

2020-2027 Common Agricultural Policy second pillar: Provisions, implementation, EU-MS interaction, pitfalls

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2020-2027 Common Agricultural Policy second pillar: Provisions, implementation, EU-MS interaction, pitfalls

CHRISTINE WIECK

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ABOUT THIS STUDY

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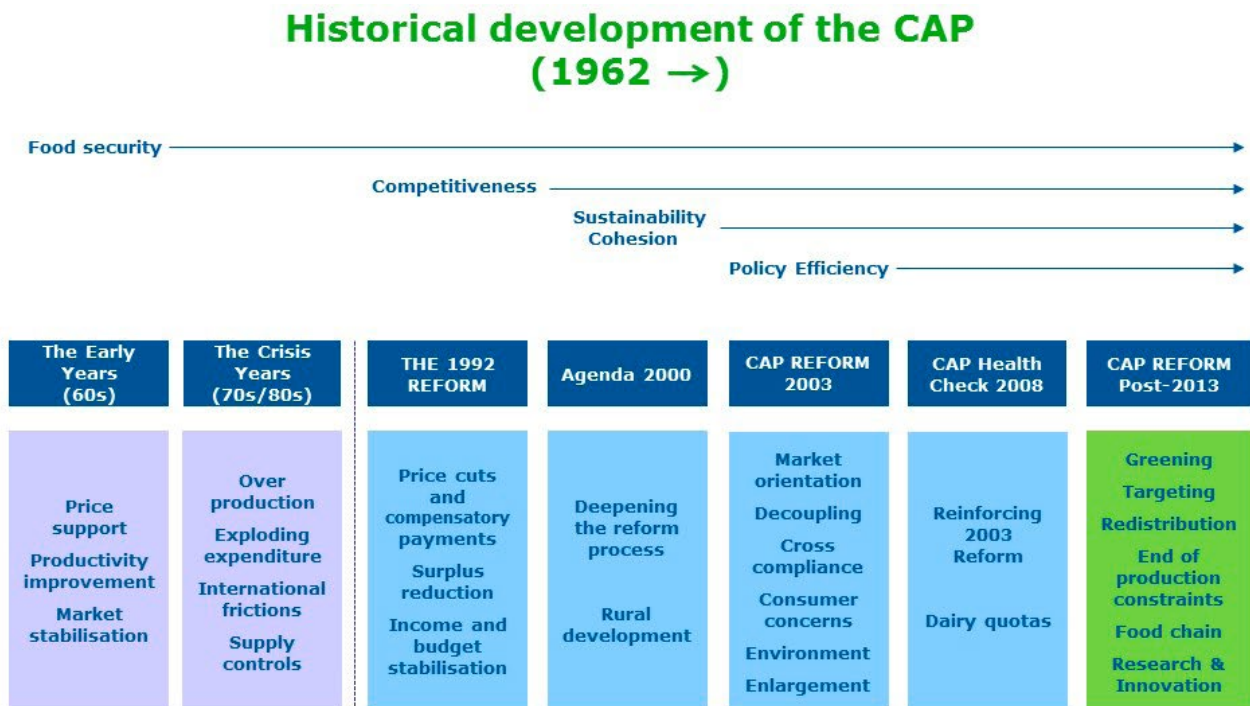
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1. Introduction

Historical development of the CAP

Since its inception of the Common Agricultural Policy (CAP) in 1962, the CAP has continuously undergone change (Figure 1). In the early years of the CAP, the focus of the policy measures were on management of the different crop and animal products markets. Already early on in the seventies and eighties, structural or cohesion policies to support farm modernisation or farms in disadvantaged regions were introduced as well as agri-environmental regulations first in some member states, and later on with the 1992 reform¹.

Figure 1 – Historical development of the CAP



Source: Published on webpage of DG AGRI, EC (2014).

