EUROPEAN
COURT
OF AUDITORS

# Opinion No 7/2018

# (pursuant to Article 322(1)(a) TFEU)concerning Commission proposals for regulations relating to the Common Agricultural Policy for the post-2020 period (COM(2018) 392, 393 and 394 final)

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OPINION No 7/2018

THE EUROPEAN COURT OF AUDITORS

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 38 to 44, 287(4), second subparagraph, 317, 318 and 322 thereof,

Having regard to the Commission communication 'The future of food and farming'[1],

Having regard to the Commission proposal for a Regulation on support for strategic plans to be drawn up by Member States under the Common agricultural policy[2] ('the CAP strategic plan regulation'),

Having regard to the Commission proposal for a Regulation on the financing, management and monitoring of the common agricultural policy[3] ('the horizontal regulation'),

Having regard to the Commission proposal for a Regulation amending Regulations (EU) No 1308/2013, (EU) No 1151/2012, (EU) No 251/2014, (EU) No 228/2013 and (EU) No 229/2013[4] ('the amending regulation'),

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[1] COM(2017) 713 final: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – The Future of Food and Farming.

[2] COM(2018) 392: Proposal for a Regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council.

[3] COM(2018) 393: Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013.

[4] COM(2018) 394: Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU)

Having regard to the Commission proposal for a Regulation on common provisions[5] ('the common provisions regulation'),

Having regard to the Court's annual and special reports and the Court's Briefing Papers on the future of EU finances[6], on the Commission's proposal for the 2021-2027 Multiannual Financial Framework[7] and on the future of the CAP[8],

Having regard to the Commission's request of 1 June 2018 and the European Parliament's request of 11 June 2018 for an opinion on the above mentioned proposal,

HAS ADOPTED THE FOLLOWING OPINION:

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No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands.

5 COM(2018) 375: Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.

6 ECA Briefing Paper – Future of EU finances: reforming how the EU budget operates (February 2018).

7 ECA Briefing Paper – The Commission's proposal for the 2021-2027 Multiannual Financial Framework (July 2018).

8 ECA Briefing Paper – Future of the CAP (March 2018).

## OVERALL CONCLUSIONS

1. When the Commission published its proposal for the post-2020 common agricultural policy (CAP), it stressed that 'a modernised Common Agricultural Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizen's expectations for their health, the environment and the climate'. The Commission's impact assessment supporting the proposals includes planning up until 2030. However, its longer-term vision for EU agriculture (taking account of long-term trends for technological, climate, societal and demographic change, etc.) is not apparent. The key changes to the CAP put forward in the proposal are set out in ***Box 1***.

**Box 1 – Key changes put forward in the proposal**

There are many similarities between the proposed policy options and the current CAP, but the following key changes are worth highlighting:

- One CAP strategic plan per Member State for all CAP expenditure (direct payments, rural development and market measures).
- An attempt to move towards a performance-based system.
- An attempt to redefine eligibility of spending (reported outputs and a new concept of legality and regularity).
- Changes in control systems (a changed role for the certification bodies).

2. In some key areas the Commission has not identified needs on the basis of solid evidence. While the case for EU environmental and climate change-related actions is strong, the data and the arguments used to support the needs assessment for farmers' income are insufficient. The Commission removed the option to discontinue the CAP from its impact assessment on the basis that it would not be in line with Treaty obligations. However, it did not provide robust economic evidence for the final options maintaining traditional CAP measures: direct payments, market measures and rural development. Given that the largest part of the CAP budget would continue to finance direct payments to farmers, the absence of a requirement for Member States to compile reliable and comparable statistics on disposable farm income is noteworthy.

3. Despite the Commission's ambitions and calls for a greener CAP, the proposal does not reflect a clear increase in environmental and climate ambition. We recognise that the proposal includes tools addressing environmental and climate-related objectives. However, Member States would be responsible for prioritising the types of interventions to finance in their CAP strategic plans. It is unclear how the Commission would check these plans to ensure environmental and climate ambition. The Commission's estimate of the CAPs contribution to related EU targets appears unrealistic.

4. Under the proposal, EU funds would not be allocated on the basis of an EU-wide needs assessment and expected results and proposed levels of co-financing would not reflect different levels of expected EU value added. Each Member State would allocate a share of its pre-established financial envelope to specific interventions based on their own needs assessment (such allocations would remain subject to several and significant restrictions). In particular, the proposal continues to impose on Member States the use of direct payments based on given amount of hectares of land owned or used. This instrument is not appropriate for addressing many environmental and climate concerns, nor is it the most efficient way of supporting viable farm income.

5. The proposal maintains certain key features such as the Integrated Administration and Control Systems. It reduces the legislative framework from five to three regulations. The combined programming of measures currently spread between the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) in one national CAP strategic plan could help ensuring consistency between different CAP measures. However, it is not clear if the CAP would be simpler overall, as in other respects complexity would increase (for example the proposal introduces an eco-scheme with similar objectives as two other environmental instruments).

6. The Commission's assessment of eligibility would be based on output measures and the operation of governance systems, and would exclude rules for individual beneficiaries contained in the CAP strategic plans. 'Output' is not clearly defined in the proposal. In our view, there are interventions where output depends upon beneficiaries' compliance with commitments set out in the CAP strategic plans.

7. The paying agencies would have to ensure legality and regularity of operations financed by the CAP. Certification bodies would check the functioning of the governance systems, consisting of governance bodies and 'basic Union requirements'. The latter would be defined as the rules laid down in the CAP strategic plan regulation and the horizontal regulation. It is unclear whether the certification bodies' checks would cover definitions and specific eligibility criteria laid down in the CAP strategic plans.

8. The Commission aims to move from a compliance-based towards a performance-based delivery model for the CAP. We welcome the ambition to shift to a performance-based model. However, we consider that the proposal does not contain the necessary elements of an effective performance system. The absence of clear, specific and quantified EU objectives creates uncertainty about how the Commission would assess Member States CAP strategic plans. It also means that achievement of EU objectives cannot be measured. The framework proposed provides relatively weak incentives for performance. Targets could be missed by a considerable margin with little impact on EU financing. Successful performance could trigger at best a marginal 'performance' bonus.

9. In particular, the following elements would need to be in place:

- clear, specific and quantified EU objectives for which achievement can be measured;
- measures that are clearly linked to objectives;
- a fully developed set of output, result and impact indicators;
- requirements for Member States to compile reliable and comparable statistics on disposable farm income;
- transparent criteria for assessing the content and quality of the CAP strategic plans;
- performance-based payments to the Member States.

10. We welcome the Commission's attempt to move towards a performance-based assessment. However, this move would not remove the need to check legality and regularity. The Commission proposal maintains requirements such as the 'genuine farmer' rule and the use of direct payments based on given amount of hectares of land owned or

used, supervised through the integrated administration and control system, including the land parcel identification system. This means that a payment to a beneficiary is only regular if it meets these requirements (even if these are – on the basis of EU requirements – specifically defined by Member State rules). In the proposal, the Member States' supervisory role does not change, although control of legality and regularity by the certification bodies is no longer mandatory. The reporting and the assurance the Commission obtains changes significantly. The Commission would, under the proposal, receive neither control statistics from paying agencies, nor assurance on payments to individual farmers from certification bodies.

11. The Commission remains ultimately responsible for implementing the budget[9], including the payments made within Member States, according to the rules set out in EU legislation, and those parts of CAP strategic plans required by EU regulation. We understand the proposal as having the impact of weakening Commission accountability over this.

12. The Commission proposal would not provide a basis for an 'attestation' approach to the statement of assurance, which we are currently considering. Under the proposal, the Commission would no longer be able to quantify the extent to which payments breached rules. The proposal would also make it harder to apply a single audit approach, notably because of the reduced role for certification bodies.

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[9] Article 317-319 of the Treaty of the Functioning of the EU (TFEU).

## INTRODUCTION

13. On 1 June 2018, the Commission published its legislative proposal for the post-2020 CAP, containing three regulations accompanied by an impact assessment[10] and an explanatory memorandum covering all three regulations. This introduction follows the structure of the memorandum, using the same headings.

14. In the chapter following the introduction, we assess the proposal. In ***Annexes I and II***, we comment on the performance framework proposed by the Commission.

### *Context of the proposal*

15. The Commission's explanatory memorandum stresses that 'a modernised Common Agricultural Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizen's expectations for their health, the environment and the climate'[11]. The Commission has interpreted the CAP objectives set out in the Treaty on the Functioning of the European Union (TFEU) to fit the current context, and the proposal defines nine 'specific objectives' (see ***Figure 1***).

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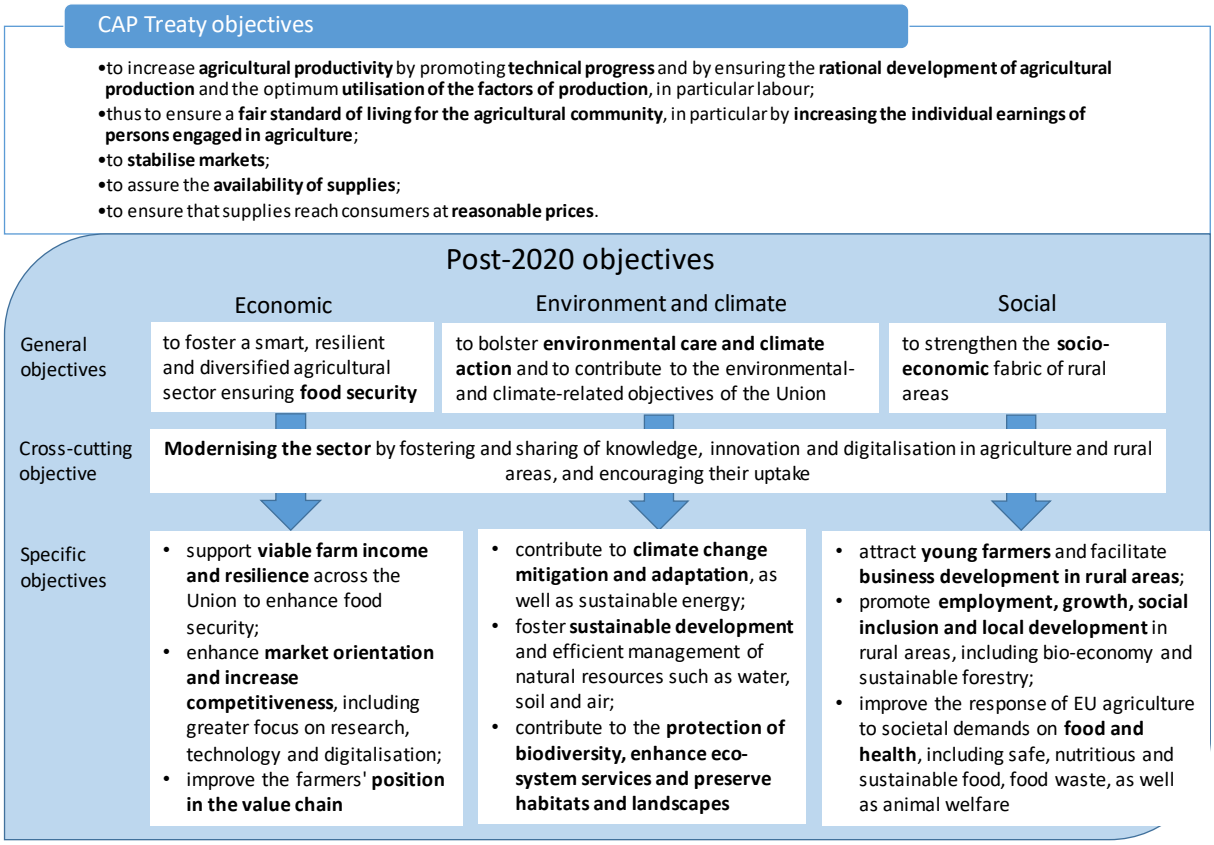
[10] Available at https://ec.europa.eu/commission/publications/natural-resources-and-environment_en.

[11] Page 1 of the Commission's explanatory memorandum.

**Figure 1 – CAP objectives**




*Source:* ECA, based on Article 39 of the TFEU and Articles 5 and 6 of the CAP strategic plan regulation.

### *Legal basis, subsidiarity and proportionality*

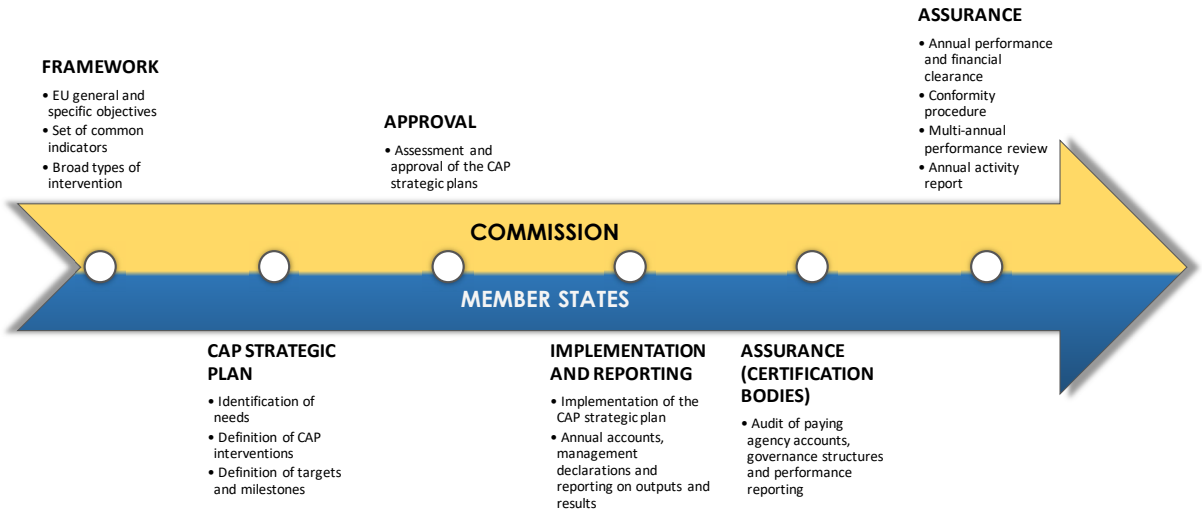
16. The proposal would reduce the legislative framework from five to three regulations. The 'CAP strategic plan regulation' covers the CAP objectives, types of interventions[12] financed under the policy and general requirements for preparing CAP strategic plans. The 'horizontal regulation' includes financial rules and the monitoring and evaluation framework and the

[12] Article 3 of the CAP strategic plan regulation defines an 'intervention' as a support instrument with a set of eligibility conditions as specified by the Member States in the CAP Strategic Plans.

'amending regulation' mainly transfers a large part of the rules from the 'common market organisation regulation'[13] to the CAP strategic plan regulation.

17. The Commission proposes a new delivery model, suggesting this would lead to greater subsidiarity and increased Member State responsibility and accountability. By setting only certain parameters in EU legislation and giving Member States a broader choice of policy instruments, and partially linking payments to the achievement of outputs, the Commission seeks to shift the CAP's focus from compliance to performance. See ***Figure 2*** for an illustration of the new delivery model.

**Figure 2 – The new delivery model**




*Source:* ECA, based on the Commission's post-2020 CAP proposal and accompanying impact assessment.

18. The agricultural sector differs significantly between the Member States, and current EU rules give Member States a certain leeway in defining how to apply the CAP. We pointed out

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[13] Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products (OJ L 347, 20.12.2013, p. 671).

in our report on the Basic Payment Scheme[14] that there are very significant differences in the way schemes are currently run in different Member States. For example, Germany was rapidly converging aid rates for its farmers, while Spain retained wide differences in amounts paid to farmers. Commission data[15] also shows that, while most Member States made use of coupled support, the share of spending used for this (and the type of production supported) varied widely. The new model with fewer EU rules means that the formulation of policy and specific interventions would increasingly depend on the choices Member States make in their CAP strategic plans and the Commission's approval of these. The Commission aims to break the link between the EU and final beneficiaries. This means leaving it up to the Member States to define the detailed eligibility rules applicable to final beneficiaries. However, the proposal entails significant constraints on Member States' choices, such as making certain subsidies mandatory. The Commission considers this necessary in order to maintain the CAP's character as a common policy[16].

***Results of ex-post evaluations, stakeholder consultations and impact assessments***

19. We have previously criticised[17] the fact that ex-post evaluations are not available in time to make a real impact on new policies, and recommended that the Commission should follow the 'evaluate first' principle when revising existing legislation[18]. Yet the Commission's initial report including the first results on the performance of the current CAP will only be

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[14] Special report 10/2018: Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.

[15] https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/direct-payments-schemes_en.pdf, Figure 6.

