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# Introducing a Development Policy Perspective into CAP Strategic Plans

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## Abstract

National CAP Strategic Plans have been proposed by the Commission as a key instrument in its legal proposal for the CAP post 2020 to shift EU agricultural policy to a more performance-based framework. Member States are required to draw up these plans using a transparent process and to involve as partners relevant public bodies, economic and social partners, and relevant bodies representing civil society. This paper discusses how national stakeholders might ensure that these CAP Plans deliver on commitments to the UN Sustainable Development Goals and the Paris Agreement on Climate Change, as well as take into account the interests of developing countries. It reviews the proposed framework for these Strategic Plans and identifies the most important elements that development interests should try to influence. The new approach will require significant organisation at the national level to ensure that the CAP post 2020 takes full account of the interests of developing countries.

## Table of contents

Introduction .....	2
Constructing a CAP Strategic Plan.....	3
Ensuring greater environmental ambition in the CAP Strategic Plan.....	9
Ensuring greater climate ambition in the CAP Strategic Plan.....	16
Addressing external environmental impacts of food, and particularly soy, imports .....	17
Conclusions and recommendations.....	20
References .....	21

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## Introduction

On June 1<sup>st</sup> 2018 the European Commission published its legal proposal for the Common Agricultural Policy (CAP) post 2020. One of the innovations in this proposal is a new governance structure for the CAP. The Commission has proposed to move the steering of the CAP from a compliance-based to a performance-based approach. In future, EU legislation would set the basic policy parameters, such as the objectives of the CAP, broad types of intervention, and some minimum requirements. Member States would be given much greater flexibility to decide how to meet the objectives and to achieve targets. These targets and interventions would be set out in national CAP Strategic Plans (SPs) which must be approved by the Commission.

This paper provides an analysis of the proposed CAP SPs and the potential to influence their design from a development perspective at the national level. It makes recommendations for specific proposals that could be introduced as part of a CAP SP that could help to make future agricultural policy in the EU more consistent with the UN Sustainable Development Goals (SDGs) by internalising external costs and by promoting climate-environmental measures.

The paper addresses this question in four sections:

- A brief description of the structure/architecture of the national CAP SPs;
- How to maximise the potential for greater environmental ambition in the national CAP SP?;
- How to maximise the potential for greater climate ambition in the national CAP SP?;
- The potential to address sustainable sourcing of imports in the national CAP SP.

There are other interventions included in the Commission's legal proposal that can also impact on the external dimension of the CAP. These include the targeting of decoupled payments, the use of coupled payments and support for risk management instruments. The Commission's Communication on the future of food and farming also referred to strengthening the role of the CAP in addressing external migration (European Commission 2017). How these issues should be addressed in the national CAP SPs is not further addressed in this paper.

The Commission's draft Regulations for the CAP post 2020 are at the time of writing (March 2019) under debate by the co-legislators. In parallel, the future budget for the CAP post 2020 remains to be decided in the framework of the discussions on the EU's Multi-annual Financial Framework (MFF) 2021-2027. The final legislative outcome will certainly differ from the Commission's proposal. The focus of this paper is not on how the legislation itself might be improved from a development perspective. The Parliament's Committee on Development has submitted its Opinion to the agriculture committee with a range of suggestions in this regard.<sup>2</sup> Instead, this paper takes the Commission's legal proposal as its starting point, and the scope this gives to Member States to design more targeted national policies in the context of the proposed overall shift from a compliance-based

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<sup>2</sup> Opinion of the Committee on Development on the proposal for a regulation of the European Parliament and of the Council on establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council, Rapporteur Maria Heubuch, 12 February 2019, available at <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-629.646+02+DOC+PDF+V0//EN&language=EN>, accessed 19 March 2019.

to a performance-based policy. The reader should be aware that some options for national flexibility that appear to be open in the Commission's proposal may well be closed in the final legislation, while conversely other opportunities may emerge as a result of amendments to the proposal by either the Council or Parliament.

The CAP regulations currently in force, together with the budgetary allocation, run to the end of 2020. The Commission intends that its proposal would enter into force on 1 January 2021. This is an extremely ambitious timetable for three reasons: uncertainty over when the MFF negotiations will be concluded; the possible impact of a disorderly Brexit at the end of March 2019 on the Commission's work programme; and the possible impact of European Parliament elections in May 2019 on the timing of the Parliament's ability to enter into trilogue negotiations on the proposal, together with the appointment of a new Commission and possibly a new Commissioner for Agriculture and Rural Development in late 2019. At the time of writing (March 2019), the Parliament hopes to vote on its first reading position in April 2019 and the Council under the Romanian Presidency plans to agree its partial general position in June 2019 (partial because the budgetary elements of its position cannot be finalised until the MFF conclusions are known). The European Council plans to agree its MFF conclusions at its meeting in October 2019. If these deadlines are met, then the new CAP legislation could come into force from 2021, but there are many risks to this schedule.<sup>3</sup> In the meantime, Member States are embarking on the process of drawing up their CAP SPs in the course of 2019, in spite of the lack of clarity on the underlying legislation, with a view to submitting draft Plans for approval to the Commission by the end of 2019.

## Constructing a CAP Strategic Plan

This section provides a brief introduction to the format of a CAP Strategic Plan, with a view to identifying potential entry points that take account of the external dimension of the CAP and contribute to the achievement of the SDGs. Each CAP SP will consist of the following sections (Art. 95).<sup>4</sup>

1. Assessment of needs (Art. 96)
2. Intervention strategy including ensuring consistency and complementarity between the different interventions (Art. 97)
3. Elements common to several interventions (Art. 98)
4. Description of the interventions, including the annual planned outputs for the intervention (Art. 99)
5. Targets and financial plans (Art. 100)
6. Governance systems and coordination systems (Art. 101)
7. Modernisation and simplification – describing elements related to modernisation of the CAP and reduced administrative burden for final beneficiaries (Art. 102 and Art 95(1)h).
8. Annexes on the *ex ante* evaluation and strategic environmental assessment, the SWOT analysis, the consultation of the partners, the crop-specific payment for cotton and additional national financing provided within the scope of the Plan (Art. 103)

