

Is the CAP Fit for Purpose?

An evidence-based Fitness Check assessment

Part I: Environment

Guy Pe'er^{1,2,3}, Sebastian Lakner, Robert Müller, Gioele Passoni, Vasileios Bontzorlos, Dagmar Clough, Francisco Moreira, Clémentine Azam, Jurij Berger, Peter Bezak, Aletta Bonn, Bernd Hansjürgens, Lars Hartmann, Janina Kleemann, Angela Lomba, Amanda Sahrbacher, Stefan Schindler, Christian Schleyer, Jenny Schmidt, Stefan Schüler, Clélia Sirami, Marie von Meyer-Höfer, Yves Zinngrebe

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The CAP in a nutshell

38% of the EU's budget (circa €60 bn/yr)

50% of EU's terrestrial area

Many reforms over time

2 Pillars

Objectives 1957 → Treaty of Lisbon 2009:

1. Increase agricultural **productivity**
2. Thus ensure a fair **standard of living** for the agricultural community
3. **Stabilise markets**
4. Assure the **availability of supplies**
5. Ensure that supplies reach consumers at **reasonable prices**.

New objectives 2010:

6. Viable food production
7. Sustainable management of natural resources and climate action
8. Balanced territorial development

Necessity of this assessment

Toward the CAP post-2020:

- Intense negotiations, political pressures

Ongoing processes include...

- Public consultation
- Workshops and consultations
- Anticipated EC communication
- Impact assessment

But no systematic, evidence-based evaluation

→ Needed for a more informed decision-making process

Fitness Checks: state of the art in EU policy evaluation

Objectives of this assessment:

Fill a gap in policy assessment by an independent Fitness Check

1. Compile a knowledge-base
2. Assess the CAP's impacts on our society, economy and the environment
3. Assess whether the CAP is Fit for Purpose against
 - a) its own objectives
 - b) the UN's Sustainable Development Goals



Fitness criteria

- **Effectiveness:** Have the objectives been achieved? Which significant factor contributed to or inhibited progress towards meeting the objectives?
- **Efficiency:** Are the costs reasonable and in proportion to the benefits achieved? Also considering other, comparable mechanisms?
- **Internal Coherence:** Do the CAP instruments agree or conflict each other in terms of objectives, institutions and/or implementation?
- **External Coherence:** Do other policies agree or conflict with the CAP in terms of objectives, institutions and/or implementation?
- **Relevance:** Is the CAP relevant to the challenges as perceived by EU citizens, farmers and policy makers? Is it using (and supporting) the most updated criteria, tools and knowledge?
- **EU Added Value:** Does the CAP address challenges better than national-, regional- or local-level solutions?

Method:

Rapid scoping and evidence-assessment

Desk study January-November 2017

- **Scoping:** scoping committee, working protocol, inclusion criteria, database design
- **Evidence gathering:** literature screening & call for evidence
- **Data extraction**
- **Preliminary analysis and presentation (11.5.2017)**
- **Quality control:** database expansion and further review
- **Analyses**
- **Report-writing and review**

Publications covered:

- *Publications after 2006*
- *Direct evaluation of the CAP*
- *Offer explicit evidence*

Analyses

- *Assess overall trends*
- *Direct vs indirect effects*
- *Additional analyses*
(Eurostat, FADN, Eurobarometer, Public Consultation etc.)
- *Scoring of overall outcomes*

Topics covered by the report

Socio-economy:

- 1. Growth of agricultural productivity
- 2. Fair standard of living for farmers
- 3. Market stability
- 4. Balanced territorial development

Environment:

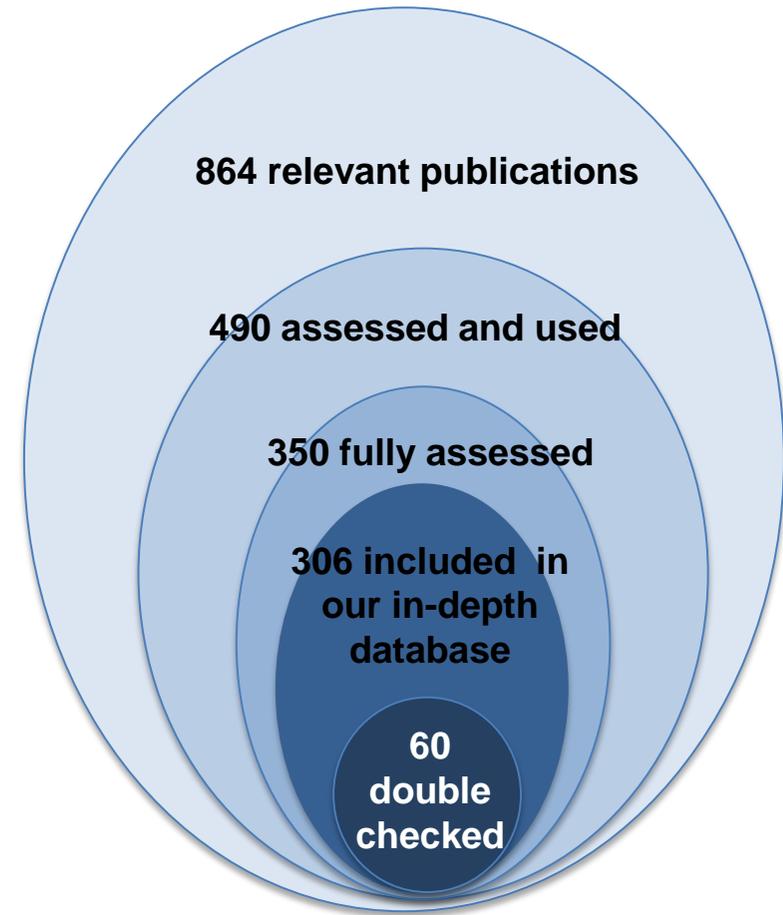
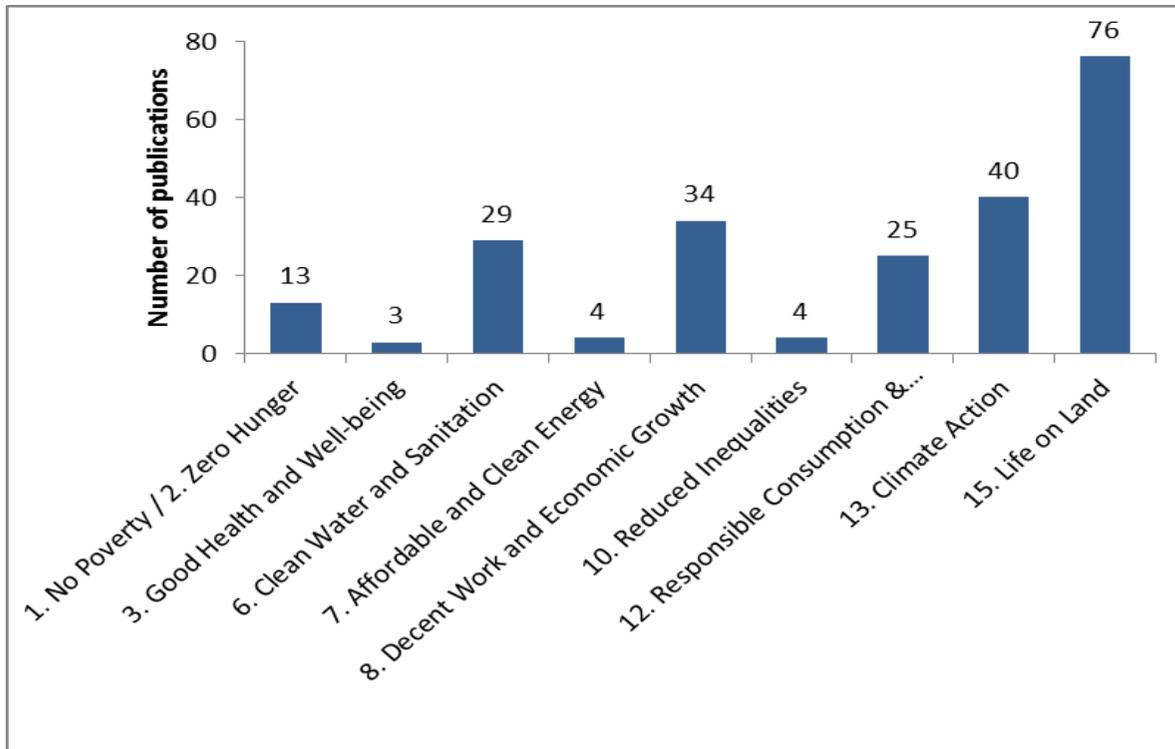
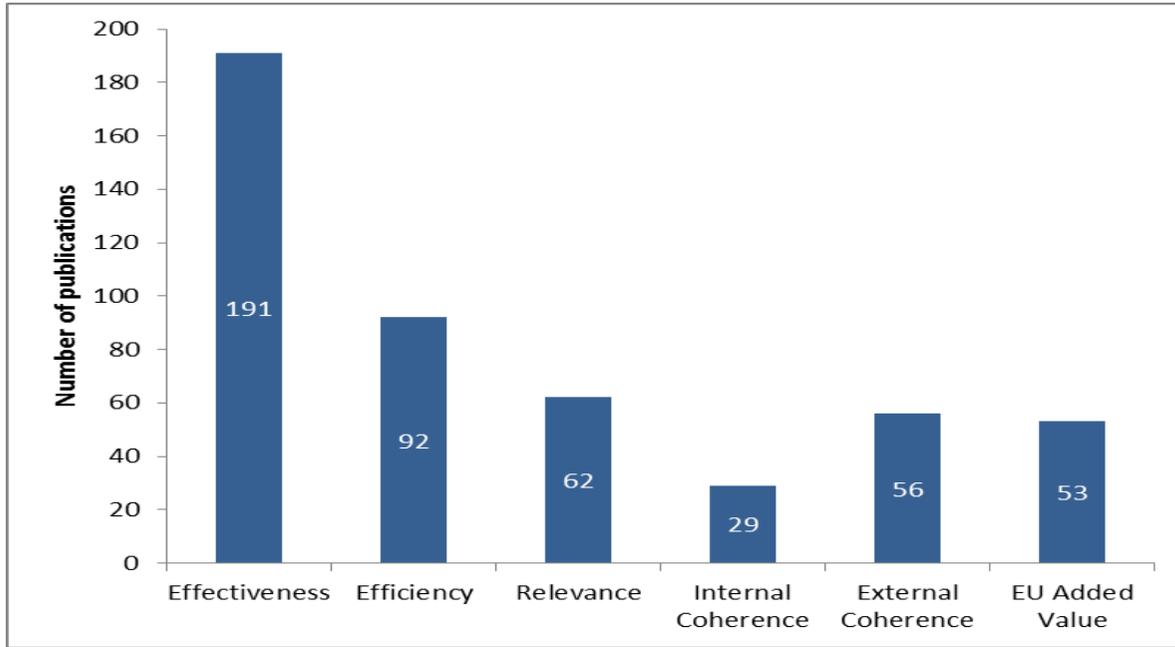
- 5. Climate action and energy
- 6. Soil and water protection
- 7. Biodiversity and ecosystem services
- 8. Organic farming in the context of sustainable farming
- 9. Animal welfare

Overarching topics, also emerging from SDGs:

- 10. Health, sustainable consumption and production
- 11. Reduced inequalities
- 12. Global-scale effects of the CAP



Knowledge base



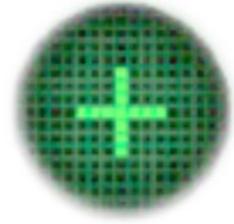
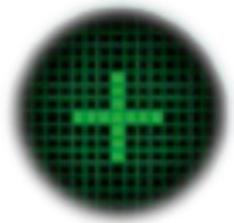
Effectiveness: Biodiversity and ecosystem services

AECM are effective

- If well ...
 - targeted
 - designed
 - implemented

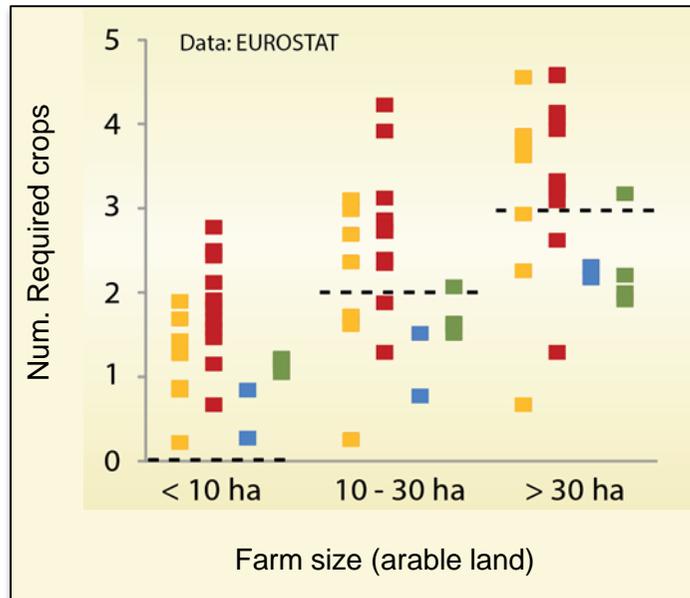
BUT effectiveness is limited by

- **Low uptake**
- **Often poor design and implementation**
- **Limited extent**
- **Lack of landscape-level actions**

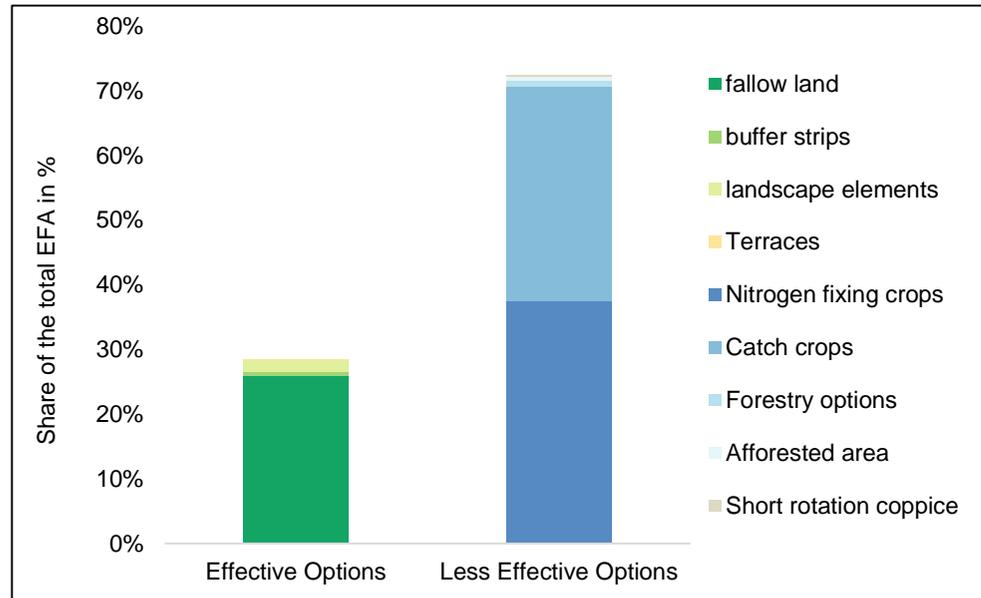


Greening has limited effectiveness

- **Broad exemptions**
- **Low requirements (e.g. crop diversification)**
- **Options with little or no benefits for biodiversity take 75% of EFA area**



