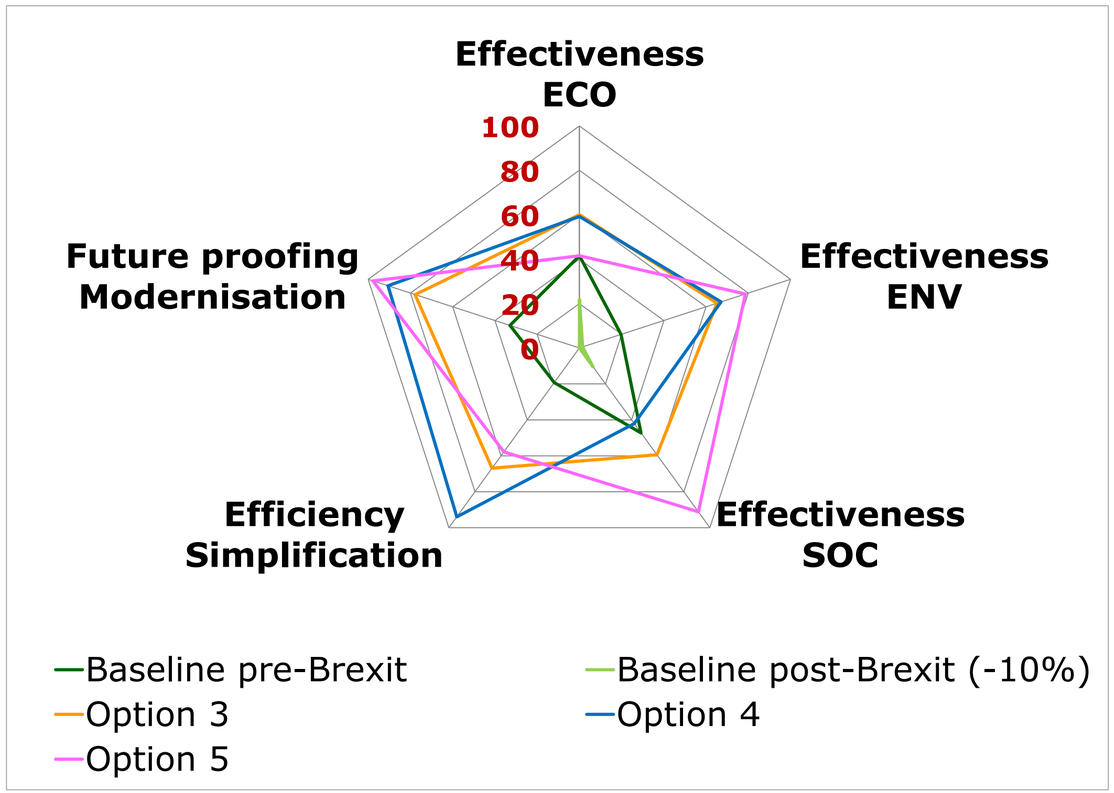
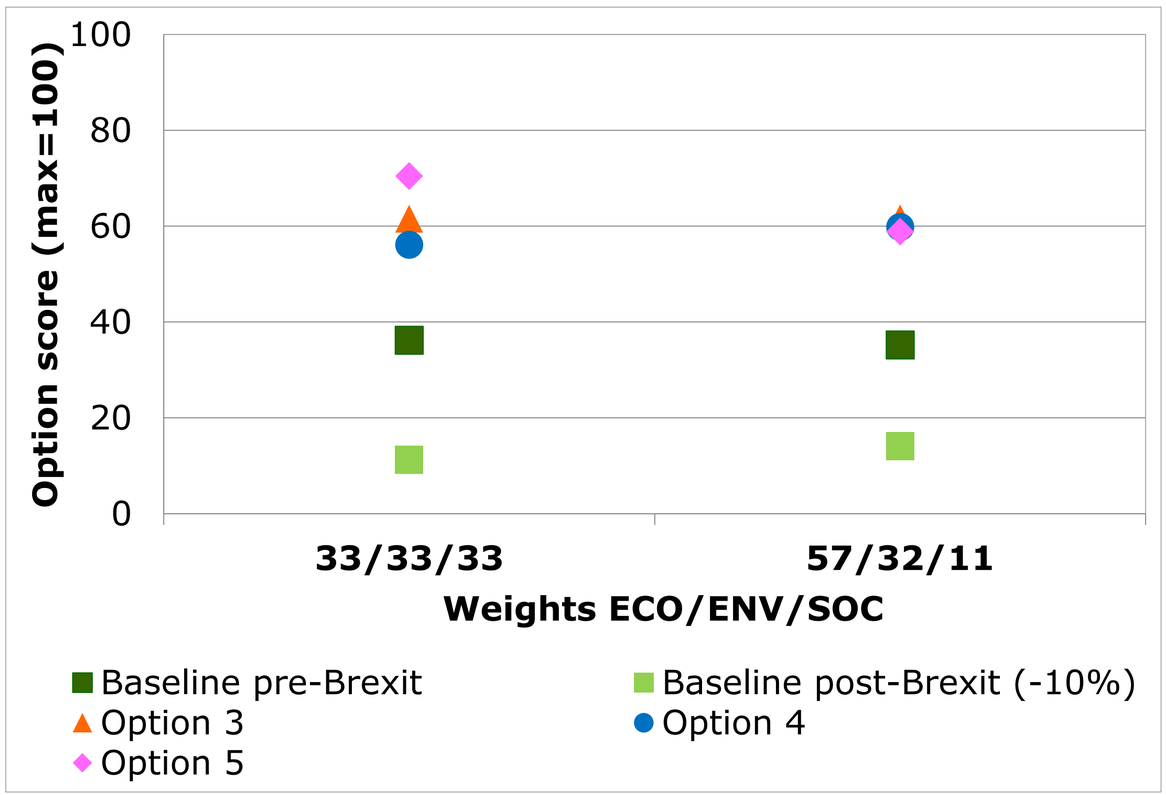
ASSESSING THE PERFORMANCE OF POLICY OPTIONS

Overall performance of options (100=maximum)



Option scores on overall effectiveness (100=maximum)



Source: Future CAP Impact Assessment.

