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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**on the implementation of the Common Monitoring and Evaluation Framework and first  
results on the performance of the Common Agricultural Policy**

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### 1. INTRODUCTION

The 2013 reform of the Common Agricultural Policy (CAP) established a Common Monitoring and Evaluation Framework (CMEF) with the aim of measuring the performance of the CAP implementation for 2014-2020, demonstrating its achievements and improving its efficiency.<sup>1</sup> For the first time, this framework covered both the first pillar (direct payments<sup>2</sup> and market measures<sup>3</sup>) and the second pillar (rural development<sup>4</sup>), as well as horizontal measures<sup>5</sup> (e.g. cross compliance) of the CAP.

The CAP 2014-2020 established that the Commission shall present an initial report '*on the implementation of the Common Monitoring and Evaluation Framework and first results of the performance of the CAP by 31 December 2018*', with the final assessment of the implementation of the CAP for 2014-2020 expected in 2021. The present report anticipates the publication date to feed the debate on the CAP legal proposals adopted on 1 June 2018, and is published together with the dissemination of the whole set of relevant indicators<sup>6</sup>.

This initial report describes the design and the implementation of the framework, provides first results on the performance of the CAP on the basis of evidence collected through the CMEF and other studies (e.g. evaluations) and links the lessons learnt with the performance and monitoring and evaluation framework included in the the CAP post-2020 proposals.

### 2. DESIGN AND IMPLEMENTATION OF THE COMMON MONITORING AND EVALUATION FRAMEWORK

#### 2.1. Legal framework

The monitoring and evaluation framework for the CAP 2014-2020 established in the Horizontal Regulation<sup>5</sup> that the performance of the CAP shall be assessed in relation to the three general objectives of the CAP:

- a. viable food production, with a focus on agricultural income, agricultural productivity and price stability
- b. sustainable management of natural resources and climate action, with a focus on greenhouse gas (GHG) emissions, biodiversity, soil and water
- c. balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

In addition, for the second pillar, the Common Provision Regulation<sup>7</sup> lays down the common monitoring and evaluation elements for the European Structural and Investment Funds, while

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<sup>1</sup> Article 110 of Regulation (EU) No 1306/2013.

<sup>2</sup> Regulation (EU) No 1307/2013.

<sup>3</sup> Regulation (EU) No 1308/2013.

<sup>4</sup> Regulation (EU) No 1305/2013.

<sup>5</sup> Regulation (EU) No 1306/2013.

<sup>6</sup> Forthcoming website.

<sup>7</sup> Regulation (EU) No 1303/2013.

the Rural Development Regulation<sup>4</sup> addresses the specificities for the rural development programmes.

The CMEF provides key information on the CAP implementation (monitoring), as well as on its results and impacts (evaluation)<sup>8</sup>. It quantifies the actions in Member States (output), describes achievements and verifies how well objectives were reached<sup>9</sup>. The Commission, together with Member States in the framework of an Expert group, designed the CMEF and developed a list of indicators which, selected on the basis of an intervention logic from general to specific objectives and interventions, were laid down in several implementing acts.

## 2.2. Indicators

Five types of indicators were defined to support the assessment of the performance of the CAP.<sup>10</sup>

- 45 context indicators describing the general operational environment of the policy
- 84 output indicators measuring activities directly related to policy interventions
- 41 result indicators: 16 result indicators for the first pillar measuring the direct and immediate effects of interventions and 25 result indicators for the second pillar (of which 19 correspond to target indicators)
- 24 target indicators (of which 19 correspond to result indicators) used to set quantified objectives at the beginning of the programming period
- 16 impact indicators measuring the impact of policy interventions at longer term and beyond immediate effects (of which 13 are also included in the context indicator set)

For each of the indicators, information sheets were prepared with the definition as well as the data sources, the level of geographical detail, the reporting frequency and timing.<sup>11</sup> In addition, sub-indicators were included when a split was considered necessary e.g. per sector or category. In total, the current framework has more than 900 sub-indicators.