[16] Section 1.4.2 of the Legislative Financial Statement accompanying the proposal.

[17] For example, special report 16/2017: Rural Development Programming: less complexity and more focus on results needed.

[18] Recommendation 4 of special report 16/2018: Ex-post review of EU legislation: a well-established system, but incomplete.

available by the end of 2018[19]. As we reported in our briefing paper[20], the Commission's spending review does not provide an assessment of – or conclusion on – the EU added value of specific programmes. It therefore provides little insight to guide the EU legislator's future funding decisions.

20. In preparing the proposal, the Commission consulted stakeholders[21]. While the consultation revealed a high level of interest in keeping a common agricultural policy – in particular from beneficiaries - there was little consensus on flexibility. Some responses called for more scope to adapt to local needs. Others asked for stronger EU action to guarantee a level playing field. The consultation indicated that climate change adaptation and environmental protection would be areas best addressed through EU action.

21. The Commission assessed different mixes of policy instruments in its impact assessment, which initially covered a baseline and four options. However, the Commission removed the option to discontinue the CAP[22] from the impact assessment based on the Regulatory Scrutiny Board's recommendation and because it decided that phasing out the CAP would not be in line with Treaty obligations. The Commission considered gender equality issues during the integration of Sustainable Development Goals in its impact assessment, but this appears to have had little impact on the proposal.

22. The results of the impact assessment highlighted difficult trade-offs but did not conclude on any preferred combination of policy instruments. The Commission's final

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[19] Article 110(5) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council: *'The Commission shall present an initial report on the implementation of this Article, including first results on the performance of the CAP, to the European Parliament and the Council by 31 December 2018. A second report including an assessment of the performance of the CAP shall be presented by 31 December 2021.'* (OJ L 347, 20.12.2013, p. 549).

[20] ECA Briefing Paper – The Commission's proposal for the 2021-2027 Multiannual Financial Framework (July 2018).

[21] Including an online public consultation which received 58 520 replies, 36.5 % of which were from farmers, meetings with 'civil dialogue groups' and specialised workshops.

[22] Joint Research Centre (JRC): Scenar 2030 – Pathways for the European agriculture and food sector beyond 2020.

proposal does not correspond to any of the options assessed in the impact assessment. As we have previously reported[23], it is not easy to identify the main results and messages of the impact assessment. In particular it is hard to identify how the measures proposed would achieve the objectives set out by the Commission.

23. The impact assessment itself was not subject to public consultation. The final version was published together with the proposal. We have previously recommended that the Commission[24] should publish, for information and comment, interim documents such as roadmaps and draft impact assessments.

***Budgetary implications***

24. The proposed financial allocation to the CAP would be less than for the current period[25]. The magnitude of this reduction depends on how it is calculated. In our briefing paper on the multiannual financial framework proposal, we reported it at 15 %, whereas the Commission commonly refers to a cut of 5 %[26] (see ***Figure 3***). The differences depend largely on the baseline chosen for the comparison[27] and on whether current or constant prices are used[28].

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[23] Special report 3/2010: Impact assessments In the EU Institutions: do they support decision-making?

[24] Special report 3/2010: Impact assessments In the EU Institutions: do they support decision-making?

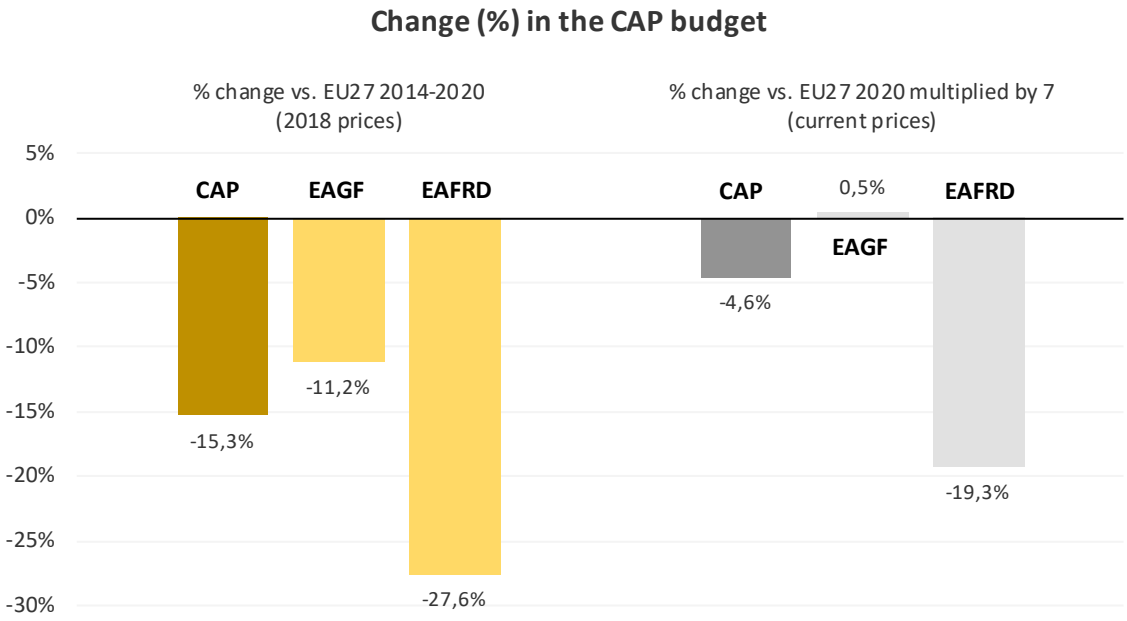
[25] Even without the UKs share of the CAP budget, which was 27.7 billion euros in 2014-2020.

[26] Explanatory memorandum to the proposal of Regulation COM(2018) 392 and our Briefing paper: The Commission's proposal for the 2021-2027 Multiannual Financial Framework.

[27] Based on Commission working document - Comparison Table between the Multiannual Financial Framework 2021-2027 Proposal and the Multiannual Financial Framework 2014-2020 - 6 June 2018. While both calculations exclude the UKs share of the budget, one of them takes the last year of the current Multiannual Financial Framework as the point of comparison (multiplying it by seven, seeking to exclude the effects of direct payments convergence and Member States decisions to shift funds between the EAGF and EAFRD), and the other takes the total allocation for the 2014-2020 period as a baseline.

[28] The Commission uses the term 'current prices' to refer to absolute amounts to be paid or committed in a given year. To account for inflation, the Commission also uses 'constant prices' (2011 prices for the current period and 2018 prices for the next period), calculated using a 2 %

**Figure 3 – Different ways of calculating the proposed change in the CAP budget**




*Source:* ECA based on Commission data.

### *Other elements*

25. The Commission proposes maintaining the existing nomenclature of two agricultural financing instruments (EAGF and EAFRD), although these would no longer be subject to separate programming processes in the Member States. The Commission proposes replacing 'rural development programmes'[29] with CAP strategic plans, covering all CAP measures (direct payments, market measures, rural development measures)[30]. However, Member States' choices for CAP spending would be limited by the constraints set out in ***Box 2***.

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'annual deflator', which corresponds to the European Central Bank inflation target. This adjustment is an EU budgetary convention and does not necessarily reflect the actual rate of inflation in the EU.

[29] Current programming documents for the EAFRD governed by Regulation (EU) No 1305/2013 of the European Parliament and of the Council (OJ L 347, 20.12.2013, p. 487).

[30] Strategic planning is already done for the EAFRD as part of the rural development programmes.

**Box 2 – The scope for strategic planning of direct payments**

Although Member States would have to apply strategic planning to the direct payments, the proposal significantly limits Member State flexibility.

Member States could use around 7 %[31] for sectoral interventions and up to 12 %[32] for coupled payments, but the remainder of the EAGF would be reserved for decoupled income support[33] and eco-schemes[34] for farmers.

Member States would be required to offer eco-schemes, but there would be no minimum budgetary requirements, and the schemes would be voluntary. It is therefore probable that the largest share of the EAGF would continue to be allocated to decoupled income support for farmers, paid per hectare of land. Member States would need to align aid rates within a region or decrease the variation in their unit value between farmers (so called internal convergence)[35].

The proposal would introduce mandatory capping of payments to individual farmers[36] and make redistributive payments compulsory[37].

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[31] Around 21 billion euro, calculated as the difference between the total proposed EAGF budget and the allocations reserved for direct payments based on Article 81(1) and Annex IV of the CAP strategic plan regulation.

[32] Article 86(5) of the CAP strategic plan regulation.

[33] Providing basic income support to farmers is mandatory under Article 17 of the CAP strategic plan regulation.

[34] Article 28 of the CAP strategic plan regulation.

[35] Under Article 20 of the CAP strategic plan regulation, Member States must ensure that, for claim year 2026 at the latest, all payment entitlements have a value of at least 75 % of the average planned unit amount for the basic income support for claim year 2026, as laid down in the CAP strategic plan. They may decide on a maximum decrease that may not be lower than 30 %.

[36] Article 15 of the CAP strategic plan regulation.

[37] Under current rules, redistributive payments are voluntary (Articles 1 and 41 of Regulation (EU) No 1307/ 2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (OJ L 347, 20.12.2013, p. 608)).

## ASSESSMENT OF THE PROPOSAL

26. Following the Commission's communication on the future of food and farming in November 2017, we published a briefing paper on the future of the CAP. In the briefing paper, we set out the criteria for our review of the post-2020 CAP legislative proposal. These criteria guide our assessment in this part of the opinion. They are based on our programme logic model (explained in paragraph 19 and figure 4 of our briefing paper), which sets out how public interventions can achieve economy, efficiency and effectiveness. In this way, our opinion is an assessment of economy, efficiency and effectiveness and our conclusions are aimed at promoting solutions that will improve all three.

### *Assessing CAP needs*

**CRITERIA:**

1.1. Needs are identified on the basis of solid evidence.

1.2. Value added in addressing these needs through EU action is demonstrated.

1.3. The CAP proposal takes account of long-term trends.

1.4. The CAP proposal is clear about its distributional impacts.

27. The Commission set out what it identified as the most important needs of the EU farming sector in its communication on the future of food and farming. It further elaborated on these in its background papers on economic, socio-economic, and environment and climate change challenges. It cites the fact that income from agricultural activities is below average wages for the economy as a whole as an argument for direct payments[38]. However, as we pointed out in our briefing paper, the Commission's data does not consider income sources outside farming.

28. In our briefing paper on the future of the CAP, we expressed the view that the data published on farmers' income was not enough to 'support the claim that farm households, taken as a whole, need significant support to achieve a fair standard of living'. The

[38] Impact assessment, part I, page 7.

Commission's analysis of farmers' income has not changed in the impact assessment and there is no requirement for Member States to compile reliable and comparable statistics on disposable farm income[39]. Other key data and trends relevant to the farming sector which we highlighted in our briefing paper are:

- fewer but larger farms: in 2013 there were 10.8 million farms (a 22 % decrease compared to 2007) while the average size increased from 12.6 ha to 16.1 ha;

- a decrease by 25 % in the agricultural workforce (from 12.8 million full-time equivalents in 2005 to 9.5 million in 2017);

- since 2010, the EU is a net exporter of food, with a trade surplus of 20.5 billion euros in 2017, principally resulting from processed food and beverages – the EU is a net importer of unprocessed farm products[40];

- an average farm provides work for less than one full-time person;

- while the performance of different sectors varies widely, there has been a significant increase in income from farming per full-time person;

- an ageing farming population, and a decreasing number of young farmers: for every 100 farm managers above 55 the number of farm managers below 35 decreased from 14 in 2010 to 11 in 2013.

29. The Commission seems to have taken medium-term planning into account, given that its impact assessment includes planning up until 2030. However, its longer-term vision for EU agriculture (taking account of technological, climate, societal and demographic change, etc.) is not apparent.

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[39] Such statistics exist in some Member States; see paragraph 29 and Box 1 of Special report 1/2016: Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?

[40] See Figure 3 of our briefing paper on the future of the CAP.

30. The Member States would assess their local needs in the CAP strategic plans and base their selection of interventions on these. The proposed model would transfer more responsibilities from the EU to the Member States, not only for the EAFRD but also for the EAGF. One example of this relates to our recent recommendation[41] that the Commission should assess the income position for all groups of farmers and analyse their income support need before making any proposal for the future design of the CAP (see ***Box 3***). Under the proposal, Member States would be responsible for carrying out such assessments[42]. However, as we have seen the key income instrument is largely fixed by the proposed EU legislation (see paragraph 25). Thus a Member State, for example, that was concerned about the gender impact of subsidies (Commission figures suggest men receive around three-fifths of such subsidies, women one-eighth, and companies the remainder) would have few options for changing this distribution.

**Box 3 – Recommendation 3 from special report 10/2018[43]**

Before making any proposal for the future design of the CAP, the Commission should assess the income position for all groups of farmers and analyse their income support need, taking into account the current distribution of EU and national support, the agricultural potential of land, differences of areas mainly dedicated to agricultural production or maintenance, cost and viability of farming, income from food and other agricultural production as well as from non-agricultural sources, the factors for efficiency and competitiveness of farms and the value of the public goods that farmers provide.

The Commission should link, from the outset, the proposed measures to appropriate operational objectives and baselines against which the performance of the support could be compared.

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41 Special report 10/2018: Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.

42 Articles 95(1) and 96 of the CAP strategic plan regulation state that Member States would have to identify needs for each specific objective set out in Article 6 of the same regulation.

43 Special report 10/2018: Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.

31. The Commission aims to address the concentration of support on larger holdings by proposing mandatory capping and redistribution of direct payments[44], in line with recommendations we made in 2011[45]. However, the possibility of deducting salary costs – including costs for unpaid labour – from the amount of direct payments considered for the capping, would limit the impact of the measure.

32. Overall, the Commission has not provided solid evidence that there is a need for EU intervention in all the proposed areas. While the case for EU environmental and climate change-related actions is strong, the data used to support the needs assessment for farmers' income is insufficient. Although the Commission's impact assessment did analyse the distributional impact of the options considered, there is no analysis of this for the final proposal.

***Assessing CAP objectives***

**CRITERIA**

2.1. EU CAP objectives are clearly defined and reflect the needs identified and the long-term vision for the CAP.

2.2. EU CAP objectives are translated into quantified targets for impact and results.

2.3. EU CAP objectives are consistent with other general and sectoral EU policy objectives and international commitments[46].

33. While the Commission's proposal formulates policy objectives (see paragraph 15), it would shift responsibility for deciding on specific interventions and targets to the Member States (via the `CAP strategic plans'). The largest part of the CAP budget would continue to

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[44] Articles 15, 18(2), 26 and 27 of the CAP strategic plan regulation.

[45] Special report 5/2011: Single Payment Scheme (SPS): issues to be addressed to improve its sound financial management.

[46] For example, commitments arising from the 2015 United Nations Climate Change Conference (COP 21), Sustainable Development Goals and the World Trade Organisation.

finance direct payments to farmers[47]. Given the absence of accurate information about farmers' household income (see paragraphs 27 and 28), it is difficult to see how specific objectives and targets could be formulated and followed up.

34. The 'specific objectives' in Article 6 of the CAP strategic plan regulation are not clearly defined; they are neither specific nor translated into quantified targets. As we previously reported[48], insufficiently focused high-level objectives do not lead to operational success. Lack of clear objectives and quantified targets is a recurrent point in our special reports[49]. The Commission in many areas possesses sufficient information to identify a baseline that it could use to assess Member States' targets in their CAP strategic plans.

35. An example of the weak link between the proposed types of interventions and the objectives is that the proposal states, somewhat vaguely, that Member States should '*aim*' to ensure that direct payments are only granted if they make an effective contribution[50] to the CAP objectives (see paragraph 15). However, it is not clear which specific objectives are meant, or how such a contribution could be measured. One of the proposed key objectives for direct payments relates to food security[51]. In its current formulation, the objective's relevance to the European context is questionable. To ensure future food security,

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47 See ***Figure 4***.

48 See chapter 3 of our 2014 annual report.

49 For example, special report 25/2015: EU support for rural infrastructure: potential to achieve significantly greater value for money; special report 1/2016: Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?; special report 21/2017: Greening: a more complex income support scheme, not yet environmentally effective; special report 16/2017: Rural Development Programming: less complexity and more focus on results needed; special report 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal; special report 10/2018: Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.

50 Article 16(2) of the CAP strategic plan regulation.

51 Article 6 (1)(a) of the strategic plan regulation: Support viable farm income and resilience across the Union to enhance food security.

addressing climate change is likely to be more relevant than supporting farm income (see ***Box 4***).

**Box 4 – Food security**

The concept of food security relates to food supply and people's access to it. The final report from the 1996 World Food Summit states that 'food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life'[52]. This definition guides the EU food security policy framework adopted in 2010[53].