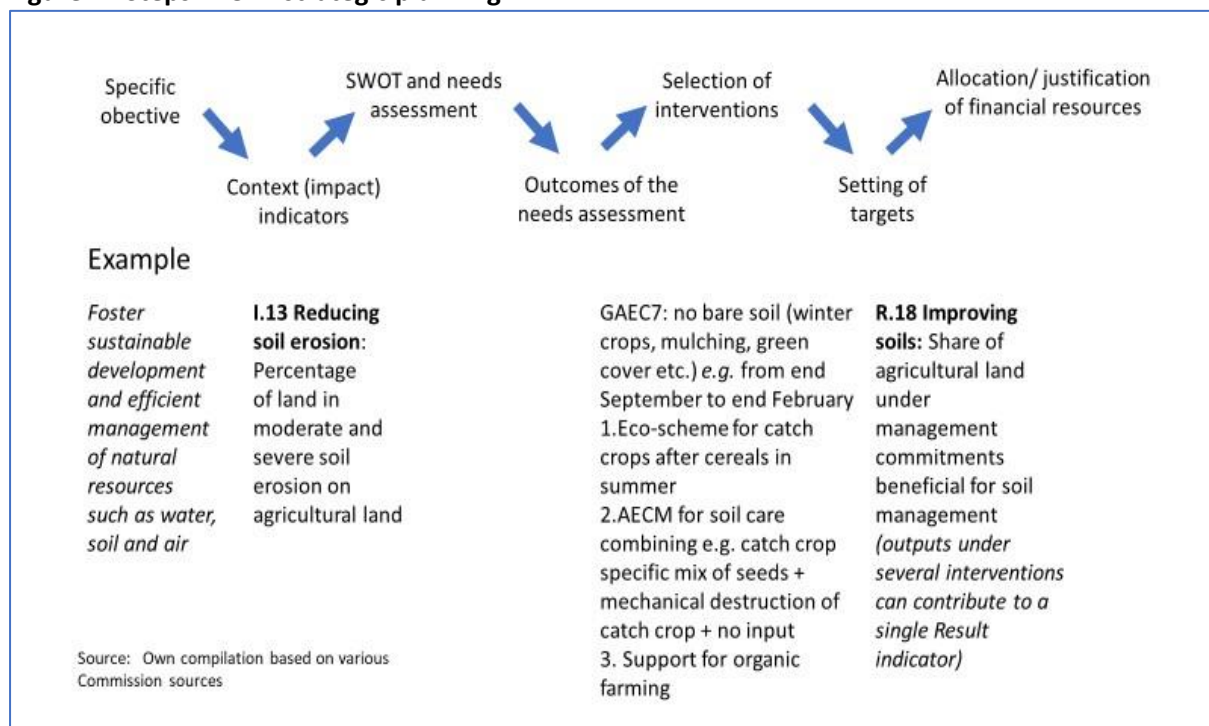
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<sup>3</sup> For a discussion of the risks to the approval process, see Matthews, A. "Update on the budgetary framework for the CAP post 2020 negotiations", 2 December 2018, <http://capreform.eu/update-on-the-budgetary-framework-for-the-cap-post-2020-negotiations/>, accessed 22 January 2019.

<sup>4</sup> Unless otherwise specified, references to specific Articles in the paper refer to Articles in the draft SP Regulation.

The development of the SP will follow the logic set out in Figure 1. The CAP SPs will be built around the nine specific objectives set out in the SP Regulation (Art. 6) and shown in Table 1.

**Figure 1. Steps in CAP strategic planning**



**Table 1. The CAP specific objectives set out in Art. 6 draft Strategic Plan Regulation**

(a) Support viable farm income and resilience across the EU territory to enhance food security;
(b) Enhance market orientation and increase competitiveness including greater focus on research, technology and digitalisation;
(c) Improve farmers' position in the value chain;
(d) Contribute to climate change mitigation and adaptation, as well as sustainable energy;
(e) Foster sustainable development and efficient management of natural resources such as water, soil and air;
(f) Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;
(g) Attract young farmers and facilitate business development in rural areas;
(h) Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
(i) Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare.

Source: European Commission (2018b)

Not all specific needs have to be addressed in the Plan, but the reason why certain needs are not addressed or only partially addressed must be justified in the Plan.<sup>5</sup>

<sup>5</sup> The European Court of Auditors has criticised the formulation of these nine specific objectives on the grounds that they “are not clearly defined; they are neither specific nor translated into quantified targets.” Some specific objectives contain multiple objectives that are not related which will make tracking progress on these objectives more difficult (European Court of Auditors 2018).

**Needs and interventions.** For each specific objective, the Plan must contain an assessment of needs based on a SWOT analysis, regardless whether they are addressed in the Plan or not. Needs will be prioritised and ranked, based on a sound justification. Context (impact) indicators should be used as evidence in this assessment of needs (Art. 103(2)). Based on the needs to be addressed in the Plan, the Member State should then select the interventions – direct payments, rural development interventions and sectoral interventions - needed to address the specific situations following a sound intervention logic. Table 2 provides a list of the available interventions. These are drawn much more broadly than in the current regulations. For example, there are just eight proposed rural development interventions instead of 20 different measures and 67 sub-measures set out in detail in the 2013 Rural Development Regulation.

**Table 2. List of available interventions in the draft CAP Strategic Plan Regulation**

Direct payments interventions	Basic income support for sustainability
	Complementary redistributive income support for sustainability
	Complementary income support for young farmers
	Schemes for climate and the environment (eco-schemes)
	Coupled income support
Sectoral interventions	Wine, olive oil and table olives, hops, fruits and vegetables, apiculture, other sectors as defined in CAP Plans
Rural development interventions	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

Source: Own compilation based on European Commission (2018b).

**Potential to shift resources between Pillars (and thus interventions).** A Member State can decide to rebalance its pre-allocated CAP budget receipts under Pillar 1 (P1) and Pillar 2 (P2). The main flexibilities in the Commission’s proposal are:

- Possibility to shift up to 15% of P1 to P2
- Possibility to shift up to 15% of P2 to P1
- Possibility to shift a further 15% from P1 to P2 if used for AECM interventions
- Possibility to shift a further 2% from P1 to P2 if used to support young farmers
- Possibly, whole or part of the product of capping
- Possibility to add national top-up to P2 co-financing to increase P2 budget (Articles 131 and 132).<sup>6</sup>

<sup>6</sup> Article 132 allows additional national financing “for interventions for which Union support is granted at any time during the CAP Strategic Plan period”. Provided the operations fall within the scope of Article 42 TFEU (meaning they are related to agricultural products as defined in Annex 1 of the Treaty), are included in the CAP Strategic Plan and are approved by the Commission, they are exempt from State aid notification requirements (Art. 131). The wording of Art. 132 does not restrict national top-ups to interventions under Title III chapter IV (that is, rural development interventions). However, Article 81 limits “the total amount for types of interventions in the form of direct payments that may be granted in a Member State” to the financial allocation of that Member

From a development perspective and in terms of achieving the SDGs, it would be important to ensure that full use is made of these flexibilities to ensure maximum funding for interventions consistent with the SDGs.

**Indicators and targets.** For each of the specific objectives there is a set of common indicators (enumerated in Annex 1 of the SP Regulation) divided into impact, results and output indicators. Impact indicators measure trends related to general objectives. Result indicators measure the effects of specific interventions. Output indicators measure the activities directly realised by interventions. The CAP Plan must establish targets for each of the results indicators (Art. 97(1)a). There is some uncertainty whether the Plan should also establish targets for the impact indicators – this depends on whether the phrase in this paragraph “targets for each relevant common and, where relevant, CAP Strategic Plan specific result indicators and related milestones” should be read as if there should be a comma after the word ‘specific’. Without a comma, the reference to targets for the common indicators would appear to encompass ALL common indicators including impact indicators; however, if we assume that a comma is intended (and there is supplementary evidence that this is what the Commission means), then the targets for the common indicators are limited to the results indicators.<sup>7</sup> For the specific environmental and climate objectives referred to in points (d), (e), and (f) above, the needs assessment shall take into account the national environmental and climate plans emanating from the legislative instruments included in Annex XI but there is no specific mention of targets.

