

Governance: the reform process of the CAP post 2020 seen from an inter-institutional angle



Agriculture and Rural Development



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Abstract

This study examines the inter-institutional dynamics of the post-2020 CAP reform (European Parliament - Council - Commission), provides an analysis of the dynamics and the outcome of the reform process seen from a governance angle and makes recommendations on the role of Parliament in future CAP reforms and mid-term reviews.

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LIST OF ABBREVIATIONS

AECM	Agri-environment-climate Measures
AGRI	Agriculture and Rural Development Committee
AGRIFISH	Agricultural and Fisheries Council
ALDE	Alliance of Liberals and Democrats for Europe (<i>replaced by Renew Europe</i>)
AKIS	Agricultural Knowledge and Innovation System
BISS	Basic Income Support for Sustainability
CAP	Common Agricultural Policy
CMO	Common Market Organisation
CoR	Committee of the Regions
COREPER	Committee of Permanent Representatives in the <i>European Union, Comité des représentants permanents</i>
COSAC	Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union
CRISS	Complementary Redistributive Income Support for Sustainability
DG AGRI	Directorate-General for Agriculture and Rural Development
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
ECR	Group of European Conservatives and Reformists
ECA	European Court of Auditors
EESC	European Economic and Social Committee
EIP-AGRI	Agricultural European Innovation Partnership
ENRD	European Network for Rural Development
ENVI	Environment, Public Health and Food Safety Committee

EP	European Parliament
EPP	Group of the European People's Party (Christian Democrats)
EPRS	European Parliamentary Research Service
ERI	European Recovery Fund
EU	European Union
F2F	Farm to Fork
FMM	Financing, Management and Monitoring Regulation of the CAP
GAEC	Good Agricultural and Environmental Conditions
GI	Geographical Indications
GNI	Gross National Income
Greens/EFA	Group of the Greens-European Free Alliance in the European Parliament
IACS	Integrated Administration and Control System
INI	Own Initiative Reports
MEP	Member of the European Parliament
MFF	Multiannual Financial Framework
MRL	Maximum Residue Limits
NDM	New Delivery Model
NGEU	Next Generation EU
OLP	Ordinary Legislative Procedure
REFIT	Regulatory Fitness and Performance Programme
SCA	Special Committee on Agriculture
S&D	Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
SFC	System for Fund Management in the European Union

SFS	Small Farmers Scheme
SMR	Statutory Management Requirements
SP	Strategic Plans
SRSP	Strucrural Reform Support Programme
STOA	Science and Technology Options Assessment
SWOT	Strengths, weaknesses, opportunities and threats
SWD	Staff Working Document
TFEU	Treaty on the Functioning of the European Union
ToR	Terms of Reference
WTO	World Trading Organization

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EXECUTIVE SUMMARY

KEY FINDINGS

- The post-2020 reform of the CAP can be seen as representing a break with the past, both in terms of process (much lengthier than before and affected by different singular factors) and substance (regarding the governance of the CAP and the 'green' orientation of its policy content and tools).
- A major concern, from the Parliament's perspective, throughout the CAP reform process, was the governance of the CAP, particularly the risk of 'renationalisation' and the ability of the Commission to ensure a good degree of coherence in the CAP as a European policy.
- To analyse the inter-institutional dynamics of the reform process and the role of the Parliament in the negotiations, its outcomes have been grouped into three, closely inter-related 'blocks':
 - the 'policy components' of the CAP concern the policy toolbox and the measures supported by the CAP;
 - the 'resources' cover the overall budget of CAP itself and supplementary resources from 'Next Generation EU', as well as the shares of different types of interventions;
 - the 'delivery' of the CAP refers to what is known as the 'new delivery model' and encompasses the national strategic plans as well as the monitoring/oversight provisions at EU and Member State level.
- Overall, it appears that the Parliament found greater scope for contributing on the policy components of the CAP and less on delivery or resources issues, even if for these two components its amendments to the Commission's proposals were instrumental in substantially adapting the overall framework of the new CAP.
- Building on this post-2020 CAP reform process, the Parliament can now form an informed view as to the role it should be playing in future reforms and implement a range of related actions, selected according to the direction in which it wishes to move. They include notably the internal consistency of its position in the pre-legislative stage and throughout the negotiations, the streamlining of its strategic objectives and specific amendments and the reinforcement of its in-house analytical capacity.

The CAP reform package and its institutional context

The main aim of this study is to examine the decision-making dynamics of the post-2020 CAP reform at EU institutional level (European Parliament - Council - Commission) and provide an analysis of its outcome. In doing so, the study covers all three dimensions of the reform: policy components, resources and delivery.

This last CAP reform was the second one to take place under the post-Lisbon rules and can be seen as representing a break with the past, both in terms of process and substance:

- It took 42 months from publication of the Commission's legislative proposals in June 2018 to the final adoption of the agreed texts in December 2021, compared to 26 months for the 2013 CAP reform. The longer timeline was influenced by, among others, the European Parliament elections in May 2019, the entry into office of a new Commission in December 2019, and the delays in agreeing the Multiannual Financial Framework (MFF) 2021-2027.
- The announcement of the European Green Deal and its agri-food objectives in the Farm to Fork and Biodiversity Strategies introduced an additional layer of complexity to the negotiations. The reform package proposed by the Commission comprised three regulations. Its centrepiece, set out in the Strategic Plans Regulation¹, was a new delivery model for the CAP intended to shift the focus of implementation from compliance to performance. Changes to the Horizontal Regulation² were intended to adapt financial and control procedures to the new delivery model, and to simplify the governance of the CAP. Finally, changes proposed in the Amending Regulation³ adapted the 'common market organisation' Regulation without altering its key policy components..

Key areas in the CAP negotiations from an inter-institutional angle

The analysis of the inter-institutional dynamics of the reform process focused on four main thematic areas of the CAP:

- **The quest for a more flexible and simplified CAP**

To emphasise the approach of a 'Common' Agricultural Policy and prevent a 'renationalisation' of the CAP, the Parliament aimed to describe and regulate many elements in the regulations in more detail and, on finance, to specify minimum ring-fenced amounts for eco-schemes, young farmers, as well as socio-economic objectives in both Pillars.

The Parliament pushed for a greater consideration of the regional dimension into the CAP Strategic Plans. It also sought greater protection of the Union's financial interests and was able to strengthen the enforcement of controls and the Commission's reporting to the Council and Parliament. Although Parliament made various proposals on simplification, it is hardly mentioned in the programming document and subsequent reporting.

- **Towards a fairer and a more targeted CAP**

While the Council's position on capping and degressivity prevailed totally, the decision to make the redistributive payment mandatory was a success for the Parliament which has always supported the redistribution of payments towards small- and medium-sized farmers. It also succeeded in significantly increasing the resources available for support for young farmers. In a significant development, the Parliament introduced the concept of social conditionality into the CAP, making compliance with applicable working and employment conditions an eligibility requirement for CAP payments.

- **The new green architecture of the CAP**

1 Regulation (EU) 2021/2115 establishing rules on support for CAP strategic plans.

2 Regulation (EU) 2021/2116 on the financing, management and monitoring of the CAP.

3 Regulation (EU) 2021/2117 amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets.

The Commission's proposal for a revised green architecture was largely supported by the Parliament and the Council. The Parliament advocated ring-fencing a minimum expenditure on eco-schemes and keeping eco-schemes and agri-environment-climate measures as two separate interventions. It succeeded in ring-fencing 35% of the rural development budget for environmental- and climate-related objectives. It was partially successful concerning the minimum budget for eco-schemes but its proposal for a common list of eco-schemes was not adopted.

- **Market management in the CAP**

The initial Commission legislative proposal essentially maintained the status quo in most areas. Many of Parliament's amendments sought to strengthen the role of market regulation, e.g. by extending public intervention and supporting supply control measures in cases of market disturbance, making the agricultural reserve more effective, and extending the role of producers' organisations.

The Parliament increased the scope of risk management instruments. However, it did not succeed in inserting a provision that would require imported products to meet the same standards as EU producers.

Past and future role of the European Parliament: Key findings and recommendations

A major concern for the European Parliament throughout the CAP reform process was the governance of the CAP, particularly the risk of 'renationalisation' and the ability of the Commission to ensure a good degree of coherence in the CAP as a European policy.

In the reform process the Parliament strived to defend the EU principles and the CAP budget while remaining open to policy innovation and acting as policy initiator in some instances. This contrasted with a more conservative stance of the Council, marked by fiscal 'frugality' and a tendency to maximise subsidiarity.

At intra-institutional level, a degree of fragmentation prevailed in all the institutions during much of the CAP reform process. Internal jurisdictional issues and policy differences between the AGRI and ENVI Committees were noticeable on the Parliament's side. At inter-institutional level, the COVID-19 restrictions seriously affected the conduct of the negotiations.

In the final outcome, there were a large number of partial or minor adoptions of Parliament's positions and amendments, as well as some major ones (e.g. social conditionality, a minimum share of direct payments budgets to be spent on eco-schemes, making the redistributive payment mandatory for Member States). Overall, the Parliament found greater scope for contributing on the policy components of the CAP and less on delivery or resources issues. It found it impossible to change the Council's position on several CAP issues (e.g. capping, transfers between Pillars, EAFRD contribution rates) that fall under co-decision but were covered in the European Council conclusions on the MFF.

In future, the Parliament could increase its effectiveness in the negotiations by seeking to bolster the internal consistency of its position in the pre-legislative stage and throughout the negotiations, with a narrower set of proposals, both in terms of strategic objectives and specific amendments. To ensure a leading role in future negotiations, the Parliament needs to significantly increase its in-house analytical capacity ahead of and particularly during negotiations to be able to assess proposals put forward by the other institutions and the wider set of CAP stakeholders.

Overall, the Parliament needs to reflect on the post-2020 CAP reform and form a view as to the role it should be playing in future reforms, and implement in a timely fashion a range of actions, selected according to the direction in which it wishes to move. The study provides a menu of possible actions for further consideration.

1. INTRODUCTION

1.1. Background

Since its conception and the setting out of its original objectives in the Treaty of Rome in 1957, the Common Agricultural Policy (CAP) has undergone a large number of incremental adjustments and, in recent decades, reforms.

The role of the European Parliament (EP) in the recently concluded reform of the CAP, concerning the post 2020 period, was under the enhanced provisions of the **Treaty of Lisbon**, which entered into force on 1 December 2009 and introduced a number of significant changes. In the case of Parliament these include enhanced legislative powers through the use of the Ordinary Legislative Procedure (also known as ‘co-decision’) in 40 additional policy areas. A further important change was in the status of its membership, with Parliament now composed of representatives of the EU’s citizens (rather than representatives of the peoples of the EU countries, as before the Treaty). These changes have made Parliament a co-legislator of equal standing with the Council, while at the same time establishing a stronger democratic link between the Members of Parliament and the electorate.

The CAP was the last policy field to be placed under the Ordinary Legislative Procedure (OLP), and its 2013 reform was the first to be decided under this rule and, to some extent, amounted to a ‘learning process’.⁴ Thus, in the case of the post-2020 reform, Parliament could play a fully-fledged role as co-legislator.⁵

The post-2020 reform of the CAP can be seen as representing a break with the past, both in terms of process and substance. The former (process) was conducted under a unique combination of circumstances in which the dynamics at EU inter-institutional level (European Parliament - European Council – Council – Commission) regarding CAP were much more complex due to overlapping and inter-related decision-making processes, notably the negotiations on the Multiannual Financial Framework (MFF) and the Next Generation EU (NGEU) programme, and the European Green Deal discussions. Additionally, major singular events (Brexit, COVID-19 pandemic crisis, European Parliament elections in May 2019) were significant factors affecting the CAP reform process both in institutional and economic terms.

In terms of substance the post-2020 reform is also significantly different from the status quo, in many respects, with the post-2023 governance architecture of the CAP and the ‘green’ orientation of its policy content and tools standing out.

1.2. Aim and objectives

There is an extensive research literature covering past CAP reforms, including inter-institutional analyses.⁶ However, as the reform process regarding CAP post 2020 has only been recently concluded

⁴ Swinnen, J ed., (2015).

⁵ The extent to which this was achieved is one of the issues considered in this study.

⁶ Examples include: Swinnen, J F M, 2008, *The perfect storm: The political economy of the Fischler Reforms of the Common Agricultural Policy*, Centre for European Policy Studies (CEPS); Cunha, A & Swinbank, S, 2011, *An inside view of the CAP reform process: Explaining the MacSharry, Agenda 2000, and Fischler Reforms*, Oxford University Press; Greer, A and Hind, T, 2012, *Inter-institutional decision-making: the case of the common agricultural policy*, *Politics and Society*, 31(4), November 2012; Knops, L & Swinnen, J F M. (Coordinators), 2014, *The first CAP reform under the ordinary legislative procedure: a political economy perspective*, European Parliament, Policy Department of Structural and Cohesion Policies, PE 520.067, December 2014; Kovács, A, 2014, *Political Networks in the European Parliament: Network Analysis of the 2013 Common Agricultural Policy Reform*, *Proceedings of FIKUSZ '14 Symposium for Young Researchers*, Obuda University, 2014; Erjavec, E & Lovec, M (2015), *The Co-decision Trap: How the Co-decision procedure Hindered CAP Reform*, *Intereconomics*, Vol. 50(1), 2015; Gravey, V & Buzogány, A (2021), *For Farmers or the Environment? The European Parliament in the 2013 CAP Reform*, *Politics and Governance*, Vol. 9, Issue 3.

there is not yet any research carried out from the inter-institutional angle. The purpose of this study is to fill, to some extent, this gap.

The primary **aims** of the study, as defined in the Terms of Reference (ToR), are to:

- *Provide an analysis of the specific institutional background of the CAP post 2020 reform process;*
- *Examine the decision-making dynamics of this CAP reform at EU institutional level (European Parliament - European Council - Council - Commission) within their main playing fields (agricultural negotiations; MFF negotiations; Recovery Plan negotiations; European Green Deal discussions);*
- *Outline the development of the respective trilogues on the CAP three regulations;*
- *Provide an analysis of the outcome of the new CAP from an inter-institutional angle, in particular on the future implications of the 'new delivery model' (NDM), focused on objectives and with a greater degree of subsidiarity for Member States (greater flexibility in the definition, management and control of CAP tools);*
- *Assess how the outcome of the latest CAP reform has been influenced by the European Parliament under the 'Ordinary Legislative Procedure' (co-decision);*
- *Finally, based on the answers to the previous questions, formulate specific recommendations to contribute to improve the EU agricultural decision-making process from an EP perspective as well as to prepare for future CAP reform and mid-term reviews.*

To achieve these aims, the study sought to fulfil a number of specific **objectives**, which are set out in Annex 1, including, to:

- Provide an overview of the main singularities of the CAP post 2020 reform package in comparison with previous rounds;
- Evaluate how the CAP post-2020 reform was affected by specific institutional factors;
- Scrutinise the approaches and the respective roles in the reform outcome of the main actors;
- Provide detailed recommendations to assist the European Parliament on its approach to future CAP reforms.

1.3. Scope

The post-2020 reform of the CAP was formally launched on 1 June 2018 with the European Commission presenting a draft legislative framework for the CAP for the period 2021-2027. The Parliament and the Council adopted their positions in October 2020. The inter-institutional negotiations ('trilogues') on the CAP reform started on 10 November 2020 and concluded with the political agreement that was reached on 25 June 2021. The three regulations representing the primary legislation of the reformed CAP – the Strategic Plans (SP) Regulation,⁷ Horizontal Regulation⁸ and Amending Regulation⁹ – were adopted by the Council and Parliament in December 2021.

This study focuses on the **main formal inter-institutional process** from the publication of the legislative proposal of the Commission in June 2018 to the political agreement of June 2021. The study also takes cognisance of **other formal institutional processes and periods** of major relevance to the CAP reform process (such as pre-legislative stage initiatives, MFF negotiations and intra-institutional

⁷ Regulation (EU) 2021/2115.

⁸ Regulation (EU) 2021/2116.

⁹ Regulation (EU) 2021/2117.

issues) and, to a lesser extent, informal processes, e.g. stakeholders' contributions. However, it has not attempted to consider in any depth aspects of the CAP reform falling outside the main process, since they are not covered by the Terms of Reference or the resources of the study.

The long process of CAP reform post-2020 has culminated in what has been described as a **“new Common Agricultural Policy: fairer, greener, more flexible”**.¹⁰ Each of these overall goals or aspirations concerns an important aspect of CAP, which was covered by the inter-institutional dynamics of the reform process and its outcomes. These can be grouped into three, closely inter-related and overlapping, 'blocks':

- **Policy components of CAP** concern the elements and tools that represent the types of actions supported by CAP, such as direct payments, eco-schemes, market support, and broader rural development.
- **Resources for CAP** cover the overall budget of CAP itself and supplementary resources from 'Next Generation EU', as well as the shares of different types of interventions.¹¹
- **Delivery of CAP** refers to what is known as the 'new delivery model' and encompasses the national strategic plans as well as the monitoring/oversight provisions at EU level and administration of implementation at national and sub-national levels.

A crucial aspect of CAP and its post 2020 reform is **governance** as manifested in the inter-institutional negotiations where issues such as concern about the risk of 're-nationalisation' of CAP¹² were centre-stage. In the context of this study, governance refers to the system of rules, structures and controls put in place in connection with the CAP. These are the outcomes of the EU decision process with regard to the CAP reform. Governance often refers to the higher institutional levels of decision making ('strategic governance'). As such it is of an overarching character, but it could also encompass lower levels relating to the implementation of the policy, especially at 'ground level' (often referred to as 'administration'). All these levels are taken into account in this study. In examining the reform process from an inter-institutional angle, the study addresses all three 'blocks' of CAP (policy, resources, delivery) and the horizontal dimension of governance of the CAP that cuts across all these blocks.

1.4. Methodology

The overall methodological approach reflects the aims of the study, as expressed in the ToR, and the resource constraints, mainly in terms of time, data availability and budget. Given the enormity of the CAP, it was necessary to be selective in the analysis of topics and sub-topics. It was also imperative to anticipate and address the challenge of the fragmentation that could ensue from a selective approach by maintaining an overarching perspective of the whole topic and a unifying theme. This approach sought a combination of **'selectivity and coherence'** by working at three levels.

First, the EU decision process in the CAP reform and the role of the Parliament provided a cross-cutting and unifying theme. Second, the study focused its analyses on a limited number of main themes¹³ tracing the process of the trilogues and inter-institutional dynamics and the way these related to

¹⁰ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2711?pk_campaign=HP-Local-News&pk_kwd=https%3F%2Fec.europa.eu%2Fcommission%2Fpresscorner%2Fdetail%2Fen%2Fip_21_2711

¹¹ E.g. in Pillar II of the 'Horizon Europe' programme there is a cluster on "Food, Bio-economy, Natural Resources, Agriculture & Environment" with a budget of 8 952 billion EUR (9.4% of the total):

https://ec.europa.eu/info/sites/default/files/research_and_innovation/strategy_on_research_and_innovation/presentations/horizon_europe/ec_rtd_he-investing-to-shape-our-future.pdf

¹² EurActiv: Calls growing to stop nationalisation of CAP (28.5.2018); Hogan: No risk of re-nationalising the next CAP (8.3.2019).

¹³ Towards a More Flexible and Simplified CAP, Towards a Fairer and More Targeted CAP, Towards a Greener CAP, and Market Management in CAP.

different aspects of CAP (policy, resources and delivery). Third, the study took into account relevant issues falling in other fields (e.g. MFF negotiations) or sub-topics that had not been selected from the beginning but emerged as potentially significant factors from an inter-institutional angle from the literature review and the interviews.

The methodology of the study built on **three strands of research** to ensure the systematic use of the available sources of information.

The first strand involved **desk research** and focused on a review of literature and other relevant documentation, including draft legislative reports, opinions and resolutions. Further desk research was undertaken in the second strand covering **content emanating from the main institutional players** and relating directly or indirectly to the CAP negotiations, notably the four-column documents prepared for the trilogues and to a lesser extent position papers of the Member States, as well as Commission papers, European Parliamentary Research Service (EPRS) reports and briefings, etc. The third strand took the form of consultation **interviews** with politicians and experts from the most relevant EU institutions – see Annex 2 – to gain insights and pinpoint issues for further examination.

1.5. Structure

This study report is in three main parts:

- **Part 1** provides the **Institutional Context for the CAP Reform** (Chapter 2) and an **Overview of the Initial CAP Reform Package** (Chapter 3).
- **Part 2** comprises the main **analytical chapters** addressing inter-institutional decision making, Parliament's positions¹⁴ and CAP reform outcomes in the context of specific CAP reform topics grouped in four thematic areas: **Governance and the Quest for a More Flexible and Simplified CAP** (Chapter 4), **Governance for a Fairer and More Targeted CAP** (Chapter 5), **Governance and the New Green Architecture of the CAP** (Chapter 6) and **Governance and Market Management in CAP** (Chapter 7).
- **Part 3** includes two concluding chapters providing a synthesis of findings on **Approaches and Roles of the Main Actors in the CAP Reform** (Chapter 8) and **Conclusions and Recommendations** (Chapter 9).

¹⁴ Based mainly on the EP's positions (adopted on 23 October 2020) on the three CAP draft regulations, see European Parliament (2020d), (2020e) and (2020f)

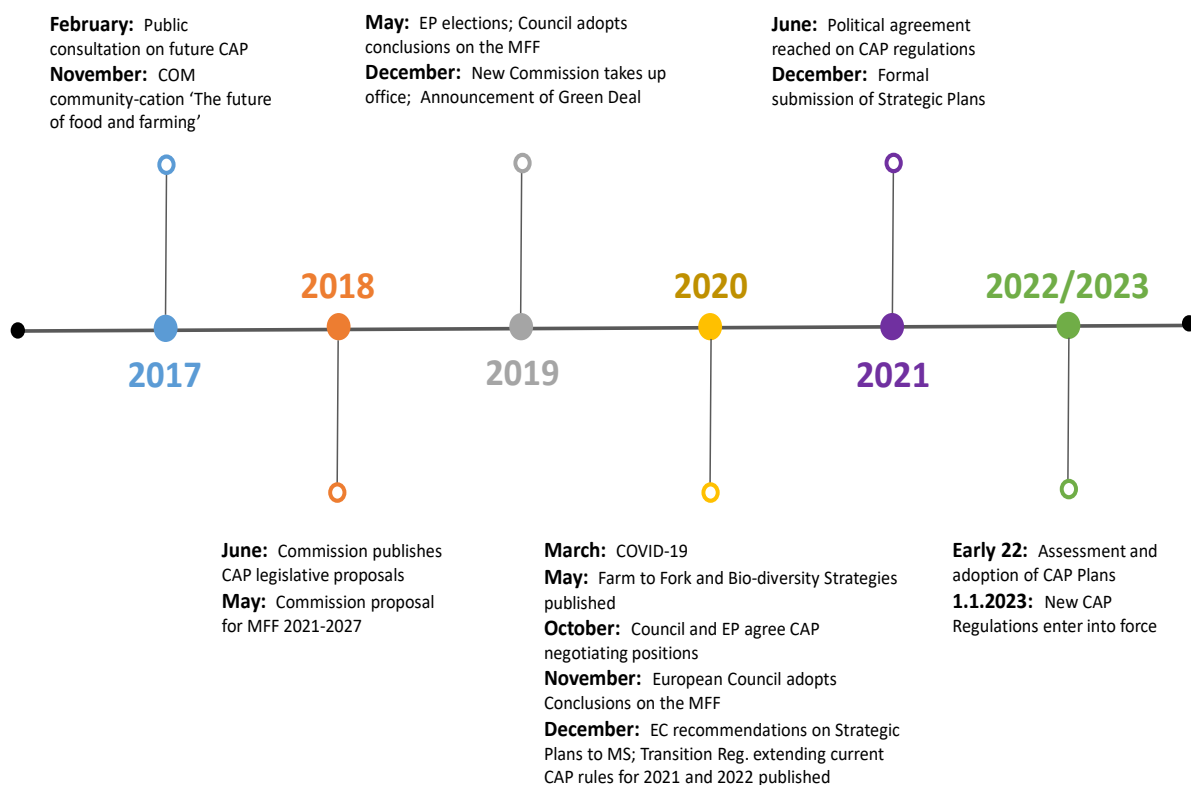
2. INSTITUTIONAL CONTEXT FOR THE CAP REFORM

KEY FINDINGS

- The post-2020 CAP reform took 42 months from publication of the Commission's legislative proposals to final publication of the agreed texts compared to 26 months for the 2013 CAP reform.
- The longer timeline was influenced by European Parliament elections in May 2019 and the entry into office of a new Commission in December 2019, the delays in agreeing on the Multiannual Financial Framework (MFF) 2021-2027, the announcement of the European Green Deal and its implications for the ongoing CAP legislative procedures, and the consequences of the COVID-19 pandemic.
- The budget allocation for the CAP under the MFF 2021-2027 was less than requested by Parliament, but was larger than some figures that had been proposed in the European Council 'negotiating box', not least because of the injection of financial resources to the EAFRD as part of the Next Generation EU response to recovery from the COVID-19 pandemic.
- The European Council included decisions on aspects of the CAP legislative file in its MFF conclusions that the Parliament argued should have been part of the ordinary legislative procedure. This meant that the Council was unwilling to enter into meaningful negotiations with Parliament concerning those elements on the grounds that they had already been decided by the European Council.
- The announcement of the European Green Deal and its agri-food objectives in the Farm to Fork (F2F) and Biodiversity Strategies introduced an additional layer of complexity to the negotiations. It was also reflected in the active involvement of the Commission's Executive Vice-President Frans Timmermans, responsible for the Green Deal, in the trilogue negotiations.
- A significant institutional development within the European Parliament was to grant its ENVI Committee shared competence with the AGRI Committee concerning those articles in the Strategic Plans Regulation dealing with environmental and climate matters.

This chapter presents the institutional context in which the recent CAP reform took place and highlights how specific institutional factors influenced both the timing and the outcome of the reform. The timeline of this lengthy and complex reform of CAP post-2020¹⁵ is summarised in Figure 1, below. It took 42 months to complete the legislative process to adopt the 2023-27 CAP compared to 26 months for the 2014-2020 CAP. Apart from the need to reconcile disagreements between and within the institutions on the substantive issues in the legislative files, the longer timeline was influenced by the European Parliament elections in May 2019 and the entry into office of a new Commission in December 2019, the delays in agreeing on the MFF 2021-2027, the announcement of the European Green Deal and its implications for the ongoing CAP legislative procedures, the need to adopt transitional provisions to give certainty to farmers on their support, and the consequences of the COVID-19 pandemic.

¹⁵ The original reform proposal was for CAP post 2020 but the outcome was for CAP 2023-2027 due to delays. For consistency the report refers throughout to CAP post 2020 even though it does not enter into force until 1 January 2023.

Figure 1: The timeline of the post-2020 CAP reform

Source: Metis

2.1. Launch of the CAP reform process

The Juncker Commission announced in its 2017 Annual Work Programme that it intended to “take forward work and consult widely on simplification and modernisation of the Common Agricultural Policy to maximise its contribution to the Commission's ten priorities and to the Sustainable Development Goals”.¹⁶ On 2 February 2017, Commissioner for Agriculture and Rural Development Phil Hogan launched this consultation on the future of the CAP in order to better understand where the current policy could be simplified and modernised. During the three-month consultation period, the European Commission received more than 320 000 replies, mostly from individuals, including almost 260 000 that were submitted as part of a campaign coordinated by the Living Land coalition.¹⁷ Those responses were separately analysed by DG AGRI and the remaining responses were analysed and summarised by Ecorys.¹⁸ The consultation highlighted a fair standard of living for farmers, the pressures on the environment, and climate change (both mitigation and adaptation), as the three most pressing challenges that EU agriculture and rural areas have to face. The outcome was presented in a Communication on *The Future of Food and Farming* published by the Commission in November 2017.¹⁹

¹⁶ European Commission (2016a).

¹⁷ <https://www.living-land.org/>. The 2010 public consultation that preceded the 2013 CAP reform attracted 5 700 submissions, underlining the much greater public interest in the CAP reform process this time.

¹⁸ Ecorys (2017).

¹⁹ European Commission (2017b).

The Council adopted Presidency Conclusions on the Communication in March 2018²⁰ and the European Parliament adopted a resolution giving its views on the Communication in May 2018.²¹

The Commission's legislative package introducing the new CAP reform was published on 1 June 2018 in the framework of its proposal for the Multiannual Financial Framework for the period 2021-2027. The package included three legislative proposals:²²

- Proposal for a Regulation (known as the **'Strategic Plans' or SP Regulation**) on support for Strategic Plans to be drawn up by Member States under the Common Agricultural Policy (COM (2018) 392, legal text and annexes) covering the architecture and rules of Strategic Plans on national level as well as the types of interventions to be implemented by Member States (direct payments, rural development measures and sectoral programmes).
- Proposal for a Regulation (known as the **'Horizontal' or FMM Regulation**) on the financing, management and monitoring of the CAP (COM (2018) 393, legal text and annex).
- Proposal for a Regulation (COM (2018) 394) (known as the **'Amending' Regulation**) amending:
 - Regulation (EU) No 1308/2013 establishing a common market organisation of the markets in agricultural products (CMO);
 - Regulation ((EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs;
 - Regulation (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products;
 - Regulation (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union; and
 - Regulation (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean Islands.

This legislative package was accompanied by an extensive impact assessment that focused on the three main challenges the new CAP was expected to address: a fairer targeting of the distribution of support, greater environmental and climate ambition, and the joint challenge of simplification with modernisation.²³

The greater environmental ambition in the Commission's proposals gave rise to a jurisdictional issue in the Parliament. The ENVI Committee sought exclusive or shared competence over those articles in the Strategic Plans Regulation that concerned environmental and climate matters, a position which the AGRI Committee rejected. In July 2018, the Conference of Presidents, in agreement with the Conference of Committee Chairs, granted the ENVI Committee an associated status under Rule 54 with shared competence over the provisions in respect of which it had requested shared or exclusive competence. It rejected the ENVI's request for associated committee status on the CAP Amending Regulation, stating that the ENVI Committee should contribute with an opinion under Rule 53 but with the additional provisions of cooperation ('Rule 53+'). This heightened involvement of a committee

²⁰ Council of the European Union (2018).

²¹ European Parliament, (2018c). The process up to May 2018 including a summary of the positions of the main players is well summarised by McEldowney, J in European Parliament (2018d).

²² European Parliament, Annex to Briefing (2018e).

²³ European Commission (2018g).

other than the AGRI Committee in preparing the Parliament's position on the CAP was an important break with precedent in this CAP reform.

The European Court of Auditors issued its Opinion on the legislative package in November 2018.²⁴ The European Economic and Social Committee adopted its Opinion in October 2018.²⁵ The Committee of the Regions gave its Opinion on the SP Regulation in December 2018.²⁶

On 28 June 2018, the AGRI Committee appointed Esther Herranz Garcia (EPP, Spain) as rapporteur for the SP Regulation, Ulrike Müller (ALDE and subsequently Renew Europe after the 2019 election, Germany) as rapporteur for the FMM Regulation, and Eric Andrieu (S&D, France) as rapporteur for the Amending Regulation. In view of the impending European Parliament elections in May 2019, the Committee established its preliminary positions on the three Regulations in April 2019. The texts approved by the AGRI Committee however did not reach the plenary due to the end of the eighth parliamentary term.

2.2. Commission makes MFF proposals

The legislative discussions on the Commission's proposals took place against the background of a restrictive budgetary framework. The UK had voted to leave the EU in a referendum in June 2016. As the UK was the second largest net contributor to the EU budget, this alone was likely to lead to a tighter MFF envelope in the post-2020 period. In addition, the European Council agreed in February 2018 that the EU should spend more on priorities such as stemming illegal migration, defence and security, and the Erasmus+ programme. The implications of these trade-offs had been highlighted in the Commission's *Reflection Paper on the Future of EU Finances* in June 2017.²⁷ This paper analysed the impact on the EU budget of five different scenarios for the future of the EU in terms of overall volume, revenue sources and spending priorities. In each scenario but the most ambitious, the CAP had either a smaller share of the overall budget and/or lower resources in absolute terms. In one scenario, the Commission envisaged a cut of around 30% in the CAP budget in real terms.

