

Montenegro Institutional Development and Agricultural Strengthening Project (MIDAS)

Workshop: Direct payments and IACS pilot project

EU CAP and Direct Payments

- Evolution of CAP
- DP elements

Zdravko Tušek, Senior Expert for DP and IACS

14.04.2016, PODGORICA

Action Plan...

... CAP direct payments?

➤ Legaly and formaly:

- at the day of accession to implement *Regulations [R. 1307/2013]*.
- For this appropriate institutions (MoA, paying agency, IACS, ...) should be developed.
- It is not necessary to adopt exactly the same policy before the accession. ... however...

□ **Smooth transition to applied policy in EU is rational and smart** (and indirectly requested). Why?

- The adjustment of institutions by „learning by doing“ approach
- The beneficiaries should be prepared on new instruments.
- Strengthening the position of country in negotiations.

EU CAP is a moving target !

➤ *CAP DP policy changed (reformed or adopted)*

- 5 times between 1995 and 2015!

➤ *Question for MN*

➤ *What to do to get maximum benefits from EU CAP?*

➤ *To which concept of DP to adjust?*

➤ *What to do to be ready on time?*

Workshop...

A. To understand...

- evolution of CAP direct payments (DP)
- DP in the CAP post 2013 framework– logic and implementation
- DP budget

B. To elaborate...

- The key DP issues
- The elements of possible strategy
- Future steps

Content

A. Evolution of the CAP DP policy

- Why DP?
- CAP elements

B. CAP post 2015

- The concept of CAP DP 2015-2020 policy
- Detailed presentation of policy instruments
- Implementation of DP by MS

C. Financing of the DP

- How national envelope for DP is calculated?

... presentation based on EC materials...

A. CAP evolution



- I. Price support (1962-1983)
- II. Supply management (1984-1992)
- III. Direct payment (1993-2004/6)
- IV. De-coupling of direct aids - (Single payment scheme) (2005/7-2013)
- V. Greening of the CAP (2014-2020)

Direct payments (1993-2003)

Problem / aims

Budgetary problem exploded again.

Pressures from international partners (GATT) to change the CAP (reduce price support).

Aims:

To conclude GATT/WTO negotiations. To stabilize budget costs. More transparent policy. Farm income.

Instruments

- Reduction of price support. Introduction of direct payments per ha or per head (fixed per member states to stabilise the budget!). Set-aside support. Original direct payments (MacSharry reform) - 33 different arts: Payments per ha, per head per production unit or quota

New: more targeted approach: environmental and Less favored payments and other rural development measures (RD policy).

Policy effects

Budget stabilization. Income stabilization. Other problems remain.