Figure 1 gives an example of how the planning process might work in the case of reducing soil erosion.<sup>8</sup> The needs assessment and SWOT analysis might show the existence of a problem based on the relevant context (impact) indicator. The Plan would then indicate, based on an intervention logic, which interventions are included to address this problem. In this example, soil erosion is addressed partly through the minimum standard set under GAEC 7 to ensure no bare soil in winter. In addition, the Member State has decided to use the eco-scheme to grant aid the planting of catch crops after cereals in summer. Further, it has a measure in its AECM also related to catch crops but with higher management requirements, and it also supports organic farming. The output indicators for each of these measures contribute to the overall result indicator for improving soils.

There is uncertainty whether Member States can add further result indicators to measure performance (European Court of Auditors 2018). Art. 91 states that “Member States shall establish in the CAP Strategic Plans an intervention strategy as referred to in Article 97 in which quantitative targets and milestones shall be set to achieve the specific objectives set out to (*sic*) in Article 6. The targets shall be defined using a common set of result indicators set out in Annex I”. Art. 97(2)d provides for the possibility that the CAP Plans can also include “possible specific additional targets related to the interventions based on the sectoral types of interventions”. The possibility for Member States to add other specific results indicators and targets is not explicitly ruled out, but only the common results indicators will be considered in the performance and monitoring framework. Indeed, the Commission

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State as set out in Annex IV of the SP Regulation. There is no such limitation in Art. 82 dealing with support for sectoral interventions, or in Art. 83 for rural development interventions, leaving open the possibility that Member States can provide additional national resources for these interventions.

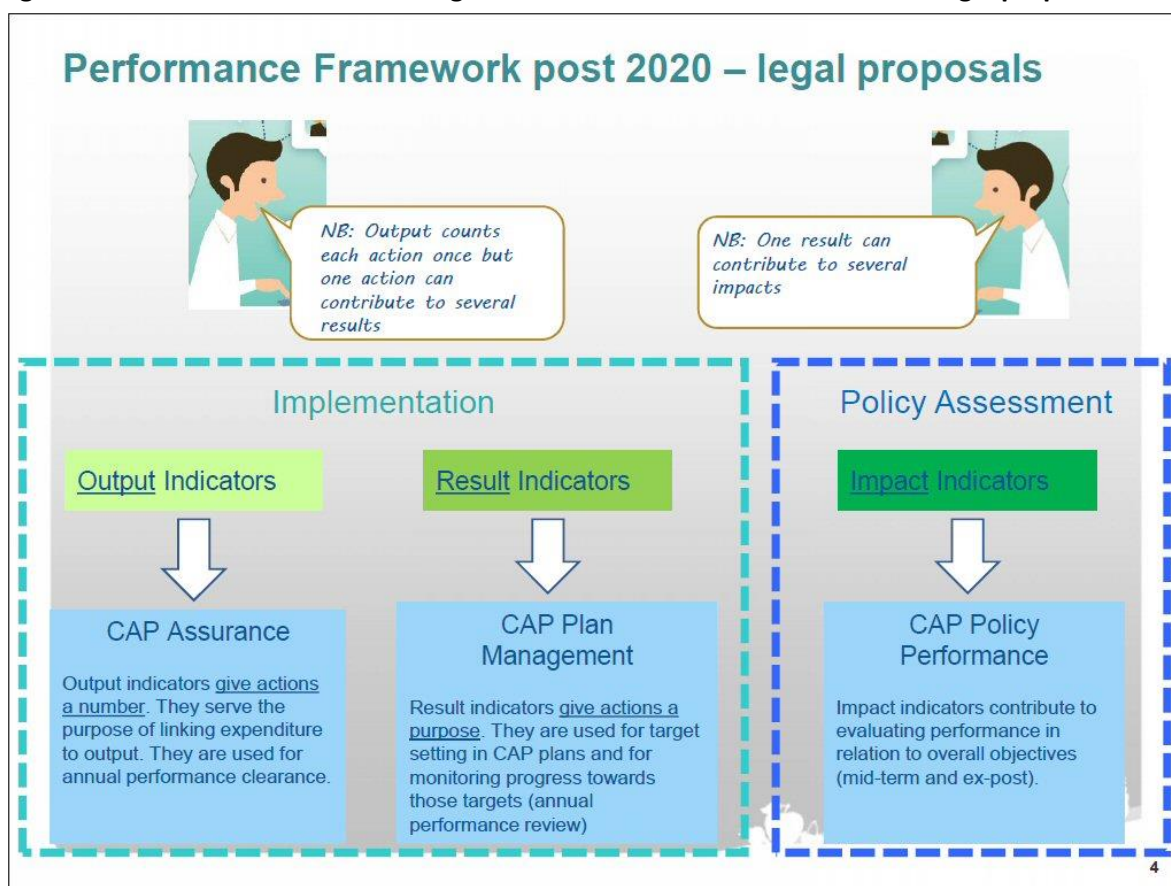
<sup>7</sup> This is clear from Art. 115 *Establishment of the performance framework*. This will use all the common indicators as the basis for performance reporting but targets and annual milestones are established only in relation to relevant specific objectives using result indicators.

<sup>8</sup> This example is taken from a DG AGRI presentation “Opportunities for interaction of EAGF and EAFRD under a common planning strategy”, Presentation to ENRD seminar ‘Key Steps for CAP Strategic Planning’, 23 October 2018.

recognises that ‘further investment into developing appropriate indicators is needed’ (Page 9 of the explanatory memorandum).

An annual performance review is foreseen as the key element of the ongoing monitoring and steering of policy implementation. In order to make an annual performance review operational, adequate output indicators and result indicators will have to be submitted jointly in an annual report on the implementation of the CAP Strategic Plan, the so-called *Annual Performance Report*. Each year, Member States would report on the achievement of outputs and results. The Commission would compare outputs with declared expenditure (Arts. 38 and 52(2) of the draft Financing, Management and Monitoring Regulation) and results with the targets set in the CAP SPs (Art. 39 of the draft Financing, Management and Monitoring Regulation). Evaluation of the Plans will be the responsibility of Member States (Arts. 125 and 126). The relationship between the different indicators and the roles they play in the performance monitoring and evaluation framework is visualised in Figure 2.

**Figure 2. The Performance Monitoring and Evaluation Framework in the CAP legal proposals**



Source: DG AGRI

**Article 92: Increased ambition with regard to environmental- and climate-related objectives.** The Commission has restated many times that “a modernised CAP should enhance its EU added value by reflecting a higher level of environmental and climate ambition, and address citizens' concerns regarding sustainable agricultural production” (European Commission 2017). This commitment is reflected in the inclusion of Art. 92 in the draft SP Regulation which requires Member States “to aim to make ... a greater overall contribution to the achievement of the specific environmental- and climate-related objectives set out in points (d), (e) and (f) [in Table 1 above] in comparison to the



overall contribution made to the achievement of the [similar] objectives under the EAGF and the EAFRD in the period 2014 to 2020.” This explanation should be based on relevant information, such as the SWOT analysis, assessment of needs, the targets set for different interventions in the CAP Plan, etc.