On 2 May 2018, the Commission set out its budget proposals for the 2021-2027 period equivalent to 1.11% of the EU-27 gross national income (GNI) in commitment appropriations after integrating the European Development Fund.²⁸ The budget of 365 billion EUR in current prices allocated to the CAP for the 2021-2027 (324 billion EUR in 2018 prices) represented a reduction in CAP funding of between 3-5% in current prices and between 12-15% in 2018 prices.²⁹

The European Parliament had set out its expectations for the MFF 2021-2027 in a resolution on 14 March 2018.³⁰ It confirmed its position in its interim report on the MFF in November 2018, which set out its negotiating mandate.³¹ In order to finance new priorities, it wanted the MFF ceiling to be raised from the existing 1.0% to 1.3% of EU GNI, or an increase of 16.7% compared to the Commission's proposal. It also insisted that expenditure on the CAP and cohesion policy (in real terms) should remain unchanged. Following the Commission's proposal, the Council immediately began technical work setting up an *ad hoc* Working Group on the MFF. However, strongly diverging views between Member States on the overall size and the amounts to be allocated to individual policies and programmes

²⁴ ECA (2018).

²⁵ EESC (2018).

²⁶ CoR (2018).

²⁷ European Commission (2017a).

²⁸ European Commission (2018b).

²⁹ European Parliament (2018c).

³⁰ European Parliament (2018a).

³¹ European Parliament (2018b).

meant very limited progress had been made towards reaching agreement by the time of the elections to the European Parliament on 23-26 May 2019.

2.3. Developments subsequent to the May 2019 European Parliament elections and appointment of a new Commission

The 2019 elections resulted in a decreased vote share for the EPP and S&D that have traditionally dominated the Parliament, while the Greens/EFA and Renew Europe (formerly ALDE) made gains. Following intensive negotiations in the European Council, Ursula von der Leyen was proposed to the European Parliament as President of the Commission on 3 July 2019 and elected by the Parliament on 16 July 2019. The full Commission was approved by the Parliament following the rejection of three commissioner-candidates on 27 November 2019 and took office on 1 December 2019. The Polish nominee Janusz Wojciechowski succeeded Phil Hogan as Commissioner for Agriculture and Rural Development.

The elections resulted in some changes to those in charge of the legislative files in the respective Committees of the Parliament. The AGRI Committee rapporteur for the Strategic Plans Regulation Esther Herranz Garcia was replaced by Peter Jahr (EPP, Germany) while Christophe Hansen (EPP, Luxembourg) was appointed rapporteur in ENVI.

One of the first tasks facing the new Parliament with respect to the CAP reform file was, how far to revisit the AGRI Committee report that had been agreed in April 2019. Under the Parliament's rules of procedure (Rule 240 Unfinished business),³² all unfinished business at the end of the last part-session before elections is deemed to have lapsed. However, a Committee can make a reasoned request to the Conference of Presidents to resume or continue the consideration of unfinished business. The AGRI Committee at its meeting on 4 September 2019 agreed to request a resumption of the work on the three CAP files. Following discussions between the rapporteurs and the political group coordinators in the AGRI Committee, it was agreed to limit the re-opening of the previously agreed texts to a specific list of points/articles.³³ Rapporteurs were invited to work closely with the shadow rapporteurs with a view to reaching as broad a consensus as possible prior to the political groups tabling amendments to the plenary session.

By October 2019 it had become clear that the original timeframe whereby Member States would submit their Strategic Plans for approval by the end of 2019 with a view to the new CAP coming into force on 1 January 2021 was no longer realistic. On 31 October 2019 the Commission published a draft proposal for a **Transition Regulation** to provide certainty and continuity in the granting of support to European farmers and other beneficiaries by extending the existing legal framework by one year, on the assumption that the new CAP would come into operation on 1 January 2022.³⁴ At the same time, the proposal aimed to ensure a smooth transition from the current to the next CAP period.

2.4. Commission launches European Green Deal in December 2019

The proposal to introduce a European Green Deal within her first 100 days in office formed part of Commission President-candidate Ursula von der Leyen's Political Guidelines for the next Commission, published in July 2019. This included the vision that Europe should become the first climate-neutral

³² European Parliament (2019a).

³³ AGRI Committee minutes of meeting 4 and 5 December 2019, AGRI_PV(2019)1204_1. The list of points/articles to be reopened is attached as Annex 1 in that document.

³⁴ European Commission (2019b).

continent as well as a commitment to enshrine the 2050 climate-neutrality target as part of the first European Climate Law. The Commission's Communication *The European Green Deal* was published on 11 December 2019.³⁵ It included a commitment to bring forward a *Farm to Fork (F2F) Strategy* in spring 2020 designed to bring about a fair, healthy and more environmentally-friendly food system. The Communication noted that the start of the revised CAP would likely be delayed and proposed that the Commission would work with Member States and stakeholders to ensure that from the outset the national strategic plans for agriculture fully reflected the ambition of the Green Deal and the Farm to Fork Strategy.

The comprehensive nature and coverage of the Green Deal means that it has many implications for agriculture and the food system, but some specific implications and targets were set out in two key strategies in May 2020: the *Farm to Fork Strategy* and *Biodiversity Strategy for 2030*.³⁶ To improve the environmental sustainability of farming, the Commission proposed that by 2030 use and risk of chemical pesticides would be reduced by 50%, nutrient losses in the environment would be reduced by 50%, thus contributing to a decrease of fertiliser application by 20%, and EU sales of antimicrobials for farmed animals would be reduced by 50%. The Strategy also put forward the objective that at least 25% of the EU's agricultural land should be under organic farming by 2030. It confirmed previous targets to reduce per capita food waste by 50% by 2030, and to encourage shifts in consumer preferences towards more sustainable diets through improved labelling, reformulation of processed foods as well as targeted VAT rates.

The Biodiversity Strategy included the extension of legal protection to a minimum of 30% of the EU's land area and 30% of the EU's sea area; the integration of ecological corridors as part of a true Trans-European Nature Network; and the allocation of at least 10% of agricultural area under high-diversity landscape features. The publication of these Strategies immediately opened a debate around what these targets might imply for the future CAP and the ongoing legislative process.

Several of the initiatives in these Strategies will require separate legislative action but the F2F Strategy noted that "It is clear that the transition must be supported by a CAP that focuses on the Green Deal".³⁷ The Commission published a Staff Working Document (SWD) at the same time as the F2F Strategy analysing the links between the CAP reform and the European Green Deal.³⁸ In this document, the Commission concluded that the CAP legislative package was compatible with the Green Deal and associated strategies and had the potential to accommodate their ambition.

However, in the same document, the Commission warned that the capacity of the future CAP to accommodate the Green Deal's ambitions depended on various elements, ranging from a suitable share of the EU budget devoted to each pillar of the CAP to maintenance of key provisions of the Commission's proposal. At the same time, it recognised that improvements could be made to the CAP legislation to close identified gaps and strengthen the final CAP legal texts to help achieve the objectives of the Green Deal. It also made several suggestions for additional practical action to make implementation of the future CAP more efficient to help to achieve the ambition of the Green Deal. These included creating a structured dialogue for the preparation of CAP Strategic Plans, including the provision of recommendations to each Member State in respect of the nine CAP specific objectives, before the draft CAP Strategic Plans were formally submitted. As part of this dialogue, Member States would be asked to address the new quantified Green Deal targets in their CAP Strategic Plans.

³⁵ European Commission (2019c).

³⁶ European Commission (2020a); European Commission (2020b).

³⁷ European Commission (2020a).

³⁸ European Commission (2020c).

In December 2020 the Commission published its recommendations to Member States as regards their CAP Strategic Plans.³⁹ It emphasised that Member States would be requested to set explicit national values for the different Green Deal targets, so translating the common ambition of each of the Green Deal targets into specific aspirations at national level. These quantified values would allow Member States to explain how they plan to contribute to the EU ambition set by the Green Deal. The Commission, by examining all the national values together, would then be able to assess whether the EU is collectively on track to achieve those Green Deal targets. The Commission also committed to verify, at the time of approval and amendment of the CAP Strategic Plans, the overall coherence of the Member States' values with the Green Deal targets.

The Council broadly welcomed the ideas in the two Strategies in its conclusions adopted in October 2020 while underlining that the Commission's recommendations would not be legally binding.⁴⁰ The Parliament was more forceful in its response to the F2F Strategy in October 2021, calling on the Commission to only approve national strategic plans which clearly demonstrate a commitment to sustainability from the economic, environmental and social perspectives and are in line with the objectives of the European Green Deal, the relevant EU-wide targets and the Paris Agreement.⁴¹ The extent to which the targets in the two Strategies should be reflected in national Strategic Plans and should be taken into consideration by the Commission when approving these Plans remained an issue of contention between the Council and Parliament throughout the trilogue process.

2.5. MFF negotiations, COVID-19 and NGEU

Following the invitation of the European Council at its meeting in June 2019, the Finnish Presidency of the Council presented the first draft of the 'negotiating box' with figures to the December 2019 meeting of the European Council. This draft reduced the overall size of the MFF to 1.07% of EU GNI but increased the commitment appropriations allocated to the CAP Pillar II budget by 10 billion EUR, thereby increasing the total CAP budget from 324 billion EUR to 334 billion EUR (2018 prices). The subsequent draft prepared by European Council President Charles Michel for the special European Council meeting in February 2020 stuck closely to this Finnish draft. It slightly increased the overall MFF budget but cut the overall resources for the CAP as compared to the Finnish proposal to 329 billion EUR. Despite intensive discussions, EU leaders were unable to overcome their differences and the European Council meeting broke up without an MFF agreement.⁴²

By 13 March 2020 the World Health Organization had declared that Europe was the epicentre of the pandemic and by 18 March 2020 more than 250 million Europeans were in lockdown. The Commission reacted swiftly to support the agri-food sector with a view to minimise food supply chain disruptions, support agricultural markets and to relax the rules on providing national state aid to the farm and food sector.⁴³ The COVID-19 outbreak and in particular the massive socio-economic impact of the measures introduced to contain it greatly complicated the MFF negotiations. The European Council at its meeting on 29 April 2020 called on the Commission to come forward with a proposal for a recovery fund of sufficient magnitude, targeted towards the sectors and geographical parts of Europe most affected, while acknowledging that the MFF proposal would need to be adjusted to deal with the actual crisis

³⁹ European Commission (2020d).

⁴⁰ Council of the European Union (2020).

⁴¹ European Parliament (2021d).

⁴² European Parliament (2020a).

⁴³ European Parliament (2021c).

and its aftermath.⁴⁴ The Parliament set out its expectations for the recovery plan and the needed MFF adjustments in its resolution on 15 May 2020.⁴⁵

On 27 May 2020, the Commission presented its recovery and resilience package, which included an amended proposal for the 2021-2027 MFF, an amended proposal for a decision on the system of Own Resources and a proposal for a regulation establishing a EU recovery instrument (Next Generation EU, NGEU) for the years 2021-2024 to support the recovery in the aftermath of the COVID-19 pandemic.⁴⁶ The new MFF proposal maintained the overall level of the MFF budget at close to the level proposed in February 2020 but increased the CAP budget from 329 billion EUR to 348 billion EUR. This included a special allocation from the new European Recovery Initiative (ERI) of 15 billion EUR to CAP EAFRD Pillar II spending to be committed in the years 2022-2024. The European Council finally agreed its MFF conclusions on 21 July 2020, which slightly raised the ceiling for EAFRD funding but reduced the ERI contribution to the CAP to 7.5 billion EUR, resulting in an overall CAP budget of 344 billion EUR (2018 prices)⁴⁷ or 387 billion EUR in current prices.⁴⁸ The Council then entered negotiations to obtain the consent of the Parliament. The political agreement on the MFF reached on 10 November 2020 included several improvements from the Parliament's perspective⁴⁹ but did not change the budget allocation to the CAP.⁵⁰ Parliament formally gave its consent to the MFF on 16 December 2020.⁵¹

In the meantime, the legislative procedure to agree the Transition Regulation proposed by the Commission in October 2019 was underway.⁵² The Council agreed its mandate for negotiations with the Parliament on 6 April 2020, while Parliament approved its position on 15 May 2020. The co-legislators reached a partial provisional agreement on 26 June 2020, including the important decision to have a two-year duration of the transitional period. However, all provisions with budgetary implications were set aside until further progress was made on the MFF. Agreement on the outstanding issues (i.e. financial figures and administrative deadlines) was reached in subsequent trilogue meetings in late 2020 following the conclusion of the MFF negotiations.⁵³ Specifically, it was decided to merge provisions on the management of the NGEU/ERI-funds into the Transitional Regulation, including front-loading the ERI funds to 2021 and 2022. The Parliament advocated that at least 37% of the ERI funding should be used to support environment and climate-related actions and a minimum 55% should help young farmers and build a resilient, sustainable, digital recovery. The share of recovery funding that EU countries will spend on environmentally beneficial practices should also not be lower than the percentage of the EU rural development envelope they previously spent to this end.⁵⁴ The Parliament adopted the final text on 15 December and the Council on 23 December 2020. The front-loading of the ERI funding means that the programming of this additional expenditure has put additional pressure on national administrations to allocate this funding effectively.

In addition to the overall budget allocation to the CAP, the European Council conclusions of 21 July 2020 on the MFF,⁵⁵ are significant because they refer to specific issues included in the CAP legislative files. In the 2013 CAP reform many detailed provisions that formed part of the CAP legislation were

⁴⁴ European Council (2020a).

⁴⁵ European Parliament (2020b).

⁴⁶ European Commission (2020e).

⁴⁷ European Council, *Conclusions*, 17-21 July 2020.

⁴⁸ European Parliament, Factsheet (2021e).

⁴⁹ European Parliament press release (2020g).

⁵⁰ European Parliament, Briefing (2020i).

⁵¹ European Parliament, (2020h).

⁵² Regulation (EU) 2020/2220.

⁵³ European Parliament, Briefing (2021a).

⁵⁴ European Parliament press release (2020g).

⁵⁵ European Council (2020b).

included in successive ‘negotiating boxes’ and eventually formed part of the European Council conclusions on the MFF 2014-2020. The Council Presidency in negotiating with the Parliament’s rapporteurs in the subsequent trilogues took the view that these elements were non-negotiable, a position that the Parliament rejected as it pre-empted its prerogatives under co-decision and in particular its right to amend on an equal footing with the Council.⁵⁶

The initial ‘negotiating box’ for the 2021-2027 MFF proposed by the Finnish Presidency also included provisions that were ultimately incorporated in the CAP sector-specific legislation but covering a narrower range of topics compared to the 2013 CAP reform. They included the formula for external convergence, whereby the unit value of payments per hectare is equalised across Member States; the mechanism whereby payments to any individual beneficiary of direct payments can be capped; the method of financing the agricultural reserve; the flexibility available to Member States to transfer resources from the EAGF to the EAFRD and vice versa; the pre-financing and co-financing rates for rural development measures financed by the EAFRD; and de-commitment rules.

The European Parliament attached a statement to the SP Regulation in the CAP political agreement as regards legislative aspects of the CAP in which it deplored that the European Council included decisions in its MFF conclusions that should have been decided under the co-decision procedure.⁵⁷ It highlighted in particular the decisions in the European Council conclusions on capping and degressivity as well as on the flexibility between direct payments’ allocations and EAFRD allocations. This meant that the Council was unwilling to enter into meaningful negotiations with the European Parliament concerning those elements as they were deemed to have been already decided by the European Council. The Parliament considered those unilateral pre-emptive decisions to be unacceptable, as they impinged on the rights of the European Parliament as a co-legislator acting on an equal footing with the Council. It insisted that this should not be repeated in any future negotiations in the context of the ordinary legislative procedure.

2.6. The CAP reform negotiations: the final stages

With the CAP budget known and the timing of the reform settled, the two institutions were now able to finalise their first reading positions in October 2020. The Council adopted its general approach on 21 October 2020.⁵⁸ The Parliament’s plenary adopted its negotiating position on 23 October 2020.⁵⁹ Negotiations between Parliament and Council commenced for all three CAP files on 10 November 2020.

The negotiating positions of the two co-legislators were met with dismay by environmental NGOs who argued that they were insufficient to ensure that the CAP would play its role in helping to achieve the targets of the European Green Deal. These groups argued that the Green Deal targets could not be met by negotiating on the basis of the previous Commission’s CAP proposal and called on the Commission to withdraw its CAP proposal and to propose a new one that was more in line with the Green Deal.⁶⁰ Frans Timmermans, Executive Vice-President of the Commission, hinted that the Commission would be prepared to withdraw its proposal if the final agreement was not in line with the objectives of the

⁵⁶ European Parliament (2014b).

⁵⁷ European Parliament, Council, European Commission (2021g).

⁵⁸ The Council’s general approach for the Strategic Plans Regulation was set out in Council document 12148/20, 21 October 2020, for the Horizontal Regulation in Council document 12151/20, 21 October 2020 and for the Amending Regulation in Council document 2158/20.

⁵⁹ The European Parliament’s mandate for the Strategic Plans Regulation was adopted as document P9_TA-PROV(2020)0287 on 23 October 2020; for the Horizontal Regulation as document P9_TA-PROV(2020)0288 on 23 October 2020; and for the Amending Regulation in document P9_TA-PROV(2020)0289 on 23 October 2020.

⁶⁰ <https://withdrawthecap.org/>.

Green Deal.⁶¹ Subsequently, Commission President von der Leyen clarified that, although the withdrawal of a proposal is always a legal and institutional possibility, the Commission was not considering it.⁶² The active involvement of Executive Vice-President Timmermans in the subsequent trilogues, with his overall responsibility for the implementation of the Green Deal in the Commission, created some tensions particularly with the Council. At one stage, the German Minister for Agriculture Julia Klöckner accused the Commission of abandoning its role as an honest broker and acting as a mediator by insisting on introducing its own agenda points in the discussions.⁶³ The active involvement of Executive Vice-President Timmermans ensured that perspectives that would not normally be voiced in agricultural trilogues were given a hearing.

In late June 2021, negotiators reached an agreement on the three proposals of the CAP reform package. The EU agriculture ministers endorsed this agreement on 28 June 2021 and the AGRI Committee on 9 September 2021. Parliament approved the three proposals of the CAP reform package during its November II plenary session and the Council's formal adoption took place on 2 December 2021. The three Regulations were published in the Official Journal on 6 December 2021.⁶⁴

2.7. The CAP reform: Implementation

Following the publication of the basic legislative texts in the Official Journal in December 2021, further steps were needed to ensure that the CAP Strategic Plans could enter into force on 1 January 2023. Several delegated and implementing acts were needed to operationalise some of the provisions in the basic acts. Here the Commission is advised by several comitology committees made up of Member State experts, including the Expert Group for Horizontal Questions concerning the CAP,⁶⁵ the Expert Group for Monitoring and Evaluating the CAP,⁶⁶ and the Expert Group on the Implementation of the CAP Strategic Plans Regulation.⁶⁷ Even in the absence of detailed legislation, Member States were busy preparing their draft Strategic Plans, which were to be submitted to the Commission for observations and approval by 31 December 2021.⁶⁸ The Commission has six months to assess and approve the plans, of which the first three months are reserved for the preparation of observation letters.⁶⁹ On 31 March 2022, the Commission sent observation letters relating to the first 19 proposed CAP Strategic Plans.⁷⁰

At the end of 2023, the European Commission will submit a report to assess the joint effort of all CAP Strategic Plans, with a particular focus on the collective ambition to achieve Green Deal targets. As of 2024, each Member State will present an annual performance report and hold an annual review meeting with the Commission. In 2025, the Commission will undertake a first performance review of each CAP strategic plan and request – if necessary – specific follow-up actions to EU countries. An interim evaluation will assess the performance of the new CAP in 2026.

⁶¹ Fortuna, G (2020a).

⁶² Fortuna, G (2020b).

⁶³ Wax, E (2021); Dahm, J (2021).

⁶⁴ Regulation (EU) 2021/2115; Regulation (EU) 2021/2116; Regulation (EU) 2021/2117.

⁶⁵ <https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&groupId=2734&fromMeetings=true&meetingId=33254>.

⁶⁶ <https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&groupId=2789&fromMeetings=true&meetingId=30314>.

⁶⁷ <https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&groupId=3806>.

⁶⁸ All Strategic Plans were submitted by March 2022.

⁶⁹ The approval process is described on the Commission's CAP Strategic Plans web page.

⁷⁰ https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-strategic-plans_en#observation-letters-on-cap-strategic-plans.

2.8. Conclusions

The institutional context for this CAP reform had some similarities but many differences with the 2013 CAP reform, which was the first for which the Parliament had powers of co-decision. The key similarity is that both reforms were initiated in the context of a review of legislative priorities and resources triggered by the need to agree a new MFF for the next programming period. In both cases, negotiations on the CAP legislative files effectively stalled until the CAP budget allocation in the MFF had been agreed. Delays in reaching agreement on the MFF inevitably had a knock-on effect on concluding the negotiations on the CAP, creating uncertainty for farmers and shortening timelines for national administrations faced with the need to adjust their legislation and systems to take account of the updated legislation. Whereas this required a one-year delay in the new CAP legislation coming into force following the 2013 CAP reform, a two-year transition was required on this occasion.

At the time of the last reform, the Parliament highlighted its dissatisfaction that the European Council in its MFF conclusions had determined certain parameters of the CAP reform that the Parliament argued should be decided as part of the ordinary legislative procedure. However, the Council argued that it was not able to negotiate on those aspects because of the prior decisions of the European Council. In this CAP reform, the European Council's MFF conclusions, while overall giving fewer directions on CAP reform parameters, covered capping and degressivity as well as the flexibility given to Member States to move resources between the two CAP Pillars. The Parliament was thus unable to enter into meaningful negotiations on these issues with the Council and considered the outcome of the negotiations on those provisions to be unsatisfactory.⁷¹

However, in many other respects the institutional context for this reform was very different, also including the MFF negotiations. This CAP reform was negotiated in the wake of the UK's Brexit decision. As the second largest net contributor to the EU budget, the UK's exit made the MFF negotiations even more difficult than usual, and a significant cut to the CAP budget was on the cards.⁷² In the event, nominal spending on the CAP 2021-2027 increased slightly (though real spending is lower) due to the additional resources made available to the EAFRD as part of the Next Generation EU package. Parliament together with the Council succeeded in front-loading this additional spending to the years 2021 and 2022.

The other major institutional factor that influenced this CAP reform was the fact that elections to the European Parliament took place in the middle of the negotiations in May 2019. Not only did this change the composition of the political groups in the Parliament, it also implied a new European Commission and Commission President. Thus, the CAP reform was initiated by one Commission but completed by another. President von der Leyen as part of her political platform when seeking the approval of the European Parliament had called for a European Green Deal in which agriculture and food will play a central role in achieving ambitious targets. The Commission's Communications setting out its Farm to Fork and Biodiversity ambitions set much higher targets for environmental and climate ambition than had previously been discussed in the context of the CAP. One of the substantive issues in this reform has been whether the CAP reform proposal made by the previous Commission and prior to the endorsement of the European Green Deal could be refitted and retooled to support the Green Deal ambitions, and how best to reflect these ambitions in the CAP legislative texts. The influence of these institutional factors on the inter-institutional dynamics between the EU institutions and the outcome of the negotiations is assessed and evaluated in later chapters of this report.

⁷¹ European Parliament, Press Release (2020g).

⁷² CoR, Opinion (2018) and Hogan, P, *CAP Budget 2021-2027: A Fair Deal & Strong Support for Our Farmers*, May 2, 2018.

3. OVERVIEW OF THE INITIAL CAP REFORM PACKAGE

KEY FINDINGS

- Changes in the external environment as well as dissatisfaction with the growing complexity of the CAP and its failure to address challenges related to the economic sustainability of the farm sector, the protection of the environment, climate change, and the socio-economic position of the EU's rural areas were important drivers of the Commission's legislative package.
- The package was built around four features: a new way of working; a fairer CAP through the better targeting of support; higher ambitions on environmental and climate action; and greater use of knowledge and innovation.
- The centrepiece of the Commission's proposals set out in the Strategic Plans Regulation was a new delivery model, a new governance model for the CAP intended to shift the focus of implementation and controls from compliance with detailed rules set out in the CAP Regulations to performance against specific objectives.
- Changes to the Horizontal Regulation were intended to adapt financial procedures to the new delivery model, and to simplify the financial governance of the CAP in order to reduce the administrative burden on both Member States and beneficiaries.
- Changes proposed in the Amending Regulation focused on particular issues such as updating wine rules and simplifying procedures for Geographical Indications.

3.1. Context

The previous CAP reform was decided in 2013 and implemented in 2015, so the Commission's adoption of an initiative for a further reform of the CAP in its 2017 Annual Work Programme came relatively quickly after the last reform. This speed is emphasised by considering that the CAP had undergone a series of rolling reforms since 2015, including the milk package in November 2016, the Omnibus Regulation package in 2017 and the unfair trading practices in the food chain legislation that was presented by the Commission in April 2018.⁷³ Despite these updates, the Commission was of the view that circumstances had sufficiently changed to warrant yet another review of the CAP Regulations.

The public consultation undertaken in 2017 reflected widespread dissatisfaction with the existing CAP and supported the Commission's analysis. It highlighted a fair standard of living for farmers, the pressures on the environment, and climate change (both mitigation and adaptation) as the three most pressing challenges that EU agriculture and rural areas have to face. Participants in the public consultation considered that the current CAP successfully addressed these challenges to some extent only (57%). This view was shared among different types of respondents (farmers, other citizens and organisations). All types of respondents (farmers, other citizens and organisations) also offered a negative reply when assessing to what extent the current CAP addressed the environmental challenges (63%). Respondents to the public consultation agreed with the need to provide income support for farmers (66%) as well as with the need to improve farmers' position in value chains (96%), the need to

⁷³ European Parliament, Annex to Briefing (2018e).

support targeted investments (81%) and the need to deliver more benefits for environment and climate (77%).⁷⁴

The Commission highlighted that the context in which the 2013 CAP reform was undertaken had shifted significantly. There had been considerable volatility in agricultural markets, exacerbated by trade and geopolitical tensions, which had depressed agricultural prices. The EU had signed up to new international commitments to address climate change mitigation (through the Paris Agreement at COP 21 in 2015) and broad aspects of international development (through the UN's Sustainable Development Goals, also agreed in 2015). There was growing scientific evidence of the severe damages caused by ongoing and projected climate change, the challenges in keeping global temperatures within the limits set out in the Paris Agreement, as well as on the extent of global biodiversity loss and the erosion of natural capital. According to the Commission, all these factors “prompted a public debate about whether the 2013 reform went far enough to help the CAP meet broad ongoing challenges related to the economic sustainability of the farm sector, the protection of the environment, climate change, and a strong and economic and social fabric for the EU's rural areas”.⁷⁵ This led inevitably to the conclusion that “The CAP must be modernised to meet these challenges, simplified to do so with a minimum of administrative burden, and made even more coherent with other EU policies to maximise its contribution to the ten Commission Priorities and the Sustainable Development Objectives”.⁷⁶

The Commission's legislative package was built around four features:

- a new way of working;
- a fairer CAP through better targeting of support;
- higher ambitions on environmental and climate action;
- and greater use of knowledge and innovation.⁷⁷

The new way of working was set out in a new delivery model that aimed to simplify CAP governance with more subsidiarity to rebalance responsibilities between the EU and its Member States, and to shift the policy focus from compliance to performance. The fairer targeting of support would be achieved by focusing more strongly on supporting small and medium-sized family farms as well as by increasing financial support to encourage more young farmers to enter the industry. Greater environmental and climate ambition should be achieved by strengthening the mandatory requirements for farmers in receipt of direct payments, while allocating a higher proportion of the CAP budget to voluntary schemes that reward farmers for going beyond these minimum standards. Member States would be encouraged to make better use of emerging knowledge and innovation for a smart, resilient and sustainable agricultural sector.

These features were reflected in the Commission's legislative package for the revised CAP. This chapter provides an overview of the main singularities of the post-2020 CAP reform package in comparison to the previous CAP legislation as background for the more detailed analysis of the inter-institutional negotiations on the Commission's proposals in subsequent Chapters.

⁷⁴ Ecorys (2017).

⁷⁵ European Commission (2018c).

⁷⁶ *Ibid.*

⁷⁷ European Commission (2018f).

3.2. Draft Strategic Plans Regulation

The proposed Regulation set out three general and nine specific objectives for the CAP covering economic goals (ensuring a fair income to farmers; increasing competitiveness; improving farmers' position in the value chain); environmental and climate goals (climate change action; environmental care; preservation of landscapes and biodiversity), and social goals (generational renewal; rural development; public health and animal welfare). Member States should formulate Strategic Plans in order to attain these objectives based on a needs assessment drawing on the portfolio of interventions set out in the Regulation (Table 1). These CAP Strategic Plans should cover both Pillars of the CAP to allow for a more integrated approach in policy design. They would be assessed for their ambition and consistency with the EU objectives before being approved by the Commission.⁷⁸

Table 1. Interventions provided in the proposed Strategic Plans Regulation

Pillar I	Pillar II
Basic income support for sustainability	Payments for environment, climate and other management commitments
Complementary redistributive income support for sustainability	Payments for natural constraints or other region-specific constraints
Complementary income support for young farmers	Investments
Coupled income support	Risk management tools
Sectoral interventions	Cooperation
Eco-schemes	Knowledge exchange and information

Source: Adapted from Barreiro-Hurle et al., 2021

Member States should establish quantitative targets and milestones in their Strategic Plans based on a series of common result indicators included in the Regulation. A performance and evaluation framework should be established based on these indicators allowing for an assessment based on the performance of the policy rather than on compliance with prescriptive rules.

Existing CAP interventions to improve environmental and climate outcomes would be modified to assure greater environmental and climate ambition. Enhanced conditionality was proposed to replace the existing cross-compliance standards and greening requirements. This would enlarge the list of Statutory Management Requirements (SMRs) and add new standards for Good Agricultural and Environmental Conditions (GAECs) to cover notably the protection of peatlands and wetlands and the use of a Farm Sustainability Tool for nutrients. Member States would be required to allocate a proportion of their Pillar I funds to eco-schemes, an area-related instrument to remunerate higher environmental ambition levels, which would however remain voluntary for farmers. The requirement to ring-fence a proportion of Pillar II funds for the environment and climate would be made more stringent.

Better targeting of aid towards small and medium-sized farms should be achieved by compulsory capping of individual payments above a certain level (the proposal specified 100 000 EUR, with degressivity from 60 000 EUR upwards) and a mandatory requirement for Member States to introduce a redistributive payment. Support for young farmers would be ring-fenced and all supports would be limited to genuine farmers.

⁷⁸ For a full review of the legislative process around the Strategic Plans Regulation, see European Parliament (2021h).

Innovation should be encouraged by requiring Member States to include a section in their Strategic Plans on how to stimulate knowledge exchange and innovation (such as advisory services, training, research, rural networks, pilot projects, EIP-AGRI⁷⁹ operational groups) and how to fund them. Member States would also be encouraged to use big data and new technologies for controls and monitoring.

3.3. Draft Financing, Management and Monitoring (Horizontal) Regulation

The Horizontal Regulation provides rules for the financing of CAP expenditure and for the relevant management and control systems. The proposed Horizontal Regulation maintained the current structure of the CAP in two pillars with annual measures of general application in Pillar I complemented by measures reflecting national and regional specificities under a multiannual programming approach in Pillar II. It continued to have provisions on general principles for checks and penalties, checks for conditionality and the Integrated Administration and Control System (IACS) but introduced a number of changes as compared to the existing Regulation (EU) 1306/2013 especially regarding clearance processes and conformity procedure. These had two principal objectives: to adapt financial procedures to the new delivery model, and to simplify the financial governance of the CAP to reduce the administrative burden on both Member States and beneficiaries.

The adaptation of procedures to the new delivery model involved a shift from assurance on legality and regularity of payments to individual beneficiaries to assurance on performance and the respect of EU basic requirements, like the IACS and the governance bodies, by the Member States. Further simplification was to be achieved by giving greater flexibility and subsidiarity to Member States. In future, for example, they should be responsible for designing the inspection and penalty system as well as deciding penalties for non-compliance. Emphasis was also placed on making greater use of modern technology including satellite imagery or geo-tagged photos to reduce compliance and administrative costs for beneficiaries and Member States. In addition, several house-keeping changes were proposed as various provisions in the existing Regulation were moved to the other CAP Regulations (for example, provisions on the farm advisory system, the scope of cross-compliance, the monitoring and evaluation of the CAP as well as Annexes in the current Horizontal Regulation were moved to the Strategic Plans Regulation, while checks related to markets policy were transferred to the Amending Regulation).^{80 81}

Table 2. Overview of principal changes in the proposed Horizontal Regulation

Changes in the roles and functions of governance bodies
Financial discipline and agricultural reserve provisions moved from other Regulations
Procedures for clearance of accounts changed from a compliance to a performance-based approach
Greater flexibility given to Member States to design control systems and penalties
Changes to crisis management arrangements

Source: Metis

The Commission proposal provided that the governance structure for the CAP at Member State level would be maintained, namely the competent authority, paying agency, coordinating body and certification body. It foresaw reducing the number of paying agencies, respecting the constitutional

⁷⁹ The European Innovation Partnership for Agriculture Productivity and Sustainability

⁸⁰ European Parliament, Annex to Briefing (2018e).