Direct payments 2005 - 2013

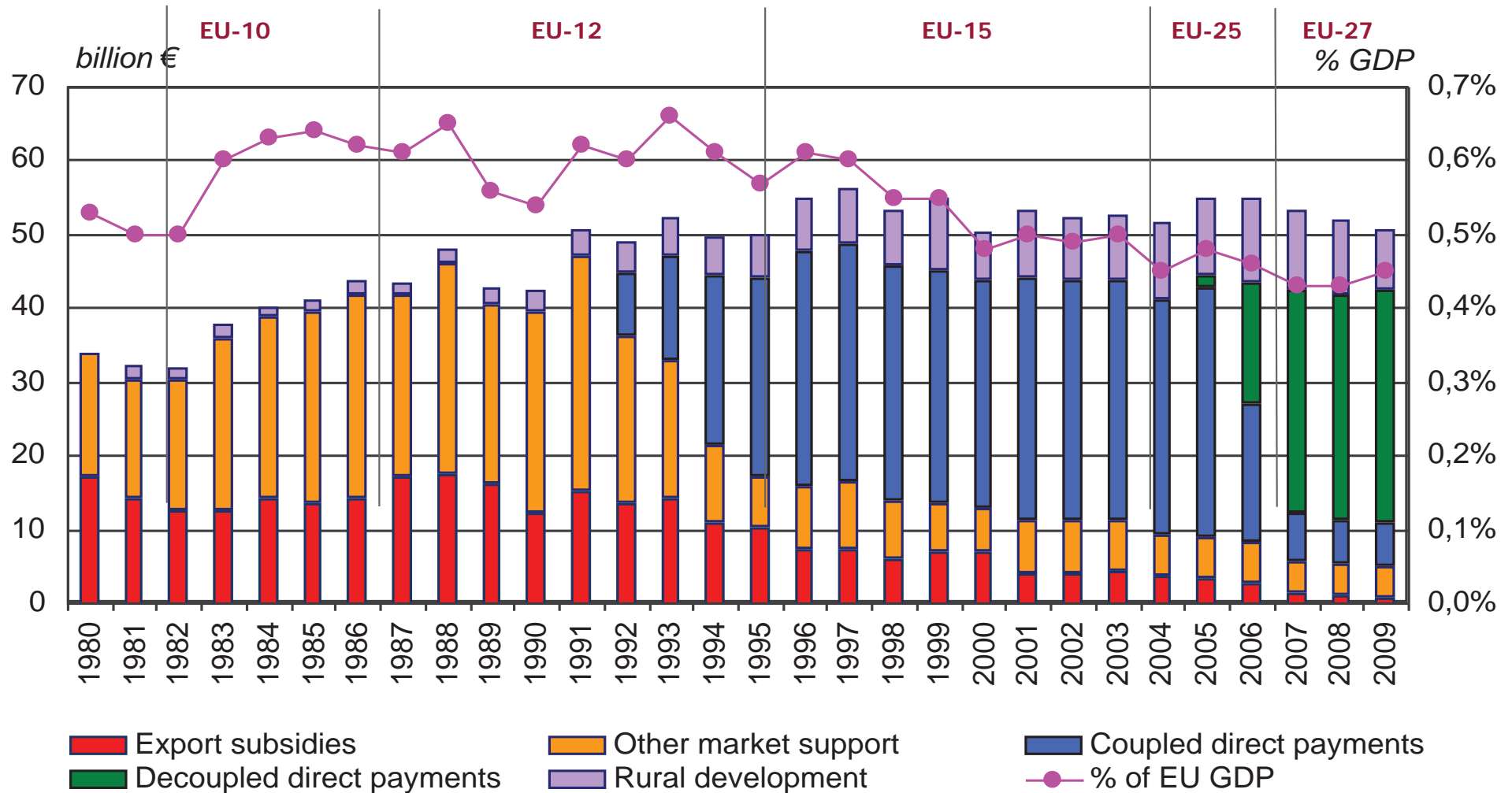


CAP Reform 2003 introduced **Single payment scheme** (SPS):

- To be eligible, a farmer requires **payment entitlements**.
 - Entitlements go to farmers actively farming.
 - Farmers are allotted payment entitlements based on **reference amounts**.
 - Payments are granted where farmers have **eligible hectares** at their disposal to activate the appropriate number of entitlements.
- Conditions farmers must fulfill ('**cross compliance**')
 - Farmers should maintain their land in good agricultural and environmental condition and respect other cross compliance standards
- Financial limits on SPS expenditure - **national envelopes** per MS
 - Maximum amount each state could spend on direct aids, based on the total of direct aids paid in a historic reference period.
- **Modulation**
 - Direct payments of over EUR 5 000 are reduced 10 %. An additional reduction of 4 % applies to support of over EUR 300 000.

CAP Expenditure and Reforms

(2007 constant prices)



Source: European Commission - DG Agriculture and Rural Development

The 2003 CAP reform

- key concepts to understand CAP post 2015

- **Cross-compliance**
- **Payment entitlements**
- **Decoupling** (direct aid to farmer is not linked to production)
 - **The Single Payment Scheme (SPS)**
 - **The Single Area Payment Scheme (SAPS)**
- **Complementary National Direct Payments (for NMS)**

Cross compliance

- **Cross-compliance: contribute to enforce EU standards**
 - Statutory management requirements (public, animal and plant health, the environment and animal welfare)
 - Good agricultural and environmental condition
 - Maintenance of permanent pastures
- *Special field, not presented here in details...*

System of Payment Entitlement

The farmer must hold:

- Payment entitlement and eligible agricultural area (so-called “**eligible hectare**”)

Activation of payment entitlement:

- The payment is granted to the farmer who declares a number of payment entitlements with an equal number of eligible area (i.e. activation)
- One-off allocation: payment entitlements are allocated once, mainly in the first year of implementation of the SPS or later from the national reserve or via further decoupling
- Transferable: farmers can transfer the entitlements to other farmers (lease only with land; sale with or without land)
- Exception: special entitlements (livestock farmers without land)
- **The number of entitlements per farmer = number of eligible hectare declared in the first year of implementation of SPS**

The Single Payment Scheme (SPS) models

Pure regional model:

- The national ceiling of the MS (or region) divided by the total number of eligible hectare declared by farmers in the first year of the implementation of SPS at national or regional level

Hybrid regional model:

- The number of entitlements per farmer = number of eligible hectare declared in the first year of implementation of SPS (flat-rate per region)
- Part of the value of the entitlement = the average amount of direct payment received by the farmer in the reference period

Other options:

- **Static** (historic part remains constant) and dynamic (historic part gradually) model
- Differentiation of the value for grassland/permanent pasture

Single Area Payment Scheme (SAPS)



- Simplified, **transitional scheme** for New Member States
- Single area payment replacing all direct payment with some exceptions
- Flat rate are payment calculated by dividing the annual financial ceiling of the NMS with its national utilised agricultural area
- There are **no payment entitlements**
- Eligible area: part of the utilised agricultural area taken up by arable land, permanent grassland, permanent crops and kitchen gardens
- Decoupled payment: No obligation to produce but the land should be maintained in **good agricultural and environmental condition** (GAEC)
- Cross-compliance requirements

Complementary national direct payments (CNDP)



- Possibility for new Member States to supplement the EU direct payments, in 2014 only Bulgaria and Croatia
- Linked to the **phasing-in of direct payments**.
 - 25 % in first year, 100 % in 10th year!
 - Allows to increase the direct support level above the phasing-in level applicable in the given year
- The conditions and the maximum amounts must be authorised by the Commission
- The CNDP should respect:
 - The maximum level of support in the “old” Member States
 - The eligibility criteria and any limits on coupled support in the “old” Member States
- **Transitional national aid from 2013 instead of CNDPs**