Member States will have a considerable degree of discretion in how they present this explanation, for various reasons. The comparison is made in terms of the relative contribution to the achievement of specific environmental and climate objectives, but how this contribution should be measured is not clarified. It is apparently not intended to be a comparison of financial commitments in the two periods.<sup>9</sup> However, national stakeholders should ensure that the Plan includes a comparison of spending on environmental and climate objectives in the Plan period with spending in the 2014-2020 period. If spending is reduced, there is a clear onus for the Plan to show how this spending is targeted more effectively so that the overall ambition with respect to environmental and climate objectives is achieved. There are several specific environmental and climate objectives. It is not clear whether a Member State must show a greater relative contribution with respect to all objectives, or an averaged contribution, and if the latter, how this averaging might be done. National stakeholders should make sure that Member States are held to a robust and evidence-based comparison when presenting the required comparison in the Strategic Plan.

**What are possible entry points to promote development and SDGs?** Based on this description of the format for a national SP, some possible entry points for development interests to stress the external dimension of the CAP and achievement of the SDGs can be highlighted.

- Four of the specific objectives (the three climate and environmental objectives (d), (e) and (f) as well as (i) in Table 1) are the most relevant ones to focus on. As noted above, a CAP Plan does not have to address all specific objectives – this depends on the outcome of the SWOT and needs assessment. For reasons set out later, development interests should seek to ensure that the CAP Plan specifically addresses all four of these specific objectives.
- Apart from the eco-scheme financed from Pillar 1, the interventions likely to be most effective in addressing these four specific objectives are likely to be financed from Pillar 2. Thus, development interests should press for the greatest possible transfer of resources from P1 to P2. It should also be considered whether there is a case for additional national financing for certain interventions in P2 linked to relevant objectives.
- Development interests might consider pressing for the inclusion of additional specific result indicators relating to the four specific objectives. In addition, it would be useful to show how the indicators used in the CAP Plan relate to those suggested to measure progress towards the SDGs, even if the latter are often set out in very broad terms.<sup>10</sup>
- Development interests should prepare a possible template for how the Art. 92 commitment to increased ambition with regard to environment- and climate-related objectives should be interpreted in the CAP Plan.

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<sup>9</sup> See Matthews, A., “The Article 92 commitment to increased ambition with regard to environmental- and climate-related objectives”, 30 June 2018, <http://capreform.eu/the-article-92-commitment-to-increased-ambition-with-regard-to-environmental-and-climate-related-objectives/>, accessed 22 January 2018.

<sup>10</sup> Eurostat has developed the SDG indicators used at EU level to monitor progress, see <https://ec.europa.eu/eurostat/web/sdi/indicators>.

## Ensuring greater environmental ambition in the CAP Strategic Plan

**What is the development interest?** The CAP was originally put in place to safeguard food supplies. It later developed into a farm income support policy, based largely on direct payments decoupled from production. More recently, there has been a greater focus on using CAP budget payments to incentivise farmers to improve their management of natural resources, to protect biodiversity and to enhance ecosystem services. The Commission proposal is expected to lead to greater environmental and climate ambition compared to the 2014-2020 period. The extent of ambition will be dependent on the decisions Member States make in their CAP Plans.

From a development perspective and linked to the external dimension of the CAP, there is a clear interest in the level of climate ambition set out in the CAP Plan. Rising greenhouse gas concentrations are a global threat. The adverse impacts due to temperature increases, more frequent weather extremes and rising sea levels will be felt predominantly in developing countries. Raising the level of ambition with respect to climate action is discussed in the following section.

The development interest in the level of environmental ambition pursued by the CAP is less obvious. With the possible exception of biodiversity loss, the environmental problems linked to EU agricultural production – water quality and overuse, ammonia emissions, soil erosion and degradation, loss of habitats, disappearance of species – are primarily local and not global (though in some instances there may be co-benefits in also helping to mitigate climate change). Addressing these issues is of great importance to EU citizens but whether the EU succeeds or not in improving its own environment is not something that concerns developing countries in the absence of spill-over effects.

However, if these environmental costs of agricultural production are not borne directly by EU agricultural producers but are externalised to the rest of society, then arguably this constitutes a ‘hidden’ subsidy to EU agricultural production which is just as effective as direct financial support and can be compared to dumping.<sup>11</sup> To the extent that farmers are expected to prevent this environmental damage, EU agricultural production is greater than it should be and world market prices are lower. This is a clear impact mechanism by which developing countries can be affected. Whether this is a positive or negative thing for developing countries depends on their specific characteristics (net exporter or importer of these commodities, trade relationship with the EU, whether poverty and hunger is primarily a rural or urban phenomenon, etc.). However, the pursuit of sustainable consumption and production patterns is one of the SDGs. The SDGs are universal, so here it is important that the EU shows leadership and ambition in fulfilling these goals. Thus greater environmental ambition falls within the scope of this paper on promoting the development interest when drafting the CAP Strategic Plans.

There is a trade-off in the short term between the farm income support and environmental objectives of the CAP, and between EU agricultural production and environmental support. The greater the emphasis given to environmental objectives in the CAP budget, the less the budget contributes to

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<sup>11</sup> Note that this assumes that all of the environmental damage is caused by the actions of farmers who would be penalised under the ‘polluter pays’ principle. However, in some cases society may want farmers to provide ecosystem services and be willing to pay for these under the ‘provider gets’ principle. The dividing line between environmental damage that farmers should be expected to prevent, and environmental benefits that farmers should expect to be incentivised to provide, is a political decision based on the distribution of property rights in the environment, and will vary from country to country.

farm income support, and the lower will be EU farm production. This lower farm production will contribute to slightly higher prices on world markets for products produced in the EU. This conclusion emerges clearly from the impact assessment that accompanied the Commission's legal proposal (European Commission 2018a). However, the changes are small in magnitude in most scenarios, and no radical changes in trade flows are projected for the range of scenarios considered (see Matthews 2018 for a more extensive discussion). In the longer term, of course, the health of the farming sector depends on a healthy environment. Any short-run trade-off must be seen in the context of the need to secure the future of the sector in the longer-term.

**Environmental indicators in the CAP Strategic Plan.** There are two specific objectives set out in the Commission's legal proposal relating to the environment:

- Foster sustainable development and efficient management of natural resources such as water, soil and air
- Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes.

**The impact and result indicators associated with these specific objectives are shown in**

Table 3. The impact and result indicators are quite extensive. What will be important are the targets that will be set for these indicators, the choice of interventions used to achieve them and the funding made available.

Regarding targets, as previously noted the draft SP Regulation does not seem to require targets to be included in the CAP Plan for the impact indicators. Without national targets, it will be impossible to ascertain how successful the Plan will be. It should thus be a priority for national stakeholders to ensure ambitious national targets for the impact indicators (and the corresponding result indicators) in the CAP Plan. It may be that further indicators additional to these common indicators might be useful in a specific national context. It should be recalled that each CAP SP must take account of environmental and climate legislation where appropriate and national plans emanating from this legislation should be described as part of the analysis of the current situation ('SWOT analysis'). Any targets in these national plans should also be carried over into the CAP Plans.

Regarding interventions, the legal proposal suggests a change in the 'green architecture' of the CAP post 2020. The current structure of cross-compliance, a compulsory greening payment in Pillar 1 and voluntary AECMs in Pillar 2 will be replaced by enhanced conditionality, a voluntary eco-scheme in Pillar 1 and voluntary AECMs in Pillar 2. The potential entry points in the new architecture are discussed in greater detail later in this section.