Source: Pe'er et al. 2014



Source: based on Hart 2015, EC 2016, Pe'er et al. 2017

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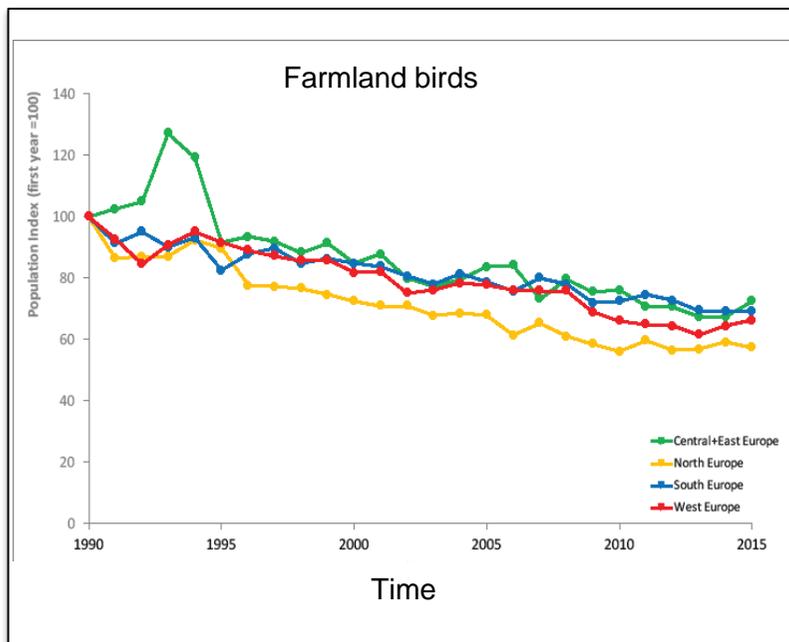
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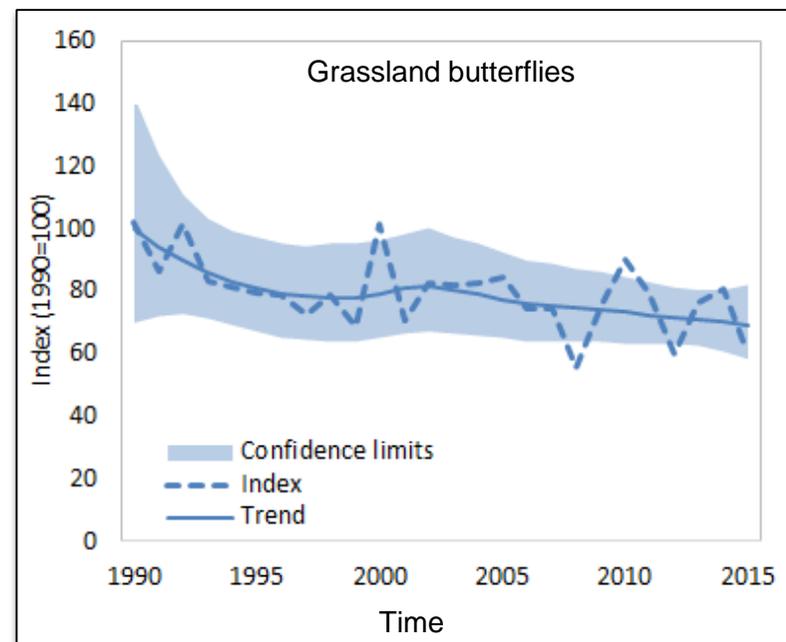
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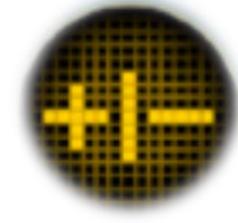
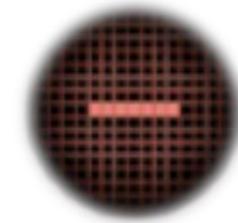
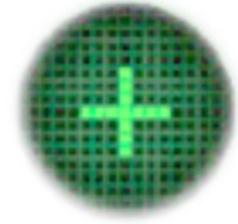
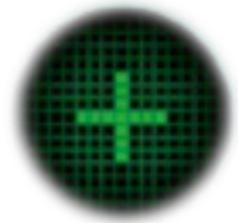
Overall: declining trends continue



Source: EBCC / RSPB / BirdLife international / Statistics Netherlands



Source: Butterfly Conservation Europe / Statistics Netherlands



Effectiveness: Climate



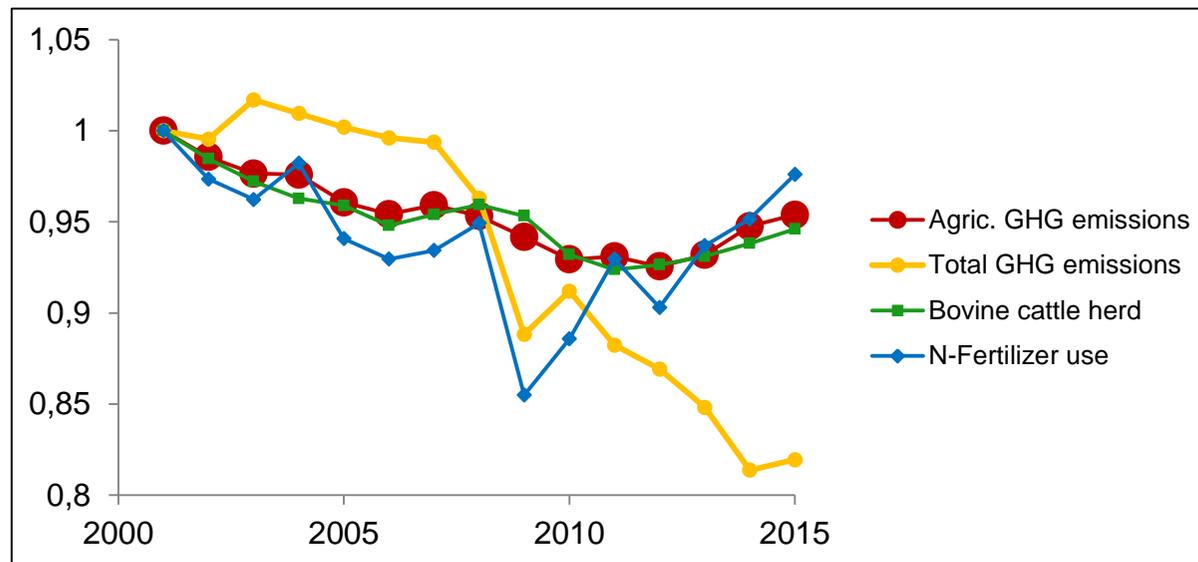
Overall GHG emissions declining, **agricultural emissions stable and now increasing**

No visible effect of climate action.