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FOCUS ON PERFORMANCE

Multi-annual programming approach for the whole CAP

COMMON OBJECTIVES *INDICATORS* *TYPES OF INTERVENTIONS*

Assurance	*Annual Performance Clearance* Linking expenditure to output	Common Output Indicators
Monitoring	*Annual Performance Review* Checking progress towards targets	Common Result Indicators
Policy performance	*Evaluation* Assessing performance towards objectives	Common Impact Indicators

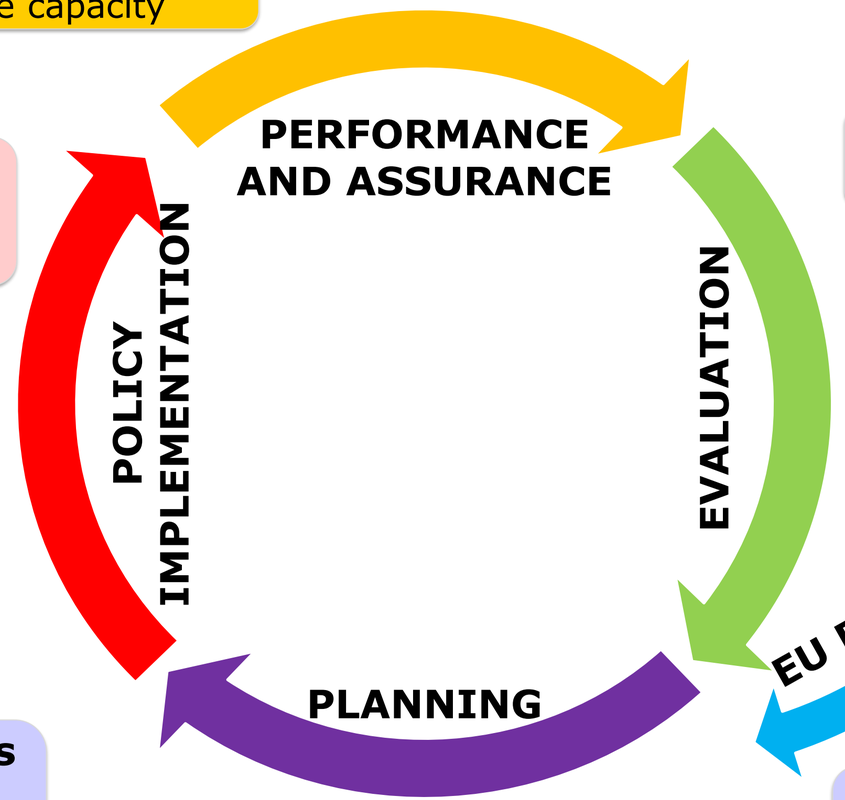
THE CAP CYCLE: POTENTIAL RISKS

Administrative risks
- Adequate administrative capacity

Market risks
- Un-level playing field between farmers
- Insufficient uptake of intervention

Implementation issues
- Uneven national requirements
- Insufficient use of innovative solutions for checks and monitoring
- Insufficient performance

Administrative & timing issues
- Inappropriate capacity for planning
- Unfair treatment of CAP plans
- Delays in approval of CAP plans