Regarding funding, the Commission proposal for the 2021-2027 Multi-annual Financial Framework is for a significant reduction in EU funding of CAP Pillar 2, which will be partly offset by a higher national co-financing rate. If this funding is not adequate to finance the interventions needed to achieve ambitious environmental targets, the use of the funding flexibilities enumerated earlier should be sought and, as an ultimate resort, additional national financing might be requested if necessary to support the Plan.

**Table 3. Impact and result indicators for environmental objectives**

<b>Specific objective:</b> <b>(e) Foster sustainable development and efficient management of natural resources such as water, soil and air</b>	
<b>Impact indicators</b>	<b>Result indicators</b>
<b>I.13 Reducing soil erosion:</b> Percentage of land in moderate and severe soil erosion on agricultural land	<b>R.18 Improving soils:</b> Share of agricultural land under management commitments beneficial for soil management
<b>I.14 Improving air quality:</b> Reduce ammonia emissions from agriculture	<b>R.19 Improving air quality:</b> Share of agricultural land under commitments to reduce ammonia emission
<b>I.15 Improving water quality:</b> Gross nutrient balance on agricultural land	<b>R.20 Protecting water quality:</b> Share of agricultural land under management commitments for water quality
<b>I.16 Reducing nutrient leakage:</b> Nitrate in ground water - Percentage of ground water stations with N concentration over 50 mg/l as per the Nitrate directive	<b>R.21 Sustainable nutrient management:</b> Share of agricultural land under commitments related to improved nutrient management
<b>I.17 Reducing pressure on water resource:</b> Water Exploitation Index Plus (WEI+)	<b>R.22 Sustainable water use:</b> Share of irrigated land under commitments to improve water balance
	<b>R.23 Environment-/climate-related performance through investment:</b> Share of farmers with support in investments related to care for the environment or climate
	<b>R.24 Environmental/climate performance through knowledge:</b> Share of farmers receiving support for advice/training
<b>Specific objective:</b> <b>(f) Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes</b>	
<b>Impact indicators</b>	<b>Result indicators</b>
<b>I.18 Increasing farmland bird populations:</b> Farmland Bird Index	<b>R.25 Supporting sustainable forest management:</b> Share of forest land under management commitments to support forest protection and management.
<b>I.19 Enhanced biodiversity protection:</b> Percentage of species and habitats of Community interest related to agriculture with stable or increasing trends	<b>R.26 Protecting forest ecosystems:</b> Share of forest land under management commitments for supporting landscape, biodiversity and ecosystem services
<b>I.20 Enhanced provision of ecosystem services:</b> share of UAA covered with landscape features	<b>R.27 Preserving habitats and species:</b> Share of agricultural land under management commitments supporting biodiversity conservation or restoration
	<b>R.28 Supporting Natura 2000:</b> Area in Natura 2000 sites under commitments for protection, maintenance and restoration
	<b>R.29 Preserving landscape features:</b> Share of agriculture land under commitments for managing landscape features, including hedgerows

Source: Own compilation based on European Commission (2018b).

**Potential in defining conditionality standards.** Title III of the SP Regulation describes the obligations under 'conditionality' which builds on the system of cross-compliance in place until 2020. These are basic standards concerning the environment, climate change, public health, animal health, plant health and animal welfare with which any beneficiary of area-based payments must comply. Well-functioning farm advisory services should also be in place to provide advice on meeting these standards. The basic standards encompass a streamlined list of statutory management requirements (SMRs) and standards of good agricultural and environmental conditions of land (GAECs). The purpose of the new conditionality is set out in the preamble to the legislation as follows:

“These basic standards should better take into account the environmental and climate challenges and the new environmental architecture of the CAP, thus delivering a higher level of environmental and climate ambition as the Commission announced in its Communications on the ‘Future of Food and Farming’ and the Multiannual Financial Framework (MFF). Conditionality aims to contribute to the development of sustainable agriculture through better awareness on the part of beneficiaries of the need to respect those basic standards. It also aims to make the CAP more compatible with the expectations of society through improving consistency of the policy with the environment, public health, animal health, plant health and animal welfare objectives. Conditionality should form an integral part of the environmental architecture of the CAP, as part of the baseline for more ambitious environmental and climate commitments, and should be comprehensively applied across the Union” (Recital 21).

Ten GAEC standards are set out in Annex III of the draft CAP SP Regulation together with the main objectives and the requirements for each standard (Table 4). In order to implement the framework, Member States are required to define a national minimum standard for each of the standards set at Union level considering the specific characteristics of the area concerned, including soil and climatic conditions, existing farming conditions, land use, crop rotation, farming practices and farm structures. Member States may also define in addition other national standards related to the main objectives laid down in Annex III in order to improve the environmental and climate delivery of the GAEC framework. However, Member States are not allowed to define minimum standards for main objectives that are not listed in Annex III (as also set out in Table 4).

For each GAEC standard, the CAP Plan must include a description of how the Member State will implement the practice or requirement. This may include a summary description of the practice, any territorial scope, the types of farmers concerned, and an explanation of the contribution to the main objective of the practice.

The three elements of conditionality, namely, (1) the requirement to deliver a higher level of environmental and climate ambition, (2) the flexibility for Member States to define their own level of minimum standards plus the possibility to include other national standards if they are designed to achieve the objectives of conditionality, and (3) the need to provide a system of advisory services to farmers which should cover, *inter alia*, the requirements and standards under conditionality, open a broad perspective in using conditionality to help address the SDGs. For example, it would be possible to define the crop rotation standard to require inclusion of a legume crop in the rotation on all appropriate arable land, if this were deemed helpful to address adverse external effects of imported protein. The GAEC 5 standard could be strengthened to specify maximum stocking rates in areas where livestock numbers exceed the carrying capacity of that area.

**Table 4. Proposed GAEC standards in CAP post 2020**

GAEC number	GAEC main objective	GAEC standard and requirement
1	<i>General safeguard against conversion to other agricultural uses to preserve carbon stock</i>	Maintenance of permanent grassland based on a ratio of permanent grassland in relation to agricultural area
2	<i>Protection of carbon-rich soils</i>	Appropriate protection of wetland and peatland
3	<i>Maintenance of soil organic matter</i>	Ban on burning arable stubble, except for plant health reasons
4	<i>Protection of river courses against pollution and run-off</i>	Establishment of buffer strips along water courses <sup>1</sup>
5	<i>Sustainable management of nutrients</i>	Use of Farm Sustainability Tool for Nutrients
6	<i>Minimum land management reflecting site specific conditions to limit erosion</i>	Tillage management reducing the risk of soil degradation, including slope consideration
7	<i>Protection of soils in winter</i>	No bare soil in most sensitive period(s)
8	<i>Preserve the soil potential</i>	Crop rotation
9	<i>Maintenance of non-productive features and area to improve on-farm biodiversity</i>	<ul style="list-style-type: none"> <li>• Minimum share of agricultural area devoted to non-productive features or areas</li> <li>• Retention of landscape features</li> <li>• Ban on cutting hedges and trees during the bird breeding and rearing season</li> <li>• As an option, measures for avoiding invasive plant species</li> </ul>
10	<i>Protection of habitats and species</i>	Ban on converting or ploughing permanent grassland in Natura 2000 sites

<sup>1</sup> GAEC buffer strips must respect at least the requirements relating to conditions for land application of fertiliser near water courses set out in the action programmes of Member States under the Nitrates Directive.