A recent assessment[54] shows that undernourishment in the EU is rare and that the prevalence of food insecurity low. However, the Food and Agricultural Organization of the United Nations concludes that the effects of climate change pose substantial challenges to agriculture. Addressing climate change and environmental challenges (including sustainable production methods), reducing food loss and waste and safeguarding natural resources are key for our future food security.

36. Several of the objectives mix different concepts, which would make it difficult to follow up and measure achievement of those objectives. If the legislator aims to keep these policy objectives, it might want to clarify their scope, for example :

- Article 6(1)(a) relates to several objectives for which the causal relationship has not been demonstrated. Splitting the objectives would facilitate setting targets and measuring their achievement;
- Article 6(1)(b) in its current formulation implies a broader scope than the farm sector, however, the result and impact indicators proposed for this objective in

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[52] World Food Summit 1996: Rome Declaration on World Food Security. http://www.fao.org/docrep/003//w3613e/w3613e00.htm#Note1

[53] COM(2010)127 final: An EU policy framework to assist developing countries in addressing food security challenges.

[54] Food and Agriculture Organization of the United Nations (2017): The state of food security and nutrition in Europe and Central Asia.

Annex I to the CAP strategic plan regulation are limited to farming and agri-food trade;

- Article 6(1)(g) provides an objective covering two very different concepts, young farmers and business development in rural areas; moving the latter concept to the objective given by Article 6(1)(h) would improve the consistency of both objectives.

37. The EU has made quantified international commitments on preventing climate change. A key EU target is, by 2030, to cut overall EU greenhouse gas emissions by 40 % compared with 1990[55]. Based on the proposal, the Commission expects 40 % of the total CAP financial allocation[56] to go towards achieving this target. However, the contribution these funds would make to preventing climate change is unknown, as it would depend on the measures selected by the Member States in their CAP strategic plans.

38. The biggest contribution to the expenditure target is the weighting of 40 %[57] for basic income support. This estimate is based on the expected contribution from 'conditionality'[58], the successor to cross-compliance and greening. We have already questioned the justification for the corresponding figure from the current period – 19.46 %[59] – and reported that it is not a prudent estimate[60]. Hence, we find the estimated CAP contribution towards climate change objectives unrealistic. Overestimating the CAP contribution could lead to

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55 https://ec.europa.eu/clima/citizens/eu_en

56 Climate tracking (recital 52 and Article 87 of the strategic plan regulation).

57 Article 87 of the CAP strategic plan regulation.

58 Article 11 of the CAP strategic plan regulation and 'Good agricultural and environmental condition of land' in Annex III to the CAP strategic plan regulation.

59 See Figure 7 in special report 31/2016: Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short.

60 "Conservativeness" is one of the Common Principles for Climate Mitigation Finance Tracking developed by the joint climate finance group of multilateral development banks (MDBs) and the International Development Finance Club (IDFC). It dictates that where data is unavailable, it is preferable to under-report rather than over-report climate finance in order to overcome uncertainty.

lower financial contributions for other policy areas, thus reducing the overall contribution of EU spending to climate change mitigation and adaptation. Instead of using the weighting of 40 % for all direct payment support, a more reliable way to estimate the contribution would be to use this weighting only for direct payment support for areas where farmers actually apply practices to mitigate climate change (for example, protecting wetland and peatland[61]).

39. The Commission proposal stresses that environment and climate objectives are high-priority and that the CAP should be more ambitious with regard to these objectives[62]. The level of ambition would – subject to the constraints discussed above – be determined by the CAP strategic plans. Member States would define quantified targets for result indicators in their CAP strategic plans. Member States would have to justify these targets[63], but the proposal does not state that they would need to provide evidence of the baseline situation in order to allow the Commission to assess the ambition of the targets. The Commission would assess these targets and their justification in the course of approving the CAP strategic plans. It is not clear how the Commission would carry out its assessment or ensure sufficient ambition, given that there would be no quantified EU targets. The legislator could for example include established EU targets and SDG commitments, such as reducing greenhouse gas emissions, in the description of how the Commission should assess the CAP strategic plans[64].

40. The proposal does not explain how the Commission would carry out its assessment of CAP strategic plans. The reference in Article 92 of the CAP strategic plan regulation to an 'increased ambition with regard to environmental and climate related objectives' would guide the Commission's assessment. However, the meaning of formulations such as 'aim to make … a greater overall contribution', and 'explain in their CAP strategic plans … how they

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[61] 'Good agricultural and environmental condition of land' Number 2 of Annex III of the CAP strategic plan regulation.

[62] For example, in the impact assessment and recital 16 of the CAP strategic plan regulation.

[63] Articles 96-97 and 115-116 of the CAP strategic plan regulation.

[64] Article 106(2) of the CAP strategic plan regulation.

intend to achieve the greater overall contribution' is not explained. It remains unclear how the Commission could assess or measure such ambition.

41. A regulation cannot anticipate all future key challenges for a diverse and large spending policy such as the CAP. This means that the Commission would need to have a certain degree of flexibility in managing the policy. However, this consideration does not explain the proposed CAP objectives being neither clearly defined nor translated into quantified targets. Without clear objectives and quantified targets, the Commission would not be able to assess the policy's performance against the desired outcome. Clear and specific objectives should be the starting point of an effective performance-based system.

***Assessing CAP inputs***

**CRITERIA:**

3.1. Funds are allocated on the basis of a needs assessment and expected results.

3.2. Funds are spent where they can achieve significant EU added value.

42. In its impact assessment, the Commission analysed the allocation of funds to different schemes. It did this by simulating the effect on the CAP objectives of different combinations of policy options and fund allocations. The impact assessment did not conclude on which option would be the best, but rather concluded overall that a difficult trade-off exists between the policy options. For example, options that include more ambitious environmental schemes are associated with an expected decrease in farmers' income.

43. The EAGF would cover direct support to farmers, with 100 % financing by the EU budget. The EAFRD would cover environmental and climate commitments, farm investments and certain other rural projects, with co-financing from the Member States. Despite the Commission's initial intention to propose financing intensities that depend on the EU value added[65], the proposed levels of co-financing do not reflect this. For example, eco-schemes

[65] See page 11 of the Commission's Reflection paper on the future of EU finances.

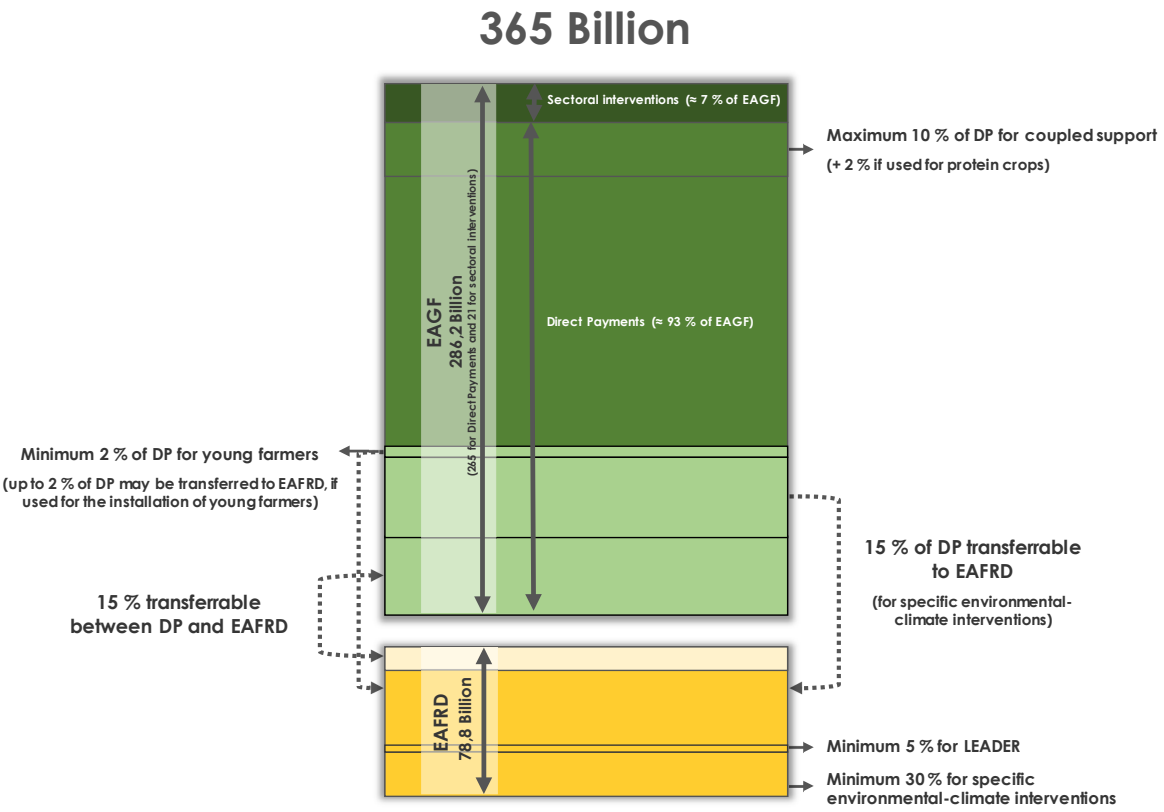
would be 100 % financed by the EU[66], even though they may be less ambitious than environmental commitments, which would require Member State co-financing of 20 %[67]. There is no reason for maintaining this distinction, nor the terminology of separate `funds'. Combining them would, for example, make it easier to relate the level of EU co-financing to EU added value.

44. The annexes to the CAP strategic plan regulation include the proposed financial allocation to each Member State. These allocations are not determined on the basis of Member States' needs nor on commitments to deliver specific results. The Member States would allocate funds to individual measures based on their needs assessments in the CAP strategic plans. ***Figure 4*** illustrates the proposed flexibility and constraints of the CAP budget.

[66] Schemes for the climate and for the environment based on Articles 14(6)(d) and 28 of the CAP strategic plan regulation are financed by the EAGF, under Article 79(1) of the same regulation.

[67] Environmental and climate commitments based on Article 65 of the CAP strategic plan regulation are financed up to a maximum of 80 % by the EAFRD, under Articles 79(2) and 85(3) of the same regulation.

**Figure 4 – The CAP budget flexibility and constraints**




*Source:* ECA based on Articles 82, 83 and 86 and Annexes IV-IX of the CAP strategic plan regulation and on Commission working documents.

45. The regulation proposes spending at least 30 % of the EAFRD[68] on actions related to the environment and climate change, and an amount equalling at least 2 % of the EAGF allocation[69] on generational renewal. The earmarking of money, along with a number of other elements[70] in the proposal, reflect the priority given to attracting young farmers and

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68 Article 86(2) of the CAP strategic plan regulation.

69 Articles 27(2) and 86(4) of the CAP strategic plan regulation.

70 For example, a more ambitious definition of young farmer (Article 4(1)(e)), increased maximum amount of aid for the installation of young farmers (recital 43 and Article 69), the possibility of transferring an additional 2 % transfer between the EAGF and the EAFRD if used for installation grants for young farmers (Article 90(1)).

addressing weaknesses identified in our recent special report on the subject[71]. The demographics of the rural community vary widely from Member State, but there is no possibility for a Member State to conclude that further efforts to promote generational renewal are unnecessary. The fact that EU funds will always be automatically available for such purposes weakens the incentive of the Member States to use other policy instruments to achieve generational renewal.

46. Our special report on EU support for young farmers recommended better targeting of the aid, including specifying more clearly the objectives of the aid and its expected impact on the generational renewal rate and the viability of the holdings supported. Under the proposal, Member States may decide to use most of the amount ring-fenced for young farmers to provide them with complementary income support (direct payments) rather than installation aid. As our audit showed, the latter offers more opportunities to better target aid for young farmers to support them, for example, in improving the viability of their holdings, introducing water or energy-saving initiatives, engaging in organic farming or setting up in less favoured areas.

47. The proposed 30 % ring-fencing of the EAFRD allocation to environment and climate (which now excludes payments for areas with natural constraints) may act as an incentive to increase spending on these objectives. The possibility for Member States to transfer funds from the EAGF to the EAFRD to support 100 % EU-financed environment and climate commitments may also help in this regard. Member States would not have to earmark money for the eco-schemes introduced under the EAGF. These schemes would be subject to mandatory capping of payments to individual farmers[72]. This means that farmers receiving basic income support close to or above the ceiling would have no incentive to take up such eco-schemes.

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[71] Special report 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal.

[72] Articles 14, 15 and 29 of the CAP strategic plan regulation.

48. The CAP proposal does not appear to follow through on the need to fill the investment gap in the agricultural sector and leveraging the EU budget[73]. It provides no specific incentive to make more use of financial instruments.

49. To conclude, under the proposal, EU funds would not be allocated on the basis of an EU-wide needs assessment and expected results. Each Member State would allocate its pre-established financial envelope to specific interventions based on the country's specific needs assessment, although such allocations remain subject to several and significant restrictions. The proposal does not provide a mechanism for higher EU co-financing rate for measures with greater EU added value.

***Assessing CAP processes***

**CRITERIA:**

4.1. Policy is implemented by means of cost-effective instruments based on solid evidence.

4.2. There is consistency between the CAP and other EU policies and between different CAP instruments.

4.3. Implementation rules are simple and do not compromise cost-effectiveness.

4.4. Adequate arrangements are proposed for the transition to the new delivery model.

**Cost-effectiveness**

50. The impact assessment does not include any cost-effectiveness analysis of the policy options considered, but it does assess the effectiveness of different instruments in achieving the CAP objectives.

51. The Commission proposes regulating the types of payments Member States can make to final beneficiaries[74]. The proposal states that Member States may design results-based

[73] Article 75 and recitals 16 and 42 of the CAP strategic plan regulation.

[74] Article 77 of the CAP strategic plan regulation.

payment schemes that encourage farmers to deliver significant enhancement of the quality of the environment at a larger scale and in a measurable way[75]. The proposal would not allow the use of results-based payments to beneficiaries for other purposes along the lines of the common provisions regulation (CPR), which is applicable to the structural funds[76]. We do not see why this option would not be extended to all management commitments introduced in the same article.

52. Greater subsidiarity could help Member States define interventions better targeted towards their specific needs. However, as the Commission itself identified in its impact assessment[77], having variable eligibility criteria could also risk failing to guarantee a level playing field, the importance of which was a key message arising from the public consultation[78]. For example, the proposal does not include any definition of durability[79] of operations[80], meaning that each Member State could define it differently (unless this is addressed when the Commission assesses CAP strategic plans, see paragraph 58).

53. The proposal would require Member States to define the concept of a 'genuine farmer'[81]. Under current rules, Member States can choose not to pay support to people

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75 Article 65(7) of the CAP strategic plan regulation.

76 Financing not linked to costs (Article 46 of the CPR).

77 Impact assessment, Annex 4, page 71.

78 European Commission public consultation: 'Modernising and Simplifying the Common Agricultural Policy' HIGHLIGHTS.

79 We defined 'durability' as the 'ability of a project to maintain its benefits for a long time after the project has been completed' in special report 8/2018: EU support for productive investments in businesses - greater focus on durability needed.

80 The CPR (Article 59 of CPR proposal COM(2018) 375 final) still includes a durability requirement of five years.

81 Article 4(1)(d) of the CAP strategic plan regulation requires Member to define 'genuine farmers' in their CAP Strategic Plans 'in a way to ensure that no support is granted to those whose agricultural activity forms only an insignificant part of their overall economic activities or whose principal business activity is not agricultural, while not precluding from support pluri-active farmers. The definition shall allow to determine which farmers are not considered genuine

whose agricultural activities form only an insignificant part of their overall economic activities or whose main line of business is not agriculture. Under the new proposal, this option would become the general rule. It would be up to Member States to devise objective, non-discriminatory criteria that are effective in targeting aid[82] at 'genuine farmers' without generating disproportionate administrative costs. Based on our recent work (see ***Box 5***), we anticipate that devising a cost-effective definition may prove challenging for Member States.

**Box 5 – The concept of an 'active farmer' in the current period**

In an attempt to better target EU direct support at active farmers, the 2013 CAP reform introduced a negative list aimed at excluding beneficiaries whose primary function was not agriculture[83]. We found[84] that this list had, overall, only been partly effective and had placed a significant administrative burden on paying agencies. In consideration of these difficulties, the Council and the Parliament agreed that, as from 2018, Member States could decide whether to reduce the criteria for applicants demonstrating their 'active farmer' status or stop applying the 'negative list'. The change was justified by concerns that the difficulties and the administrative costs of implementing the active farmer clause outweighed the benefit of excluding a very limited number of non-active beneficiaries from the direct support schemes.

farmers, based on conditions such as income tests, labour inputs on the farm, company object and/or inclusion in registers'.