GHG from livestock production (2/3 of emissions) and export of land-use changes not addressed

Marginal effects of AECM and greening (e.g. N-fixing crops)

Reporting to UNFCCC (category „agriculture“) covers only 50% emissions

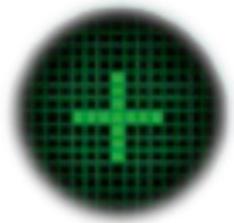
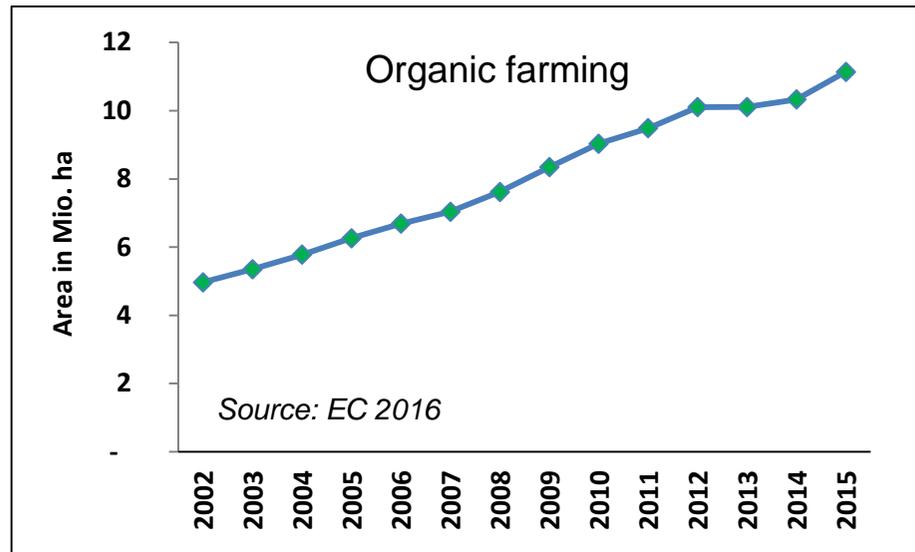


**Insufficient action and no dedicated instruments
to tackle main emissions**

Effectiveness: sustainable farming systems

Organic farming (5.4%)

- CAP supports expansion
- Relatively clear regulations
- Coupled with labelling
- Growing market

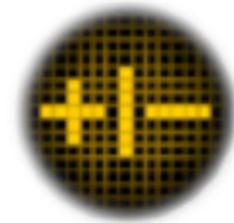


AECM (but no market related)

Poor support for High Nature Value (HNV) farming systems

Larger share supporting unsustainable farming / intensification

Over-proportional support for animal products



Overall: Mixed at best

Efficiency (environment)



Least effective measures receive highest support

Effectiveness

Policy measure	Area (in Mio. ha)	Public funds (in Mio. EUR)	Relation funds to area (EUR/ha)
Greening: Ecological Focus Area (EFA)	8.00	12,638.21	789.89
Agri-Environmental Measures (AECM) (Including areas and payments for organic farming, but without payment for areas with natural constraints)	13.15	3,250.92	247.17
Natura 2000 (Grassland area in SCI reported as by the EU commission)	11.65	290.00	24.89

Budget

Efficiency (environment)



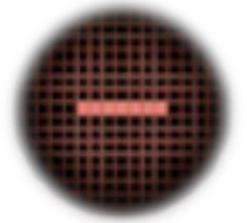
AECM post 2013: Higher requirements, lower budget

Funding	RDP 2007-2013 ¹		RDP 2014-2020		Change	
	Spending (in bn. EUR)	Share (in %)	Spending (in bn. EUR)	Share (in %)	Spending (in bn. EUR)	Share (in %)
Sum Rural Development Programmes	22,115		22,228		+ 0.113	+ 0.51%
Agri-environmental & Climate Measures ²	5,375	24.3%	4,915	22.1%	- 0.461	- 8.57%

Other sources of inefficiency:

- Competition between DP and AECM (→ same money, less requirements)
- Some targets can be achieved through regulations with far lower costs
- Administrative burdens (→ low uptake, less effective options)
- Lack of spatial design (scattered investments) → Cancelling of (potential) benefits

Internal coherence



Some complementarity between mechanisms (DP, AECM, CC, greening)

BUT:

Conflicting objectives and interests: Production vs. Env. protection

Too many instruments:

Internal conflicts in budget and implementation (e.g. Greening / AECM)

Example: Areas with Nature Constraints versus AECM

Implementation:

- Excessive flexibility of MSs
- Limited compliance (e.g. CC)
- Insufficient indicators to reveal trade-offs

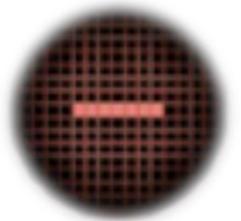
Potential for bottom-up integration largely unfulfilled

External coherence:

Potential synergies with Nitrate- and Water-Framework Directives

Conflicts with conservation policies (CBD, Nature Directives)

Failure to address GHG sources (UNFCCC)



Relevance:

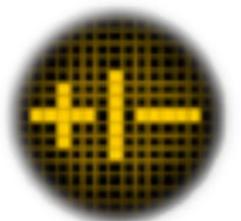
2010 priority is relevant and not yet achieved

Indicators improved but remain insufficient

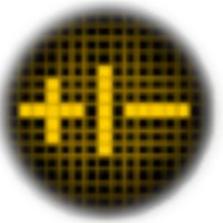
Monitoring insufficient

Poor knowledge uptake

Public interests not met by budgets



EU Added Value



Positive effects by standards and regulations across the EU, for example:

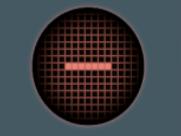
- **Market integration, balanced territorial development**
- **GAEC criteria under CC reducing soil erosion**
- **CC with nitrates directive reducing pollution**
- **Financial mechanisms to support e.g. AECM**

BUT Weakened by

- **Insufficient adaptation to new MS conditions**
- **Low requirements and over-simplistic regulations (e.g. crop rotation)**
- **Administrative burdens**

Overall tendency of higher MS flexibility reducing commonality and EU added value

Summary of outcomes for environment

Effectiveness		Local: successes of targeted instruments but limited by low uptake and design (AEM) and inclusion of ineffective options (greening); Climate measures insufficient. CAP as a whole: insufficient to reverse negative trends especially on climate change
Efficiency		Highest investment in least effective measures, particularly for biodiversity. AEM weakened by greening and alteration to AECM. Conflicting instruments weaken measures
Internal Coherence		Conflicting objectives and support for intensification weaken internal coherence. Erosion of AEM by greening and inclusion of climate
External Coherence		Weak complementation with overlapping policies (e.g. Nature 2000, emissions trading); global footprint ignored. Successful integration of some important standards through Cross Compliance.
Relevance		New environmental objectives clearly relevant. Public claim for animal welfare only partly reflected. Indicators for biodiversity and climate insufficient. Still insufficient uptake of knowledge and feedback for CAP design
EU added value		EU-wide environmental standards and requirements. Flexibility allows adjustment to national/local conditions but weakens overarching goals and achievements.

