

associazione **Alessandro Bartola**  
studi e ricerche di economia e politica agraria

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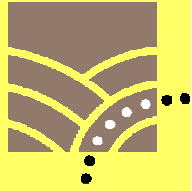
# The CAP and the EU Budget

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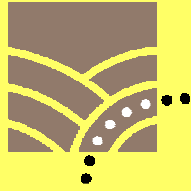


– **Iniziativa realizzata con il contributo dell'Unione Europea, DG Agricoltura e Sviluppo Rurale**  
– *Gli articoli e i contributi ai convegni Agrireregionieuropa rappresentano il pensiero dei singoli autori e relatori.*  
– *Essi non riflettono in alcun modo la posizione dell'Unione Europea.*



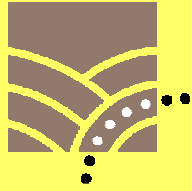
## Summary

- ❖ The debate on the EU budget and the 2014-2020 Financial Perspectives
- ❖ The CAP in the EU Budget
- ❖ Conclusive remarks



## A budget reform in slow motion

- ❖ While all EU policy responsibilities appear very active...
  - e.g. CAP, regional policy, research policy
  - external initiatives (consultations, conferences, documents)
  
- ❖ the debate on the budget is stalled...
- ❖ or at least it is hidden to the general public



# The "Budget Review" Story

May 2006 inter-institutional agreement

*"to undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008/9"*

Sept 2007 launch consultation

*Reforming the budget, changing Europe"*  
*SEC(2007)1188 final*

Consultation

300 contributions represent broad diversity of interests

12 Nov 2008, Brussels

*"Reforming the Budget, Changing Europe" Conference*

Nov2008-Oct2010

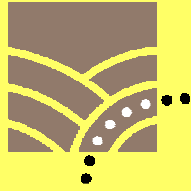
**Stalemate**

19 Oct 2010

*"The EU Budget Review" Communication Commission*  
Only general principles, no figures, attention not to hurt the susceptibility of individual MSs, political parties and social lobbies

1 Jul 2011

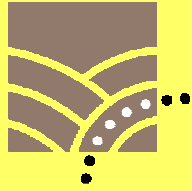
New Financial Perspective 2014-20 Commission proposals are expected



## The macro-objective of the EU

❖ Each programming period had a main target

- 1988-92 Single European Market **OK**
- 1993-99 Monetary Union **OK**
- 2000-06 Enlargement **OK**
- 2007-13 the Lisbon-Göteborg strategy **was (at least partially) failed**
- 2014-2020 **What will the EU be for ????**



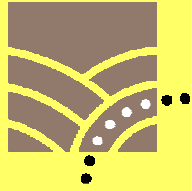
## What will the EU be for ????

### ❖ On the table 2 key problems

- Role of Europe in a global world
- How to react to the economic crisis

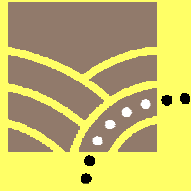
### ❖ 3 (old) consequent questions

- More/less Europe?
- broader/deeper Europe?
- Europe at 1 or 2 levels or speed?



## Who has the responsibility ?

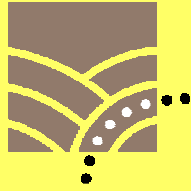
- ❖ the Commission and the European Parliament have an important influence
- ❖ But a crucial role and the **last word** rest with the European Council and, ultimately, **National Governments**
- ❖ Strategy EU-2020 is still vague
  - “**intelligent-sustainable-inclusive growth**” (??)
  - reveals the difficulty of the EU to solve the key problems: role of Europe in a global world, how to react to the economic crisis



## The game is still **completely** open

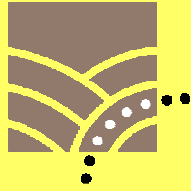
- ❖ A game of position is underway
- ❖ the future moves of each actor are hidden and uncertain
- ❖ **The EU budget is/will be the central battlefield**
  - the Budget Review and the positions expressed by MSs reveal a substantial dissatisfaction with the present EU Budget
  - low efficiency and effectiveness (as frequently noted by the COA)





