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## CAP 2021-27: Using the eco-scheme to maximise environmental and climate benefits

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## Executive Summary

For better or for worse, the Common Agriculture Policy (CAP) has long influenced the development of farming practice and land management in Europe since its inception in the 1960s. The integration of environmental considerations into the CAP has been a gradual and lengthy process over the last decades. The European Commission's proposals for the 2021-2027 reform, published in June 2018, mark the latest efforts by the EU to further integrate these considerations into the CAP. Under the proposals the introduction of an eco-scheme, mandatory for Member States to implement under Pillar 1, but voluntary for farmers, is potentially a significant innovation in the CAP's current green architecture.

In this report, key parts of the proposals relevant to the eco-scheme are investigated in order to ascertain how this new intervention could be used to help the next CAP maximise environmental and climate benefits in the EU agriculture sector. Based on this analysis and the lessons learned from the current CAP implementation, we consider what is needed to ensure that the potential of the eco-scheme is reached. The report also sets out some preliminary ideas suggesting how the new instrument could fit into an overall policy mix of environmental and climate related interventions within the CAP Strategic Plans (CSP).

### **Environmental and climate action under a New Delivery Model**

The Commission's proposals place a strong focus on the need for the next CAP to deliver a higher level of environmental and climate ambition. A greater emphasis is also put on the achievement of results at national and regional level against the CAP's objectives - rather than concentrating on compliance with a set of EU rules. Responsibilities between the EU and Member States in the design and implementation of the CAP are redefined under a 'new delivery model' in which Member States are required to demonstrate how they will use different interventions from both pillars to address identified national and regional needs corresponding to the CAP objectives.

In terms of specific intervention types, the eco-scheme constitutes a new feature of the green architecture, superseding the green direct payments mechanism introduced under the 2013 CAP reform. Its introduction moves away from the approach taken with the green direct payments whereby Member States implemented a common set of practices with detailed rules set at EU level, mandatory for all farmers in receipt of direct payments. The eco-scheme therefore gives Member States more autonomy and flexibility to define the actual content of environmental and climate actions supported under Pillar 1, which should complement other elements of the green architecture (including baseline requirements and standards related to environment and climate set out under 'conditionality', and the well-established Pillar 2 agri-environment-climate schemes). Despite emphasising the need for greater environmental and climate ambition the Commission's proposals do not include any minimum spending requirement for the eco-scheme. This effectively leaves the decision of the amount of funding

allocated to the eco-scheme fully at the discretion of Member States. For further information, see Chapter 2.

### **Lessons learned on environmental mainstreaming under the CAP 2014-2020**

The 2014-2020 CAP represented an attempt to make a significant shift in policy to enhance the CAP's environmental and climate performance by introducing payments under Pillar 1 for basic environmental management across the farmed countryside. The Commission's original proposal for green direct payments was for 'simple, generalised, annual and non-contractual payments'. However, additional flexibilities introduced by the Commission as a result of pressure from the Member States in the Agriculture Council and the European Parliament, together with developments in the negotiations between the co-legislators, resulted in a general weakening of the content of the measures. This in turn lowered the level of ambition, significantly limited the total agricultural area covered and reduced the actual number of farms required to change their farming practices.

While the sustainable management of natural resources and climate action is a general objective of the CAP 2014-2020, a disconnect exists between the green direct payments and Member States' environmental and climate needs, and hence the achievement of the wider CAP objectives. Broadly speaking, implementation choices in most cases concentrated on the objective of supporting farmers' incomes and maintaining existing management practices. The reform also sought to encourage complementarity between the green direct payments and other elements of the green architecture. In practice, however, the interplay between the green direct payments and other elements of the green architecture was rather limited. For further information, see Chapter 3.

### **The eco-scheme: an opportunity to deliver better outcomes**

In Chapter 4, the report examines six key aspects of the eco-scheme design considered necessary for maximising environmental and climate benefits in the next CAP. These include the targeting and tailoring the eco-scheme to specific needs, making a link with the Farm Advisory Services (FAS), its relationship with other relevant environmental and climate related interventions, financing, planning and approval, and finally monitoring and evaluation. Despite a number of risks and actions needed to improve the legal basis of the eco-scheme, our analysis of the proposals shows that the introduction of the eco-scheme offers Member States a new way to target and tailor Pillar 1 direct payments to support farmers and land managers who wish to transition towards more sustainable farming practices and systems.

To move in this direction a more integrated framework incorporating the eco-scheme and other related interventions is needed as outlined in Chapter 5. This would aim to address Member States' environmental and climate needs and the corresponding CAP objectives and EU environmental and climate targets in a more coherent and coordinated way. Such a framework would be based on a graduated approach to environmental and climate delivery, whereby Member States use a multi-tier hierarchy to incentivise and reward farmers and land managers to take action and undertake a combination of basic and more demanding

commitments. The implementation of the eco-scheme should also be supported by a greater emphasis on sustainability planning at both farm and landscape levels. A single environmental and climate policy framework for the agriculture sector and land management under the next CAP would certainly be a new departure for some countries in terms of strategic planning, farmer engagement and policy integration.

### **Conclusions and recommendations**

In the concluding chapter the report identifies a number of observations that could help to ensure that the eco-scheme's potential to contribute to maximising environmental and climate benefits is reached. Our recommendations include:

#### **1. Ensure that the eco-scheme is well targeted and tailored, and backed by a strong budget in order to deliver a higher level of ambition for environmental and climate action.**

- The eco-scheme offers greater potential for Pillar 1 direct payments to be better tailored and targeted towards environmental and climate priorities compared to the largely one-size-fits-all design of the common EU rules set out under the current CAP's green direct payments. The focus should be on securing additionality, both to instil a more results/performance-based approach to commitments amongst beneficiaries and to respond adequately to the environmental and climate pressures facing the sector.
- The current proposal, however, does not signal any clear strategic purpose for the eco-scheme. This is a weakness and missed opportunity as Member States may fail to use it to facilitate a shift towards more sustainable farming practices and systems in the medium-term. To enable its potential to be maximised, the eco-scheme should also have the same degree of latitude in terms of design as that afforded to agri-environmental-climate commitments under Pillar 2.
- The lack of ring-fencing of CAP funding for the eco-scheme is the single greatest weakness of the proposal. It fails to send a clear signal of the political imperative for the next CAP to respond more decisively to the pressing environmental and climate issues facing the sector and to increase its ambition. The level of minimum spending currently dedicated to the environment and climate action under Pillar 1 (i.e. 30%) must be maintained, with efforts stepped up to improve the ambition and quality of the different commitments offered to beneficiaries. Alternatively, Member States could choose to have global minimum spend equivalent to a 30% allocation from both the Pillar 1 and 2 budget, with different percentage allocations from each budget. This would aim to build on the existing 30% minimum spending requirement under Pillar 2.

#### **2. Ensure that there is complementarity between the eco-scheme and other related CAP instruments including key elements of the green architecture**

- There are strong arguments for Member States to combine the eco-scheme with other elements of the green architecture (e.g. conditionality and Pillar 2 agri-environmental

commitments) to form a coherent strategy for delivering effective environmental and climate outcomes in the next CAP period. Other interventions that may not be seen to be directly part of the green architecture, such as non-productive investments and knowledge exchange and information, should be included as well.

- In particular, there needs to be better integration of environmental considerations into the FAS, compared to the current programming period. A critical point is that any investment in advisory services should not be seen merely as an administrative cost as experience shows how valuable advice can be. It should also be possible for Member States to fund the FAS and other knowledge exchange and information actions using the CAP's different funding mechanisms.