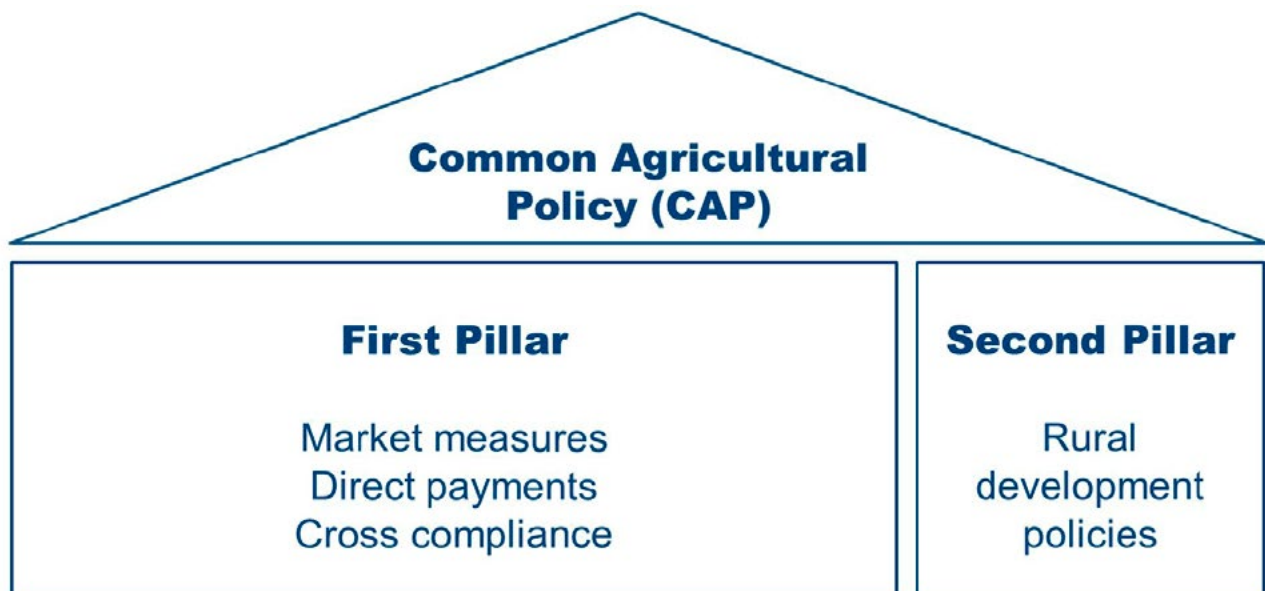
¹ Weingarten, P., Rudloff B. (2018). Die Gemeinsame Agrarpolitik – vergange Entwicklung, gegenwärtiger Stand und weiterer Reformbedarf. Handbuch Europäische Union. P. Becker, B. Lippert (Hrsg). Springer.

Current two pillar structure of the CAP

This led to the two pillar structure of the CAP in the Agenda 2000 which meant an appreciation of agrienvironmental, structural and other related policies. Since then, these are known under the term rural development polices (Figure 2). In the first pillar, the market measures, all types of direct payments and related cross-compliance regulations are organised. Each pillar is financed from a different fund and different financial rules apply (see section on ‘Financing of the CAP’).

Each reform period of the CAP lasts usually about 6-8 years and usually follows the time path of the Medium-Term Financial Framework (MFF) of the EU. The CAP reform period of 2014-2020, decided upon in 2013, has been extended with a transitional agreement up to the end of 2022, as the decision making for the CAP post 2020 has taken up more time than initially expected.

Figure 2 – Two pillar structure of the CAP

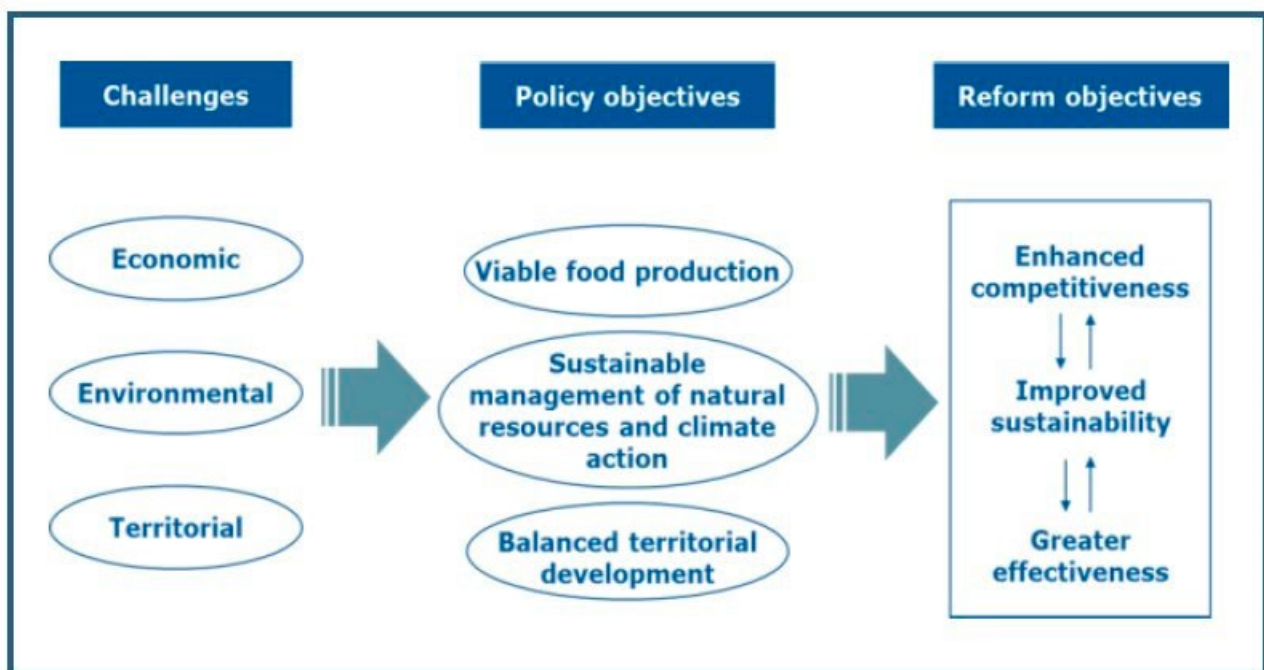


Source: Own presentation based on EC, 2009.

