

MANAGERIAL IMPLICATIONS OF THE NEW CAP VISION - FROM COMPLIANCE TO PERFORMANCE

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Abstract

The new Common Agricultural Policy radically changes the way the Union views agriculture and rural development. If until now the focus was on compliance, written documents and records, the new vision of the EC is focused on results and performance. The new CAP highlights the diversity that exists in the agriculture of the Member States and on rules built as close as possible to everyday reality, geared to local needs and conditions. By moving from the uniformity of most CAP instruments to the ability of states to plan their agriculture strategy and needs, it will radically change the way national strategic management handles issues. First of all, it is expected that the bureaucracy will decrease significantly once the rules, the norms will be reduced, both in number and in terms of complexity. The managerial implications are obvious, the focus on impact and achievements leading to another type of management characterized by advice, assistance, focused on achievements, cost-effective tools and sustainable development. The purpose of the paper is to analyze the managerial implications of the new CAP vision from compliance to performance.

Key words: Common Agricultural Policy, compliance, performance, National Strategic Plan, vision

INTRODUCTION

One of the most complex European projects, with direct consequences on the well-being and sustainable development of the European space, began in 1957, with the signing of the Treaty of Rome on the creation of the European Economic Community by six states, France, Germany, Italy, Belgium, The Netherlands, Luxembourg [7]. The agricultural policy regulations were contained in Articles 38 to 46 of the Treaty of Rome and Articles 32 to 38, respectively, following the amendments made by the Treaty of Amsterdam.

Article 38/32 established that the common market will extend to the agricultural sector as well as to the agri-food trade by creating a common agricultural policy, and in art. 39/33, the objectives of the Common Agricultural Policy (CAP) were set [13]. Their simple enumeration, after 65 years, shows us the importance that was given then to the agricultural sector: the increase of the agricultural productivity by promoting the technological progress, the rational development of the agricultural production,

especially of the labour force; ensuring a fair standard of living for the agricultural community, in particular by increasing the individual incomes of agricultural workers; market stabilization; ensuring security of supply and ensuring reasonable prices for consumers. These goals remain viable even today, even though the situation in the Union has been constantly changing. After 65 years, the EU considers this pillar one of the most important, over 28.5% of the Union budget, for the period 2021-2027 returned to agriculture. The principles governing the CAP date back to 1958, when the agriculture ministers of the six signatory states of the Treaty met in Stresa (Italy) [8]:

- The principle of the single market: within the European Union, agricultural products circulate without restrictions;
- The principle of Community preference: the consumption of products originating in the European Union is favoured, by imposing higher prices on imported products than on domestic production;
- The principle of financial solidarity: common measures are financed from a common budget

The fact that it has since been decided that the agricultural sector should benefit from a common policy of Member States giving up individual decisions for 90% of agricultural products in favour of Community decisions has been a major factor in what has become the CAP today.

Without minimizing the 1992 reform, known as the MacSharry reform [12, 13], after the then agriculture commissioner Ray MacSharry, where overproduction was brought under control by compensatory payments to farmers, per hectare for arable crops, and per animal head for cattle, the 1999 reform, based on the Commission's reform proposals in the Agenda 2000 document [9], fundamentally redirects the CAP.

There is a structural shift through the grouping of measures aimed at product quality and production process, care for the environment, multilateral development of rural areas - under a common umbrella, that of rural development policy, which has thus become the second pylon to PAC. It was the reform that strengthened the over 20-year philosophy of the CAP, focused on compliance [1], on the authority of the Commission, translated into clear, common steps that Member States had to follow.

This reform is about to be overcome today by the new vision of the CAP, based on National Strategic Plans (NSP), focused on performance indicators, performance management and performance quality [6].

With the new common policy, paradoxically, it seems that the Union is returning to the national contexts of the states, to their concrete development, to highlighting the diversity that exists in EU agriculture and to cost-effective instruments.

In particular, the states are encouraged to develop National Strategic Plans, in compliance with very clearly stipulated environmental and climate conditions. Strengthening the focus on performance/results, defined rules much closer to everyday reality and directing efforts in relation to local needs and conditions will make NSP tools that will ensure sustainable development in the future.

It has gone from a uniform approach in the design of most CAP instruments, specific to compliance, to the possibility for states to make interventions that can contribute to the objectives of the new CAP.

There are several aspects that are worth highlighting: the complementarity between the interventions of the 2 pillars of the CAP, the fact that the commission's audits will focus on general principles and systems, the simplification of reporting requirements for national administrations, the obligatory national agricultural advice, reducing the number and complexity of rules that will be reflected in simple and pragmatically applicable rules.

All this will have, of course, deep managerial implications, so that the agricultural business management will move towards the result, towards the output, will develop tools and indicators through which to anticipate the results, to invest their efforts and logistics in SMART objectives, so that planning should be appropriate to the results obtained

MATERIALS AND METHODS

The research is based on a large scale of information sources regarding the evolution of Common Agricultural Policy from the foundation of the European Union till present. The rich information was selected and exposed in a logical way in a very comprehensive manner in order to reflect the positive vision from a stage to another destined to sustain the development of agriculture in all the member states and to emphasize the dynamics from compliance to performance and quality.