⁸¹ For a full review of the legislative process for the Horizontal Regulation, see European Parliament (2021b).

provisions of Member States, and reinforcing the roles of the coordinating body and certification body in line with the new delivery model.

The financial discipline mechanism was moved from the Direct Payments Regulation and the crisis reserve (now called the agricultural reserve) was moved from the CMO Regulation. The financial discipline mechanism was maintained while it was proposed to make the agricultural reserve more effective by introducing pluriannuality and allowing the carry-over of unused appropriations to later years.

To ensure that Union funds are soundly managed, the Commission is able to perform checks on how Member States' authorities responsible for making payments manage the funds. An annual performance report (covering both financial and performance aspects) should focus on outputs and results instead of compliance with detailed EU rules. Member States would risk suspension of payments if the outputs they report are at an abnormally low level compared with the expenditure reported. Moreover, in cases of delayed or insufficient progress towards targets set out in a Member State's Strategic Plan, the Commission could ask Member State to put in place an action plan with remedial actions in consultation with the Commission. The conformity procedure would only apply in cases of serious deficiencies in the functioning of Member States' governance systems. The concept of the single audit approach is strengthened, in line with the Financial Regulation, and the number of Commission audits is reduced as the Commission would no longer conduct checks on the final beneficiary.

The proposed Horizontal Regulation also set out general rules on controls and penalties at Union level to ensure a level playing field between beneficiaries in different Member States. This applied particularly to penalties arising from non-compliance with the conditionality system. It also proposed to upgrade the IACS to a more modern system, including geo-spatial and animal-based application data and area monitoring data.

3.4. Draft Amending Regulation

The Amending Regulation amends five existing Regulations covering three different elements of the CAP:

- the common market organisation;
- quality schemes and geographical indications; and
- specific measures for the outermost regions and smaller Aegean Islands.

Despite the volatility on agricultural markets in recent years, the Commission took the view that the CMO was mostly fit for purpose. It therefore proposed to maintain the architecture and main features of the existing Regulation (EU) 1308/2013. Some changes were proposed to the rules governing the wine sector to help it to adjust to new economic, environmental and climatic challenges, as well as to delete obsolete provisions related to the sugar sector and export refunds. Sectoral interventions which were previously covered in the CMO Regulation were moved to the Strategic Plans Regulation to ensure better coherence of CAP interventions, while provisions on the agricultural crisis reserve were moved to the Horizontal Regulation. Regarding Geographical Indications (GIs), the Commission proposed to simplify the GI system allowing faster registration and more efficient approval of amendments to product specifications. The amendments to the Regulations dealing with support to

the outermost regions and smaller Aegean Islands were purely budgetary in nature, reducing the funding available for this support.⁸²

Table 3: Overview of principal changes in the proposed Amending Regulation

Specific provisions on the wine sector
Transfer of sectoral interventions to the Strategic Plans Regulation
Deletion of obsolete provisions (e.g. sugar, export refunds)
Simplification and consolidation of rules for Geographical Indications
Budgetary allocation for specific measures for the outermost regions and smaller Aegean Island

Source: Metis

3.5. Conclusions

The overview of the initial reform package describes the ‘playing field’ on which the inter-institutional negotiations between the Council, Parliament and Commission took place. It identifies some of the main changes proposed by the Commission in its initial proposals. As outlined in the previous chapter and in later chapters, other issues were later added to the negotiating agenda particularly around the Commission’s desire to see its Green Deal proposals reflected in the negotiated outcome as well as arising from demands made by the Parliament in its amendments.

Since the scope of the CAP legislation is very broad, the following chapters follow the inter-institutional negotiations on what emerged, from the study interviews, as the key elements in the CAP package, in line with the principles of ‘selectivity and coherence’ outlined in the methodology section in Chapter 1. This means that several issues, despite their importance to the future CAP, are not addressed. Notably, the rural development interventions (largely a continuation of existing measures though with a greatly simplified legislative basis) as well as the push for greater use of knowledge and innovation, are given little attention. This is not because they are not important elements in the final legislative outcome, but because they were not particularly contentious or contested between the institutions.

The focus in the following four chapters is on the differing positions of the main institutions and the outcomes of the negotiations around four specific themes: the new delivery model, a fairer and more targeted CAP, the future green architecture, and market management issues. Overall, the three CAP Regulations form an integrated body of legislation, as witnessed in the number of shifts of provisions between regulations since the previous period. Therefore, the individual chapters cover selectively the relevant parts of the regulations.

⁸² For a full review of the legislative process for the Amending Regulation, see European Parliament (2021f).

4. GOVERNANCE AND THE QUEST FOR A MORE FLEXIBLE AND SIMPLIFIED CAP

KEY FINDINGS

- The Parliament and the Council did not question the general concept of the new delivery model. However, for the Parliament, it was of central importance in the negotiation process to prevent a renationalisation of the CAP and ensure a level playing field.
- The Parliament aimed to describe and regulate many elements in the Strategic Plans and Horizontal Regulations in more detail, e.g. by including maximum support rates or listing suitable eco-schemes.
- On finance, the Parliament wanted to steer the transfer between the Pillars more substantially towards environmental goals but this attempt was not successful.
- To emphasise the approach of a 'Common' Agricultural Policy, the Parliament sought successfully to increase the contribution rates as compared to the Commission's proposal. Also important was the proposition introducing the transitional region category as advocated by the Parliament.
- The Parliament pushed for adequate consideration of the regions to anchor regional content and governance structures in CAP Strategic Plans. The proposal concerning the governance structures part was accepted, but the broader integration of regional programme components into a national strategic plan was not taken up.
- The Parliament successfully pushed through its amendments concerning the protection of the Union's interests. Among other stipulations, the Member States' management and control system must also include compliance with the eligibility criteria, and the legality and regularity must be checked at the beneficiary's premises.
- Simplification issues were mostly discussed concerning beneficiaries rather than implementing administrations. Although Parliament made various proposals, simplification is hardly mentioned in the programming document and subsequent reporting.

4.1. Context

Already in the Communication *The Future of Food and Farming*,⁸³ the Commission drafted the outlines of the new delivery model and a simplified Common Agricultural Policy (see Chapter 2). The starting point was the finding that the implementation model of the existing CAP (2014-2022) was based on very detailed content-related and procedural regulations, from the administrative and control rules, right down to the level of the final beneficiaries. The Commission and policymakers and researchers questioned whether a one-size-fits-all approach was suitable for the CAP's objectives given the diversity in agricultural structures, natural production factors, environment, and rural areas.

On the one hand, the new delivery model focuses on policy design and, on the other hand, on implementation. It reorganises the responsibilities of the two executive levels, the EU (Commission) and the Member States.

⁸³ European Commission (2017b).

Key points, as described in the Communication,⁸⁴ are as follows:

- The Union sets basic policy parameters;
- The Member States should bear greater responsibility and be more accountable as to how they meet the objectives and achieve agreed targets (boost subsidiarity);
- Establishment of CAP Strategic Plans as a critical element to ensure policy coherence across the CAP and with other policies, i.e. environment and climate objectives;
- A more result-driven future delivery system with realistic and adequate targets;
- More room for manoeuvre for Member States in designing the compliance and control framework.

These elements should contribute to simplification at EU, Member State and final beneficiary levels. For the last one, this would be achieved mainly through simplified cost options in investment support or the use of modern techniques (e.g. remote sensing) for IACS measures.

The impact assessment for the three draft regulations described the new delivery model in detail. It also pointed out the opportunities and possible risks.⁸⁵ The opportunities were seen primarily in the fact that joint programming for the two CAP Pillars offered the potential for improved effectiveness and efficiency: "The unified strategic policy design, with a single set of objectives covering both pillars, will force the Member States to carry out the assessment of the needs and the design of the intervention logic in a holistic way, thus avoiding the inconsistencies and overlaps of the current policy which leads to inefficient use of funds." The other opportunity was seen to be the significant reduction in administrative burden. Initiatives to reduce the administrative burden existed before,⁸⁶ but progress was marginal.

Risks were considered particularly in two respects. First, Member States must carry out a sound analysis for the first time for the first Pillar of the CAP to develop their intervention strategy. To accomplish this, the Member States need appropriate capacities. "Thus, the novelty of the plan can lead to delays in their finalisation and approval, which would result in delays in payments to beneficiaries ...".⁸⁷ Second, Member States would implement their management and control systems differently. "This includes a risk with respect to the level playing field, in both directions: some Member States might have lower eligibility requirements, others might add layers. Although the lower EU requirements reduces incentives for gold-plating, a risk remains that varying national requirements are put in place, leading to unnecessary administrative burden for administrations, for checking these requirements, and beneficiaries, for complying with the requirements".⁸⁸

Figure 2 shows the essential components of the new delivery model for the two executive levels (EU / Commission and Member State). The different elements will be taken up in the following sections presenting and discussing the positions of the European Parliament and the course of the inter-institutional negotiations.

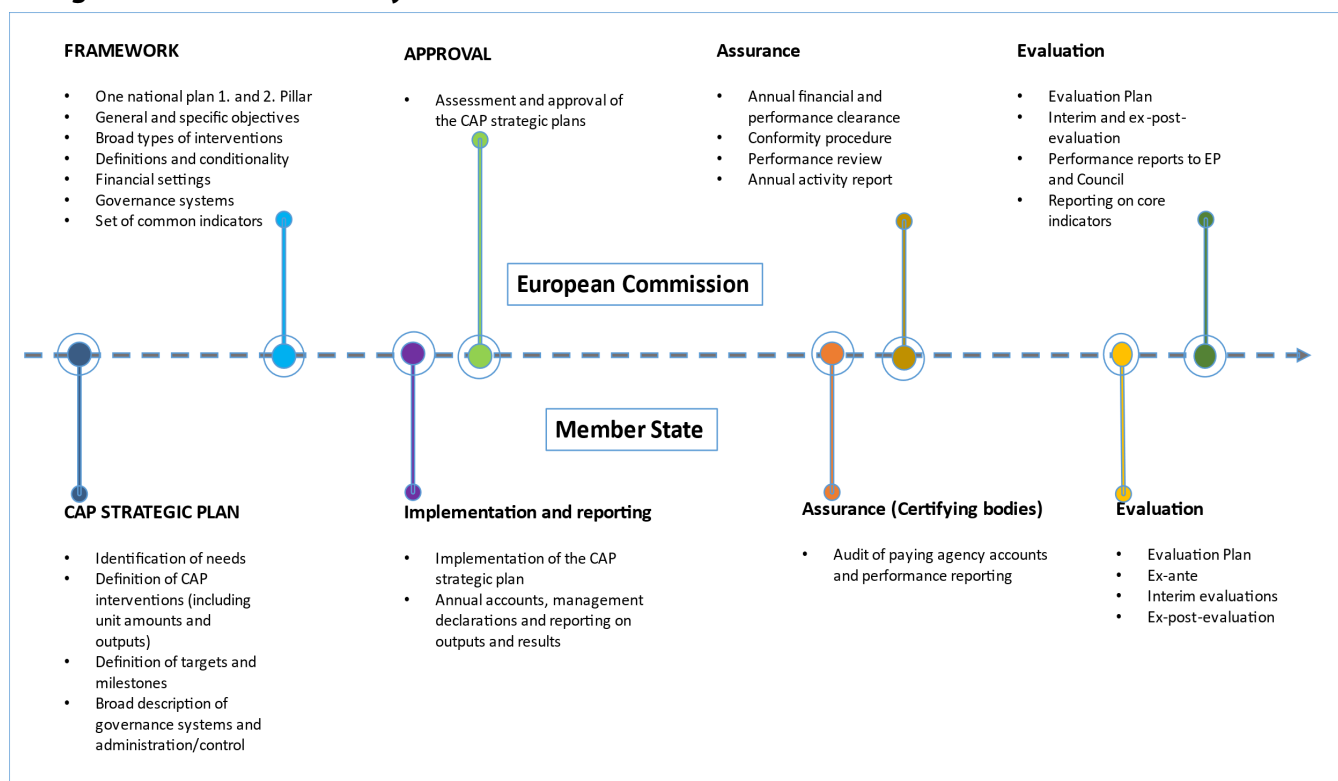
⁸⁴ European Commission (2017b), pp. 9-10.

⁸⁵ European Commission (2018a), final Part 2/3

⁸⁶ See overview in European Commission (2019a).

⁸⁷ European Commission (2018a), p. 69.

⁸⁸ European Commission (2018a), p. 70.

Figure 2: The new delivery model

Source: Based on ECA⁸⁹

As an overarching conceptual approach, the new delivery model permeates both the Strategic Plans and Horizontal Regulations, which are closely interlinked.

Of crucial relevance in the SP Regulation are the definitions and conditions to be provided in the CAP Strategic Plans, the objectives and indicators, the types of interventions, the financial conditions, the elements of the strategic plan and the performance framework. The Horizontal Regulation contains the description of the governance structures and the specifications of the control and sanction system.

4.2. European Parliament's position

The Parliament delivered its opinion⁹⁰ on the Communication *The Future of Food and Farming* in May 2018. The statement underlined Parliament's view that there should be "no renationalisation of the CAP, that the proper functioning of the single market is not impaired and that there is genuine simplification for beneficiaries, not only at EU level but also at Member State, regional, local and farm level, as well as flexibility and legal security for farmers and forest owners, while ensuring ambitious environmental goals and that the targets of the new CAP are fulfilled without adding new constraints on Member States and thus a new layer of complexity which would lead to delays in the implementation of national strategies". The statement shares the Commission's analysis that more flexibility within a common framework could lead to more regionally adapted solutions. This applies both to the content of the CAP and the definition of implementation and control mechanisms. However, it emphasises in many passages "that additional subsidiarity should only be granted on the condition that there is a strong, common set of EU rules, objectives, indicators and checks."

⁸⁹ European Court of Auditors (2018 – modified 2019), pp. 1–55, and p. 6 in modified 2019.

⁹⁰ European Parliament (2018c).

Along the same lines, the EP stated in its draft report of 29 October 2018 regarding the proposal for the CAP SP Regulation⁹¹ published by the European Commission on 1 June 2018 that "... members of the AGRI Committee had expressed concern over implications arising from the proposals' increased subsidiarity and pointed to the need to reword the text to strengthen certain common elements of the CAP".⁹² On 2 April 2019, the AGRI Committee adopted the report with 27 votes in favour, 17 votes against and one abstention.

On 8 April 2019, the AGRI Committee's report regarding the Horizontal Regulation, included the following critical elements related to the new delivery model.⁹³

- Stricter penalties for recurring violations of conditionality rules;
- Member States' performance to become subject to reporting obligations only every two years;
- Early warning mechanisms, minimum control samples, and EU audits to be performed when needed to control implementation;
- A revision of Commission empowerments to rebalance powers between institutions.

Although both reports supported, in principle, the new approach proposed by the Commission in the draft legislation, they sought to restrict the flexibility of the Member States in many places through stricter common rules. This pursuit raised the question of the new delivery model's potential contribution to simplification, at least for the Member States administrations. They would have to cast their arrangements more tightly in a common framework in which they would not be able to adapt their rules to their specific national conditions.

4.3. The Parliament's position in the inter-institutional negotiations

The European Parliament's mandate for the Strategic Plans Regulation was adopted on 23 October 2020.⁹⁴ This section compares the Parliament's position to the final outcome. The discussion on the different building blocks of the new delivery model is conducted under three different headings:

- Greater subsidiarity and flexibility;
- Result orientation;
- Simplification.

4.3.1. Greater subsidiarity and flexibility

At the core of the new performance model is the streamlining of the EU framework which, in future, should only set the essential guardrails but thus also ensure a level playing field for all Member States. In the draft Strategic Plans (SP) and Horizontal Regulations, less detailed specifications were made. This applied to definitions, interventions, governance structures and management and control systems.

The Parliament proposed far-reaching amendments in all these areas, arguing that the CAP should not be renationalised, that a level playing field should be ensured in all Member States, and that the interventions should be steered more towards EU priorities. On the possible renationalisation of the

⁹¹ European Commission (2018c).

⁹² European Parliament (2022b).

⁹³ European Parliament (2022a).

⁹⁴ First reading position of the European Parliament: the EP's mandate for the Strategic Plans Regulation was adopted as document P9_TA-PROV(2020)0287 on 23 October 2020; for the Horizontal Regulation as document P9_TA-PROV(2020)0288 on 23 October 2020; and for the Amending Regulation in document P9_TA-PROV(2020)0289 on 23 October 2020.

CAP, the Parliament stated in its amendments that "The delivery model should not lead to a situation in which there are 27 different national agricultural policies, thus endangering the common spirit of the CAP and creating distortions. It should leave the Member States a certain degree of flexibility within a solid common regulatory framework".⁹⁵ The final text of the SP Regulation took up this point in Recital 27. On the other topics, while some of the Parliament's concrete requests for amendments, especially concerning the more robust design and specifications of possible interventions, were not taken up, while others have been adopted, as indicated by the following examples.

Interventions

- The Parliament successfully tabled a number of amendments which enabled to make the provisions more specific:
 - the list of possible agricultural practices covered by the eco-schemes proposed by the Parliament in its Amendment 1132 were largely included in the final version of article 31 (Art. 28 in the draft SP Regulation);
 - investments in irrigation were introduced as a separate article in the SP Regulation following an amendment of the Parliament.⁹⁶
- Conversely, the Parliament proposed a series of provisions on the scope of interventions which were not adopted:
 - a common list of eco-schemes, as proposed by the Parliament, was not included in the final text;
 - the Parliament wanted a completely new package of interventions for women in rural areas,⁹⁷ which was declined in the talks;
 - this was also the case for the Parliament's demand for thematic sub-programmes for quality schemes for agricultural products and foodstuffs.⁹⁸
- The Parliament sought to include maximum support rates and maximum amounts per hectare or livestock unit in an annex to the SP Regulation, which was not agreed.
- The Parliament proposed prescribing many interventions in more detail to sharpen their substantive focus, often with explicit sectoral targeting. For example, Amendment 785e of the draft SP Regulation stated that the LEADER initiative shall provide for the active and primary involvement of farms and/or forestry holdings. This amendment was withdrawn. Regarding the description of the strategy for the development of digital technologies the EP proposed (Amendment 1058 of the draft SP Regulation) the EP wanted a further description also of the data protection concerns. However, the original requirements for the description were not changed and formulated openly.

In a few cases, the Commission's proposals for the Regulation were more prescriptive than the overall flexible approach:

- For example, the Commission proposed a mandatory requirement for the Member States to offer risk management systems. This suggestion was successfully rejected by the Parliament

⁹⁵ Amendment 16 to the draft SP Regulation (Recital 13b (new)).

⁹⁶ Art. 74 of the SP Regulation (EP Amendment 475).

⁹⁷ Amendment 532 to the draft SP Regulation.

⁹⁸ Amendments 785f and 785g to the draft SP Regulation.

and the Council and the Commission's proposal turned into an optional instrument (Article 76 of the SP Regulation, see also Chapter 7).

- In another case, the Commission proposal conditioned the support for large investment projects on their inclusion in local development strategies (LEADER/Community-led local development, CLLD). The Parliament and the Council succeeded in exempting broadband infrastructure (EP amendment) and flood/coastal protection (Council proposal) from this condition.

Financial settings and audit requirements

Title IV in the SP Regulation deals with the financial provisions concerning the budget allocation to the various policy areas and their reallocation possibilities, as well as contribution rates in the second Pillar. In addition, the Horizontal Regulation includes more specific provisions on financial management.

The reform proposals contained provisions giving the Member States a degree of flexibility in relation to their allocation between direct payments and rural development types of interventions and between the direct payments and certain sectoral types of interventions. The Parliament argued for reduced **transfer possibilities between the two pillars** and wanted to limit the use of these transferred funds for environmental objectives only.⁹⁹ At the insistence of the Council, however, much higher transfer rates were set than in the draft regulation and the Council's amendments, which reflected the European Council's conclusions on the MFF, prevailed (see final Article 103, SP Regulation), without making transfers conditional on environmental spending under Pillar II.

Minimum allocations or fixed amounts have been set for various policy areas. For example, for the eco-schemes, coupled income support, support for young farmers, various sectors, technical assistance and LEADER. The positions of the Parliament, the Commission and the Council clearly differed on some points (see the following chapters). The compromises make, on the whole, planning and implementation much more complex.

The Commission had set the **contribution rates for the second Pillar's interventions** in Article 85 of the draft SP Regulation. As compared to 2014-2022,¹⁰⁰ the co-financing rates decreased,¹⁰¹ as the Commission envisaged greater financial involvement by the Member States. The Commission had specified in the proposal four area categories with different contribution rates: outermost regions and in smaller Aegean islands (70%), less developed regions (70%), payments in areas with natural constraints (65%), other regions (43%). Here, the Parliament partially succeeded to amend the Commission's proposal:

- as requested by the Parliament's Amendments 536-540 and by the Council, the final contribution rates were increased (except for the other regions, kept at 43%), albeit in a lesser proportion than what the Parliament had asked for;¹⁰²
- as proposed by the Parliament, a specific rate for regions in transition was introduced (with a contribution rate of 60 %, while the Parliament had proposed 65%).

This was not the case for the exemptions to the contribution rates for investments proposed by the Commission (for environmental, climate-related and other management commitments, area-specific disadvantages resulting from specific mandatory requirements, non-productive investments, EIP-AGRI

⁹⁹ Amendment 1136 to Art. 90 of the draft SP Regulation.

¹⁰⁰ Article 59§3 of Regulation (EU) 1305/2013.

¹⁰¹ Fährmann et al. (2018b), table 1.

¹⁰² Article 91 of the SP Regulation: 85 % for less developed regions, 80% for outermost and small Aegean islands, 65% for regions with natural or other area-specific constraints vs 85%, 85% and 75%, respectively, in the Parliament's amendments.

and LEADER), for which the increased rate proposed by the Parliament (90% vs 80% in the Commission's proposal) and the limitation of non-productive investments to initial afforestation and environmental objectives, were not adopted.

Concerning the **financial management** and assurance of the CAP, the Commission planned a less prescriptive approach than in previous programming periods, with fewer detailed requirements at the EU level in terms of controls, penalties and audit arrangements. While the Parliament had, in principle, recognised the need to reduce the complexity of the existing management and control system, during the negotiation, it argued for the retention of uniform rules. "The new focus of the CAP on a result-oriented performance model should not remove the obligations of the Member States to check the legality and regularity of expenditure in order to ensure the protection of the **financial interests of the Union**".¹⁰³ The Parliament "considers it necessary to set the general common objectives, basic standards, measures and financial allocations following the co-decision procedure. As for the controls, it stresses the importance of basic uniform criteria in the new performance-based evaluation approach and of the Commission's financial and performance control and audits, in guaranteeing that functions are performed to the same high standards and in accordance with the same criteria across the EU".¹⁰⁴

The Parliament managed to extend Article 57 of the draft Horizontal Regulation (now Article 59) which sets the framework for protecting the Union's financial interests. The adoption of the amendment tabled by the Parliament will make sure that the Member States' management and control system to be set up shall also cover the assurance of compliance with the eligibility criteria. At the same time, the regularity and legality controls concerning the incurred expenditure shall also apply to the beneficiaries.

Parliament also made sure that those who repeatedly fail to comply with EU requirements (e.g. on the environment and animal welfare), will face **increased sanctions**. Following amendments proposed by the Parliament,¹⁰⁵ this should cost farmers 10% of their entitlements or 15 % in case of intentional non-compliance.

While the Parliament had unsuccessfully proposed a **data mining tool** in the SP Regulation as an Amendment (Nos 1096 and 1126cp7) to Article 15,¹⁰⁶ this proposal, with the support of the Presidency, was adopted in the Horizontal Regulation, which the Parliament considered a success.

Governance structures

The governance structures of the current funding period were largely retained in the draft SP Regulation and Horizontal Regulation (managing authorities and monitoring committees, paying agencies, coordinating and certifying bodies) and were strongly tailored to the national administrative level in the Member States (in line with the objective of the new delivery model, which implies the transfer of significant responsibility over to national authorities). From the Parliament's and the Council's viewpoint, the Commission's draft Regulation had not sufficiently anchored the role of the regions and the Parliament successfully reintroduced regional governance elements in the final texts¹⁰⁷

¹⁰³ Amendment 266 to the draft Horizontal Regulation, European Parliament (2020c).

¹⁰⁴ European Parliament (2021b).

¹⁰⁵ Amendment 229 to the draft Horizontal regulation.

¹⁰⁶ "The Commission shall establish a real-time information and monitoring system through an adaptation and extension of the ARACHNE system or other suitable IT tools. Member States shall be obliged to enter all relevant data (such as the project, payments, legal person, natural person, beneficial owners, etc.) into this system in real-time to receive funds from this Regulation. The Commission shall use this real-time information and monitoring system to allow a precise overview of the distribution and fair allocation of Union funds and to have the possibility to track and aggregate the distributed financial means."

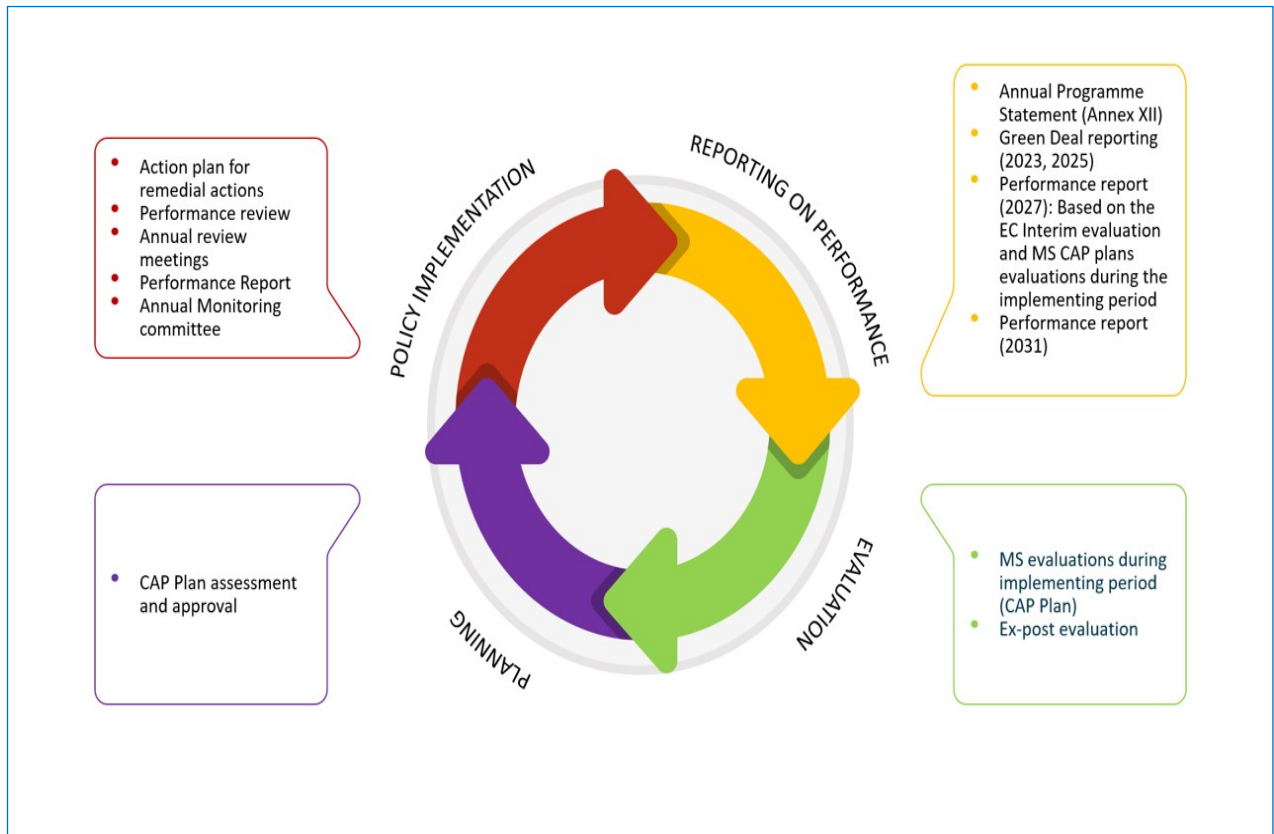
¹⁰⁷ Amendments 631, 637 to the draft SP Regulation.

(regional managing authorities, regional monitoring committees).¹⁰⁸ However, the proposal of the Parliament to have Regional Intervention Programmes¹⁰⁹ and its amendments for an evaluation at regional level were not taken up. This was also the case for the Parliament's proposals to set up a Mediation Body¹¹⁰ between recipients and competent authorities and to establish a body for direct complaints from farmers or SMEs¹¹¹ to the Commission, which were not adopted.

4.3.2. Result orientation

In the SP Regulation, the results-oriented approach includes the objectives of the CAP, the specifications on the contents of the CAP Strategic Plan and the performance framework, including reporting and evaluation.

Figure 3: Main elements of the result-oriented approach



Source: Based on European Commission (2022, unpublished)

Also, it contains the common set of indicators in Annex I of the SP Regulation and the specifications on clearance and control and the sanction specifications of the Horizontal Regulation. In combination with less detailed regulations, the various elements of outcome orientation underline the need for a rigorous evidence-based review of the plans submitted. This includes the thorough examination by the Commission to ensure a certain degree of uniformity across all Member States and that a higher ambition is achieved in the area of environment and climate compared to the current period (2014-2022), notably through a performance reporting based on indicators. For Peter Jahr, the AGRI

¹⁰⁸ Articles 123 and 124 of the SP Regulation.

¹⁰⁹ See in particular Amendments 570 and 605 to the draft SP Regulation.

¹¹⁰ Amendment 636 to the draft SP Regulation.

¹¹¹ Amendments 1097, 1125 and 1180 to the draft SP Regulation.

rapporteur for the SP Regulation, this was the real innovative feature of the new implementation model:¹¹² "This means that the effectiveness of ecological, climate-relevant and social measures is demonstrated through result indicators. To put it somewhat exaggeratedly, we therefore no longer need a political evaluation or an assessment by the European Court of Auditors of the success of the measures" (own translation).

CAP objectives

The Commission's draft legislative proposal had significantly streamlined the structure of CAP's objectives. As mentioned in Chapter 3, the three general CAP objectives were retained, but below them, there are now only nine specific objectives plus one cross-cutting objective, a significant reduction compared to 26 targets only for the second Pillar in the funding period 2014-2022. The objectives were very general, and the Parliament's proposals sought a much more detailed description in certain parts.

The amendments to Article 6 which set out the specific objectives to be pursued in the future CAP¹¹³ were partly accepted. For example, the Parliament suggested adding (*in italics*) the following aspects to objective (a):¹¹⁴ *long-term food security, agricultural diversity, while providing safe and high quality food at fair prices with the aim of reversing the decline in the number of farmers and ensuring the economic sustainability of agricultural production in the Union.* The amendments of high-quality food at fair prices and the reversal of the decline of agricultural holdings were not included because the agricultural structural features of the EU Member States are very different. For objective (h),¹¹⁵ both the Parliament and the Council requested that the issue of gender equality should be included, and this was included in the agreed SP Regulation.

An additional amendment of the Parliament concerned the participation of women in farming was also included. Some amendments were incorporated into a recital with a lower legal obligation. These concerned objectives (c),¹¹⁶ (d)¹¹⁷ and (i).¹¹⁸ In the case of objective (d), two new recitals were added (30 and 31 in the SP Regulation). The recitals operationalise the objectives more clearly. The Commission will take this up in the planned implementing act on evaluation by underpinning the individual objectives with success factors for evaluation purposes.