[82] The definition would be used for basic income support under Articles 16(2) and 17(3), eco-schemes under Article 28, coupled income support under Article 29, payments for areas with natural or other area-specific constraints under Article 66 and risk management tools under Article 70 of the CAP strategic plan regulation.

[83] Such as airports, railway services, waterworks, real-estate services or persons managing permanent sport or recreational grounds.

[84] Special report 10/2018: Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.

**Consistency**

54. One of the key changes in the post-2020 CAP proposal is the combined programming of both the EAGF and the EAFRD in one overall CAP strategic plan. This could help ensuring consistency between different CAP instruments.

55. However, we have criticised the complexity of having several parallel environmental and climate instruments in the current period[85]. While the proposal would abolish greening, the introduction of eco-schemes would mean that there would still be three different environmental instruments[86]:

- 'Conditionality' for direct payments (Article 11)
- Eco-schemes financed by the EAGF (Article 28)
- Environmental and climate management commitments financed by the EAFRD (Article 65)

56. 'Conditionality' would be the successor to cross-compliance and greening. Its scope would be broader than that of its predecessor, covering all beneficiaries (no exemptions for small farms), and including new requirements, such as mandatory crop rotation aimed at improving soil protection and quality. Despite the use of the term 'conditionality', direct payments would not be conditional upon meeting this set of basic environmental and climate requirements. Instead, Member States would impose administrative penalties on beneficiaries who do not comply with these requirements[87].

57. In fact, incorporating greening requirements into conditionality could make them less of a deterrent. In special report 5/2011, we recommended that payment reductions for failing to meet cross-compliance obligations should be made more dissuasive. Instead, the

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[85] For example, special report 21/2017: Greening: a more complex income support scheme, not yet environmentally effective.

[86] Proposed in the CAP strategic plan regulation.

[87] Article 11 of the CAP strategic plan regulation.

Commission proposes a penalty system based on the current cross-compliance one; see ***Box 6*** for an example.

**Box 6 – Example of consequences under conditionality compared to greening**

The proposal includes both reduced control rates (from generally 5 % to 1 %)[88] and sanctions. Under the current greening framework, a farmer who does not observe crop diversification requirements can face a reduction of up to 50 % (if there has been no diversification at all) of the greening payment for arable land, with an additional administrative penalty of up to 25 % of the greening payment. Under the Commission's proposal, crop rotation[89], integrated into the conditionality framework, would replace crop diversification. As a result, the penalty for failure to observe the crop rotation requirement due to negligence would, under Article 86(2) of the horizontal regulation, generally be 3 % of the total payment[90].

58. Member States would define their national standards for conditionality in their CAP strategic plans. Unlike in the current period, the Commission would approve these standards[91]. When doing so, it would be important that the Commission applies clear and objective criteria.

59. While the proposed payment scheme for environmental and climate management commitments[92] would resemble the current agri-environmental payment scheme, eco-schemes[93] would be a new environmental intervention. These two schemes would share the same objectives, and the proposal even stipulates that Member States must ensure that

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88 Article 31 of the Commission Implementing Regulation (EU) No 809/2014 (OJ L 227, 37.7.2014, p. 69) and Article 84(3)(d) of the horizontal regulation, respectively.

89 'Good agricultural and environmental condition of land' Number 8 of Annex III to the CAP strategic plan regulation.

90 In the case of intentional non-compliance, the percentage would be higher and, according to Article 86(4) of the horizontal regulation, could be up to 100 %.

91 Article 106(2) of the CAP strategic plan regulation.

92 Article 65 of the CAP strategic plan regulation.

93 Article 28 of the CAP strategic plan regulation.

they do not overlap. As we have previously noted[94], such duplication adds complexity, as it would require Member States to develop complex arrangements to ensure that the schemes go beyond conditionality[95] requirements yet avoid the risk of double funding.

60. Furthermore, whereas environmental and climate commitments would generally cover 5-7 years[96] to attain increased environmental and climate benefits, eco-schemes do not impose any requirements for actions to last more than one year[97]. While some benefits may be achieved with annual schemes, commitments for several years are necessary to deliver some environmental and climate benefits (for example, increasing soil organic matter and increasing carbon sequestration).

**Simplification**

61. The proposal would consolidate the current five regulations into three (see paragraph 16). Having three regulations with several cross-references makes the legal text complicated to read (see ***Box 7***).

**Box 7 – Examples of cross-references in the proposal**

Article 101 of the CAP strategic plan regulation sets out the information that Member States would have to provide in their CAP strategic plans concerning 'Governance and coordination systems'. However, the criteria for these systems are set out in the horizontal regulation.

The name of Title VII of the CAP strategic plan regulation is 'Monitoring, reporting and evaluation', while the horizontal regulation covers 'financing, management and monitoring'. Article 121(7) of the CAP strategic plan regulation provides that the Commission would carry out an annual performance clearance referred to in Article 52 of the horizontal regulation. Article 121(9) of the CAP strategic plan regulation covers annual performance reports and refers to action plans in accordance with

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[94] Special report 21/2017: Greening: a more complex income support scheme, not yet environmentally effective.

[95] Articles 11 and 12 of the CAP strategic plan regulation.

[96] Article 65(8) of the CAP strategic plan regulation.

[97] Article 28 of the CAP strategic plan regulation.

Article 39(1) of the horizontal regulation. Article 39(1) of the horizontal regulation relating to 'Suspension of payments in relation to the multi-annual performance monitoring' in turn refers to Articles 115 and 116 – and Article 39(2) to Article 121 – of the CAP strategic plan regulation. In addition to the many cross-references complicating the reading of the text, it is confusing to mix the concepts of annual and multi-annual. Equally confusing are the objectives of the performance framework, sometimes referring to assessing 'the CAP' (Article 116(a)) and sometimes 'the CAP strategic plan' (Article 116(c) and (d)).

Articles 84 and 85 of the horizontal regulation concern the control system and penalties for 'conditionality', the conditions for which are set out in the CAP strategic plan regulation. Article 86 of the horizontal regulation concerns calculation of administrative penalties provided for in the CAP strategic plan regulation.

62. The proposal includes simplifications, such as having one plan per Member State[98] and one monitoring committee[99]. Maintaining the current structure of paying agencies, coordinating bodies, competent authorities and certification bodies[100] would help safeguarding consistency and stability. The Commission also proposes to maintain systems such as the Integrated Administration and Control System and the Land Parcel Identification System.

63. The EU initially introduced direct payments based on entitlements calculated on previous levels of production to compensate farmers for expected falls in food prices during previous CAP reforms. Payment entitlements would not be obligatory under the proposal, which introduces the option of flat-rate payments per hectare for all Member States without

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[98] As compared to 118 rural development programmes during 2014-2020.

[99] Article 111 of CAP strategic plan regulation clearly states that a Member State must set up one committee for monitoring the implementation of the CAP strategic plan. Recital 70 of the CAP strategic plan regulation also mentions merging the 'Rural Development' Committee and the 'Direct Payments' Committee into one monitoring committee. In the current period, Article 47 of Regulation (EU) No 1303/2013 requires Member States to set up a committee to monitor programme implementation.

[100] Although the bodies remain the same, particularly the role of the certification bodies would change (see ***Figure 9*** and paragraph 89).

any obligation to use entitlements[101]. This would be a significant simplification in Member States currently applying the BPS, given the complex rules and calculations usually accompanying entitlements.

64. The proposal would drop some EU requirements, which may be positive for simplification but not for sound financial management. For example:

- The proposal would open[102] the possibility for Member States to finance VAT, which is currently not eligible. Financing VAT would not be an effective use of EU funds, as it would not contribute to EU objectives but merely the Member State's own budget[103].
- In contrast to current period, the proposal would allow the financing of projects started before the application date[104]. This would increase the risk of deadweight.

65. Some of provisions of the proposal increase complexity. For example, Article 15 of the CAP strategic plan regulation sets out how amounts of direct payments would be reduced. We suggest clarifying this provision, as it does not make explicit how much Member States should deduct in the case of paid labour. On the one hand, point (2)(a) of this Article indicates that Member States should deduct the salaries, taxes and social contributions as declared by the farmer. On the other hand, the final sub-paragraph of Article 15(2) refers to calculation based on average standard salaries. Even if this provision were clarified, it would be complex to apply.

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[101] Under current rules, the 18 Member States applying the basic payment scheme (BPS) use payment entitlements, while the 10 remaining Member States apply a similar scheme without entitlements (the single area payment scheme).

[102] Article 68(3) of the CAP strategic plan regulation stipulates that Member States shall establish a list of ineligible investments and categories of expenditure, and sets out minimum requirements for such list. VAT is not mentioned in this article.

[103] Although financing recoverable VAT would be in line with the Commission's CPR proposal for other policy areas, it would be against the principles applicable to direct management under Article 186 of the financial regulation.

[104] Article 73(5) of the CAP strategic plan regulation.

66. To summarise, the chosen instruments do not always reflect the most cost-effective options. For example, combining the environmental schemes and differentiating co-financing for interventions based on their EU added value (see paragraph 43) could reduce administrative burdens without compromising the effective use of EU funds. However, the proposal would simplify several aspects of the CAP and introducing the CAP strategic plan might help to create synergies between different CAP instruments. The Commission has not yet set out the management arrangements for the transition to the new delivery model. It is therefore too early to assess these.

67. Ensuring a level playing field and a sufficient level of ambition would be among the key challenges for the Commission in approving the CAP strategic plans. The proposal does not include any details on how the Commission would assess these plans[105]. We would like to stress the importance of the Commission being transparent in its expectations as regards the content and quality of the CAP strategic plans, and possibly publishing a template CAP strategic plan and criteria for its assessment in an implementing act.

***Linking CAP inputs, outputs, results and impacts***

**CRITERIA:**

5.1. An effective performance system links the objectives of the policy and its outputs, results and impacts.

5.2. There is a clear link between money paid from the EU budget and the achievement of agreed performance targets.

5.3. Policy performance and relevant external factors are monitored and the policy is adjusted when necessary.

**Performance system design**

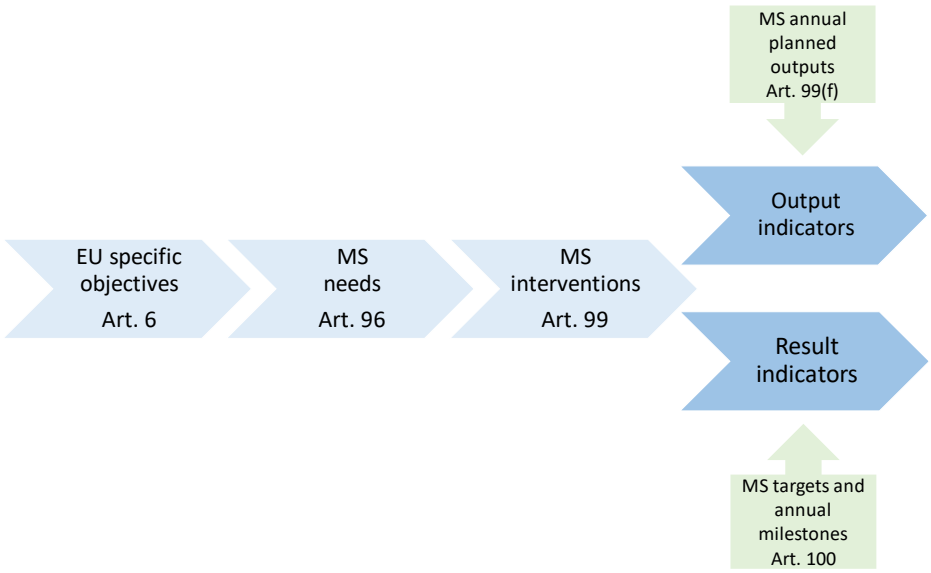
68. In the proposal, the relationship between inputs and outputs, and between results and impacts, including at final beneficiary level, is frequently not clear or not demonstrated

[105] Article 106(2) of the strategic plan regulation includes a high-level description of the approval process.

(direct payments for instance, see paragraph 33). Despite the attempted shift to a performance-based delivery model, in the proposal the link between objectives, individual actions and indicators remains vague.

69. The proposal does not link types of interventions to objectives. In their CAP strategic plans, Member States would identify needs for each CAP 'specific objective'[106]. Based on their needs assessment, Member States would define relevant interventions and corresponding output and result indicators[107] (see ***Figure 5***).

**Figure 5 – The link between EU objectives and indicators**




*Source:* ECA, based on the CAP strategic plan regulation.

70. The Commission proposes common performance indicators in Annex I to the CAP strategic plan regulation. These indicators would be a crucial element of the performance system, but they are not yet fully developed. The Commission recognises that 'further investment into developing appropriate indicators is needed'[108]. It would also prepare

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[106] Article 96(b) of the CAP strategic plan regulation.

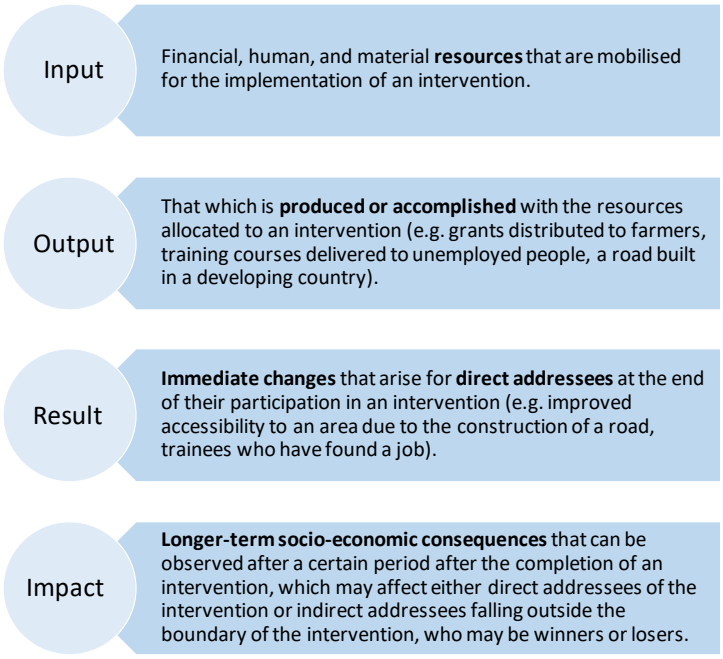
[107] Article 91 of the CAP strategic plan regulation.

[108] Page 9 of the explanatory memorandum.

implementing acts on the content of the performance framework[109], including further definitions of the indicators.

71. We have reviewed the indicators, taking into account the definitions presented in ***Figure 6***. The pertinence and quality of the proposed indicators varies, and we have included our detailed comments on them in ***Annex I***. Only those output indicators that clearly contribute to achieving stated objectives are meaningful. The majority of result indicators would, in reality, rather reflect output and several 'impact indicators' do not address real impacts.

**Figure 6 – Definition of input, output, result, and impact**




*Source:* ECA, Performance Audit Manual

**Linking money paid and performance achieved**

72. Measuring performance (output and results) at Member State level, with possible financial consequences, may act as an incentive for Member States to achieve their targets.

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[109] Article 120 of the CAP strategic plan regulation.

However, in such a system the quality of indicators and reliability of monitoring data would be crucial. Both we[110] and the Commission's Internal Audit Service[111] have criticised the current common monitoring and evaluation framework.

73. It is not clear from the proposal whether Member States would be allowed to, in addition to the common indicators (see paragraph 70), develop their own indicators to measure performance. Article 97(1)(a) of the CAP strategic plan regulation implies so by mentioning 'CAP strategic plan specific result indicators'. However, this type of indicator is not mentioned in the content of the performance framework described in Article 115(2)(a) of the same regulation, and Article 91 states that Member States shall define their targets based on the common indicators.

74. Providing funding from more than one programme for 'integrated territorial investments'[112] could help create synergies between policy areas. However, managing authorities would have to ensure that operations, outputs and results related to such investments are identifiable. Since failure to achieve outputs and results could have financial consequences for CAP payments, attributing these outputs and results to the correct fund

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[110] For example, chapter 3 of our 2015 annual report; chapter 3 of our 2016 annual report; special report 12/2013: Can the Commission and Member States show that the EU budget allocated to the rural development policy is well spent?; special report 12/2015: The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures; special report 1/2016: Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?; special report 31/2016: Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short; special report 1/2017: More efforts needed to implement the Natura 2000 network to its full potential; special report 2/2017 The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion: spending more targeted on Europe 2020 priorities, but increasingly complex arrangements to measure performance; special report 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal; special report 16/2017: Rural Development Programming: less complexity and more focus on results needed; special report 5/2018: Renewable energy for sustainable rural development: significant potential synergies, but mostly unrealised.

