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## **EVALUATION OF THE COMMON MARKET ORGANISATION FOR WINE**

### **Quality judgement of the final report submitted by INNOVA in November 2004**

#### **PRELIMINARY REMARKS**

The judgement made below refers to the third version of the final report delivered in November 2004, which includes a fundamentally redrafted version of the chapter on external trade.

It has to be pointed out that the judgement is not made on the contents of the results, conclusions or recommendations reached by the contractor, but on the methodology used for obtaining them.

It has to be recognised, that the contractor was confronted with a difficult task since a very complex CMO had to be evaluated in a relatively short time period (9 months for the first version of the final report). Additional difficulties, which have to be taken into account, were:

- the segmentation and differentiation of the market for wine
- lack of data and statistical information, in particular at regional level
- very few scientific work on this sector on European level, which could serve as basis for this study

The quality of the individual chapters is very heterogeneous which makes an overall assessment difficult. Since the individual chapters cannot be treated specifically in the framework of this quality judgement, examples are given in order to illustrate the appraisal according to the individual criteria.

It has also to be mentioned that this evaluation was accompanied intensively by a steering group, as provided for in the tender specifications. Five meetings of the steering group with the consultants took place in order to discuss the different interim reports and the draft final report. In addition to this, there were a lot of bilateral contacts between steering group members and consultants and finally,

many comments were submitted in writing during the whole process of this evaluation.

All these contacts had the purpose to help the consultants to better understand this difficult CMO and above all to improve the quality of the deliveries, in particular under the analysis aspect.

**1. MEETING THE NEEDS: Does the evaluation adequately address the information needs of the commissioning body and fit the terms of reference?**

All evaluation questions (in the case of the question on external trade measures only in the last version of the final report) have been answered and the main issues of this evaluation have been addressed.

However, the quality of the answers to the individual questions is very heterogeneous. It is also regrettable that an acceptable answer to the question on external trade measures was only delivered in the last version of the final report which did not permit a discussion of this text with the steering group. The previous versions of this chapter were not acceptable and several discussions on them were unfortunately without result.

The different reports were delivered in due time. However, the final report delivered in June 2004 did not yet correspond to the expectations of the steering group and another thorough revision was necessary, which delayed the exercise. Nevertheless the report was terminated in due time.

Global assessment: *satisfactory* in general, but *poor* for some parts such as those relating to distillation and the restructuring scheme.

**2. RELEVANT SCOPE: Is the rationale of the policy examined and its set of outputs, results and outcomes/impacts examined fully, including both intended and unexpected policy interactions and consequences?**

Even if not all technical specificities of this CMO were fully understood by the consultants, an overview of the impacts of the main instruments is provided and interactions between instruments are considered. Also unintended impacts have been taken into account (e.g. in the case of planting rights and distillation).

The general context of market developments is also reflected in the report and inconsistencies in policy implementation as concerns limitations of planting rights are hinted at.

The regional dimension, which is very important for this CMO, is addressed in the answers to the evaluation questions, but not in all cases fully covered (e.g. for Spain). In some aspects the examination should have gone further (e.g. national systems of transfers of planting rights, individual distillation measures, restructuring scheme, aid for the use of grape must).

Global assessment: *satisfactory*, taking into account the complexity of this CMO and the objective constraints mentioned in the preliminary remarks.

**3. DEFENSIBLE DESIGN: Is the evaluation design appropriate and adequate to ensure that the full set of findings, along with methodological limitations, is made accessible for answering the main evaluation questions?**

Even if an overall view on the impacts of this CMO can be identified, in particular in the chapter on overall market impacts, the report suffers from a poorly developed analysis as will be laid down below (point 5) and from the heterogeneous quality of the individual chapters.

The weakness of the analysis puts into question the solidity of the findings and conclusions which are to a large extent based on experts' statements. Furthermore there are inconsistencies between general and detailed conclusions and recommendations (see points 6 and 7).

Limitations under different aspects (lack of data and information, diverging views of experts) and need for further research on technical and market aspects are clearly pointed out, but too often served as excuse for not going further in the examination of the issues concerned (e.g. impacts of the restructuring scheme) or to put forward a clear conclusion.

More efforts should have been undertaken to identify in particular the impacts of the Agenda 2000 reform, in particular as concerns crisis distillation and the restructuring scheme.

Global assessment: *poor*

**4. RELIABLE DATA: To what extent are the primary and secondary data selected adequate? Are they sufficiently reliable for their intended use?**

The consultants had access to a vast range of data provided by the Commission services which were generally speaking treated and presented correctly. Inconsistencies between data (e.g. on vineyard surface) from different sources were clearly pointed out.