## 2.3. Data sources

The indicators are defined, to the extent possible, so that the collection of data is based on existing channels<sup>12</sup> in order to avoid creating additional administrative burden for beneficiaries and Member States. The wide range of data sources used for the overall CMEF includes notifications from Member States, European statistics provided by Eurostat<sup>13</sup>, data collected by the European Environmental Agency.

For the first pillar, output indicators are available via the Information System for Agricultural Market Management and Monitoring (ISAMM), the Clearance Audit Trail System (CATS) and Information System for Agriculture Refund Expenditure (AGREX). Data are available for 2015, 2016 and partly for 2017.

For the second pillar, monitoring data are collected via the Annual Implementation Reports submitted by Member States each year in June with regard to the previous year. These reports include output, result and target indicator values. In addition, Member States had to submit enhanced Annual Implementation Reports in 2017 (and 2019) including additional information based on evaluation activities. Additionally, information on expenditure is gathered quarterly via the Declaration of Expenditure for European Agricultural Fund for

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<sup>8</sup> Further information available in 'Technical handbook on the monitoring and evaluation framework of the CAP 2014-2020' (2015).

<sup>9</sup> Further information available in 'The monitoring and evaluation framework for the CAP 2014-2020' (2015).

<sup>10</sup> Commission Implementing Regulation (EU) No 834/2014.

<sup>11</sup> Information sheets are available [here](#).

<sup>12</sup> Most sustainable development indicators are also part of the Common Monitoring and Evaluation Framework.

<sup>13</sup> Agricultural statistics, agri-environmental statistics, land cover and land use statistics (including the LUCAS survey), regional statistics, social statistics, trade statistics etc.

Rural Development. For rural development, indicator data for 2015 and up to the end of 2016 is available.<sup>14</sup>

The use of existing data sources and the level of detail required for certain indicators have an impact on the timing and frequency of data availability. For example, data based on the Eurostat's Farm Structure Survey data are collected every three years and are available 1,5 year after the reference year. Similarly, some environmental indicators are based on periodical surveys - the ones related to soil quality are collected on a 5-year interval, with the latest information referring to 2012.

### **3. INITIAL ASSESSMENT OF THE PERFORMANCE OF THE CAP**

The performance of the CAP in achieving its common objectives shall be measured and assessed on the basis of common impact indicators, and the underlying specific objectives on the basis of result indicators.

This initial report describes therefore the CAP achievements on the basis of the data available so far within the CMEF.<sup>15</sup> Evaluation information is taken into account when available. Further analysis is available in the Impact Assessment for the proposals of the reform of the CAP post 2020<sup>16</sup> and in the various sources of background information collected for those purposes.<sup>17</sup>

A note of caution is pertinent here. To assess this performance, it is necessary to isolate the policy effect from other influencing factors (contextual facts, other related policies etc.). The so-called 'net impacts' need to be measured. This is normally done through evaluations. At this stage, limited information is available to carry out these evaluations due to the fact that the latest CAP reform has been implemented only in 2015. There are also delays in the availability of the impact (and context) indicators. For several indicators, the most recent data relate to 2012 or 2013, thus before the implementation of the 2013 reform of the CAP. Finally, some impact indicators require a longer period to show effects, leading to difficulties in netting-out the impact of the CAP.

#### **3.1. Viable food production**

##### *3.1.1. Market orientation and price stability*

The CAP has undergone several reforms towards greater market orientation shifting from product support (through prices) to producer support (through income support, mainly with decoupled payments). This shift reduced the price gap between EU and world market prices over time increasing the competitiveness and trade performance of the EU: the ratio between EU and world market prices of main agricultural commodities (weighted average) declined from 140 % in 2007 to 113 % in 2017.

EU agri-food exports almost doubled over the last 10 years to EUR 138 billion in 2017 and contributed to the further improvement of the trade balance to EUR 20.5 billion (+EUR 28 billion compared to 2007). EU exports make up for around 17 % of total world agri-food exports, with this share quite stable over time.

At the same time, the EU market is more open: EU imports of agri-food products increased to EUR 117 billion in 2017 (+51 % compared to 2007), with EU imports from least developed countries increasing by more than 75 % since 2007, reaching a value of EUR 3.5 billion in

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<sup>14</sup> On June 30<sup>th</sup> 2018, Member States should notify 2017 data. When this report was drafted, these data were not yet available.