Source: Own compilation based on draft CAP Strategic Plan Regulation Annex III.

Ultimately, these standards are only relevant where farmers receive area-based payments under the CAP. In the 2014-2020 period virtually all farmland is covered by cross-compliance (the total area declared by beneficiaries and for which all eligibility conditions are met amounted to 159 million hectares in 2016, compared to a utilised agricultural area of 179 million hectares (DG AGRI 2018). There is a possibility that if the standards required under enhanced conditionality are further raised and area-based payments are reduced, then an increasing number of farms might decide to opt out of the direct payments system entirely in order to avoid having to comply with the standards of good agricultural and environmental practice (for the statutory management requirements, there is a legal obligation to comply regardless whether the farm is in receipt of direct payments or not). If that situation were to arise, national authorities would have to decide whether some of the optional GAEC standards should be moved to voluntary schemes (either eco-schemes or AECMs, or whether national legislation should be strengthened to convert these requirements to statutory ones.

**Potential in AECMs.** AECMs are a well-established intervention in CAP Rural Development Programmes. Member States are required to offer an AECM but it is voluntary for farmers whether to

participate or not. AECM contracts cover around one-quarter of the EU's farmland. They have been criticised for a lack of clarity on the environmental benefits achieved (European Court of Auditors 2011). In response to this criticism, the Commission's guidance on the preparation of AECMs in the 2014-2020 period stressed the need for a clear link between the priorities/focus areas of rural development policy, the relevant environmental need/opportunity identified in the SWOT analysis and the type of operation's expected outcome.

The Commission has been criticised for an overly strict interpretation of the requirement that AECMs should only compensate for the costs incurred and income foregone as a result of the management commitments undertaken by farmers. This requirement, in turn, is linked to the language required to notify AECM expenditure in the Green Box of the WTO Agreement on Agriculture. It is argued that this has resulted in conservative and unambitious AECM design and has limited the introduction of more results-based schemes. An alternative view is that very often Ministries of Agriculture do not contain the expertise to design such schemes and, in serving the interests of their farm union clients, do not have an incentive to do so. Academic authors have argued that there is plenty of scope to design ambitious AECMs within these constraints (Bureau 2017; Hasund and Johansson 2016).

Whether under this constraint AECMs can provide an income stream to farmers through remunerating them for the provision of ecosystem services is a debated question.<sup>12</sup> If the AECM payment includes an opportunity cost (that is, a sum to compensate farmers for the income opportunity lost by enrolling in an AECM), then by definition it will provide at least the same income as the alternative production activity on that land. There would still be a ceiling on the level of payment possible under an AECM, but it would provide farmers with at least the same level of income as they might earn from 'conventional' production.

The Commission guidance on the use of opportunity costs in determining the level of AECM payments is quite strict. It refers only to a situation where the desired environment-friendly practice is at risk of disappearing, and the payment is designed to maintain that practice. The Member State is strictly required to show that the practice is under threat. But examples do exist of payments based on opportunity costs to incentivise farmers to restore practices that no longer exist.<sup>13</sup>

Some NGOs argue that remuneration for the provision of ecosystem services (e.g. carbon sequestration, habitat creation, flood management) should be based on the value of these services to society, and not on the cost to farmers of providing them. While attractive in principle, the danger with this approach lies in the absence of specific benchmarks to establish these values (though carbon sequestration is an exception), thus opening the door to these payments becoming a form of disguised income support which is what the WTO Annex 2 paragraph 12 specific conditions for agri-environment payments are intended to prevent.

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<sup>12</sup> The Commission does allow payment for transactions costs in connection with scheme participation which can provide additional income to farmers. Also, as scheme payment rates are based on average compliance costs, scheme participants will be those whose compliance costs are lower than the payment rate, thus enabling a rent to be earned. But the principle of AECMs is that payments are compensation and not additional income.

<sup>13</sup> An example is the substantial payment (€300 per hectare) for low-input permanent pasture in the Irish AECM called GLAS, though this is limited to a maximum of 5 ha per farm. The key requirements are that there must be at least four different grass species in the sward, and N application must be limited to less than 45 kg per ha (compared to the nitrate zone standard of 170 kg). Whether the practice is at risk of disappearing or the scheme is trying to re-establish a less intensive practice that has disappeared is a moot point.

There are two ways such value-based payments could be defended. One is to argue that what society is purchasing are specific environmental services and thus this is an environmental programme and not an agricultural programme. Thus, it would not be constrained by the Agriculture Agreement but might still be challenged under the WTO Subsidies and Countervailing Measures Agreement. For this justification to hold up, payments could not be limited to farmers only but would have to be available to anyone who is able to provide this service.

Alternatively, one could notify these value-based payments under paragraph 5 direct payments and paragraph 6 decoupled income support in Annex 2 of the Agriculture Agreement. As this is what the Commission proposes to do with the new eco-scheme, this option is discussed under this heading.

**Potential of the new eco-scheme.** An innovation in the Commission legal proposal is schemes for the environment and climate (eco-schemes) to be funded by Pillar 1 of the CAP (Art. 28). These will be mandatory for Member States to offer, but voluntary for farmers to participate. They are intended to support the same objectives as AECMs but should support different commitments than those supported under AECMs in the respective national CAP Plans. The main innovation of eco-schemes is that support can be granted either as a top-up additional to basic income support or to compensate beneficiaries for costs incurred or income foregone. The main constraints are that payments must be limited to genuine farmers, must be paid as an annual payment per hectare, and should be consistent with the measures funded under AECMs.

The limitation to genuine farmers would seem to arise because eco-schemes are funded from Pillar 1 of the CAP and payments are limited to eligible hectares. Only genuine farmers can declare eligible hectares. In practice, this is unlikely to prove a major constraint as the great majority of EU farmland will be defined as eligible area farmed by genuine farmers. Because of this limitation, these payments are non-product-specific support provided in favour of agricultural producers in general and would thus be notified under the Agreement on Agriculture. The Commission proposes to notify these payments under either paragraph 5 or 6 of Annex 2 (Green Box) to the Agreement.

The possibility to make the payment as a top-up opens the possibility that eco-scheme payments can provide a larger income stream to farmers and not just compensate for costs incurred and income foregone. I argued above that, where opportunity costs are appropriately defined, AECM measures can also remunerate farmers for public good services. The difference between the two schemes is more that the AECM payment remains constrained, while the eco-scheme payment is unconstrained and could in theory be used to better reflect the value of the service to society.

They thus open the way for value-based payments which could encourage the participation of farm sectors for whom voluntary AECMs are not attractive. The danger in eco-schemes is that they have the dual objective of both providing an income stream and achieving environmental outcomes. The balance between these joint outcomes will be subject to political pressure. In a worst-case scenario, the eco-schemes could be similar to the greening payment in the 2014-2020 period where the payment made bears no relationship to the environmental value of any actions taken by the farmer. Avoiding this 'green-washing' will be one of the major concerns in the design of eco-schemes.

The other concern raised about eco-schemes is that, unlike AECMs where farmers enter into multi-year contracts, Pillar 1 payments are annual payments. It is not yet clear how multi-annual payments can be secured under eco-schemes, but this would be highly desirable to achieve the maximum environmental impact.