Green Deal objectives

The environmental objectives should consider the Union legislative acts listed in the Annex of the SP Regulation. Neither the Commission nor the Parliament could push through an equally binding consideration of the commitments regarding the Green Deal's objectives and the negotiations failed to agree on a Parliament's proposal for a corresponding recital:¹¹⁹ "Member States should also ensure that CAP Strategic Plans contribute to the maximum extent possible to the timely achievement of the goals set in the 2030 Agenda for Sustainable Development and in the Paris Agreement, as well as of

¹¹² Jahr, P (2021).

¹¹³ European Commission (2018a).

¹¹⁴ To support viable farm income and resilience of the agricultural sector across the Union in order to enhance long-term food security and agricultural diversity as well as to ensure the economic sustainability of agricultural production in the Union.

¹¹⁵ To promote employment, growth, gender equality, including the participation of women in farming, social inclusion and local development in rural areas, including the circular bio-economy and sustainable forestry.

¹¹⁶ To improve the farmers' position in the value chain.

¹¹⁷ To contribute to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and enhancing carbon sequestration, as well as to promote sustainable energy.

¹¹⁸ To improve the response of Union agriculture to societal demands on food and health, including high-quality, safe and nutritious food produced in a sustainable way, to reduce food waste, as well as to improve animal welfare and to combat antimicrobial resistance.

¹¹⁹ Amendment 730 to the draft SP Regulation.

the objectives of the European Green Deal, the Union's environmental and climate commitments and applicable legislation adopted by the European Parliament and the Council on the basis of the Farm to Fork Strategy and the Biodiversity Strategy." While the assessment of the submitted plans against the Green Deal objectives is now the subject of a recital,¹²⁰ it has no binding consequences, as Article 118§4 of the SP Regulation (following a Council amendment) now states that the approval of the proposed CAP Strategic Plans shall be based only on legally binding acts.

The non-binding nature of the Green Deal targets also meant that the Parliament could not get its amendments on the contents of the plan (inclusion of Green Deal targets)¹²¹ and the Commission's approval process accepted. The Parliament wanted the assessment described in Article 106 of the proposed Regulation to be linked to the quantified targets included in the Farm to Fork and Biodiversity Strategies.¹²²

Although the Commission calls the two reports it will produce in 2023 and 2025 'Green Deal reporting' (see Figure 3), the reports will not have any consequences for Member States in amending their plans in case of insufficient results, since the Green Deal objectives are not legally binding.

CAP Strategic Plan and approval procedures

The essential elements of the CAP Strategic Plan and its annexes are laid down in the SP Regulation. The Parliament's requests for amendments related (a) to even more robust integration of regional approaches in the programmes, e.g. through the explicit inclusion of regional programmes (see the section on governance structures); (b) to the summary presentation in Annex III of the opinions expressed in the context of partner participation; (c) to additional annexes on the eco-schemes;¹²³ and (d) on the elements in the plan that contributes to competitiveness.¹²⁴ There were no fundamental changes to the Commission's proposed structure for the CAP Strategic Plan following the Parliament's proposals. As a contribution to more homogeneity on a more voluntary basis among the Member States, the Parliament proposed that the Commission "shall encourage Member States to exchange information and best practices with each other when drawing up their CAP Strategic Plans".¹²⁵ This proposal was not formally included in the Regulation, but it has been implemented informally by the European Network for Rural Development (ENRD) in various workshops.

More subsidiarity and flexibility for the Member States were flanked by higher requirements for the justification of policies and the chosen interventions and transparency in the process.

The Commission issued country-specific recommendations in parallel to the drafting process. The Commission attached particular importance to a comprehensible and evidence-based description of the CAP Strategic Plans' environmental contributions.

Regarding transparency, the (draft) CAP Strategic Plans are publicly available, as is the observation letter resulting from the Commission's review process. Creating this transparency was also an essential concern of the Parliament. Peter Jahr, AGRI rapporteur for the SP Regulation has stressed that: "In addition, the Member States must set out the measures transparently in their CAP Strategic Plans for all to see. This should also preserve the common features of the CAP as far as possible" (own

¹²⁰ Recital 122 of the SP Regulation.

¹²¹ The fact that the Green Deal targets are not set out in legally binding acts transformed the requirements proposed by the Commission in the template of the CAP strategic plan to record the quantitative targets of the Green Deal into a qualitative description. The EP position is stated in Working Paper WK 8152/2021 INIT (Council of the European Union, Secretariat General, Interinstitutional files).

¹²² Working Paper WK 8152/2021 INIT (Council of the European Union, Secretariat General, Interinstitutional files).

¹²³ Amendments 582 and 612 to the SP Regulation.

¹²⁴ Amendment 584 to the SP Regulation.

¹²⁵ Amendment 1153cp1 to the SP Regulation.

translation).¹²⁶ The Parliament wanted to translate the national strategic plans into English to ensure more transparency. This proposal was not included in the agreed text (the submitted plans are available on the Commission's website but only in the relevant national language).

The approval period of the submitted plans was reduced from eight months to six months on the suggestion of Parliament, which was supported by the Council. Accepting a shorter interval was due to the tight time-frame, which reduced the Commission's ability to analyse the plans comprehensively.

Concerning the procedures for amending the plan, the Parliament put no significant proposals for change, apart from the demand for more transparency. Here, the Council was much more involved and advocated the possibility of more frequent plan amendments.

Common indicators

At the heart of the new results-based policy approach are the indicators for performance clearance, i.e. the output indicators, and for performance review, the result indicators and milestones. For evaluation purposes and as the starting point for the SWOT analysis, the Commission proposed common impact and context indicators. Unlike in the previous period, the indicators are part of the basic Regulation and not an implementing act.

The Parliament proposed numerous amendments to the relevant paragraphs in the SP Regulation. While the Commission wanted to regulate the contents of the performance framework in an implementing act, the Parliament proposed a delegated act instead.¹²⁷ This Parliament amendment was not successful. The Parliament also suggested, unsuccessfully, that the Member States improve the quality and frequency of data collection for the impact indicators, referring to Green Deal targets¹²⁸ and that the Commission carries out an assessment of the effectiveness of the indicators by the end of the third year of application of the SP (Amendment 11ç to Art. 7 of the draft SP Regulation).

The Parliament proposed amendments to individual indicators and suggested additional indicators to those listed in the relevant annex. It also pushed through a gender-specific recording of relevant indicators and a few gender-specific (sub)indicators (for instance for young farmers) were added following the Parliament's initiative.¹²⁹

While the Parliament aimed more at expanding and qualifying the indicators' set, the Council focused on deleting and simplifying indicators. Various initiatives during the trilogue (e.g. by France supported by others Member States) aimed to severely limit the mandatory set of indicators. In the final outcome, the Commission's original proposal was largely maintained.

Reporting requirements

The provisions on reporting can be found in both the SP and the Horizontal Regulations. The provisions concern the Member State's reporting requirements *vis-à-vis* the Commission and the Commission's reporting requirements *vis-à-vis* the Parliament and the Council.

¹²⁶ Jahr, P (2021).

¹²⁷ Amendment 671 to the draft SP Regulation.

¹²⁸ Amendment 1340 to Art. 129 of the draft SP Regulation.

¹²⁹ In general, such indicator questions are difficult to discuss in a trilogue process, especially since the discussion only centred on the titles mentioned in the annex of the regulation and not on the detailed indicator fiches, which, however, contain much more relevant information on the informative value and the recording effort.

Member State to the Commission

The Member State must report its performance to the Commission every year.¹³⁰ This was not a point of dispute among the three institutions, although the Parliament favoured a multiannual reporting¹³¹ over the annual sequence proposed by the Commission and the Council negotiated even more detailed content specifications for the performance report in the negotiations.

In addition to this performance report, the Member States must also send their annual accounts to the Commission. In addition, following the Parliament's suggestion, the Member States must send a yearly summary of the control reports and a management declaration. If these documents are not sent, the Commission can suspend payments.

Commission to Parliament and Council

While the Parliament unsuccessfully urged the Commission to prepare a synopsis of all Strategic Plans six months after the Strategic Plans' approval,¹³² the trilogue finally agreed that the Commission will submit a summary report of the Strategic Plans by 31 December 2023 (Art. 141§2 of the SP Regulation).

Furthermore, a report to the Council and the Parliament on the new delivery model will be prepared by the Commission by December 2025 (the Parliament's proposal for a mid-term review of the CAP by June 2025 was not accepted).¹³³

Based on the Commission's interim evaluation (see below) and other foundations (i.e. the Member States' evaluation findings), the Commission will submit a report on the implementation status to the Parliament and the Council at the end of 2027. A second performance report is expected by 31 December 2031.

Climate Tracking

The so-called climate tracking, the financial climate contribution, must also be shown as part of the reporting. Climate tracking is a requirement that exists for all EU spending programmes. The European Court of Auditors criticised the methodological approach of the previous period, which was carried over into the 2023-2027 programming period.¹³⁴ The Parliament had proposed to develop a science-based and generally accepted method for climate tracking¹³⁵ as part of its proposed mid-term review. The Parliament partially succeeded in its demand. While the method of calculation for climate tracking has been maintained, there is now the possibility of adopting a delegated act after 2025 to review the calculation methods and, if necessary, adjust them.¹³⁶

Performance Clearance, Review and Bonus

Regarding clearance of accounts and controls, the following points were highlighted in the AGRI Committee rapporteur's report in 2019¹³⁷ on the draft Horizontal Regulation:

- Clearance of accounts – Reinforcement of the checks carried out by the Commission, which should also publish multiannual reports on irregularities and communicate them to the

¹³⁰ The Commission shall carry out a biennial performance review based on these annual reports (Art. 135 of the SP Regulation).

¹³¹ For instance, the Parliament's Amendments 673, 674, 675, 676, 679, and 680 to Art. 121 and Amendment 685 to Art. 122.

¹³² Amendment to Art. 106 of the draft SP Regulation.

¹³³ Amendment 1138 to the draft SP Regulation.

¹³⁴ European Court of Auditors (2021).

¹³⁵ Amendment to Art. 87 of the draft SP Regulation

¹³⁶ Article 100 (3) of SP Regulation

¹³⁷ European Parliament (2021b) p. 9

Parliament (Articles 47 and 48); an annual clearance (Articles 51 and 52) and reintroduction of rules for the Member States on recoveries for non-compliance (Article 53a);

- Controls – Control system to be described in the CAP strategic plan, possibly with the inclusion of early warning mechanisms; more rules on penalties for non-compliance, but also an option allowing beneficiaries to correct specific errors (Article 57 and 57a); a control sample for yearly on-the-spot checks that should cover at least 5% of all direct payments and rural-development measures beneficiaries; the percentage can be adjusted according to non-compliance and error rates (Article 70).

Concerning the clearance of accounts, the Parliament pushed through many amendments, anchored more robust guardrails, and strengthened the Commission's role.

Also, the Parliament has successfully demanded that the Commission reports annually on irregularities based on Regulation (EC, Euratom) No 2988/95.¹³⁸

The Parliament's amendments were only partially accepted in the specifications for the controls. The Parliament unsuccessfully proposed a fixed control rate of 5% of beneficiaries for on-the-spot checks, both for EAGF and EAFRD interventions (Amendment 175 to Art. 70 of the draft Horizontal regulation) and conditionality (Amendment 291 to Art. 84 of the draft Horizontal Regulation) in the Horizontal Regulation. However, the Parliament succeeded in requiring more risk-based approaches to organising controls and made it possible for national administrations to correct mistakes made in good faith by applicants.¹³⁹ Furthermore, a possibility of correcting errors without sanctions exists in the future area monitoring system. Due to technical innovations in IACS, the future area monitoring system, it will be possible to use the results from satellite data to amend the application even after a determination has been made, without any cuts or sanctions.

The Commission had foreseen an annual performance clearance and performance review based on the performance reports in its proposal. The annual cycle for the performance clearance is maintained, but the performance review will only take place in 2024 and 2026 (Art. 135 of the SP Regulation). The Council's and Parliament's suggestions prevailed over the Commission's proposal in this respect. The annual review meetings between the Commission and each Member State have been maintained.

The Parliament proposed a 35% deviation from the actual output as the trigger threshold and, if necessary, payment suspensions but Article 40 of the Horizontal Regulation¹⁴⁰ now sets this deviation at 50%.

For the performance review, the Commission had proposed that if the indicator values achieved deviate more than 25% from the milestone (Art. 121 of the draft SP Regulation), the Commission could call for an action plan to improve target achievement (following a Parliament's Amendment to Art. 121 of the draft SP, the Commission will only do this "where necessary").¹⁴¹ After the trilogue, this deviation rate was fixed at 35% for 2024 and 2025 and 25% for 2026.¹⁴²

The Commission's original proposal of the SP Regulation envisaged a 'performance bonus' that would be paid out in 2026 for the satisfactory performance of environmental and climate targets. This

¹³⁸ Amendment 473 of the draft Horizontal Regulation, Art. 50 (3) of 2166/21.

¹³⁹ Amendments 553a & ff were withdrawn (correction of errors), but a paragraph 59 (6) of 2116/21 (Amendment 546a) was added.

¹⁴⁰ European Commission (2018b).

¹⁴¹ However, the Parliament's Amendment 224 to Art. 40 of the Horizontal Regulation to design action plans via a delegated and not an implementing act was rejected.

¹⁴² Article 135 of the SP Regulation.

proposal – part of the performance review approach – was rejected by the Parliament and the Council and was not part of the final compromise.

Evaluation

The Commission's proposal envisaged greater flexibility for the Member States concerning evaluation. The evaluation plan would no longer form part of the Strategic Plan and would be prepared, following approval, one year later at the latest. It would no longer be mandatory to report on evaluation results twice in the programming period. Thus, evaluations could be planned more closely to the needs of each Member State. However, the evaluation against objectives (now only 10 and not 26) and the *ex-post* evaluation would still be mandatory.

The Parliament generally supported the Commission's proposal on the Member States' evaluation obligations in the relevant sections of the SP Regulation. However, while the Council managed to achieve some cuts in the contents, e.g. in the *ex-ante* evaluation, the Parliament's amendment to assess the Member States' efforts in relation to the Green Deal objectives in an independent assessment after the Strategic Plans have been approved¹⁴³ or in the Commission's interim evaluation was not adopted.¹⁴⁴

4.3.3. Simplification

Recital 107 of the SP Regulation states that: "In view of the concerns related to administrative burden under shared management, simplification should also be subject to a specific attention in the CAP Strategic Plan." Simplification refers to very different objects (programme planning, implementation and reporting/evaluation) and levels (EU, Member States, regions, beneficiaries). This section reviews the contribution of the Parliament to this objective.

The new framework provides a single regulation for the first and second Pillars of the CAP, including sector interventions and represents a significant reduction in complexity compared to the previous programming period.

Except for Belgium, the Commission proposal provided only one CAP Strategic Plan for each Member State, even if they are federally organised and had previously submitted regional Rural Development programmes. From the Commission's perspective, the significant reduction in the number of programmes represented an apparent simplification. However, integrating many regional specificities has made the submitted strategic plan documents much more extensive than initially expected. This expansion in length of the strategic plans was due to the changes made to the draft SP Regulation. It also resulted from the need to reduce abstraction in the programmes and assess the plan's intervention logic.

The plan content has been significantly streamlined compared to the current Rural Development Programmes 2014-2022. Many details, e.g. management and control systems or very detailed intervention descriptions, are no longer required and thus not subject to the approval procedure. The Parliament, as described above, intended to maintain the level of detailed programming and allow regional intervention programmes, which would not have simplified the programming.

For the Commission and the Parliament, simplification should have been described in the plan in a separate chapter. The topic was downplayed from an individual chapter to an item in the description of the intervention strategy in the final outcome.

¹⁴³ Amendment 987 and 1335 to Art. 127 of the draft SP Regulation.

¹⁴⁴ Amendment 988 and 1336 to Art. 127 of the draft SP Regulation.

Simplification in the implementation phase concerned the change from a compliance to a results-oriented system incorporating two elements:

- The new annual performance clearance (Art. 54 of the Horizontal Regulation) reflects the shift from compliance of the individual beneficiary to policy performance in the Member States.
- The performance-based control system, where an annual performance report covering financial and performance aspects (Art. 134 of the SP Regulation) would focus on outputs and results instead of compliance with granular EU rules.

This is a simplification from the Commission's viewpoint because it restricts its checks on grant recipients to exceptional cases of suspected corruption. It allows the Member States greater freedom to set up an appropriate management and control system. However, during the negotiations on the Horizontal Regulation, the Parliament strongly advocated that a clear common framework should continue to exist to ensure a level playing field.

The Parliament amendments focused primarily on the final recipients. For example, Article 6 refers to the objectives of the CAP. But while it succeeded in amending Article 6 to include simplification in the implement of the objectives, the final text does not mention the simplification for final beneficiaries, as proposed by the amendment. Similarly, the Parliament proposed to include simplification in the objectives of the performance framework (amendment 665 to Art. 116 of the draft SP Regulation) but this was not retained in the final text.

This position of Parliament reflects the fact that in the context of the CAP Regulations, simplification is seen mainly in relation to the final beneficiaries. However, what represents a simplification for particular beneficiaries does not necessarily translate into a simplification for the implementing administrations.¹⁴⁵ Each special arrangement must be mapped separately in the administration and control system and the underlying IT systems, adding complexity. The Parliament's AGRI Committee rapporteur for the SP Regulation, Peter Jahr, shared the same view concerning the changes imposed by the Council: "[On the point of de-bureaucratisation] we were not always able to assert ourselves against the many special requests and footnotes of the Council, which complicated many things. Every special regulation, for example on conditionality, does not make the world simpler" (own translation).¹⁴⁶ In the interview,¹⁴⁷ Peter Jahr refers to the potential of digitisation and remote sensing, which has not yet been fully exploited even if they are already included in the Horizontal Regulation and will undoubtedly lead to significant increases in implementation efficiency, albeit at a higher cost, at least in the implementation phase.

For the Member States, reporting is becoming more burdensome overall, which may be understood as an inevitable consequence of shifting to a results-based approach. The Parliament and the Council were able to achieve simplifications in the periodicity of the performance review. The possibility to justify deviations comprehensively before formal action plans are drawn up and, if necessary, payment suspensions are envisaged is also a step towards more simplification. The Parliament also supported this.

Article 104 of the Horizontal Regulation repeals Regulation No 1306/2013, except for particular articles that remain valid to implement the rural development programmes of the 2014 to 2022 support period. There were minor additions to this by the Parliament and the Council. The impact of running two

¹⁴⁵ Surveys by the Thünen Institute point to considerably higher costs concerning the public funds used by the implementing administrations. These costs are well above 10% of the total public expenditure and show considerable variances depending on the type of intervention. See Fährmann, B, Grajewski R, (2018a).

¹⁴⁶ Jahr, P (2021).

¹⁴⁷ *Ibid.*

systems with different rules concurrently (e.g. cross-compliance alongside conditionality) for three years (applications for area measures must start in 2022 in some cases) shows an insufficient consideration by the legislator and does not contribute to simplification.

Overall, the issue of simplification played only a minor role alongside all the other problems negotiated. This is undoubtedly also because it is often only the subsequent delegated and implementing acts and the concrete implementation in the Member States that lead to more or fewer implementation costs.

4.4. Conclusions

The new delivery model as a new **policy** concept relies on greater flexibility and subsidiarity among the Member States, on a stronger focus on results, and was intended to lead to significant simplification. The Parliament and the Council did not fundamentally question the concept proposed by the Commission. However, the Parliament very clearly pointed out the danger of a renationalisation of the CAP and demanded that a level playing field must continue to apply. In the overall assessment of the amendments tabled, it must be recognised that the Parliament was only moderately successful with this demand, at least with regard to the SP Regulation. As concerns the Horizontal Regulation, the Parliament succeeded in strengthening the role of the Commission in guaranteeing the financial interests of the Union. The Parliament also anchored the role of the regions more firmly in the governance structure of the CAP Strategic Plans. With regard to ensuring a level playing field, the Parliament sees above all the Commission as having responsibility within the framework of the approval procedure. The Parliament has made numerous proposals for greater transparency, some of which have been accepted. It wanted to anchor the Green Deal goals much more prominently and bindingly in the plans, also as a basis for the assessment of the Commission. However, it could not assert this position against the Council, which accepted only legally binding acts as a basis for the Commission's assessment.

With regard to the **funding arrangements**, the proposed regulation provided for a great deal of flexibility, both in terms of the distribution of funds between the different interventions within the first and second Pillars and between the two pillars. The Parliament wanted to limit this flexibility more or clearly link it to CAP objectives, e.g. in the area of the environment. The positions of the three institutions were very far apart, especially as concerned the first Pillar. However, compromises were reached, making planning and implementation (even) more complex than the original proposal. In its draft Regulation, the Commission had lowered contribution rates in rural development compared to the 2014 to 2022 programming period. It argued that greater subsidiarity should also lead to higher own contributions. The Parliament spoke out in favour of higher contribution rates, and, except for the 'other regions', the rates were raised in comparison to the initial proposal. Together with the Council, it was possible to obtain a separate contribution rate for the transition regions.

The heart of the **delivery** model is the replacement of compliance orientation with a results orientation. This focus on results refers primarily to the relationship between the Commission and the Member States. Legality and regularity of the use of funds are monitored at the beneficiary's level. This was also an essential concern of the Parliament which, to safeguard the financial interests of the Union, worked towards ensuring that, for example, eligibility criteria continue to be the subject of control and that the Member States provide the Commission with information from the control environment.

At the core of the performance framework is the annual performance report, which provides the basis for performance clearance and review. It provides financial data as well as outputs and outcomes. According to the Commission proposal, the performance review should occur annually. However, the Parliament, like the Council, advocated a two-year cycle, which is what was agreed. Performance

clearance and performance review check the deviation of the indicators from the set targets. If the deviation is considerable, action plans may have to be submitted, or, in severe cases, funds may be suspended or cut. The Parliament would have set these deviation thresholds lower but at the same time always allowed for the possibility of eliminating the consequences of deviations through comprehensive justifications before implementing formal action plans. The latter proposal was accepted, but the Council influenced the determination of the trigger thresholds.

Parliament's main objective was to prevent a renationalisation of the CAP and to continue to ensure a level playing field. From a **governance** perspective, the Parliament was much more committed to a top-down governance approach than the other two institutions. The outcome of the negotiations gives the Member States greater flexibility in the design of their programmes, which are to be steered by objectives, thus ensuring that they contribute to the overarching EU objectives. Thus, the Commission has a central role in the approval procedure to check the intervention logic of the programmes through intensive examination and, if necessary, to demand changes. Parliament had voted for greater transparency in the approval procedure, but was not able to get its way. With regard to implementation, essential safeguards to protect the Union's financial interests were strengthened, also under pressure from the Parliament, thereby maintaining some elements of a compliance-oriented approach in the Member States. Whether this duality contributes to the desired simplification in the Member States remains questionable.

5. GOVERNANCE FOR A FAIRER AND A MORE TARGETED CAP

KEY FINDINGS

- None of the three institutions questioned the importance of a continuing role for area-based direct payment in the CAP. Since the Commission's Communication of November 2017, the emphasis was on making these payments fairer and more targeted.
- On capping and degressivity, the Council's position prevailed totally, as the Council argued the outcome here was predetermined by the European Council MFF conclusions and was not open to negotiation.
- The decision to make the redistributive payment mandatory was a success for the Parliament which has always supported the redistribution of payments towards small- and medium-sized farms.
- The Parliament sought full internal convergence in the value of direct payments by 2026 at the latest. This was resisted by the Council, but the final compromise goes further towards full convergence than what was proposed by the Commission.
- Coupled payments continue for sectors that are in difficulty with the same financial limit as in the 2014-2022 programming period, though without a production-limiting requirement. The Parliament's preferences for some additional requirements to be met were not included in the final Regulation.
- The Parliament succeeded in significantly increasing the resources available for support for young farmers in the future CAP.
- The Parliament introduced the concept of social conditionality into the CAP, making compliance with applicable working and employment conditions an eligibility requirement for CAP payments.

5.1. Context

According to the Commission's November 2017 Communication, direct payments partially fill the gap between agricultural income and income in other economic sectors as well as providing an important income safety net.¹⁴⁸ They ensure there is agricultural activity in all parts of the Union including in areas with natural constraints. Policy makers frequently link the continuation of agricultural activities with various economic, environmental and social benefits, including the delivery of public goods. Therefore, direct payments remained an essential part of the Commission's proposal for the post-2020 CAP in its 2017 Communication.

However, the distribution of direct payments has been criticised on several grounds. First, because direct payments are linked to land, the distribution of payments reflects the highly skewed distribution of the land area among beneficiaries. The Commission Communication noted that "the fact that 20% of farmers receive 80% of the payments sometimes prompts accusations of 'unfairness'". Second, for countries that used the historical model to allocate payment entitlements, the value of these entitlements can be highly heterogeneous depending on the amount of CAP coupled payments received by a farm in the reference period 2000-2002. Specifically, payments per hectare in countries

¹⁴⁸ European Commission (2017b).

that still use the historical model are higher for more intensive, higher-productivity farms compared to farms and regions with lower productivity. Third, policymakers are increasingly concerned with the reduction in the overall number of farms, and particularly smaller and medium-sized farms, and want to target direct payments more on these beneficiaries.

A further concern has been the disparity in the average level of direct payments between countries, largely reflecting a distinction between older and newer Member States. This issue of external convergence was addressed by the European Council in its conclusions on the Multi-annual Financial Framework 2021-2027.¹⁴⁹ The European Council decided that all Member States with total direct payments per hectare below 90% of the EU average will close 50% of the gap between their current average direct payments level and 90% of the EU average in six equal steps starting in 2022. Additionally, all Member States will have a level of at least 200 EUR per hectare in 2022 and all Member States shall reach at least 215 EUR per hectare by 2027.

To address concerns around the fairness of direct payments, the Commission's Communication identified several potential initiatives:

- A compulsory capping of direct payments taking into account labour costs to avoid a negative effect on jobs;
- Degressive payments could be introduced as well, as a way of reducing the support for larger farms;
- Enhanced focus on a redistributive payment in order to be able to provide support in a targeted manner to small and medium sized farms;
- Ensure support is targeted to genuine farmers, focussing on those who are actively farming in order to earn their living.

In addition, the Commission highlighted in its legislative proposal that "Member States should also achieve further [internal] convergence in order to continue to move progressively away from historical values".¹⁵⁰

5.2. European Parliament's position

In its 2018 resolution on the future of food and farming,¹⁵¹ the European Parliament supported the continuation of direct payments as they "... provide the first substantial layer of stability and a safety net for farm incomes, ... represent a tangible portion of annual farming incomes, ... and help farmers compete on a level playing field with third countries". However, it recognised that there is "a need for an updated, simpler and fairer system of payments, for greater equity and legitimacy".

In this resolution, the Parliament:

- Supported a compulsory redistributive higher support rate for the first hectares of a holding, linked to the average size of a holding in the Member States, in view of the wide range of farm sizes across the EU.
- Stressed that support for larger farms should be degressive, reflecting economies of scale, with mandatory capping to be decided at European level, and flexible criteria to take into account the capacity of farms and co-operatives to provide stable employment that keeps people in

¹⁴⁹ European Council (2020b).

¹⁵⁰ European Commission (2018c).

¹⁵¹ European Parliament (2018c).

rural territories. It further wanted the funds made available by capping and degression to be retained in the Member State or region from which they derive.

- Called for the current system for calculating direct payments in Pillar I, particularly in Member States where the value of entitlements is still calculated partly on the basis of historic references, to be modernised and replaced by an EU payment calculation method, the basic component of which would be income support for farmers within certain limits and which could increase in step with the contribution to delivering public goods in accordance with the EU objectives and targets until 2030, in order to make the system simpler and more transparent.
- Called for payments from Pillar I, including coupled support, to be limited per hectare and beneficiary to the equivalent of twice the average of EU direct payments per hectare, in order to prevent distortion of competition.
- Called to ensure that support is targeted to genuine farmers, with a focus on those who are actively farming in order to earn their living. It noted that, in the previous reform, the definition of an 'active farmer' was difficult to agree, and proposed that farm output (e.g. keeping land in a good agricultural state, implementing good animal husbandry, contributing to the circular economy) could be a better-targeted and quantifiable solution for such a definition. In any case, it stressed that part-time farmers and farmers drawing on mixed income must not be excluded.
- Requested that the simplified Small Farmers Scheme (SFS) be preserved, while noting that farmers with less than five hectares of land should have the opportunity to voluntarily step into the SFS.
- Stressed the importance of maintaining the variety of measures, including voluntary coupled support, available to Member States to maintain production in sectors vital for vulnerable areas without a distorting effect on the internal market.
- Called to continue developing generational renewal measures, thus supporting the modernisation and rejuvenation of the farming sector by making it easier for young people and new farmers to join the industry and for older people to leave it, always with a view to using and transferring knowledge.

5.3. The Parliament's position in the inter-institutional negotiations

These positions were further refined in the Parliament's amendments to the Commission's legislative proposal which formed its mandate for the inter-institutional negotiations adopted in October 2020.¹⁵² In this section the Parliament's position is compared to the final outcome of the inter-institutional negotiations.

5.3.1. Capping and degressivity

The Commission proposed to make capping and degressivity mandatory. Degressivity would apply to all direct payments above 60 000 EUR at an increasing rate between 25% and 75% and direct payments would be capped at 100 000 EUR. However, before applying these thresholds, the Commission proposal required that salaries paid should be deducted from direct payments as well as the equivalent cost of regular and unpaid labour provided by farm family members.

¹⁵² European Parliament (2020d)

The Parliament wanted to make capping and degressivity more effective. It agreed with the Commission that capping should apply to all direct payments and that the cap should apply at 100 000 EUR. It also agreed with the tiered thresholds for degressivity put forward by the Commission. However, it proposed to restrict the offset for salaries paid to 50% of the total, while deleting the possibility to offset the equivalent cost of unpaid family labour. It also proposed to make the use of this offset optional for Member States. These changes to the labour cost deduction would have significantly increased the stringency of capping and degressivity.

The Council's position on capping was determined by the MFF conclusions adopted by the European Council in July 2020. This had three elements: (a) capping should be voluntary at a level of 100 000 EUR; (b) it would only apply to the Basic Income Support for Sustainability (BISS); and (c) when applying capping, Member States could subtract from the BISS amount per beneficiary all labour-related costs. The European Council conclusions did not mention degressivity. The Council position also left this voluntary for Member States above a 60 000 EUR threshold for the BISS payment. If a Member State decided to implement degressivity, the amount of the BISS payment above the 60 000 EUR threshold (after the deduction of labour costs if the Member State decided to implement this option) could be reduced by up to 85%. Member States were left free to establish their own tranches and reduction rates above the 60 000 EUR threshold, provided that the reduction for each tranche was equal to or higher than for the previous tranche. The Council also added the possibility to deduct the labour cost element of the contracting costs linked to an agricultural activity declared by the farmer from the BISS payment before capping and degressivity kicked in.

In the final Regulation, the Council position prevailed totally. Capping was left as a voluntary measure for Member States to decide with the cap set at 100 000 EUR. However, this cap now only applies to the BISS payment, not all direct payments. The thresholds for degressivity were made more flexible as the Council had proposed. Moreover, Member States who introduced capping have the flexibility to reduce the value of the BISS payment by the amount of salaries paid, the equivalent value of unpaid family labour, and the labour costs of contractors before applying capping and degressivity if they decide. The reason for the Parliament's inability to influence the outcome on capping and degressivity was because the Council insisted that its hands were tied by the European Council conclusions and was therefore unable to negotiate on this issue. As noted in Chapter 2, the Parliament attached a statement to the final agreement deploring the pre-emption of discussion on this issue by the European Council in its MFF conclusions.

5.3.2. Redistributive payment

A redistributive payment had been introduced as a voluntary measure in the CAP 2014-2022. Member States could allocate up to 30% of their national ceiling for direct payments to grant an extra payment for the first hectares of a holding. In the new SP Regulation, the Commission proposed to make this payment a mandatory element of direct payments, calling it the Complementary Redistributive Income Support for Sustainability (CRISS). Member States would be required to establish an amount per hectare or different amounts for different ranges of hectares, as well as the maximum number of hectares per farmer for which the redistributive income support should be paid. It was proposed to limit the maximum amount per hectare for the CRISS payment to the national average amount of direct payments per hectare, compared to 65% of the average national/regional direct payment per hectare in the 2014-2022 CAP.

