

RESEARCH ARTICLE:

Strengthening the principle of subsidiarity in the management of the Common Agricultural Policy by means of Strategic Plans - The impact on the agricultural sector in Romania

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ABSTRACT

For the modernization of the common agricultural policy, the European Commission proposes, for the next financial framework a new, simplified configuration of this policy.

In what follows, we shall analyse the novelty elements of the proposed delivery model, as well as the impact of its implementation in our country.

Does Romania demonstrate sufficient administrative capacity for the development and implementation of this new system that offers additional subsidiarity to member states? Is it suitable for Romania in order for our country to contribute to the achievement of the objectives set by the EU regarding this policy? What impact will this new delivery model have on the agricultural sector in Romania? Is increasing the level of subsidiarity the key to improving absorption of European funds? These are the issues that we shall address in the following.

KEYWORDS: *Common Agricultural Policy, rural development, Strategic plans, principle of subsidiarity, European funds absorption.*

1. Introduction

For the multiannual financial framework (MFF) 2021-2027, the European Commission (EC) presented, in June 2018, three proposals regarding the Common Agricultural Policy (CAP), as follows: a regulation on support for CAP strategic plans, a regulation on the single common market organisation (CMO) and a horizontal regulation on financing, managing and monitoring the CAP¹.

The *proposal for a Regulation establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans)*² is the subject of our analysis. This regulation shall repeal *Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the CAP and also Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development*.

According to the EC's vision on the future of the CAP post 2020, there shall be a shift from the policy's current focus on compliance to performance and a rebalance of responsibilities between the EU and the Member States (MSs), increasing the

degree of subsidiarity for MSs, by offering them more flexibility in implementing the policy³.

2. The new delivery model- designing the CAP

The proposed Regulation COM (2018) 392 introduces a new element in the management of the CAP, namely "the strategic planning at the member state level" representing "the crucial element of the proposal"⁴.

According to this new delivery model, each MS shall design a Strategic Plan (SP), taking into account the EU's specific objectives, performance indicators and broad types of interventions established at EU level. Starting from these common elements, according to their specificities, MSs shall "tailor the CAP interventions to their needs" and ensure the implementation of the plans towards the established targets⁵.

Strategic Plans include interventions regarding both CAP pillars (CMO and

¹McEldowney, J., Kelly, P. 2018. *EU Legislation in Progress 2021-2027 MFF, CAP Strategic Plans*, European Parliament Research Service, p.1, available at

[http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/630324/EPRS_BRI\(2018\)630324_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/630324/EPRS_BRI(2018)630324_EN.pdf)

²European Commission. 2018. *Proposal for a Regulation of the European Parliament and of the Council 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- EC Regulation (COM (2018) 392)*.

³European Commission. *Ibidem. Proposal for a Regulation....*, p.2 and European Commission. 2018. *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions A Modern Budget for a Union that Protects, Empowers and Defends the Multiannual Financial Framework for 2021-2027*, p. 12.

⁴Erjavec, E. et al. 2018. *Research for AGRI Committee – The CAP Strategic Plans beyond 2020: Assessing the architecture and governance issues in order to achieve the EU-wide objectives*, Brussels, Belgium: European Parliament, Policy Department for Structural and Cohesion Policies, p.13, available at [http://www.europarl.europa.eu/RegData/etudes/STUD/2018/617501/IPOL_STU\(2018\)617501_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2018/617501/IPOL_STU(2018)617501_EN.pdf)

⁵European Commission. 2018. *Commission Staff Working Document Impact Assessment accompanying the the legislative proposals for the Common Agricultural Policy (CAP) Post 2020 in the context of the next Multi Annual Financial Framework (MFF)- COM(2018) 392 final - COM(2018) 393 final - COM(2018) 394 final*, p.22, available at https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-cap-swd-part1_en.pdf

Rural Development) financed from the European Agricultural Fund for Rural Development (EAFRD) and the European Agricultural Guarantee Fund (EAGF), including some of the sectoral aid schemes that were subject to CMO regulation.

The types of interventions and the related financial allocations shall be established by the MSs based on a SWOT analysis.

Along with subsidiarity, the new delivery model is less bureaucratic, simplified, shifting from today's compliance-based policy to a result-oriented policy, in accordance with a "broader agenda at EU level", considering one of the scenarios for the future of the EU⁶ and "addressed through the Commission's task force on *Subsidiarity, Proportionality and Doing Less More Efficiently*"⁷.

For this purpose, MSs shall develop measures without close supervision from the Commission⁸, as opposed to the current model that offers them only the possibility to choose from a list of measures already laid down and adapt them⁹. Moreover, the new legislative proposal entitles MSs to define eligibility conditions according to their particular circumstances, provided they remain within the common EU framework¹⁰.

MSs shall also have an enhanced role in developing the compliance and control framework applicable to beneficiaries (including controls and penalties), in opposition to the current implementation model according to which the Commission's audit reaches the farm level.