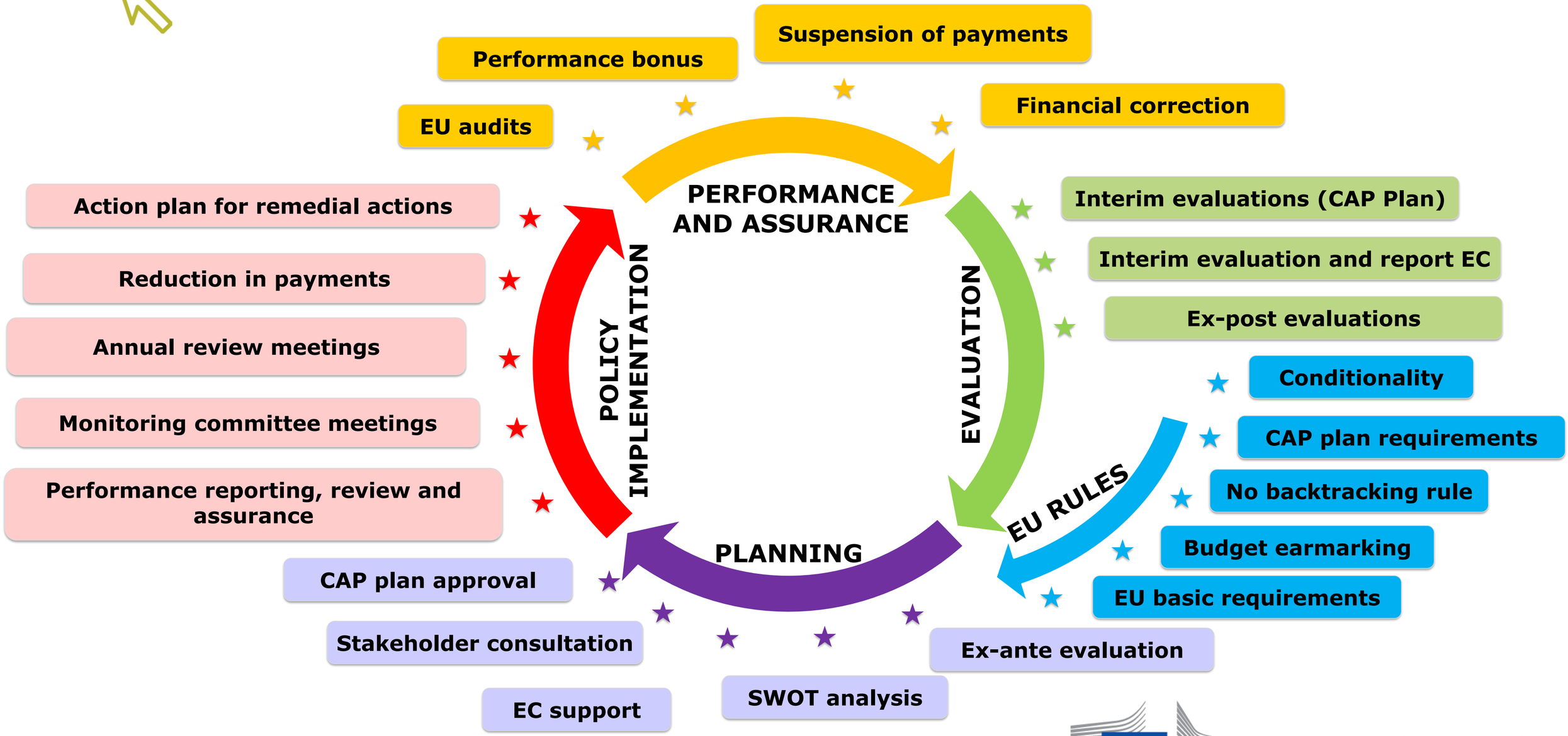
Inadequate strategy
- Imbalance between economic, environmental and social dimensions
- Complex or incoherent strategy
- Inadequate targeting of beneficiaries

Implementation issues
- Insufficient quality of monitoring data

Timing issues
- Inadequate planning of data monitoring
- Timely evaluation results

Lack of vision
- Lack of support towards modernisation
- Lack of ambition with regard to targets

THE CAP CYCLE: SAFEGUARDS



IMPACT ASSESSMENT: ITS CONCLUSIONS AT A GLANCE

Redistribution and better targeting of support: income effects

- *Income effects are asymmetric with respect to farm size and sector affected*
- *Both cuts and the distribution of support matter, negatively impacting short-run competitiveness*
- *Flexibility in redistribution of support crucial in mitigating potentially negative income impacts*

The dilemma of raising environmental ambition: mandatory or voluntary?

- *Voluntary measures increase flexibility and improve targeting, but introduce uncertainty in ambition*
- *Mandatory measures increase area coverage and improve ambition, but are by design less targeted*
- *The right balance, based on needs and evidence, requires appropriate administrative capacity*

Risks and mitigating factors: impact on modernisation and simplification

- *Challenges at the EU level: Simplification of legislation and approval procedures of Strategic Plans*
- *Challenges at the MS level: Evidence supporting a needs-based approach for Strategic Plans*
- *Challenges at the farm level: Better link to advice and faster integration into Farming 4.0 realities*

ANALYTICAL CHALLENGES

Broader issues

- *Sustainability (economic, environmental, social)*
- *Policies more inter-related (agriculture, environment, climate, energy etc.): policy coherence*
- *Big unknowns: Brexit and future budget at the time of Impact Assessment*

CAP specific

- *Voluntary vs. compulsory*
- *Flexibility for Member States to choose or not certain interventions*
- *Assessing the impact of farm practices (agro-environment, farm level)*
- *Upstream and downstream in the food supply chain*
- *Simulating impact of risk management on farm income*
- *Structural adjustment, Use of modern technology*
- *Potential for simplification*
- *No preferred option*

Behavioural insights on environment/climate (Annex 8)

Joint Research Centre organised focus groups with farmers:

- Green farmers: incentives = voluntary schemes
  Conv. Farmers: incentives = mandatory schemes
- Voluntary schemes more encouraging (not at cost of basic payment)
- Cross compliance: well accepted, but concern for level playing field
- Greening: overall positive even though some concerns
- AECM: environmental motives play little role in sign-up

- Key insights:
  - Better **local** knowledge needed to design coherent/meaningful incentives
  - Better educate consumers
  - More **level-playing field** between farmers as to voluntary schemes, between EU MS and between the EU and the rest of the world as to environmental constraints and controls
  - Targeting incentive schemes to '**real**' farmers and to **small** farmers