B. CAP post 2015

- Key guiding principles of the new CAP DP



- **New CAP argumentation: Change in policy paradigm**
 - **Greening** as new argumentation: public opinions
 - Recognition of the joint delivery of private and public goods
 - The provision of public goods will be supported by both pillars with notably the introduction a **green direct payment**
- **Path dependency: only necessary changes of concept**
 - Maintenance of the existing structure of CAP Pillarst
 - Concept remains: decoupling, area payments, cross compliance...
- **Greater flexibility trough implementation by MS**
 - CAP reform is the result of the compriomises between the Member states (Council), EP (COMAGRI) and EC
 - Very wide set of options! Not anymore unique policy...
 - **Important for accession country!**

New structure of direct payments



From 2015, active EU farmers would have access to:

Compulsory schemes (*all MS**):

- **Basic payment/SAPS** scheme
- 'Green' payment
- Young farmers scheme



Voluntary schemes (*MS choice*):

- Redistributive payment
- Support in areas with natural constraints
- Coupled support

All payments subject to cross compliance

All farmers will have access to the Farm Advisory System



A simplified scheme for small farmers (*voluntary for MS*)

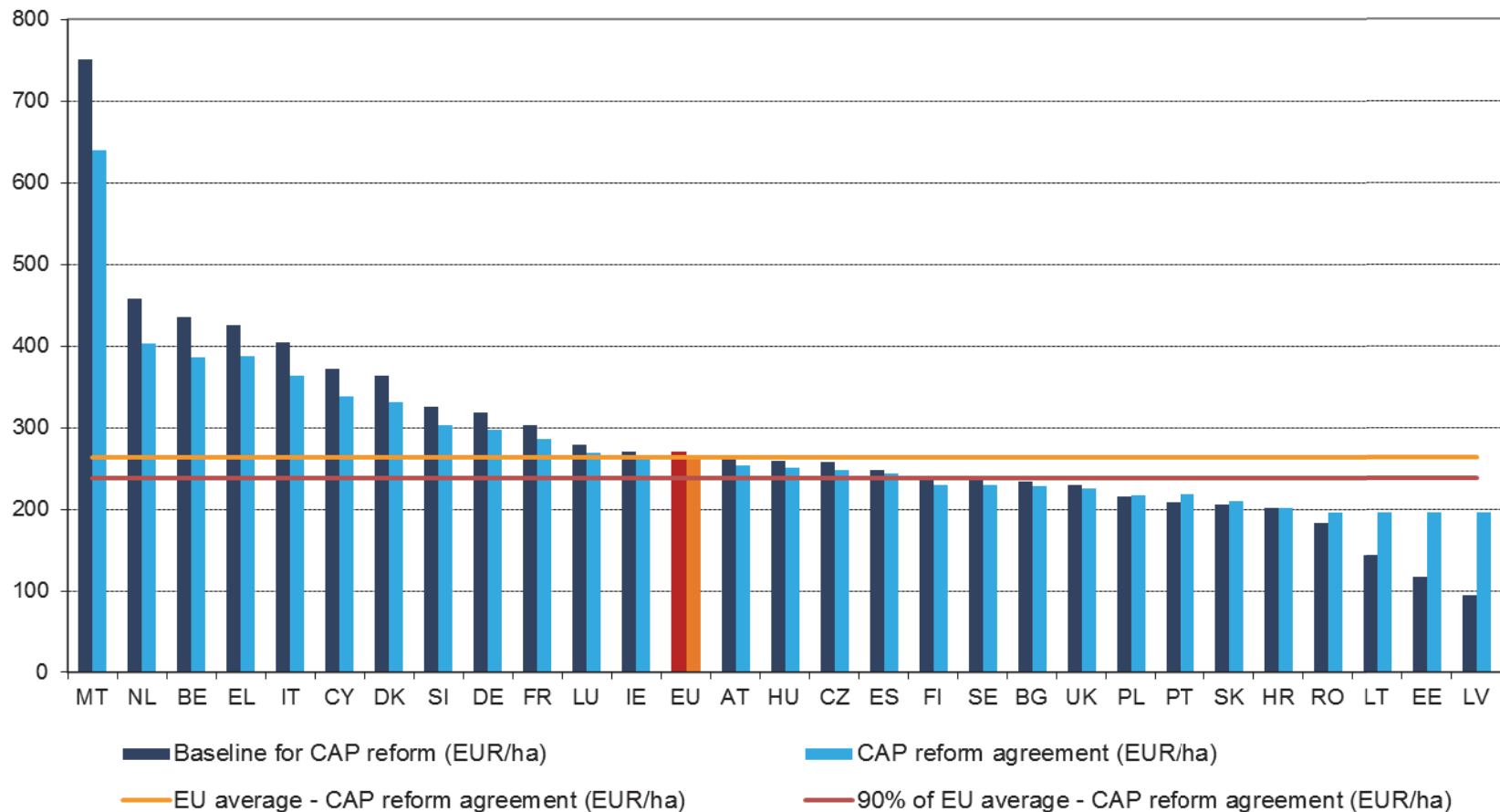
Redistribution between MS

– external convergence

CAP reform for Direct Payments

Closing one third of the gap between current level and 90% of the EU average and all MS reaching minimum level of aid by 2020