Effectiveness/Efficiency



Confidence Level



Key lessons - Environment

- 1. CAP has marginal effects on land-use changes, farm structure and management**
- 2. Environmental degradation continues**
- 3. Breadth of knowledge and experience, insufficiently used**
- 4. Administrative burdens represent important barriers to success**
- 5. Indicators and monitoring remain weak and incomplete**
- 6. Flexibility is needed to help adapt to local conditions or water down objectives**
- 7. The insurance value of ecosystems is insufficiently acknowledged and supported**

Is the CAP Fit for Purpose?

An evidence-based Fitness Check assessment

Part II: Socio-economy

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Dr. Sebastian Lakner

University of Goettingen; Dept. Agricultural Economics & Rural Development





1 Effectiveness

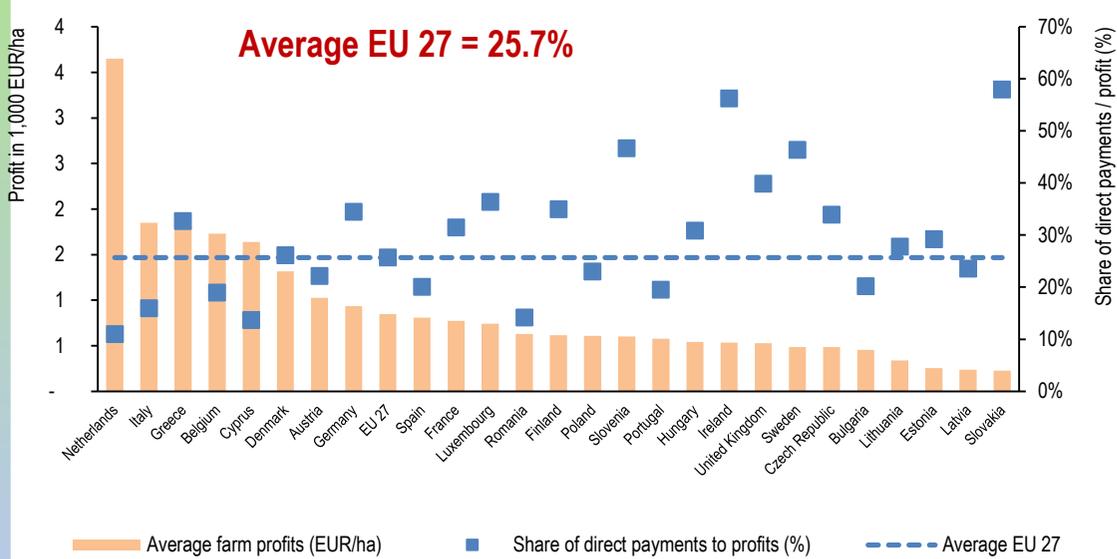
Some Results in Detail:

DP contribute to farmers income

- DP contribute to 10-60% to profits
- **Decoupling** improved productivity
- DP influence **farmers decisions**, reduce TE
- Dependence of DP

Share of direct payments in farm profit (%)

Source: FADN 2017, own calculations; Average figures 2007-2013



Markets: CAP reduced distortions

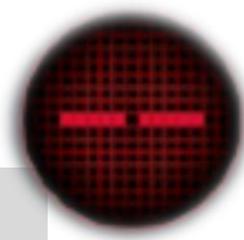
- Implementation of GATT/WTO
- Reduction of tariffs, int. support, exp. subsidies
- Resulting in stable markets + reduced effects
- Farmers are challenged with price volatility
- The end of production quotas are a challenge

Balanced territorial development

Land use changes

Effectiveness overall is mixed

2 Efficiency

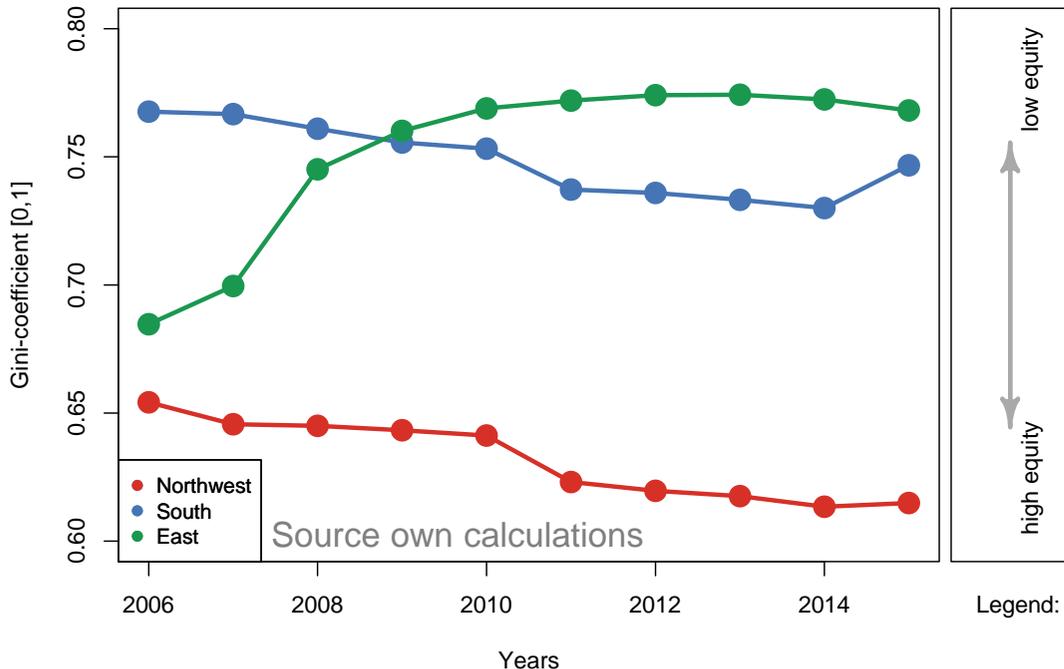


The Results in Detail:

Direct Payments

- **Distribution of DP unequal**
Appropriate distribution of DP?
Inefficient to address income
- **Leakage of DP to land-markets**
Higher land rents (+30-50%)
De facto support for **land owners**
- **No clear objective** by Commission
- **Missing indicators:**
No focus on farm households
Assets ? Other incomes?
- **The DP is highly inefficient**
- **CAP is inefficient**

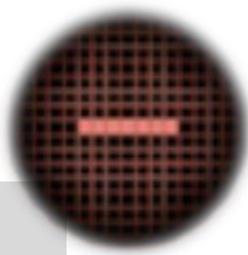
Distribution of direct payments in the EU 2006-2015



European Court of Auditors 2016:

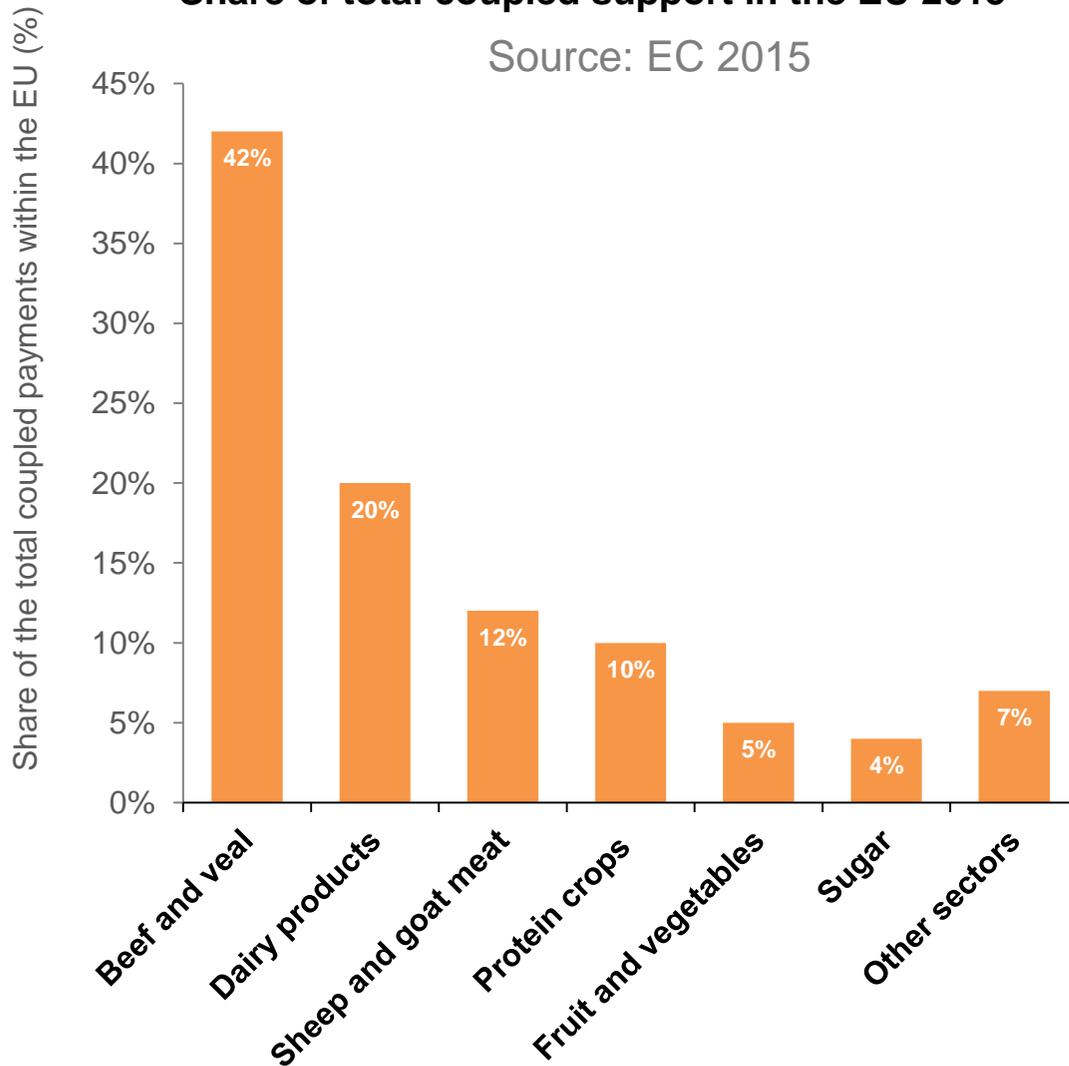
“...the Commission’s system for measuring the performance of the CAP in relation to farmers’ incomes is not sufficiently well designed and the quantity and quality of statistical data used to analyse farmers’ incomes has significant limitations.”

3 Internal Coherence



Share of total coupled support in the EU 2015

Source: EC 2015



The Results in detail:

Conflicts of objectives:

- Environment ↔ Income
- Income ↔ Structure

Conflict of Instruments

Conflicts within Pillar I:

- (Re-)Coupled payments (10% P1)
- Undermine market principles
- Intervention milk market 2015/16
Buying excessive milk quantity

Conflicts between Pillars

- Pillar II: Greening undermining the Agri-environmental schemes?

The CAP shows low internal coherence



4 External Coherence

The Results in detail:

Reduced distortions

- Reform process since 1992
- Impact of GATT/WTO

Open agricultural markets

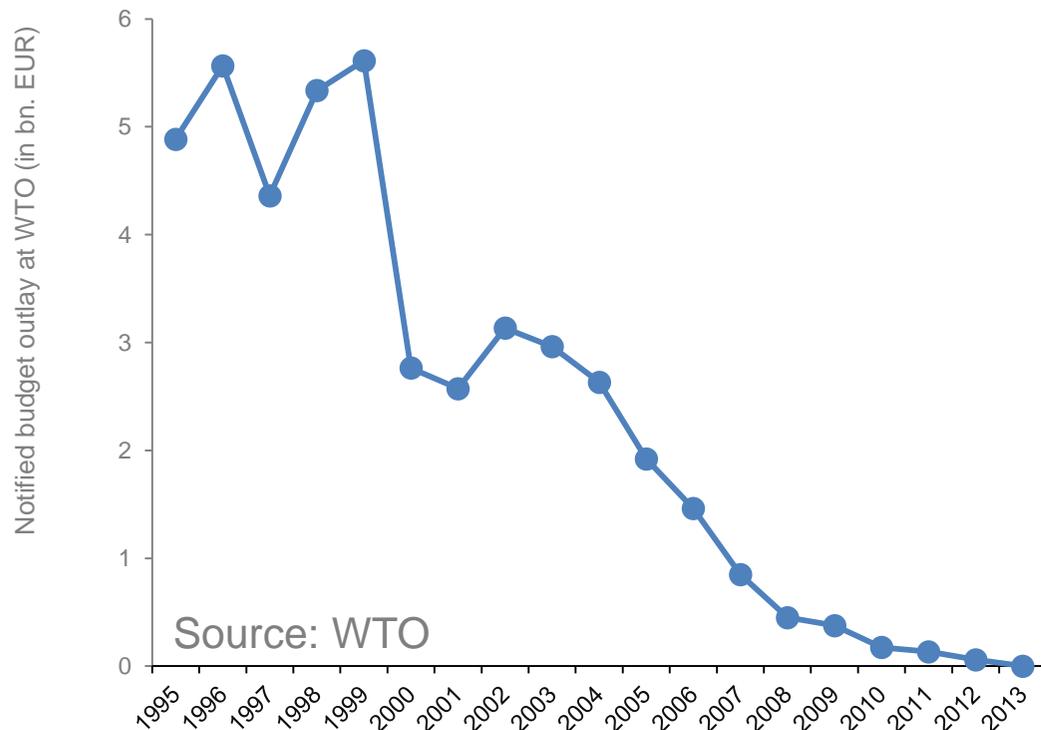
- Stop of export subsidies
- Reduced market barriers
- Some exception as e.g. beef, sugar...