## Some less recent positions

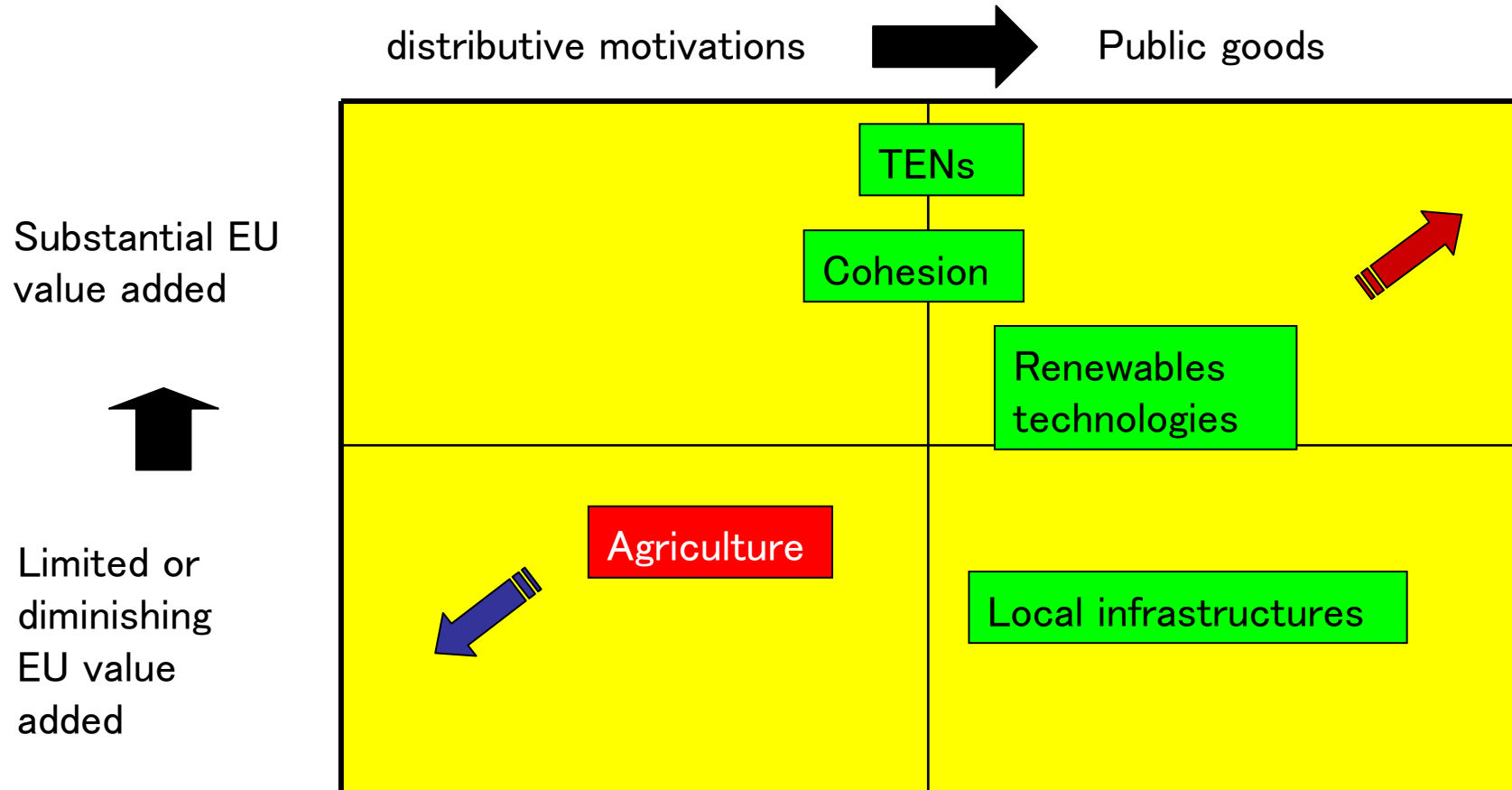
- ❖ 1987, the Padoa-Schioppa Report
  - The CAP ... “represents a systemic anomaly”
- ❖ 2004, The Sapir Report
  - “There is therefore a solid argument for decentralising to MSs the distributive function of the CAP”
  - “the heavy legacy of the past is such that [...] a phasing-out period should be foreseen. To meet this need, about 0.10% of EU GDP could be allocated, on a transitional basis, as EU support to agriculture”



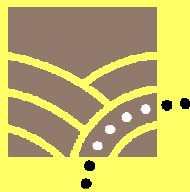
# Budget reform - key policies

From the Budget Review Consultation Conference

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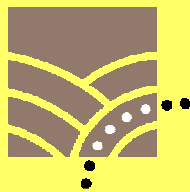


Source: Iain Begg, Improving the Rationale and the Political Decision Process. The 2008/9 EU Budget Review, European Institute, LSE. Lisbon 5 November 2007 (Budget Review Consultation )



## Commission's study on EU Spending (Nov '08)

Policies	Commitments 2007 as % of total	Changes to the Budget	
		Gradual	Economically efficient
Macroeconomic	0,4	0	0
Social Affairs and Employment	0,7	0	0
Cohesion Policy	31,7	—	—
Competitiveness and Single Market Policies	0,6	0	0
Research and Development	3,5	+	++
Education and Culture	1,0	0	0
Environment	6,6	+	++
Agriculture and Rural Development	40,8	—	---
Fisheries and Maritime Issues	0,7	+	++
Network Industries (Energy, Transport, ICT)	2,6	+	++
Health and Consumers Policy	0,4	0	0
Freedom Security and Justice	0,7	0	0
Defence	n.a.	?	+
Foreign Aid and Neighborhood Policies	5,5	+	++



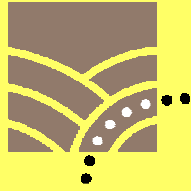
# Meta-study on spending evaluation

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	Competitiveness				Cohesion			Natural resources				Citizenship			Global partnership		
	Research	Innovation, SMEs	Transport & Energy	Learning & Jobs	Cohesion for growth	Cohesion fund	Cohesion for employment	Agriculture	Rural development	Fishery	Environment	Justice, freedom, security	Health, consumers protection	Media, culture, youth	Cooperation	Humanitarian assistance	Enlargement
Relevance	=	=	+	+	+	+	+	-	+	-	+	+	+	=	=	+	+
Coherence	=	=	+	-	+		+	-	+	-	+	+	-		=	=	=
EU added value	+	=	+	+	+	+	+				+	+	+		-	+	=
Effectiveness	+	+	-	+	+	+	+	=	+		+	+	+		=	+	=
Sustainability				+		-	=	-							-	=	-
Efficiency	=		=		=	=	=	-				=			=	-	=
Unintended impacts						+		-									