The Parliament supported the mandatory requirement for the redistributive payment but proposed to limit the discretion Member States would have in designing it. It wanted to limit the number of eligible hectares per farmer to be not greater than the national average size of holdings, to ensure that the

payment started from the first eligible hectare of a holding, and to maintain a limit on the amount of the redistributive payment per hectare to a maximum of 65% of the payment for basic income support for sustainability. It also proposed to set a financial ceiling above which farms should not be entitled to the redistributive payment. It suggested that Member States in their Strategic Plans should set out the specific criteria they took into account in establishing the level of the redistributive payment. Finally, it proposed that at least 6% of a country's direct payments ceiling should be reserved to support the redistributive payment.

The Council wished to maintain the status quo whereby the introduction of a redistributive payment would be left up to Member States on a voluntary basis. In the final agreement, the mandatory nature of the redistributive payment was confirmed, and it was decided that a minimum of 10% of the direct payments' envelope should be allocated for this purpose. The amount per hectare planned for a given year must not exceed the national average amount of direct payments per hectare for that claim year. However, it was also agreed that Member States could derogate from these obligations and address the need for redistribution of income support by other instruments and interventions financed by the EAGF pursuing the objective of fairer distribution and more effective and efficient targeting of income support, provided they can demonstrate in their CAP Strategic Plan that such need is sufficiently addressed.

The Parliament has always supported the redistribution of payments towards small- and medium-sized holdings. This outcome for the redistributive payment was a satisfactory one from the Parliament's perspective. The main achievement is that the redistributive payment is now mandatory for Member States apart from some limited exceptions and that its budget must total at least 10 % of direct payments (Art. 98 of the SP Regulation). Preliminary data from the Commission based on an initial assessment of the draft Strategic Plans submitted by early March 2022 show that the CRIS is implemented in at least 21 Member States (compared to 10 in the 2014-2022 period) and that more than 10% of total direct payments is planned globally for the CRIS in submitted plans.¹⁵³ The points where the Parliament did not prevail concerned setting a limit on the maximum number of hectares per farmer for which the redistributive income support could be paid, and setting a financial ceiling above which farms should not be entitled to the redistributive payment.

5.3.3. Internal convergence

The Commission proposed that Member States¹⁵⁴ should ensure a convergence of the value of payment entitlements towards a uniform unit value by claim year 2026 at the latest. This was qualified to mean that all payment entitlements for the basic income support for sustainability should have a value of at least 75% of the average planned unit amount for the basic income support in the claim year 2026. Member States should also set a maximum value for payments entitlements. The Council supported the Commission proposal.

The Parliament in its opening position insisted on full convergence by 2026 (Amendment 1120 to Art. 20 of the draft SP Regulation), with an intermediate goal that all payment entitlements should reach at least 75% of the average value for the basic income support payment by 2024. The compromise in the final agreement was to raise the minimum payment entitlement value to 85% of the average value by 2026. While clearly a compromise, the final outcome is an improvement on the Commission proposal and Council position in line with the Parliament's ambition.

¹⁵³ Council of the European Union (2022).

¹⁵⁴ For those Member States where the value of payment entitlements continued to be related to historic values and to vary across holdings for reasons unrelated to objective criteria.

5.3.4. Coupled payments

The Commission legislative proposal maintained the possibility to grant coupled support but proposed to reduce the financial limit from 13% to 10% of the ceiling for direct payments, with the possibility of allocating a further 2% if this were to be used for the support of protein crops. Specific derogations were included for those Member States where coupled support exceeded 13% of their direct payments ceiling in the 2014-2020 programming period. In addition to short-rotation coppice, the Commission proposed to extend the possibility to give coupled support to other non-food crops, excluding trees, used for the production of products that have the potential to substitute fossil materials. It proposed to remove reference to coupled payments being a form of production-limiting support. It also proposed a new article setting out that the Commission could take measures through delegated acts to avoid beneficiaries of coupled income support suffering from structural market imbalances in a sector.

On the Council's side, many Member States particularly in Central and Eastern Europe are strongly in favour of coupled support,¹⁵⁵ so the Council proposed to reinstate the financial ceiling from 10% to 13%. It also proposed to include a provision that Member States may choose to use up to 3 million EUR per year for financing coupled income support to give additional flexibility to smaller Member States.

The Parliament supported the Commission's proposed reduction in the financial limit on coupled support. It sought to reintroduce the idea that coupled support is a production-limiting scheme where the annual payment should be based on fixed areas and yields or on a fixed number of animals, while also opening the possibility for Member States to vary the level of payment according to the commitment made by the beneficiary to improve the competitiveness, sustainability, quality or structuring of the sector. It wanted Member States to ensure that coupled support met a clear socioeconomic or environmental benefit, including being consistent with the Water Framework Directive 2000/60/EC, and to avoid creating major distortions on the internal market. Whereas Member States should normally demonstrate that the products they support through coupled support face difficulties, the Parliament proposed that coupled support for protein crops could be granted regardless whether they faced difficulties or not. It also opposed the extension of the list of products that could be supported to include non-food crops apart from short-rotation coppice that could be used to substitute for fossil fuels.

In the face of strong Council pressure to grant a higher financial ceiling and the maximum flexibility to Member States to use coupled support, the Parliament made little impact on this issue. It failed in its attempt to attach conditions to the grant of coupled support while the Council succeeded in reinstating the financial limits that operated in the 2014-2020 programming period. However, the Parliament succeeded in blocking the Commission proposal to extend eligibility for coupled support to non-food products that could replace fossil fuels, while a revised recital refers to the need to ensure that coupled support does not cause international market distortions.

5.3.5. Support for young farmers

In its November 2017 Communication on *The Future of Food and Farming*, the Commission proposed that "generational renewal should become a priority in a new policy framework", while recognising that "Member States are in the best position to stimulate generational renewal using their powers on land regulations, taxation, inheritance law or territorial planning". It noted that the CAP should provide

¹⁵⁵ See, for example, the declaration of Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia on the future of coupled income support in the Common Agricultural Policy, Council of the European Union, document no. 16 October 2020.

an EU-wide system of support to the first installation either through a simplified top-up payment for new entrants or an extension of current lump-sum payments.

The Commission's legislative proposal included a specific objective "to attract young farmers and facilitate business development in rural areas." It proposed that Member States should allocate a minimum of 2% of their direct payment allocation as Complementary Income Support for Young Farmers in the form of a top-up payment per eligible hectare. It also proposed they could grant support under the EAFRD for the installation of young farmers up to a maximum of 100 000 EUR with the submission of a business plan as defined by the Member State. An accompanying annex to the Strategic Plans Regulation set out minimum amounts for each Member State that should be used either for the Complementary Income Support for Young Farmers in the EAGF or the installation aid for young farmers in the EAFRD. The proposed definition of a young farmer was slightly tightened by requiring that a young farmer beneficiary should have the appropriate training and/or skills required, whereas in the 2014-2022 CAP this was left to the discretion of Member States.

The Council proposed greater flexibility by giving Member States the possibility to grant the complementary income support in the form of a lump sum, while also giving Member States the possibility to grant this support only to a maximum number of hectares per young farmer. The Council also proposed to delete the requirement that a young farmer beneficiary should have the appropriate training and/or skills required.

The Parliament proposed to double the minimum allocation to the complementary income support payment for young farmers from the total EAGF direct payments from 2% to 4%. It supported granting Member States the flexibility to make a lump-sum payment, while setting a maximum limit of seven years on the complementary income support payment. It wanted to limit the maximum number of hectares eligible for the young farmer payment to the average size of the farms at national or regional level.

The Parliament succeeded in increasing the allocation to the CAP specific objective of attracting young farmers and facilitating business development. The minimum amounts by Member State set out in Annex XII of the SP Regulation are significantly higher than originally proposed by the Commission. The specific minimum requirement to spend at least 2% of direct payments on the complementary income support for young farmers has been removed, giving Member States greater flexibility to decide if they will support young farmers more through that instrument (which also now includes the option of a lump-sum payment) or through installation aid. Member States can pay the top-up payment for a maximum of five years, compared to the Parliament proposal setting the maximum at seven years.

5.3.6. Recognition of the position of small farms

Small farms are treated distinctly in the direct payments' regime. On the one hand, Member States have the ability to set a minimum size threshold to be eligible to receive direct payments. This means that many very small farms particularly in countries in Central and Eastern Europe are excluded from the direct payments system. On the other hand, the CAP regulations have recognised that the administrative burden can be disproportionately high compared to the relatively small amounts of payments distributed. Therefore in 2014 a simplified system for small farms was introduced to address this issue.

The Commission legislative proposal proposed to maintain a minimum area threshold for eligibility for direct payments. In setting this area threshold, Member States would be required to take into account that (a) the management of the corresponding payments does not cause excessive burden for the

public administration, and (b) that the corresponding amounts make an effective contribution to the specific objectives set out in the Strategic Plans Regulation. The legislative proposal also allowed Member States to continue to implement a simplified system for small farmers on a voluntary basis.

These provisions were accepted both by the Council and the Parliament (Art. 18 of the SP Regulation), although Member States were given flexibility to define the exclusion threshold either on the basis of a minimum area or a minimum size of payment (with exceptional provisions for beneficiaries of animal-related coupled payments). Both also introduced a maximum limit of 1 250 EUR on the direct payment amount that could be disbursed under the 'Payments to small farmers' scheme and this was also included in the final agreement.

5.3.7. Ring-fencing of payments

The Parliament proposed to greatly limit the discretion of Member States to allocate their CAP allocations under both the EAGF (Pillar I) and EAFRD (Pillar II) in the way they might find most appropriate to their circumstances. It did this by proposing specific spending limits for several interventions. For EAGF spending, it proposed the following limits (Amendment to Art. 86 of the draft SP Regulation):

- At least 60% of direct payments should be reserved for the basic income support for sustainability payment, the redistributive payment, coupled payments and sectoral interventions. Within this total, at least 6% should be reserved for the redistributive payment and a maximum of 10% should be reserved for coupled payments (with some derogations).
- At least 30% should be reserved for eco-schemes intended to address the climate, environment and animal welfare.
- Specific amounts per Member State set out in an Annex should be reserved for the complementary income support for young farmers. These amounts approximated to 2% of the direct payments ceiling.
- In addition, schemes to boost competitiveness addressing CAP specific objectives (a), (b) and (c) (the economic objectives) would be a mandatory expenditure for Member States but no specific limit was proposed.

It supported or proposed the following spending limits for EAFRD spending:

- At least 35% should be reserved for interventions of all types addressing the specific climate- and environment-related specific objectives set out in the SP Regulation, including improving the response to societal demands concerning food and health. A maximum of 40% of expenditure on areas of natural constraints could be accounted under this heading.
- At least 30% should be reserved for interventions (including investments, risk management, cooperation, and knowledge exchange and information) for specific objectives aimed at fostering the development of an intelligent, resilient and diversified agricultural sector as defined under the specific economic objectives (a), (b) and (c) in the SP Regulation.
- At least 5% should be reserved for LEADER.
- A maximum of 4% could be used to finance technical assistance actions.

Whether intended or not, the principal effect of the Parliament's specific amendments to include minimum limits on spending for the basic income support for sustainability payment, the redistributive payment, coupled payments and sectoral interventions under the EAGF Pillar and addressing the specific economic objectives (a), (b) and (c) under the EAFRD Pillar in the SP Regulation would have

been to limit the discretion of Member States to increase spending on climate- and environment-related measures under both Pillars at the expense of interventions targeted to income support and production. In the final outcome, these specific amendments from the Parliament were not accepted, perhaps because it was not deemed that they were necessary. The Parliament's amendment proposing schemes to boost competitiveness (Amendment 238 (Art. 28a new) to the draft SP Regulation), which would have radically altered the decoupled nature of direct payments in Pillar I, was also not accepted.

5.3.8. Definition of 'active farmers'

The 2014-2022 CAP reform had introduced the concept of 'active farmer' in order to ensure that CAP payments were confined to deserving beneficiaries and were not paid to non-intended beneficiaries. The rules introduced at that time were not popular with Member States and were relaxed in the Omnibus Regulation. In its legislative proposal, the Commission proposed to introduce the concept of 'genuine farmer'. The definition of a genuine farmer would be included in the Strategic Plan of Member States. It should be defined in a way to ensure that no support should be granted to those whose agricultural activity formed only an insignificant part of their overall economic activities or whose principal business activity was not agricultural, while not precluding from support pluri-active farmers. The definition should allow to determine which farmers are not considered genuine farmers, based on conditions such as income tests, labour inputs on the farm, company object and/or inclusion in registers.

Neither the Council nor Parliament liked the term 'genuine farmer' and the final agreement continues to refer to 'active farmer'. The Council continued to oppose the inclusion of this requirement in the legislation, given the administrative difficulties it added to determine compliance with the definition.

The Parliament position built on the Commission proposal by proposing that active farmers should also provide public goods in accordance with the objectives of the CAP Strategic Plan. It proposed to reinstate the concept of the 'negative list' of entities that *a priori* would be considered not eligible for CAP payments. The Parliament proposed that the definition should ensure that no support is granted to natural or legal persons, or groups of natural or legal persons, who operate airports, railway services, waterworks, real estate services, permanent sport and recreational grounds. Member States should have the flexibility to add to this list other similar non-agricultural businesses or activities. It also proposed to reinstate a provision that beneficiary farmers receiving not more than 5 000 EUR in direct payments should automatically be considered as 'active farmers'. A particular concern of the Parliament was that any definition should not discriminate against pluri-active farmers or those with an off-farm income.

The final agreement includes a requirement to define an 'active farmer' broadly along the lines supported by the Parliament. Support should only be granted to natural or legal persons "engaged in at least a minimum level of agricultural activity, while not necessarily precluding the granting of support to pluri-active or part-time farmers". However, while the criteria used to determine who is an active farmer must be objective and non-discriminatory, Member States may decide on what criteria to use. Member States have the possibility to use a negative list as one of the criteria to be used in formulating this definition, and examples of entities that might appear on such a negative list are given in the relevant recital to the legislation. Member States can also set a threshold not greater than 5 000 EUR below which beneficiaries are automatically considered active farmers. This final compromise broadly reflects the Parliament's position, albeit the Parliament had sought to make the use of a negative list mandatory. The Commission reported that, following an initial appraisal of the draft Strategic Plans submitted by Member States up to the beginning of March 2022, the main criterion

used by the Member States to define an active farmer is inclusion in official registers (social security, farm register, VAT) and that eight Member States had opted for a negative list.¹⁵⁶

5.3.9. Social conditionality

The inclusion of an obligation on direct payment beneficiaries to observe minimum standards of employment and social conditions was entirely the initiative of the Parliament. The relevant Article provides that an administrative penalty to their CAP payments can be applied if they do not comply with the requirements related to applicable working and employment conditions or employer obligations arising from the legal acts referred to in an Annex to the SP Regulation. Care is taken to respect national provisions in the way these employment and social standards are set.

The final agreement included a transition period giving until 1 January 2025 for the implementation of this provision. It also included a *rendez-vous* clause in the form of a Joint Statement by the Parliament and Council attached to the Strategic Plans Regulation. This invites the Commission to monitor, via a study to be carried out two years after the first two years of application of social conditionality by all Member States, the impact of the mechanism on workers conditions and the functioning of the system of penalties and, where appropriate, to come forward with proposals to enhance the social dimension of the CAP.

For the Parliament, the introduction of social conditionality was a significant achievement, underlining its ability as a co-legislator to introduce important new concepts into a legislative file. The precise impact of this legislative provision remains to be tested. Ultimately, the elimination of abuses in labour and working conditions on EU farms is a matter for the authorities charged with labour law enforcement in the Member States. Nonetheless, making the link between observance of this legislation and the receipt of CAP payments provides another instrument to enforce this protective legislation.

5.4. Conclusions

The outcome of the inter-institutional negotiations around more targeted and fairer direct payments can be assessed using the policy, resources and delivery typology outlined in Chapter 1.

Regarding **policy**, none of the three institutions questioned the importance of a continuing role for area-based direct payments in the CAP. The emphasis, following the Commission's Communication, was on making these payments fairer and more targeted. Under both headings, the Parliament has some achievements to its credit. Specifically, the greater support for young farmers and the introduction, for the first time, of social conditionality should be highlighted, and the rules around the definition of an 'active farmer' are close to the Parliament's position. In other areas, the Parliament did not succeed to fully achieve what it wanted, for example, with respect to introducing specific restrictions on the use of coupled payments.

On **resource** issues, the Parliament met with determined opposition from the Council and had limited success. The Council's position prevailed totally with respect to capping and degressivity, as the Council argued the outcome here was predetermined by the European Council MFF conclusions and was not open to negotiation. The Parliament also did not succeed in securing uniform direct payments per hectare by the end of the next programming period in those Member States where entitlement values are still linked to the historical model, though the final compromise moves further than what the Commission had originally proposed. The ceiling for coupled payments was higher than what the

¹⁵⁶ Council of the European Union (2022).

Parliament had supported. However, the Parliament succeeded in significantly increasing the resources devoted to support for young farmers and also in making the redistributive payment mandatory for Member States except in limited circumstances.

In terms of **delivery**, the Parliament's mandate would not necessarily have led to greater simplification or flexibility for Member States. For several of the elements discussed in this chapter, the Parliament wanted to specify more detailed rules that Member States should follow, for example, around the design of the redistributive payment, in justifying the use of coupled support, in determining the pace and extent of internal convergence, in specifying the criteria Member States should consider when defining an 'active farmer', and in introducing the concept of social conditionality. Nonetheless, in the final compromise, one can also point to areas where the Parliament supported greater flexibility for Member State, for example, in deciding on the most appropriate way to support their young farmers whether through top-up direct payments, lump-sum payments or installation aid.

Finally, the outcome of the negotiations has implications for the future **governance** of the CAP. The Parliament wanted to limit the discretion of Member States to allocate funding under the future model of greater subsidiarity, so as to avoid the re-introduction of significant disparities particularly in the income support per hectare received by beneficiaries (made up of the sum of the basic income support payment, the redistributive payment, coupled payments and sectoral interventions). After all, the Parliament had pressed hard to remove historical differences in the value of entitlements. It was concerned that some Member States might opt for much greater ambition around eco-schemes, thus potentially disadvantaging their farmers in terms of income support. In the end, the Parliament's amendments to ring-fence spending for the economic specific objectives did not succeed, possibly because the likelihood of over-ambition with respect to climate- and environment-related expenditure under both Pillars was not deemed to be a significant threat. On the other hand, it succeeded in establishing specific and higher minimum spending limits for both the redistributive payment and support for young farmers, both targeted payments that were widely supported in the Parliament.

However, the future governance of the CAP on the issue of the greater fairness of direct payments remains far from what the Parliament wanted. Capping and degressivity remain voluntary and with provisions on labour cost offsets that could greatly limit its effectiveness even in those Member States that apply it. On the other hand, simulation modelling has shown that the redistributive payment can be more effecting than capping/degressivity in reducing the concentration of payments.¹⁵⁷ In this respect, the Parliament's success in making the redistributive mandatory and requiring a minimum share of direct payments (10% in the adopted SP Regulation) to be allocated to this payment may open the potential for greater fairness in the distribution of CAP payments in the longer run.

¹⁵⁷ Chatellier, V (2021), pp. 137-151.

6. GOVERNANCE AND THE NEW GREEN ARCHITECTURE OF THE CAP

KEY FINDINGS

- The 'green architecture' proposals of the Commission were not questioned, in general, neither by the Parliament nor the Council.
- Simultaneously arguing for interventions for income support and ambitious environmental interventions (eco-schemes) and requirements (enhanced conditionality) prevented the Parliament from establishing a clear position to negotiate higher environmental standards.
- Parliament and Council added details to the sparsely specified proposals of the Commission and markedly influenced the final legal text.
- The Parliament succeeded in ring-fencing the eco-schemes, keeping eco-schemes and AECM (Agri-environment-climate measures) as two separate interventions, fixing a reference year for GAEC (Good agricultural and environmental conditions) 1, setting minimum shares of arable land devoted to non-productive features and areas, and banning the use of pesticides and fertilisers under GAEC 8 while allowing its possible combination with eco-schemes, ring-fencing 35% of the rural development budget to the specific environmental- and climate-related objectives.
- The Parliament was partially successful concerning the minimum budget for eco-schemes but its proposal for a common list of eco-schemes was not adopted.

6.1. Context

The agricultural sector is the biggest land user in the EU¹⁵⁸ and therefore has an important impact on the condition of natural resources. Many studies have demonstrated the poor conditions of biodiversity, climate, water and soil quality.^{159,160,161} The policy instruments employed in the past did not contribute adequately to changing the overall trend or were not sufficient to mitigate the environmental and climate problems.¹⁶² Therefore, raising the environmental and climate ambition and justifying the agricultural budget was one of the primary goals of the Commission's CAP proposal.

The proposal for the reform of the CAP included the green architecture and a set of corresponding policy instruments, which have to be adapted and balanced in the Strategic Plans by the Member States. The green architecture is the pivotal element of the CAP, contributing to the 2030 climate and energy targets for the EU, the Paris Agreement, and the SDGs and addressing the vulnerability of farming systems according to climate change and biodiversity loss.

The following sections focus on the green architecture and some further discussions which addressed or influenced the 'green ambition' pursued by the CAP reform:

- Definitions and conditions to be provided in the CAP Strategic Plans (SP Regulation: Art 4; Proposal Art 4)

¹⁵⁸ Eurostat 2021.

¹⁵⁹ European Environment Agency (2019).

¹⁶⁰ Secretariat of the Convention on Biological Diversity (2020): "Global Biodiversity Outlook 5", Montreal

¹⁶¹ Pachauri, R.K. Meyer, L. eds., Climate Change 2014: Synthesis Report, IPCC

¹⁶² European Court of Auditors (2017); European Environmental Bureau (2019); Hart et al. 2017.

- Conditionality (SP Regulation: Art. 12, 13, Annex III; Proposal: Art. 11, 12, Annex III)
- Eco-schemes (SP Regulation: Art. 31; Proposal: Art. 28)
- Agri-Environment-Climate Commitments (SP Regulation: Art. 70; Proposal: Art. 65)
- Financial allocations (SP Regulation: Art. 85 – 103; Proposal: Art. 86)
- Green Deal, Farm to Fork and Biodiversity Strategies
- Shared competence with ENVI

Improving the CAP's environmental performance, the definition of relevant indicators and targets and focusing on farmers' performance (section 4.3.2) instead of looking at the compliance with EU rules (performance-based policy) are relevant aspects and are addressed in Chapter 4.

6.2. European Parliament's position

'Greening the CAP' was one of the significant issues addressed in the Commission's Communication *Future of Food and Farming*. In the beginning, the Parliament was not convinced of the proposed green architecture in the new delivery model. The Parliament feared that the Member States would not be very ambitious in defining environmental and climate targets and indicators but would start a 'race to the bottom' in the definition of their Strategic Plans. However, it was well aware of the difficulty to reconcile high environmental and climate ambitions with the flexibility and subsidiarity defined by the new delivery model (see Chapter 4).

A contradiction in the positions advocated by the Parliament emerged from stressing the importance of income support measures like direct payments while supporting ambitious environmental and climate requirements like the eco-schemes, as they would compete for funds from the same budget. The Parliament's proposal to have at least 60% of the budget for direct payments allocated to the basic income support for sustainability, redistributive payment, coupled income support interventions, and types of interventions in other sectors, if adopted, would have for instance be a constraint on Member States pursuing high environmental and climate ambitions. Similarly, the Parliament's proposal to include partially the spending on less favoured areas in the calculation of the minimum percentage allocated to environmental measure can be seen as a dilution of the second Pillar's environmental and climate spending.

Altogether, the Parliament stressed the issue of maintaining the CAP budget, remunerating farmers adequately for the additional environmental and climate requirements, and pursuing the targets of food security and the family farm model. This position conflicted with the plans of the Commission and the Council. However, the Next Generation EU plan provided a fresh influx of financial resources to the second Pillar, which helped contain the initial proposal for reductions in the overall budget levels.

To support the 'green' ambition, the Parliament, in its resolution of 30 May 2018.¹⁶³

- Supported "a new, coherent, reinforced and simplified conditionality regime" (para. 92) that would allow the integration of cross-compliance and greening measures.
- Urged that "the baseline of the first Pillar should be mandatory to achieve sustainable agricultural development, stipulate the measures and results expected from farmers, and ensure a level playing field" (para. 92). The same paragraph also encouraged simplification at the farm level and "adequate control by the Member States".

¹⁶³ European Parliament (2018c).

- Set the frame for “a new and simple scheme” that would target ambitious objectives beyond the baseline and would be able to provide incentives to farmers willing to make the transition to sustainable agriculture beneficial to the climate and the environment and compatible with the agri-environment-climate measures (AECMs) of the second Pillar (para. 92).
- Called on the Commission to re-confirm that the second Pillar's AECMs counterbalance foregone and additional costs and shortfalls resultant from the voluntary adoption of environmentally and climate-friendly farm practices (para. 92).
- Called for the exemption from greening requirements (Article 43 of Regulation EU 1307/2013) of farms carrying out agri-environmental measures under Regulation EU 1305/2013 as applicable for farms that engage solely in organic agricultural production (Article 11 of Regulation EC No 834/2007) (para. 94).
- Called for maintaining the existing exemption for farms under 15 hectares and avoid the load resultant from additional environmental and climate measures under the CAP (para. 97).
- Was convinced “that AECMs should be guaranteed a minimum share of the total second Pillar budget” (para. 100).
- Called attention to “the importance of maintaining Natura 2000 payments” and ensuring that compensation is ample to provide a genuine incentive for farmers (para. 100).

6.3. The Parliament's position in the inter-institutional negotiations

This section presents the negotiation positions of the three European institutions and the outcome of the inter-institutional negotiations.

6.3.1. Definitions and conditions to be provided in the CAP Strategic Plans

The Commission's proposal of Article 4 asked the Member States to provide definitions and relevant conditions for 'agricultural activity', the 'agricultural area', 'eligible hectare', 'active farmer', 'young farmer', and 'new farmer' in their strategic plans. From an environmental perspective, the Parliament's position to allow agroforestry systems and paludicultures¹⁶⁴ to be considered as 'agricultural area' (Art. 4 (2), (3)) and 'agricultural activity' was taken on board in the final text.

6.3.2. Enhanced conditionality

The Commission proposed the enhanced conditionality as a policy instrument incorporating the existing Cross Compliance mechanism and the former greening measures. The cross-compliance requirements to observe a set of Statutory Management Requirements (SMRs) and a list of good agricultural and environmental conditions (GAECs) are carried over into the enhanced conditionality but with some modifications.

The Parliament supported the general approach for enhanced conditionality. Still, it demanded some exemptions for farmers engaged solely in organic agriculture, farmers who carry out agri-environmental measures, and small farms under 15 hectares (see section 6.2). The Council also supported integrating the greening requirements within the conditionality but opposed exempting farms engaged in organic agriculture or agri-environmental measures. The final definitions include

¹⁶⁴ Paludiculture is wet agriculture usually on peatlands.

exemptions of specific requirements (Annex III) and exemption references within the recitals (Recital 43) but did not exempt additional groups of farms.

The Commission's proposals defined the requirements and standards for the enhanced conditionality in Annex III but left many details open. The enhanced conditionality, in particular the GAECs, should then be specified in the Strategic Plans of the Member States.

The definitions of requirements in the Conditionality Annex proved controversial in the negotiations as summarised below (definitions of requirements on which consensus existed are not mentioned here).

GAEC 1 (Maintenance of permanent grassland): The Commission's proposal did not include a reference year. While the Parliament proposed 2018 as the reference year, the Council favoured 2015. The final agreement fixed 2018 as a reference year.¹⁶⁵

GAEC 2 (Protection of wetland and peatland): GAEC 2 was proposed by the Commission and supported by the Parliament to be implemented by 2023. During the negotiations, the Council sought and achieved that the implementation of this requirement could be delayed for two years and the final compromise (2024 or 2025) reduces the foreseen impact of these requirements.

GAEC 4 (Establishment of buffer strips along watercourses): The Commission, supported by the Parliament, demanded that buffer strips within and outside vulnerable zones of Directive 91/676/EEC should have a minimum width of three metres. The Council's proposal for possible exemptions for the Member States with significant dewatering and irrigation ditches (if duly justified for an area, the minimum width may be adjusted following specific local circumstances) was accepted.

GAEC 5 (Use of farm sustainability tool for Nutrients): The Commission proposed a farm sustainability tool for nutrients to provide data on relevant management practices, indications regarding limits and requirements pertinent to farm nutrient management and a complete nutrient budget. Parliament and Council were against this tool. The final formulation of Annex III does not include the requirement of using a farm sustainability tool for nutrients (the tool is mentioned only in Recital 51).

GAEC 7 / GAEC 8 in the Proposal (Crop rotation on arable land, except for crops growing under water): The Commission's proposal did not include details for this GAEC. The Commission proposed that crop diversification should also be considered relevant in the negotiations. Still, Parliament and Council succeeded with the final formulation that "Rotation shall consist in a crop change at least once a year at land parcel level ...".¹⁶⁶ In the final formulation, crop diversification is just mentioned as a voluntary specification that the Member States can use, like the inclusion of leguminous crops in the crop rotation favoured by the Parliament. Commission and Parliament also supported exemptions of farms with less than five hectares of arable land. Still, finally, the agreed formulation includes the recommendation of the Council for exempting farms smaller than 10 hectares.

GAEC 8 / GAEC 9 in the Proposal (Minimum share of agricultural area devoted to non-productive features or areas): The Commission's proposals included a definition of non-productive areas, in contrast to the existing definitions for ecological focus areas, but did not determine a minimum share of the agricultural area to be dedicated to non-productive features or areas. Also, the proposals did not include a ban on pesticides and fertilisers in these non-productive features or areas and did not formulate any exemptions from this GAEC. As a result, even grassland farms and permanent crop farms were required to allocate a minimum share of land to non-productive features or areas.

¹⁶⁵ However, as there are no significant differences between 2015 and 2018 in the share of permanent grassland, the reference year does not have any substantial environmental implications (see Agridata).

¹⁶⁶ Regulation (EU) 2021/2115, Annex III.

The Parliament proposed that a minimum share of 5% be devoted to non-productive features and areas on arable land. In these areas, the use of pesticides and fertilisers should be banned. The minimum share should apply not only at the farm level but also at the level of Member States. The Member States should have to devote a minimum share to non-productive features and areas even if many farms are excluded from the requirement. The Parliament wanted to encourage farmers to dedicate 10% of their land to beneficial elements for biodiversity, such as hedges, non-productive trees, and ponds (Proposal Recital 22a). Therefore, the combination of GAEC and eco-schemes should be possible. Exemptions from GAEC 8 should apply to farmers with less than five hectares.

The Council advocated a minimum share of 4% of arable land at the farm level. It also demanded the exemption of grassland farms and farmers with less than 10 hectares. The minimum share could decrease to 3% if the Member States also implement eco-schemes for at least 2% of arable land lying fallow or non-productive areas/features. In addition, the cultivation of catch crops or nitrogen-fixing crops without using plant protection products and fertilisers should be eligible under GAEC 8. The weighting factor for catch crops should be defined as 0.3. In addition, the minimum share of land lying fallow or non-productive features should be at least 3% of the arable land.

The consensus established on this issue requires a minimum share of 4% of non-productive features or areas on arable land. If farmers provide 7% of their arable land as non-productive features or areas within the eco-schemes, the share decreases to 3%. If catch crops or nitrogen-fixing crops are cultivated, the minimum share will be 7%, of which 3% have to be non-productive features or areas. Catch crops or nitrogen-fixing crops are weighted by a factor of 0.3. Exemptions can be defined within the strategic plans of the Member States for farms with a share of more than 75% of permanent grassland or arable land used for cultivating grass or other herbaceous forage or farmers with less than 10 hectares of arable land.

Overall, the Parliament succeeded with the demand for fixing a precise minimum share of arable land for GAEC 8 and enabling the combination of GAEC and eco-schemes to encourage farmers to offer a higher share of their land to benefit biodiversity. However, the Parliament had to accept that the cultivation of catch crops and nitrogen-fixing crops was allowed. Furthermore, the minimum share at the Member State level was not considered. The Council succeeded to set the exemption threshold concerning the minimum share at 10 hectares of arable land or less, double the threshold proposed by the Parliament.