Main objectives of CAP reform of 2013

With each CAP reform, the CAP policy objectives and related instruments were adjusted to the current economic, environmental and societal challenges. Figure 3 shows this exemplary for the CAP reform 2014, where out of the existing challenges ‘viable food production’, ‘sustainable management of natural resources and climate action’ and a ‘balance territorial development’ were identified as most pressing policy objectives. As wider reform goals, an enhanced competitiveness of the EU agri-food sector and improved sustainability of the overall agri-food systems were listed, with at the same time a greater policy effectiveness in the application of policy measures.

Figure 3 – Overview on challenges, policy and reform objectives of the CAP reform of 2014



Source: EC (2013): Agricultural Policy Perspectives Brief, No 5, December 2013. Brussels: p. 3.

Interplay between EU, national and regional level

A complex web of formal and informal interactions defines decision making, coordination and cooperation between EU Commission, EU parliament, Member States and regions. The formal interactions are laid out in the Treaty on the Functioning of the European Union (TFEU), however, before a CAP reform has been decided and implemented many interactions representative from the Brussels, national capitals and the regions took place.

Figure 4 – Simplistic presentation of responsibilities at EU, national and regional level in the CAP reform process (for the case of the CAP 2021 reform)



Source: own elaboration.

Simplistically it can be said that at the EU level, in the case of the CAP, the co-legislators of national ministers as assembled in the ‘Agricultural and Fisheries Council’ and the representatives from the EU Parliament decide on the basic principles of the CAP, based on a proposal by the EU Commission (Figure 4). The implementation is then in the hands of the member states where in federal states like Germany, the responsibility for the implementation of the second pillar rural development programmes lies with the federal governments.

2. The CAP reform of 2021

The political compromise between European Parliament and Agricultural Council regarding the design of the Common Agricultural Policy (CAP) of the European Union (EU) for the period 2023-2027 was achieved on June 25, 2021². The CAP compromise was still based on the legislative proposals brought forward by the former agricultural Commissioner Hogan in June 2018³. The updated legislative proposals are currently under preparation. For the years 2021 and 2022, a transitional legislation is in place that extended the CAP policies from 2014-2020 for another two years⁴.

Main changes in the CAP 2023-2027, compared to the CAP of 2014-2020, relate to⁵

- The green architecture (e.g. greening replaced by Eco-Schemes; cross-compliance replaced by conditionality⁶),
- A social dimension related to employment conditions and on-farm safety and health,
- Some changes to the distribution of the Basic Payment Scheme and internal and external convergence of direct payments,
- Some changes in sectoral programmes (e.g. wine, fruits and vegetables) and quality schemes, and
- A better targeting of policies through a new way of programming (“new delivery model”) of the relevant interventions (policy measures/instruments) in each Member State by developing a comprehensive national strategic plan that covers all CAP first and second pillar policies.
- An indicator-based measurement of policy performance, that supports the monitoring and evaluation of the performance of the national strategic plans.

2 https://ec.europa.eu/commission/presscorner/detail/en/IP_21_2711

3 <https://ec.europa.eu/info/publications/natural-resources-and-environment>

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

5 See for more detail: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agriculturalpolicy/new-cap-2023-27/key-reforms-new-cap_en

6 Article 11 ff of COM(2018) 392.

The focus of this short paper will be on the implementation of the new delivery model in Germany and the state of preparation of the national strategic plan.

General and specific objectives

With each new CAP reform, the objectives of the CAP are adjusted to arising challenges in the EU agrifood sector. These objectives guide the CAP policies and consequently also the national strategic plans. For the CAP period 2023-2027, there are three general objectives focusing on an improved sustainability balance of farming, food production and rural areas and two cross-cutting objectives that focus on the modernisation of the sector.

The **general objectives** in detail read as follows:

1. To foster a smart, resilient and diversified agricultural sector ensuring food security;
2. To bolster environmental care and climate action and to contribute to the environmental- and climate-related objectives of the Union;
3. To strengthen the socio-economic fabric of rural areas.

They are complemented by the two **cross-cutting general objectives**:

- Fostering and sharing of knowledge,
- Innovation and digitalization.

Three **specific objectives** were assigned to each of these three general objectives:

1. To foster a smart, resilient and diversified agricultural sector ensuring food security:
 - a. support viable farm income and resilience across the Union to enhance food security;
 - b. enhance market orientation and increase competitiveness, including greater focus on research, technology and digitalisation;
 - c. improve the farmers' position in the value chain.
4. To bolster environmental care and climate action and to contribute to the environmental- and climate-related objectives of the Union
 - e. contribute to climate change mitigation and adaptation, as well as sustainable energy;
 - f. foster sustainable development and efficient management of natural resources such as water, soil and air;
 - g. contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes.



8. To strengthen the socio-economic fabric of rural areas
 - i. attract young farmers and facilitate business development in rural areas;
 - j. promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
 - k. improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare.

As later will be shown, these specific objectives are those, that are relevant for the national strategic plans, as specific policy interventions are developed around each of these specific objectives.