**3. Ensure that planning and performance under the next CAP is participatory, transparent and evidence-based to effectively address key environmental and climate challenges**

- An effective performance, monitoring and evaluation framework (PMEF) will be a critical tool in order to engender a genuine shift towards a more results/performance-based CAP. Such a shift in emphasis will require a significant change in mind-set to ensure that the eco-schemes and other elements of the green architecture are effectively designed and targeted and that the results of each element are adequately assessed.
- Both the strategic planning and robust monitoring and measurement of the performance of environmental interventions, against the CAP objectives, will require significant investment in Member State training as well as capacity-building. Good stakeholder engagement during the planning and implementation phase will be also be essential in order to ensure a more participatory and transparent approach.
- Finally the Commission has set out a number of safeguards aiming to ensure that Member States use the next CAP to raise their level of environmental and climate ambition and activity. However, during the planning phase, clear criteria are needed to ensure that Member States actually demonstrate how the eco-scheme and other elements of the green architecture are designed to make a greater and sufficient contribution, (not least compared to the current programming period).



# 1 Introduction and purpose

## 1.1 Policy Context

For better or for worse, the Common Agriculture Policy (CAP) has long influenced the development of farming practice and land management in Europe since its inception in the 1960s (Pe'er et al, 2017). The integration of environmental considerations into the CAP has been a gradual and lengthy process over the last decades. With the continuing pressures of unsustainable agriculture and land management on the environment (EEA, 2015) and the increasing emphasis on the need for the agriculture sector to respond to climate change (IPPC, 2018), the European Commission's proposals for the 2021-2027 reform,<sup>1</sup> published in June 2018, marks the latest efforts by the EU to better integrate these considerations into the CAP.

The introduction of green direct payments under the 2013 CAP reform represented a significant milestone to put environmental and climate concerns at heart of the EU's agricultural policy. While an important development in promoting more sustainable farming practices, current evidence shows that the greening of direct payments has only led to small changes with ultimately limited impact on the ground. This sees the Commission's proposals re-thinking how environmental and climate payments could be offered under Pillar 1, as part of a wider shift towards a more results/performance-based policy after 2020. The Commission's intention is that next CAP will continue to offer Member States a similar suite of environmental and climate related interventions across both Pillars 1 and 2 – using the so-called green-architecture. However, a key change is the proposed new eco-scheme<sup>2</sup> to incentivise farmers to take up environmental and climate actions under Pillar 1.

The eco-scheme would be a voluntary scheme for farmers, compulsory for Member States to implement, but with no ring-fenced budget. It would effectively supersede the greening as the key 'green' element of Pillar 1 forming part of the CAP's wider green architecture. The eco-scheme proposes to shift the focus away from common environmental rules defined at EU level, which are the basis for the current green direct payments. This new intervention type would instead give Member States the autonomy and flexibility to individually target and tailor Pillar 1 environmental and climate commitments towards their specific needs aligned to a common set of CAP objectives.

## 1.2 Purpose of the report

This report examines this significant innovation in the CAP's green architecture. Key parts of the proposals relevant to the eco-scheme are investigated in order to ascertain how this new

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<sup>1</sup> Proposal establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CSPs) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD), COM(2018) 392 final, Brussels, 1.06.2018

<sup>2</sup> See Schemes for the Climate and the Environment Article 28 of the CAP Proposals. For the full text of the article and accompanying recital see Box 2, Section What is in the Commission's proposals? 4.1.1.

intervention could be used to help the next CAP deliver better environmental and climate benefits across the EU.

The eco-scheme is potentially an important instrument to support farmers and/or land managers who wish to transition towards more sustainable farming practices and systems. Key issues explored in the report include:

- the extent to which the new eco-scheme can be targeted and tailored towards specific environmental and climate needs;
- the link between the eco-scheme and the Farm Advisory Services (FAS);
- the relationship between the eco-scheme and other relevant environmental and climate related interventions within the CAP;
- the funding dimension of the eco-scheme as well as related interventions;
- how the eco-scheme and other related interventions fit into the ‘new delivery model’ in terms of the development of the CAP strategic plans (CSPs), the approval process for these plans as well as their monitoring and evaluation; and
- how the eco-scheme could be designed to ensure greater environmental and climate ambition is realised throughout the whole of the CAP.

Chapter 2 briefly introduces the Commission’s proposals for the eco-scheme and other environmental and climate interventions under CAP reform 2021-2027. This is followed by a short overview in Chapter 3 of the lessons learned from the introduction of green payments into Pillar 1 in the 2013 CAP reform. In Chapter 4, we analyse the opportunities and risks associated with the eco-scheme, as currently set out in the Commission’s proposals, and consider what is needed to ensure that they contribute to mainstreaming environmental and climate outcomes after 2020.

This analysis is followed by some ideas in Chapter 5, suggesting how the eco-scheme could fit into an overall policy mix of environmental and climate related interventions within the CSP. We foresee all commitments would be tailored and targeted to address Member States’ self-identified regional and national needs, and would be based on a graduated and multi-tiered approach.

Finally, key conclusions and recommendations for the eco-scheme and related components of the Commission’s legislative proposals for the CAP are set out in Chapter 6.

## 2 Environmental and climate action under a New Delivery Model

Chapter 2 briefly introduces the Commission’s proposals for the eco-scheme and other environmental and climate interventions under CAP 2021-2027 draft texts published in June 2018. Key elements of the eco-scheme and related components of the proposal, including the other elements of the new green architecture, are explored further in Chapter 4.

### 2.1 Towards a higher level of environmental and climate ambition

The proposals have a strong focus on the need for the next CAP to deliver a higher level of environmental and climate ambition and place a greater emphasis on the achievement of results at national and regional level against the CAP’s objectives - rather than concentrating on compliance with a set of EU rules. More broadly, a key novelty of the proposals is that Member States are required to design all their CAP interventions under both Pillars in one overarching plan based on a common needs assessment and intervention strategy and grounded on a common performance, monitoring and evaluation framework (PMEF). Using this ‘new delivery model’, the Commission proposes to base this common strategic planning of CAP support primarily around nine new ‘specific’ objectives which fall under three overarching general objectives pertaining to the economic, environmental and social aspects of the policy. The four general objectives are largely similar to those in the 2014-2020 CAP, but are complemented by a further ‘cross-cutting’ objective covering knowledge transfer and innovation (see Table 1).

**Table 1: Overview of proposed CAP general and ‘specific’ objectives**

<b>1. Foster a smart, resilient and diversified agricultural sector ensuring food security;</b>		
(i) Support viable farm income and resilience across the Union to enhance food security	(ii) Enhance market orientation and increase competitiveness, including greater focus on research, technology and digitalisation	(iii) Improve farmers' position in the value chain
<b>2. Bolster environmental care and climate action and to contribute to the environmental- and climate-related objectives of the Union;</b>		
(iv) Contribute to climate change mitigation and adaptation, as well as sustainable energy	(v) Foster sustainable development and efficient management of natural resources such as water, soil and air	(vi) Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes
<b>3. Strengthen the socio-economic fabric of rural areas</b>		
(vii) Attract young farmers and facilitate business development in rural areas	(viii) Promote employment, growth, social inclusion and local development in rural areas, including the bio-economy and sustainable forestry	(viii) Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare
<b>4. Modernise the sector by fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas, and encouraging their uptake (cross-cutting)</b>		