[111] COM(2017) 497 final – IAS 2016 Annual Report.

[112] Article 2(2) of the CAP strategic plan regulation, Article 24 of CPR proposal COM(2018) 375 final.

would be crucial, and it remains unclear how Member States would report the output and results for investments financed by more than one fund. While the CAP proposal stipulates that the certification body opinion would have to address the reliability of performance reporting[113], the CPR does not include any similar provisions on the reliability of indicators for the other policy areas. This creates a risk of double reporting of achieved output and results, something that the certification bodies would have to consider during their assessments.

75. Each year, Member States would report on the achievement of outputs and results. The Commission would compare outputs with declared expenditure[114] and results with the targets set in the CAP strategic plans[115]. If reported outputs were significantly below the amount corresponding to declared expenditure (a difference of more than 50 %)[116], the Commission could suspend or reduce[117] payments to Member States. If Member States would not meet targets for results, the Commission could ask them to prepare actions plans. It might also suspend payments or, as a last resort, reduce them.

76. The pertinence and quality of the indicators is uneven (see paragraph 71). For most of the expenditure, the Commission would pay Member States on the basis of beneficiaries and hectares supported. In such circumstances, it seems unlikely that a difference of more than 50 % between outputs and expenditure would occur. In our view, under the proposal most of the payments would not be performance-based, as Member States would not be paid for the achievement of performance targets.

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[113] Article 11(1)(c) of the horizontal regulation.

[114] Annual performance clearance of output indicators: Articles 38 and 52(2) of the horizontal regulation.

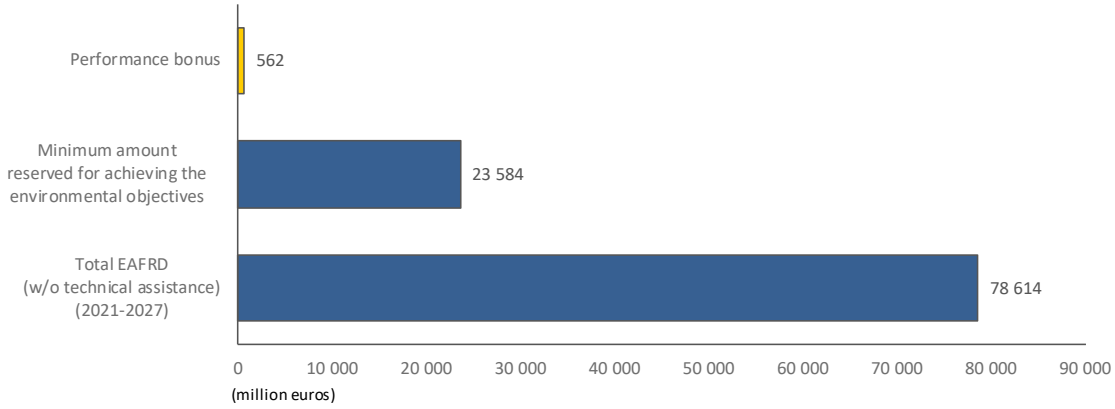
[115] Multi-annual performance monitoring of result indicators: Article 39 of the horizontal regulation.

[116] According to Articles 38(2) of the horizontal regulation if '…the difference between the expenditure declared and the amount corresponding to the relevant reported output is more than 50 % and the Member State cannot provide duly justified reasons…'.

[117] By adopting an implementing act in accordance with Article 52 of the horizontal regulation.

77. For the new period, the Commission proposes replacing the performance reserve introduced in the current period with a performance bonus for achieving environmental and climate-related targets. Given the limited financial impact of this performance bonus (see ***Figure 7***), it is unlikely to act as an incentive for Member States to achieve those targets.

**Figure 7 – Aggregated value of the performance bonus in million euros compared to the amount ring-fenced for environmental payments and the total proposed EAFRD budget**




*Source:* ECA based on Articles 86, 123 and 124 and Annex IX of the CAP strategic plan regulation.

**Monitoring of policy performance and relevant external factors**

78. In addition to the Commission's annual performance review and clearance of outputs and results reported by Member States, the Commission would measure performance for each CAP strategic plan and for the CAP as a whole. Member States would have to complete comprehensive evaluations of their CAP strategic plans[118], and the Commission would carry out interim and ex-post evaluations[119] going beyond its annual performance reviews and without consequences for payments to Member States.

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[118] Article 126(7) of the CAP strategic plan regulation.

[119] Article 127 of the CAP strategic plan regulation.

79. These Commission evaluations would involve assessing impact indicators[120] based on external data sources rather than reporting from Member States. External factors make it difficult to measure the policy's direct impact. Consequently, the evaluations assessing impact indicators cannot directly link the policy's impact to interventions financed through the CAP strategic plans.

80. To conclude, we do not consider the proposed model an effective performance management system. The policy's objectives cannot be clearly linked to the interventions or to their outputs, results and impacts. Wide variations in achievement of targets would have little impact on EU financing. The results and impact of policies financed from the EU budget would not be clear. Presenting the proposed elements in a coherent framework, (see ***Annex II***) would be helpful for consideration of their coverage and consistency.

***Assessing CAP accountability***

| **CRITERION:** |
| --- |
| 6.1. There is a strong accountability and audit chain. |

81. A decisive move towards performance, with a strong performance management system, could strengthen accountability, but would not remove the need to check that beneficiaries met the conditions for receiving support (a key element of legality and regularity). In our view, a robust system of external assurance is required to ensure compliance with applicable rules and conditions. Given the features of the proposed delivery model, and the limitations of the proposed performance model (see for example paragraph 76), the proposals are likely to lead to a weakened accountability framework.

**Eligibility**

82. One of the key changes in the proposal would be a redefinition of EU eligibility for CAP payments. The Commission states that eligibility of payments should no longer depend on

[120] Common impact indicators are proposed in Annex I to the CAP strategic plan regulation.

the legality and regularity of payments to individual beneficiaries[121]. Under the proposal, Member State payments would be eligible for EU financing if matched by corresponding output and effected in accordance with the applicable governance systems. This would have significant consequences for the audit chain.

83. ***Figure 8*** shows the proposed eligibility criteria for EU financing of the CAP and to which extent they would cover CAP expenditure.

**Figure 8 – Proposed EU eligibility criteria for CAP expenditure**

| Proposed EU eligibility criteria | Coverage based on proposal | Possible alternative coverage |
|---|---|---|
| (a) effected by accredited paying agencies, | 100 % of CAP | 100 % of CAP (by replacing 'or' with 'and') |
| (b) effected in accordance with the applicable Union rules, **or** | Expenditure covered by Reg. 1308/2013<br>-> 2 % of CAP | |
| (c) as regards types of interventions referred to in the CAP strategic plan regulation:<br>(i) **matched by a corresponding reported output**, and<br>(ii) it has been effected in accordance with the applicable governance systems, **not extending to the eligibility conditions for individual beneficiaries laid down in the national CAP Strategic Plans**. | Expenditure covered by the CAP strategic plan regulation<br>-> 98 % of CAP | Expenditure covered by the CAP strategic plan regulation<br>-> 98 % of CAP |

*Source:* ECA, based on Article 35 of the horizontal regulation.

84. Under the proposal, only a very small part of CAP expenditure would have to be 'effected in accordance with the applicable Union rules' according to Article 35(b) of the horizontal regulation. Article 35(c) would be applicable to the majority of the CAP expenditure. The legislator should reflect on whether Union rules are relevant for all EU funding and if so, amend Article 35(b) to cover all CAP expenditure[122]. Under the proposal, legality and regularity have two dimensions: the respect of applicable Union rules (Article 35(b)) and the achievement of results in accordance with applicable governance systems (Article 35(c)). We fear that a legal provision stating that only a small portion of expenditure

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[121] Recital 25 and Article 35 of the horizontal regulation.

[122] Although Article 9 of the CAP strategic plan regulation states that interventions shall be designed in accordance with the general principles of Union law, this should be clear also from the eligibility criteria.

needs to be effected in accordance with Union rules could make these rules meaningless and might undermine the application of EU law.

85. The definition of 'corresponding output' in Article 35(c)(i) of the horizontal regulation is unclear. For example, in the case of environmental management commitments, output would be measured in hectares covered by the commitment[123]. In our view, this output should not be considered achieved[124] by merely committing a certain number of hectares, but only by having met the commitment during a defined period. However, as the commitment itself would be defined in the CAP strategic plan (or possibly in a contract between the Member State and the final beneficiary), it is not clear[125] to what extent this would be within the scope of EU eligibility rules. If the scope did not include fulfilling the commitment, one consequence of the proposed eligibility criteria (see ***Figure 8***) could be allowing the EU to finance payments to an individual beneficiary even if they do not fulfil eligibility conditions laid down in the CAP strategic plan[126].

86. The meaning of 'effected in accordance with the applicable governance systems' is also unclear[127]. According to Article 2 of the horizontal regulation, governance systems include governance bodies and EU rules included in the CAP strategic plan regulation and the

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[123] For example, O.13 of Annex I to the CAP strategic plan regulation.

[124] Article 35 of the horizontal regulation mentions reported outputs, whereas we would expect achieved output to be the basis for payment. Article 121(4) of the CAP strategic plan regulation states that the annual performance reports must include information about realised outputs, realised expenditure, realised results and distance to respective targets.

[125] In contrast to Article 35(c)(ii), Article 35(c)(i) of the horizontal regulation does not explicitly exclude eligibility conditions for individual beneficiaries laid down in the CAP strategic plans.

[126] Except for operations financed by financial instruments, as for these, expenditure declared by the Member States may not exceed the eligible costs of the operation (Article 74(4) of the CAP strategic plan regulation).

[127] We suggest streamlining the use of 'management and control system' and 'governance system'. Article 1(b) of the horizontal regulation refers to 'the management and control systems', whereas preamble 36 uses the term 'management and inspection systems'. Article 57(2) refers to 'management and control systems', while Articles 2 and 40 use 'governance systems' and Article 53: 'Member States' governance systems'.

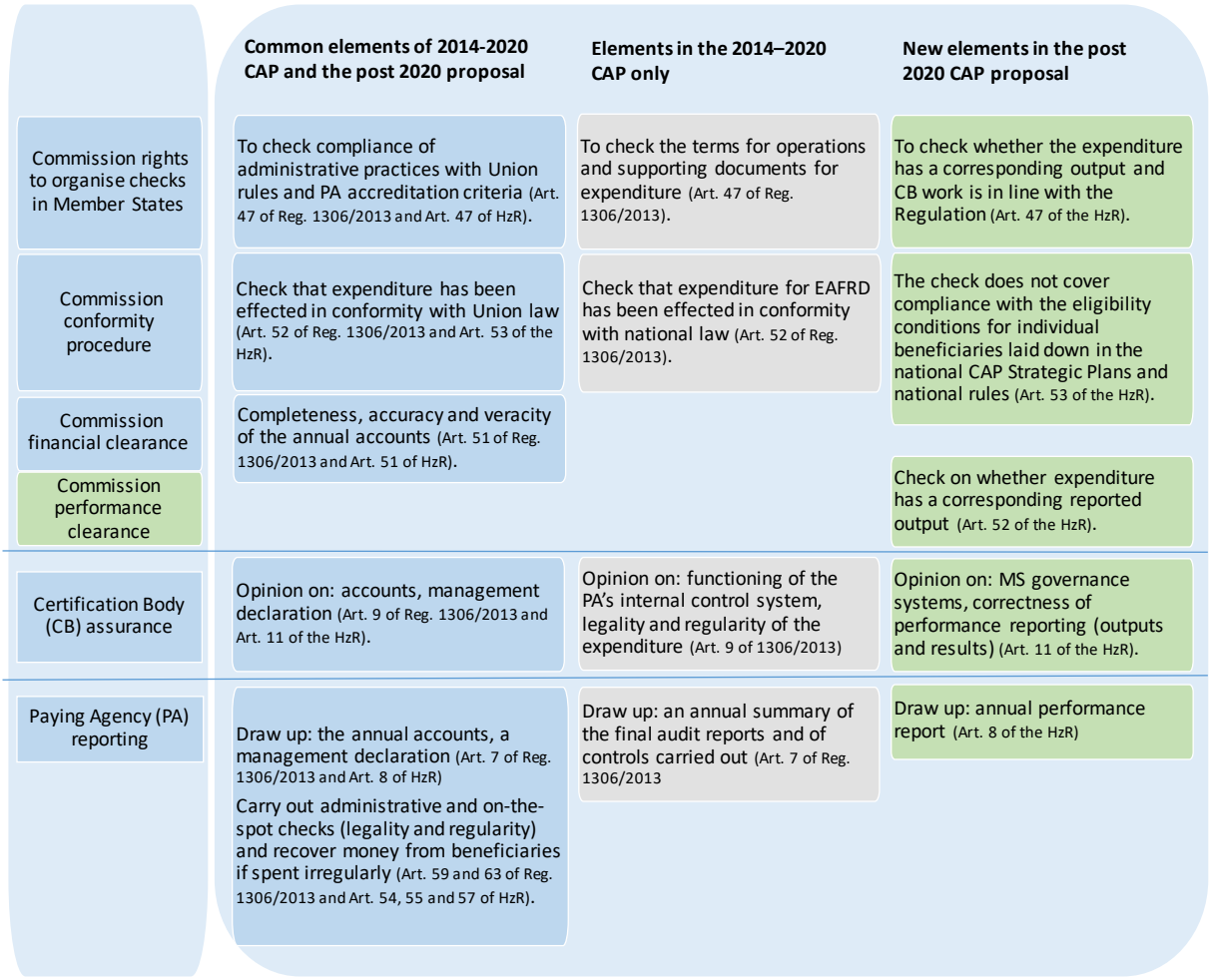
horizontal regulation. These regulations include several rules applicable to individual beneficiaries, for example, the definitions[128] that Member States would have to formulate in their CAP strategic plans. It is unclear whether these rules, defined in the CAP strategic plans but mandatory in the EU regulations, would be part of the governance systems.

**Management, control and assurance**

87. The governance bodies would remain the same as in current period, but their roles would change based on the proposal. ***Figure 9*** compares some of the key elements of the CAP management and control system in the current period to the proposal.

[128] Article 4 of the CAP strategic plan regulation.

**Figure 9 – Key elements of the management and control system**




*Source:* ECA, based on current CAP legislation and the Commission proposal.

88. The role of the paying agencies would, in principle, change little. They would carry out detailed checks on the legality and regularity of operations[129], covering the rules set out in the CAP strategic plans. Paying agencies would also continue to draw up annual accounts and provide management declarations as described in ***Figure 9***.

89. The role of the certification bodies would change significantly. In our special report on certification bodies[130], we welcomed the introduction of a certification body opinion on

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[129] Article 57(1)(a) of the horizontal regulation.

[130] Special report 7/2017: The certification bodies' new role on CAP expenditure: a positive step towards a single audit model but with significant weaknesses to be addressed.

legality and regularity. The proposal would not directly require certification bodies to report on legality and regularity[131]. Instead, their opinions would cover the elements set out in Article 35 of the horizontal regulation, which would in practice mean legality and regularity in the new model (see paragraphs 82 and 83). The role of certification bodies, as set out in Article 11(1)(b)-(c) of the horizontal regulation, introducing reporting on reliability of performance data, would be compatible with Article 63(7) of the new financial regulation[132]. Detailed rules on the certification bodies role, including audit principles and methods to be used for their opinions, would be laid down in implementing acts[133].

90. Certification bodies would provide opinions on, inter alia, the functioning of the governance systems put in place by the Member States[134]. The governance systems referred to in the proposed eligibility definition are defined[135] as the governance bodies – paying agencies and coordinating bodies, competent authority and certification bodies – and the 'basic Union requirements'.

91. The 'basic Union requirements' would be defined as the rules laid down in the CAP strategic plan regulation and the horizontal regulation[136]. These regulations would require Member States to include definitions and specific eligibility criteria in their CAP strategic

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131 Article 11 of the horizontal regulation limits reporting on legality and regularity to expenditure financed under regulation 1308/2013 – the common market organisation.

132 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1). Article 63(7) requires independent audit body opinions on whether the accounts provide a true and fair view, whether expenditure for which reimbursement has been claimed from the Commission is legal and regular, and whether the control systems function properly.