RESULTS AND DISCUSSIONS

The size of the CAP focused on compliance and its managerial implications

The 1999 reform and the Agenda 2000 analysis document were an important step in the development of the CAP. For a qualitative study that I am trying to carry out, through which I will analyse the basic indicators that identified the idea of compliance with the common agricultural policy of the last 2

decades, with reference to the managerial implications and the new paradigm shift starting with the new CAP 2023 - 2027 [2], implicitly the indicators by which we identify the transition to performance and results, as well as the new managerial implications, I will analyse the CAP 2014-2020 and the new National Strategic Plan 2023 - 2027. I will not consider the period 2021-2022, respectively the transition mechanism in the sector (EAFRD and EAGF), as described in the Transitional Regulation.

In order to understand the managerial implications specific to the period 2014-2020 included in the CAP, I will point out some structural aspects of the CAP 2014-2020[3, 4, 5], which I consider relevant for the present study.

Firstly, the common agricultural policy had gained and had to consolidate several important aspects at that time:

- Additional payment in the first Pillar for farmers in areas with natural constraints;
- Coupled support for sectors and areas with a specific risk of production abandonment;
- Payments for areas with natural constraints in the 2nd Pillar, with an increased ceiling and a stable definition for the mountain doubled by targeted and more integrated actions possible for the mountain areas in the thematic sub-programs for the mountain;
- Diversification of rural development measures that allowed to cover not only the compensation of production and investment overheads, but also the capacity of mountain communities to develop revenues from sales-supply chains of quality and diversification.

These opportunities, cultivated after the 1999 reform, were continued by the 2014-2020 CAP. EC monitoring, control and inspections required states to provide information to Brussels on an ongoing basis. In doing so, the Union shall ensure that States comply with bureaucratic formalities and comply with the requirements of the Commission.

During the analysed period, 3 major directions were pursued and the entire common agricultural policy closely followed them.

First, the reorganization of direct payments. Specifically, the following were pursued: convergence at national level and between

Member States; payment for sustainable agricultural practices; support for small farmers; support for young farmers; direct payments only to active farmers; capping direct payments; support for disadvantaged areas naturally; transfer of funds between the two pillars of the CAP (Direct Payments and Rural Development), simplification of cross-compliance criteria.

Secondly, market management mechanisms: making existing public intervention and private storage aid systems more flexible and efficient, but also introducing a new safeguard clause for all agricultural sectors; better sectoral organization, and the existing rules for the recognition of Producer Organizations and inter-sectoral organizations will be extended to all sectors and funded by the rural development program.

Third, rural development, in 6 important directions. Rural development is becoming an important issue for former communist countries, which use this tool to bridge the gap between urban and rural areas: encouraging the transfer of expertise and innovation, increasing competitiveness; strengthening agri-food supply chains and risk management in agriculture; restoring, conserving and strengthening ecosystems, promoting resource efficiency and the transition to a low-carbon economy; promoting social inclusion, reducing poverty; economic development in rural areas.

For the period under review, the philosophy of the CAP was to set common European targets and to oblige all states to meet these targets within the parameters required by the Commission. Any deviation was analysed and the necessary financial corrections were made. Compliance management certainly had a positive aspect - strengthening an organizational culture of agricultural entrepreneurship, using two-axis monitoring and control tools. Predictably, the intervals in which the Commission requested documents or statistical analysis to track targets were known and unpredictable / spontaneous, in the sense that the Commission could at any time request an audit or move specialists to Member States. In such a way that the key points pursued in Brussels are reached, which

is what happened. These were: better targeting of income support to accelerate growth and employment; better adapted crisis management tools with increased response capacity to meet new economic challenges; payments to protect long-term productivity and ecosystems; a more competitive and balanced food chain (the European strategy from farm to fork is meant to make the transition to a new agri-food system that ensures quality food); encouraging Agri-environmental measures; facilitating the setting up of young farmers (one of the most ambitious measures in the light of European demographic trends); stimulating employment in rural areas and entrepreneurship.

The size of the CAP focused on performance and results and its managerial implications

The 1999 reform managed to solve much of Europe's agricultural problems, to strengthen the two pillars of the EAFRD and the EAGF, but at the same time it could not prevent the structural differences that exist in Europe between Western developed countries and former communist states developed [10, 11].

In this context, in addition to the Union's ambitious Agri-environment, climate and bio-agriculture projects, on the one hand, and the destructive effects of the Covid 19 pandemic, on the other hand, the Commission has determined the to be able to make a fair transition to the years to come.