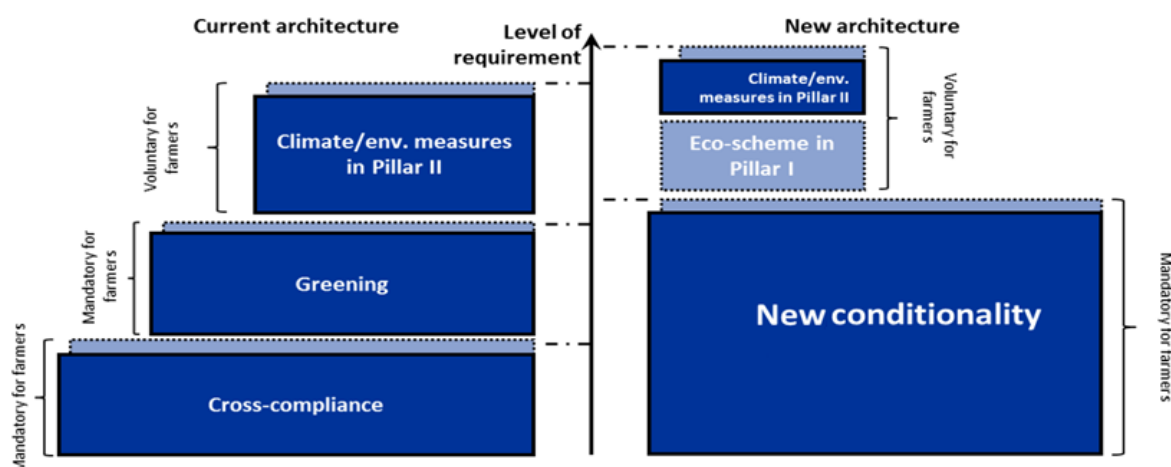


Source: Own compilation based on the legislative proposals

Responsibilities between the EU and Member States in the design and implementation of the CAP are redefined under the ‘new delivery model.’ The basic parameters of the policy, including the CAP objectives, indicators, broad mandatory and voluntary intervention types and minimum rules are set at EU level. Member States will be required to demonstrate how they have decided to tailor and target the different interventions under both pillars of the CAP to address identified national and regional needs corresponding to the CAP objectives<sup>3</sup>. This includes the identification of eligibility criteria and setting targets against which progress can be measured. The Commission is responsible for assessing and approving the CAP Strategic Plans (CSP) as well as reviewing progress together with the Member States. The overall approach draws on the programming method used since 2000 by Member States and regions for developing their rural development programmes (RDPs).

## 2.2 The eco-scheme and the CAP’s green architecture

Following the principle introduced in the 2013 reform that environmental and climate support should be available under both Pillars 1 and 2 of the CAP, the new legislative proposals also set out mandatory environmental interventions in both pillars (voluntary for farmers), underpinned by mandatory environmental conditions (see Figure 1).



**Figure 1: Comparison of the CAP’s current and proposed new green architecture**

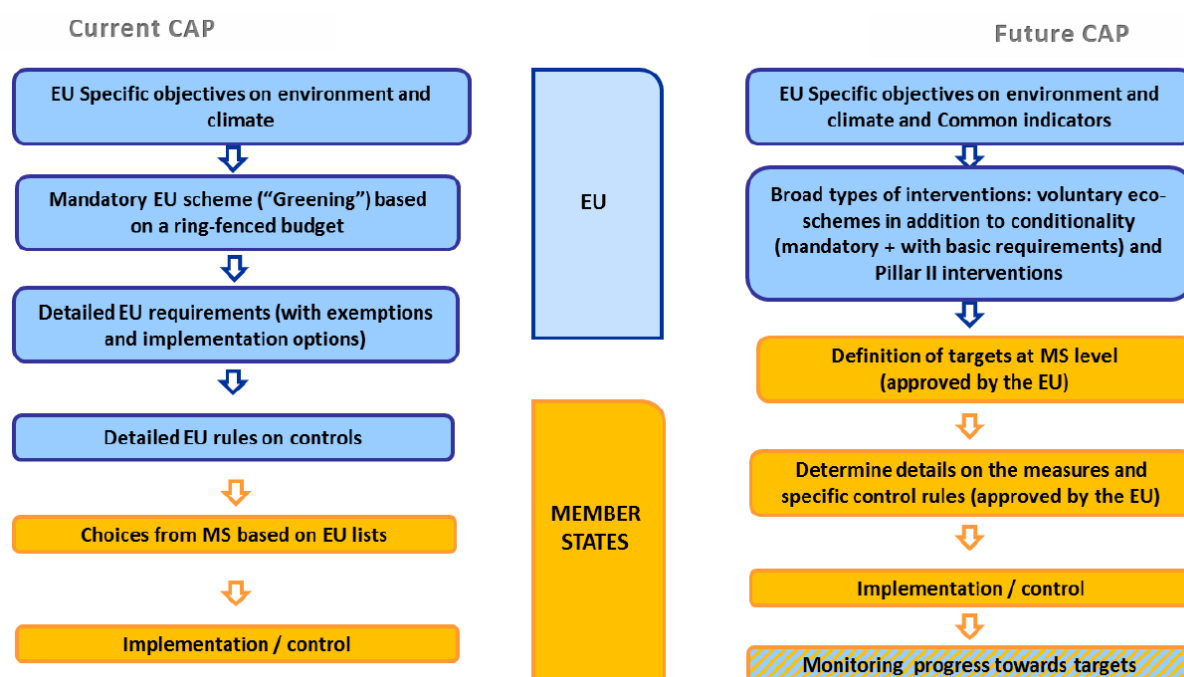
Source: Own adaptation of European Commission diagram

The proposal for the eco-scheme under Pillar 1 constitutes the main new feature of the green architecture, replacing the green direct payments<sup>4</sup> introduced in the 2014-2020 CAP. Under the proposals, Member States are required to put in place the eco-scheme, designed to

<sup>3</sup> Excluding some market instruments set out under the Common Market Organisation regulation

<sup>4</sup> The actual measures within the CAP that made up the green direct payments are not replaced, but now fall under the new conditionality element of the proposals. For further details see section 4.3.1

address their regional or national environmental and climate needs and contribute to CAP's environmental and climate objectives. This moves away from the approach taken with the green direct payments whereby Member States implemented a common set of practices with detailed rules set at EU level, applicable to all eligible farmers in receipt of direct payments. The proposed eco-scheme measure therefore gives Member States more autonomy to define the actual content of environmental and climate actions supported under Pillar 1. The other key difference is that, unlike the green direct payments regime, which was mandatory for eligible farmers to participate in if they wished to receive payments, the eco-scheme would be voluntary for farmers to enter into. A comparison of the green direct payments under the current CAP and the eco-scheme proposals in the context of the 'new delivery model' is set out in Figure 2.



**Figure 2: Comparison of Greening and the eco-scheme under the new delivery model**

Source: European Commission SWD (2018) 301<sup>5</sup>

Other parts of the new green architecture include:

- The requirements and standards (related to environment and climate, public, animal and plant health, animal health etc.) set out under 'conditionality', which all farmers receiving direct payments must fulfil<sup>6</sup>. These conditions lay the foundations for the design of the eco-scheme as well as for voluntary environmental and climate area-based schemes for farmers under Pillar 2.

<sup>5</sup> For more information on the Impact Assessment accompanying the CAP Proposals see Commission Staff Working, SWD(2018) 301 final Part 1-3, Brussels, 01.06.2018

<sup>6</sup> Conditionality is also a baseline requirement for area and animal based payments under rural development

- The well-established Pillar 2 agri-environment-climate schemes, which remain a requirement for Member States to design and run under RDPs.

### **2.3 Minimum spending requirements for the green architecture**

Despite emphasising the need for greater environmental and climate ambition under the next CAP, the Commission's proposals do not include any minimum spending requirement for the eco-scheme<sup>7</sup>. This effectively removes the ring fencing of 30% of the European Agricultural Guarantee Fund (EAGF) direct payments budget currently allocated to greening measures and leaves the decision of the amount of funding allocated to the eco-scheme fully at the discretion of Member States. This is a significant change. The proposals, however, do maintain a 30% minimum spend under the European Agricultural Fund for Rural Development (EAFRD) to fund Pillar 2 interventions contributing to the CAP climate and environmental objectives. Member States also have the possibility to transfer 15% of funding between the EAGF and the EAFRD, while an additional 15% can be transferred from the EAGF to the EAFRD for environmental and climate related interventions. All such funding transferred to the EAFRD is 100% EU funded as it does not fall under rural development co-financing requirements for Member States.