133 Article 11(3) of the horizontal regulation.

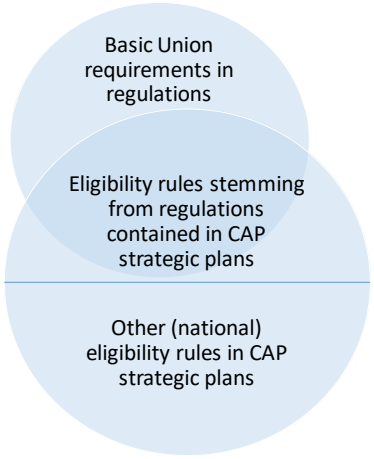
134 Article 11(1) of the horizontal regulation. The certification bodies themselves would be part of these governance systems. The Commission explained during interviews that the certification bodies are not meant to check themselves but this is not reflected in the proposal.

135 Article 2 of the horizontal regulation.

136 Article 2(c) of the horizontal regulation.

plans. This means that some of the eligibility criteria contained in CAP strategic plans would stem from 'basic Union requirements', see ***Figure 10***. We understand that the CAP strategic plans would therefore include both rules stemming from the regulations and other national eligibility criteria.

**Figure 10 – The overlap of basic Union requirements and rules in CAP strategic plans**




*Source:* ECA.

92. The certification bodies' work supporting their opinions[137] on the proper functioning of governance systems would include testing checks carried out by paying agencies. While paying agencies would have to check compliance with both basic Union requirements and eligibility rules contained in the CAP strategic plans, the proposal does not state whether the certification bodies' checks would cover the latter. If the legislator expects certification bodies to check that Member State governance systems cover basic Union requirements translated into the CAP strategic plans, that should be clarified in the regulation.

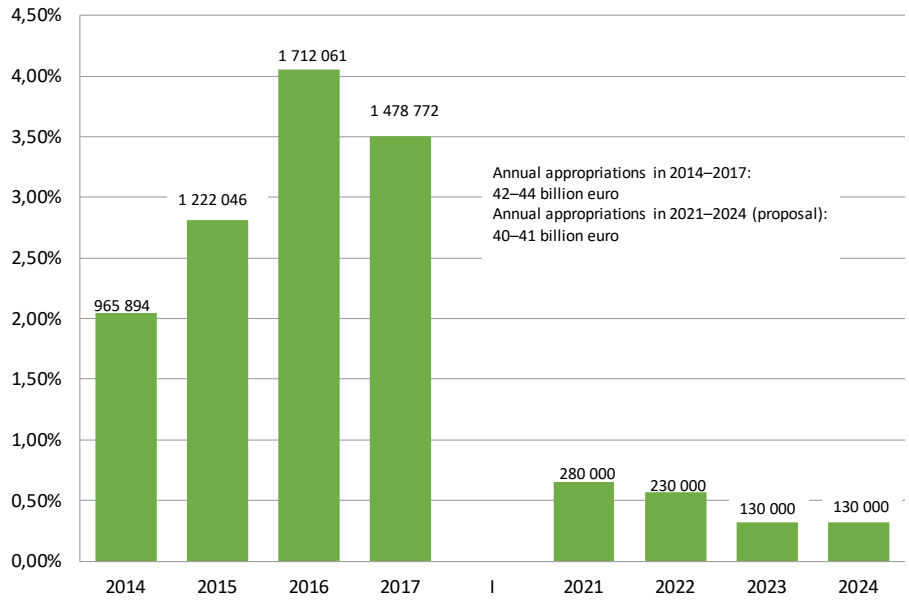
93. If the work of the certification bodies would not cover legality and regularity, including compliance with Union rules and the conditions laid down in the CAP strategic plans, only

[137] Drawn up in accordance with internationally accepted audit standards, according to Article 11(1) of the horizontal regulation.

the paying agencies would check this. In our view, this would not be a sufficiently robust system of assurance to ensure compliance with those rules and conditions.

94. The Commission's performance clearance would be a new element (see paragraph 76), and the scope of its conformity procedure[138] would be limited to EU eligibility criteria. This would mean that a weakness in a paying agency control of compliance with eligibility rules laid down in CAP strategic plans could not lead to financial corrections. Less detailed rules decreases the likelihood of errors, and the Commission therefore expects to carry out fewer risk-based conformity procedures, resulting in fewer financial corrections. The Commission's proposal anticipates a significant reduction in assigned revenue from clearance and irregularities due to the introduction of the new delivery model[139] (see ***Figure 11)***.

**Figure 11 – Estimated assigned revenue (EAGF) from clearance and irregularities (in thousands of euro and as a % of EAGF appropriations)**




*Source*: ECA, based on 2016–2019 EU general budgets and legislative financial statement accompanying the CAP strategic plan regulation proposal.

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138 Article 53(1) of the horizontal regulation.

139 Estimated financial impact of the proposal.

**ECA attestation engagement**

95. Finally, the Treaty requires us, as the EU's external auditor, to give a statement of assurance on the legality and regularity of underlying transactions[140]. The Commission's view[141] is that, based on the new definition of EU eligibility, underlying transactions would no longer consist of payments to final beneficiaries but payments to Member States. Given that some 'basic Union requirements'[142] apply to individual beneficiaries[143], they could only be checked at that level.

96. The issues and uncertainties we have identified concerning the proposed definition of eligible expenditure (see paragraphs 83 to 86) and assurance framework would not provide a basis for an attestation engagement[144] type of Statement of Assurance, which we are currently considering. In particular the certification bodies' unclear role (see paragraphs 89 to 93), could mean that it would not be possible to place more reliance on legality and regularity information provided by auditees. Based on the proposed definition of EU eligibility, CAP payments to Member States would be underpinned by achieved output. A future attestation engagement could take the new framework into account through, for example, attestation of the achieved output. However, this would require the Commission

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[140] Article 287(1) of the TFEU.

[141] Recital 25 of the horizontal regulation.

[142] Defined in Article 2 of the horizontal regulation as the rules laid down in the CAP strategic plan and horizontal regulations.

[143] For example, reduction of payments in Article 15, minimum area threshold in Article 16(2) and the concepts of a genuine farmer in Article 4(d) and the land being at the farmer's disposal in Article 4(c)(i) of the CAP strategic plan regulation.

[144] The ECA is considering moving towards an attestation engagement for its Statement of Assurance, by placing more reliance on legality and regularity information provided by auditees. Based on ISSAI 4000, in attestation engagements the responsible party (in this context: the Commission) measures or evaluates the subject matter (in this context: CAP expenditure) against the criteria (in this context: rules set out in EU legislation and those parts of CAP strategic plans required by EU rules) and presents the subject matter information (in this context: the extent to which payments were in breach of rules), on which the auditor then gathers sufficient and appropriate audit evidence to provide a reasonable basis for expressing a conclusion.

to provide assurance that the outputs were indeed achieved and us to assess this assurance as reliable. If the paying agencies are the only bodies checking compliance with the rules laid down in the CAP strategic plans, on which achievement of at least some of the output is based (see paragraph 85), this assurance is unlikely to be sufficient for an attestation engagement.

This Opinion was adopted by the Court of Auditors in Luxembourg at its meeting of 25 October 2018.

For the Court of Auditors

Klaus-Heiner LEHNE

*President*

## ANNEX I – SPECIFIC COMMENTS ON THE PROPOSED INDICATORS

This annex provides specific comments on the indicators included in the Commission's proposal. Our general comments are made in paragraph 71. The first table covers output indicators, in the proposal linked to the respective interventions. The second table includes result and impact indicators, in the proposal linked to the respective objectives.

### *Output indicators*

| Legal reference | Agricultural Knowledge and Innovation Systems (AKIS) | Output indicator | ECA's comments |
|---|---|---|---|
| Article 13 of the CAP strategic plan regulation | European Innovation Partnership for agricultural knowledge and innovation (EIP) | O.1 Number of EIP operational groups<br>O.2 Number of advisors setting up or participating in EIP operational groups | The proposal structures the output indicators in Annex I of the CAP strategic plan regulation, the first part concerning AKIS and the second part concerning 'broad types of interventions'.<br>Several CAP interventions may support AKIS. **O.1 and O.2** relate to the interventions 'Cooperation' and 'Knowledge exchange and information'. Moving these indicators to the relevant interventions would make the performance framework clearer.<br>**O.2** appears to measure two separate actions, namely advisers 'setting up' and 'participating in' an EIP group (Articles 64(g) and 71). To avoid double counting, we suggest either deleting 'setting up' or splitting this indicator in two. |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | CAP support | O.3 Number of CAP support beneficiaries | 'CAP support' is not a type of intervention, and the relevance of the proposed indicator is not clear. If the |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | | | Commission wishes to monitor the total number of beneficiaries, it would be more useful to do so for each type of intervention.<br>While the proposal does not provide a definition of 'broad type of intervention', an 'intervention' should be based on a type of intervention provided for in the CAP strategic plan regulation (Article 3). Title III of the CAP strategic plan regulation sets out the types of CAP interventions, more specifically Article 14 (direct payments interventions), Articles 39, 43, 49, 52, 55, 57 and 60 (sectoral interventions) and Article 64 (rural development interventions). To align the language, we suggest using the heading 'Type of intervention'. |
| Article 14(6) of the CAP strategic plan regulation | Decoupled direct support | O.4 Number of ha for decoupled DP<br>O.5 Number of beneficiaries for decoupled DP<br>O.6 Number of ha subject to enhanced income support for young farmers<br>O.7 Number of beneficiaries subject to enhanced income support for young farmers | Article 14 defines four types of decoupled direct payment interventions.<br>**O.4** and **O.5** cover all four types (Article 14(6)(a)-(d)) while **O.6** and **O.7** focus on young farmers (Art. 14(6)(c)). The proposal does not include separate monitoring for the other types of decoupled direct payments, e.g. the new eco-schemes (Art. 14(d)).<br>Separate monitoring of the different types of decoupled direct payments would be more useful. With two indicators, similar to **O.6** and **O.7**, for each of the four types of intervention laid down in Art. 14(6), **O.4** and **O.5** would not be needed. |
| Article 64(f) of the CAP strategic plan regulation | Risk management tools | O.8 Number of farmers covered by supported risk management instruments | Given the range of risk management tools available, it would be useful to monitor **O.8** per type of tool. The name of the indicator would be |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | | | clearer if aligning the terminology with the legal text (Article 70), i.e. 'risk management tools' instead of 'risk management instruments'. |
| Article 14(7) of the CAP strategic plan regulation | Coupled support | O.9 Number of ha benefitting from coupled support<br>O.10 Number of heads benefitting from coupled support | To harmonise terminology and ensure consistency of measurement units, for **O.10**, we suggest replacing 'heads' with 'livestock units'.<br>A separate output indicator could be used to monitor number of beneficiaries benefitting from coupled support, which would be more useful than the proposed **O.3** above. |
| Articles 64(b)-(c), 66 and 67 of the CAP strategic plan regulation | Payments for natural constraints and other region-specific constraints | O.11 Number of ha receiving ANC top up (3 categories)<br>O.12 Number of ha receiving support under Natura 2000 or the Water Framework Directive | These indicators relate to two types of intervention: 'natural or other area-specific constraints' (Article 64(b)) and 'area-specific disadvantages resulting from certain mandatory requirements' (Article 64(c)). Listing the types of intervention one by one and using the wording in the proposed legal text would result in a clearer structure. Aligning the terminology would make the legislation easier to read; for example, the type of intervention refers to 'region-specific constraints', whereas Article 64(b)-(c) uses the term 'area-specific'.<br>For **O.11**, we suggest changing 'ANC top up' to 'ANC support'. The proposal does not mention any 'top up'; introducing this concept in the indicator may be confusing. It is not clear whether the indicator is intended to measure the three categories together, or whether they should be monitored separately.<br>The actions monitored by **O.12** contribute to different objectives (Article 6(1)(e) and (f)). Monitoring support |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | | | related to Natura 2000 and water directive separately by splitting the indicator in two would be more useful to assess the contributions to respective objective.<br>It would also make sense to include indicators monitoring the number of beneficiaries in addition to the area, as are included for other interventions. |
| Articles 64(a) and 65 of the CAP strategic plan regulation | Payments for management commitments (environment-climate, genetic resources, animal welfare) | O.13 Number of ha (agricultural) covered by environment/climate commitments going beyond mandatory requirements<br>O.14 Number of ha (forestry) covered by environment/climate commitments going beyond mandatory requirements<br>O.15 Number of ha with support for organic farming<br>O.16 Number of livestock units covered by support for animal welfare, health or increased biosecurity measures<br>O.17 Number of projects supporting genetic resources | **O.13** and **O.14** cover interventions contributing to different objectives. In our view, monitoring activities relating to climate, environment, and biodiversity separately would be more useful.<br>It is not clear why indicator **O.16** refers to animal health and biosecurity. The proposal (Article 65) does not specifically refer to animal health and biosecurity measures, although Member States could choose to include such interventions in their CAP strategic plans. Furthermore, it is not clear whether the number of livestock units would be reported separately for each sub-type of intervention (welfare, health and biosecurity), which would make the indicator more useful. |
| Articles 64(d) and 68 of the CAP strategic plan regulation | Investments | O.18 Number of supported on-farm productive investments<br>O.19 Number of supported Local infrastructures<br>O.20 Number of supported non-productive investments<br>O.21 Number of off-farm productive investments | For consistent reporting of **0.18**, **O.19** and **O.20**, definitions of 'investment' and 'local infrastructures' are needed, as these terms are not defined in the proposal. For example, the definition of 'operation' in Article 3 could be used.<br>Given the variety of investments that can be supported under this intervention, these indicators provide little insight into what |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | | | has been produced or accomplished (i.e.. little result orientation).<br>Moreover, both grants and financial instruments can be used to finance investments. If the Commission intends to have separate output indicators for different financing modes, we suggest specifying separate indicators in the CAP strategic plan regulation itself. |
| Articles 64(e) and 69 of the CAP strategic plan regulation | Installation grants | O.22 Number of farmers receiving installation grants<br>O.23 Number of rural entrepreneurs receiving installation grants | The intervention 'Installation grants' covers young farmers and rural business start-ups (Article 69). For clarity, we suggest adding the word 'young' to **O.22** and aligning the wording of **O.23** with the proposed legal text by replacing 'entrepreneurs' with 'business start-ups'.<br>For young farmers, it would make sense to include also the number of hectares concerned. |
| Articles 64(g) and 71 of the CAP strategic plan regulation | Cooperation | O.24 Number of supported producer groups/organisations<br>O.25 Number of farmers receiving support to participate in EU quality schemes<br>O.26 Number of generational renewal projects (young/non-young farmers)<br>O.27 Number of local development strategies (LEADER)<br>O.28 Number of other cooperation groups (excluding EIP reported under O.1) | For a clearer structure, the output indicators could follow the order of the legal text (Article 71):<br>• EIP (**O.1** and **O.2**)<br>• LEADER (**O.27**)<br>• Promoting quality schemes (**O.25**)<br>• Producer organisations or producer groups (**O.24**)<br>• Other forms of cooperation (**O.28**)<br>• Farm succession (**O.26**)<br><br>See also comments above about **O.1** and **O.2** relating to EIP.<br>For consistency, **O.25** should be reworded to reflect the fact that the aim of the intervention is to support the promotion of quality schemes rather than supporting farmers participating in such schemes. Given that the |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | | | intervention supports the promotion of quality schemes, the participation rate of such schemes would rather be a result indicator.<br>It should also be clarified whether **O.27** is intended to measure all strategies supported or only those selected for implementation (in light of the current two-stage approach of supporting LEADER strategies). |
| Articles 64(h) and 72 of the CAP strategic plan regulation | Knowledge exchange and information | O.29 Number of farmers trained/given advice<br>O.30 Number of non-farmers trained/given advice | To make **O.29** and **O.30** more useful, only unique beneficiaries should be counted. |
| Articles 11-12 and Annex III of the CAP strategic plan regulation | Horizontal indicators | O.31 Number of ha under environmental practices (synthesis indicator on physical area covered by conditionality, ELS, AECM, forestry measures, organic farming)<br>O.32 Number of ha subject to conditionality (broken down by GAEP practice) | To streamline the structure of Annex I and strengthen the performance element by making indicators relevant to the annual performance clearance and multiannual performance review, we suggest not including horizontal indicators.<br>**O.31** does not add additional information, as other indicators (that could be added up if needed) cover these areas; this indicator could therefore be removed. Entry-level schemes (ELS) are not mentioned in the legal text (except in recital 31).<br>The monitoring of conditionality under **O.32** appears to relate to 'Good agricultural and environmental condition of land' (GAEC) only; this should be clarified and 'GAEP' changed to 'GAEC'. Member States would define GAEC standards in their CAP strategic plans (subject to Commission approval). In our view, the areas subject to GAEC could be included, as result indicators under the three environmental/climate |

| Legal reference | Broad type of intervention | Output indicators | ECA's comments |
|---|---|---|---|
| | | | change objectives to which they are allocated in Annex III. |
| Articles 39, 44(1) and 49 of the CAP strategic plan regulation | Sectorial programmes | O.33 Number of producer organisations setting up an operational fund/program<br>O.34 Number of promotion and information actions, and market monitoring<br>O.35 Number of actions for beekeeping preservation/improvement | To align the language, we suggest changing the name of the intervention type to 'sectoral interventions'.<br>Given that they are only one of 16 sub-interventions in the fruit and vegetable sector (Article 43(1)(n)), it is unclear why promotion and communication actions are singled out for monitoring in **O.34**. Other sub-interventions, such as climate change action in the fruit and vegetable sector (Article 43(1)(l), seem at least as relevant. Furthermore, market monitoring is not mentioned as a sub-intervention for the fruit and vegetable sector (Article 43)(1) but for apiculture (Article 49(g)). It is unclear whether **O.34** is intended to monitor interventions in different sectors.<br>Similarly, it is unclear exactly what **O.35** is intended to measure, as 'beekeeping preservation/improvement' is not mentioned in the proposal (Article 49).<br>We suggest replacing **O.34** and **O.35** with 'Number of (unique) producers included in supported operational funds/programs (split into the six sectors if necessary)'. If the Commission wants to keep separate monitoring such as **O.35** for beekeeping (in view of the increased attention on this sector), the wording of the indicator should be aligned with the proposed legal text. If the term 'action' is used, it needs to be defined (e.g. using the definition of 'operation' in Article 3). |

*Source:* ECA, based on the Commission's proposal for the CAP strategic plan regulation (mainly Annex I).