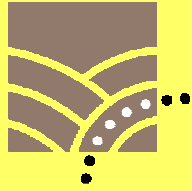
Eureval, Rambøll management, Meta-study on lessons from existing evaluations as an input to the Review of EU spending, Final Report, January 2008  
Evaluation for the European Commission, Contract ABAC-10193





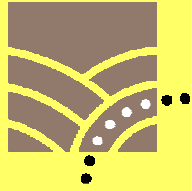
## The economic crisis: more/new resources needed

- ❖ for MSs budgets (less funds for the EU)
  - Re-launch the economy and repay the public debt
  - National elections (2011: Estonia, Finland, Poland, DK, **Italy?**, 2012: France)
- ❖ for new/reinforced priorities in the EU budget
  - growth, competitiveness, employment
  - Volatility of commodity markets (including food)
  - financial crisis threatening the stability of euro



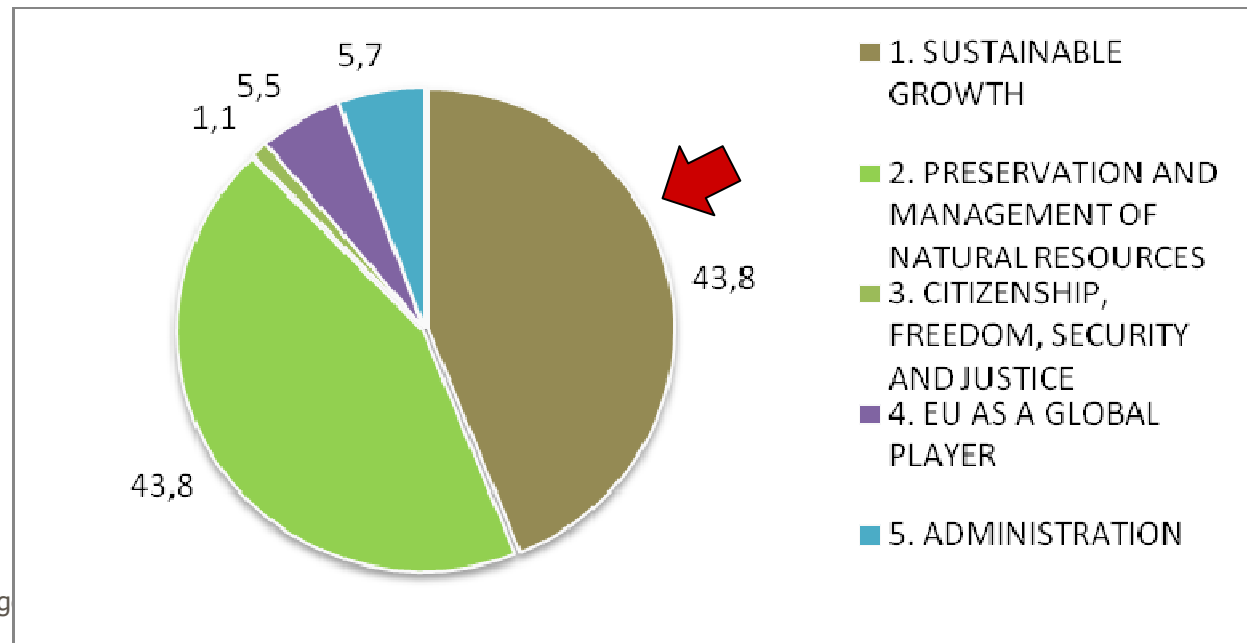
## New participants around the table

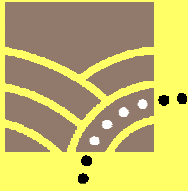
- ❖ It is for the first time that all 27 MSs discuss the budget
- ❖ Cap budget into the EU budget debate
  - This was not the case in 2007-13 FP debate
  - Fischler reform was decided by 15 MSs
  - CAP budget pillar 1 already decided in 2003