Finally, it is worth noting that environmental spending requirements as a whole, including within the CAP, are determined within the EU's Multi-annual Financial Framework (MFF)<sup>8</sup>, which sets out the ceiling on expenditure for all EU spending programmes for the period 2021-2027.<sup>9</sup> The final MFF must be approved by the European Council and the European Parliament (Massot and Negre, 2018).

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<sup>7</sup> The current CAP has two funds financing Pillar 1 – the European Agricultural Guarantee Fund (EAGF) 100% financed by the EU budget and Pillar 2 - the European Agricultural Fund for Rural Development (EAFRD) – co-financed by the EU and Member States

<sup>8</sup> Communication A Modern Budget for a Union that Protects, Empowers and Defends The Multiannual Financial Framework for 2021-2027, Brussels, COM(2018)321 final.

<sup>9</sup> Under the Commission's proposals, it is estimated that the EAGF would be reduced by 0.5-2% to approximately 286 billion euro in current prices over next seven-year period. When adjusted in real terms this would be equivalent to 7-11%. However, the proposals foresees that the EAFRD would be disproportionately cut compared to the EAGF. This cut would be around 17-19% reducing the EAFRD budget to 79 billion euro in current prices over next seven-year period equivalent to 25-28% in real terms.

## 3 Lessons learned on environmental mainstreaming under the CAP 2014-2020

This chapter reflects on the efforts to mainstream environmental and climate considerations into EU agricultural policy under the 2014-2020 period and the lessons we can draw to inform the 2021-2027 reform.

### 3.1 Integrating environmental and climate considerations into the policy

Over the last few decades, the CAP has become a key EU instrument for addressing environmental considerations in the EU agriculture sector and land management more broadly. Mainstreaming environmental and climate considerations into the CAP has resulted in varying degrees of success. The first introduction of environmental elements within the CAP occurred in the mid-1980s, accelerating in the early 1990s with key elements of what now make up the policy's so-called green architecture introduced over successive reforms. Significant milestones include:

- the obligation for all Member States to incentivise more environmentally sustainable land management through agri-environment schemes (1992);
- the integration of compulsory agri-environment schemes within a new rural development regulation which established Pillar 2 of the CAP (1999);
- the linking of income support to farmers adhering to a range of mandatory environmental standards and requirements<sup>10</sup> through cross compliance (2003);
- the requirement for all Member States to allocate 25% of Pillar 2 funding to measures covering land management and agri-environment (2005); and
- the introduction of green direct payments, which linked 30% of Member States' budget allocation for direct payments (Pillar 1 funding) to farmers fulfilling agricultural practices, beneficial for the environment and climate going beyond cross-compliance (2013)<sup>11</sup>.

Over time, the EU has created a framework of mandatory requirements and standards as well as voluntary instruments with the purpose of not only improving the environmental performance of agriculture and wider land management, but also legitimising agricultural spending in the context of the mounting pressure to address the negative environmental impacts of agricultural production.

The 2013 reform marked the first attempt to integrate environmental and climate considerations across the entire CAP framework by allocating part of the funding available for

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<sup>10</sup> This also included other standards and requirements related to food safety, animal welfare and plant health

<sup>11</sup> The green direct payment's budget was in addition to a 30% minimum spending requirement under Pillar 2 for certain measures related directly or indirectly to the environment

income support, under Pillar 1, to farmers fulfilling certain environmental and climate-friendly practices (the so-called greening measures). The rationale for this was that farmers, foresters and land managers need to be supported to adopt and maintain farming systems and practices that provide public goods not rewarded by market prices<sup>12</sup>. Member States were required to allocate 30% of their Pillar 1 national envelopes for direct payments to these measures. It represented an attempt to make a significant shift in policy to enhance the CAP's environmental and climate performance by introducing payments for basic environmental management across the farmed countryside. The measures sat above the mandatory cross compliance requirements and sought to complement the policy's long-established agri-environment schemes, offered to farmers on a voluntary basis, under Pillar 2.

Since the eco-scheme is expected to become the centrepiece 'green' element of direct payment's suite of interventions in Pillar 1, we explore briefly some of the issues faced by the implementation the green direct payments since their introduction in 2015. Key aspects include the overall ambition of the green direct payments, the way they have worked with other elements of the CAP green architecture and the level of funding dedicated to them. This analysis draws on both the findings of the Commission's contracted external evaluations (Alliance Environnement and Thünen-Institut, 2017; Ecorys, IEEP and WUR, 2016) as well as reports from the European Court of Auditors (European Court of Auditors, 2015, 2017).

### **3.2 Ambitions behind the green direct payments**

The Commission's original proposal for green direct payments was for 'simple, generalised, annual and non-contractual payments' for maintaining permanent pasture, applying 3-crop diversification and dedicating 7% of farmland to ecological focus areas (EFAs). However, additional flexibilities introduced by the Commission<sup>13</sup> as a result of pressure from the Member States in the Agriculture Council and the European Parliament, together with developments in the negotiations between the co-legislators, resulted in a general weakening of the content of the measures. This also saw a reduction in the number of farmers and area of land to which the measures would be applied through the introduction of numerous exemptions and derogations (Swinnen, 2015). These developments in turn lowered the level of ambition, significantly limited the total agricultural area covered and reduced the actual number of farms required to change their farming practices.

Despite the watering down of the original proposal, the final agreement did nonetheless offer Member States significant flexibilities to be more ambitious than simply complying with the rules. This in effect gave them some opportunities to better target and tailor the green direct payments to their environmental and climate situations (see Box 1).

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<sup>12</sup> Proposal for a Regulation establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, COM(2011) 625 final, Brussels, 12.10.2011

<sup>13</sup> Commission services Concept Paper on Greening presented at Agricultural Council Meeting, Brussels, 11.05.2011



## Box 1: Key flexibilities for Member States to implement the green direct payments

**Specific greening measure rules:** This flexibility applies to the permanent grassland and ecological focus area measures. Under the permanent grassland measure, Member States have significant flexibility to determine the area and location where permanent grassland is protected. In practice, this allows permanent grassland protection to be applied at national or regional level (based on a reference ratio) rather than at individual farm level. Member States can also determine whether to ban the ploughing of environmentally sensitive permanent grassland inside and outside Natura 2000 areas. For the EFA measure, Member States have the most flexibility with a wide range of alternatives to determine the range of options that can count towards an individual farm's EFA as well as whether and how to define rules and conditions associated with their management. While all EFA options have some potential to deliver environmental and climate benefits, their success is very much dependent on whether or how the options are managed in practice on farms. Member States also have the option to design EFAs on a regional basis or under collective schemes.

**Use of equivalent practices:** This element of flexibility allows Member States to use agri-environment-climate measures under rural development programmes (RDs) or national and regional certification schemes to demonstrate that farmers are fulfilling the objectives of green direct payments by using equivalent practices. Measures and certification schemes must go beyond cross compliance, with their eligibility rules subject to approval from the Commission based on a legally defined list of equivalent practices.

**Payments based on an individual farm calculation or a flat rate:** Member States are either permitted to calculate payments as a flat payment (based on 30% of their national ceiling for direct payments) or as an individual payment (based on 30% of the farm's direct payment).

Source: Alliance Environnement and the Thünen-Institut, (2017) and European Commission (2016)

In practice, the majority of Member States did not take advantage of all the greening flexibilities. However, when they did apply them, they were used more often than not to maintain the income support status quo for farmers rather than to address environmental and climate issues more effectively. For example, 23 out of 28 Member States decided to apply the grassland protection ratio at national level (instead of farm level) and gave farmers a lot of room for manoeuvre to convert permanent grassland if they so wished. Furthermore, only five Member States designated and banned the ploughing of environmentally sensitive permanent grassland outside Natura 2000 areas in 2016. In the case of EFAs, governments generally used flexibilities regarding which types of management to permit to focus on minimising the effect on existing farming practices rather than seeking to target and tailor management practices to address biodiversity conservation and habitat management needs. In 2016, for instance, the main EFA elements declared by farmers were on productive areas of farmland where nitrogen fixing crops and catch or cover crops had been planted. Such land constituted 96.6% of all farmland managed as EFAs compared to 2.5% for landscape features and buffer strips, which generally offer much more for the environment (Alliance Environnement and Thünen-Institut, 2017).