***Result and impact indicators***

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| Cross-cutting objective: Modernisation – Fostering knowledge, innovation and digitalisation in agriculture and rural areas and encouraging their uptake | | | Article 96 of the CAP strategic plan regulation requires Member States to identify needs for the nine specific CAP objectives set out in Article 6 of the same regulation. The cross-cutting objective is not one of those, but is mentioned separately in Article 5. This adds unnecessary complexity to the framework.<br>Including the cross-cutting objective separately, leaves the indicators linked to this objective outside the scope of performance clearance and multiannual performance review.<br>The objective partially overlaps with the specific objective to 'enhance market orientation and increase competitiveness including greater focus on research, technology and digitalisation' (Article 6(1)(b)). To simplify the structure of the framework, we suggest integrating the cross-cutting objective into the specific objectives. |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| R.1 Enhancing performance through knowledge and innovation: *Share of farmers receiving support for advice, training, knowledge exchange, or participation in operational groups to enhance economic, environmental, climate and resource efficiency performance*<br><br>R.2 Linking advice and knowledge systems: *number of advisors integrated within AKIS (compared to total number of farmers)*<br><br>R.3 Digitising agriculture: *Share of farmers benefitting from support to precision farming technology through CAP* | In their current formulation, **R.1** and **R.3** do not measure results.<br><br>To measure the results (immediate changes) of support for advice, training, knowledge exchange, or participation in operational groups, an indicator on e.g. how many farmers took action based on the received advice or training could be more useful. If the cross-cutting objective is integrated in the specific objectives as suggested above, a reformulated **R.1** would fit as a result indicator under the new/reformulated specific objective. Alternatively, the number of farmers receiving such support could be used as an output indicator under the intervention 'Knowledge exchange and information'. However, there seems to be an overlap between **R.1** and **R.24**, which needs to be addressed.<br><br>**R.3** would be a useful output indicator for 'investments'.<br><br>If a Member State recognises a lack of advisors in their needs assessment and introduces interventions aimed at increasing the ratio of advisors in its CAP strategic plan, the ratio of number of farmers per advisor measured in **R.2** can be a relevant result indicator. If the cross-cutting objective is integrated in the specific objectives as suggested | I.1 Sharing knowledge and innovation: *Share of CAP budget for knowledge sharing and innovation* | **I.1** is not an impact indicator. Given that it measures financial resources, **I.1** could be considered an input indicator (see ***Figure 6***).<br><br>If the Commission considers the indicator relevant for monitoring purposes in its current formulation, it would be useful to clarify whether it is referring to the share of the CAP budget allocated or the share of the budget spent by a given point in time. |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| | above, R.2 would fit under the new/reformulated specific objective. | | |
| Specific objective 1: Support viable farm income and resilience across the Union to enhance food security | | | |
| R.4 Linking income support to standards and good practices. *Share of UAA covered by income support and subject to conditionality*<br><br>R.5 Risk Management: *Share of farms with CAP risk management tools*<br><br>R.6 Redistribution to smaller farms: *Percentage additional support per hectare for eligible farms below average farm size (compared to average)*<br><br>R.7 Enhancing support to farms in areas with specific needs: *Percentage additional support per hectare in areas with higher needs (compared to average)* | There is no link between **R.4** and the objective to enhance food security. Moreover, in its current formulation, it is not measuring results. As we recommended in our SR on cross-compliance, a result indicator measuring the share of farms – out of those subject to OTS control – compliant with the conditionality requirements, would be useful. Such a result indicator would fit well under e.g. the specific objective addressing societal demands (Art. 6(1)(i)).<br><br>Given the range of risk management tools available, it would be useful to monitor **R.5** per type of tool.<br><br>If **R.7** intends to measure the result of interventions under Art. 66-67 of the CAP strategic plan regulation, for clarity it would be better to align the wording (e.g. area-specific constraints). | I.2 Reducing income disparities: *Evolution of agricultural income compared to general economy*<br><br>I.3 Reducing farm income variability: *Evolution of agricultural income*<br><br>I.4 Supporting viable farm income: *Evolution of agricultural income level by sectors (compared to the average in agriculture)*<br><br>I.5 Contributing to territorial balance: *Evolution of agricultural income in areas with natural constraints (compared to the average)* | For **I.2**, **I.3**, **I.4** and **I.5,** the terms 'farm income' and 'agricultural income' seem to be used interchangeably. In our view, farm income is a more appropriate measurement (see paragraph 27, 28 and 30).<br><br>We note that there is no impact indicator for the main objective, food security, for which the largest part of the CAP budget is planned (2014-2020 legislation includes e.g. I.05 measuring consumer price evolution of food products, linked to the general objective of viable food production).<br><br>Measuring EU food security by estimating the level of self-sufficiency would be an option. This could be done by measuring the EU's agricultural production of commodities and primary food in relation to the estimated needs of its population in terms of diet and food preferences for an active and healthy life (see paragraph 33).<br><br>Moreover, measuring CAP support as a share of total farm income would be a relevant indicator of the policy's impact. |
| Specific objective 2: Enhance market orientation and increase competitiveness, including greater focus on research, technology and digitalisation | | | |
| R.8 Targeting farms in sectors in difficulties: *Share of farmers benefitting from coupled support for improving competitiveness, sustainability or quality*<br><br>R.9 Farm modernisation: *Share of farmers receiving investment support to* | There is no link between **R.8** and the objective as it is generally recognised that coupled payments can create market distortion.<br><br>**R.9** does not measure results (immediate change), but relates the | I.6 Increasing farm productivity: *Total factor productivity*<br><br>I.7 Harness Agri-food trade: *Agri-food trade imports and exports* | |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| *restructure and modernise, including to improve resource efficiency* | number of beneficiaries of certain interventions to the total.<br>Further result indicators need to be developed to measure the results contributing to this objective. In addition to the main objective of market orientation and increased competition, an indicator monitoring the 'greater focus on research, technology and digitalisation' would be useful. | | |
| Specific objective 3: Improve the farmers' position in the value chain | | | |
| R.10 Better supply chain organisation: *Share of farmers participating in supported Producer Groups, Producer Organisations, local markets, short supply chain circuits and quality schemes*<br>R.11 Concentration of supply: *Share of value of marketed production by Producer Os with operational programmes* | **R.10** does not measure results (immediate change) of participating in those groups or organisations.<br>For **R.11** it is not clear how the share would be calculated, i.e. to what the value of marketed production should be related. | I.8 Improving farmers' position in the food chain: *Value added for primary producers in the food chain* | |
| Specific objective 4: Contribute to climate change mitigation and adaptation, as well as sustainable energy | | | |
| R.12 Adaptation to climate change: *Share of agricultural land under commitments to improve climate adaptation*<br>R.13 Reducing emissions in the livestock sector: *Share of livestock units under support to reduce GHG emissions and/or ammonia, including manure management* | We acknowledge that results relating to climate change mitigation and adaptation actions are challenging to measure and that immediate changes are often not evident. However, if **R.12**, **R.13**, **R.14** and **R.17** are to be considered result indicators, there needs to be scientific evidence supporting the expected results of the measures taken. Moreover, irrespective of – quite often significant – differences in the | I.9 Improving farm resilience: *Index*<br>I.10 Contribute to climate change mitigation: *Reducing GHG emissions from agriculture*<br>I.11 Enhancing carbon sequestration: *Increase the soil organic carbon*<br>I.12 Increase sustainable energy in agriculture: *Production of renewable energy from agriculture and forestry* | Articles 7, 96 and 97 of the CAP Strategic Plan regulation link CAP interventions to the EU's climate and energy legislation. Hence, the CAP performance framework needs to demonstrate the sector's delivery on EU's climate and energy targets.<br>If **I.9** is intended to measure climate change resilience, we suggest specify this in the indicator's name. The word |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| R.14 Carbon storage in soils and biomass: *Share of agricultural land under commitments to reducing emissions, maintaining and/or enhancing carbon storage (permanent grassland, agricultural land in peatland, forest, etc.)*<br><br>R.15 Green energy from agriculture and forestry: *Investments in renewable energy production capacity, including bio-based (MW)*<br><br>R.16 Enhance energy efficiency: *Energy savings in agriculture*<br><br>R 17 Afforested land: *Area supported for afforestation and creation of woodland, including agroforestry* | commitments' contribution to climate change, each hectare counts equally for these indicators. Differentiating between these hectares depending on their contribution to the objectives, based on evidence, could make these indicators more meaningful. This could, for example, be done by a scoring system, such as the OECD Rio markers, in which the activities would be screened and marked by assigning a share (from 0-100 %) as contributing to an objective.<br><br>It is no clear whether **R.15** intends to measure the number of investments or the capacity. While the capacity created would be more relevant than the number of investments, a more appropriate result indicator could be the renewable energy produced after certain time.<br><br>**R.16** should clarify whether the intention is to measure energy savings resulting from CAP investments, and whether it is the annual energy savings that should be measured. | | 'resilience' is used in objective 1 with a different meaning (economic resilience), which could lead to confusion. The index needs to be further specified: we understand that DG AGRI is currently developing an index to track climate change adaption together with DG CLIMA. |
| <u>Specific objective 5</u>: Foster sustainable development and efficient management of natural resources such as water, soil and air | | | |
| R.18 Improving soils: *Share of agricultural land under management commitments beneficial for soil management* | We acknowledge that results relating to environmental objectives are challenging to measure and that immediate changes are often not evident. However, if **R.18**, **R.19**, **R.20**, | I.13 Reducing soil erosion: *Percentage of land in moderate and severe soil erosion on agricultural land* | The impact indicators seem relevant, but need to be further specified.<br><br>**I.14**: 'Reduction of' would be more accurate than 'Reduce'. |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| R.19 Improving air quality: *Share of agricultural land under commitments to reduce ammonia emission*<br><br>R.20 Protecting water quality: *Share of agricultural land under management commitments for water quality*<br><br>R.21 Sustainable nutrient management: *Share of agricultural land under commitments related to improved nutrient management*<br><br>R.22 Sustainable water use: *Share of irrigated land under commitments to improve water balance*<br><br>R.23 Environment-/climate-related performance through investment: *Share of farmers with support in investments related to care for the environment or climate*<br><br>R.24 Environmental/climate performance through knowledge: *Share of farmers receiving support for advice/training related to environmental-climate performance* | **R.21** and **R.22** are to be considered result indicators, there needs to be scientific evidence supporting the expected results of the measures taken. Moreover, irrespective of – quite often significant – differences in the commitments' environmental value, the land counts equally for these indicators. They would be more useful if differentiating between different commitments (see comment on R.12 above).<br><br>Similarly, for **R.23** there needs to be scientific evidence/studies confirming the respective investment's environmental contribution.<br><br>**R.24** would be more result oriented if measuring actions taken based on the advise/training received.<br><br>To avoid double counting, **R.23** and **R.24** need to specify that farmers can only be counted once during the multiannual financial framework period. | I.14 Improving air quality: *Reduce ammonia emissions from agriculture*<br><br>I.15 Improving water quality: *Gross nutrient balance on agricultural land*<br><br>1.16 Reducing nutrient leakage: *Nitrate in ground water - Percentage of ground water stations with N concentration over 50 mg/l as per the Nitrate directive*<br><br>I.17 Reducing pressure on water resource: *Water Exploitation Index Plus (WEI+)* | |
| Specific objective 6: Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes | | | |
| R.25 Supporting sustainable forest management: *Share of forest land under management commitments to support forest protection and management.*<br><br>R.26 Protecting forest ecosystems: *Share of forest land under management* | As mentioned for climate and environmental result indicators above, **R.25**, **R.26**, **R.27**, **R.28** and **R.29** need to be supported by scientific studies or evidence confirming the contribution of biodiversity measures. | I.18 Increasing farmland bird populations: *Farmland Bird Index*<br><br>I.19 Enhanced biodiversity protection: *Percentage of species and habitats of Community interest related to* | |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| *commitments for supporting landscape, biodiversity and ecosystem services*<br><br>R.27 Preserving habitats and species: *Share of agricultural land under management commitments supporting biodiversity conservation or restoration*<br><br>R.28 Supporting Natura 2000: *Area in Natura 2000 sites under commitments for protection, maintenance and restoration*<br><br>R.29 Preserving landscape features: *Share of agriculture land under commitments for managing landscape features, including hedgerows* | It is not clear why, for **R.28**, it is proposed to measure the absolute area instead of the share as for the other indicators. | *agriculture with stable or increasing trends*<br><br>I.20 Enhanced provision of ecosystem services: *share of UAA covered with landscape features* | |
| <u>Specific objective 7</u>: Attract young farmers and facilitate business development in rural areas | | | |
| R.30 Generational renewal: *Number of young farmers setting up a farm with support from the CAP* | **R.30** and **I.21** focus on number of young or new farmers, not on generational renewal rate between young/new and old farmers, or young/new and total number of farmers. Measuring such ratios would be more useful indicators of the performance of the policy.<br><br>In our view, these indicators should take into account only young farmers who successfully pass the installation phase (for example successfully implementing their business plan). | I.21 Attracting young farmers: *Evolution of number of new farmers* | See comments on result indicator R.30. |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| Specific objective 8: Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry | | | |
| R.31 Growth and jobs in rural areas: *New jobs in supported projects*<br><br>R.32 Developing the rural bioeconomy: *Number of bioeconomy businesses developed with support*<br><br>R.33 Digitising the rural economy: *Rural population covered by a supported Smart Villages strategy*<br><br>R.34 Connecting rural Europe: *Share of rural population benefitting from improved access to services and infrastructure through CAP support*<br><br>R.35 Promoting social inclusion: *Number of people from minority and/or vulnerable groups benefitting from supported social inclusion projects* | For **R.31** to reflect reality, the indicator should measure the number of 'real jobs' (i.e. not temporary) created at the completion of a project. A common definition is needed.<br><br>**R.33** measures coverage of 'Smart Villages strategies'. If used as a result indicator, this concept needs to be defined in the regulation. With the exception of recitals 16 and 45, 'smart village strategy' is currently not mentioned in the proposal.<br><br>To make **R.35** more useful, only the number of unique persons should be counted (to avoid double counting if individuals benefit from more than one social inclusion project). | I.22 Contributing to jobs in rural areas: *Evolution of the employment rate in predominantly rural areas*<br><br>I.23 Contributing to growth in rural areas: *Evolution of GDP per head in predominantly rural areas*<br><br>I.24 A fairer CAP: *Improve the distribution of CAP support*<br><br>I.25 Promoting rural inclusion: *Evolution of poverty index in rural areas* | It is unclear what **I.24** is intended to measure. The legislator might want consider calculating a change in the Gini coefficient of CAP subsidies only. |
| Specific objective 9: Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare | | | |
| R.36 Limiting antibiotic use: *Share of livestock units concerned by supported actions to limit the use of antibiotics (prevention/reduction)*<br><br>R.37 Sustainable pesticide use: *Share of agricultural land concerned by supported specific actions which lead to a sustainable use of pesticides in order to reduce risks and impacts of pesticides* | For **R.36**, **R.37** and **R.38** to be considered result indicators, there needs to be scientific evidence supporting the expected results of the measures taken.<br><br>**R.36** refers to actions with an indirect impact on animal welfare. It does not refer to the results of the interventions in terms of improved animal welfare/actual reduction of antibiotics use. | I.26 Limiting antibiotic use in agriculture: *sales/use in food producing animals*<br><br>I.27 Sustainable use of pesticides: *Reduce risks and impacts of pesticides (Directive on sustainable use of pesticides)*<br><br>I.28 Responding to consumer demand for quality food: *Value of production under EU quality schemes (incl. organics)* | There is no impact indicator for animal welfare.<br><br>It is not clear whether **I.26** is meant to address sales or the use of antibiotics. Food is also a very broad concept. The indicator would be more useful if it were to measure, for example, the share of food produced without antibiotics over time.<br><br>It is not clear what **I.27** is meant to measure. If it is aimed at reducing use of |

| Result indicators | ECA's comments | Impact indicators | ECA's comments |
|---|---|---|---|
| R.38 Improving animal welfare: *Share of livestock units covered by supported action to improve animal welfare* | **R.38** does not measure actual results. The share of livestock units covered by actions to improve animal welfare does not represent the change in welfare status of the animals. It is not clear whether this indicator is linked to output indicator **O.16**, i.e. if that indicator can be used as a basis for the calculation of R.38. There is a risk that interventions for objectives other than animal welfare (health, biosecurity) are reported under this indicator, giving a misleading picture of the extent of animal welfare actions. | | pesticides, the indicator should be reworded. The reduction of risks and impacts of pesticides does not seem possible to measure.<br>**I.28** addresses only the value of production without relating it to any other factor. This leaves the indicator vulnerable to external influence such as price changes. Measuring it as a percentage of total production could be a more useful indicator. |

*Source:* ECA, based on the Commission's proposal for the CAP strategic plan regulation (mainly Annex I).