The consultants undertook also considerable efforts to collect data on national and regional level and obtain views of stakeholders and experts in interviews. Perhaps through better coordination between the partners at the beginning phase of the study more information could have been obtained at regional level (in particular as concerns Spain), but nevertheless the regional aspect is taken into account. Also in other aspects data research could have been more exhaustive, e.g. as data related to the individual distillation measures and aid for enrichment.

Global assessment: *satisfactory*, in taking into account the objective constraints mentioned in the preliminary remarks

**5. SOUND ANALYSIS: Is quantitative and qualitative information appropriately and systematically analysed according to the state of the art so that evaluation questions are answered in a valid way?**

The analysis aspect shows clearly the heterogeneous quality of the individual parts of the report and requires a differentiated consideration.

In some aspects the analysis, is *fairly well developed* also in quantitative terms, taking into account the data constraints: impacts of planting rights and abandonment premia, existence of a structural surplus, global impacts of distillation, short-term impacts of aid for private storage.

In other aspects the analysis *remains too limited*. This concerns in particular the specific impacts of the individual distillation measures (notably crisis distillation and distillation of dual purpose grapes), the examination of which has been requested repeatedly by the steering group. Also the analysis of medium term price effects of private storage could have been developed further.

In the income chapter some efforts should have been undertaken to establish a link between the description of the income situation and the influence of the different CMO instruments on income components, at least on a qualitative basis.

In general terms the regional aspect and the aspect of different application of CMO measures in the individual Member States is not taken into account sufficiently (e.g. application of the planting rights).

In many cases the analysis is *almost missing and replaced by experts' statements*: In the external trade chapter the issue of increasing imports is described, but it is not discussed (at least in qualitative terms), in how far this phenomenon is due to tariff reduction or increased competitiveness of the exporting countries.

In the chapter on the restructuring scheme at least some efforts to estimate impacts also in quantitative terms should have been made. Instead the reader is confronted with the somewhat confusing statement that, even with the aid, investments in renewal of vineyards are not profitable.

Furthermore, there are *inconsistencies in the analysis*: In the case of distillation the link between short term and medium term impacts on prices is not explained. Statements made on income impacts are not sufficiently coherent between market and income chapters (e.g. statements on depressing incomes due to excess quantities of table wines in the chapter on planting rights).

As consequence, even if one takes into account the objective difficulties encountered and the fact that an overall view of the market impacts of the CMO has been provided, the analysis lacks in too many important aspects and also within the time constraints set for this study, more could have been achieved with limited additional efforts, if for instance advice given by the steering group would have been taken into account more seriously. Unavoidably, the weakness of the analysis affects also negatively the solidity of findings and, thus, the validity of the conclusions.

Global assessment: *poor*

**6. CREDIBLE FINDINGS: Do findings follow logically from, and are they justified by, the data analysis and interpretations based on carefully described assumptions and rationale?**

The credibility of the findings suffers clearly from the poor analysis as it is laid down above.

When findings are based on the analysis undertaken they are useful, in particular, as concerns the impact of planting rights and abandonment premia and the overall view on the CMO measures (e.g. existence of a structural surplus, comparison of cost-effectiveness of different measures). However their presentation could be clearer and the calculation methods used explained better.

In the cases where the analysis is not well developed, the usefulness of the findings is limited since they are mainly based on expert judgment, which often lack a critical reflection and discussion, even when controversial views were pointed out. This applies e.g. for the regulatory measures, aid for enrichment and for the individual distillation measures.

Global assessment: *poor*

**7. VALIDITY OF THE CONCLUSIONS: Does the report provide clear conclusions? Are conclusions based on credible results?**

The conclusions have to be considered at different levels:

- There are some straightforward conclusions on the overall effectiveness of the CMO which are based on the analysis and the findings of the study. However, overall, the validity suffers from the weakness of the analysis (see above).
- The conclusions regarding individual measures are less convincing: In some cases they are rather vague (aid for enrichment and distillation of by-products), in some cases they are based mainly on experts' views that are only to a limited degree linked to the analysis presented (e.g. aid for private storage). In some cases, there is no link to analysis at all (e.g. rigidity of planting right system).

Generally speaking the conclusions are not presented in a clear way and have to be retrieved in different parts of the report (see point 9). Generally, the conclusions do not (or only to a little extent) take into account the different impacts of this CMO at national and regional level.