As noted in Box 1 Member States had the option to apply equivalent practices or certification schemes in order to fulfil the greening measures. However, only a small number of Member

States implemented this alternative. Finally, in terms of the payment calculation, a majority of those Member States, which were required to transition towards a uniform level of direct payments, chose to calculate the level of payment at individual farm level rather than as a flat rate payment<sup>14</sup>.

Overall, the sustainable management of natural resources and climate action was a general objective of the CAP 2014-2020. However, a disconnect exists between the implementation of the green direct payments and Member States' environmental and climate needs, and hence the achievement of the wider CAP objectives (Alliance Environnement and Thünen-Institut, 2017). This is also reflected in the lack of clear definitions at the EU level for the objectives of the green direct payments. For example, there was no clear link with the EU's environmental and climate objectives or specific EU targets, such the EU Biodiversity Strategy to 2020<sup>15</sup> or the EU Thematic Strategy for Soil Protection.<sup>16</sup> As a result, there was no clear articulation of what the intervention was expected to achieve for the environment and climate. This may help to explain why Member States have not fully reconciled the green direct payment's twin objectives of enhancing the CAP's environmental and climate performance and supporting farmers' incomes in their implementation choices.

Indeed, broadly speaking, implementation choices in most cases concentrated on the objective of supporting farmers' incomes and maintaining existing management practices (European Court of Auditors, 2017). Member States also sought to minimise administrative burdens, limit costs for managing authorities and beneficiaries, and reduce implementation risks that could result in penalties or late payments. As with other Pillar 1 interventions, the green direct payments were not subject to Commission approval, rather Member States simply had to notify the Commission of their choices with the only check being whether or not they were in line with the legislation. The process therefore did not fully assess if the green direct payments were targeting specific environmental and climate priorities, either at the EU or Member State level (Alliance Environnement and Thünen-Institut, 2017). This is in contrast to Pillar 2 interventions where Member States were required to identify their needs based on a SWOT analysis, taking account of the Union's legally defined priorities for rural development. Then they had to set out a strategy in their national or regional RDPs for how these needs would be met<sup>17</sup> (Ecorys, IEEP and WUR, 2016).

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<sup>14</sup> Some Member States deemed such flexibilities too complex to align them successfully with the EU requirements. For further details on the greening choices see Alliance Environnement and the Thünen-Institut, (2017)

<sup>15</sup> Communication Our life insurance, our natural capital: an EU biodiversity strategy to 2020, COM(2011) 244 final, Brussels, 03.05.2011

<sup>16</sup> Communication Thematic Strategy for Soil Protection COM(2006) 231, Brussels, 22.09.2006

<sup>17</sup> Tailoring and targeting Pillar 2 measures to address environment and climate priorities has improved significantly during 2014-2020 programming period. However, measures still often do not comprehensively account for all the specific environment and climate change needs and priorities relevant to agriculture already identified by Member States e.g. via existing environmental planning tools such as Prioritised Action Frameworks (PAFs) under the EU Nature Directives and River Basin Management Plans (RBMPs) under the EU Water Framework Directive

### **3.3 Efforts to design a well-coordinated green architecture**

The 2014-2020 CAP also sought to encourage complementarity between the green direct payments and other elements of the green architecture, such as cross compliance and Pillar 2 agri-environment-climate measures. In practice, however, the interplay between the green direct payments and other elements of the green architecture was rather limited, with Member States' choices under one Pillar not necessarily influencing or informing choices under another. The greening measures were often not designed alongside Pillar 2 agri-environment-climate measures in order to address the environmental needs and challenges facing the agricultural sector and wider land management in a coherent way. Instead, the majority of Member States designed the different instruments and measures in isolation and then made efforts to ensure that they did not overlap, rather than ensure that instruments were working in a synergetic way to maximise environmental and climate benefits (Ecorys, IEEP and WUR, 2016).

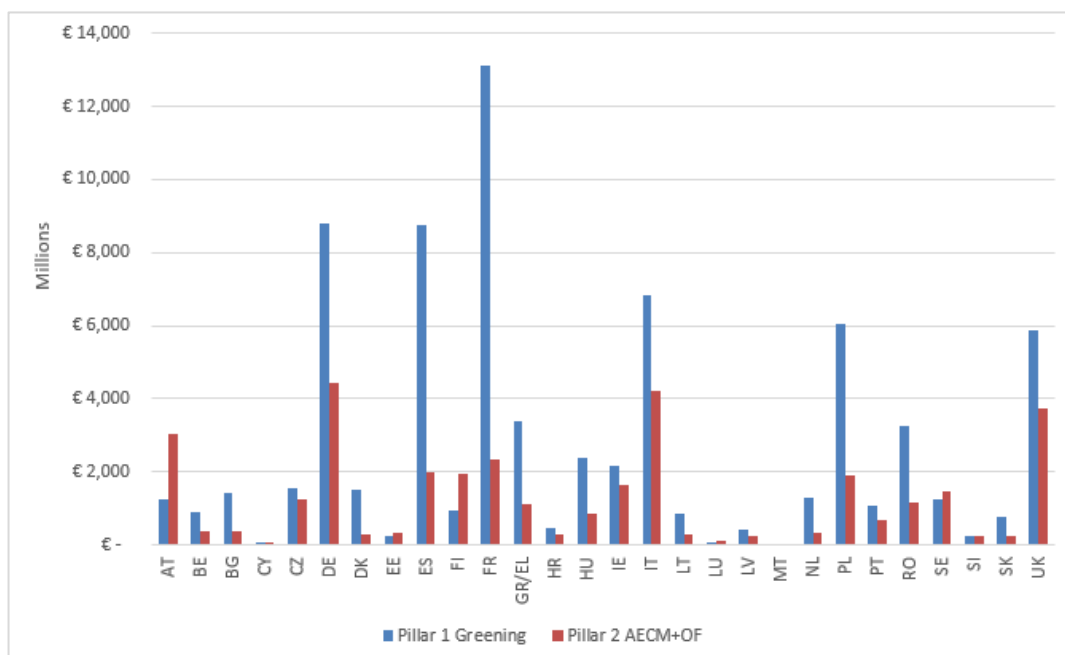
In terms of advisory support, the practice of linking the green direct payments and other elements of the green architecture with Farm Advisory Services (FAS) has not been widely adopted by Member States. While knowledge exchange and information are often acknowledged as important in principle for Member States, there is very little evidence as to precisely how they are using knowledge transfer actions under the CAP to support farmers applying interventions in ways that actively contribute to meeting EU environmental and climate objectives (Ecorys, IEEP and WUR, 2016). Instead, the FAS is more often than not focused on assisting compliance with obligatory environmental and climate related requirements rather than on helping farmers to effectively implement broader environmental commitments or to understand the benefits associated with the practices being applied. Advice and information relevant to greening has tended to focus primarily on compliance with the rules rather than on why the intervention is important or how to achieve the environmental outcome over time. Furthermore, some evidence shows that while advisors often play a key role in guiding the environmental and climate related choices taken by farmers, they may not necessarily have the competencies or the incentive to invest time in understanding environmental issues in sufficient depth. This in turn influences the nature of advice given to farmers and subsequent decisions taken at farm-level (Alliance Environnement and Thünen-Institut, 2017). Indeed, despite their significant potential, Agricultural Knowledge and Information Systems (AKIS) in Europe can be very fragmented and currently do not respond sufficiently to the needs of the agriculture sector in terms of shifting towards greater sustainability (European Court of Auditors, 2015).