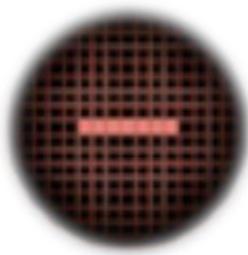
Remaining problems

- **Standards** with mixed effects on LDC
- **Design of free trade agreements?**

External coherence: mixed

Development of EU export - subsidies
1995-2013





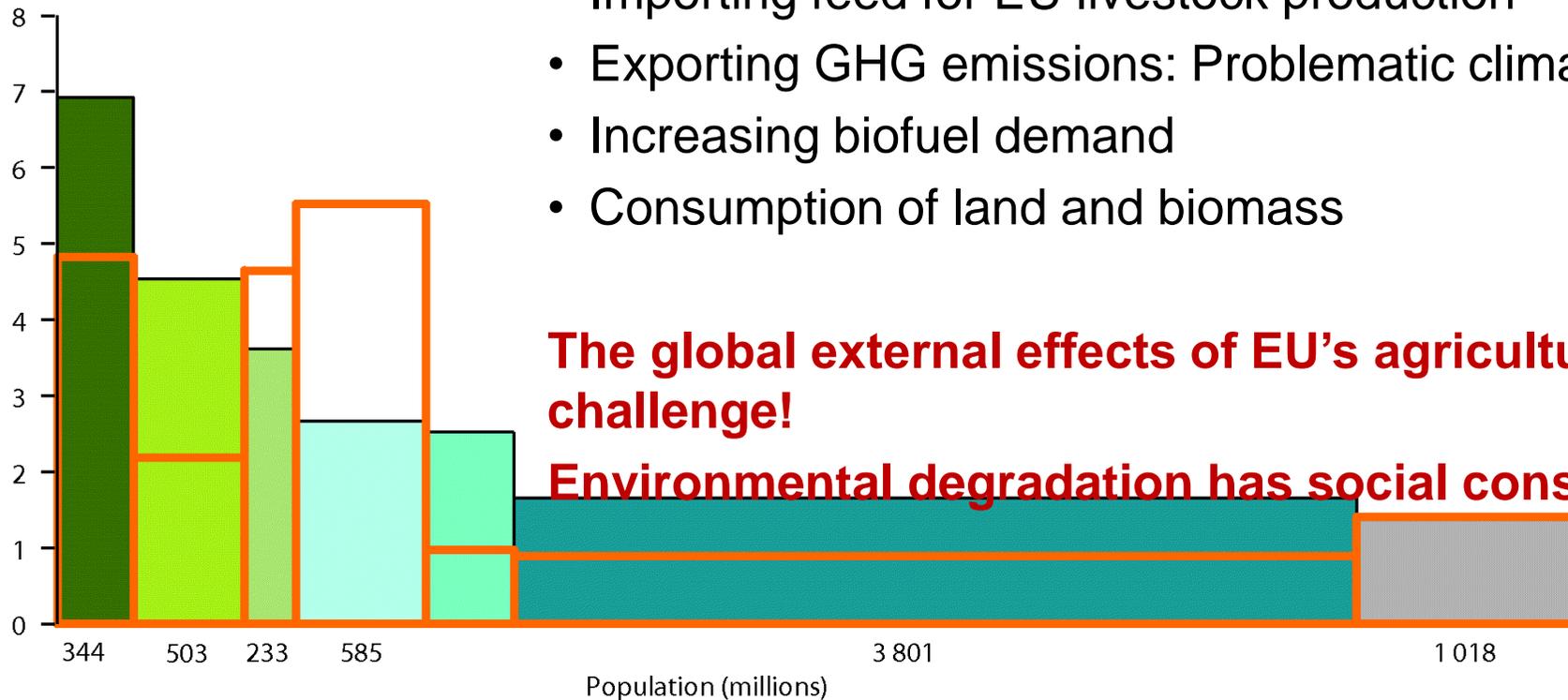
4a EU's external global effects

The Results in detail:

Exporting environmental footprints

- Importing feed for EU livestock production
- Exporting GHG emissions: Problematic climate balance
- Increasing biofuel demand
- Consumption of land and biomass

Global hectares per person



The global external effects of EU's agriculture are a challenge!

Environmental degradation has social consequences

North America

Europe (EU)

Europe (non-EU)

Latin America

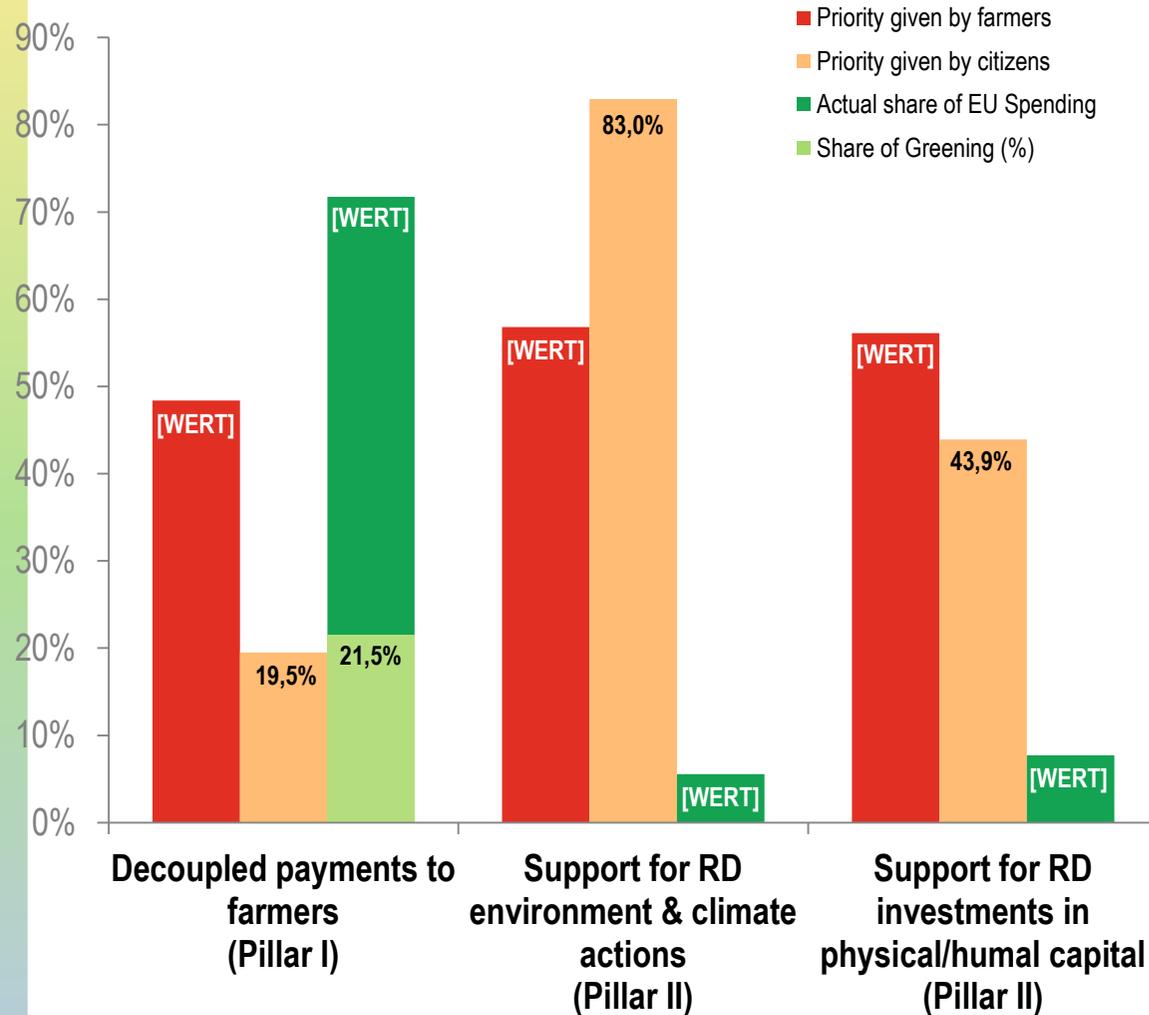
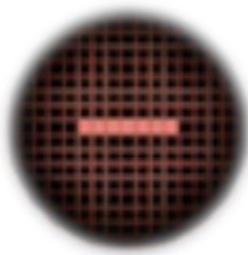
Middle East/Central Asia