Global assessment: *poor*

**8. USEFULNESS OF THE RECOMMENDATIONS: Are recommendations fair, unbiased by personal or stakeholders' views, and sufficiently detailed to be operationally applicable?**

Also the recommendations have to be considered at different levels:

- There are more operational recommendations concerning improvement of collection of data and information on the market, establishing expert groups etc.
- As concerns individual instruments, the main recommendation is a proposal to establish a "green harvest" measure in years of abundant harvests in order to prevent occasional surpluses and replace distillation. However this recommendation is, though it seems interesting, not well reflected in terms of practicability.

- The recommendations at policy level are too general while pointing into the direction of a radical reform of the CMO, which would mean essentially abandoning of prohibition of new plantings, stopping distillation, and liberalising oenological practices. These recommendations are partly based on findings presented, but not specified with regard to their consequences in market and income terms. The general reference to direct income support does not take into account the complexity of this sector, in which only a part of production is directly supported by the CMO measures.
- There are also inconsistencies between the mainstream recommendations, where a liberal approach is favoured (e.g. liberalisation of oenological practice) and recommendations relating to individual instruments where for instance maintenance of aid for enrichment with (rectified) concentrated grape and even more extensive use of safeguard clauses as protection against imports are proposed.

Global assessment: *poor*

**9. CLEAR REPORT: Does the report clearly describe the policy evaluated, including its context and purpose, together with the procedures and findings of the evaluation, so that information provided can easily be understood?**

The report is heterogeneous and partly not clearly structured. The quality of the answers to the individual questions is varying; some of them are well presented, some of them are very difficult to read and less clear in their structure. Furthermore, still after several rounds of comments made by the steering group, some mistakes and errors are left in the final version, and some acronyms are not explained.

The main conclusions and recommendations are difficult to find, since they appear at different places and are sometimes repeated.

Global assessment: *poor*

**10. ASSESSMENT OF THE REPORT AS A WHOLE**

Despite all criticism on specific aspects, it has to be recognised that a considerable work input had been delivered by the consultants and that an overall view on the impacts of the instruments of this complex CMO and the market context could be provided.

However, as laid down above (see points 5 to 8), the analysis is insufficiently developed which affects the credibility and usefulness of findings, conclusions and recommendations. Furthermore, as concerns the conclusions and recommendations, the main messages are not presented in a sufficiently clear way.

Taking into consideration all the aspects discussed above, the overall judgement of this evaluation report is: *poor*. This judgement implies that the requirements of the tender specifications are formally fulfilled, but that the report is weak in many respects. However, some positive aspects cannot be neglected.

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<b>Concerning these criteria, the evaluation report is :</b>	<b>Unac- ceptable</b>	<b>Poor</b>	<b>Satisfac- tory</b>	<b>Good</b>	<b>Excel- lent</b>
<b>1. Meeting the needs:</b> Does the evaluation adequately address the information needs of the commissioning body and fit the terms of reference?			<b>X</b>		
<b>2. Relevant scope:</b> Is the rationale of the policy examined and its set of outputs, results and outcomes/impacts examined fully, including both intended and unexpected policy interactions and consequences?			<b>X</b>		
<b>3. Defensible design:</b> Is the evaluation design appropriate and adequate to ensure that the full set of findings, along with methodological limitations, is made accessible for answering the main evaluation questions?		<b>X</b>			
<b>4. Reliable data:</b> To what extent are the primary and secondary data selected adequate. Are they sufficiently reliable for their intended use?			<b>X</b>		
<b>5. Sound analysis:</b> Is quantitative and qualitative information appropriately and systematically analysed according to the state of the art so that evaluation questions are answered in a valid way?		<b>X</b>			
<b>6. Credible findings:</b> Do findings follow logically from, and are they justified by, the data analysis and interpretations based on carefully described assumptions and rationale?		<b>X</b>			
<b>7. Validity of the conclusions:</b> Does the report provide clear conclusions? Are conclusions based on credible results?		<b>X</b>			
<b>8. Usefulness of the recommendations:</b> Are recommendations fair, unbiased by personal or shareholders' views, and sufficiently detailed to be operationally applicable?		<b>X</b>			
<b>9. Clearly reported:</b> Does the report clearly describe the policy being evaluated, including its context and purpose, together with the procedures and findings of the evaluation, so that information provided can easily be understood?		<b>X</b>			
<b>Taking into account the contextual constraints on the evaluation, the overall quality rating of the report is considered</b>		<b>X</b>			

**Poor: requirements formally fulfilled but weak**