REPORTS AND MORE INFORMATION

On CAP legislative proposals, Impact Assessment and Background

https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap_en

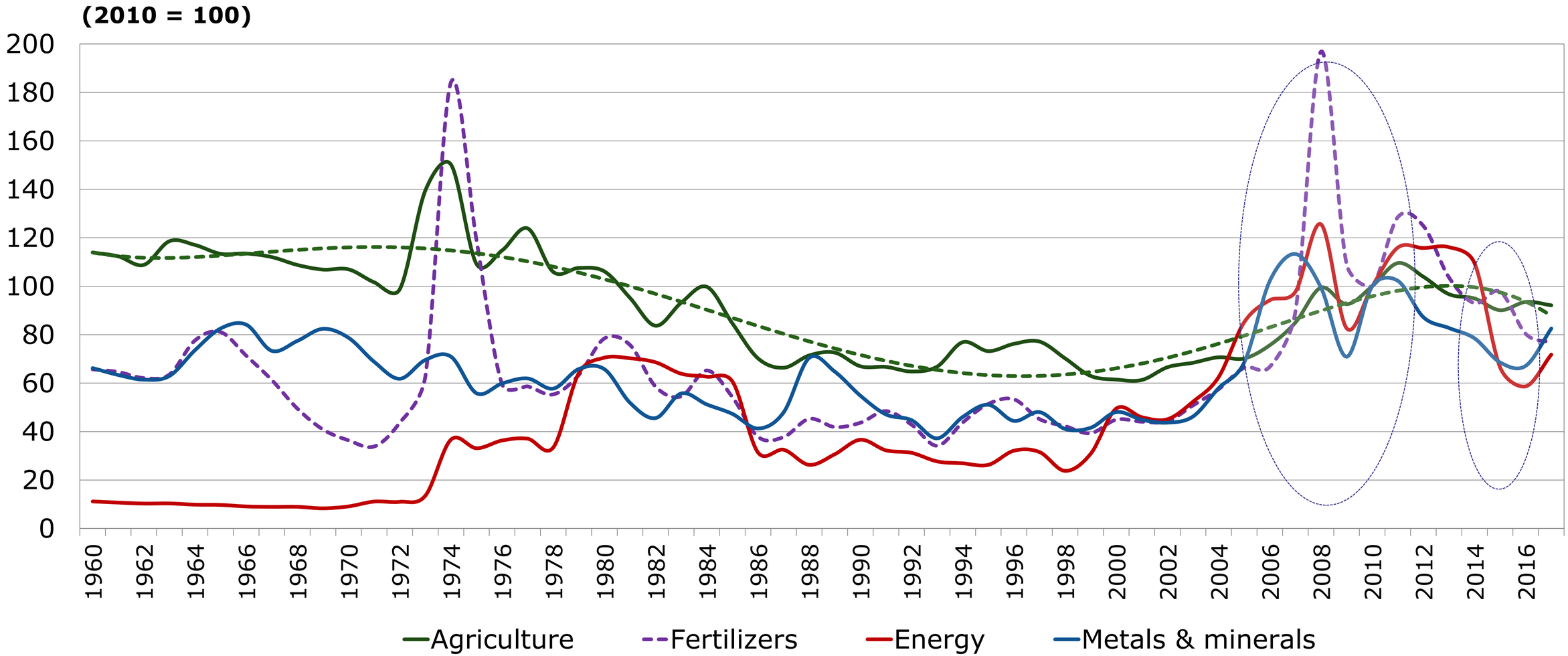
"E-statistical Annex" – facts and figures

https://ec.europa.eu/agriculture/statistics_en

Thank you for your attention!

Annex: Additional elements

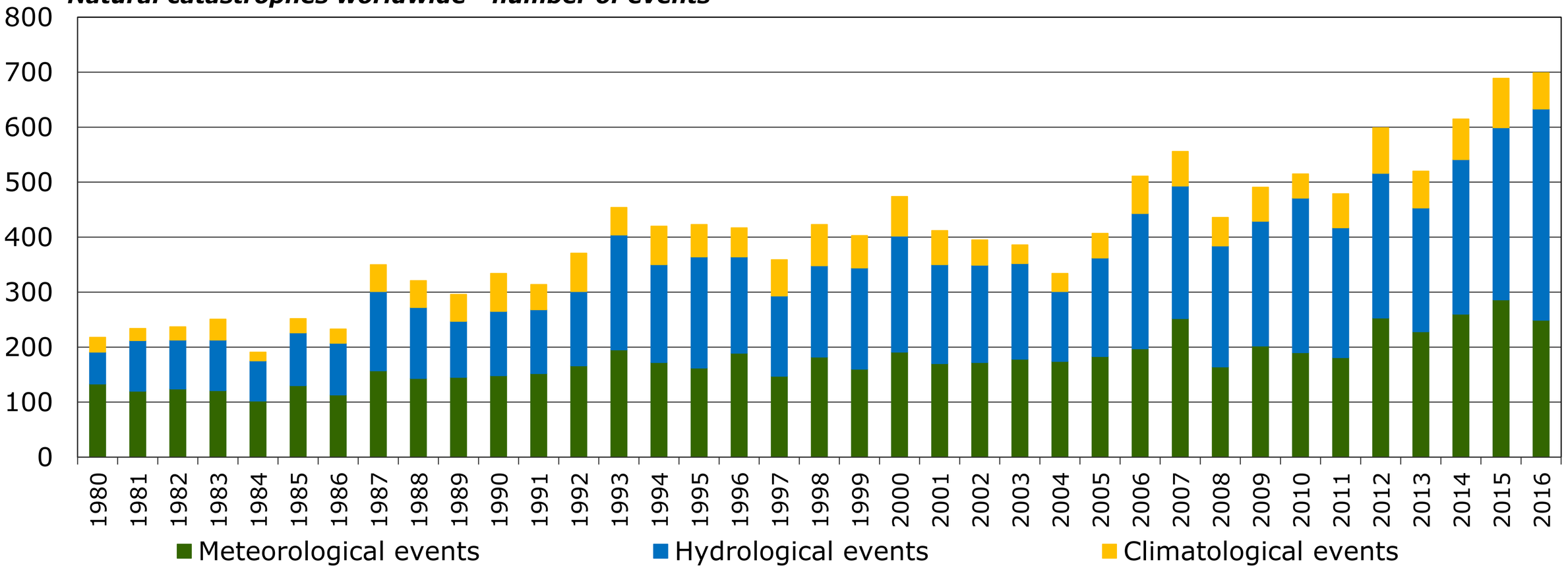
COMMODITY PRICE WAVES (REAL PRICE INDICES)



Source: World Bank.