EUR/ha (current prices)



* MS may decide to transfer amounts between pillar I (direct payments) and pillar II (rural development): up to 15 % both directions in all MS, but in certain MS up to 25 % from pillar II to pillar I

Flexibility between pillars

- MS decisions



From DP to RD in % of national ceilings (max percentage 15%)							
				<i>DP to RD</i>		<i>MEUR 6.382,6</i>	
Financial year	2015	2016	2017	2018	2019	2020	
Claim year	2014	2015	2016	2017	2018	2019	
FR	3.0%	3.3%	3.3%	3.3%	3.3%	3.3%	
LV	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	
UK	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	
BE		2.3%	3.5%	3.5%	4.6%	4.6%	
CZ		3.4%	3.4%	3.4%	1.3%	1.3%	
DK		5.0%	6.0%	7.0%	7.0%	7.0%	
DE		4.5%	4.5%	4.5%	4.5%	4.5%	
EE		6.1%	14.3%	15.0%	15.0%	15.0%	
EL		5.0%	5.0%	5.0%	5.0%	5.0%	
NL		4.0%	4.1%	4.2%	4.2%	4.3%	
RO		1.8%	2.3%	2.2%	0.0%	0.0%	

From RD to DP in % of national ceilings (max percentage 15% or 25% for some MS)							
				<i>RD to DP</i>		<i>MEUR 3.358,2</i>	
Financial year	2015	2016	2017	2018	2019	2020	
Claim year	2014	2015	2016	2017	2018	2019	
HR	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
MT	0.0%	0.8%	1.6%	2.4%	3.1%	3.8%	
PL	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
SK	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	
HU		15.0%	15.0%	15.0%	15.0%	15.0%	

Active farmer



■ No direct payments to persons (not active farmer):

Not applicable to those receiving less than a certain amount (to be set by Member States but not higher than €5 000)

- not carrying out a minimum activity on 'self-maintained areas'
- operating airports, railway services, waterworks, real estate services, permanent sport and recreational grounds (list can be extended by MS) unless a person proves to be an active farmer
- (optional to MS) whose agricultural activities form an insignificant part of their overall economic activities, and/or
- (optional to MS) whose principal activity do not consist in exercising an agricultural activity

Active farmer clause



– implementation by MS

- 8 MS **added activities/businesses** to the negative list: BG, DE, EE, IT, MT, NL, RO, UK-Sc
- 6 MS have **extended** the active farmer clause to all claimants above the threshold : BG, EL, ES, IT, MT, NL (cf Article 9(3) of R.1307/2013)
- Most MS set the **exemption threshold** at EUR 5 000, except BE-FI (0), NL (1), LU (100), FR (200), MT (250), LT (500), BE-Wa (350), AT, ES and IT-except mountains (1 250), SK (2 000), BG (3 000)

Reduction of the payments



- Direct support subject to at least **5% reduction for the amount of payments related to BPS above €150 000**
- Option to subtract salaries linked to an agricultural activity
- MS that decide to use more than 5 % of their annual national ceiling to grant a redistributive payment to farmers may decide not to apply this reduction.
- Flexibility mechanism.

Reduction of payments' mechanism

– implementation by MS



- 9 MS will **cap (100% reduction) the amounts of basic payments** at max amounts ranging from KEUR 150 to KEUR 600
- 15 MS will only **apply the minimum reduction of 5%** on amounts of basic payments above KEUR 150
- 9 MS will **subtract the salaries actually paid** by farmers before applying the reduction of payments' mechanism
- Product of the reduction of payments' mechanism as estimated by MS for the 5 years 2015-2019 = **MEUR 558 (around MEUR 112/year)**

Basic payment scheme (BPS)

- general rules

- Compulsory
- Similar principles **as SPS** (based on PEs)
 - **Entitlements** to be activated with equivalent number of **eligible hectares**
 - National Reserve (obligatory priority to (young) newcomers and a number of choices to Member States)
 - Transfers of payment entitlements
- No maximum percentage fixed for the financial ceiling!
 - depends on a Member State's choice on the number of other schemes and their ceiling
- **First allocation of payment entitlements (PE)*: eligible farmers**
 - In 2015, active farmers can apply for the first allocation of PE if for the support year 2013 they received direct payments or some of the national aids (in SAPS MS)



Basic payment scheme (BPS)

payment entitlements



■ Number of payment entitlements

- General rule: 1 PE = 1 ha in 2015

○ Limitation of the PE

- MS may decide to apply a **limitation on the number of entitlements** to be allocated:
 - To limit number of PE allocated in 2015 to a minimum of either 135 % or 145 % of the total number of ha declared in 2009
 - to apply a reduction coefficient to eligible ha consisting of permanent grassland in areas with difficult climatic conditions
 - To cover all ha but those under vineyards in 2013 and under permanent greenhouses
- MS may decide on a minimum size per holding for which the establishment of PE may be requested, but the limit not to be higher than minimum requirement for receiving a payment (generally 1 ha)

Basic payment scheme (BPS)

- internal convergence

o MS have the possibility to choose:

A: Flat rate from 2015

B: Flat rate by 2019 at the latest with a transition period

C: No flat rate by 2019:

Apply the external convergence model to internal convergence (1/3 of the gap between initial value* and 90% of 2019 average) while ensuring that by 2019 the value of payment entitlements has to be at least 60% of the average.