<sup>15</sup> The Commission has carried out several quality checks. However, errors could not always be corrected. Moreover, rural development result indicators were recalculated by the Commission on the basis of output and context indicators for 2013 in order to ensure that the data are calculated in a harmonised way.

<sup>16</sup> COM(2018) 392, COM(2018) 393, COM(2018) 394.

<sup>17</sup> [Facts and figures](#)

2017. All the other top world traders US, China, Japan, Russia, and Canada together imported only EUR 3 billion from least developed countries.

Although EU farmers are now more exposed to world price volatility, price volatility remains lower than for main competitors; e.g. for soft wheat, it was 6.8 % in 2015-2017, whereas on the world market it was 10 %.

With EU prices closer to world market prices, EU export refunds are not used anymore and intervention schemes are implemented less frequently than 20 years ago. The CAP now operates a *market safety-net*, supporting prices in sectors that are faced with excessive and exceptional price declines. Prices in most sectors stayed well above intervention price in recent years except for skimmed milk powder, where prices dropped below intervention price levels in 2015 and 2016, leading to *public intervention* buying-in representing 2% and 23% respectively of total EU production.

The experience of the last few years shows that in case of need market measures are available and can be implemented to halt price drops. Exceptional measures like private storage aid and market withdrawals were introduced in response to the import ban imposed by Russia in 2014.

### 3.1.2. *Agricultural income*

One of the key objectives of the CAP is to contribute to farm income and limit its variability. The main instrument to support farm income is *direct payments*, most of which are decoupled from actual production.

Average direct payments per beneficiary amounted to almost EUR 6 200 in 2016 making up a share of 44 % in agricultural entrepreneurial income in the EU-28 with different distribution between farm types and farm size<sup>18</sup>. In some sectors (beef, sheep, olives) and zones (areas facing natural constraints), direct payments make up an even higher share of income, helping to maintain farms in business on the whole EU territory and thus contributing to rural vitality. However, agricultural income in these sectors and zones remains below EU average. In sectors where price volatility is high, direct payments help farmers to better cope with price drops. A recent World Bank report concludes that the CAP contributes effectively to farm income, and helps reducing the gap between agricultural income and wages received in other economic sectors<sup>19</sup>.

The 2013 CAP reform also offered several *risk management tools*: insurance premiums, mutual funds and a newly introduced income stabilisation tool. In view of their limited uptake<sup>20</sup> (in 2016 only 0.5 % of agricultural holdings participated in EU risk management schemes) some changes were proposed in the so-called Omnibus Regulation<sup>21</sup>. A recent study on risk management in EU agriculture finds that European farmers are increasingly exposed to risks while the availability of risk management instruments lags behind. Insurance remains the most commonly used instrument; availability and uptake of mutual funds is more limited<sup>22</sup>.

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<sup>18</sup> Statistical factsheets: [https://ec.europa.eu/agriculture/statistics/factsheets\\_en](https://ec.europa.eu/agriculture/statistics/factsheets_en).

<sup>19</sup> World Bank, Thinking CAP: Supporting Agricultural Jobs and Incomes in the EU (2017).

<sup>20</sup> The low uptake can be explained by the fact that the funds could only be used in case of income losses larger than 30 %. In addition, it was not allowed to target specific sectors and no public support for the initial capital stock is allowed. For more explanations see the [Market Brief on risk management](#).

<sup>21</sup> Regulation (EU) 2017/2393.

<sup>22</sup> [https://ec.europa.eu/agriculture/external-studies/2017-risk-management-eu-agriculture\\_en](https://ec.europa.eu/agriculture/external-studies/2017-risk-management-eu-agriculture_en).

### 3.1.3. *Agricultural productivity*

Agricultural productivity, expressed as total factor productivity, is increasing steadily but slowly (+0.7% per year over the last five years), with growth in labour productivity contributing most to productivity gains.

CAP decoupled payments and rural development support are positively associated with increases in agricultural productivity per worker (contrary to coupled support). CAP payments increase farmers' credit access and reduce risk exposure, which allows them to invest more<sup>23</sup>.