The Commission's proposal did not include many exemptions from the GAECs. The Parliament supported exemptions from GAECs for small farms, farmers engaged solely in organic agriculture and farmers implementing agri-environmental measures. The Council supported exemptions for small farms for some GAECs but disagreed with exemptions for farms engaged solely in organic agriculture and farms which carry out agri-environmental measures. Furthermore, it advocated a number of other exemptions.¹⁶⁷

The Parliament was successful in its requirement for exemptions for small farms. However, the Council prevailed with the formulation of postponements and exemptions from the relevant GAECs for Member States, regions or farmers with particular characteristics, on conditions that the exemptions for the Member States or specific regions must be justified in the strategic plans.

¹⁶⁷ GAEC 4 Establishment of buffer strips along watercourses: exemptions for Member States with significant dewatering and irrigation ditches; GAEC 6 Minimum soil cover to avoid bare soil in most sensitive periods: exemptions for regions with a short vegetation period; GAEC 7 Crop rotation in arable land, exempt for crops growing underwater: exemptions for farms with a high share of grassland and farms with less than 10 hectares of arable land with the Parliament asking exemptions only for farms with less than 5 hectares of arable land.

Altogether, the Parliament succeeded in determining details and achieving more common requirements for the Member States than the Commission's proposal. In the final agreement, a reference year is fixed for GAEC 1, minimum shares of arable land area devoted to non-productive features and areas and ban on the use of pesticides and fertilisers under GAEC 8, and the combination of GAEC 8 and eco-schemes is possible. The Parliament's position markedly influenced the final legal text concerning these aspects.

6.3.3. Eco-schemes

The Commission proposed schemes for climate and the environment (eco-schemes) under the first Pillar, which would be mandatory for the Member States but voluntary for farmers. Member States had to define practices that contribute to at least two specific environmental- and climate-related objectives in their Strategic Plans.¹⁶⁸ Payments would be granted only as payments additional to the basic income support for sustainability or as payments compensating additional costs and income foregone. Under the financial rules for Pillar I, foreseen but unspent funds for Eco-schemes per year could not be carried over to the following year but have to go back to the common European budget. The Parliament supported the idea of a scheme for climate and environment under the first Pillar but supported also the inclusion of practices addressing animal welfare objectives. The Council did not oppose this amendment and the Parliament succeeded with its proposal. Furthermore, the Parliament demanded a common list of possible eco-schemes to secure a minimum ambition level. Member States should choose eco-schemes mentioned in the common list. The Parliament was not successful with this demand. In the final formulation, the Commission has to ensure a minimum ambition level and a level playing field between the Member States as part of the notification process of the Strategic Plans (see Chapter 4).

During the negotiations, one of the most controversial debates concerned ring-fencing the budget for eco-schemes. The Commission's proposal did not set a minimum budget for eco-schemes. The Parliament demanded at least 30% of the direct payments budget spent on eco-schemes. The Council suggested a lower bar at 20%. The agreement of 25% is the half-way point between Parliaments' and Council's positions. The Council also urged that the final consensus includes a transition phase for the fiscal years 2023 and 2024, so that any remaining budget can be used within the Member States. In this transition phase, up to 2.5% of the unused budget for eco-schemes can be transferred to the budget for direct payments. If more than 2.5% of the budget for eco-schemes is not used in 2023 or 2024, the difference should be transferred to the following years. These funds can augment the budget available for eco-schemes after 2024 or be used for agri-environment-climate commitments (Art. 70), area-specific disadvantages resulting from certain mandatory requirements (Art. 72), investments (Art. 73) and investments in irrigation (Art. 74).

The final formulation also includes the alternative of reducing the budget for eco-schemes up to 50% if more than 30% of the EAFRD budget for the period 2023 to 2027 is used for agri-environment-climate commitments (Art. 70), area specific disadvantages resulting from certain mandatory requirements (Art. 72), investments (Art. 73) and investments in irrigation (Art. 74) as referred to in Art. 97 (2). This implies that a Member State could devote to eco-schemes a budget of as little as 12.5% of the direct payments budget. However, the total budget for eco-schemes and the respective EAFRD must still equal at least 25% of direct payments and 30% of the EAFRD budget.

Ring-fencing the budget for eco-schemes while keeping enhanced conditionality and eco-schemes as two separate elements are considered the Parliament's negotiation gains. The study interviews have

¹⁶⁸ "One or more objectives" was mentioned in the proposal, at "at least two" in the final formulation (Art. 312 para. 4 of SP Regulation).

highlighted that the intense discussion on eco-schemes in the Parliament during the amendment phase also raised public concern and created pressure on the Commission and the Council.

From the Commission's perspective, ring-fencing the budget for eco-schemes presents a severe risk for the environmental ambitions of the proposal. As the Member States are interested in not 'returning' money back to Brussels, the requirement of minimum spending on eco-schemes may encourage the Member States to propose unambitious schemes to ensure high implementation and absorption rates. The Parliament wanted to push the Member States to implement effective schemes and voted for ring-fencing the budget; otherwise, the Member States would only define eco-schemes that no farmer would use. Overall, reaching the result of ring-fencing the eco-schemes in the negotiations was a milestone for the final agreement on the CAP reform, and the study interviews have underlined (even from the perspective of the other institutions) that the Parliament's stance was of crucial importance.

6.3.4. Agri-environment-climate commitments

The Commission proposed agri-environment-climate commitments working almost the same way as in the current period. The Member States have to define the agri-environment-climate commitments in their Strategic Plans. The Member States should determine the payments, considering additional costs and income forgone due to these obligations. Some 30% of the rural development budget should be allocated to the Regulation's specific environmental- and climate-related objectives, excluding payments for natural or other area-specific constraints.

The Parliament's position was to add a top-up incentive in calculating payments for farmers targeting environmental protection, biodiversity and resource efficiency. This was also one of the NGOs' demands for a long time. But the Council supported the proposal made by the Commission not to add a top-up incentive. The final formulation (Article 70 of the SP Regulation) does not include an incentive top-up for the payments but the addition that payment levels should take account of the targets set. This formulation clarified that the Member States have some freedom in defining the reference point for the payment calculation to ensure the uptake of the measures.

Furthermore, the Parliament proposed ring-fencing the budget for agri-environment-climate commitments. At least 35% of the rural development budget should be dedicated to agri-environment-climate commitments (Art. 70), natural or other area-specific constraints (Art. 71), area-specific disadvantages resulting from certain mandatory requirements (Art. 72), investments (Art. 73) and investments in irrigation (Art. 74). The Parliament demanded to count 40% of the support for less-favoured areas as environmental and climate-related measures as part of the 35% envelope of the rural development budget.

The Council claimed that 30% of the rural development budget should be directed to agri-environment-climate commitments, excluding the support for less-favoured areas as countable in this envelope.

The final version of the legal text determines ring-fencing at 35% of the rural development budget for agri-environment-climate commitments (with 50% of expenditure for less-favoured areas payments included in the calculation of this percentage).

6.3.5. Green Deal, Farm to Fork and Biodiversity Strategy

As mentioned in Chapter 2, shortly after the European election in 2019, the Commission launched a Communication on the European Green Deal.¹⁶⁹ In the Communication, the Commission defined environmental targets, e.g. European climate neutrality by 2050, and announced a Farm to Fork strategy¹⁷⁰ and a Biodiversity strategy.¹⁷¹ Both strategies addressed related agricultural issues and set ambitious targets for the transition to a more sustainable agricultural sector (see targets in section 2.4).

In its Communication on the “Recommendations to the Member States as regards their strategic plan for the Common Agricultural Policy”¹⁷² the Commission favoured requiring the Member States to define national values for at least six Farm to Fork and Biodiversity targets¹⁷³ in their national strategic plans. Also, Executive Vice-President Frans Timmermans and environmental NGOs in all Member States pushed for a strong link between the Green Deal and the CAP 2023-2027. Even withdrawing the Commission proposals was a possibility, although the Commission never considered it (see section 2.6).

Although the Council welcomed, broadly speaking, the ideas in the two Strategies it opposed a strong, legally binding connection between the Green Deal and the CAP 2023-2027. The Council argued that the Green Deal and the related Farm to Fork and Biodiversity Strategies are Commission Communications not set in law. In the final agreement, the Green Deal and the Farm to Fork and Biodiversity Strategies are viewed as just “additional guidance for elaborating strategic plans”.^{174,175} The study interviews therefore deemed the impact of the Green Deal on the new CAP to be weak. The main reasons for not pressing on with the negotiations were the tight timetable of the CAP reform process and the insecurity that would be caused for farmers and other CAP beneficiaries from further delays. However, it is expected that the Green Deal and the Farm to Fork and Biodiversity Strategies will play a more critical role in the next reform.¹⁷⁶

6.4. Conclusions

Regarding **policy**, the Commission's proposal for a green architecture was supported by the Parliament and the Council. The Parliament advocated more detailed requirements at the European level. It was successful with several of its demands: ring-fencing the eco-schemes, keeping eco-schemes and AEEM as two separate interventions, fixing a reference year for GAEC 1, setting minimum shares of arable land devoted to non-productive features and areas and banning the use of pesticides and fertilisers under GAEC 8, while allowing the possible combination of GAEC 8 and eco-schemes, ring-fencing 35% of the rural development budget to specific environmental- and climate-related objectives.

The Parliament was less effective on other issues during the negotiations, and the Council thinned out its environmental ambition. This weakening of the Parliament's environmental ambition was evident in the postponements and exemptions advocated by the Council in the final agreement. Also, some of the topics favoured by the Parliament in the negotiations are just mentioned in the recitals of the final agreement, e.g. family farm model (Recital 24), gender equality (Recital 33), exemptions from the enhanced conditionality (Recital 43).

¹⁶⁹ European Commission (2019c).

¹⁷⁰ European Commission (2020a).

¹⁷¹ European Commission (2020b).

¹⁷² European Commission (2020d).

¹⁷³ Matthews, A (2021) pp. 13–19

¹⁷⁴ *Ibid.*

¹⁷⁵ European Commission (2021b).

¹⁷⁶ Jahr, P (2021).

In some instances, the positions of the Parliament seemed to be contradictory. For example, the solid support for direct payments as an income support mechanism on the one hand and the ambitious GAEC or eco-schemes on the other. Probably there was no unambiguous strategic priority setting for higher environmental ambitions within the Parliament. Some positions of the Council were supported and pushed forward by rapporteurs and shadow rapporteurs.

Concerning the distribution of **resources**, the most crucial position of the Parliament was the demand for 30% of the direct payments budgets to be spent on eco-schemes. Although the final agreement of 25% appears to be a typical compromise, it is generally assessed as a milestone for the final overall agreement on the CAP reform and the study interviews have underlined that the Parliament's stance was of crucial importance.

On **delivery**, the Commission and the Parliament wanted the national strategic plans to set values for at least six Farm to Fork and Biodiversity targets but the Council's argument that these strategies are just Commission Communications and not legally binding was ultimately accepted. Therefore, the strengthening of the connection between the Farm to Fork and Biodiversity strategies and the CAP Strategic Plans remains on the table as a forthcoming task.

Some of the study interviewees stressed the importance of indicators for measuring results. Still, there are questions about how these indicators can measure the performance of a fairer and greener CAP on the one hand and being transparent and understandable on the other hand.

Like in other fields of negotiation the Parliament voted under the heading "greener" for more common rules and structures (**governance**). The Commission's proposal entailed a high degree of subsidiarity, giving the Member States the flexibility to define the policy components and the budget allocation. The Parliament supported more common rules and structures, especially concerning the GAECs and the new intervention of eco-schemes. It did not succeed with a common list of eco-schemes, but reached compromises in other fields and manage to ring-fence the budget for the eco-schemes. Overall, although the Parliament did not reach all detailed positions it supported in the negotiations and not all its positions supported higher environmental ambitions, it succeeded with a more common, European governance approach. Whether this European governance approach is ambitious enough to reach a 'greener' outcome of the CAP will be evaluated in the future, once the Strategic Plans of the Member States are implemented.

7. GOVERNANCE AND MARKET MANAGEMENT IN CAP

KEY FINDINGS

- The Parliament succeeded in increasing the Commission's powers to manage agricultural markets in the event of market crises by establishing an EU Observatory of agricultural markets, by extending the possibility for producer organisations to regulate the supply of agricultural products with a protected designation of origin or protected geographical indication, and by explicitly recognising a role for voluntary supply reduction in market management.
- The Parliament also supported the Commission's proposal to introduce a rollover mechanism in the agricultural reserve.
- The Parliament did not succeed in extending the list of products eligible for public intervention, notably white sugar, or changing the conditions for public intervention, but in a joint statement on the EU sugar sector the three institutions agreed to consider future policy developments in the light of the findings of a forthcoming study.
- The Parliament's position that interventions for specific sectors in the Strategic Plans Regulation could cover all agricultural products was accepted.
- The Parliament achieved a notable widening in the scope of risk management instruments to cover a wider variety of risk management tools while permitting compensation in the case of sectoral production or income risks as well as at the level of the holding.
- The Parliament did not succeed in inserting a provision in the Amending Regulation that would require imported products to meet the same standards as EU producers. However, several commitments were made by the Commission in a series of declarations attached to the political agreement to follow up on this issue.
- On wine, the Parliament succeeded in extending the authorisation system to 2045. It also blocked the Commission's attempt to widen the choice of wine varieties available to producers.

7.1. Context

The single Common Market Organisation (CMO) Regulation was introduced in 2007 to consolidate 21 commodity-specific regulations. It was further revised in the 2013 CAP reform (Regulation (EU) No 1308/2013) with the following aims:

- to enhance the market orientation of EU agriculture, notably by removing production constraints in dairy and sugar and reforming the system of production limits in wine;
- to provide more responsive safety net and risk management measures and to improve the EU's capacity for crisis management;
- to facilitate producer cooperation in order to improve competitiveness and to strengthen producers' position in the supply chain; and
- to lay down marketing standards for certain products.

Further changes were made on 1 January 2018 following the entry into force of the so-called Omnibus Regulation (EU) 2017/2393 which introduced new rules to strengthen farmers' position in the supply chain and clarified the relationship between CMO rules and EU competition policy, simplified the risk

management instruments to make them more attractive, and gave greater flexibility to the Commission in the use of market intervention measures to address market crises. Further, the Directive (EU) 2019/633 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain introduced a minimum Union standard of protection against unfair trading practices in the food chain.

Against this background of considerable legislative change in previous years, the Commission's November 2017 Communication setting out its vision for the future CAP did not propose any significant changes to the CMO Regulation. It recognised that the more significant market orientation of the CAP and, consequently, more market exposure led to higher risks of price volatility and increasing pressure on incomes. It also acknowledged risks associated with extreme weather events due to climate change and more frequent sanitary and phytosanitary crises. It thus saw merit in "... exploring how to further develop an integrated and coherent approach to risk prevention, management and resilience, which combines, in a complementary way, EU-level interventions with Member States' strategies and private sector instruments which address income stability as well as climate risks."¹⁷⁷ Specifically, it suggested looking at ways to make existing risk management instruments more effective, efforts to improve the understanding of risk management instruments among farmers, and proposed to set up a permanent EU-level platform on risk management to provide a forum for farmers, public authorities and stakeholders to exchange experiences and best practices.

The Commission legislative proposal left most of the CMO Regulation unchanged.¹⁷⁸ Proposed adjustments included deleting provisions related to sectorial interventions, as these interventions would now be regulated under the CAP Strategic Plan Regulation, and deleting obsolete provisions (e.g. para. on the sugar sector or export subsidies). Amendments were also proposed to Regulation 1151/2012 on quality schemes for agricultural products and foodstuffs and Regulation 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products with a view to making the current system easier to manage, as well as make geographical indications (GIs) more attractive to farmers and consumers. It also proposed to modify Regulation 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and Regulation 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands to update the amount of financing by the EU of specific measures for agriculture in these regions. These various changes were treated together in the Amending Regulation.

Provisions for an agricultural crisis reserve are included in the CAP Horizontal Regulation (EU) 1307/2013. Here the Commission proposed to simplify the administration of the reserve by introducing a roll-over mechanism by allowing unused appropriations in the reserve to be carried forward indefinitely to finance the reserve in future financial years.

The CAP's provisions on risk management are set out in the Strategic Plans Regulation. The Commission's main innovation was to propose to make the grant of support for risk management tools mandatory for Member States but otherwise to leave the types of risk management tools and the eligibility conditions for compensation unchanged.

7.2. European Parliament's position

The overall position of the European Parliament towards the CMO is set out in paragraph 122 of its resolution of 30 May 2018 on *The Future of Food and Farming*.¹⁷⁹

¹⁷⁷ European Commission (2017b), p. 18.

¹⁷⁸ European Commission (2018d).

¹⁷⁹ European Parliament (2018c).

“[The Parliament] calls on the Commission to maintain the current single common market organisation (single CMO) framework within Pillar I, including the specific policy instruments and marketing standards, and to improve the EU school fruit, vegetables and milk scheme; stresses the importance of existing production management systems for specific products and maintaining compulsory individual sector programmes (wine, fruit and vegetables, olive oil and apiculture) for producing countries, with the ultimate aim of strengthening the sustainability and competitiveness of each sector and maintaining a level playing field while enabling access for all farmers.”

Specifically, the Parliament called on the Commission to:

- maintain the current CMO framework with its specific policy instruments and marketing standards (para. 122);
- maintain compulsory individual sector programmes and introduce similar programmes for other sectors (paras 122 and 123);
- introduce additional incentives to stimulate the development and voluntary use of risk management instruments (para. 127);
- extend existing tools such as the EU market observatories for milk, meat, sugar and crops to other sectors (para. 134);
- review the crisis reserve mechanism and create a workable EU fund for agricultural crises (para. 142);
- improve the EU school programmes (para. 122);
- reinforce safeguard mechanisms by introducing innovative market and crisis management instruments such as the EU Voluntary Milk Supply Reduction Scheme or a self-help management tool for olive oil (paras 125, 126 and 138);
- ensure coherence between trade policy and CAP objectives and called for the application of the principle of reciprocity in production conditions, so as to ensure a level playing field between farmers in the EU and their foreign competitors; (paras 143 through 151).

In structuring the Parliament’s response to the Commission’s legislative proposal and the outcome of the subsequent inter-institutional negotiations, this chapter puts particular focus on the provisions around market intervention and market disturbance management as well as reciprocity in import standards. For this purpose, the Parliament’s position on the agricultural reserve (or crisis reserve) which is established in the Horizontal Regulation is also included. The specific interventions supported in certain sectors as well as risk management measures that were negotiated as part of the SP Regulation are also discussed. Issues around the reform of the wine regime and quality designations are only briefly highlighted for completeness.

In initiating the discussion on the Parliament’s response to the Amending Regulation, the AGRI Committee’s rapporteur, Eric Andrieu, rejected the market orientation principle behind that regulation and called for greater emphasis on the principles of strategic autonomy and food sovereignty.¹⁸⁰ He sought an in-depth reform of the regulation to turn it into a more effective agricultural crisis management instrument. In its negotiating mandate for the trilogues adopted on 23 October 2020, the Parliament suggested the following amendments to strengthen market intervention and crisis management tools:

¹⁸⁰ European Parliament (2019b).

- Extension of the ability for producer organisations to regulate the supply of agricultural products with a protected designation of origin or protected geographical indication to products other than cheese, wine and ham (Amendment 124).
- Establishment of a formal EU Observatory of agricultural markets for all sectors defined in Article 1(1) of the Amending Regulation to collect and publish data on production, supply, trade and price margins in order to improve transparency within the agri-food supply chain (Amendment 146).
- Creation of an early warning market system administered by the Observatory based on specified alert thresholds that would require the Commission to respond with an analysis of market developments and possible intervention measures (Amendment 147).
- Linking crisis management measures explicitly with the sector aid measures of Chapter III of the SP Regulation (Amendment 148).
- Creation of a voluntary Volume Reduction Scheme for all commodities that would allow the Commission to pay producers who agree to reduce their production compared to the previous year in the event of a severe market imbalance (Amendment 149).
- Introduction of the possibility to impose a compulsory levy on producers who increase their volumes or quantity during the reduction period in periods of severe market disturbances (Amendment 150).
- Establishment of the initial budget for the agricultural crisis reserve from outside the CAP budget while supporting the Commission's rollover proposal, and limiting the use of the reserve to exceptional market measures (Amendments 13 and 14 to the Horizontal Regulation).

7.3. The Parliament's position in the inter-institutional negotiations

The Council's position was, in general, more supportive of the Commission's proposal to maintain the status quo. In its response to the Commission Communication on *The Future of Food and Farming*, the Council maintained its perspective on the CMO as a safety net with regard to market and crisis measures. However, it recognised that other measures could be considered, including the development of programmes for other sectors on a voluntary basis, increased market transparency and reinforcement of producer cooperation, in particular through producer and inter-branch organisations. It further noted that the agricultural crisis reserve introduced in 2013 had not been used and considered that reflection was needed on how to improve its design and efficiency, including exploring the possibility of a multiannual approach.¹⁸¹ The Council was satisfied with the Commission legislative proposal and had no amendments to the market management or crisis reserve elements of that proposal.

7.3.1. Market management

The Parliament achieved several of its objectives in the final outcome. The new Article 222a of the Amending Regulation sets up an EU Observatory of agricultural markets with just some differences from the Parliament's position. The Commission will choose the sectors for which observatories will be created. The Parliament's proposal for an alert mechanism was not accepted, but the new Article 222b mandates the observatories to identify threats of market disturbance and requires the Commission to report regularly on the market situation for agricultural products, the causes of market disturbances

¹⁸¹ Council of the European Union (2018).

and possible measures to be taken in response to those market disturbances. The observatories will be ready by the end of 2023 (Article 225).

The new Article 166a extends the possibility of producer organisations to regulate the supply of agricultural products with a protected designation of origin or protected geographical indication to products other than cheese, wine and ham. The Parliament's proposal to provide a role for voluntary supply reduction in market management was explicitly recognised in a rewording of Article 219 that foresees a possible role for temporary voluntary production reduction schemes in cases of market oversupply. However, the Parliament's amendment to permit the use of mandatory levies on producers who increase their production compared to the same period in the previous year was not accepted. Also, the attempt to link crisis management measures explicitly with the sector aid measures in the Strategic Plans Regulation was not accepted.

The Parliament was less successful in achieving its amendments on public intervention. It proposed to extend the list of products eligible for public intervention to white sugar, sheep meat, pig meat, and chicken. It proposed that intervention could be opened for all eligible products throughout the year (automatically for butter and skimmed milk powder, and at the discretion of the Commission for all other eligible products). It also sought to direct the Council, when setting the public intervention price, to use objective and transparent criteria, in line with the objective of ensuring a fair standard of living for the agricultural community, in accordance with Article 39 TFEU. It sought to establish greater transparency around the companies that made use of public intervention by requiring Member States to notify the Commission of the identity of the companies that used intervention as well as the buyers of intervention stocks, together with the relevant volumes and buying and selling prices.

Regarding the range of products eligible for public intervention, the Parliament insisted on the inclusion of white sugar right up to the super-trilogue on 24-25 June but eventually withdrew it in favour of a joint statement by the Council, Commission and Parliament attached to the final agreement recognising the difficulties faced by the sugar sector after the abolition of the sugar quotas in October 2017. The institutions noted that a study analysing the policy instruments available to the sugar sector should be delivered in autumn 2021.¹⁸² They undertook to consider future policy developments in the light of the findings of that study, including any relevant regulatory and non-regulatory initiatives related to market and crisis management tools, market transparency in the sugar supply chain, contractual relations between growers and sugar producers, international trade and the evolution of the bio-economy.

The Parliament's other amendments relating to public intervention were also withdrawn, although the Commission will in future report on the conditions under which products bought in under public intervention were bought, if applicable, and sold in the previous year. Those details shall include the relevant volumes, the buying and selling prices, thus allowing the monitoring of the principles for the disposal of stocks from public intervention.

The Parliament succeeded in clarifying that, in administering the schools' scheme, Member States shall choose the products to be featured in distribution or to be included in accompanying educational measures on the basis of objective criteria which shall include one or more of the following: health and environmental considerations, seasonality, variety and the availability of local or regional produce, giving priority to the extent practicable to products originating in the Union. Member States may encourage in particular local or regional purchasing, organic products, short supply chains or

¹⁸² The study was published in January 2022, see European Commission (2022).

environmental benefits, including sustainable packaging, and, if appropriate, products recognised under the quality schemes (new Article 23, paragraph 11).

7.3.2. Agricultural reserve

As regards the administration of what is now called the agricultural reserve (included in the final Horizontal Regulation), the outcome supported the Parliament's position to introduce a rollover mechanism. It also maintained the 2 000 EUR threshold for payments below which the financial discipline would not operate and which the Commission had proposed to abolish. The Parliament did not succeed in its desire to see the agricultural reserve established with funds outside the CAP budget. Thus, the reserve when established in 2023 will be financed primarily by not returning the unused appropriations in 2022 to beneficiaries. However, the recital establishes that, in order to maximise the amounts to be reimbursed to farmers in 2023, all other availabilities under the EAGF sub-ceiling for 2023 should be used first to set up the new agricultural reserve in 2023.

7.3.3. Sectoral interventions

The Parliament also succeeded in strengthening the role of interventions for certain sectors in the Strategic Plans Regulation. Whereas the Commission proposed to continue support for fruit and vegetables, wine, apiculture products, olive oil and table olives and hops sectors, the Parliament succeeded in extending this list to all other agricultural products listed in the Amending Regulation. The Parliament also had concerns that these sector interventions should not lead to distortions in the internal market, and the Commission is now required to take this into account when adopting delegated acts setting out detailed rules on eligible financing, maximum levels of assistance, the conditions attached to support, and so on. Other changes were made to the objectives of some of these sector interventions at the Parliament's request such as spelling out in greater detail potential topics for research into the development of sustainable production methods, as well as including an objective to improve conditions of employment and enforce the employer obligations as well as occupational health and safety in the case of the fruits and vegetables sector. These changes to objectives were also reflected by making additional interventions available to producer organisations to achieve these objectives.

The Regulation sets out specific financial limits by Member State for certain of these interventions. For other sectors, Member States are allowed to use up to 3% of their allocations for direct payments to support relevant interventions. At the Council's suggestion, this can be increased to 5% provided that the additional amount is deducted from that Member State's ceiling for coupled payments.

7.3.4. Risk management

The Parliament insisted on the need for the future CAP "to support farmers more efficiently, fairly and promptly in order to cope with price and income volatility due to climate, adverse weather conditions, and sanitary and market risks, by creating additional incentives and market conditions stimulating the development and voluntary use of risk management and stabilisation tools (insurance schemes, income stabilisation tools, individual provision mechanisms and mutual funds) while ensuring accessibility for all farmers and compatibility with existing national schemes".¹⁸³

The Commission proposal for risk management tools was included in the draft SP Regulation as an intervention to be financed by EAFRD. The main novelty in its proposal was to make the grant of support for risk management tools mandatory for Member States. This mandatory requirement to

¹⁸³ European Parliament (2018c).

provide support for risk management tools was rejected by both the Parliament and Council. Both wanted to leave this as a voluntary option for Member States, after taking into account their needs and SWOT analyses. The Parliament also wanted to avoid such tools undermining private or public national risk management tools. The final Regulation includes a provision (Article 19) that allows a Member State to use up to 3% of its direct payments to be paid to a farmer for the farmer's contribution to a risk management tool.

The Parliament supported widening the scope of available risk management tools. The Commission proposal referred only to the need to maintain the risk management tools of insurance premia and mutual funds, where mutual funds encompassed both those linked to production losses, and the general and sector-specific income stabilisation tools, linked to income losses. The eventually agreed Recital (originally Recital 44, now Recital 82) and the related provisions in the final text (in particular Article 70 §3 and §4), supported by the Parliament, make provision for risk management tools other than insurance premia and mutual funds. As mentioned in Recital 82, all types of risk management tools should have the scope to cover production or income risks, as well as to be targetable to agricultural sectors or territorial areas where needed. It permits Member States to make use of procedural simplifications, such as relying on indices to calculate the production and income of the farmer, while ensuring appropriate responsiveness of the tools to the farmers' individual performance and avoiding overcompensation of losses. A major innovation is that the scope to cover production or income losses is extended from the holding as a whole to also cover sectoral losses, where sectoral production losses can be calculated either at holding level or at the level of the holding's sectoral activity (Article 70 § 5).

The Parliament also put emphasis on the need to invest in risk mitigation to increase farm resilience against natural and climate change-related risks and reduce exposure to income instability. This is reflected in a modification of Recital 86 which now refers explicitly to the use of knowledge exchange and innovation actions to facilitate the development by farmers of farm-level strategies to increase the resilience of their holdings, using the types of intervention developed in the SP Regulation.

The Parliament proposed detailed amendments on the kinds of financial contributions that could be made to mutual funds while setting up a closed list of risks for which payments could be made. In addition to permitting payments to compensate farmers in a specific sector in the event of a sharp fall in their income, it also envisaged that payments could be made from mutual funds for risk mitigation actions such as the protection of landscape features and soils that help to reduce risks such as drought, floods, and fires. These amendments were withdrawn but the Parliament's overall goal to strengthen and widen risk management provisions in the new CAP were broadly achieved.

7.3.5. Import standards

A major issue for the Parliament is the threat to EU agricultural production and farm incomes arising from higher sustainability standards for EU producers that are not required of imported products. In its deliberation of the Amending Regulation, the Parliament proposed an amendment to add Article 188a that would have introduced what have come to be called 'reciprocity clauses' or 'mirror clauses' requiring imported products to conform to EU production standards.¹⁸⁴ This amendment was later incorporated into the Parliament's plenary resolution that formed its negotiating mandate in the inter-institutional trilogue negotiations.

¹⁸⁴ European Parliament (2019b).

The Parliament's rationale was set out in an additional insertion it proposed to include in the preamble to the Regulation:

(1a) The development of trade agreements will lead, on the one hand, to increased competition between agricultural producers abroad, while at the same time opening up new opportunities for them. In order to maintain fair competition and ensure reciprocity in international trade, the Union should enforce production standards that are consistent with those established for its own producers, in particular in the environmental and health fields, subject to reciprocity.

The amendment itself (Amendment No 138 to the draft Amending Regulation) would have added the following Article:

Agricultural and agri-food products may be imported from third countries only if they comply with production standards and obligations in line with those adopted, in particular in the fields of environmental and health protection, for the same products harvested in the Union or processed from such products. The Commission may adopt implementing acts laying down the rules of conformity applicable to operators with regard to imports, taking into account reciprocal agreements with third countries. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 229(2).

In the trilogue negotiations, this amendment was withdrawn but the institutions agreed on three statements on Regulation (EU) 2021/2117 regarding international trade, attached to the CAP political agreement.¹⁸⁵

- A joint statement by the European Parliament, the Council and the Commission on proactive engagement at multilateral level concerning the application of EU health and environmental standards to imported agricultural products endorsed the position in the EU Trade Policy Review that it was appropriate for the EU to require that imported agricultural products comply with certain production requirements so as to ensure the effectiveness of the health, animal welfare and environmental standards that apply to agricultural products in the European Union and to contribute to the full delivery of the European Green Deal and Farm to Fork Strategy communications.
- A second joint statement by the Council and Parliament invited the Commission to present, at the latest in June 2022, a report assessing the rationale and legal feasibility of applying EU health and environmental standards (including animal welfare standards as well as processes and production methods) to imported agricultural and agri-food products as well as identifying the concrete initiatives to ensure better consistency in their application, in conformity with WTO rules.
- A third statement by the Commission on the review of import tolerances and Codex Maximum Residue Limits (MRL) stated that it would take into account environmental concerns of a global nature in conformity with WTO rules when assessing import tolerance applications or when reviewing import tolerances for active substances no longer approved in the EU.

7.3.6. Wine

The issues around wine in the Amending Regulation concerned the authorisation of new vine planting rights; rules for wine grape varieties and propagating material; and simplification of designations of origin for wine. The previous CAP reform had replaced the system of planting rights with a new system

¹⁸⁵ Official Journal 2021/C 488/03, 6 December 2021.

of authorisations for new plantings corresponding to 1% of the total area actually planted with vines in their territory which was to remain in place until 2030. It also specified that vine varieties must belong to the species *Vitis vinifera* or come from a cross between the species *Vitis vinifera* and other species of the genus *Vitis*. It also prohibited the planting of a list of specified 'American' varieties.

The Commission legislative proposal was intended to give some additional flexibility to Member States for new vine planting authorisations. It would also have liberalised the rules of varieties by permitting planting with the *Vitis labrusca* variety or its crosses, a native to eastern North America. Finally, it simplified the procedures for applications for a geographical indication as their registration.