However, MS may decide to apply a maximum decrease of the initial unit value of 30%. In that case the minimum unit value shall be set at a level necessary to respect that threshold (it may be < 60%)

The move from the initial unit value to their final value shall be made in equal steps starting in 2015



Basic payment scheme (BPS)

- SAPS form



- **NMS*** decided whether to apply SAPS and for what period
 - application of BPS from 2021 at the latest
- **SAPS granted for each eligible hectare** declared in the year in question
 - payment rate: SAPS envelope divided by the number of eligible hectares
- Differentiation of payment rate possible in MS who would apply basic payment scheme as from 2018**
- MS may apply **transitional national aid** (TNA) as long as SAPS is applied***
- BPS once introduced – the same principles apply as for other MS

* Available until end of 2020 in MS currently applying SAPS

** Up to 20 % of the SAPS financial envelope may be used to differentiate the payment (differentiation taking into account separate payment (specific support, sugar payment, F&V payments) granted for calendar year 2014)

*** Conditions for granting TNA the same as for complementary national direct payments/TNA in 2013, but degressive level of aid (2015-75% ... 2020-50% of 2013 level)

Basic payment scheme (BPS)



- implementation by MS

- 6 MS have decided to **regionalise the BPS**: DE, EL, ES, FR, FI, UK (except NI)
- 7 MS will reach a form of **national/regional flat rate**: DE, FR-Corsica, MT and UK-EN in 2015; NL, AT, FI, UK-SC & WA by 2019. SE will reach it in 2020
- Amongst the MS that have opted for a **partial convergence** to the flat rate, 8 opted for the possibility to **limit decrease in the value of payment entitlements above average to 30%** of their initial unit value (EL, ES, FR-except Corsica, HR, IT, PT, SI BE)

The „green payment“

- general rules



- **Compulsory** to farmers
 - 'greening practices' to be observed on all eligible hectares)*
- Financial ceiling: 30 % of the direct payments' envelope
- **Payment:**
 - General rule:
 - **annual flat rate payment (ceiling divided by all eligible hectares)**
 - MS choice to derogate from the general rule: a payment as a percentage of the total value of PE activated by a farmer

* *If a farmer does not fulfil correctly the greening practices, his green payment is reduced and an administrative penalty will apply, going up to 25% of the green payment in case of major*

The „green payment“

- Three basic practices

- Maintaining **permanent grassland**
 - ✓ ban on ploughing in designated areas
 - ✓ national/regional ratio with 5% flexibility
- **Crop diversification**
 - ✓ at least 2 crops when the arable land of a holding exceeds 10 hectares
 - ✓ at least 3 crops when the arable land of a holding exceeds 30 hectares
 - ✓ the main crop may cover at most 75% of arable land, and the two main crops a maximum of 95% of the arable area
- Maintaining an **“ecological focus area”** of at least 5% of the arable area of the holding
 - ✓ only applicable for farms with more than 15 hectares arable land.
 - ✓ figure to rise to 7% after a Commission report in 2017 & a legislative proposal
 - ✓ EFAs may include: field margins, buffer strips, fallow land, landscape features, afforested area, terraces, areas with catch crops, green cover and nitrogen fixing crops, short rotation coppices, agro-forestry, strips of land along forest edges



Equivalence: MS can decide that, instead of applying these three practices, a farmer can undertake practices which are considered equivalent (e.g. crop rotation instead of crop diversification).

The „green payment“

- decision should be made by MS



➤ Method for granting the payment

- ✓ A flat rate payment or as percentage of the entitlement activated

➤ Equivalence

- See previous slide...

➤ Ecological focus area (EFA)

- Collective application of EFA
- Regional application of EFA
- Forest exemption
- Choice of EFA elements (nitrogen-fixing crops, landscape features...)
- Conversion and weighting factors

➤ Permanent grassland

- Calculation on national or regional level
- Environmentally sensitive areas (ESPG) in/out of NATURA 2000

The „green payment“

- Ecological focus areas – EFA types



Number of activated EFA types

- Between 2 and 4 EFA: 6 MS (AT, FI, LT, NL, SI, ES)
- Between 5 and 9 EFA: 9 MS (CY, DK, EE, EL, LV, MT, PT, SV, UK)
- Over 10 EFA: 13 MS (BE, BG, HR, CZ, FR, DE, HU, IE, IT, LU, PL, RO, SK)

Category of EFA type

- Nitrogen fixing crops: 27 MS
- Land lying fallow: 26 MS
- Landscape features (at least one): 23 MS
- Short rotation coppice: 21 MS
- Catch crops: 20 MS
- Buffer strips: 19 MS
- Afforested areas: 13 MS
- Agroforestry: 12 MS
- Strips along forest edges with production: 8MS; without production: 11 MS
- Terraces: 8 MS

Payment for young farmers

- General rules

- **Compulsory**

- **Eligible farmers:**

- **setting up for the first time** an agricultural holding as head of the holding,

- or who have already set up such a holding during the five years preceding the first application for the scheme

- **no more than 40 years of age** in the year of their first application for the scheme

- *possessing appropriate skills and/or training requirements defined by MS*

- **Payment granted for a period of maximum five years**

- **Ceiling:** up to 2 % of the direct payments' envelope...