## First conclusion

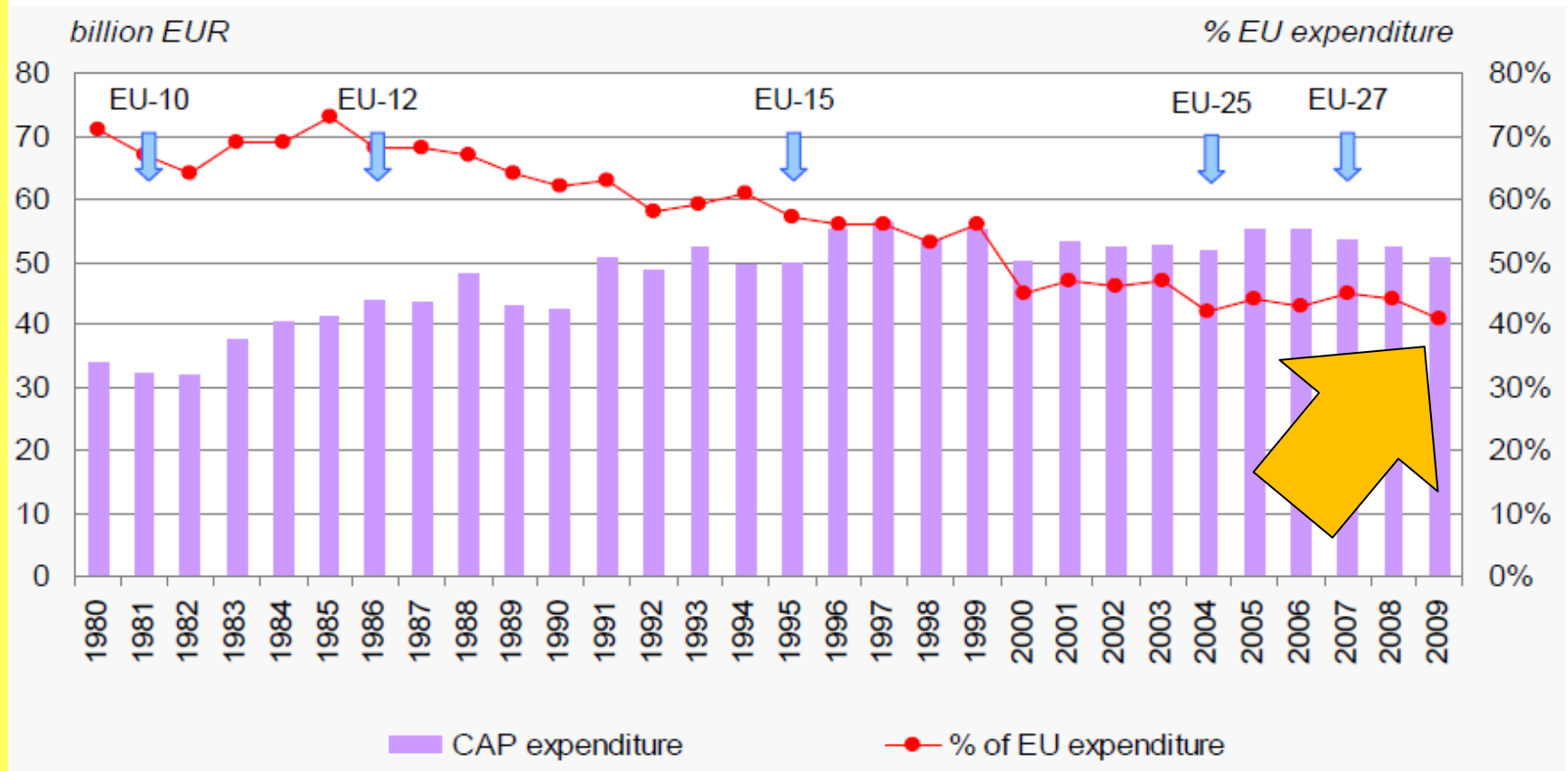
- ❖ a substantial budget reform is likely to come
- ❖ The overall budget will not increase, **more likely decrease**
- ❖ The CAP budget could be considered as one fundamental reserve of funds for other policies





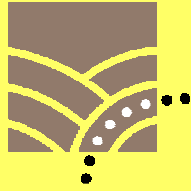
# CAP expenditure according to the DG AGRI web site

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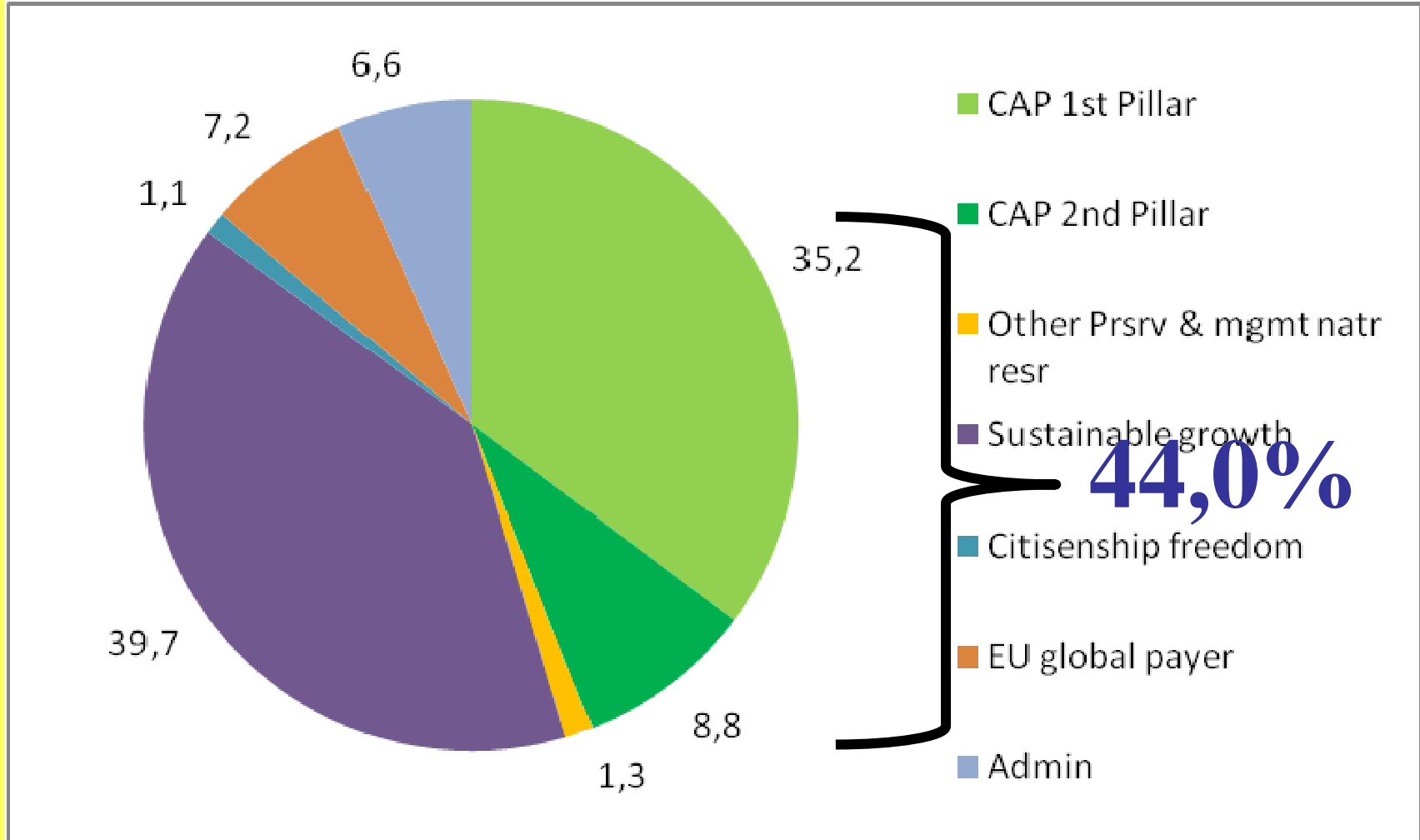
Source: DG-Agri web site: The common agricultural policy after 2013  
Cap CAP post-2013: key graphs and figures,