## Ensuring greater climate ambition in the CAP Strategic Plan

Climate action in the CAP SP will be addressed under the specific objective (d) “Contribute to climate change mitigation and adaptation, as well as sustainable energy” which is one of the nine specific objectives set out for the CAP post 2020. Member States have significant discretion in how they fulfil this objective.

The one constraint that is specified is that, when making their assessment of needs, Member States must take account of the national environmental and climate plans emanating from the legislative instruments referred to in Annex XI of the CAP SP Regulation (Arts. 96(2) and 103(2)). From a climate perspective, the legislative acts included in that Annex are:

- The LULUCF Regulation (EU) 2018/841
- The Effort Sharing Regulation (EU) 2018/842
- Amendment to Directive 2009/28/EC on the promotion of the use of energy from renewable sources. This was amended in November 2018 to include a Union-wide binding renewable energy target of 32% for 2030, with a provision for review with a view to increasing this target by 2023, and is now recast as Directive (EU) 2018/2001.

One piece of legislation not included in Annex XI is the Governance of the Energy Union Regulation agreed by the co-legislators in November 2018. This requires Member States to start developing integrated national energy and climate plans (NECPs) for the period 2021 to 2030. Decarbonisation is one of the five dimensions of the Energy Union. NECPs set out the national objectives for each of the five dimensions of the Energy Union and corresponding policies and measures to meet those objectives. Member States are required to ensure that NECPs are consistent with, and contribute to, achieving the United Nations SDGs. Member States are also required to develop long-term strategies (with a perspective of at least 30 years) contributing to the fulfilment of the objectives of the Paris Agreement. These strategies should include the agriculture and land use sectors.

Member State NECPs must be notified to the Commission by 31 December 2019. However, to allow time for the Commission to comment on these plans, early drafts have been prepared by Member States and submitted by 31 December 2018 (Art. 9 of the Governance Regulation). This legislation is not specifically mentioned in Annex XI but it would seem necessary for the CAP SP to be consistent with these plans. Provision is made in the Governance Regulation (Art. 4) for the NECPs to include sector targets and adaptation goals. Where a country has already set sectoral mitigation and adaptation targets for agriculture in its NECP, my assumption is that these will be reflected in the CAP SP and that the CAP SP will not attempt to increase them. If such targets are not set in the NECP, then the CAP Plan provides another opportunity to do so. In any event, the key role for development interests will be to ensure that the policies and measures funded under the CAP are robust enough to ensure that the agreed target will be met.

A significant contributor to agricultural GHG emissions is ruminant production. There is a result indicator that measures the share of livestock units under support to reduce GHG emissions. This refers to schemes that improve the carbon emissions intensity per unit of production. Development interests should consider whether this might be complemented by an indicator that also captures trends in ruminant livestock numbers, given the importance of reducing absolute emissions from the livestock sector and not only improving emissions intensity.

**Table 5. Impact and result indicators for the climate objective**

<b>Specific objective</b>	
<b>(d) Contribute to climate change mitigation and adaptation, as well as sustainable energy</b>	
<b>Impact indicators</b>	<b>Result indicators</b>
<b>I.9 Improving farm resilience:</b> Index	<b>R.12 Adaptation to climate change:</b> Share of agricultural land under commitments to improve climate adaptation
<b>I.10 Contribute to climate change mitigation:</b> Reducing GHG emissions from agriculture	<b>R.13 Reducing emissions in the livestock sector:</b> Share of livestock units under support to reduce GHG emissions and/or ammonia, including manure management
<b>I.11 Enhancing carbon sequestration:</b> Increase the soil organic carbon	<b>R.14 Carbon storage in soils and biomass:</b> Share of agricultural land under commitments to reducing emissions, maintaining and/or enhancing carbon storage (permanent grassland, agricultural land in peatland, forest, etc.)
<b>I.12 Increase sustainable energy in agriculture:</b> Production of renewable energy from agriculture and forestry	<b>R.15 Green energy from agriculture and forestry:</b> Investments in renewable energy production capacity, including bio-based (MW)
	<b>R.16 Enhance energy efficiency:</b> Energy savings in agriculture
	<b>R 17 Afforested land:</b> Area supported for afforestation and creation of woodland, including agroforestry

Source: Own compilation based on European Commission (2018b).

## **Addressing external environmental impacts of food, and particularly soy, imports**

There is a growing awareness that EU demand for agricultural imports may contribute to environmental problems in exporting countries. In this section, we consider the specific case of soy imports. The EU imports annually around 17 million tonnes of crude proteins (of which 13 million tonnes are soya based and equal to 30 million tonnes of soya bean equivalent); mainly from Brazil, Argentina and the USA. Soy production particularly in Brazil has been linked to deforestation (Fehlenberg et al. 2017; Muller and Bautze 2017; Schulmeister 2015; Zell-Ziegler 2017), although other data suggest that the role of agriculture including soy in deforestation in Brazil has been falling over time (USDA 2017).

There is widespread agreement that the EU must contribute to SDG 15 to sustainably manage forests. The Commission launched a roadmap on an initiative to step up EU action against deforestation and forest degradation in December 2018. However, there are different views on what is the most effective action. Some support actions to reduce EU dependence on protein imports by increasing domestic protein production.<sup>14</sup> Others argue that protein imports should be reduced by reducing the

<sup>14</sup> Various measures in the current CAP support the expansion of protein production in the EU with as a result a lower demand for imported animal feed including soy. The main measures are:

size of the EU pig and poultry industries that are the main users of imported protein, for example, through higher uncompensated animal welfare requirements. Others support action to eliminate deforestation from private sector supply chains, for example, through certification programmes. Yet others argue the most important action is to support exporting countries in combatting deforestation, recognising that a commitment to zero deforestation requires burden-sharing through financial incentives to local landowners.

One proposal is that an incentive to farmers to use certified soy might be included as a policy in the CAP Strategic Plans. Because of certification costs and additional management costs, certified soy is more expensive although the price premium on a per tonne basis is not that big.<sup>15</sup> Given the architecture of the Commission's legal proposal, this could be introduced in various ways: as a GAEC standard under conditionality, funded as an intervention under Pillar 1 or Pillar 2, or introduced as a target indicator with the modality of implementation left up to the Member State. What follows are some preliminary thoughts on these options. I leave to one side the broader issue of whether this intervention would be an effective or optimal response to the negative external effects of EU soy imports. I also leave to one side the fact that there is no internationally-recognised standard for zero-deforestation soy although a number of private sector standards are being implemented.

**GAEC standard in conditionality.** There are ten objectives associated with GAEC standards. Member States can add additional standards provided they target these objectives, but not otherwise. All the GAEC objectives concern domestic environmental issues (see Table 4 for the full list). There is no scope to include a standard requiring farmers to use certified zero-deforestation feed as preventing deforestation is not, in itself, a GAEC objective. Even if there were, its effectiveness might be limited. Over 80% of soy meal in compound feed is estimated to be used in the pig and poultry industries (Profundo 2008). These industries are not land-intensive and direct payments make a relatively small contribution to farm income in these sectors. Even if the additional costs of using certified soy are small, including this requirement as an additional GAEC might encourage these farms to opt out of the direct payments system altogether.