Without compromising on the commitments made by the European Green Pact and the Farm to Fork Strategy for Sustainable and Sustainable Agriculture, the Commission has changed the way the Common Agricultural Policy is implemented, which I believe is a new reform for the following period. The new reform is based on the National Strategic Plans and on performance and results. This change will have an impact on agricultural entrepreneurial management, both at national and farm level.

Several elements are visible at the moment: simplification and modernization of agricultural policy; rebalancing responsibilities between Brussels and the Member States (subsidiarity principle); better targeted, results-based and performance-based

support; more equitable distribution of direct payments; higher environmental and climate standards.

In the period 2014-2020, all the member states, including Romania benefited of the provision of the CAP with a deep impact on agricultural production and farmers income [14, 16, 17, 18, 19.]

By abandoning the way in which Member States comply with the commitments and responsibilities set by the Commission, the new Agricultural Policy is beginning to consider the particularities of the states and create tools for these particularities to be accepted and promoted. In this way, each state plans its own priorities, chooses its own goals, and ensures that they are met as planned. Beyond an absolutely justified margin of error, states must fall within what they alone plan.

Member States have the right to devise a National Strategic Plan in which to pass the main objectives of the development of their sector of activity. The Commission reserves the right to announce common targets in which states fall, noting that these targets are no longer so strict. The rules and regulations are becoming more general, leaving great freedom of movement to the Member States.

In this way, the Commission provides much more direct, focused support for the needs of each state. There will be further discussions as states have their own interests and levels of development, but the new focus on performance and outcome is more effective.

For the EAFRD [10, 11], the constraints are as follows:

- at least 5% of the total EAFRD - LEADER;
- at least 30% interventions addressed to specific environmental and climate objectives (except for payments addressed to areas with natural and other specific constraints);
- maximum 4% of the total EAFRD - financing the technical assistance actions necessary for the efficient management and implementation of the CAP Strategic Plan.

The new document, as set out in the proposed regulation, will cover the minimum content, targets and financial planning, how to be approved by the Commission and how to amend. Member States will present their

proposed interventions to achieve specific objectives at EU level and which bring together EAFRD and EAGF interventions, including sectoral interventions. Once a year there will be a performance evaluation, based on context, result and performance indicators. Each Member State shall draw up a single NSP for the period from 1 January 2023 to 31 December 2027 [10, 11].

In this way we can talk about important managerial implications in the new NSP.

First of all, the organizational diagnosis will be much more focused on the particular aspects of agriculture. Identifying weaknesses and threats will be more important than opportunities and strengths, in the sense that the correct identification of needs will lead to the establishment of concrete and pragmatic objectives/targets. Transforming needs into challenges and making them fruitful is an interesting option in the new agricultural management. The National Strategic Plan, as a tool, can be built through an understanding of future trends, which will happen on the market in the next 5 years. From this point of view, trend analysis, risk management, implicitly a dynamic risk management will be developed in the future [15].

The managerial implications will not only focus on effective planning, but will focus on intervention management, pursuing common goals for an intervention or so-called "cascade interventions". Such an intervention has the ability to solve other problems by rolling once implemented.

I believe that the technique of focused improvement inserts will influence the performance management focused on results. The lack of sufficient funds will determine the management to look for those interventions that will bring the most efficient and effective improvements. In this way, the available funds will be used in the most efficient way possible. The management of the trend analysis will be doubled by a management of the stakeholder analysis, of those interested in the agricultural policy. Consultations with them become a priority, the management of constant communication and coordination of decisions will be important.

Performance management will have to consider the mission and values it has in society. Rebalancing the trade balance of national agri-food products is an important goal for the state. The national strategic plans will aim to develop the agricultural sector so that it becomes sustainable and resilient. Or performance management automatically becomes a quality management, I am talking about a high-performance quality that will face the free market, to create market leaders capable of exporting anywhere in the world. At this point, the managerial implications also concern an investment management, of the entrepreneurial culture that it must propose. It becomes a transformative management, able to achieve successful objectives but, at the same time, to perfect the interested human resource, to create an entrepreneurial organizational culture for stakeholders.

CONCLUSIONS

The Commission's proposal, through the new CAP, envisages a move towards a performance-oriented agricultural policy that requires a solid performance framework based on a set of common indicators that will allow the Commission to assess and monitor Member State performance. The agricultural entrepreneurial management will also wear these values. Strategic planning, trend management and risk management, financial planning doubled by cost management, management of improvement interventions, supportive communication and counselling are some elements of a new management. Not necessarily the competitive advantage as the transformation of needs into challenges and their fruition through effective understanding of trends will mark the new management in agriculture. And most importantly, the ability of management to fit in, both in its own proposed targets and in the new European strategy that is difficult to achieve. The new management will be based on control and monitoring, on meeting the criteria, but these will no longer be a priority in the dynamics of management.

The aim is to shift responsibility and opportunities in a common Community

framework, clearly defined and implemented, in order to achieve several key objectives at the same time - simplification, results-oriented (rather than compliance) and the effectiveness of agricultural policy. Managerial philosophy goes from doing the right thing to doing the right thing.

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