Monitoring and evaluation

This new CAP will also include a much more elaborated monitoring and evaluation framework. Already for the current CAP, a Common Monitoring and Evaluation Framework⁷ was developed, but given the shift to the new delivery model and an indicator-based measurement of policy performance, a further sharpening of the indicator framework and its mapping to the specific policy objectives was necessary.

The set of indicators to be used shall include output, result and impact indicators:

- Output indicators relate to the realised output of the policy interventions supported
- Result indicators relate to the specific objectives and are used for the establishment of quantified milestones and targets and shall support to assess progress towards the targets.
- Impact indicators relate to the general objectives of the CAP

The Member States are foreseen to submit an annual performance report to the Commission from 2024 onwards. In a joint annual review meeting this report shall be discussed and used for a structured dialogue where still to be formed monitoring committees with all relevant national actors present shall support the implementation. A performance review of the CAP strategic plans from the Commission side will take place in 2025 and 2027. This may lead to follow up action for Member States, if adjustments in the strategic plans may become necessary. Changes to the foreseen procedure may still be possible, as the final legislation on the new delivery model in form of the legislative text are not yet adopted.

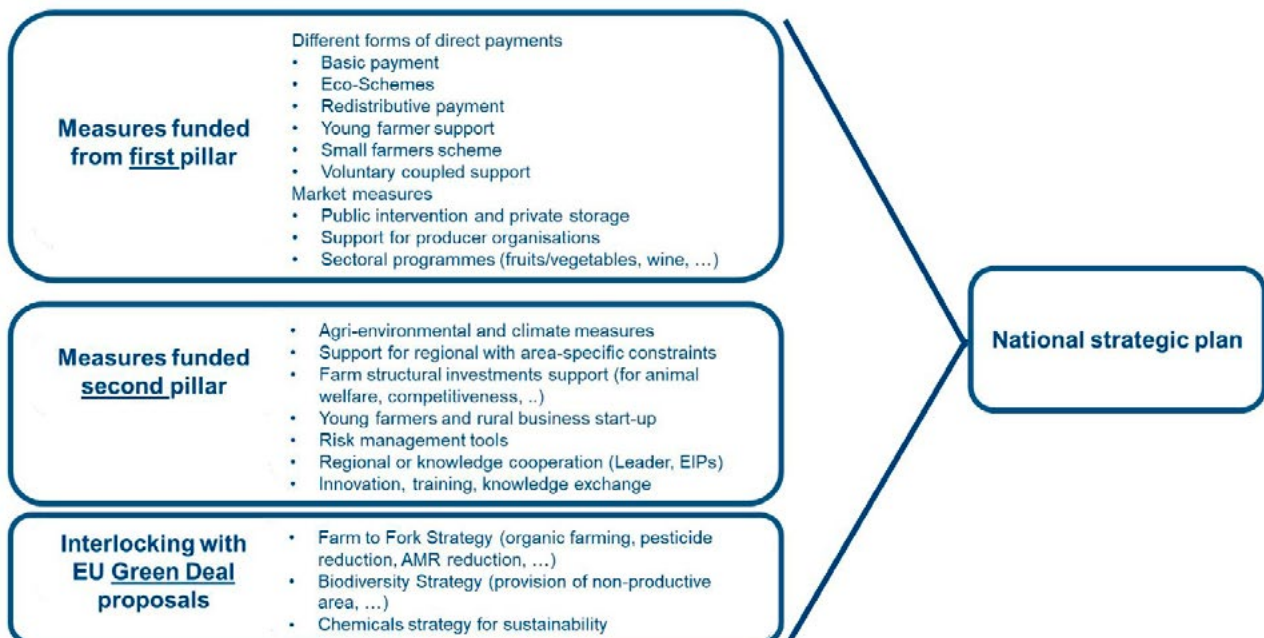
⁷ https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cmef_en

New delivery model: joint planning of interventions and funding from first and second pillar

The EU Commission underlines that the new CAP shall include a “new way working” where they want to move away from the “traditional delivery model” where there not only commonly set objectives but also a common set of measures/interventions that had to be implemented across all EU Member States. Therefore, the “big idea” of this CAP reform is the new delivery model that shall provide much more flexibility, but also responsibility, to the Member States. For this, all interventions across the two pillars are planned together to achieve the CAP specific objectives (Figure 5). These interventions are presented in a national strategic plan⁸. In addition, Member States are guided to take also the proposed targets of the EU Green Deal into account⁹.

The Member State-specific needs under each specific objective are beforehand analysed by the Member States with means of a SWOT analysis and a needs assessment.

Figure 5 – Interventions and legislation that need to be considered in the development of the national strategic plan



Source: own elaboration.

⁸ Article 95 of COM(2018) 392.

⁹ COM(2020) 846 final, Annex 1 and 2.

Types of interventions

Regarding the types of interventions that are available for the programming in the national strategic plan, the draft legislation on for rules on support for national strategic plans (COM(2018) 392) provides guidance.

Under the first pillar intervention, different types of direct payments (decoupled, coupled, young farmer, redistributive payment, schemes for climate and environment “Eco-Schemes”)¹⁰ and sectoral interventions for the sectors fruit and vegetables, apiculture, wine, hops, olive oil and some other products¹¹ are available. Regarding the Eco-Schemes, the main innovation in the first pillar in the CAP reform, the EU Commission released a list with agricultural practices that could be supported by the Eco-Schemes¹².