An important factor determining productivity growth in the long run is innovation. To speed up the uptake of innovation, the European Innovation Partnership for Agricultural Productivity and Sustainability was launched by the Commission in 2012 (see paragraph 3.4).

## **3.2. Sustainable management of natural resources and climate action**

The CAP contributes to the sustainable management of natural resources and climate action in many ways through the combined effects of different CAP measures, including cross compliance (on 90 % of utilised agricultural area - UAA), direct payments (greening on 77 % of UAA<sup>24</sup>) and rural development measures targeted towards specific environmental objectives, accompanied by support for farm advice and for the innovative activities of the European Innovation Partnership and its Operational Groups.

Agricultural production has an impact on the environment but there are also other factors at play. Since recent data on environmental indicators is scarce and environmental impacts are often long-term processes, it remains difficult to establish a direct link between the CAP intervention and its actual result on the environment. Agricultural GHG emissions declined by more than 20 % since 1990 to 12 % of total EU GHG emissions in 2016, thanks to reduced nitrous oxide emissions from agricultural soil management (mainly due to a decline in use of nitrogenous fertilisers) and reduced enteric fermentation emissions due to an overall reduction in livestock numbers. However, the rate of decline has levelled out in the past 10 years and emissions now fluctuate around 490 million t of CO<sub>2</sub> equivalent. Contrary to the common belief, emissions from grassland and cropland are still positive, albeit on a declining trend (-15% between 2006 and 2016). Main reasons are conversion of land to cropland and grassland management practices, but large differences between Member states are noted. In addition, ammonia emissions from agriculture increased during the last two years (+10%). These environmental indicators show that environmental problems are still present and that more shall be done through the future CAP.

The three greening requirements under direct payments aim at making the CAP more effective in delivering its environmental and climate objectives and to ensure the long term sustainability of EU agriculture:

- 1) Ecological Focus Areas primarily aiming at safeguarding and improving biodiversity at farms;
- 2) Maintenance of permanent grassland aiming at supporting carbon sequestration, supporting biodiversity and protecting against soil erosion and soil quality;
- 3) Crop diversification aiming at improving soil quality primarily.

However, greening was criticized for the additional burden it entails for farmers and administrations compared to its environmental outcome. A recent evaluation on the payment

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<sup>23</sup> <https://www.ceps.eu/publications/cap-subsidies-and-productivity-eu-farms>

<sup>24</sup> 2016 data. Data for 2017 are not yet available for all Member States.

of agricultural practices beneficial for climate and environment<sup>25</sup> confirms that the current implementation of greening by Member States and farmers could be improved to deliver better on its objectives.

Regarding rural development measures, contracts supporting biodiversity and/or landscapes cover 13 % of UAA, contracts to improve water management 9 % of UAA, contracts to prevent soil erosion and to improve soil management 9 % of UAA and contracts targeting a reduction in GHG and/or ammonia emissions 1 % of UAA<sup>26</sup>. In addition, 7% of UAA is organic farming area<sup>27</sup>. The quantification of impacts by Member States has been limited, as according to them, for the evaluations carried out in 2016 it was 'too early to observe rural development programmes' effects on values of environmental impact indicators<sup>28</sup>.

The CAP reform established that Member States should reserve at least 30 % of Pillar II for measures on climate mitigation, as well as measures to address environmental issues<sup>29</sup>. In 2016, Member States went far beyond this obligation in terms of expenditure incurred, reaching 67 % on average in the EU, with Areas facing natural or other specific constraints (30 %) and Agri-Environment and Climate Measures (18 %) contributing most to this target.

In addition to this CAP specific commitment at Member States level, the Council and European Parliament agreed that at least 20 % of the EU budget for 2014 to 2020 should be spent on climate related action with contributions from different policies<sup>30</sup>. The CAP plays a key role in the efforts to reach the target. Based on the climate tracking methodology defined for the current programming period<sup>31</sup> in line with the OECD's 'Rio markers', the CAP contribution to climate change is estimated at 26% i.e. EUR 102.8 billion.