## ANNEX II – LINKING OBJECTIVES, INTERVENTIONS AND INDICATORS

Aiming to present a coherent framework (based solely on the objectives, interventions and indicators in the Commission's proposal), in this annex we analyse for each output indicator and related intervention to which objective(s) it contributes. We also reviewed the Commissions mapping of the result and impact indicators to the specific objectives and rearranged them when needed. In this annex we do not assess the quality of the indicators; for comments on individual indicators, see ***Annex I***.

In our view, a coherent framework should link the proposed specific objectives, shown in the first column, to the output indicators and the corresponding interventions (see paragraph 80). The text in bold reflects some of the inconsistencies and gaps (i.e. missing indicators) where further work is needed.

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| Specific objective 1: Support viable farm income and resilience across the Union to **enhance food security** | Decoupled direct payments - basic- and complementary redistributive income support | Articles 14(6)(a) and (b) | O.4 Number of ha for decoupled DP<br>O.5 Number of beneficiaries for decoupled DP | R.5 Risk Management: *Share of farms with CAP risk management tools*<br>R.6 Redistribution to smaller farms: *Percentage additional support per hectare for eligible farms below average farm size (compared to average)*<br>R.7 Enhancing support to farms in areas with specific needs: *Percentage additional support per hectare in areas with higher needs (compared to average)* | I.2 Reducing income disparities: *Evolution of agricultural income compared to general economy*<br>I.3 Reducing farm income variability: *Evolution of agricultural income*<br>I.4 Supporting viable farm income: *Evolution of agricultural income level by sectors (compared to the average in agriculture)*<br>I.5 Contributing to territorial balance: *Evolution of agricultural income in areas with natural constraints (compared to the average)*<br>*I.24* A fairer CAP: *Improve the distribution of CAP support* |
| | Risk management tools | Articles 64(f) and 70 | O.8 Number of farmers covered by supported risk management instruments | | |
| | Payments for natural or other area-specific constraints | Articles 64(b) and 66 | O.11 Number of ha receiving ANC top up (3 categories) | | |

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| Specific objective 2: Enhance market orientation and increase competitiveness, including greater focus on research, technology and digitalisation | Coupled direct payments | Article 14(7) | O.9 Number of ha benefitting from coupled support<br>O.10 Number of heads benefitting from coupled support | R.8 Targeting farms in sectors in difficulties: *Share of farmers benefitting from coupled support for improving competitiveness, sustainability or quality* | I.6 Increasing farm productivity: *Total factor productivity*<br>I.7 Harness Agri-food trade: *Agri-food trade imports and exports* |
| | Investments | Articles 64(d) and 68 | O.18 Number of supported on-farm productive investments<br>O.21 Number of off-farm productive investments | R.3 Digitising agriculture: *Share of farmers benefitting from support to precision farming technology through CAP*<br>R.9 Farm modernisation: *Share of farmers receiving investment support to restructure and modernise, including to improve resource efficiency* | |
| | Knowledge exchange and information | Articles 64(h) and 72 | O.29 Number of farmers trained/given advice<br>O.30 Number of non-farmers trained/given advice | R.1 Enhancing performance through knowledge and innovation: *Share of farmers receiving support for advice, training, knowledge exchange, or participation in operational groups to enhance economic, **environmental, climate** and resource efficiency performance*<br>R.2 Linking advice and knowledge systems: *number of advisors integrated within AKIS (compared to total number of farmers)* | |
| Specific objective 3: Improve the farmers' position in the value chain | Sectoral interventions | Article 39 | O.33 Number of producer organisations setting up an operational fund/program<br>O.34 Number of promotion and information actions, and market monitoring | R.10 Better supply chain organisation: *Share of farmers participating in supported Producer Groups, Producer Organisations, local markets, short supply chain circuits and quality schemes*<br>R.11 Concentration of supply: *Share of value of marketed production by* | I.8 Improving farmers' position in the food chain: *Value added for primary producers in the food chain* |
| | Cooperation | Articles 64(g) and 71 | O.24 Number of supported producer groups/organisations | | |

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| | | | | *Producer Os with operational programmes* | |
| Specific objective 4: Contribute to climate change mitigation and adaptation, as well as sustainable energy | [mandatory requirements - GAECs] | Articles 11 and 12 | O.32 Number of ha subject to conditionality (broken down for GAECs 1-2-3) | R.12 Adaptation to climate change: *Share of agricultural land under commitments to improve climate adaptation*<br><br>R.13 Reducing emissions in the livestock sector: *Share of livestock units under support to reduce GHG emissions and/or ammonia, including manure management*<br><br>R.14 Carbon storage in soils and biomass: *Share of agricultural land under commitments to reducing emissions, maintaining and/or enhancing carbon storage (permanent grassland, agricultural land in peatland, forest, etc.)*<br><br>R 17 Afforested land: *Area supported for afforestation and creation of woodland, including agroforestry* | I.9 Improving farm resilience: *Index*<br><br>I.10 Contribute to climate change mitigation: *Reducing GHG emissions from agriculture*<br><br>I.11 Enhancing carbon sequestration: *Increase the soil organic carbon*<br><br>I.12 Increase sustainable energy in agriculture: *Production of renewable energy from agriculture and forestry* |
| | Decoupled direct payments - schemes for the climate and the environment | Article 14(6)(d) | **[no output indicator]** | | |
| | Payments for environmental, climate and other management commitments *going beyond mandatory requirements* | Articles 64(a) and 65 | O.13 Number of ha (agricultural) covered by **environment**/climate commitments going beyond mandatory requirements<br><br>O.14 Number of ha (forestry) covered by **environment**/climate commitments going beyond mandatory requirements | | |
| | Investments | Articles 64(d) and 68 | O.18 Number of supported on-farm productive investments<br><br>O.21 Number of off-farm productive investments | R.15 Green energy from agriculture and forestry: *Investments in renewable energy production capacity, including bio-based (MW)*<br><br>R.16 Enhance energy efficiency: *Energy savings in agriculture*<br><br>R.23 **Environment**-/climate-related performance through investment: *Share of farmers with support in investments related to care for the **environment** or climate* | |

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| | Knowledge exchange and information | Articles 64(h) and 72 | O.29 Number of farmers trained/given advice<br>O.30 Number of non-farmers trained/given advice | R.1 Enhancing performance through knowledge and innovation: Share of farmers receiving support for advice, training, knowledge exchange, or participation in operational groups to enhance **economic**, environmental, climate and **resource efficiency** performance<br>R.24 **Environmental/**climate performance through knowledge: *Share of farmers receiving support for advice/training related to **environmental**-climate performance* | |
| Specific objective 5: Foster sustainable development and efficient management of natural resources such as water, soil and air | [mandatory requirements - GAECs] | Articles 11 and 12 | O.32 Number of ha subject to conditionality (broken down for GAECs 4-8) | Soil<br>R.18 Improving soils: *Share of agricultural land under management commitments beneficial for soil management*<br>*Air*<br>R.19 Improving air quality: *Share of agricultural land under commitments to reduce ammonia emission*<br>*Water*<br>R.20 Protecting water quality: *Share of agricultural land under management commitments for water quality*<br>R.21 Sustainable nutrient management: *Share of agricultural land under commitments related to improved nutrient management* | Soil<br>I.13 Reducing soil erosion: *Percentage of land in moderate and severe soil erosion on agricultural land*<br>*Air*<br>I.14 Improving air quality: *Reduce ammonia emissions from agriculture*<br>*Water*<br>I.15 Improving water quality: *Gross nutrient balance on agricultural land*<br>1.16 Reducing nutrient leakage: *Nitrate in ground water - Percentage of ground water stations with N concentration over* |
| | Decoupled direct payments - schemes for the climate and the environment | Article 14(6)(d) | **[no output indicator]** | | |
| | Payments for environmental, climate and other management commitments *going beyond mandatory requirements* | Articles 64(a) and 65 | O.13 Number of ha (agricultural) covered by environment/**climate** commitments going beyond mandatory requirements<br>O.14 Number of ha (forestry) covered by environment/**climate** commitments going beyond mandatory requirements<br>O.15 Number of ha with support for organic farming | | |

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| | Payments for area-specific disadvantages resulting from certain mandatory requirements | Articles 64(c) and 67 | O.12 Number of ha receiving support under **Natura 2000** or the Water Framework Directive | R.22 Sustainable water use: *Share of irrigated land under commitments to improve water balance*<br>R.23 Environment-**/climate**-related performance through investment: *Share of farmers with support in investments related to care for the environment **or climate*** | *50 mg/l as per the Nitrate directive*<br>I.17 Reducing pressure on water resource: *Water Exploitation Index Plus (WEI+)* |
| | Knowledge exchange and information | Articles 64(h) and 72 | O.29 Number of farmers trained/given advice<br>O.30 Number of non-farmers trained/given advice | R.1 Enhancing performance through knowledge and innovation: Share of farmers receiving support for advice, training, knowledge exchange, or participation in operational groups to enhance **economic**, environmental, **climate and resource efficiency** performance<br>R.24 Environmental/**climate** performance through knowledge: *Share of farmers receiving support for advice/training related to environmental-**climate** performance* | |
| <u>Specific objective 6</u>: Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes | [mandatory requirements - GAECs] | Articles 11 and 12 | O.32 Number of ha subject to conditionality (broken down for GAECs 9-10) | R.25 Supporting sustainable forest management: *Share of forest land under management commitments to support forest protection and management.*<br>R.26 Protecting forest ecosystems: *Share of forest land under management commitments for supporting landscape, biodiversity and ecosystem services*<br>R.27 Preserving habitats and species: *Share of agricultural land under management commitments* | I.18 Increasing farmland bird populations: *Farmland Bird Index*<br>I.19 Enhanced biodiversity protection: *Percentage of species and habitats of Community interest related to agriculture with stable or increasing trends*<br>I.20 Enhanced provision of ecosystem services: *share of UAA covered with landscape features* |
| | Sectoral interventions | Article 39 | O.35 Number of actions for beekeeping preservation/improvement | | |
| | Payments for environmental, climate and other management commitments *going beyond mandatory requirements* | Articles 64(a) and 65 | O.13 Number of ha (agricultural) covered by **environment/climate** commitments going beyond mandatory requirements<br>O.14 Number of ha (forestry) covered by **environment/climate** commitments going beyond mandatory requirements<br>O.17 Number of projects supporting genetic resources | | |

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| | Payments for area-specific disadvantages resulting from certain mandatory requirements | Articles 64(c) and 67 | O.12 Number of ha receiving support under Natura 2000 or **the Water Framework Directive** | *supporting biodiversity conservation or restoration*<br>R.28 Supporting Natura 2000: *Area in Natura 2000 sites under commitments for protection, maintenance and restoration*<br>R.29 Preserving landscape features: *Share of agriculture land under commitments for managing landscape features, including hedgerows* | |
| | Investments | Articles 64(d) and 68 | O.20 Number of supported non-productive investments | | |
| Specific objective 7: Attract young farmers and facilitate business development in rural areas | Decoupled direct payments - complementary income support for young farmers | Article 14(6)(d) | O.6 Number of ha subject to enhanced income support for young farmers<br>O.7 Number of beneficiaries subject to enhanced income support for young farmers | R.30 Generational renewal: *Number of young farmers setting up a farm with support from the CAP* | I.21 Attracting young farmers: *Evolution of number of new farmers* |
| | Installation grants | Articles 64(e) and 69 | O.22 Number of farmers receiving installation grants | | |
| | Cooperation | Articles 64(g) and 71 | O.26 Number of generational renewal projects (young/non-young farmers) | | |
| Specific objective 8: Promote employment, growth, social inclusion and local development in rural areas, including bio- | Investments | Articles 64(d) and 68 | O.19 Number of supported Local infrastructures | R.31 Growth and jobs in rural areas: *New jobs in supported projects*<br>R.32 Developing the rural bioeconomy: *Number of bioeconomy businesses developed with support* | I.22 Contributing to jobs in rural areas: *Evolution of the employment rate in predominantly rural areas*<br>I.23 Contributing to growth in rural areas: *Evolution of GDP per head in predominantly rural areas* |
| | Installation grants | Articles 64(e) and 69 | O.23 Number of rural entrepreneurs receiving installation grants | | |

| Objective | Intervention | Legal reference | Output indicators | Result Indicator | Impact Indicator |
|---|---|---|---|---|---|
| economy and sustainable forestry | Cooperation | Articles 64(g) and 71 | O.1 Number of EIP operational groups<br>O.2 Number of advisors setting up or participating in EIP operational groups<br>O.27 Number of local development strategies (LEADER)<br>O.28 Number of other cooperation groups (excluding EIP reported under O.1) | R.33 Digitising the rural economy: *Rural population covered by a supported Smart Villages strategy*<br>R.34 Connecting rural Europe: *Share of rural population benefitting from improved access to services and infrastructure through CAP support*<br>R.35 Promoting social inclusion: *Number of people from minority and/or vulnerable groups benefitting from supported social inclusion projects* | I.25 Promoting rural inclusion: *Evolution of poverty index in rural areas*<br>*I.1 Sharing knowledge and innovation: Share of CAP budget for knowledge sharing and innovation* |
| Specific objective 9: Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare | Payments for environmental, climate and other management commitments *going beyond mandatory requirements* | Articles 64(a) and 65 | O.13 Number of ha (agricultural) covered by **environment/climate** commitments going beyond mandatory requirements<br>O.16 Number of livestock units covered by support for animal welfare, health or increased biosecurity measures | R.4 Linking income support to standards and good practices. *Share of UAA covered by income support and subject to conditionality*<br>R.36 Limiting antibiotic use: *Share of livestock units concerned by supported actions to limit the use of antibiotics (prevention/reduction)*<br>R.37 Sustainable pesticide use: *Share of agricultural land concerned by supported specific actions which lead to a sustainable use of pesticides in order to reduce risks and impacts of pesticides*<br>R.38 Improving animal welfare: *Share of livestock units covered by supported action to improve animal welfare* | I.26 Limiting antibiotic use in agriculture: *sales/use in food producing animals*<br>I.27 Sustainable use of pesticides: *Reduce risks and impacts of pesticides (Directive on sustainable use of pesticides)*<br>I.28 Responding to consumer demand for quality food: *Value of production under EU quality schemes (incl. organics)* |
| | Cooperation | Articles 64(g) and 71 | O.25 Number of farmers receiving support to participate in EU quality schemes | | |
| | [mandatory requirements - SMRs] | Articles 11 and 12 | O.3 Number of CAP support beneficiaries<br>O.31 Number of ha under environmental practices (synthesis indicator on physical area covered by conditionality, **ELS, AECM, forestry measures, organic farming**) | | |

*Source:* ECA, based on Commission's proposal for a CAP strategic plan regulation, Specific objectives (Article 6), CAP interventions and mandatory requirements (Articles 11-12, 14, 39, 64-72) and output, result and impact indicators (Annex I of the CAP strategic plan regulation).