For the **second pillar**, the following types of **interventions for rural development**¹³ are foreseen:

- Environmental, climate and other management commitments;
- Natural or other area-specific constraints;
- Area-specific disadvantages resulting from certain mandatory requirements;
- Investments;
- Installation of young farmers and rural business start-up;
- Risk management tools;
- Cooperation;
- Knowledge exchange and information.

Some rules apply on how much of the EAFRD funds have to be spent on specific interventions (“ringfencing”), but overall, the programming of the second pillar measures shall be integrated in the national strategic plan and according to the identified Member State needs.

¹⁰ Article 14 of COM(2018) 392, Proposal for a regulation for rules on support for national strategic plans.

¹¹ Article 39ff of COM(2018) 392.

¹² https://ec.europa.eu/info/news/commission-publishes-list-potential-eco-schemes-2021-jan-14_en

¹³ Article 64 of COM(2018) 392.

EU guidance for the development of national plan

Parallel to the national process, also the EU Commission prepared national strategic plan recommendations regarding topics and priorities for each Member State¹⁴. For Germany, these recommendations were published in December 2020¹⁵. In the final elaboration of the national strategic plan by the German Ministry, these recommendations shall be taken in account. In addition, an explicit reference to the objective of the Farm-to-Fork strategy of the Green Deal is made. The final approval of the national strategic plan is expected in 2022. Currently, it is still under debate how the “structured dialogue” between EU Commission and Member States shall look like¹⁶.

Financing of the CAP

The financing for the interventions results, as before, from the European Agricultural Guarantee Fund (EAGF)¹⁷ and the European Agricultural Fund for Rural Development (EAFRD)¹⁸. The overall EU amount of funding available and per Member State for the period 2023-2027 has been agreed upon in the Midterm Financial Framework.

The overall amount available for the CAP amounts to 386,6 billion Euro for the period 2021-2027 (Figure 6). About 70% of the money is earmarked for income support in different forms of direct payments, about 5,5% for market measures (intervention, support to producer organisations, sectoral programs) and the remaining 25% are foreseen for rural development interventions.

14 COM(2020) 846 final.

15 SWD(2020) 373 final. Only in German available.

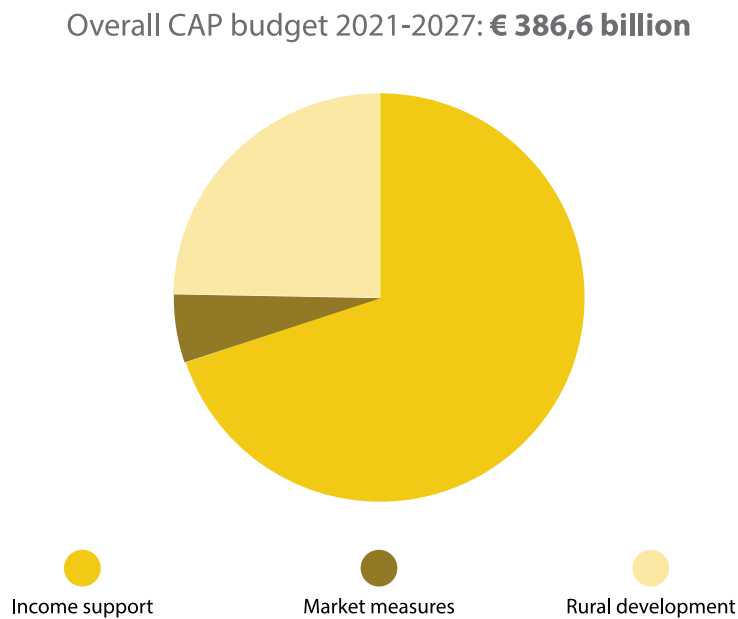
16 See Agenda ‘Agriculture and Fisheries Council’, 11-12 October 2021.

17 First pillar: Direct payments, support to agricultural, sectoral interventions

18 Second pillar: Support for rural development measures.

This overall budget will be broken down to member state level according to the two funding instruments EAGF¹⁹ and EAFRD²⁰. For Germany, under the first pillar, about 4,95 billion Euro per year is foreseen which amounts to 34,71 billion Euro over the whole period. Under the second pillar, in total over the whole period, 7,88 billion Euro is allocated to Germany, which amounts to about 1,01 billion Euro per year for the years 2022-2027 and a slightly higher amount for the year 2021 with 1,33 billion Euro.

Figure 6 – Elements of the CAP budget for the period 2021-2027



Source: own elaboration based on “CAP in the EU budget”²¹

Due to lack of up to date information on changes, it is to assume that the currently relevant cofinancing rules will apply also in the new CAP period.

