



Mapping and analysis of the implementation of the CAP

Executive Summary

Written by



November 2016



EUROPEAN COMMISSION

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Luxembourg: Publications Office of the European Union, 2016

ISBN 978-92-79-54680-8 ISSN 2016.1366 doi 10.2762/632316 KF-04-16-022-EN-N

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Printed in Belgium

Objectives and scope of the study

This study “*Mapping and analysis of the implementation of the CAP*” has three main objectives: (1) to map the implementation of the Common Agricultural Policy (CAP) by the 28 Member States, focusing on their implementation choices, the motivation for these choices and the importance attached to the three CAP general objectives; (2) to develop a typology for grouping Member States according to these choices; and (3) to answer the evaluation questions related to relevance, coherence, conditions for enabling effectiveness, administrative burden and contribution to the EU2020 strategy. In agreement with the provisions from the Article 110 of the Regulation (EU) No 1306/2013, the study has been carried out in relation to the three general objectives of:

1. Viable food production, with a focus on agricultural income, agricultural productivity and price stability;
2. Sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water; and
3. Balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

This study is the first that provides an exhaustive review of the choices that have been made by the 28 Member States in both Pillar 1 and Pillar 2. It focuses exclusively on an analysis of the choices that have been made by the Member States: it does not analyse the uptake of the measures by farmers or other rural beneficiaries. The analysis is limited to the implementation modalities of Direct Payments (Reg. 1307/2013), on articles 14, 17-26, 28-29 and 35 of Rural Development Policy (Reg. 1305/2013) and on certain elements of Regulations 1303/2013 (the “Common Provisions Regulation”) and 1306/2016 (the “Horizontal Regulation”).

Methodology

For the mapping of Member State implementation choices, information available at the beginning of 2016 has been used to produce “mapping fiches” that describe the choices regarding Pillar 1 instruments and Pillar 2 measures in the 28 Member States. The main sources of information were the notifications from the Member States to the European Commission regarding Direct Payments and the 118 Rural Development Programmes (RDPs). Interviews in the 28 countries have also helped to shed light on the main factors that have influenced the decision-making process in each country. For the typology, the methodology is based on a cluster analysis involving a set of 12 indicators summarising the main choices made by the 28 Member States. Answers to the Evaluation Questions are provided based on case study work conducted in Bulgaria, Finland, France, Germany, Italy, Poland, Slovenia, Spain, The Netherlands and the United Kingdom. The starting point of the analysis is the preparation of detailed “intervention logics” that links policy instruments to the CAP objectives. Economic theories have been used to develop comprehensive and detailed “*Instrument – Objective – Impact matrices*” that describe the expected impacts for each instrument from Pillar 1 and measures from Pillar 2. The results provide only a preliminary idea of the potential policy impact as this evaluation has focused on the measures that have been put in place in only 10 Member States or regions, and is not based on data of uptake or implementation by beneficiaries.

In general, the historical factor played a more important role than the three general CAP objectives in the Member States’ implementation choices

The analysis of the factors that have influenced the implementation decisions in the 28 Member States reveals that, in many countries, the major concern was to minimise the changes in support provided to the agricultural sector compared to the previous CAP, with a view to maintaining its competitiveness. This is in particular true for the decisions made under Pillar 1. The “historical factor” has been a major driver, as in many cases the main objectives pursued by the Member States were to limit the impact of the changes on farmers’ income and to maintain the balance between agricultural sectors or between regions. In certain cases the effects of the decreased amounts under the BPS were mitigated through the use of other Pillar 1 instruments, such as the Redistributive Payment or Voluntary Coupled Support (VCS).

This also affected the decisions on greening, where there was a clear trend to offer farmers maximum flexibility in the way the greening measures could operate on farms, although administrative and control issues also played an important part in determining the implementing decisions, with Member States fearing penalties if the options offered to farmers were not easily controllable. In some countries, the choices have also been made with the ambition to reduce administrative burden by containing the risks of reduction of payments or late payments and by limiting the administrative costs for the Managing Authority and beneficiaries. The reduced budget for Pillar 1 overall and the introduction of the compulsory greening measures also influenced Member States' decisions on whether or not to transfer funds between Pillars. Overall, it appears that the rationale for the implementation choices in Pillar 1 is more influenced by the ambition to "maintain the status quo" than by a strategy related to the three CAP objectives. There is little evidence to support that Pillar 1 implementation decisions have been based on carefully designed strategies that incorporate long-term objectives and integration with Pillar 2 measures.