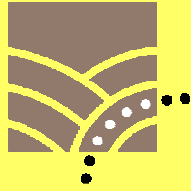


# Appropriations for Payments 2009

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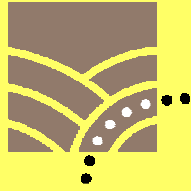
**Net of administrative costs = 47,1 per cent**



# The CAP payments in the Financial Report 2009

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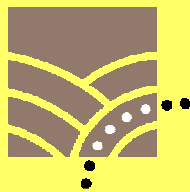
	<b>Pillar1</b>	<b>Pillar 2</b>	<b>Total CAP</b>	<b>Net Total UE Expenditure (- Admin)</b>
	<b>M€</b>	<b>M€</b>	<b>M€</b>	<b>M€</b>
EU-15	36563	5241	41804	71295
<i>North-15</i>	6295	1041	7336	11348
<i>Centre-15</i>	16447	2394	18841	30207
<i>South-15</i>	13821	1806	15627	29740
EU-12	4468	3498	7966	24818
EU-27	41031	8739	49770	96113
Out MS	5062	0	5063	14633
<b>Total EU</b>	<b>46093</b>	<b>8740</b>	<b>54833</b>	<b>110746</b>



# The CAP payments Financial Report - 2009

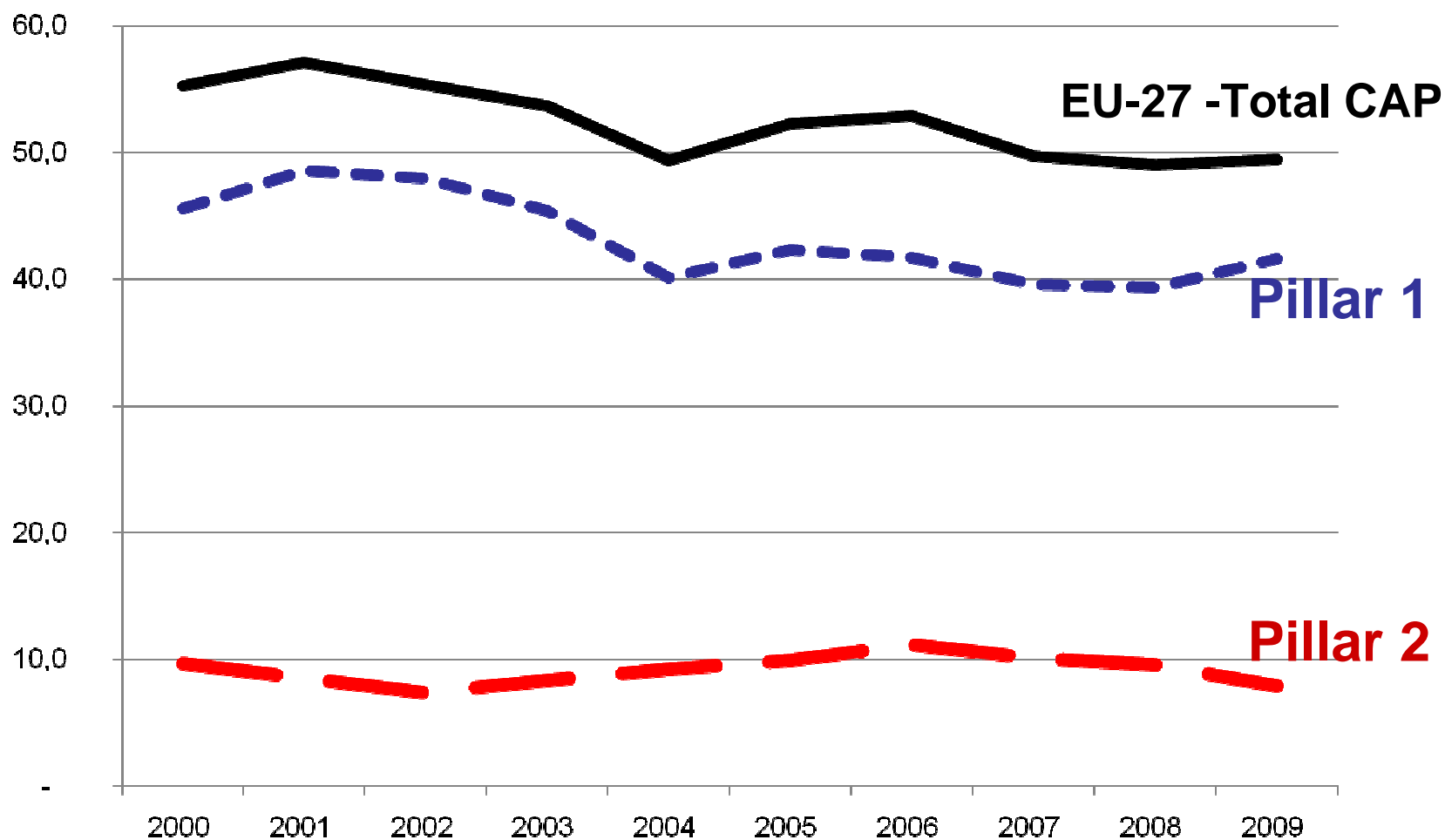
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	Pillar1 / Total CAP %	Pillar2 / Total CAP %	Pillar1 / Net total %	Pillar2 / Net total %	Total CAP/ Net total EU %
EU-15	87,5	12,5	51,3	7,4	58,6
<i>North-15</i>	85,8	14,2	55,5	9,2	64,6
<i>Centre-15</i>	87,3	12,7	54,4	7,9	62,4
<i>South-15</i>	88,4	11,6	46,5	6,1	52,5
EU-12	56,1	43,9	18,0	14,1	32,1
EU-27	82,4	17,6	42,7	9,1	51,8
Out MS	100,0	0,0	34,6	0,0	34,6
<b>Total EU</b>	<b>84,1</b>	<b>15,9</b>	<b>41,6</b>	<b>7,9</b>	<b>49,5</b>