One of the main orientations for the future of the CAP is a shift from compliance by the individual beneficiary to performance of the policy in the Member States¹¹.

Besides establishing the basic policy parameters, the EC shall approve the SP, this being the mechanism by which the Commission ensures that the SP are centred on the objectives set at the EU level. The EC shall monitor their implementation and impose sanctions, when necessary.

The new implementation system shall have a higher impact on the management of the first pillar, given that the second pillar regarding RD already uses a similar system in designing the rural development programmes¹². The process of elaboration and implementation of rural development policy is decentralized- the EU defines the priorities and MS detail these priorities in their National Rural Development Programmes¹³.

Therefore, the policy model currently used in the case of the second pillar will extend to the first one.

As we have shown, the additional subsidiarity given to MS in designing the CAP plans is substantial¹⁴ and this fact has

⁶European Commission. 2017. *White Paper on the Future of Europe- Reflections and scenarios for the EU27 by 2025*, p.22.

⁷European Commission. Ibidem, *Communication from the Commission*..., p. 12.

⁸Mottershead, D., Hart, K., Maréchal, A., Meredith, S., Lorant, A., Bas-Defossez, F., Baldock (Jeep), D., Bureau, J.-C., Matthews, A. 2018. *Research for AGRI Committee – Towards the CAP post 2020 - Appraisal of the EC Communication on 'The Future of Food and Farming' of 29 November 2017*, Brussels, Belgium: European Parliament, Policy Department for Structural and Cohesion Policies, p. 29, 82, available at

[http://www.europarl.europa.eu/RegData/etudes/STUD/2018/617476/IPOL_STU\(2018\)617476_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2018/617476/IPOL_STU(2018)617476_EN.pdf)

⁹Erjavec, E. Ibidem, p. 10.

¹⁰European Commission. Ibidem, *Proposal for a Regulation*..., p.8.

¹¹Ibidem.

¹²European Commission. Ibidem, *Commission Staff Working Document*...,p.25

¹³Wallace, H., Pollack, A., Young, M., Alasdair, R. 2011. *Elaborarea politicilor in Uniunea Europeana*, Oxford University Press, 2010, 6th Edition, in Romanian published by Institutul European din Romania. 2011. Bucharest, Romania, p.170.

¹⁴COPA-COGECA. 2018. *Copa and Cogeca position on the CAP post 2020*, Brussels, Belgium, p. 17, available at

https://www.google.com/search?q=Copa+and+Cogeca+position+on+the+CAP+post+2020%2C+Brussels&rlz=1C1NDCM_enRO811RO811&oq=Copa+and+Cog

raised concerns among some MS, farm unions and think tanks regarding the renationalising of the CAP¹⁵. Stakeholders stressed that, being a common EU policy, the CAP must be based on common EU rules, therefore, establishing types of interventions, eligibility criteria and developing the compliance and control framework by the MS may lead to divergent approaches in the EU and the softening of common rules. They have expressed concern about the prospect of distortion of competition across MS, leading to the weakening of the Union's single market¹⁶.

This debate on the allocation of prerogatives within shared competence and funding also emerged when other reforms were initiated. Regarding the renationalising of expenditures, the opposition of the states has been evidenced by the slow development of the second pillar that requires co-funding, unlike the first one. So, regarding the management of the CAP, states opposed co-financing and reached consensus on the need for supranational regulation¹⁷.

The Commission's standpoint on these issues is that the proposed model will continue to "ensure a level playing field", preserving the common nature of the policy¹⁸.

We agree that additional subsidiarity in designing the measures and enhanced flexibility for the MS to establish the eligibility criteria are likely to lead to greater absorption of European funds for agriculture, given that MS know best the needs and realities in their territory. Therefore, they shall design the measures and adapt the eligibility criteria to their

specificities, leading to an increase in the efficiency of interventions. The disadvantage of this new rule, meant to bring about efficiency and simplification, could be the risk for states to set too low targets that hinder development.

Regarding the possibility of losing the unitary character of the policy, given that states could identify different development lines according to their needs, we consider that, taking into consideration its importance, agriculture is one of the areas where interventions need to be common. Nevertheless, the guarantee of safeguarding the communality of the policy is the approval of the SP by the EC, that may require changes to Member States' plans if their strategic vision does not keep in line with the objectives of the EU.

In the current programming period, the absorption rate of European funds in Romania is about 28% compared to the EU average, which is 30%. The highest absorption rates are those from agricultural funds, with 47,84% of EAFRD and 58,60% of EAGF¹⁹.

Given that direct payments have an atypical regime, we shall refer to accessing funds through the National Rural Development Programme for the 2014 – 2020 period, that shows an almost double absorption compared to accessing other funds.