The typology indicates limited coordination between Pillar 1 and Pillar 2 implementation

The study developed a typology to group Member States based on their implementation choices in Pillar 1 and Pillar 2. The outcomes of the analysis are five clusters consisting of 5 to 8 countries¹. The typology analysis has confirmed that for the majority of the Member States, the main focus of the CAP remains viable food production. Member States have used the different Pillar 1 instruments in different combinations to address this objective. Nevertheless, there is no overarching pattern emerging in terms of the use of different instruments and measures. The typology results also indicate a poor correlation between the decisions made in the first and the second Pillar: the analysis did not allow to establish a link between the implementation choices (in terms of measures chosen) under Pillar 1 and the decisions made in Pillar 2.

Relevance: the implementation choices are considered especially relevant to needs or priorities related to the general objective of viable food production

The study examined the relevance of the Member States' implementation choices against each of the CAP objectives. This analysis consists of formulating a judgement on the extent to which the choices made by the Member States address national/regional needs.

The Member States' implementation choices with respect to viable food production have been assessed as being in general more tailored to local needs than in the previous CAP. For agricultural income this was more apparent than for agricultural productivity. While price volatility has increased over the last decade, only one measure (Producer Organisations) was found to be to some extent relevant in addressing price stability.

There appears to be a fairly good relationship in most cases between the environmental and climate priorities identified and the measures chosen to address these. In some cases there is a mismatch between the needs identified and the content of the measures have nevertheless been identified. Pillar 2 measures are considered to be more relevant to address identified needs. Pillar 1 greening measures and cross-compliance, particularly the GAEC standards, also play an important role. Of the Pillar 2 measures it is the agri-environment-climate measure (M10), the organic farming measure (M11), the physical investments measure – both productive and non-productive investments (M4) and the forestry measures (M8) that are most relevant, supported by knowledge transfer (M1/M2) and cooperation (M16).

The amount of attention paid to balanced territorial development in budgetary terms fluctuates substantially between the different Member States. Still, in most of the studied Member States there is considered to be a link between the needs related to balanced territorial development as identified in the RDPs and the instruments and measures chosen. Measures enabling communal participation and local activities (M19 – LEADER) are seen as the most relevant as it has the potential to encourage social interaction as well as economic activity in rural areas.

¹ See the map with the clusters in section 9.1.2 in the final report.

Coherence: Member State choices are generally coherent but opportunities for synergies could be better exploited

Overall, it is considered that the choices made by the Member States are neutral or coherent to one another. There are some good examples of measures being used in combination, but there is no systematic synergistic use of instruments and measures to address particular objectives. In almost all the countries examined, the importance of knowledge sharing and cooperation measures was highlighted, especially the way in which these measures could increase the uptake of and add value to measures such as investments in physical assets and agri-environment-climate schemes. However, despite these good examples, it is considered that the opportunities for synergies could have been better exploited by the Member States.

Concerning the level of coherence between the Pillars, very few actual examples of where Member States have actively planned the implementation of Pillar 1 and Pillar 2 measures together have been identified. In the majority of cases efforts have been made to ensure that the measures do not overlap, rather than to proactively find ways of making them work together synergistically.

Evidence of incoherence between objectives has also emerged, for example areas where decisions made in relation to one objective (e.g. farm incomes) have not taken into account the implications that these might have on another (e.g. environment/climate). The two examples identified in this study relate to the use of VCS to support livestock and crop production (with the exception of protein crops), and on the eligibility criteria of permanent grassland for Direct Payments (i.e. where Member States could have decided to exclude environmentally valuable permanent grassland). What is evident in the examples identified is that not thinking in an integrated way about the overall effects of the different CAP implementation choices can lead to inefficiency: in the cases raised above relating to the environment and climate, the choices made have the potential to lead to RDP funds being used to counteract the effects of the decisions made under Pillar 1.

Effectiveness: the lack of appropriate tailoring and targeting of Pillar 1 instruments and Pillar 2 measures raises concern about the impact of Member States' choices

Under the new CAP, the targeting of Direct Payments has been strengthened, with the Member States' implementation choices having contributed to this: although compared to the previous CAP the total budget available has declined by about 1,8% for the entire programming period, a large proportion of the total budget is spent on Direct Payments.