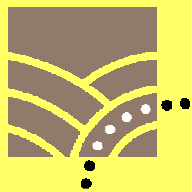
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# The CAP on the overall EU payments (net of administrative costs)



Financial Report – 2009

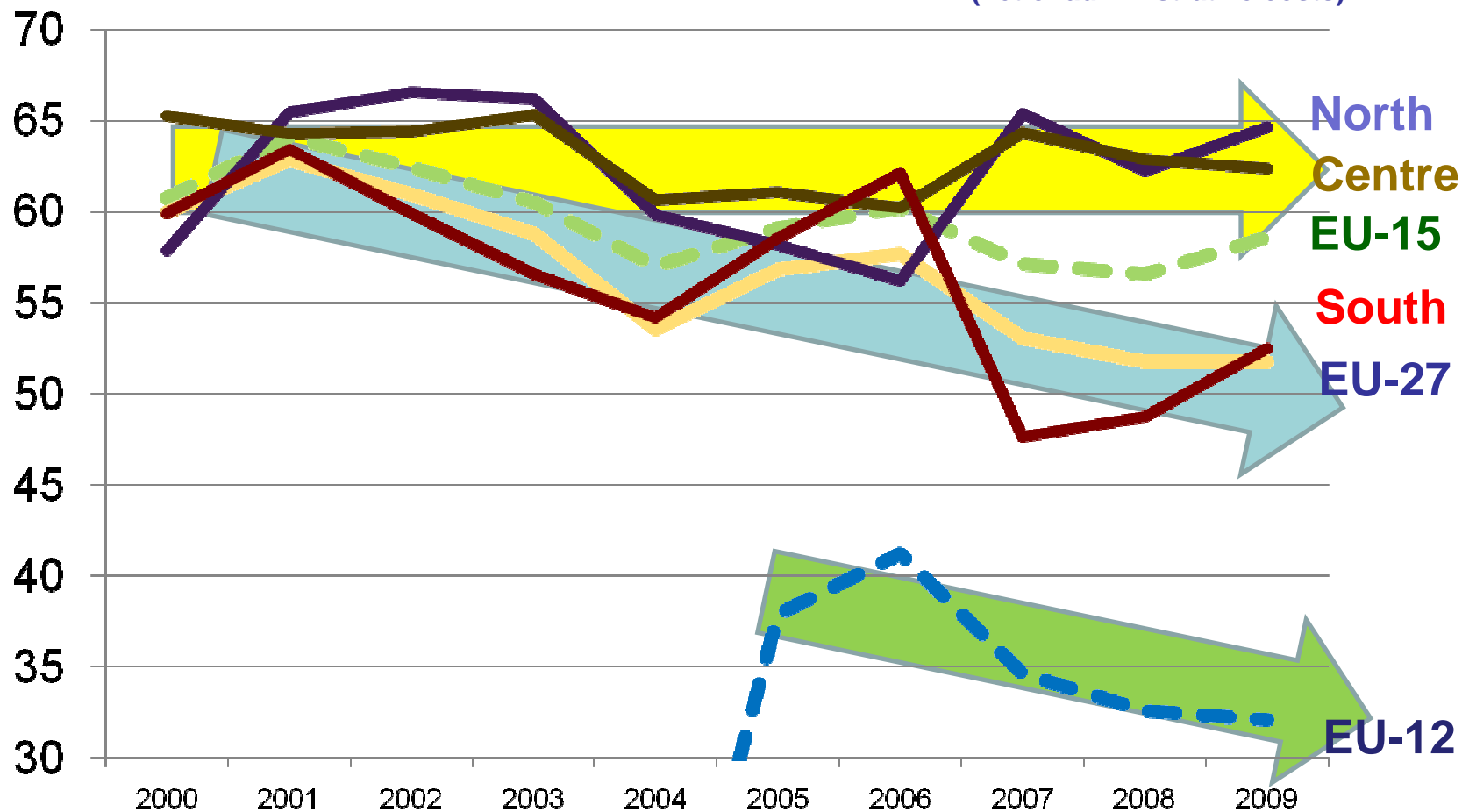
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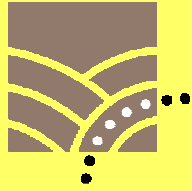
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# The CAP on the overall EU payments by groups of MSs