19 See for MS details https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/2_table_breakdown_of_eagf_28.09.pdf

20 See for MS details https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/3_table_breakdown_of_eafRD_28.09.pdf

21 https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/financingcap/cap-funds_en

3. CAP 2021: national strategic plan elaboration in Germany

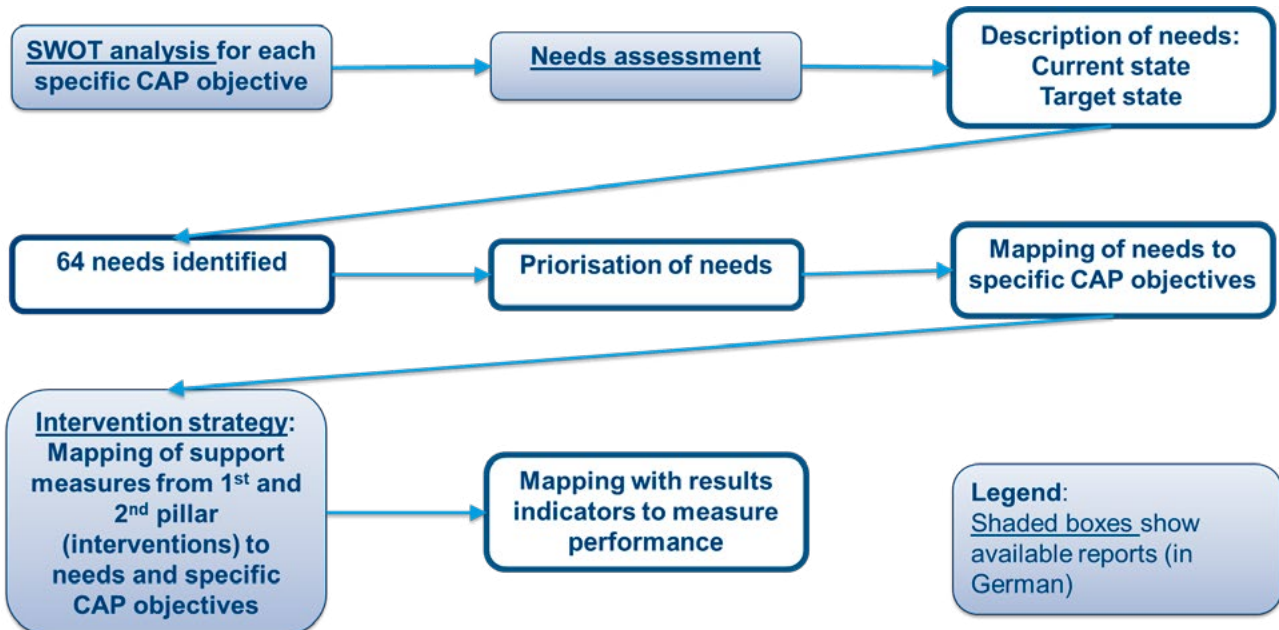
Process resulting from new delivery model

The process of the new delivery model led to a situation where in a federal republic like Germany, two parallel processes started. On the one side, a national process to develop a national strategy plan, and, on the other side, each of the sixteen federal states started to work on an analysis of strength, weaknesses, opportunities and threats of their regional agricultural sectors.

The responsibility for the EU first pillar support interventions are under the responsibility of the national agricultural ministry (BMEL), the responsibility for the support under the second pillar, is, even with one single national strategic plan for Germany, still under the leadership of the respective sixteen federal states.

Both groups of responsible entities (national agricultural ministry, federal agricultural ministries in the states) devised their own process and ensured that the relevant national and regional stakeholders were involved in the process. In the end, this has to result in one national strategic plan. According to Article 95 of the CAP proposed legislation on national strategic plans (COM(2018) 392), a national strategic plan shall contain, among other elements, an assessment of needs, an intervention strategy and a SWOT analysis (in the annex). In order to align these documents, a national process (Figure 7) took place in Germany between 2019-2020.

Figure 7 – Steps and outcomes of the national process for the development of the national strategic plan



Note: All documents currently only in German available.

Source: own elaboration.

It started with a SWOT analysis for each of the specific objectives. Followed by the needs assessment per specific objective, where the needs were assembled out of the SWOT analysis. Afterwards, a prioritisation of the needs took place. Finally, matching the needs with the intervention options out of first and second pillar, an intervention strategy was elaborated.

Identified needs: selected examples

As an example of the needs that were identified may serve the specific objective d) on climate change mitigation and adaptation, as well as sustainable energy. The following needs were identified for the German agricultural sector:

Table 1 – Examples of identified needs regarding specific objective d)

IDENTIFIED NEEDS	PRIORISATION
D.1. Reduction of greenhouse gas emissions in agriculture	1
D.2 Securing and improving carbon storage and sequestration	1
D.3 Adaptation of agriculture and forestry to climate change	1
D.4 Increase the share of renewable energy and their use in agriculture and forestry while considering sustainability and land use competition	3
D.5 Increasing the energy efficiency of land management, buildings, facilities and technologies	3
D.6 Sustainable material use of renewable raw materials and agricultural residues	3
D.7 Flood protection, coastal protection and improvement of natural water retention	2
D.8 Maintenance and restoration of stable, site-adapted forests, including regeneration and prevention of forest damage	3

Note: own translation into English.