**Address through AECMs.** CAP financial support must be linked to one of the interventions set out in the draft SP Regulation (see Table 2). The only appropriate intervention is payments for

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- greening – This encourages the possibility to grow certain nitrogen-fixing crops that are beneficial for biodiversity on Ecological Focus Areas (EFA), and through a crop diversification requirement:
  - interventions in rural development programmes e.g. through Agri-Environment-Climate Measures (AECM), knowledge transfer, advisory services, cooperation and innovation, and investment instruments;
  - voluntary coupled support (VCS), – which can be provided to sectors undergoing certain difficulties and to maintain current level of production

These measures, together with a positive market environment, have contributed to a positive trend in recent years and to increased EU production of protein crops. In particular, the soya area in the EU has doubled to almost one million ha since the CAP reform in 2013, with an EU production of 2.8 million tonnes in 2018. The main soya producers are Italy, France and Romania (European Commission 2018c).

<sup>15</sup> FeedNavigator, "Putting a price on soy: Industry chews over how sustainability costs should be shared, available at <https://www.feednavigator.com/Article/2018/06/05/Putting-a-price-on-soy-Industry-chews-over-how-sustainability-costs-should-be-shared>, 5 June 2018.

environmental, climate and other management commitments (Art. 65). This permits payments for “management commitments which are considered to be beneficial to achieving the specific objectives” set out in Table 1. The payment might be justified under either SO (e) “foster sustainable development” or SO (i) “Improve the response of EU agriculture to societal demands”.

One constraint to the use of CAP payments to cover the additional costs of using certified soy is that the use of certified soy must not be mandated by national law. Another constraint is that Art. 65 specifies that payments for agri-environment-climate commitments must be paid on a per hectare basis. For this reason, a payment to livestock farmers linked to the use of certified soy could not be paid as an AECM payment (one might envisage that farmers enrolling in an AECM scheme to be eligible for per hectare payments must accept a requirement to use certified soy, but this type of cross-compliance is not part of the AECM approach). This leaves payments for ‘other management commitments’ which are not constrained to be paid on a per hectare basis. For example, payments are allowed on a livestock unit (LU) basis for animal welfare purposes or to preserve local breeds in danger of disappearing. Extending this approach to paying the additional costs of an input presumably on a per tonne basis in order to address the societal concern around deforestation in third countries would be novel but arguably is not inconsistent with the intentions of Article 65. The payment would also have to be consistent with WTO rules. Provided both imported and domestically-produced certified soy were equally eligible, this measure would not seem to fall foul of the WTO national treatment provision in Article III(4) of the GATT. It would also have to be consistent with the provisions of the Technical Barriers to Trade Agreement on standards.

**Introduce a specific results indicator.** A third option would be to encourage the uptake of certified soy by including a specific result indicator in the CAP Plan. The indicators for the “sustainable development” specific objective are set out in Table 3, while those proposed for the “responding to societal demand” specific objective are shown in Table 6. If it were decided to promote this policy as part of the CAP Plan, it would seem most appropriate to link it to specific objective (i) “responding to societal demands”. Such an indicator might measure the share of certified soy in total soy used for animal feed. It would then be up to the Member State to decide on the appropriate combination of measures that it would use to achieve this target.

**Table 6. Impact and result indicators for Improving the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare (specific objective (i)).**

Impact indicators	Result indicators
<b>I.26 Limiting antibiotic use in agriculture:</b> sales/use in food producing animals	<b>R.36 Limiting antibiotic use:</b> Share of livestock units concerned by supported actions to limit the use of antibiotics (prevention/reduction)
<b>I.27 Sustainable use of pesticides:</b> Reduce risks and impacts of pesticides	<b>R.37 Sustainable pesticide use:</b> Share of agricultural land concerned by supported specific actions which lead to a sustainable use of pesticides in order to reduce risks and impacts of pesticides
<b>I.28 Responding to consumer demand for quality food:</b> Value of production under EU quality schemes (incl. organics)	<b>R.38 Improving animal welfare:</b> Share of livestock units covered by supported action to improve animal welfare

Source: Own compilation based on European Commission (2018b).

## Conclusions and recommendations

The main conclusions and recommendations of the study are summarised in this section.

1. Four of the specific objectives (the three climate and environmental objectives (d), (e) and (f) as well as (i) in Table 1) are the most relevant ones to focus on. A CAP Plan does not have to address all specific objectives – this depends on the outcome of the SWOT and needs assessment. Development interests should ensure that the CAP Plan addresses all four of these specific objectives.
2. Apart from the eco-scheme financed from Pillar 1, the most effective interventions in addressing these four specific objectives are likely to be financed from Pillar 2. Thus, development interests should press for the greatest possible transfer of resources from P1 to P2. It should also be considered whether there is a case for additional national financing for certain interventions in P2 linked to relevant objectives.
3. Development interests might consider pressing for the inclusion of additional specific result indicators relating to the four specific objectives. In addition, it would be useful to make a close linkage between indicators used in the CAP Plan and those suggested to measure progress towards the SDGs. Further work to identify overlaps and omissions would be useful.
4. Development interests should prepare a possible template for how the Art. 92 commitment to increased ambition with regard to environment- and climate-related objectives should be interpreted.
5. Development interests should consider the utility of adding additional GAEC standards linked particularly to climate mitigation as part of enhanced conditionality. If additional standards led to fewer farmers enrolling in the direct payments scheme, consideration could be given either to moving these standards to the voluntary schemes (either eco-schemes or AECMs) so that farmers would be compensated for the additional costs incurred, or to putting them on a statutory basis.
6. The higher the level of environmental and climate ambition included in the CAP Plan, the greater the negative impact on EU agricultural production and the greater the resulting increase in world market prices. Such price effects are likely to be very minor in the context of the observed level of price fluctuations on world markets.
7. It should be a priority to ensure ambitious national targets for the environmental impact indicators (and the corresponding result indicators) are included in the CAP Plan. The absence of specific targets for the impact indicators would make future evaluation toothless.
8. The flexibility for Member States to define their own level of minimum standards plus the possibility to include other national standards if they are designed to achieve the objectives of conditionality opens a broad perspective in using conditionality to help address the SDGs.
9. There should be greater focus on promoting results-based AECMs. While a more flexible use of the opportunity cost concept could allow some farmers to receive an income in situations where otherwise the farm would cease to exist, AECMs are not intended to provide an income stream to farmers through remunerating them for the provision of ecosystem services.
10. Eco-schemes provide a mechanism to introduce value-based payments for environmental services. Because of their dual role in providing both income support and achieving environmental benefits, avoiding ‘green-washing’ will be one of the major concerns in the design of eco-schemes.
11. Designing eco-schemes to permit multi-annual payments would be highly desirable to achieve the maximum environmental impact.

12. Member State targets and interventions to avoid dangerous climate change are now set out in their National Energy and Climate Plans and it is likely these targets will be carried over to the CAP Plans. Where these NECPs do not include specific targets for the agriculture sector, relevant targets should be included in the CAP Plans. In any event, development interests should ensure that the policies and measures funded under the CAP Plan are robust enough to ensure that the agreed emissions reduction target will be met.
13. Financial compensation to farmers to encourage the use certified soy in animal feed rations as a management commitment could be provided under Article 65 of the Strategic Plan Regulation. Whether or not this is a sensible way to address the adverse external impacts of EU soy imports should be further explored.

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