WORLDWIDE EXTREME WEATHER EVENTS

Natural catastrophes worldwide - number of events

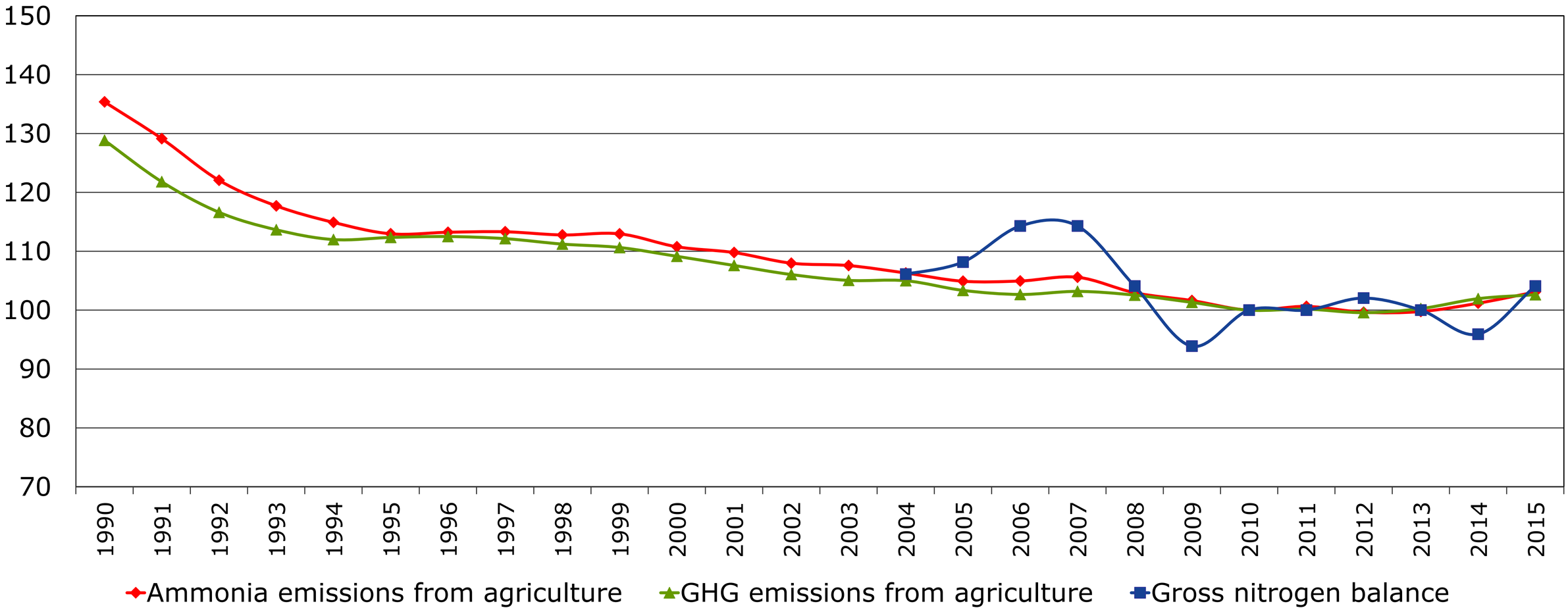


Meteorological events: Tropical storm, extra-tropical storm, convective storm, local storm
Hydrological events: Flood, mass movement
Climatological events: Extreme temperature, drought, forest fire

Source: © 2017 Münchener Rückversicherungs-Gesellschaft, Geo Risks Research, NatCatService (January 2017)

THE NEED TO DO MORE ON CLIMATE AND ENVIRONMENT

Reduction in environmental impact indicators (2010=100)



Source: Eurostat.

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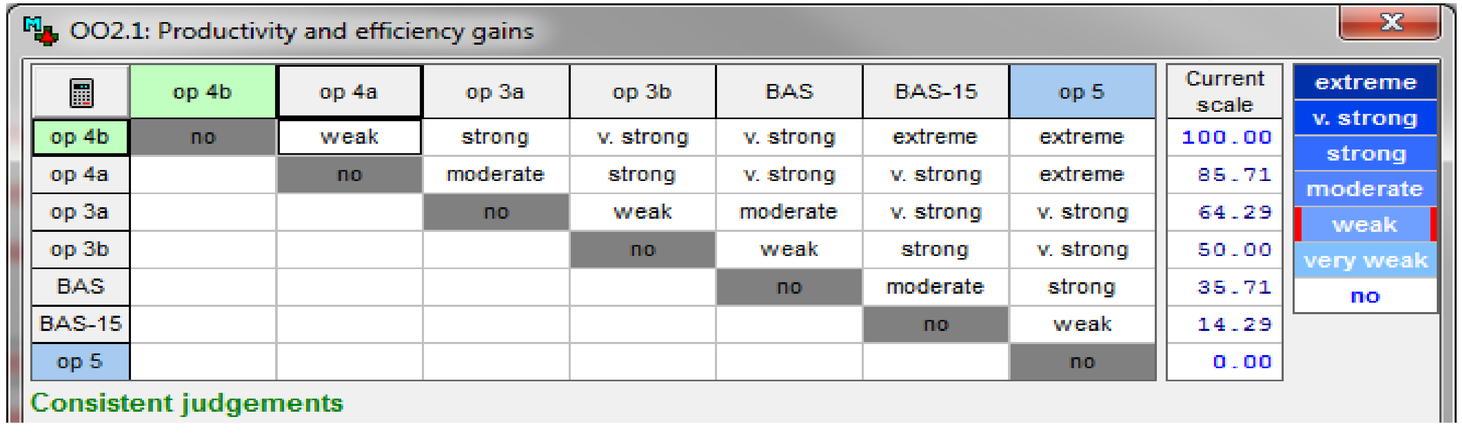
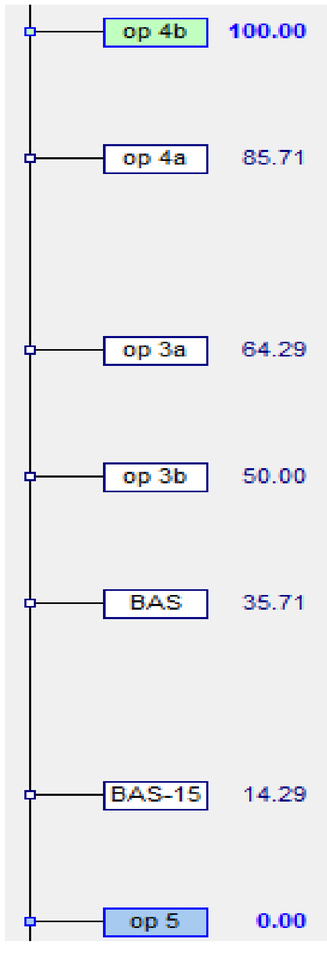
Multi Criteria Analysis (MCA): example