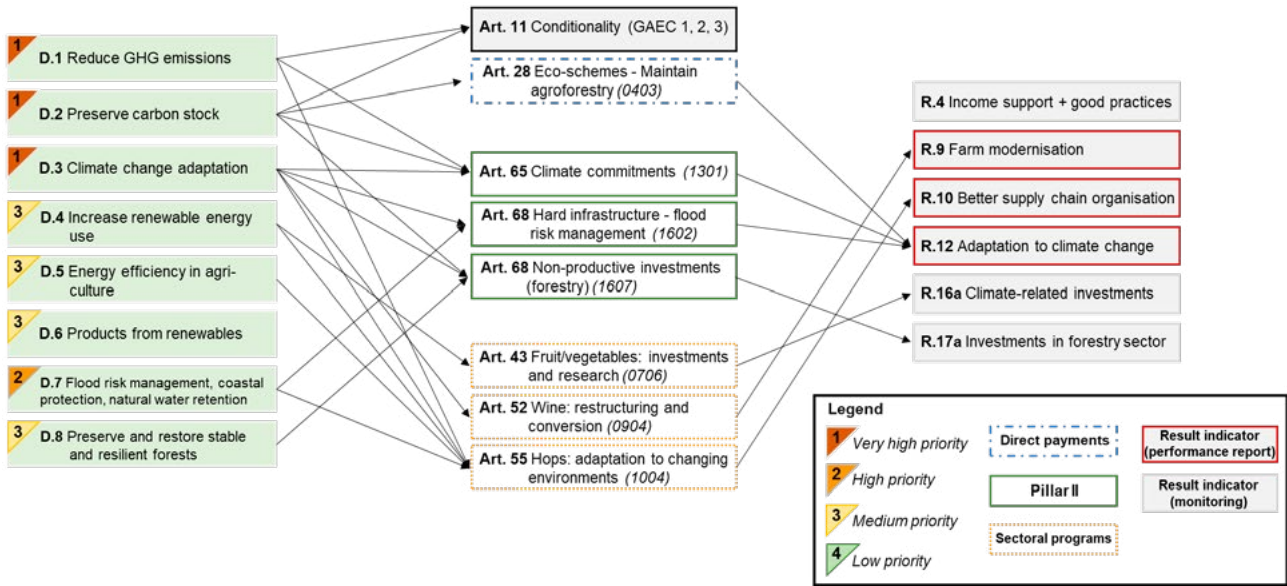
Source: own elaboration based on German need assessment, p. 2-3.

The prioritisation was according to four categories where 1 (very high priority) represents needs that need to be urgently met; 2 (high priority) represents needs that should be met on a priority basis, 3 (medium priority) stands for needs that are relevant, but may also be already covered by other instruments and is therefore considered non-priority; and 4 (low priority) represent needs that are already met by other instruments and should not be addressed with the interventions of the CAP. As criteria for prioritisation the dimensions pressure to act, political relevance, efficiency and suitability as support intervention are chosen.

Intervention strategy: selected examples

As Figure 7 shows, the next step after the needs assessment is then subsequently, to develop an intervention strategy by specific CAP objective. Examples of the intervention strategy for objectives d), h) and f) are shown in the following figures. This shows how the identified **needs (very left column)** are mapped to potential **interventions** originating out of the first (direct payments, sectoral programs) or second pillar (**middle column**), and what **results** shall be achieved, measured by the results indicators (**right column**).

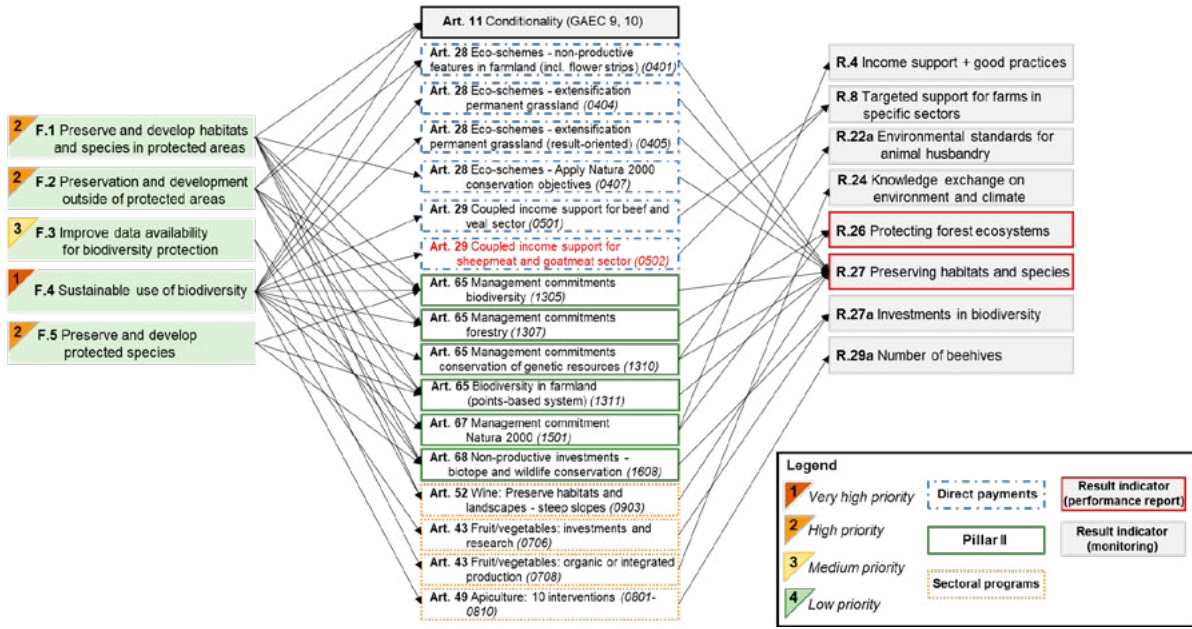
Figure 8 – Intervention strategy for specific objective d)



Note: own translation into English.