(net of administrative costs)

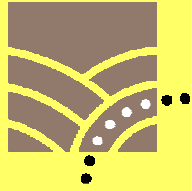


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## Comment

- ❖ The CAP weight on the overall budget is significantly higher than usually considered (especially in North and Centre EU-15)
- ❖ Its distribution between pillars is significantly more unbalanced in favour of direct transfers of pillar 1
- ❖ Pillar 1 (SFP) budget is very easy to be transformed in payments, which is not the case with pillar 2 and all other major EU policies
  - More evident, unfair and unacceptable the contradiction of a P1 whose weight increases on the total payments because of its non selective and non targeted character
  - More crucial a commitment for a CAP targeted and tailored to explicit behaviors supported by a strong effort in governance, implementation and evaluation



## Reasons for the discrepancy btw appropriations and payments

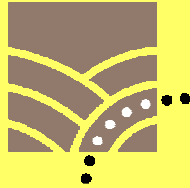
### ❖ Before the Commitment

- ability of MSs and regions to co-finance
- ability of beneficiaries to enter into commitments
- Late approval of programs by MSs / Regions

### ❖ Withdrawal of the beneficiary and cancellation of commitments

- Bank refusal to grant credit
- Change in business plan
- Discover of better funding opportunities in competing policies
- Death of the beneficiary or change in family decisions

### ❖ Inflationary effect when payment is delayed



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# CAP payments in Italy

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Payments per beneficiary €	CAP expenditure		CAP beneficiaries		Average payment
	Absolute value in M€	%	Absolute value in 000	%	Euro per beneficiary
Less than 1.000	301.8	5.5	765.1	58.3	394
>1 000. <=5 000	791.4	14.5	352.2	26.8	2247
>5 000. <=10 000	622.9	11.4	91.9	7.0	6780
>10 000. <=25 000	971.7	17.8	67.2	5.1	14456
>25 000. <=50 000	674.1	12.3	21.2	1.6	31861
>50 000. <=100 000	573.6	10.5	9.2	0.7	62350
More than 100 000	1538.5	28.1	4.9	0.4	314101
<b>Total</b>	<b>5473.9</b>	<b>100.0</b>	<b>1311.6</b>	<b>100.0</b>	<b>4173</b>