Although opportunities were available to coordinate and optimise the way in which the green architecture was used, the potential overlap between different environment related interventions often increased the level of complexity for Member State authorities, both at national and regional level. In the end, most Member States made limited efforts to plan and coordinate the different environmental interventions in a more joined-up way. The

opportunity to capture synergies between relevant instruments within and across both Pillars 1 and 2 was therefore largely missed. For instance, only a few Member States developed an overarching and integrated strategy for the choices taken across both pillars. Indeed, the overall rationales of choices in Pillar 1 in particular, were not driven by any all-embracing strategy to reach the CAP's general objectives. Nor have they been designed to address the economic, environmental and social implications of decisions in an integrated way (Ecorys, IEEP and WUR, 2016). This in turn has led to some perverse effects and conflicts between economic and environmental objectives. For example, certain voluntary coupled support schemes for livestock and crops may exacerbate environmental problems, while the exclusion of environmentally valuable areas of farmland from CAP support in some regions due to narrow definitions of eligibility criteria can threaten farm viability and lead to land abandonment.

### 3.4 Prioritisation of funding to address environmental and climate needs

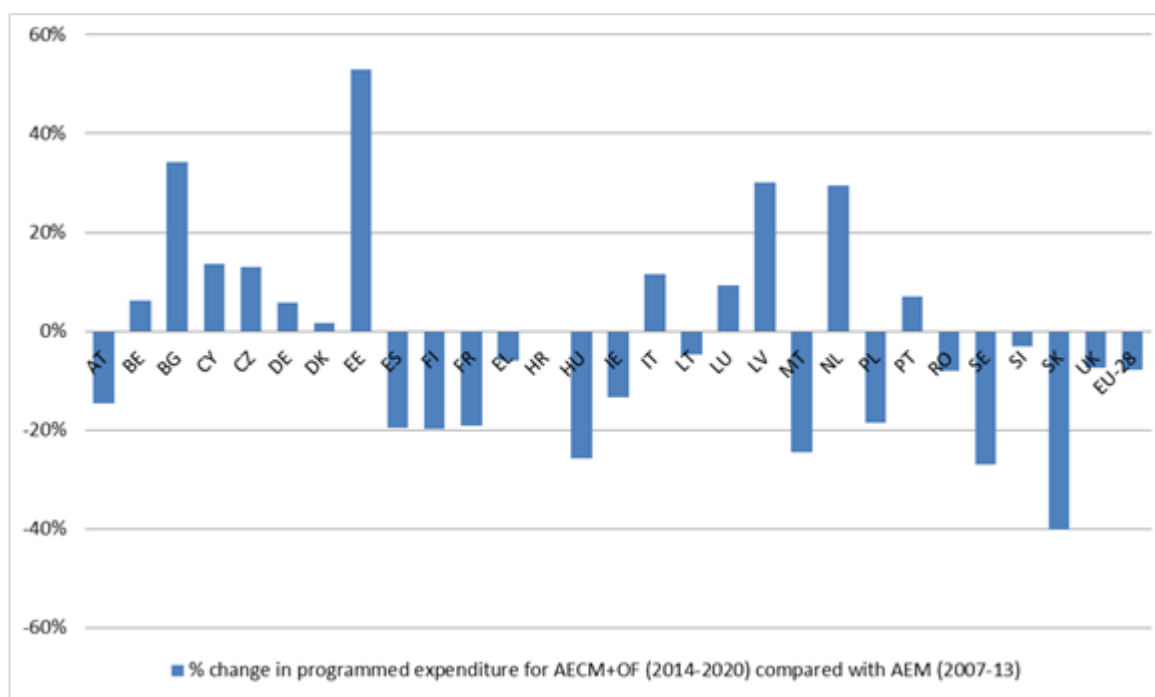
The introduction of mandatory green direct payments (albeit with exemptions and flexibility), representing 30% of Member State national envelopes under the EAGF, certainly helped to place a greater emphasis on environmental and climate objectives across the CAP. In principle, this built on the minimum spending requirements for environmentally related measures under Pillar 2 (which must represent at least 30% of the EAFRD spend). Indeed, in the majority of cases the funding allocated for climate and environmental purposes under Pillar 1 overshadows the funding available under Pillar 2 (see Figure 3).



**Figure 3:** EU funding available for Pillar 1 greening measures and for the Pillar 2 AECM and Organic Farming measures for 2015-2020

Source: Own calculations based on Commission Delegated Regulation 2015/851 amending Annex III of EU Regulation 1307/29013 and RDP submissions for period 2014 and 2020

While the introduction of the green direct payments from 2015 allocated more of the EU's agricultural spending towards addressing environmental and climate issues, a major weakness has been that Member States are not obligated to link these payments to clearly defined environmental and climate objectives. This is in contrast to Pillar 2 payments, where Member States must at least align certain measures, such as agri-environment-climate and organic farming measures, to specific environmental and climate priorities and thematic sub-priorities/focus areas<sup>18</sup>. Furthermore in the majority of Member States the 2014-2020 programming period saw a reduction in the amount of Pillar 2 spending allocated to some of these key measures when compared with the 2007-2013 period (see Figure 4). This also came at a time when the rural development budget was cut and the mandatory requirement for Member States to transfer a percentage of their EAGF allocation to their EAFRD budget was disbanded<sup>19</sup> (Medarova-Bergstrom et al, 2013).



**Figure 4: Change in programmed expenditure for agri-environment-climate and organic farming - 2014-2020 compared with 2007-2013**

Source: IEEP based on RDP submissions for the 2014-2020 period

<sup>18</sup> Pillar 2 measures that can count towards the 30% minimum for the environment include payments for agri-environment-climate, organic farming, Natura 2000/Water Framework Directive, Areas of Natural Constraints, forest-environment and investments in physical assets related to the environment and climate. At the same time not all measures are programmed to directly address environmental and climate needs e.g. agri-environment-climate and organic farming, but may have indirect effects e.g. Areas of Natural Constraints. See Regulation (EU) No 1305/2013 on support for rural development by the EAFRD

<sup>19</sup> While Member States have an option to transfer 15% of their EAGF allocation to the EAFRD they can also transfer 15% of their EAFRD allocation and to the EAGF with 12 Member States having the option to transfer up to 25%.

Nevertheless, environmental and climate payments, whether under Pillar 1 or 2 are not necessarily tied to result-orientated objectives or quantified targets or linked to relevant objectives emanating from EU environmental and climate legislation or international commitments. This has implications for how effectively such measures, and the CAP more broadly, can be monitored and evaluated in terms of its impact on the environment and climate. It also means that while environmental and climate spending may look ambitious on paper, in practice Member States have a lot of room for manoeuvre to justify their environmental and climate spending, regardless of their actual needs or the quality of the measures programmed.

The above issues highlight some of the key challenges associated with the attempt to further mainstream environmental considerations across the CAP with the introduction of green direct payments. The Commission's legislative proposals for 2021-27 attempt to address some of these issues either directly and indirectly and these are explored further in relation to the eco-scheme in Chapter 4.

## 4 The eco-scheme: an opportunity to deliver better outcomes

This chapter examines key aspects of the Commission's proposals for the eco-scheme and assesses the associated opportunities and risks for improving environmental and climate outcomes. Our analysis considers the experience to date of implementing environmental and climate schemes under Pillar 1 as set out in Chapter 3.

The analysis is structured around six key aspects of scheme design considered necessary for achieving environmental and climate outcomes. For example, the first topic is the targeting and tailoring of the scheme to specific needs. Each section first outlines what is in the Commission proposal and then highlights the implications for the delivery of increased environmental and climate ambition, addressing opportunities first and then risks. On this basis, revisions or elaborations of the current proposals are put forward with the aim of making the eco-scheme's potential a reality.