Payment for young farmers

- Calculation methods

A:

Number of entitlements activated by the farmer multiplied by:

- 25 % of the average value of entitlements held by a farmer
- 25 % of the 'basic payment's flat rate'

Number of eligible ha declared by a farmer (only in SAPS MS) multiplied by:

- 25 % of the SAPS rate

or

- 25 % of the national average payment per ha

or

MS to set a limit of PEs (has) not below 25 and not above 90

or

B:

○ An annual lump-sum payment irrespective of the size of a holding

- 25 % of the national average payment per ha multiplied by the average farm size of young farmers (based on aid applications in 2015, but MS can review that figure if deemed necessary)

○ Not more than the total amount of basic payment of that holding in the given year

Redistributive payment

- General rules



- **Voluntary** - MS can decide to apply this payment any year
- Redistributive payment would provide **a top-up to the basic payment:**
 - corresponding to a **maximum of 65 % of the national/regional average payment per ha** (% to be set by MS)
 - Only for **the first ha of the holding but not higher than 30 ha** or the average farm size in a MS if that average size is higher than 30 ha
 - MS may graduate payment per certain number of ha, but respecting the above maximum limits
- Financial ceiling: up to 30 % of the direct payments' envelope

Payment for areas with natural constraint

- General rules

- Voluntary - MS may decide to apply this payment
- Payment for **areas with natural constraints designated under rural development measures**
- **Payment:**
 - General rule: annual payment per respective ha calculated by dividing the ceiling by all eligible ha
 - MS may set a maximum number of ha per holding for which this payment can be granted
- Financial ceiling:
 - up to 5 % of the direct payments' envelope



Small farmers scheme

- General rules

- Voluntary* – MS ho may decide to opt for the scheme in 2015
- **Simplification:**
 - Exempted from greening and cross-compliance sanctions and controls
 - Simplification of administrative procedures (pre-filled applications, less yearly checks on eligibility)
 - *Small farmers payment would replace all direct payments a farmer could receive under any of the direct payments schemes*
- **Payment maximum 1250 EUR; MS choice on calculation :**
 - Lump-sum:
 - Either the average payment per ha in MS multiplied by max. 5 ha or 25 % of the average payment per farmer in MS
 - Or equal to what an individual farmer would get in 2015 (with a possibility to MS to adapt the payment subsequently)
 - Payment adapted each year
- Maximum 10% of national envelope (with exceptions in some cases)

Voluntary coupled support (VCS)

- General rules

- Limited list of sectors/productions:
 - *cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheep meat and goat meat, beef and veal, olive oil, silk worms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables, and short rotation coppice*
 - Ony **to sectors or regions** which undergo **certain difficulties**
 - Objective/limitation: incentive to maintain current level of production
- Payment within quantitative limits, based on fixed area and yield or number of animals
- Ceiling: % of the MS national ceiling :
 - up to 8%
 - as a derogation up to 13% in particular situations or above 13 %
 - optional increase up to 2 % (protein crops)
- Consistency with other Union measures and policies



Voluntary coupled support (VCS)

- Implementation by MS



IE	NL	LU	UK	AT	DK	EE	EL	CY	IT	ES	RO	SK	SE	LV	BG	CZ	FR	HR	LT	HU	PL	SI	BE	FI	PT	MT
0.2	0.5	0.5	1.7	2.1	2.8	4.2	7.4	7.9	11	12	12	13	13	14	15	15	15	15	15	15	15	15	17	20	21	57
%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%

- VCS = **10% of total DP envelope for EU 28** in 2015
- 9 MS with **less than 8%** (CY, DK, EE, EL, IE, LU, NL, AT, UK)
- 11 MS will use the **maximum percentage of 13%** with 9 of them also using all or part of the additional 2% available in case a corresponding percentage is dedicated to supporting the protein crops sector
- **3 MS need approval from the Commission** to allocate more than 13 (+2)% to the VCS: BE, FI, PT (2nd quarter 2015)



Voluntary coupled support (VCS)

- Sector supported

Sectors mostly supported:

- ✓ **Beef and veal:** 24 MS, 42% of total VCS envelope for 2015
- ✓ **Milk and dairy products:** 19 MS, 20% of VCS envelope
- ✓ Sheep and goatmeat: 22 MS, 12% of VCS envelope
- ✓ Protein crops: 16 MS, 10% of VCS envelope
- ✓ Fruit and vegetables: 19 MS, 5% of VCS envelope
- ✓ Sugar beet: 10 MS, 4% of VCS envelope

Others

- **Regional targeting** in the UK (beef and veal and sheep), IT (olive oil, protein crops, grain legumes, durum wheat and soya) and PL (hops)
- **No support for** cane and chicory, short rotation coppice, dried fodder