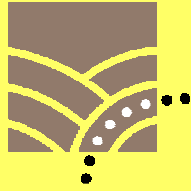
**20.0%**

**85.1%**

**50.8%**

**2.7%**



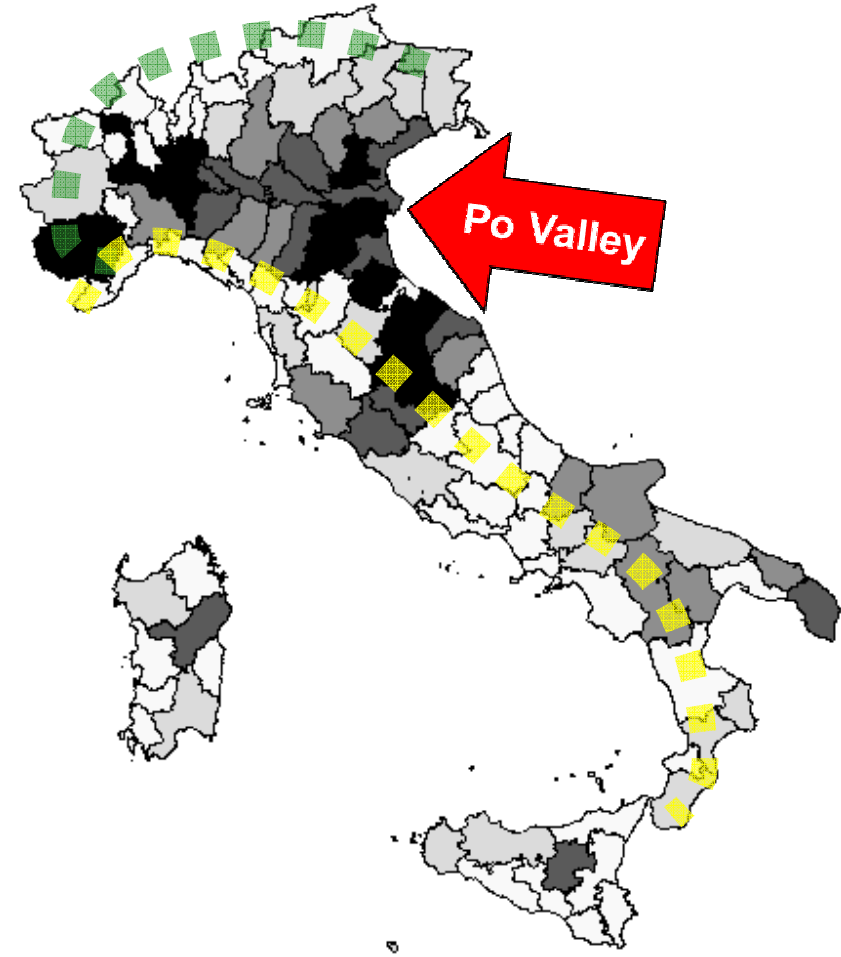
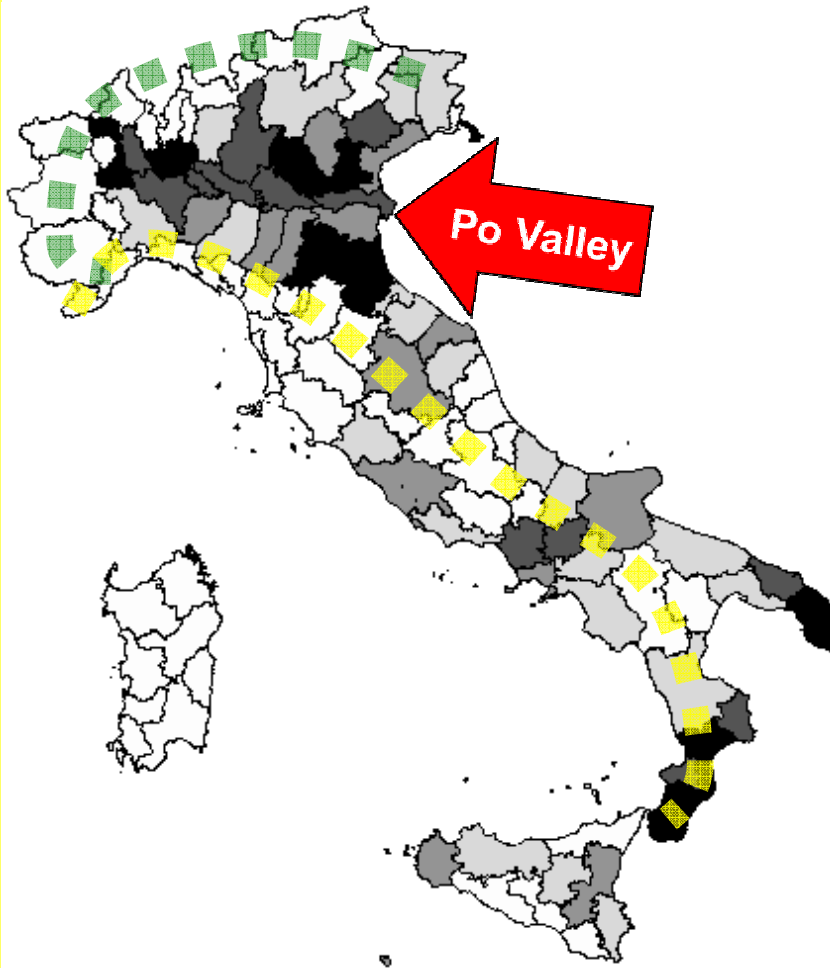


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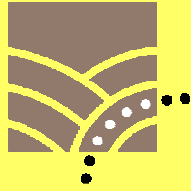
# Concentration of CAP payments in Italy in quintiles

a) sorted by CAP payments / UAA

b) sorted by CAP payments / AWU

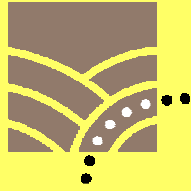


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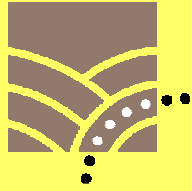
## Comment

- ❖ **There are good reasons for a substantial change**
  - probably, for the better off farms, a lot of CAP payments just represent an additional rent
  - while for the plethora of small farms, which in Italy have generally a subsidiary role in the family interests and income, it has a very minimal incidence (compared to an enormous administrative cost)
  - The strong concentration of the CAP expenditure in terms both of recipients and localization significantly reduces any alleged link between the present CAP expenditure and the provision of public goods through agriculture



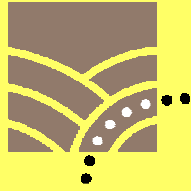
## The Budget and the CAP

- ❖ From now on, the two processes of Budget Reform and CAP Reform are intertwined
- ❖ The debate on the budget will guide and influence all other choices
- ❖ The result for the CAP is not taken for granted, as someone seems to believe, expressing confidence about a future CAP with limited changes from the present one
- ❖ The quality of the proposal for the future CAP is crucial to determine how much funds will be reserved to it



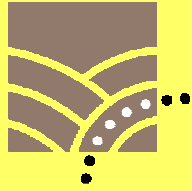
## An optimistic conclusion

- If in the future, the CAP will be reorganized in line with the overall strategy of the EU, within a framework of shared objectives and efficient/effective measures, it will be easier to defend an adequate budget for the CAP
- Commissioner Ciolos initiatives and proposals have paved the way for an important reform of the CAP, but now it should be concretized with legislative solutions moving as soon as possible away from the payments for “status” attributes of the recipient or “for doing nothing” and entering in a new era of **finalized** and **contractualized** measures



## A pessimistic conclusion

- But if, in the design of the future CAP, a conservative logic should prevail (for more than one signal this risk is high), other European priorities will successfully (deservedly) claim for funds spent for the CAP until now
- and the reform of the CAP will be more the effect of the cuts and the redistribution of the budget than a result of the Cioloş proposals
- In such a case, a founding pillar of the EU would be lost and, at the same time, the CAP would regress to a barrier to further development of the European Union project



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**Thank you**  
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