Despite the changes (reduced budget, redistribution), the CAP is expected to continue to have a positive impact on farm income. However, whether the distribution of income support will be sufficient to contribute to a fair income is left unclear. Regarding price stabilisation, the Member States' choices are not expected to have a significant impact as this objective is mainly addressed via the CMO measure of the CAP.

There are concerns that the funding available and the way it is used is insufficient to address the environmental and climate needs and priorities identified. In Pillar 1, the opportunities provided by the introduction of greening measures to establish a basic level of environmental management across EU farmland have not been fully used for a variety of reasons. The environmental and climate targets identified within the RDPs are low considering the scale of the challenges faced. However, there is evidence of much improved tailoring and targeting of measures to address environment and climate objectives in RDPs. Overall, this study indicates that there is still considerable room for improvement in designing approaches that use multiple measures and instruments across both Pillars in ways that are synergistic to achieve the outcomes required to address the CAP general objective 'sustainable use of natural resources and climate action'.

Regarding the general objective of territorial development, the budgets dedicated to promote social inclusion, poverty reduction and economic development in rural areas (Priority 6 of Pillar 2) represents around 15 percent of the total Pillar 2 budget. Most of the resources are allocated to M6 - Farm and business development, M07 - Basic services and village renewal and Measure 19 –Support for LEADER local development (CLLD). Measure 1 – Knowledge Transfer and Innovation Actions and Measure 4 – Investments

in physical assets are expected to complement and strengthen several other measures. Overall, there are concerns about the potential of these instruments to address the identified challenges of reversing depopulation, maintaining or increasing employment, and reviving rural areas.

The new flexibilities under Pillar 1, the changes of the structure of Pillar 2, as well as the need for coordination between Pillars, increases administrative complexity

The role and responsibilities of Member States' authorities have significantly increased with the new CAP due to the new flexibilities under Pillar 1 and the increased need for coordination between the two Pillars. Opportunities have been created to reduce administrative burden for specific target groups (e.g. small farmers), however increased control requirements have been found to be a complex task for local authorities. There is also a risk that administrative burden is passed on to beneficiaries, particularly in terms of the greater amount of evidences they have to provide (e.g. for landscape features, land management schemes, evidence for investments measures). A range of issues posing challenges to all involved stakeholders remain, such as the very specific (and often considered too rigid) requirements with respect to controls and "on the spot" checks to be made by authorities. For the EU Commission Services a range of possible challenges may emerge due to an expected high error rate for Pillar 1, but also increased error rates in some cases for Pillar 2. Overall, there is an increased need for the sharing of best practices and know-how between Member State authorities.

Lessons learned and recommendations regarding the monitoring and the evaluation of the CAP

The evaluation of the CAP has become more complex than in the past because of significant differences in Member States' choices. The evaluation of the CAP should now take into account the policy mix implemented by the Member States. This increased subsidiarity makes evaluation more complex as it renders a detailed analysis of the strategy and choices of the Member States a necessary precondition for any evaluation study.

- **In the short term**, it is recommended to establish a public database with details on the decisions from the 28 Member States under Pillar 1 and Pillar 2. As Member States have the possibility to make changes in their implementing decisions, a constant monitoring system should be put into place so that evaluators can access the information necessary to carry out impact assessments;
- **For the CAP post 2020**, an ex ante impact assessment of the final outcome of any future CAP legislation is recommended. It is indeed unfortunate that for the current system only the initial Commission proposal was subject to an impact assessment. The initial CAP proposal from the European Commission published on the 12 October 2011 was accompanied by an impact assessment of the policy options (SEC(2011) 1153 final/2) and there was no impact assessment of the final CAP legislation adopted in December 2013.

The second challenge concerns the evaluation of the combined effect of the CAP measures (i.e. of Pillar 1 and Pillar 2 instruments and measures). This new requirement constitutes a real challenge for the evaluation community because of the important differences between the approaches of the two Pillars. To ensure an integrated evaluation of Pillar 1 and Pillar 2, the key is to have a better understanding of the interactions between them.