- Example from ECO group (Operational Objective 2.1 Productivity and efficiency gains):

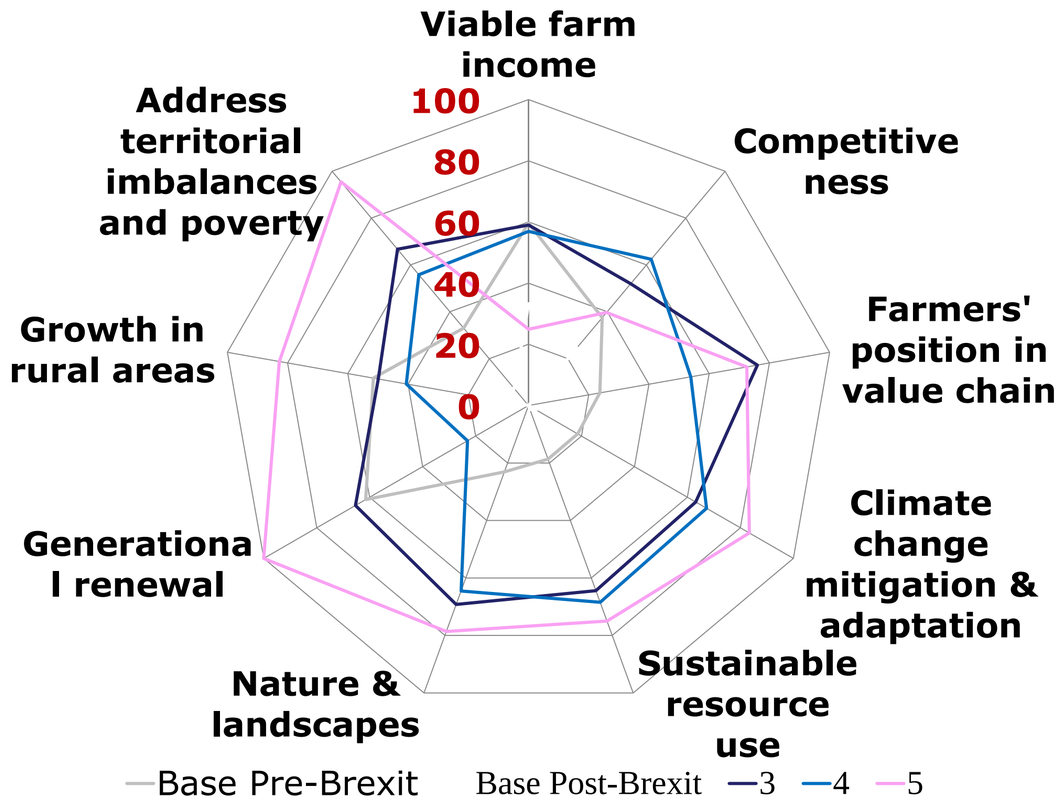
Ranking	Dist. scoring
4B	+
4A	++
3A	+
3B	+
1A	++
1B	+
5	