### 3.3. Balanced territorial development

Agriculture represents 13.5% of total employment in rural areas in 2016 (compared to 12.4% in 2012). The agricultural sector employed 8.7 million full time equivalent farmers (2013). The long-term trend for labour outflow from farming is driven by demographics, structural changes, mechanisation and opportunities outside the agricultural sector. In recent years, agricultural labour outflow slowed down.

The CAP contributes to balanced territorial development through several support schemes for the farm sector (which is often the backbone of the rural economy) and through direct assistance to non-farm entities in rural areas. These schemes include:

- support to around 7 million beneficiaries, covering about 65 % of the total number of farms<sup>32</sup>. There were close to 6.8 million beneficiaries under direct support schemes and more than 3 million under rural development measures in claim year 2015<sup>33</sup>.
- specific support to farmers in mountain areas and other areas with specific constraints (2.7 million beneficiaries, EUR 8 billion).

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<sup>25</sup> [Evaluation study of the payment for agricultural practices beneficial for the climate and the environment \("greening" of direct payments\)](#)

<sup>26</sup> For the calculation of this indicator, only the schemes whose results are programmed under Focus Area 5D are taken into account (regardless of where the relevant expenditure is programmed). This percentage is in line with the aggregate EU target (3%).

<sup>27</sup> The majority of organic farmers are supported via Rural Development.

<sup>28</sup> Summary report: synthesis of the evaluation components of the 2017 enhanced Annual Implementation Report.

<sup>29</sup> Article 59.6 of Regulation (EU) No 1305/2013 establishes that Member States should reserve at least 30% of Pillar II on Articles 17, 21, 28, 29, 30 (with the exception of the Water Framework Directive related payments), 31, 32 and 34 of the same regulation.

<sup>30</sup> COM(2011) 500 final of 29 June 2011, 'a Budget for Europe 2020', Part II, p. 13.

<sup>31</sup> Commission Implementing Regulation (EU) No 215/2014.

<sup>32</sup> The number of beneficiaries relate to Financial Year 2016 which corresponds to Claim Year 2015. The number of holdings relates to 2013 as this is the latest available data.

<sup>33</sup> A majority of beneficiaries of rural development payments are also beneficiaries of direct payments but are only counted once.

- support to young farmers by a mandatory top up of the basic payment for the first five years supporting around 312 000 young farmers (EUR 352 million) and by a wide range of support measures for the young farmers under the rural development.
- voluntary coupled support to 2.3 million<sup>34</sup> beneficiaries (EUR 3.9 billion).

Furthermore, Member States have the option to redistribute up to 30 % of their direct payments envelope to the first hectares on every farm ('redistributive payment'), 9 Member States have implemented this scheme in 2016 supporting 1.8 million farmers with EUR 1.6 billion.

The CAP also contributes directly to support the development of basic services and communication technologies in rural areas, in particular measures that take several years to be completed such as long-term investments (broadband, other infrastructures). In 2016, 90 million people profited of these investments. In addition, 171 million rural citizens are already covered by a local development strategy under LEADER, which has proved to be extremely successful approach for promoting local development and capacity building in rural areas.

CAP support (such as investments in communication technologies and infrastructure) has a multiplier effect on other sectors in rural areas, notably for the food industry and for those providing services to agriculture. The employment rate in rural areas recovered strongly from the 62.5% in 2011 (as a result of the economic crisis) to 66% in 2016, almost similar to the rate in the rest of the economy. The gap between agricultural incomes and incomes in other economic sectors is still substantial but is reducing (the share of the average agricultural income compared to the wage of the whole economy increased from 32 % over the period 2005-2010 to 47% in 2017). As a result, the poverty rate in rural areas declined (from 29 % in 2011 to 26 % in 2016 in the EU-28), approaching the poverty rate in the whole economy (25 %). The CAP has therefore an important role in poverty reduction in rural areas and contributes to the creation of better jobs for farmers across the EU<sup>17</sup>.

### **3.4. Knowledge transfer and innovation**

Fostering knowledge transfer and innovation is a cross cutting priority of the CAP, with a total budget of EUR 5.7 billion allocated to it. The 2014-2020 Rural Development Programmes include a flexible package of measures supporting advice, training, innovation and cooperation and the development of knowledge in rural areas. More than 492 000 farmers (4.5% of total farmers) have received funding for training and more than 63 500 farmers for advice<sup>35</sup>.