The Parliament's main concern on authorisation was to extend the period in which the authorisation system would be used from 2030 to 2050. In the final agreement, the period was extended to 2045. It also succeeded in extending the period of validity of a planting authorisation from three years to six years, arguing that this might encourage growers to delay replanting with positive impacts on soil health and disease control. The Parliament's desire to block the Commission's attempt to widen the choice of vine varieties was also successful. The Parliament was also successful in proposing to include the nutrition declaration in the labelling obligations and the possibility to limit it to the energy value.

7.3.7. Quality products

Finally, the Commission's legislative proposals on quality products were not grounds for dispute or controversy. The Parliament supported most of the amendments for simplifying the processes of submitting, scrutinising, and registering a quality product.

7.4. Conclusions

Under the heading of **policy**, the Parliament succeeded in advancing many of its objectives in the CAP elements considered in this chapter. The initial Commission legislative proposal essentially maintained the status quo in most areas (wine and risk management being two notable exceptions), a position that was broadly supported by the Council. The Parliament was thus the main *demandeur* in terms of seeking changes particularly to provisions in the Amending Regulation.

The Parliament has always been more sceptical of the move towards market orientation in the CAP than either the Commission or the Council. Many of its amendments sought to strengthen the role of market regulation, for example, by extending public intervention, by supporting recourse to supply control measures both voluntary and mandatory in cases of market disturbance, by making the agricultural reserve more effective, by widening the role of producer organisations, and by requiring imported products to meet the same standards as EU producers.

The Parliament succeeded in increasing the Commission's powers to manage agricultural markets in the event of market crises by establishing an EU Observatory of agricultural markets, by extending the possibility for producer organisations to regulate the supply of agricultural products with a protected designation of origin or protected geographical indication, and by explicitly recognising a role for voluntary supply reduction in market management. It also supported the Commission's proposal to introduce a rollover mechanism in the agricultural reserve. It did not succeed in extending the list of products eligible for public intervention, notably white sugar, or changing the conditions for public intervention, but in a joint statement attached to the political agreement the three institutions agreed to consider future policy developments in the light of the findings of a forthcoming study analysing the performance of the sugar sector since the end of quotas. The Parliament's position that interventions for specific sectors in the SP Regulation could cover all agricultural products was accepted.

The Parliament also achieved a notable widening in the scope of risk management instruments to cover a wider variety of risk management tools while permitting compensation in the case of sectoral production or income risks as well as at the level of the holding. Together with the Council, the Parliament rejected the Commission proposal that the grant of support to risk management instruments should be mandatory for Member States.

The Parliament did not succeed in inserting a provision in the Amending Regulation that would require imported products to meet the same standards as EU producers. However, several commitments were made by the Commission in a series of declarations attached to the political agreement to follow up on this issue.

On wine, the Parliament succeeded in extending the authorisation system to 2045 (it had originally proposed 2050). It also blocked the Commission's attempt to widen the choice of wine varieties available to producers.

Regarding **resources**, several of the interventions reviewed in this chapter require budget allocations. The Parliament's position on the agricultural reserve that it should be financed outside of the CAP budget was not accepted. Thus, the reserve when established in 2023 will be financed primarily by not returning the unused appropriations in 2022 to beneficiaries. However, the recital establishes that, in order to maximise the amounts to be reimbursed to farmers in 2023, all other availabilities under the EAGF sub-ceiling for 2023 should be used first to set up the new agricultural reserve in 2023.

The final Regulation specifies the amounts available for certain interventions for specific sectors and permits Member States to use up to 3% of their direct payments (which can be increased to 5% under certain conditions) for interventions for other sectors not specifically mentioned in the Regulation. It also allows a Member State to use up to 3% of its direct payments to be paid to a farmer for the farmer's contribution to a risk management tool, although it does not require Member States to grant support to such tools.

These provisions are also relevant to **governance** as they give Member States greater flexibility in disposing of their CAP budget allocation to achieve their Strategic Plan objectives.

8. APPROACHES AND ROLES OF MAIN ACTORS IN THE CAP REFORM

KEY FINDINGS

- A large number of institutional and external factors impacted the CAP reform process, such as the MFF negotiations, the European Parliament elections, the COVID-19 crisis, and above all the introduction of the Green Deal which proved a 'game changer'.
- A major concern, from the Parliament's perspective, throughout the CAP reform process, was the governance of the CAP, focused on the risk of renationalisation of the CAP and the ability of the Commission to ensure a good degree of coherence in the CAP as a European policy.
- In the reform process the Parliament was seen as adopting the role of guardian of EU principles and the CAP budget, favourably predisposed to policy innovation and acting as policy initiator in some instances. This contrasted with a more conservative stance of the Council, marked by fiscal 'frugality' and a tendency to maximise subsidiarity and minimise 'administrative burden'. The Council also curtailed the negotiations on some proposals by treating the conclusions of the European Council as final decisions.
- In all the institutions, a high degree of fragmentation and intra-institutional difficulties were present during much of the CAP reform process, arising from political, institutional and policy differences, and affecting both the process and the outcomes of the CAP reform. On the Parliament side, internal jurisdictional issues and policy differences between the AGRI and ENVI Committees were particularly noticeable.
- In the final outcome, there were a large number of partial or minor adoptions of Parliament's positions and amendments, as well as some major ones (e.g. social conditionality, a minimum share of direct payments budgets to be spent on eco-schemes, making the redistributive payment mandatory for Member States). Overall, the Parliament's contribution had more impact on the policy components of the CAP than on delivery or resources issues.

The CAP and especially its post-2020 reform is a vast and multi-faceted subject. This study has, accordingly, followed a principle of 'selectivity and coherence' to be able to navigate this subject from an inter-institutional angle. Chapters 2 and 3 have provided an overview of the institutional context and the whole reform package, while Chapters 4 to 7 have examined the inter-institutional dynamics of the reform process in the specific context of four main thematic areas of the CAP: the new delivery model, a fairer and more targeted CAP, the future green architecture, and market management issues.

This chapter considers the inter-institutional aspects of the CAP reform from different cross-cutting perspectives, drawing on the main points arising from the previous chapters and offering a synthesis that acts as the springboard for the final conclusions and recommendations of the study in Chapter 9. It is structured in three sections, covering:

- Specific institutional and major external factors (notably the COVID-19 crisis) affecting the CAP reform process and the resulting overall governance of the CAP (Section 8.1);
- Approaches and roles of the main actors in the reform outcome (Section 8.2);
- Principal areas of Parliament's contribution to different dimensions of the CAP (Section 8.3).

The structure of Sections 8.1 and 8.2 follows closely the questions raised by the specific study objectives (see Annex 1), while Section 8.3 addresses the broader questions emanating from the aims of the study regarding the role and influence of the Parliament in the reform process and the governance of the CAP.

8.1. Specific institutional and external factors affecting the reform process

8.1.1. Effects of specific institutional factors on the reform process

*This section focuses on how the CAP post 2020 reform was affected by specific institutional factors: the adoption of the reform between two parliamentary terms, with the participation of two different AGRI Commissioners, two different AGRI Committees and two different EP plenaries; the overlap between the CAP reform, the MFF negotiations, the Recovery Plan - 'Next Generation EU' - negotiations, and the European Green Deal Package (including the Farm to Fork and the 2030 Biodiversity Strategies); and, the increasing complexity in establishing a unique and consistent CAP resulting in the setting-up of the new delivery model, the National Strategic Plans, and the multilevel interconnections with other EU policies.*¹⁸⁶

A large number of institutional factors, which were not present in previous CAP reforms, overlapped with the post-2020 CAP reform, often coalescing with and affecting the CAP reform process in different ways. Among the various such factors that have been observed in previous chapters three stand out as nodal points: the MFF negotiations, the political changes associated with the two terms of the Parliament and the Commission during the CAP reform process, and the introduction of the Green Deal in the EU and in the CAP.¹⁸⁷

The principal **effects of the MFF negotiations** are seen as affecting:

- The **timing** of the CAP reform, which stretched over a much longer period than in previous reforms.
- The **pressure on overall resource levels** allocated to the CAP, which were persistently below Parliament's expectations – namely, that expenditure on the CAP should remain unchanged in real terms – in the proposals of the Commission and successive 'negotiating boxes' of the Council. (Brexit and alternative policy priorities advocated by the Commission were contributory factors and the finally agreed spending level was only achieved through additional resources from the NGEU package, i.e. outside the MFF and linked to another important external factor, the COVID-19 crisis).
- Substantive **elements of the CAP**, in some cases **directly via European Council conclusions** which were treated by the Council as final decisions outside the scope of the CAP negotiations – as discussed in previous chapters and below, as well as **indirectly**, as a result of the delayed start of the negotiations, **through the time pressure** on Parliament's negotiators to reach a settlement.

The **European Parliament's elections and the ensuing changes** at plenary and committee level, as well as at Commission (College and Commissioner) level had several effects on the CAP reform process, the most significant of which are considered to be the following:

- Delays that resulted in an extended **timing** of the reform process.

¹⁸⁶ Terms of Reference of the study (Annex 1).

¹⁸⁷ The COVID-19 pandemic was also an important factor and it is considered later on in this chapter.

- The new parliamentary arithmetic which usually requires three political groups to reach majority agreement made it **more difficult to adopt policy positions**.
- A more 'political' Commission taking office with **new policy priorities** explicitly affecting the CAP (and endorsed by Parliament through Commission President Ursula von der Leyen's confirmation process).

Last but not least, the introduction of **the Green Deal** is seen as a 'game changer', in the sense that it made a crucial difference in many aspects of the process and became a nodal point around which several institutional factors coalesced. Its main direct and indirect effects that stand out are:

- A new perspective of the place of CAP in the firmament of EU policies as a **horizontal policy cutting across other policy areas**, notably, environment, food safety, trade etc. This also sharpened divisions around whether the CAP should be seen primarily as a farm policy providing income support to farmers and support to production, or whether it should be the means to incentivise change to a more sustainable and greener agricultural sector.
- The triggering of an **intra-institutional reset within the main EU institutions** engaged in the CAP reform process, notably, the jurisdictional friction between the ENVI and AGRI committees of Parliament, and the switch in prominence in the CAP reform process on the Commission's side from the Agricultural Commissioner to Executive Vice-President in charge of the European Green Deal. Moreover, for the first time, it meant that the agricultural policy discussions were not taking place only within the traditional fora of ministers of agriculture and officials, such as the AGRIFISH Council and the AGRI Committee of Parliament.
- **New policy elements and targets** brought into the CAP reform process or reinforced by the Commission as part of its Farm to Fork Strategy and Biodiversity Strategy for 2030.
- A more 'political' and assertive **Commission becoming a negotiating party**, as manifested in the various Commission interventions in the form of letters (guidelines) to Member States in December 2020 on what to put into their Strategic Plans and its active role in the trilogues.
- The Commission also becoming the principal EU institution 'listening' to new large section of stakeholders and providing **a channel to the CAP negotiations for environmental groups**.

8.1.2. Greater complexity and its implications

The increased complexity induced by the many institutional and policy factors that came into play during the post-2020 CAP reform had also a bearing both on the process and the outcome of the reform, especially in terms of the CAP governance.

Regarding the process, the complexity was reflected in contradictory positions pursued by the Parliament. For instance, as explained in previous chapters, the Parliament sought to fix more details at a European level rather than just in the Strategic Plans of the Member States, but, at the same time, different views prevailed within Parliament with some MEPs in favour of more flexibility.

As regards the new delivery model outcomes, this complexity is reflected in considerable remaining ambiguities in the rules, structures, controls and indicators that will govern the future CAP, and several delegated and implementing acts are needed to operationalise some of the provisions in the basic acts (see Chapters 2 and 6).

At a more general level, concerns about the risk of 'renationalisation' of CAP persisted throughout the reform process. An optimistic take of the outcome by many of the interviewees emphasised that the worst has been avoided largely due to Parliament's intervention and that the CAP will not be "less

European” than in the past. However, the jury is still out regarding the final destination as many of the interviewees also regard this reform as “essentially a transitional reform” and much will depend on actual implementation at Member State level. This and the ability of the Commission to ensure a good degree of coherence in the CAP as a European policy will depend on not-yet-fully designed and operationalised interactions between different levels of governance.

The ‘big picture’ of the CAP governance, as emerging from the post-2020 reform process is outlined in Box 1, below, from the perspective of the Parliament.

Box 1: Governance of CAP – The big picture

In the context of this study, **governance** refers to the system of rules, structures and controls put in place in connection with the CAP. These are the outcomes of the EU decision process with regard to the CAP reform and can apply to different but inter-acting levels, from a highest level of ‘strategic governance’ to the lowest of ‘administration’.

The governance of the CAP at its **highest level** is of an overarching character and refers to the roles of the EU institutions and Member States and inter-institutional relationships. At the current, pre-implementation stage of the post-2020 CAP reform the broad roles have emerged as follows:

The traditional central role of the Commission has been weakened with Member States assuming a much greater role through the national strategic plans, moderated by a degree of regionalisation in some countries and an – as yet unproven – performance framework.

The Parliament was in favour of the Commission retaining a strong role, while itself wanting much more scope for asserting its role of the guardian of EU principles rather than expecting to influence the ‘nitty gritty’ of the strategic plans or the indicators system. Nevertheless, for the Parliament to succeed at high-level governance issues and to be able to fulfil its legitimate role of representing EU citizens (and all stakeholders in the CAP, not only farmers), it needs effective feedback during implementation¹⁸⁸ through workable schemes linking it to the other levels of governance, such as structured dialogue mechanisms.

At a **middle level** there are the governance and coordination systems put in place in connection with the Strategic Plans (see Chapter 4). They largely build on existing **governance structures** (Competent Authority, Paying Agency/Coordinating Body, and a strengthened Certifying Body, plus Managing Authority and Monitoring Committee). **Result orientation** is vital for making meaningful the ‘new division of labour’ between EU and national authorities. The results-oriented approach includes the objectives of the CAP, the specifications on the contents of the CAP Strategic Plan and the performance framework including reporting, and the common set of indicators (SP Regulation), as well as the specifications on clearance and control and sanction specifications (Horizontal Regulation).

At the **lowest level** there are practical considerations regarding aspects of governance such as dealing with the beneficiaries, administration and reporting. In conjunction with less detailed regulations, the various elements of result orientation take on a central importance, and the way they will eventually be set up and operated will have a major bearing on the ability of the Commission and Parliament to play the roles envisaged in the highest level. Among them the practicalities of the agreed **common indicators** are at the heart of the new result-based policy approach: for performance clearance the output indicators and for performance review the result indicators and milestones.

¹⁸⁸ The Parliament attempted to ensure that it had a role and proposed an Amendment (Article 127a) asking the Commission to commission an independent evaluation of the national strategic plans to make sure they had sufficient ambition with respect to Green Deal targets. The final agreement was that the Commission itself will draw up this analysis and submit it to the Parliament (thus giving it the opportunity to comment) plus various other commitments that give Parliament a better oversight role.

8.1.3. Effects of the COVID-19 pandemic on the outcome of the reform process

The COVID-19 pandemic has loomed large over a long stretch of the reform process and impacted on it in different ways.

First, the economic crisis induced by the pandemic brought **food security** and employment maintenance to the forefront of EU priorities. In the early stages of the crisis 'strategic autonomy' and 'food sovereignty' were particularly prominent reflecting some concern about the vulnerability of long supply chains and therefore promoting a discourse on increased self-sufficiency and shorter supply chains. Food security has remained at the heart of EU policy thinking beyond the initial COVID period and has been recently reinforced by the Ukraine crisis, with an emphasis on the need to 'produce'.

This refocusing of EU priorities had various by-effects on the CAP process. For instance, it helped **reinforce the Parliament's mandate** regarding market regulation and social conditionalities (see Chapter 7), as highlighted in several interviews of the study. It also contributed to a new, albeit small, evolution in terms of financial resources: for the first time, **part of the CAP budget will come not from the MFF** (based mainly on national budget transfers to the EU) but from borrowing on international financial markets via the Next Generation EU.

Second, the disruption and delays caused by the COVID-19 crisis were a contributory factor that made necessary a **two-year delay** in the start of the new CAP period and the establishment of the CAP transition period, 2021-2022. Moreover, it seriously affected the ability of all EU institutions to conduct the procedures entailed in the reform process. **Negotiations** that rely on personal contact and interaction were particularly impacted and, as acknowledged by all sides, the negotiators of the Parliament found themselves in a disadvantageous position during online sessions, being unable to consult each other informally and align their positions without face-to-face exchanges.

8.2. Approaches and roles of main actors in the reform outcome

This section considers *the approaches and the respective roles in the reform outcome of the main actors, including: EP bodies; European Council and Agriculture Council (and supporting fora, such as the 'Special Committee on Agriculture' - SCA and ad hoc 'National experts' groups'); and European Commission (including both AGRI Commissioners involved as well as other members of the Commission College with a particular interest in the CAP reform)*.¹⁸⁹

The complexity of the CAP reform process, highlighted earlier on in this chapter, meant that the main institutional actors had to engage with a plethora of topics and specific issues, to which not all actors attached the same weight. The roles played by the main actors, their positions, inter-institutional negotiations and specific outcomes, have been explored in the previous chapters in the context of four main thematic areas. This section seeks to bring out key aspects of these roles and underlying issues.

8.2.1. The role played by the European Parliament and EP bodies

The role that Parliament played and the way it operated in this reform process needs to be placed in **the context** of both the singularity of this reform in terms of complexity and prolonged time scale, and the Parliament's post-Lisbon powers as co-legislator.

While the Commission and the Council are by definition 'permanent' (although in the latter, rotating Presidencies have a key enabling role that can speed up or slow progress in negotiations), the work of Parliament is punctuated by elections and the subsequent institutional changes that result from them.

¹⁸⁹ Terms of Reference of the study (Annex 1).

As in the previous period, there was the election for the European Parliament in the middle of this legislative cycle.

Thus, time pressure was an incentive to reach agreement: the end of the previous CAP period in 2020, the need for a replacement to be in place by then, and the elections in May 2019. All three institutions had an incentive to reach a deal in time as to avoid the often very vocal reaction of the farming sector and rural community. However, each had different incentives:

The Commission needed a deal, but was equally keen that the new CAP reflected the new priorities of the von der Leyen Commission after it took office in December 2019, even if this risked further delays.

Member States and Council could first delay significant progress, aware that it would be a different Parliament and Commission after the elections and, after the elections, seek to pressure Parliament into finalising the agreement in the knowledge that the farming and rural community needed a new regime in place for when the 2014-2020 period ended.

The Parliament was fully aware that as the only directly elected body of the three institutions it was the more directly exposed to public outcry in the event of a no deal. Furthermore, the May 2019 elections meant that there would be over six months while the Parliament reconstituted itself, possibly with a very different composition that might reopen Parliament's position, potentially bringing additional delays to negotiation. The keenness of the MEPs of the 8th Parliamentary Term to leave a political legacy ahead of the elections also acted as a key driver. Thus, Parliament did react to this pressure by putting a lot of energy into providing its Opinion before the end of the 8th term, but it was still not fast enough for the Parliament to vote on this to give a mandate. After the Parliament reconstituted with a much-changed composition there was indeed intra-political group bargaining to modify the AGRI Committee position but only in a limited number of articles, while also incorporating the new Commission's priorities of the Green Deal.

Hence, the Parliament was entering the negotiations on the CAP reform under time pressure and, while assuming that in this, second post-Lisbon CAP reform, it would be playing a full role as equal co-legislator it had also to content with the overlapping MFF negotiations. As with previous periods, the MFF 2021-2027 negotiations took *de facto* precedence over specific policy areas including the CAP negotiations. As mentioned earlier on, this affected the negotiations in several ways, including: by delaying progress in the CAP negotiations until the 2021-2027 MFF was agreed in July 2020; and, by the European Council settling detailed aspects of CAP delivery that formally are now under co-decision. This increased the leverage of Council over the Parliament's prerogatives under co-decision in trilogues negotiation. It also allowed the Council to control the calendar of CAP negotiations by making them subordinate to European Council decisions.

This interpretation by the Council of the existing Treaty powers undermines the significance of Parliament having co-decision powers *vis-a-vis* pre-Lisbon times on CAP issues and has been deplored by Parliament.¹⁹⁰

A common thread regarding the overall **role played by the Parliament**, emerging from both documentary analysis and the study interviews, is that the Parliament sought to play a broad role, covering the full spectrum of issues on the table during the CAP reform process. In these efforts we can distinguish a main thrust to maintain the EU character and commonality of different parts of the CAP, as in its stance on the risk of the 'renationalisation' of the CAP and its support for setting more detailed

¹⁹⁰ "In particular, the European Parliament notes that the Council did not enter into meaningful negotiations on the capping and degressivity provisions laid down in Article 17 and the flexibility between direct payments allocations and EAFRD allocations laid down in Article 96, and considers the outcome of negotiations on those Articles to be unsatisfactory" (2021/C 488/01).

provisions at European level rather than leaving matters to the discretion of the Member States. As such, the Parliament has been well focused on strategic aspects of governance of the CAP.

In other words, the Parliament was seen as adopting a role of **guardian of EU principles** in addition to a more traditional role of **guardian of the CAP budget**,¹⁹¹ notwithstanding the limitations that have been witnessed in its position *vis-à-vis* the European Council and the Council of the EU. The Parliament is also clearly open to policy innovation in the CAP as illustrated by its efforts to ring-fence a high share of Pillar I budget for the new eco-schemes. Moreover, in some instances, it has taken the lead as **policy initiator**, notably in advancing policy elements in the field of market management acting as the main *demandeur* (e.g. in seeking changes to provisions in the Amending Regulation and introducing social conditionality).

In the next section, we consider further the role played by the Parliament and its contribution to the final outcome of the CAP.

However, going beyond the inter-institutional role of the Parliament – such as guardian of EU principles and CAP budget – and looking into the **intra-institutional dynamics**, it is worth noting that Parliament could not always play this role in unison and its involvement in the CAP reform process has been characterised by underlying fragmentation and internal difficulties in reaching common positions, notably between political groups and committees and especially between the ENVI and AGRI committees. Indeed, some of these disagreements were carried on into the trilogues stage, with their resolution ultimately resting on compromises reached between individual negotiators on the Parliament side.

The shared competence of the AGRI Committee with ENVI has attracted considerable attention and has been raised in the study interviews. Since many articles in the SP Regulation dealt with environmental and climate topics, the ENVI Committee took part in negotiating the green architecture with shared competence (Chapter 2). Compared to the CAP 2014-2020 trilogues, the ENVI committee gained influence in the negotiation process as the rapporteur (but not the shadow rapporteurs) took part in the trilogues on the SP Regulation. During the preparation of the Parliament's position on the legislative proposal, some discussions about the environmental ambition of the future CAP took place between the two committees. The same debates emerged within the committees because the ENVI and the AGRI positions varied markedly between different political groups. Some of the talks between the committees were mediated with the help of the personal relationships between responsible MEPs belonging to the same parliamentary groups.

Intra-institutional issues did not appear only between committees. The fact that the CAP legislative proposal was covered by three regulations entailed the involvement of different rapporteurs, shadow rapporteurs, etc. This was particularly noticeable in the new delivery model with its essential elements running through the SP Regulation and the Horizontal Regulation. Therefore, the division of the work between two rapporteurs with assigned shadow rapporteurs was not appropriate and, as the study interviews showed, the different parts were balanced at the operational level through the personal efforts of the main actors.

8.2.2. The role played by the European Council, the Council of the EU, and their bodies

As already highlighted in the previous section, the role of the European Council was particularly significant in the context of the MFF negotiations and in setting the CAP budget which contributed to the extended duration of the CAP reform process. Moreover, the attitude of the Council negotiators, in

¹⁹¹ The European Parliament has traditionally and on every occasion called for a larger CAP budget.

effectively excluding a number of elements from the trilogues as already decided on the basis of European Council conclusions, placed Parliament in a disadvantageous position.

Overall, the assessments presented in the previous chapters have highlighted that the Council played this strong card on three fronts:

- **Fiscal ‘frugality’**, seeking to contain and, if possible, reduce the overall financial resources committed to the CAP, combined with *juste retour* considerations;
- A defensive attitude towards reform (which many interviewees have identified as the typical Council stance) at the early stages of the process, followed by a combination of a tendency to **maximise subsidiarity** at Member State level and **minimise administrative burden** in the implementation of the CAP in later stages of the negotiations.
- **Preventing** any effective **negotiation** on points covered by the European Council conclusions, essentially capping and flexibility to move resources between the Pillars.

Regarding the supporting bodies within the Council, the **Special Committee on Agriculture** is generally recognised as being of great importance in maintaining coherence between Member States and continuity in decision making. It is also the *bête noire* of environmental groups campaigning for a more environmentally ambitious CAP because of its highly specialised mandate and representation.¹⁹²

This generalised characterisation of the collective stance of Member States tends to hide different positions and priorities expressed by **individual Member States and** in some cases **groups of them**¹⁹³ both prior to the Commission’s legislative proposals and during the negotiations, and these are well documented. Additionally, the study interviews noted a large number of references to particular priorities pursued by Member States or instances where a country or group of countries successfully resisted certain proposals.

In the pre-legislative period,¹⁹⁴ examples of positions put forward by individual Member States include those from France, Netherland and Poland, while group statements emanated from the ‘Visegrad Group’ and other gatherings of Member States.

Examples at later stages of the CAP reform process include a joint declaration by Spain and France in September 2020,¹⁹⁵ and a non-paper from a group of countries led by France objecting to the Commission’s demands for more data on monitoring and evaluation in March 2021, during the negotiations.¹⁹⁶

Overall, the positions and contributions of Member States presented a state of fragmentation during most of the period of the reform process. Although a systematic analysis of the intra-institutional dynamics within the Council falls outside the scope of this study, the study interviews have referred to different factors that sustained this fragmentation, such as the absence of a strong common Franco-German position on this occasion and the lack of a UK counterpoint which traditionally acted as reference points for the positioning of other Member States. The persistence of the ‘Visegrad Group’ was also underlined, with their statements on the need for a production orientation, including coupled

¹⁹² The Special Committee on Agriculture (SCA): A sixty-year-old obstacle to an environmentally ambitious CAP? ClientEarth, October 2020.

¹⁹³ In the study interviews, the ‘Visegrad Group’ has been singled out in study interviews as ‘very disciplined’ and ‘the four large countries’ are seen as the crucial factor when FR, DE, IT and ES form a common position.

¹⁹⁴ E.g. FR/DE led ministerial meeting in Chambord, ‘Principles for a future CAP for the EU-27’ outlined at the agricultural ministers meeting in Chambord, IEEP – LINK; Outcome of the meeting of the Ministers of Agriculture of the Visegrad Group extended by Bulgaria, Romania (2016).

¹⁹⁵ Statement of the Ministers of agriculture of Spain and France on future CAP, 16 September 2020.

¹⁹⁶ Non-paper from Austria, Denmark, France, Ireland, Germany, Spain, and The Netherlands on the additional data needs for Monitoring and Evaluation.

support, reflecting the fact that modernisation of their agricultural sectors still lags far behind those in the older Member States. This fed into the cleavage around the primary role of the CAP which was noted earlier on in this chapter in connection with the effect of the introduction of the Green Deal proposals.

The study interviews suggest that it was ultimately possible to overcome this fragmentation and find a consensus when “several pieces of the jigsaw fell together”, some of them down to political, national or even personal closeness of some of the protagonists in the negotiations, such as: time pressure on all sides; close cooperation between the German Presidency and senior AGRI actors, including some of them from Germany and from the same political group (EPP); similarly close cooperation (“joint operation”) between the French government, Renew group, ENVI Committee and Executive Vice-President Timmermans; social conditionality bringing significant kudos to S&D and helping to bring sceptics in that group to vote in support of the final compromise; and, the consensus around 25% for eco-schemes (“a magic number, a symbolic milestone without which the agreement would not have been reached”).

8.2.3. The role played by the European Commission

The Commission’s role, by statute and convention, as policy initiator was fully reflected in this CAP reform. The Commission played its customary substantive role from the beginning to the end of the process, starting with a very thorough Impact Assessment. Its proposals were frequently characterised by elements of innovation (with Parliament, often but not always, likewise inclined).

The main novelty in this reform was the significant institutional change in the role of the Commission, mostly emanating from the structural implications of the Green Deal which, *inter alia*, affected the CAP reform negotiations. In this, the Commission asserted the right to reintroduce substantial new proposals during the legislative process and even mentioned its right to withdraw the original proposals. Perhaps the most tangible change, was the *de facto* role of the Commission as a third negotiating party, in addition to the co-legislators, the Council and the Parliament. This change was underlined by the high-profile involvement of the Executive Vice-President Frans Timmermans.

Below the high political profile adopted by the Commission, DG AGRI was very active throughout the negotiations. For example:

- It presented country analytical factsheets under the nine specific objectives of the new CAP, intended to direct Member States in their preparation of their Strategic Plans;¹⁹⁷
- It used special software for uploading of the CAP Strategic Plans;
- It pushed hard on the digitalisation agenda, both in terms of reporting on the CAP Strategic Plans but also on the need for more active AKIS in the Member States;
- It issued several explanatory factsheets to suggest how the new eco-schemes might be used¹⁹⁸ and previously had issued examples of four flagship eco-schemes;¹⁹⁹

It successfully reorganised its internal administration into geo-hubs to support Member States in preparing their Strategic Plans, so that every Member State has a direct counterpart to whom they can address questions and seek clarification.

¹⁹⁷ European Commission (2020f).

¹⁹⁸ European Commission (2021c).

¹⁹⁹ <https://www.politico.eu/wp-content/uploads/2020/10/Eco-schemes-4-final.pdf>

It is noteworthy that at **intra-institutional level** it was only the Commission that set up and used for the negotiations a cross-sectoral mechanism, a high-level Task Force including all relevant directorates-general. Moreover, as highlighted in one of the study interviews, it is the Commission's intention that this Task Force will contribute to the approval of the Strategic Plans.

8.2.4. Multi-institutional and stakeholder involvement

Multi-institutional involvement at different stages of the operation of the CAP reform, such as the definition and implementation of the CAP Strategic Plans, and similarly the participation of stakeholders, were raised but did not feature as a major issue in the negotiations.

An interesting manifestation of this issue is the need for a **structured dialogue**. Different concepts can be seen as fitting this need and they are not mutually exclusive. First, the original suggestion from the Commission for a structured dialogue for the preparation of the CAP Strategic Plans, including recommendations to each Member State in respect of the nine CAP specific objectives, before the draft CAP strategic plans were formally submitted by the Member States.

Second, the structured dialogue could be a means for allowing an involvement for the Parliament in the framework of greater transparency demanded by the Parliament.

Third, the structured dialogue could take place at EU level with partners involved in the CAP. Similarly, such dialogue could be at Member State level, based on partnerships with the competent regional and local authorities, among other economic and social partners. This approach was proposed by the Commission and supported by the Parliament which moreover required a summary of comments submitted by the economic and social partners to be annexed to the strategic plan, something that is not included in the final requirements.

8.3. The contribution of Parliament to the different dimensions of CAP: policy, resources, delivery

The positions put forward or supported by the Parliament, and the way they fared in the inter-institutional negotiations, were analysed in the specific thematic context of Chapters 4 to 7. Bringing together Parliament's positions that have made their way to the finally agreed legal documents helps us to form an overall, though broad-brush, picture of the areas in which the Parliament had an actual influence on the final outcome of the CAP reform. Moreover, it could help provide indications of strengths or weaknesses that could inform the recommendations to assist Parliament on its approach to future CAP reforms.

Such an exercise relies primarily on the amendments the Parliament proposed in the subject areas examined by the study and the extent to which these were adopted in the final legal texts.²⁰⁰ This does not take into account the relative importance that the other institutions, Commission and Council, attached to a particular proposal or the closeness of their own positions to that of the Parliament.

Within this type of assessment, the weight of apparent successes or failures can vary significantly. Some successes concern relatively minor issues, some represent partial adoption of the Parliament's position in the legislative texts, while others appear in recitals or statements. To form a view as to which cases represented a significant degree of influence on the side of the Parliament, the study has also taken into account the assessments in the interviews conducted with different institutional players regarding the extent to which the Parliament's aims were achieved.

²⁰⁰ It does not attempt to evaluate if the amendments and their adoption made the CAP as finally agreed fairer, more flexible, greener.