Source: own elaboration based on German intervention strategy.

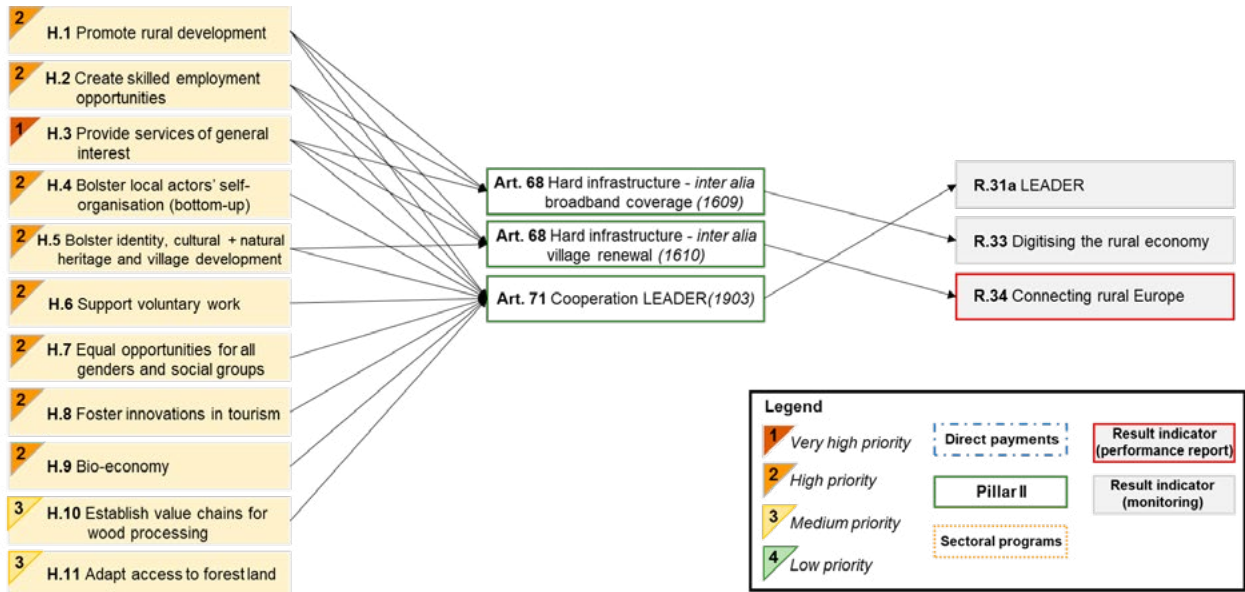
Figure 9 – Intervention strategy for specific objective f)



Note: own translation into English.

Source: own elaboration based on German intervention strategy.

Figure 10 – Intervention strategy for specific objective h)



Note: own translation into English.

Source: own elaboration based on German intervention strategy.

4. Conclusion

Even though a political agreement for the CAP reform 2021 was reached in June 2021, the process of the CAP reform for the period 2023-2027 is not yet finished. Member States are currently designing the national strategic plans. The process of approval of the strategic plans, its level of ambition, and the integration of the EU Green Deal ambitions into the CAP are still open topics where procedure and/or process still has to be negotiated. Also regarding potential impacts of the interventions planned in the national strategic plans, nothing can be said yet, as the final version of the 27 Member State plans are not yet known.

However, what has become clear by now is, that the shift to the new delivery model with joint programming of first and second pillar interventions is likely to increase the coherence and targeting of policy interventions, but also makes the process of policy design and the understanding of the interventions very complex.

In particular regarding the environmental and climate adaptation performance, more ambition is needed and has been promised. However, it remains to be seen if the new intervention of the EcoSchemes (located in the first pillar) and a somewhat more ambitious conditionality will achieve this objective. Given that the majority of CAP funds are still allocated to the first pillar, regarding the environmental and climate ambition, the design of the Eco-Schemes is crucial for this performance.

Finally, apart from the upcoming CAP reforms and the Green Deal ambitions, also additional national steps towards a sustainable transformation of the agri-food sector are taken. These often result from pressure from national environmental groups and the society. In Germany, in this category we have to list additional pressure on animal welfare improvements, better biodiversity protection on agricultural land (in particular insects and bees) and a better support of organic farming. To integrate these national demands where possible into the national strategic plans is recommended. But it remains unclear if high national ambition can be met by the European peers. If not, this may lead to even stronger national differentiation across Member States which may become economically challenging in particular for the affected farmers.

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