An ex-ante evaluation study carried out in 2016 was positive on the EIP initiative. All Member States (except Luxembourg) have decided to implement EIP in the current period (see also chapter 3.2). By the end of 2016, more than 245 cooperation operations were supported.<sup>36</sup>

## **4. LESSONS LEARNT**

### **4.1. The Common Monitoring and Evaluation Framework**

Despite its rather short implementation, the contribution of the CMEF to the assessment of the CAP 2014-2020 already provides lessons that are useful for its future evolution.

Experience has shown that there are currently too many indicators and sub-indicators. Firstly, they do not allow to obtain an immediate impression of the achievements of the CAP.

<sup>34</sup> One beneficiary may receive coupled support under more than one measure. Therefore this number may contain double counting.

<sup>35</sup> Member States notifications were not fully harmonised (e.g. number of trainings given versus number of leaflets).

<sup>36</sup> [Evaluation study of the implementation of the European Innovation Partnership for Agricultural Productivity and Sustainability.](#)

Secondly, not all indicators are suitable for their purpose, e.g. some indicators are not available on a yearly basis and/or with delay and can thus not be used for early monitoring. Some other indicators have only a weak link with the CAP. At the same time, certain indicators are missing. E.g. an ongoing evaluation on climate change concludes that the limited breakdown of some output indicators impedes having sufficient information on CAP implementation with regard to climate change.

For Pillar II, experience from previous programming periods shows that there is a learning curve for Member States in the first years to correctly report the data. This is also valid for the programming period 2014-2020. In order to address this issue, a validation process has been developed in 2018 based on the experience gained to warn Member States about possible errors before submission of data in the Annual Implementation Report. It has to be noted that the current CAP does not include a legal obligation for Member States to correct data after notification.

Where experience with the data (availability) has shown the necessity of adjustment of one of the elements related to the indicator (e.g. definition, coverage, reporting frequency), the related detailed description of the indicators and, where appropriate, the relevant regulation, were adapted. The latter has been the case e.g. for the reporting requirements with regard to investments and support for young farmers. As Member States only had to report when the action was completed, partial achievements were not reported. This meant a strong underestimation of the values compared to the actual performance, particularly for such measures that may last several years. A change in the implementing rules now allows Member States to report achieved indicator values for partially implemented operations as from the 2017 reporting year.

Issues were also reported for several impact indicators. E.g. the indicator on High Nature Value does not have comparable data for all Member States. The data used for calculating the Farmland Bird Index is not complete and the Commission is looking at ways to improve this data collection. The possibility to measure via surveys the contribution of Rural Development measures to water and energy savings in agriculture has not yet been taken up due to, amongst others, the limited implementation period.

#### **4.2. Performance Monitoring and Evaluation in the future CAP**

The proposals for reform of the CAP after 2020 shift emphasis from compliance and rules towards results and performance, with more Member States flexibility to decide how best to meet common objectives. The new Performance Monitoring and Evaluation Framework sets out a single set of objectives at EU level for both pillars of the CAP. The overall policy performance will be assessed multi-annually on the basis of impact indicators, with annual policy performance follow-up relying on the full list of result indicators while output indicators should annually link expenditure with the performance of policy implementation.

The relevance of the experience with the current framework is that, in this shift towards performance, fewer but better targeted indicators are essential. Therefore, in the CAP legal proposals post-2020 it is proposed to reduce the number of indicators from 146 to 101.<sup>37</sup> This, more targeted, set of indicators has been selected in a way to reflect as closely as possible whether the supported interventions contribute to achieving the objectives.

The performance based policy also requires that the quality of the notifications submitted by Member States improves. Therefore in the next CAP the certification bodies will have to ensure the reliability of the performance reporting on outputs and results. Moreover, selected indicators are generally generated by administrative processes or otherwise available, to

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<sup>37</sup> Excluding context indicators, which remain.

reduce the administrative burden. There is a strong need to improve future data availability (both by further data sharing between existing sources and by new technologies). CATS (Clearance Audit Trail System) or a data set with similar features, will, however, remain necessary as data source.