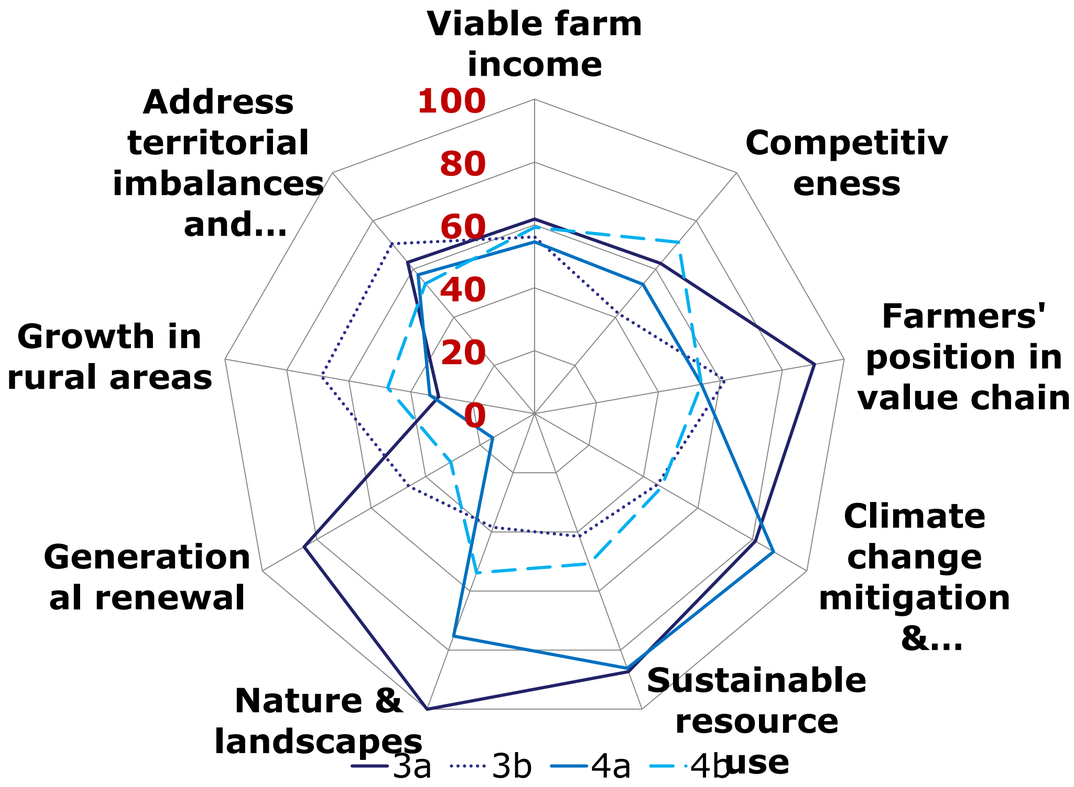


ASSESSING THE EFFECTIVENESS OF POLICY OPTIONS

Effectiveness of options towards objectives (all options)



Effectiveness of options towards objectives (sub-options based on ambition)



Source: Future CAP Impact Assessment.
Note: Sub-options differ with respect to their degree of environmental ambition (a indicating higher ambition than b) and their voluntary (3) or mandatory (4) nature.

Capping

- *Why?*
  - *To address concerns about the high level of support received by large beneficiaries*
  - *To break the link with historic references and avoid cases of very high aid/ha*
- *Tested in the IA*
  - *Capping per farm of decoupled direct payments – 60 000 to 100 000 EUR, with salaries correction.*
  - *Capping per ha at 1000 EUR/ha*
  - *Results: Tables in Annex 5.5 and 5.6*
- *Lessons learnt:*
  - *Affects large farms offering a high number of jobs => salaries correction*
  - *Uneven effects across MS*
  - *Relevance of redistributing product of capping within MS*
  - *With the cut in support and change in priorities: lower redistribution from capping to be expected.*

Risk Management

- *Between 2007 and 2015, on average 30% of EU farmers had a 20% drop in income relative to the 3 previous years.*
- *Income stabilisation tool (IST)*
  - *Budget too small compared to potential needs if all farmers would get organised for an IST…*
  - *Budget divided by 2 if only large farmers*
  - *To be targeted to sectors:*
    - *With high volatility, DP best suited for sectors with low (although more stable) income level (cattle, sheep)*
    - *Where other RM tools not well developed*
    - *COP: futures, insurance*
- *Results of the qualitative assessment:*
  - *Higher uptake of RM tools expected if lower DP: option 3a (low decoupled payments, no VCS and higher budget for RM tools)*
  - *Enhance cooperation between farmers*

Estimation of compensation needs for an IST in the EU

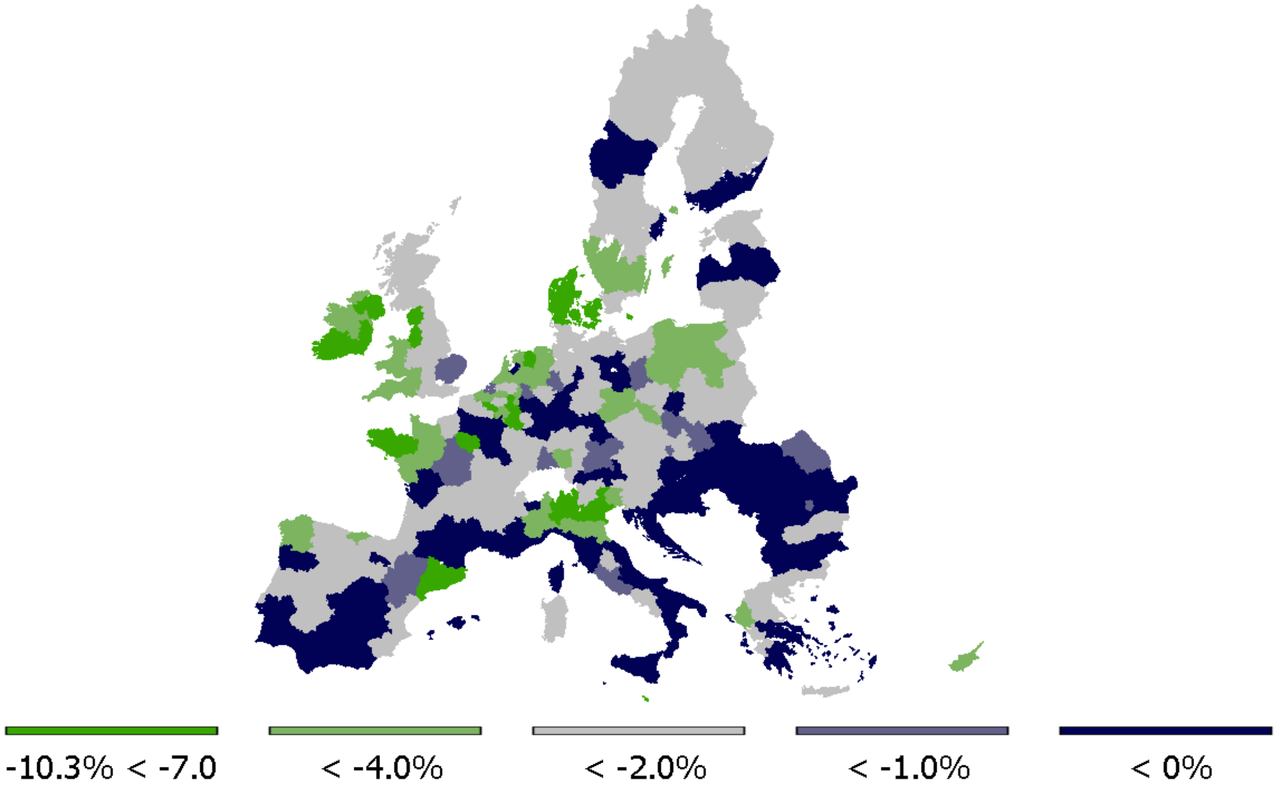
		MEUR
Envelope made available for RM tools	3a	3 400
	3b&4	1 700
EU compensation required if IST for all farmers	Farm income, 30% drop	13 300
	Sector income, 20% drop	14 900
Compensation required if IST for larger farmers (> 50.000 EUR of size)	Farm income, 30% drop	7 200
Compensation required if IST for selected sectors (Sector income, 20% drop)	Milk	1 300
	COP	2 600
	Sugar beet	200
	Olive	600
	Pig&poultry	1 400