### 4.1 Targeting and tailoring the eco-scheme to specific needs

As a key element of the CAP's proposed new green architecture, the eco-scheme is potentially a novel way to initiate a more targeted and tailored strategy for addressing the pressing environmental and climate challenges using Pillar 1. It is potentially more flexible and adaptable to national and regional priorities than the current greening measures, assuming that Member States have the ambition, knowledge and capacities to use it well, something that has not been evident in so many cases for greening. In principle, measures under the eco-scheme could have an impact both at farm and landscape scale. Potentially it could be used to incentivise the uptake of more sustainable practices across wider farmed landscapes, even involving whole system redesign. Furthermore, effective targeting and tailoring of the eco-scheme to national and regional conditions could help Member States not only to address broad environmental and climate needs across the entire farmed area but also to tackle key environmental hotspots e.g. areas with a high level of biodiversity.

It will be important therefore, that the legislative text does as much as possible to ensure that Member States design their eco-schemes both to address national and regional needs and to contribute in a meaningful way to multiple EU objectives and associated targets. This should be done in ways that are coherent with other elements of the CAP green architecture. For more information see section 4.3.

#### 4.1.1 *What is in the Commission's proposals?*

**The eco-scheme is a mandatory intervention for Member States** to set out in their CAP Strategic Plans (CSPs) with the aim of **meeting one or more of the CAP 'specific' environmental and climate objectives** (Article 28, Recital 31) – see Box 2.

## Box 2: Purpose and legal basis for the eco-scheme

### *Recital 31*

The CAP should ensure that Member States increase the environmental delivery by respecting local needs and farmers' actual circumstances. Member States should under direct payments in the CAP Strategic Plan set up Eco-schemes voluntary for farmers, which should be fully coordinated with the other relevant interventions. They should be defined by the Member States as a payment granted either for incentivising and remunerating the provision of public goods by agricultural practices beneficial to the environment and climate or as a compensation for the introduction of these practices. In both cases they should aim at enhancing the environmental and climate performance of the CAP and should consequently be conceived to go beyond the mandatory requirements already prescribed by the system of conditionality. Member States may decide to set up eco-schemes for agricultural practices such as the enhanced management of permanent pastures and landscape features, and organic farming. These schemes may also include 'entry-level schemes' which may be a condition for taking up more ambitious rural development commitments.

### *Article 28*

#### *Schemes for the climate and the environment*

1. Member States shall provide support for voluntary schemes for the climate and the environment ('eco-schemes') under the conditions set out in this Article and as further specified in their CAP Strategic Plans.
2. Member States shall support under this type of intervention genuine farmers who make commitments to observe, on eligible hectares, agricultural practices beneficial for the climate and the environment.
3. Member States shall establish the list of agricultural practices beneficial for the climate and the environment.
4. Those practices shall be designed to meet one or more of the specific environmental- and climate-related objectives laid down in points (d), (e) and (f) of Article 6(1).
5. Under this type of interventions, Member States shall only provide payments covering commitments which:
  - (a) go beyond the relevant statutory management requirements and standards of good agricultural and environmental condition established under Section 2 of Chapter I of this Title;
  - (b) go beyond the minimum requirements for the use of fertilisers and plant protection products, animal welfare, as well as other mandatory requirements established by national and Union law;
  - (c) go beyond the conditions established for the maintenance of the agricultural area in accordance with point (a) of Article 4(1);
  - (d) are different from commitments in respect of which payments are granted under Article 65.
6. Support for eco-schemes shall take the form of an annual payment per eligible hectare and it shall be granted as either:
  - (a) payments additional to the basic income support as set out in Subsection 2 of this Section; or
  - (b) payments compensating beneficiaries for all or part of the additional costs incurred and income foregone as a result of the commitments as set pursuant to Article 65.
7. Member States shall ensure that interventions under this Article are consistent with those granted under Article 65.
8. The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation with further rules on the eco-schemes.

Source: European Commission COM(2018) 392 final



The eco-scheme is **voluntary for farmers and covers farm level commitments going beyond basic EU requirements** (conditionality). It aims to target beneficiaries who fulfil the relevant eligibility criteria, including the definitions for ‘genuine farmers’, ‘agricultural area’, ‘eligible hectares’ etc (as set out at EU level and further defined in the CSPs by the Member States). Farm commitments (such as particular practices) identified for inclusion within the eco-scheme can address a range of environmental and climate needs identified by Member States as part of their SWOT analysis and needs assessment. In contrast to the green direct payments<sup>20</sup>, Member States have the option to grant payments either as a **compensatory payment**, covering all or part of the costs incurred and income forgone for introducing a practice, or as an **incentive payment** top-up to the basic income support, with the intention of remunerating the provision of public goods. As these commitments fall under Pillar 1, **payments are 100% financed by the EAGF**. In contrast to commitments funded by the EAFRD in Pillar 2, they are managed on an annual basis and require no co-financing from Member States.

The proposal requires Member States to establish a ‘list of agricultural practices beneficial for the climate change and the environment’ designed to meet the CAP environmental and climate objectives. This should be based on the needs identified by Member States at national and/or regional level. Although no EU-wide practices are prescribed in the proposal, certain management practices that could be supported by an eco-scheme are signposted by the Commission. They include enhanced management of permanent pasture and landscape features as well as organic farming. The proposal also suggests that entry-level commitments under the eco-scheme could be a condition for fulfilling more ambitious rural development interventions.

However, despite these recommended pathways, the options open to Member States to design the eco-scheme remain wide and varied, with the **possibility to develop either single or multi-objective schemes or a combination of both**. The critical points to stress are that, first, in the spirit of the ‘new delivery model’, any scheme developed must respond to a Member State’s identified environmental and climate needs and take account of the corresponding CAP objectives. Second, the eco-scheme should preferably, be combined with other CAP interventions in order to maximise beneficial environmental and climate outcomes.

#### **4.1.2 Opportunities**

The eco-scheme presents a number of opportunities for Member States to improve their tailoring and targeting of Pillar 1 spending towards environmental and climate needs. In particular:

- In contrast to the current greening of direct payments, the eco-scheme now gives Member States the flexibility to design interventions according to much more specific

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<sup>20</sup> Green direct payments can be calculated on a flat rate or individual farm basis. For more information see Chapter 3.

environmental and climate needs and tailor these to local conditions, selecting land management actions relevant to different farmland types and farming systems;

- As direct payments cover the majority of the EU's utilised agricultural area (UAA) (in contrast to agri-environment-climate measures under Pillar 2<sup>21</sup>) the eco-scheme can be used to promote more targeted and tailored management actions across a larger area of Europe's farmland. It could be used either to support relatively basic commitments, or more demanding and focussed environmental and climate commitments alongside Pillar 2 environmental and climate interventions;
- Member States can choose to dedicate the majority of their national envelopes for direct payments to the eco-scheme to help farmers to transition towards more sustainable farming practices and systems. It is not confined to a 30% ceiling in order words in could potentially be a higher amount. Therefore, new eco-scheme payments under Pillar 1 could be used to transform the majority of direct payments into genuine payments for ecosystem services in the medium to long-term. This would constitute a new source of income for farmers and land managers who choose to respond – using 100% EU financing. For more information on financing the eco-scheme, see section 4.4.