And taking into account this new orientation which proposes to increase the role of the MSs in establishing measures and eligibility criteria, necessary projects for the agricultural sector in Romania, that hadn't been funded because they hadn't fit

[eca+position+on+the+CAP+post+2020%2C+Brussels
&ags=chrome..69i57.1315j0j8&sourceid=chrome&ie=UTF-8](https://eca.europa.eu/eca+position+on+the+CAP+post+2020%2C+Brussels+&ags=chrome..69i57.1315j0j8&sourceid=chrome&ie=UTF-8)

¹⁵Mottershead, D. et al. Ibidem, p.66.

¹⁶COPA-COGECA. Ibidem, p. 3, 9, 17, 21

¹⁷Wallace et al. Ibidem.

¹⁸European Commission. Ibidem, *Communication from the Commission*, p. 10.

¹⁹Ministry of European Funds. 2019. *The state of absorption for programs funded by the European Structural and Investment Funds, the Fund for European Aid to the Most Deprived and of payments made from the European Agricultural Guarantee Fund (EAGF)* on May 3, 2019, available at <http://data.gov.ro/dataset/stadiul-absorbției-fondurilor-europene>

the selection grid, will be eligible for funding.

Regarding the delegation of most controls to MS, we consider that the key element in this matter is the capacity of the institutions in charge of the control to guarantee the effective implementation of controls and thus to safeguard the European interest.

Studies have proven the “decisive roles played by the administrative capacity of the Member States in the absorption process of Structural Funds”²⁰. Given the importance of the proposed changes for the future programming, capacity building within Member States through guidance from the Commission is of utmost importance. “Serious investment in personnel, processes, analytical support and inclusive preparation of Strategic plans” are the imperative for ensuring that there is no substantial difference between how the policy is implemented in the MS²¹.

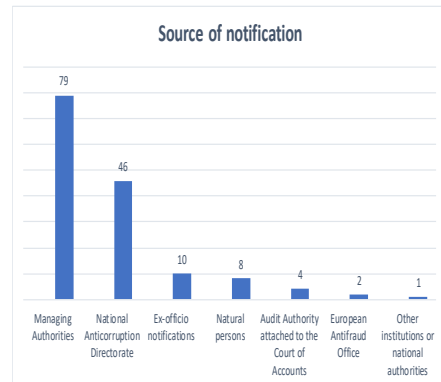
According to the Fight Against Fraud Department, among the operational programmes with a large number of detected and reported irregularities, National Programme for Rural Development reports the highest number of cases, with a total number of 657 cases, of which 575 cases of irregularities, 71 cases of suspected fraud and 11 cases of fraud established by the courts. From the data presented, there may be ascertained that most of the control actions finalized with suspicions of fraud are found in the field of intervention of agricultural funds, forming each year a significant percentage from the total of the control actions, at the level of 2017 their percentage being 57%²².

²⁰Țigănașu, R., Încălțărău, C., Pascariu, G. C. *Administrative Capacity, Structural Funds Absorption and Development. Evidence from Central and Eastern European Countries*, in *Romanian Journal of European Affairs* Vol. 18, No. 1, June 2018, p. 40.

²¹Erjavec, E. et al., p.10.

²²Fight Against Fraud Department – DLAF, *Annual Activity Report - 2017*, p. 27, 35.

Figure 1: The source of the notification for the 150 control actions finalized with suspicion of fraud²³



As shown in the DLAF Report, the highest number of detected and reported irregularities is found within the National Programme for Rural Development. This calls for strengthening administrative capacity in the management of European funds in the field of agriculture.

A first step in the direction of enhancing institutional capacity would be a more effective and improved communication between the Romanian paying agencies and the Commission’s auditors²⁴.

Considering that most notifications originate from the Managing Authorities, as shown in Figure 1, is an indicator that, in strengthening their role in carrying out controls, they shall ensure the prevention of irregularities, identify irregularities, ensure the recovery of amounts resulting from irregularities.

²³Ibidem, p.34.

²⁴Mottershead, D. et al., p.76, p.82.

3. Conclusions

This new delivery model, that offers MS the possibility to design suitable measures without close supervision from the Commission, to define eligibility conditions according to their particular circumstances and an enhanced role in developing the compliance and control framework, could be successfully implemented in Romania, only accompanied by a process of strengthening administrative capacity. This new orientation which proposes to increase the role of the MSs in establishing measures and eligibility criteria, necessary projects for the agricultural sector in Romania, that hadn't been funded because they hadn't fit the selection grid, will be eligible for funding.

For the successful implementation of the proposed model, discussions and guidance from the Commission are needed throughout the implementation and we mean, in this case, a communication that overcomes the framework of discussions currently required for the implementation of the National Programme for Rural Development.

Romania needs to improve institutional quality and performance in the management of European funds in order to increase the absorption rates for the future programming framework and this can be accomplished through investment in personnel, analytical support and inclusive preparation of Strategic plans.

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