Direct payments

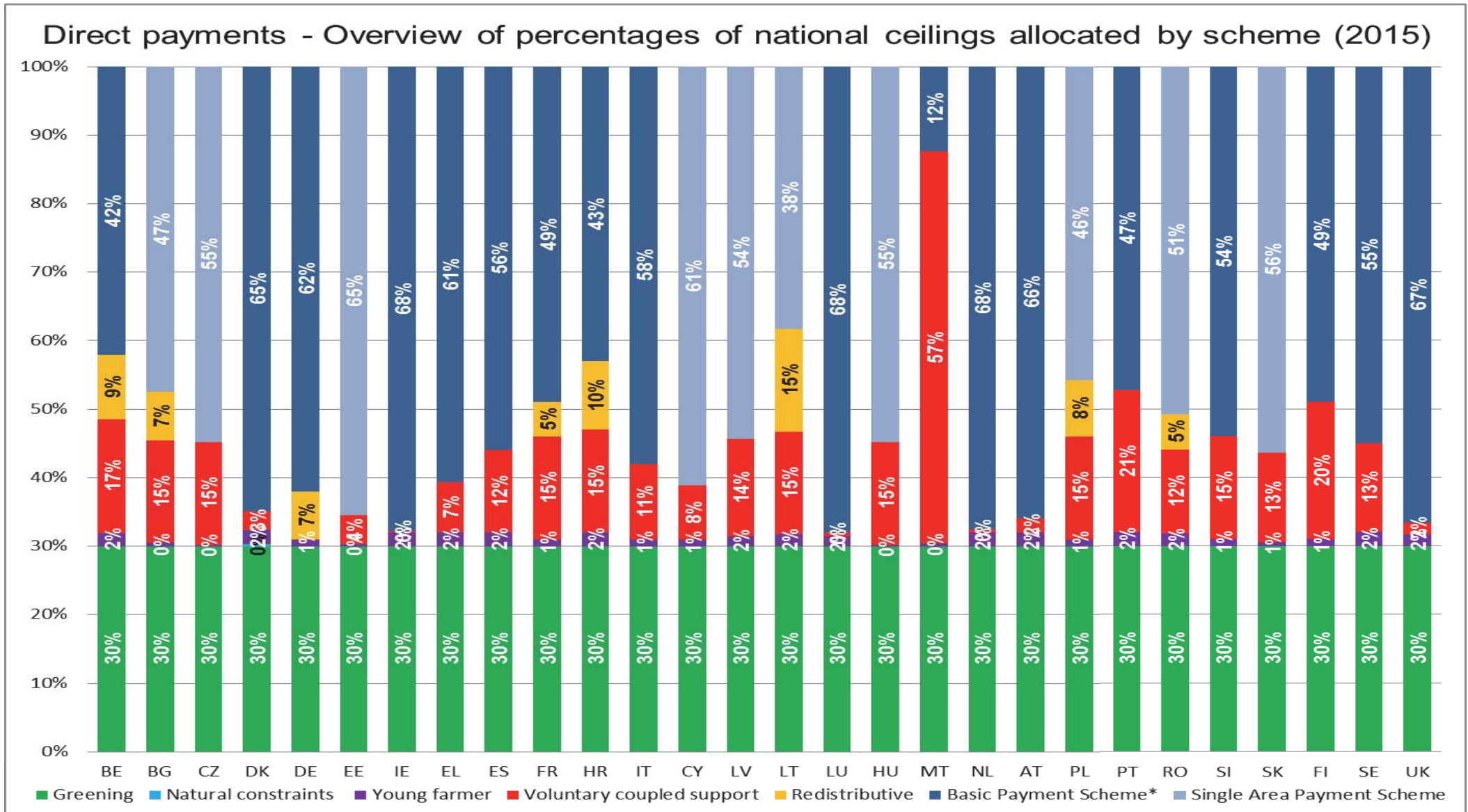
- summary of main MS decisions



	BE-W	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	
SAPS		✓	✓			✓							✓	✓	✓		✓				✓		✓		✓				10
Regionalised BPS (basic payment scheme)					✓			✓	✓	✓																✓		✓	6
Redistributive payment	✓	✓			✓					✓	✓				✓						✓		✓						8
No capping	✓				✓					✓	✓				✓									✓					6
Area with natural constraints (ANC)				✓																									1
Voluntary Coupled support (VCS)	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	27
Small farmers scheme (SFS)		✓			✓	✓		✓	✓		✓	✓		✓			✓	✓		✓	✓	✓	✓	✓					15