- **In the short term**, it is recommended to encourage capacity building with the view to improve knowledge and understanding about how the two Pillars could function together: initiatives should be taken to enhance awareness and to improve knowledge on the functioning of the two Pillars and the potential for measures from both Pillars to be used in complementary ways. This could be achieved by building on existing initiatives such as the expert group for monitoring and evaluating the CAP established by DG AGRI or the European Network for Rural Development (ENRD);

- **For the CAP after 2020**, it is proposed to establish a more constraining framework on the Member States. This framework could, for example, include: (i) the obligation for Member States to design a national “Intervention Logic” integrating the combined effect of all policy measures, (ii) the obligation to set target indicators for all the components of the CAP, including for Pillar 1, and (iii) requiring Member States to conduct an impact assessment on both Pillar 1 and Pillar 2 elements of the CAP. This should allow for better and more efficient programming without adding complexity.

Finally, the study identified a number of areas that require attention for future evaluations: The third recommendation is a list of priority themes that could contribute to meet the requirements of Article 110 of Regulation (EU) No. 1306 / 2013 and provide a timely input to the debate on the CAP after 2020. Seven topics are proposed: (1) Sharing of best practices on the coordination between the two Pillars; (2) Cross-thematic evaluation of the impacts of the CAP on the standard of living of agricultural households; (3) Study on the use of measures supporting knowledge transfer and cooperation; (4) Synthesis of the overall coherence of the CAP with other legislation (EU, national, regional, local) in rural areas; (5) Study on the impact of the CAP on EU climate targets; (6) Study on administrative burden in the context of smart simplification; (7) Research on tensions and complementarity between the three CAP objectives. These topics are described in detail in the final report under section 9.3.1.

Lessons learned and considerations for the future of the CAP

The study confirms that the CAP has become more complex. This finding is not a surprise: the negotiations between the Council and the European Parliament resulted in the introduction of greater subsidiarity. A number of provisions proposed by the European Commission have been amended during the negotiation process with the intention of providing more flexibility to Member States. This is particularly true for Pillar 1, as evidenced by the introduction of measures not initially proposed (e.g. redistributive payment, flexibility from Pillar 2 to Pillar 1), the introduction of voluntary measures initially planned as compulsory (e.g. reduction of payments and degressivity, support to small farmers), and the greater liberty given to Member States for the implementation of particular measures (e.g. more options for greening and in particular EFA). The mapping of the implementation choices confirms that the new flexibilities under Pillar 1 resulted in a more diversified implementation of the CAP, with measures being used in many different ways and in wide array of combinations in the Member States and regions.

The study reveals that the Member States’ strategy to address the 3 CAP objectives is not sufficiently documented. In general, Member States did not document a joined up, coherent strategy on which to base their choices about the implementation of the CAP. The study was unable to uncover much evidence to support that the Member States developed an overarching and integrated strategy to inform their implementation choices in both Pillars. The implementation choices are more influenced by the ambition to “maintain the status quo” for the agricultural sector than by a long-term strategy that take into account the general CAP objectives (viable food production, sustainable management of natural resources and climate action, and balanced territorial development).

The study also raises concerns about the potential impact of the CAP. There are reservations regarding effectiveness due to concerns related to the way implementation modalities have been designed and in particular the degree to which funds have been targeted to certain needs or priorities, which may be insufficient to have a significant impact. Despite the fact that the CAP provides a range of instruments and measures for Member States to adapt to specific needs, priorities and contexts, there are some concerns that Member States have not sufficiently focused their available funding. Consequently, this might constrain the effectiveness, and thus the potential impact, of the CAP and its contribution to reaching the targets set by the EU2020 Strategy. For specific instruments, such as greening, questions have been raised about the implementation modalities and their impact on the environment, particularly biodiversity. These findings are based on the choices Member States have made and should be confirmed by further studies examining the uptake of measures and instruments by farmers.

In the short term, simplification should be sought in order to limit the growing concern of an increase in administrative burden related to the complexity of the CAP. The exchange of good practices between countries should be encouraged to promote simplification as well as the implementation of a smart and proportionate administration. It is also recommended to improve the implementation modalities of the Green Payment to encourage a more tailored approach to their use. How these measures interact with Pillar 2 also requires further attention.

For the CAP post 2020, Member States and the European Commission should agree on the principle and the implementation of a new framework which would include the establishment of a national long term strategy that takes into account the general CAP objectives supporting viable food production, ensuring the sustainable management of natural resources and climate action, and promoting balanced territorial development.