Source: DG AGRI, FADN 2007-2015. Compensation of 70% of income losses if drop compared to previous 3 years. Farm income = Market revenue + total subsidies – intermediate costs. Sector income = Market revenue + coupled payments – specific costs

Improving water quality

- *Focus on N, modelled through reduction targets of the gross nutrient balance*
- *Reduction targets fixed according to actual surplus, lower targets if manure trading takes place*
- *Imposed reduction targets are met*
- *Close to 4% N-surplus reduction on average in the EU in the most constraining scenario (i.e. with NMP and a reduction target for N, as in option 3a and 4a)*
- *Farmers adopt more N-efficient technologies (like precision farming)*
- *Significant reduction in mineral fertiliser use (with 5% at EU level)*

Reduction in N-surplus per ha of UAA (relative to baseline), Most constraining scenario



Source: JRC, CAPRI model

A CAP oriented towards performance

Opportunities under the NDM:

- *Tailored design and delivery to national/regional needs*
- *Reduced EU control of compliance to detailed rules*
- *Results, target setting and performance bonus*
- *Enhanced advice*

National strategies:

- *with suitable preconditions to foster results*
- *and adequate incentives for beneficiaries to perform*

Reduced CAP-related administrative burden …

Opportunities under the NDM:

- *Streamlined and simplified CAP strategic planning*
- *Simplified application process*
- *Reduced checks on compliance with detailed EU rules*
- *Common set of indicators*
- *Streamlined reporting*
- *Increased focus on modernisation*

→ *MS also key determinant of resulting simplification*

IMPACT ASSESSMENT: THE FORMAL PROCESS

Better Regulation

- ***>350 pages of guidelines***
- ***Consultation strategy / Imposed structure of Impact Assessment report / Lengthy process***

IA Inter-Service Steering Group

- ***Each stage (problem definition, objectives, options, monitoring etc.) needs to presented and discussed with other Directorates General (up to 20)***
- ***IA report to be presented and discussed, comments included as far as possible***

Regulatory Scrutiny Board

- ***Independent body that provides a central quality control, reviews and issues opinions and recommendations on all the Commission's draft impact assessments.***
- ***Need positive opinion before proposing legislation.***
- ***Judging the Impact Assessment and the linkage to proposal.***

HOW DID WE DO IT?

Problem definition and choice of options

- *AGRI/JRC "challenge teams" gathering evidence (data, analysis, papers, reports, evaluations, findings of research projects, etc), summarised in 3 background documents and statistical annex*
- *Workshops with experts (academia, national administrations, key experts, other Commission services)*

https://ec.europa.eu/agriculture/events/cap-have-your-say/workshops_en

- *Choice of options takes time! Agreeing on both the big lines and the nitty gritty details – iterative process*

Ex-ante assessment of options

- *Model-based simulations of options (models included in the iMAP modelling platform in JRC – IFM-CAP, CAPRI, AGLINK and other biophysical models)*
- *Other quantitative approaches (e.g. calculations on the basis of FADN data, audit data CATS)*
- *Qualitative assessment with Multi Criteria Analysis – MCA: "expert judgment" of AGRI and JRC experts providing ranking of options towards achieving operational objectives*

IMPACT ASSESSMENT – KEY CHOICES

BEFORE

- *Data/tools/methods/expertise/networks need to be in place before the Impact Assessment starts ➔ investments in the years before!*
- *A large amount of preparatory work can and must be done ahead of IA*
- *Building on (ex-post) evaluations when available (timing)*
- *In-house analytical (incl. JRC) capacity vs. external support*

DURING IA

- *EU wide-assessment vs. case studies*
- *Modelling + complements*
- *Identifying the best option among those tested or taking best elements*
- *Choosing the right methodology*