Direct payments

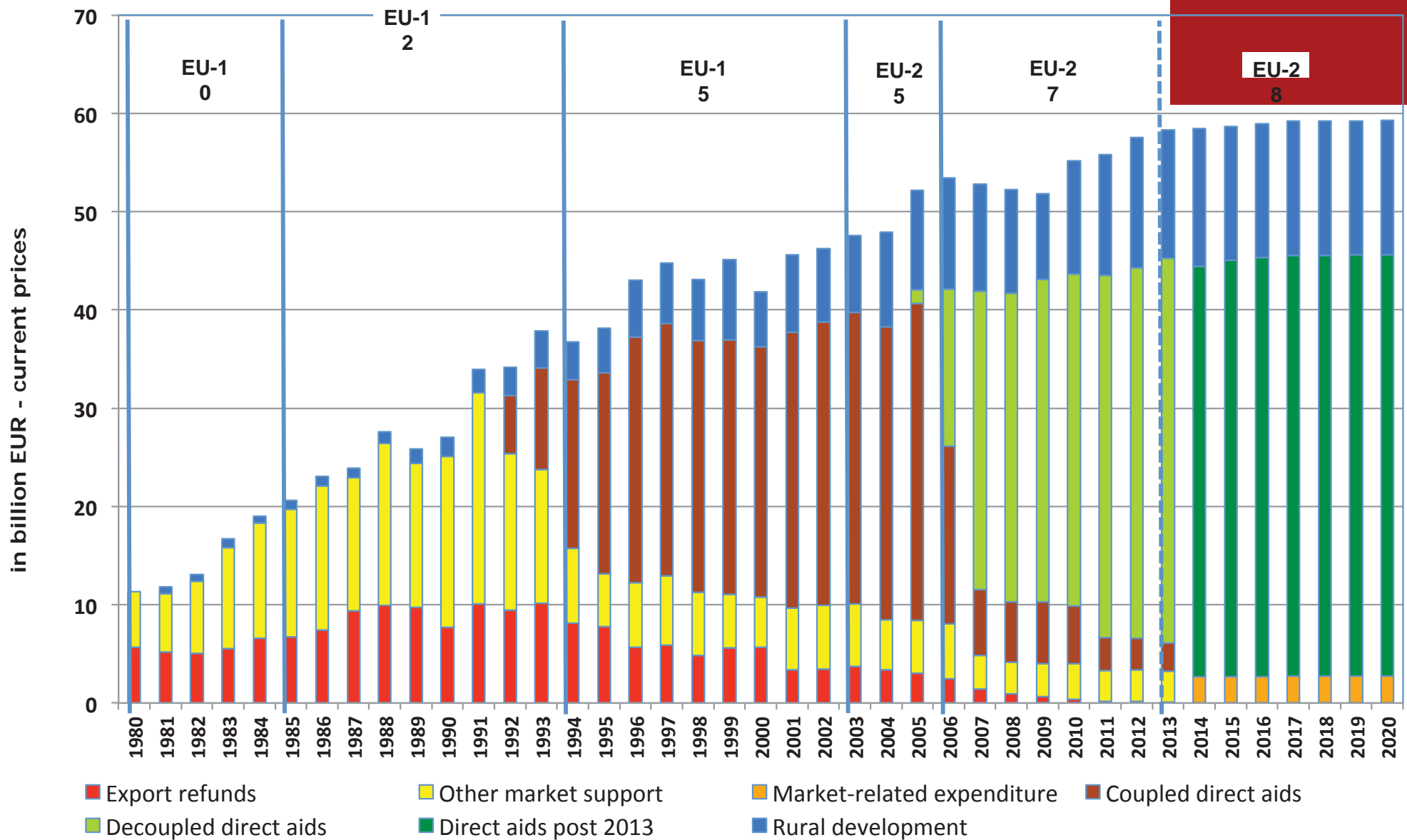
- summary of main decisions



Share of DP envelope left for BPS at EU-28 level in 2015 = 55%

C. Budget for DP

The path of CAP expenditure 1980-2020 (in current prices)



Source: DG Agriculture and Rural Development

2013 = Budget (in commitments); 2014-2020 = in commitments
 2014 = after transfers from P1 to P2 (before flexibility and capping)

CAP MFF negotiations

- Final agreement

Prices 2011	2013	2020	% Change
1. Pillar	43.180	37.605	-12,9%
2. Pillar	13.890	11.426	-17,7%
Total	57.070	49.031	-14,1%

Little, J. et. al (2013): European Council Conclusions on the Multiannual financial framework 2014-2020 and the CAP. European Parliament. <http://www.europarl.europa.eu/studies>

- Around 14 % less funds than in 2007-13 period.
- RD is losing more funds the 1. Pillar although the most criticism is on 1 Pillar.
- share of direct payments in the 1. Pillar increased which means that the room for market interventions became very tight.

Calculation of DP national Envelope

- General rules



- **National envelope for DP** is determined in the accession negotiations process.
 - There is **no formal procedure** for calculation (anymore).
 - EC is proposing, acceding country is „accepting“.
- ... but, from the fairness principles' maybe (CRO case) there is calculation method (hidden) based on:
 - The **value of coupled payments** from DP regulation.
 - Multiplied with **the statistics** for given categories (suckler cows, arable land, tobacco area, sheep and goats numbers, yields for different crops,....)

DP issues for Montenegro



➤ CAP DP:

- Very detailed and completely different policy as is applied in MN

➤ Future CAP change is coming...

- There will be change until now and 2020.
- There will be different policy before the accession of MN to EU

➤ What to do, how to adjust in this field?

DP issues for Montenegro



➤ Main strategy:

Policy reform process with the final objective, rational take over of CAP DP.

➤ ...Action plan... "acquis" adoption

➤ Further steps

- I. to show needed adjustments
- II. to build the institutional frame for CAP DP
- III. to plan the policy reform process



Thank you for your attention!

Q&A

Zdravko Tušek, Senior Expert for DP and IACS

ztusek@gmil.com