Figure 4, below, brings together the main cases that have been judged in the analytical chapters as demonstrating that a position / proposed amendment by Parliament has been taken up fully or partially. Those that have been taken up to a considerable extent and are also judged to fulfil or come close to Parliament's aims are classed as 'major'. The remaining are labelled as 'partial/minor' covering partial take up or inclusion in the recitals of the legislation or in joint statements. This figure also shows the relative importance of the topics. The weightings used refer to the significance of the issue in overall reform package and is not a normative assessment whether the change is desirable or not.

The overall picture that emerges has three key characteristics.

First, Parliament's positions have been taken up across the board through a **large number of partial or minor** adoptions of its positions and amendments. This may reflect a combination of the multitude of amendments tabled by the Parliament and the relatively 'empty' proposals of the Commission which left much of the detailed specifications to Member States. Thus, the Parliament's positions made a substantial contribution to the final outcome notwithstanding that the Parliament did not succeed with all its amendments.

Second, there is a group of cases where there is a **major take up of Parliament's positions** and amendments and which are assessed by study interviewees²⁰¹ across institutions, supported by all other evidence considered by the study, as cases of significant influence by the Parliament, including:

- **Eco-schemes** – Minimum share of direct payments budgets to be spent on eco-schemes (and extension to include animal welfare).
- **Social conditionality:** For the Parliament, the introduction of social conditionality was a significant achievement, underlining its ability as a co-legislator to introduce important new concepts into a legislative file.
- The Parliament succeeded in **allocating a minimum budget to the redistributive payment** and to maintaining the Commission's proposal to make the redistributive payment mandatory for Member States except in limited circumstances.
- **Financial settings and audit requirements:** The Parliament influenced the contribution rates and strengthen the audit requirements to protect the financial interests of the Union.
- The Parliament succeeded in significantly increasing the resources devoted to **support for young farmers.**
- **Market management:** The Parliament achieved several of its objectives in the final outcome.
- **Sectoral interventions:** The Parliament succeeded in strengthening the role of interventions for certain sectors in the SP Regulation.
- **Risk management:** The Parliament's overall goal to strengthen and widen risk management provisions in the new CAP was broadly achieved.

Third, looking **across the thematic areas** covered by the study, it appears that where the Parliament was less influential regards the move 'towards a more flexible and simplified CAP' (Figure 5).

²⁰¹ Many assessments made by interviewees are subject to interpretation, for instance in several interviews senior parliamentarians considered the outcome of the negotiations on a particular issue as "satisfactory" or "reasonable compromise" by placing it in a longer-term perspective ("a step in the right direction", "the reform hasn't finished, it'll continue over time"). Thus, assessments like "no strong renationalisation" have not been included as achievements in this table.

Figure 4: Degree to which EP positions are reflected in the final outcome of CAP reform

A	B	C	D
Ref	Topic / sub-topic	Major	Partial / Minor*
4	Towards a More Flexible and Simplified CAP		
	Greater subsidiarity & flexibility [4.3.1]		
4a	More detailed specifications for interventions		✓
4b	Financial settings and audit requirements	✓	
4c	Governance structures		✓
	Result orientation [4.3.2]		
4d	CAP objectives		✓
4e	CAP Strategic Plan and approval procedures:		✓
4f	Common indicators		✓
4g	Reporting requirements		✓
4h	Performance Clearance, Review and Bonus		✓
4i	Evaluation		✓
4j	Simplification [4.3.3]		✓
5	Towards a Fairer and More Targeted CAP		
5a	Allocating min. % of direct payments to redistributive payment [5.3.2]	✓	
5b	Internal convergence [5.3.3]		✓
5c	Coupled payments [5.3.4]		✓
5d	Support for young farmers [5.3.5]	✓	
5e	Definition of 'active farmers' [5.3.7]		✓
5f	Social conditionality [5.3.8]	✓	
6	Towards a Greener CAP		
6a	Definitions and conditions [6.4.1]		✓
	Enhanced conditionality [6.4.2]		
6b1	GAEC 1		✓
6b2	GAEC 2		✓
6b3	GAEC 4		✓
6b4	GAEC 5		✓
6b5	GAEC 7		✓
6b6	GAEC 8	✓	
6c	Direct payments budgets to be spent on Eco Schemes [6.4.3]	✓	
6d	Agri-environment-climate commitments [6.4.4]		✓
6e	Green Deal, Farm to Fork and Biodiversity Strategy [6.4.5]		✓
7	Market Management in CAP		
7a	Market management [7.3.1]	✓	
7b	Strengthened crisis management mechanisms [7.3.1]		✓
7c	Agricultural reserve [7.3.2]		✓
7d	Sectoral interventions [7.3.3]	✓	
7e	Risk management [7.3.4]	✓	
7f	Import standards [7.3.5]		✓
7g	Wine [7.3.6]		✓
7h	Quality products [7.3.6]		✓

* including recitals and statements



Darker background colour signifies greater importance of a topic in the reform process

The contribution of the Parliament to the CAP reform can also be assessed along horizontal aspects such as the policy components, the resources and the delivery of the CAP. Such an assessment has already been offered in the context of each of the thematic areas covered in Chapters 4 to 7, focused on the 'attempted' contribution of the Parliament, as against the actual areas in which it actually proved influential.

An overall picture emerges from assigning each of the cases in Figure 4 to one or more of the three cross-cutting dimensions of the CAP. This is illustrated in Figure 5, below.

Figure 5: Main areas of Parliament's contribution to the CAP reform



The overall picture shows that the Parliament has found a greater scope for contributing on policy components and less on delivery or resources issues. Regarding policy, the Parliament's influence was particularly felt on elements with innovative, greener and especially social orientation, such as social conditionality and risk management.

In resource-related issues, the Parliament's contribution had a strong focus on distributional policies, having been effectively cut out of the decisions regarding the overall financial envelope of the CAP. A minimum share of direct payment budgets to be spent on eco-schemes, support for young farmers, and allocating a minimum percentage of direct payments to the redistributive payment mandatory, are typical cases of a firm contribution from the Parliament.

The Parliament also made a considerable effort on CAP delivery with several but relatively modest cases of influence on the final outcome. This seems to be in part the result of the main thrust of Parliament's efforts which was, as already observed, on maintaining the integrity of the CAP as a European policy and aimed at more a detailed specification, albeit with limited success.

9. CONCLUSIONS AND RECOMMENDATIONS

KEY FINDINGS

- As CAP negotiations and Parliamentary terms are often 'out of sync', the Parliament is naturally at a disadvantage compared to the Commission and Council. These also have more capacities and resources to support them in what are often very time-constrained negotiations.
- The Parliament could increase its effectiveness in the negotiations by seeking to bolster the internal consistency of its position in the pre-legislative stage and throughout the negotiations, with a narrower set of proposals, both in terms of strategic objectives and specific amendments.
- The move of the Commission from honest broker to a more politically motivated and equal player in the trilogues with respect to Parliament and Council gives an opportunity for Parliament to exercise leadership in the negotiations to promote the common EU interest while addressing the concerns of the various CAP constituencies.
- To do so, it needs to significantly increase its in-house analytical capacity ahead of and particularly during negotiations to be able to push back contradictory evidence put forward by the other institutions and the wider set of CAP stakeholders.
- Overall, the Parliament needs to reflect on the post-2020 CAP reform and form a view as to the role it should be playing in future reforms, and implement in a timely fashion a range of actions, selected according to the direction in which it wishes to move, such as those suggested in this study.

This report examines the decision-making dynamics of this CAP reform at EU institutional level, in particular from the standpoint of the European Parliament's co-decision powers in negotiating the new CAP regulations.

It has considered in detail through several chapters the key features of the CAP 2023-2027 and particularly the future implications of the new delivery model and the further degree of decentralisation towards Member States that this approach entails.

This chapter draws on the findings in previous chapters to formulate specific recommendations towards improving the EU agricultural decision-making process from a Parliament's perspective, as well as to assist Parliament in preparing for future CAP reforms.

9.1. The role of Parliament in future CAP reforms

9.1.1. Evolution of Parliament's role under co-decision

The CAP was the last policy field to be placed under the Ordinary Legislative Procedure (OLP). The CAP negotiations for 2014-2020 was the first to be decided under the co-decision rule and, to some extent, amounted to a 'learning process' in terms of new roles and rebalancing of power between Parliament, Council and Commission.

Previous academic work had hypothesised that the introduction of co-decision would lead to a significant shift in the balance of power in favour of the European Parliament, only balanced by the analytical and capacity resources of the Commission, and the pre-eminence of Council in setting the

EU budget. However, the research findings²⁰² showed that the changes in institutional roles during the 2013 reform were more nuanced. The Parliament and the Council were less ambitious than the Commission on issues such as greening. In other aspects the European Parliament wanted to go further than the Council in some issues such as market regulations.

Equally, the negotiation dynamics changed under co-decision as this procedure brought more transparency and thus more outside accountability, in turn increasing the pressure on the negotiators from external stakeholders. Another significant change is that Council Presidencies now represent all Member States, unlike what was previously the case. Further, the European Council played an important role by including many decisions on aspects of the CAP reform in its conclusions on the 2014-2020 MFF, thus reducing the scope of decisions on CAP post 2013 that could be done autonomously via the OLP.

9.1.2. The role played by Parliament in the post-2020 CAP reform

Similar dynamics played out in the post-2020 reform. A distinctive feature in the recent negotiations was the more active role of the Commission in championing its own proposal (including additional elements in the package following the installation of the new Commission, notably the Green Deal) rather than brokering a compromise between Council and Parliament.

Has Parliament's role been influential? Parliament tried to cover a very wide ground in its amendments while at the same time ensuring that the CAP remained clearly a common EU policy with a budgetary means to match that ambition, while facilitating policy developments, such as in ring-fencing of Pillar I for eco-schemes, and was particularly active in market management issues. Its positions were also particularly reflected in the final deals on social conditionality, the ring-fencing of redistributive payments and their mandatory implementation, enhanced conditionality, audit requirements, risk management and support for young farmers. Overall, however, the final CAP deal pivoted around the Commission's original proposals, particularly around the flexibility and simplified intervention logic of the new CAP. The Council focused on status quo and issues such as capping and degressivity.

The degree of success of the Parliament was affected by the changes in inter-institutional dynamics between the three institutions and by timing: the electoral sequence, coupled by the delays due to COVID-19, and the public demand for a new CAP to be agreed and up and running in time put comparatively more pressure on MEPs, as directly elected democratic representatives, to reach a deal than they did on the Commission and Council.

However, Parliament's position was equally the result of its own internal organisation, reflecting Parliament's own diversity, and which involved a relatively large number of players and dossiers and a very broad negotiation position to satisfy its diverse set of constituencies including farming and rural communities as well as other increasingly influential voices in the context of CAP such as environmental actors. Coupled with capacity issues, as compared to the resources that the Council and Commission can deploy in trilogues, this much broader negotiation mandate makes it more difficult to manoeuvre when trade-offs need to be reached across the various aspects of CAP.

²⁰² Swinnen, J F M (2015), pp. 11-15.

9.1.3. Potential roles for Parliament in future reform processes

Formal and enhanced parliamentary roles

The Parliament's role since it became a directly elected legislature in 1979 has been progressively enhanced as co-legislator, moving from the right to be consulted, to provide assent to finally reach co-decision legislative powers with the Council in most policy areas in the 2009 Lisbon Treaty, hence the renaming of co-decision as the Ordinary Legislative Procedure.²⁰³ Its other key power under the Treaties is that of Budgetary Authority together with the Council (Art. 314 TFEU). Also, potentially and politically important is the indirect right of initiative under Art. 225 TFEU whereby the Parliament can request (but not force) the Commission to table a legislative proposal but which it is required to justify if it refuses to do so. Furthermore, the Interinstitutional Agreement between Parliament, Council and the Commission on Better Law-Making and the Framework Agreement between the Commission and Parliament give significant leverage in holding the Commission and Council into account on delivery of EU policies and shaping their EU respective policy priorities.²⁰⁴

Parliament has been particularly active and creative in expanding these roles away from the more restrictive interpretations that might otherwise be adopted by the Commission and Council, and more widely in enhancing its prerogatives.²⁰⁵ It draws its enhanced influence beyond the Treaty provisions from the advantage of having a direct democratic mandate, from its ability to mobilise and engage with public opinion and from its own resources: own initiative opinions, hearings, parliamentary delegations and study visits; outreach activities in Brussels and on the ground; meeting constituents, activities organised by the European Parliament offices in each Member State, media outreach as well as its own in house research capacity. These are all considerable means to enhance its role and influence.

Shifting relationships between the three institutions

Given the inter-institutional shift where the Commission is now a more political²⁰⁶ institution, the Parliament has a potentially very significant enhanced role, one that goes beyond its formal powers of co-legislator, by having a more proactive role in shaping future CAP policy from the pre-legislative stage through co-decision and implementation.

The Parliament and Commission have traditionally been natural allies but the Commission has moved from being a broker between Council and Parliament to one where the Commission priority is to defend its original positions (partly a result of the enlarged Parliament and Council memberships) compared to one or two decades ago.²⁰⁷

At the same time the role of the European Council has been strengthened over the same period reflecting a heightened intergovernmental trend since the 2008 crisis.²⁰⁸ In the case of the CAP, even though they were less detailed for the post-2020 negotiations than in the previous period, key red lines on capping and flexibility were set by the European Council's MFF conclusions at the start of the process.

²⁰³ Craig, P P and De Búrca G (2020).

²⁰⁴ Corbett, Jacobs and Shackleton, (2016).

²⁰⁵ Priestley, J (2008).

²⁰⁶ A term coined by the Juncker Commission and which the von der Leyen Commission would also identify with.

²⁰⁷ Bressanelli, E and Chelotti, N (2020).

²⁰⁸ Eckhardt, M and Wessels, W (2018).

This might change in the future if the NGEU leads to a MFF that is also based on ‘new own resources’ and not financed by national coffers as at present. An EU budget in the future may have a sizeable part of its resources sourced autonomously from Member States’ contributions by so-called ‘European taxes’, such as on plastic as present but potentially covering emissions trading and international corporate profits. This would avoid *juste retour* dynamics whereby national contributions and EU negotiations are primarily focused on how much money is put in and received from the EU budget and instead focus debate on whether such transfers and the policy they support add value.²⁰⁹ In that scenario, the Parliament’s proactive and independent role would be strengthened both *vis-à-vis* the other EU Budgetary Authority, the Council, and *vis-à-vis* the Commission.

According to some study interviews, the outcome of the post-2020 negotiations is seen as a transitional CAP, with post-2027 policy to be affected by the path dependencies generated by the decentralisation of the new delivery model and, possibly, the long term impact of the COVID-19 crisis which led to the ‘crossing the Rubicon’ whereby significant EU budgetary means would not come from national budgets but from common EU debt issuance and new own resources by way of EU levies and forms of taxation.

Parliament’s role in the delivery of CAP

The Parliament can only indirectly influence the delivery phase. In addition to its role in approving delegated acts and the financial discharge of the CAP budget it has a crucial role in holding the Commission to account, but it only has imperfect information to be able to do so.

With the adoption of the new delivery model and the enhanced subsidiarity it brings there is the risk that information flowing back from the national to the EU level might do so in a way that would not be necessarily comparable and understandable at EU level. The move of the CAP, together with other key EU policy areas, towards a result-oriented policy framework rests on the robust design of indicators and the information they provide on the situation on the ground. It is crucial that they are able to reliably show progress, or lack of it, with respect to the baseline of the previous period.²¹⁰ This is particularly relevant in the case of the CAP due to its size, diversity and political sensitivity.

The more CAP interventions are tailor made to the domestic context, the less standardised the CAP becomes. Evaluating the effectiveness and performance of the policy using very general EU standardised output and result indicators may not be enough to capture important developments. Under that pessimistic scenario the Commission’s ability to monitor and evaluate performance might be affected by insufficiently robust evidence from which to draw lessons for the following policy cycle. In turn, this would weaken the Parliament’s ability to fully exercise its scrutiny powers.

This is a particular concern this time round given that, due to the timescales for this exceptionally shortened CAP 2023-2027 period, the preparation of the post 2027 proposals will take place in 2025, while the *ex-post* evaluation of the current funding period will not come until 2026 and the implementation of the new 2023-2027 period will only be in its early stages.

A possible new role for Parliament in future CAP reforms

The post-2027 CAP reform provides an opportunity for the European Parliament to expand its ability to shape this policy.

²⁰⁹ Crowe, R (2020).

²¹⁰ Lovec, M, Šumrada, T and Erjavec E (2020).

To do so Parliament needs to draw from the experience of two CAP negotiation rounds under co-decision, particularly considering the shift in the balance of power with a more political Commission, the enhanced inter-governmentalism of Council and European Council and the likely shift in the future of EU finances towards debt mutualisation and own resources that has happened as a result of the COVID-19 crisis. Parliament has the opportunity to become a more proactive institutional player that enhances its political autonomy and institutional independence *vis-à-vis* the Council and Commission.

Furthermore, the future shape and even identity of CAP is being shaped by the introduction of the new delivery model with the greater flexibility for Member States and less detailed oversight from the EU institutions, and the increased demands laid upon CAP (environmental, climate, public health, animal welfare, the future of rural areas beyond farm activity as in the new EU Rural Pact, Cork 2.0, rural proofing, smart villages), well beyond its original mandate of food security and agricultural income support. Given its democratic mandate and proximity to the rural and farming constituencies, Parliament will be increasingly at the centre of these competing, when not sometimes contradictory, demands.

Against this background, Parliament would ideally seek to enhance its internal cohesion at an earlier stage, narrowing down its negotiation priorities further than at present. In order to enhance its institutional independence and mediate between these various constituencies as well as *vis-à-vis* Council and Commission it would need to expand its evidence based capabilities for new legislative proposals. It can draw useful experiences from comparable legislatures such as the US Congress and the various tools it has at its disposal.²¹¹

Its objective should be to improve its capabilities to more efficiently request and process enhanced information from Member States and the Commission on the delivery of CAP, to assess contrasting evidence and opposing claims from across the CAP community, and to readily have sound legal, economic and environmental data to directly inform in real time the trade-offs and alternatives during the co-decision process. This objective should ideally be achieved through cooperation, especially with the Commission, rather than duplication.

9.2. Recommendations

The Parliament's actual and potential role in CAP, especially in a context of an ongoing reform process, can be multi-faceted. The experience gained since the introduction of the Lisbon Treaty and the broader changes in the EU decision making environment make it necessary for Parliament to reflect on the post-2020 CAP reform and form a view as to the role it should be playing in future reforms.

Continuing with the status quo, strengthening and/or broadening its role would call for different approaches, capacities and time horizons. Parliament will need to implement in a timely fashion a range of actions, selected from those put forward below or other appropriate options, selected according to the direction in which it wishes to move.

9.2.1. Strategic

As the EU institution that is directly elected, the European Parliament has to balance growing EU ambition (e.g. new sustainability targets) with the demands from the national and regional level and specific agricultural sectors in the context of a finite amount of EU financial resources, in whose setting Parliament has limited powers.

²¹¹ European Parliament, In-depth analysis, (2016).

As the most accessible of the three institutions, the Parliament is subject to and needs to broker the triple pressures of national institutions that tend to overemphasise the challenges of moving from the status quo, the Commission defending its own agenda, and stakeholders.

This need for Parliament to be as proactive as politically and institutionally possible, was demonstrated during the post-2020 CAP negotiations. For instance, the Parliament set out its position in May 2018 reacting to the Commission Communication of November 2017 and ahead of the Commission legislative proposals. Prior to that it had commissioned a series of expert reports and agreed a number of Own Initiative Reports (INI). A more strategic use of those possibilities and the evidence they provide ahead of the Commission outlining its proposal in 2017 could have strengthened the negotiating hand of Parliament.

Recommendations

The European Parliament should consider:

- proactively seeking in both formal and informal ways a more **robust engagement with the Council and the Commission so as to signal, from a very early stage, Parliament's potential red lines**;
- taking the initiative, even before the Commission starts the preparations for the new policy cycle, to define a narrow set of policy goals;
- developing a **more strategic use of stakeholder's evidence** and input from other institutions (CoR, EESC, COSAC212/national parliamentary representatives);
- co-ordinating the progressive formulation of Parliament's positions from the early stages of the policy cycle (e.g. INI Reports) with the Commission pre-legislative process (Better Regulation, REFIT);
- developing more robust **technical evidence**, with the help of the EPRS and STOA213 offices, the Policy Departments and indeed the Committee and Group offices that can also help verify the material provided by stakeholders and interest groups;
- prospectively modelling the potential role of EP and CAP in the not unlikely event that post 2027, in the wake of the shift in positions created by NGEU, the next EU budget may be financed in a significant way through new own resources.

9.2.2. Coordination

The Parliament remains consistently effective in brokering multiparty agreements within the main political groups. This time was no exception despite the increased fragmentation of the hemicycle over successive electoral terms thus requiring more than the two main political groups to secure a strong negotiating position.

Once again, the AGRI Committee played the central role in the negotiations. The Rapporteur from the Lead Committee and six Shadows were involved in trilogues. The ENVI rapporteur was also part of the negotiating team.

Inter-Committee negotiations had been intense ahead of setting up the Parliament's negotiating position. This takes time but helps the Parliament rally around a strong negotiating position. An early

²¹² Conference of Parliamentary Committees for Union Affairs.

²¹³ European Parliamentary Research Service; Science and Technology Options Assessment.

start (ideally some of it even before the Commission drafts the legislation) will reinforce Parliament's influence over the Commission proposal.

Expertise and continuity of rapporteurs as well as interpersonal links with the other two institutions has proven very effective, though this is naturally limited by the electoral cycle. For this reason, reappointing and changing rapporteurs should be avoided, as indeed was the practice followed on this occasion. However, internal coordination has to take account of external factors such as the Council and Commission changing priorities and the constraints of an electoral cycle overlaid over the EU policy cycle.

As typically no CAP legislative mandate is concluded within a single parliamentary term, there is a tendency to broaden the **negotiation position**. Although this is understandable from an electoral point of view and helps ensure cohesion within the Parliament itself, it undermines the effectiveness of Parliament negotiators against a much more focused set of positions from Council and Commission, which also have much wider technical capacity to back them up.

Recommendations:

The European Parliament should consider:

- **Strengthening collaboration** (well ahead of negotiation rounds) between AGRI and other key Committees such as ENVI) and REGI (cooperation on place-based policies) and for the most strategic/political matters the Political Group presidents.
- Ideally, **formalising a consensus building within Parliament** particularly on matters of shared competences between committees. This could include during the policy formulation phase a temporary special committee bringing together all concerned Committees and prospective rapporteurs and shadows. At the negotiation phase a formalised joint meeting involving all concerned Parliamentary negotiators to coordinate and reassess negotiations, identify acceptable trade-offs across the various dossiers could be considered.
- Using the '**standing rapporteur**' method in CAP (whereby a given rapporteur acts as the key overseer of a given dossier throughout the entire process of policy conception, negotiation and delivery) to ensure continuity of scrutiny in several very technical matters (as far as EP electoral mandates allow).
- Wherever possible, **limiting the number of rapporteurs** within the CAP legislative package, or alternatively, adopting a **co-rapporteur** approach to ensure cross-party ownership while reducing the number of reports of the CAP legislative package.
- Given that the technical resources of Parliament to assist its negotiators are more limited than those available to the Council and Commission, **focusing** Parliament's limited capacity on a **narrower and more consequential set of amendments** even if this means dealing up-front with some uncomfortable internal trade-offs that might prove unpopular within particular constituencies, such as the agricultural community.

9.2.3. Negotiations

The pre-eminence of MFF negotiations over the legislative negotiations is a challenge that delays and negatively impacts the content and timescales of CAP negotiations. Ideally, policy and goals are defined before funds to implement them are allocated. With an EU budget that, traditionally and indeed until 2020, has been drawn essentially from national budgets, the opposite has been the case.

The European Council and Finance Ministries step in first, which gives the Council an advantage in legislative negotiations.

Trilogues are rather formal but, particularly for the Parliament, the informal element is key to ensure that compromises are supported across the institution. This has been proved during the COVID-19 period. The difficulties arising from virtual/hybrid meetings led to delays and other practical difficulties for Parliament's negotiators in considering possible counterproposals emerging in the trilogues.

The post-2020 CAP reform formula of '**One CAP, Three Trilogues**', with each of them operating fairly autonomously from the other two in their respective regulation, proved inefficient. It made necessary joint meetings of Parliament's trilogue representatives to streamline the mandate and interdependency between Regulations. The only exception were the super-trilogues on cross-cutting matters. However, the study interviews suggest that they have been useful essentially as a health check of the overall progress of negotiations, and not as a negotiating venue as such.

Recommendations

The European Parliament should consider:

- **narrowing down the mandates** of each rapporteur more precisely, including scenario planning about 'hard' and 'soft' negotiation lines vis-à-vis Council and Commission. This would reduce the need to seek coordination within the negotiation team and with other players within Parliament while negotiations are taking place;
- **prioritising in-person meetings** with full attendance, as necessary, for most substantive meetings, and certainly so in the trilogues.

9.2.4. Implementation

Parliament has a crucial role by holding the Commission to account over the delivery of CAP, but it only has **imperfect information** to be able to do so. This is an issue given the **subsidiarity rationale behind the new delivery model** of CAP and the shortened timescales of the 2023-2027 period.

Recommendations

The European Parliament should consider:

- **Enhancing the scrutiny mechanisms** within the Parliament including being able to proactively call on the Commission and Member States to give detailed evidence so that they are held to account for the delivery of CAP. This could start with the specific commitments and evidence provided by the CAP Strategic Plans and the procedures used by the Commission to approve them.
- Exploring, in case the above is considered insufficient, the **setting up of a scrutiny unit** within Parliament,²¹⁴ potentially for all EU funds, that could process and analyse the implementation evidence provided by the Commission and Member States, in view of the discussion on the CAP post 2027 starting already in 2025 with a mid-term review.

9.2.5. Evidence gathering

Many of the above recommendations rest on the ability of Parliament to have more robust, real-time technical evidence that can challenge the often contradictory views and evidence put forward by the

²¹⁴ Possibly on similar lines to the Congressional Audit Office in the US Congress.

Commission, Council and other stakeholders throughout the policy and implementation cycle and crucially in trilogues when time and analytical capacity are of the essence.

This need is over and above the **analytical capacity** that is presently provided by European Parliament's Science and Technology Options Assessment (STOA) Panel, the European Parliamentary Research Service (EPRS) and the Policy Departments. The Parliament needs to embrace an evidence-to-policy approach, not just in the pre-legislative phase but crucially in the adoption of formal positions and during trilogue negotiations, so that the position of the Parliament is not weakened by counter claims²¹⁵ of the other negotiating parties. In some cases, filling this gap might just simply require optimising existing resources and capacities within Parliament but Parliament should also consider additional options.

Recommendations

The European Parliament should consider:

- the need for a **long-term research programme** (as opposed to individually commissioned research and INI reports) to build a body of evidence as new legislative proposals are being developed to underpin its independent negotiating position;
- the need for a dedicated **scientific and legal capacity** that is:
 - independent from the Commission;
 - able to undertake proactive and prospective economic modelling including various negotiation outcome/proposals;
 - works in real time with negotiations;
 - is able to provide advice on different legal aspects, particularly in the middle of trilogue negotiations.

²¹⁵ For instance, that the Parliament's position is not evidence-based, lacks internal consistency, is not aligned with EU law or is not backed up by robust economic modelling and impact assessments.

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ANNEXES

Annex I: Specific objectives of the study

The aim of the project will be achieved by fulfilling the following specific objectives:

1) Provide a context-setting account of the recent history of CAP reform and the background to the European Parliament assuming its increased decision-making powers with respect to European agricultural policy;

2) Provide an overview of the main singularities of the CAP post 2020 reform package in comparison with previous rounds. This section of the project will *inter alia*

- describe the main governance issues of this CAP reform process, in particular, the setting-up of the so-called '*new delivery model*' and the subsequent '*National Strategic Plans*';
- describe the EU 'multilevel' framework arising from the enhanced interconnections of the CAP instruments with the new strategic guidelines launched in the meantime by the European Commission, such as the 'European Green Deal' and its main areas of action (e.g. 'Farm to Fork' and '2030 Biodiversity' strategies), the Communication 'A long-term vision for rural areas' (8), or programmes in other fields (e.g. 'Horizon Europe' programme);
- give an overview of the budgetary framework of the agricultural expenditure 2021-2027 (including successive MFF projects and the final inter-institutional agreement concluded on 17 December 2020);
- present the specific timetable for the adoption of the CAP post 2020 reform package, affected by the Brexit negotiations, the EP elections of May 2019, and the COVID-19 pandemic crisis.

3) Evaluate how the CAP post 2020 reform was affected by specific institutional factors, *inter alia*,

- its adoption between two parliamentary terms, with the participation of two different AGRI Commissioners, two different AGRI Committees and two different EP plenaries;
- the overlap between the CAP reform negotiations, the MFF negotiations, the Recovery Plan - 'Next Generation EU' - negotiations, and the European Green Deal Package (including the Farm to Fork and the 2030 Biodiversity Strategies);
- the increasing complexity in establishing a unique and consistent CAP resulting in the setting-up of the new delivery model, the National Strategic Plans, and the multilevel interconnections with other EU policies.

4) Examine how the economic crisis induced by the COVID-19 pandemic affected the outcome of the CAP reform process and the 2021-2027 agricultural budget;

5) Scrutinise the approaches and the respective roles in the reform outcome of the main actors, including: EP bodies; European Council and Agriculture Council (and supporting fora, such as the '*Special Committee on Agriculture*' - SCA and ad hoc '*National experts groups*'); and European Commission (including both AGRI Commissioners involved as well as other members of the Commission College with a particular interest in the CAP reform). This analysis will in particular

- detail the role played by the EP during the CAP negotiations;
- assess the European Council role in the CAP post 2020 reform decision-making process, in particular its decisions on the Multiannual Financial Framework (MFF) and their effects on the CAP reform legislation ("*Negotiating Box*");

- provide a clear characterisation of the different approaches of the AGRI Commissioner Hogan / Juncker's Commission (within 2018 legislative proposals) and the AGRI Commissioner Wojciechowski / von der Leyen's Commission (during the last phase of CAP negotiations) considering their influence on the reform outcome;
- take stock of Member States' negotiating mandates and objectives and analyse their interplay with the Commission's proposals and the EP's positions during the trilogues;
- examine the need for 'structured dialogues' during the definition and implementation of the future CAP Strategic Plans.

6) Provide detailed recommendations to assist the European Parliament on its approach to future CAP reforms, including the new variables in the CAP equation (environmental, climate, public health, animal welfare and rural challenges; multilevel decision-making process; greater flexibility granted to Member States in the implementation of the CAP tools). Particular emphasis should be put on the future developments of the '*new delivery model*' as well as the follow-up and monitoring of the '*National Strategic Plans*' by the European Parliament as co-legislator.

Annex II: Study interviews

- European Parliament, **Norbert Lins**, Chair, AGRI Committee (EPP)
- European Parliament, **Paolo de Castro**, S&D coordinator in the AGRI Committee, 2019-2021
- European Parliament, **Peter Jahr**, Rapporteur SP Regulation (EPP)
- European Parliament, **Ulrike Müller**, Rapporteur Horizontal Regulation (Renew Europe)
- European Parliament, **Martin Häusling**, Shadow Rapporteur SP Regulation (Greens/EFA)
- European Parliament, **Frederic Courleux**, Assistant to **Éric Andrieu**, Rapporteur Amending Regulation (S&D)
- Council of the EU, **Simon Coates**, **Luca Porcella**, **Jerome Unterhuber**, Secretariat General, LIFE.1, Special Committee on Agriculture, General Secretariat of the Council of the EU
- Council of the EU, **Eduardo Diniz**, Director General, Office of Planning, Policies and General Administration (GPP), Ministry of Agriculture, Portugal (Coordinator of the technical liaison group within the framework of the CAP negotiations).
- European Commission, **Tassos Haniotis**, Acting Deputy Director-General DG AGRI
- European Commission, **Lukas Visek**, Member of Cabinet of Executive Vice-President Frans Timmermans
- European Court of Auditors, **Richard Hardy**, Principal Manager - Chamber 1 Directorate - Sustainable use of natural resources, **Daniela Jinaru**, Senior Auditor.

This study examines the inter-institutional dynamics of the post-2020 CAP reform (European Parliament - Council - Commission), provides an analysis of the dynamics and the outcome of the reform process seen from a governance angle and makes recommendations on the role of Parliament in future CAP reforms and mid-term reviews.