Asia-Pacific

Africa

Biocapacity available per person

5 Relevance



Some arguments:

- The **CAP objectives** are vague and largely outdated.
- **Public acceptance** eroded
Citizens ask for public goods
CAP as part of EU-criticism
- **Expectations of EU citizens** not reflected in the **objectives**
not reflected in the **budget**
- **2017 public consultation**
330 k persons non representative
0.064% of EU population
47% from Germany
- **Relevance lacking**
- **Consultations** do not replace the regular policy process

*Source: Own compilation;
Data from EU Commission 2017; Database on EU spending in RDP; EC (2017)*

21.11.2017

6 EU Added Value



The Results in detail:

Standards and Markets

Standards are positive for market development

- e.g. organic farming policy
- e.g. legal security for a common market, e.g. sanitary standards in EU

Rural Development Programs

- Ownership through programming in RDP?

CAP-reform 2013

- New flexibilities of pillar I not according subsidiarity
- **Re-coupling, Re-shifting Pillars => Rent-seeking**
- Flexibilities and coupled payments undermine EU value

EU added has diminished in the last CAP-reform 2013 by “new flexibilities”

7 Key lessons and conclusions

- **Reforms** has resolved most market & development problems
- Today's DP are **neither efficient nor well justified**
- No consistent, well-justified **set of objectives**
- **Indicators & evaluation** of the CAP are still weak
=> Income indicators: e.g. farm households?
- In some regions the CAP has **social responsibility**
=> **Note:** small farms ↔ environment
- Some emerging economies gained from market access
=> Chances vs. Challenges
- The CAP fails in reducing the **global ecological footprint**
- **Coherent policy packages** are missing
=> incentives policy integration

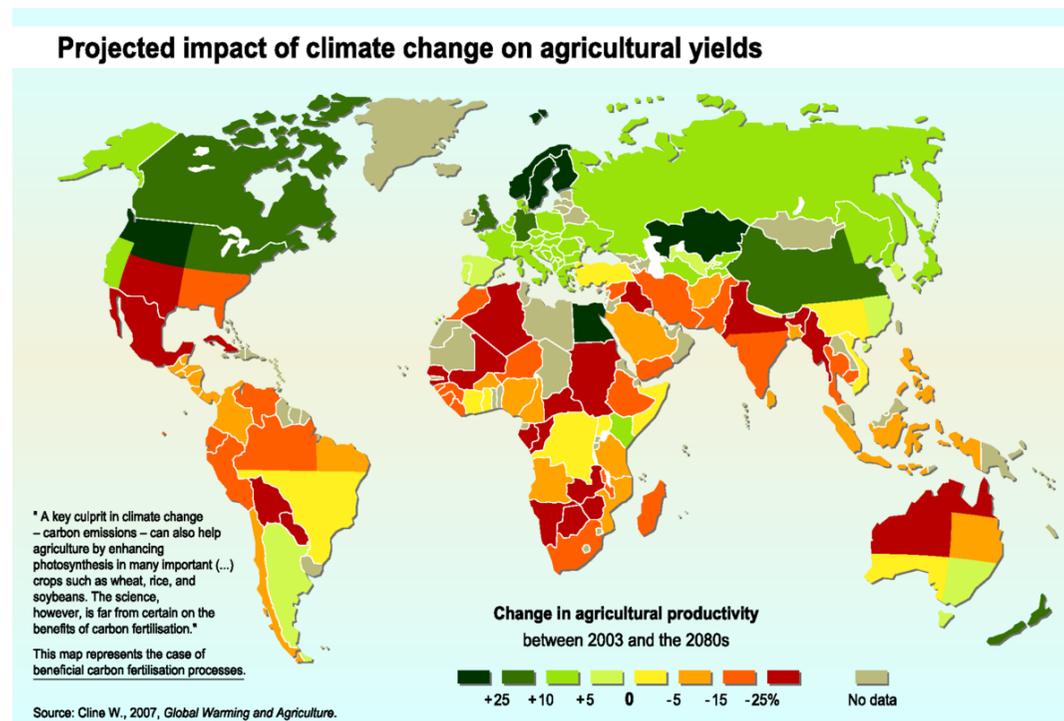
From CAP to SDGs



Sustainability in a broader sense

Requires acknowledging...

- Social, economic and environmental dimension
- Agriculture as a Socio-Ecological System
- The CAP as a whole
- Impacts across all scales, in and beyond the EU



Key lessons on sustainability and the SDGs

- 1. Sustainability along its social, economic and environmental dimensions has not been achieved and is unlikely to be achieved under current CAP design**
 - not sufficiently equipped for addressing the challenges of agricultural sustainability
 - does not act to moderate current trends of agricultural intensification
 - lack of support for sustainable intensification where need be
 - Small farmers receive insufficient support and incentives to deliver public goods
- 2. The failure to reduce the global ecological footprint caused by European consumption sets a major barrier in meeting the SDGs**
- 3. Adoption of SDGs by the EU requires rethinking how can the CAP deliver**
 - SDG indicators (wellbeing, farm economy, equity, biodiversity, healthy ecosystems, climate)
 - Hidden tradeoffs between CAP instruments
 - Thinking along the entire food supply chain and strengthening farmer's role therein
- 4. The CAP lacks policy packages that would link diverging objectives and instruments. "Sustainability" could offer one**
 - Likely to result in higher effectiveness, efficiency and public acceptance.

Closing remarks

Rapid scoping and literature assessment , with limited human resources

- A limited proportion of the literature reached
- Important topics and SDGs of relevance not (yet) covered
- Not all CAP instruments assessed

A strong knowledge-base and a rigorous, transparent assessment, as a foundation for

- a broader Fitness Check complementing current processes
- a more informed dialogue
- A more inclusive process including also the scientific community

We call the commission to adopt this document as a milestone in contribution to a process that would make best use of knowledge for optimising the spending of nearly €60 Billions/yr

→ Towards a

- **modern, simpler, and smarter CAP**
- **which will support a healthy and sustainable European agriculture**

Acknowledgements

Authors: Guy Pe'er^{1,2,3}, Sebastian Lakner, Robert Müller, Gioele Passoni, Vasileios Bontzorlos, Dagmar Clough, Francisco Moreira, Clémentine Azam, Jurij Berger, Peter Bezak, Aletta Bonn, Bernd Hansjürgens, Lars Hartmann, Janina Kleemann, Angela Lomba, Amanda Sahrbacher, Stefan Schindler, Christian Schleyer, Jenny Schmidt, Stefan Schüler, Clélia Sirami, Marie von Meyer-Höfer, Yves Zinngrebe

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Thank you for your attention

Our database is accessible via

<https://idata.idiv.de/DDM/Data/ShowData/248>

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