#### **4.1.3 Risks**

Both the nature of the scheme itself and the limited details available to date on its scope and design present a number of risks that could impede better targeting and tailoring. In particular:

- The fact that the eco-scheme would be voluntary for farmers could lead to a low uptake of commitments. It will be a challenge for Member States to ensure that a sufficient range of management actions are put in place that go beyond the conditionality requirements and are diverse enough to be applicable to different types of farmland and farming systems. It is essential that commitments facilitate additionality and that payments granted in the form of a top-up for basic income support do not compromise on environmental and climate ambition. Furthermore payments must be sufficiently attractive for farmers and land managers and include adequate advisory support (for further information see section 4.2);
- A lack of clarity as to whether Member States are required to design the eco-scheme for the whole of their territory and/or if it can be targeted and tailored to regional and local needs. Member States have the opportunity to use the eco-scheme to help achieve one or more of the CAP's environmental and climate objectives, however, there is no push for Member States to design multi-objective commitments that could help farmers more broadly to transition towards more sustainable farming practices and systems;
- While Member States have a certain amount of flexibility to target and tailor the eco-scheme, the scope is narrower compared to the environmental, climate and other

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<sup>21</sup> While both interventions are in no way mutually exclusive as Pillar 2 agri-environment-climate measures have and will continue to be a major instrument for addressing key challenges facing sustainable agriculture and land management, these measures cover a much smaller portion of the EU's UAA (around 25% in 2007-2013). This is in contrast to direct payments, which cover a much larger portion of the UAA (about 90%) and as result, like the greening of direct payments, the eco-scheme has the potential to have a much wider reach.

management commitments funded under the EAFRD (e.g. collective approaches or results-based schemes appear are not mentioned under the eco-scheme). This could undermine the eco-scheme's level of ambition and the way in which prescriptions can be combined with other related interventions to achieve a coherent response to environmental and climate objectives. For further information on other related interventions see section 4.3;

- The eco-scheme is based on annual agreements and could result in merely opportunistic uptake by some farmers since there is no requirement for the beneficiary to commit to carrying out the actions over multiple years to achieve the desired, usually longer-term, result. Multi-annual agreements may also be desirable for beneficiaries as they provide certainty for farmers and land managers over a clearly defined number of years in terms of an additional income for environmental public goods. Previous experience of support, under Pillar 1 shows that Member States seem to have imposed minimum engagement requirements beyond a year, although this was not a mandatory requirement e.g. 5-years for organic farming support in France (Agrosynergie EEIG, 2015);
- The possibility that poorly defined eligibility criteria could squeeze out relevant target groups as Member States can now draw up their own definitions of some key terms directly related to eligibility criteria, such as 'genuine farmer', 'agricultural activity', 'agricultural area', 'eligible hectare'. For example, narrowly defining the 'genuine farmer' term could make certain land managers ineligible for direct payments, while a restrictive interpretation of the eligible 'agricultural area' could exclude some areas of low intensity, but environmentally valuable wooded pasture or scrubland. The exclusion of important biodiverse rich farmland and other areas where ecosystem services are provided, but not adequately remunerated by the market, must be avoided as these are as important to be covered by the eco-scheme as well as areas with arable and permanent crops.

#### **4.1.4 What is still needed?**

To avoid the risks and seize the opportunities identified above, the following changes or clarifications to the proposals are recommended:

- The eco-scheme under Article 28 should aim for full territorial coverage that builds on requirements and standards set out under conditionality. At a minimum, basic commitments under the eco-scheme should ideally be designed to address multiple environmental and climate objectives to encourage a systemic shift towards the more sustainable management of agricultural land. These basic commitments could be a prerequisite for the uptake by farmers of more ambitious multi or single objective commitments with the aim of promoting a culture of continuous development in Member States and amongst farmers (in combination with agri-environmental payments under Pillar 2);
- Similar to Pillar 2 type interventions, the eco-scheme should be sufficiently flexible to support the programming of basic to higher-level commitments on farms, according to national and regional needs e.g. it should facilitate the use of multi-annual agreements, adaptation to site specificities, collective approaches, result-based schemes;

- To instil a more results-oriented approach amongst beneficiaries, eco-scheme payments should be clearly related to the type of management action being supported and should have the right level of additionality to achieve the desired outcome, focussing on active management and/or enhancement;
- Eligibility criteria should be sufficiently flexible to target both farmers and other land managers who wish to make a tangible contribution to achieving environmental and climate outcomes.

## 4.2 Linking the eco-scheme with Farm Advisory Services

Knowledge exchange and information is widely recognised as an important means of supporting farmers to put in place management that is of most benefit for the environment while at the same time fitting with the economic objectives of the farm business. More broadly, the Commission also acknowledges that a well performing Agricultural Knowledge and Innovation System (AKIS) can help to address some of the tensions between enhanced environmental ambition and viable farm income e.g. the lower returns in the short to medium-term resulting from some environmental requirements<sup>22</sup>. Both advice and knowledge sharing should not be under-estimated in terms of influencing farmers' attitudes and behaviour. Both can help to increase farmers' understanding of why environmental and climate actions are necessary as well as where they should be located to deliver optimal outcomes. To encourage greater ownership and to support a culture of continuous development at farm level, the final version of the 2021-27 CAP should ensure that it supports the delivery of more effective and high quality information and knowledge exchange, related to the eco-scheme as well as other elements of the green architecture.

### 4.2.1 What is in the Commission's proposals?

Member States are required to programme **Farm Advisory Services (FAS)** that focus on both land and farm management for all CAP beneficiaries as part of their knowledge exchange and information interventions (Articles 13, 72, Recitals 12, 15, 24, 46).

The FAS should offer impartial advice and cover all sustainability dimensions - economic, environmental and social aspects - relevant to all CAP intervention types, including the eco-scheme. The proposed FAS remit is broader than currently within the CAP and this reflects the fact that **knowledge exchange and innovation now comprise a cross-cutting general objective of the CAP**. Mandatory parts of the FAS have been expanded significantly, compared to the 2014-2020 CAP<sup>23</sup>, with all elements of the green architecture now falling under its remit

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<sup>22</sup> See accompanying Impact Assessment

<sup>23</sup> This includes conditionality as well as requirements defined by Member States for implementing the EU Water Framework Directive 2000/60/EC, the EU Habitats Directive 92/43/EEC, the Bird's Directive 2009/147/EC, the Air Quality Framework Directive 2008/50/EC, the National Emission Ceilings Directive 2016/2284/EU, the rules on the use of plant protection products under the EU Regulation 1107/2009/EC and the Sustainable use of pesticides Directive 2009/129/EC

in principle. However, the role of the FAS for the eco-scheme is not clearly stated in the FAS minimum requirements. This is in contrast to other parts of the green architecture. For instance, CAP requirements and standards for conditionality (as well as those set out under certain pieces of EU environmental legislation) are clearly signposted under the FAS. In Pillar 2, environmental, climate and other management commitments funded under the EAFRD must have access to knowledge and information necessary for implementation (as outlined in Article 65). The CAP proposals also require that FAS should be **integrated into a Member State's wider Agricultural Knowledge and Information System (AKIS)** in order to better connect the FAS with other interrelated services such as research and innovation. There is nothing parallel for the eco-scheme clearly evident in the proposals (either in Article 13 or Article 28).

#### **4.2.2 Opportunities**

Prioritising knowledge exchange and innovation under the next CAP and broadening the scope of the FAS would present opportunities to improve the alignment of information and knowledge exchange interventions with environment and climate needs.

- The key point is that better integration of environmental requirements, standards and commitments into the FAS and AKIS (compared to the current programming period) could help to support more effective implementation of the eco-scheme and other environmental interventions. The broader provisions under the FAS could also assist in building awareness about the relationship between farm and other land management and different environmental and climate issues amongst CAP beneficiaries taking up relevant interventions. This is particularly important for environmental and climate actions, as evidence outlined in Chapter 3 shows that, despite a strong emphasis on the value of knowledge transfer and cooperation, it is not always entirely evident from implementation choices how this precisely relates to achieving environmental objectives in practice. (For further information, see section 3.3).

#### **4.2.3 Risks**

At the same time, there are elements of the proposals which could be tightened up or where more clarity is required, to ensure that Member States do make best use of the opportunities available to them. For example:

- There is some ambiguity as to whether Member States will be required to provide access to the knowledge and information necessary to support the practical implementation of the eco-scheme so that its environmental and climate potential can be maximised. If this is not specified in the legislation, there is a danger that advisory services covering management conditions for the eco-scheme may only focus on the administrative issues rather than on the actual implementation and environmental benefits/impact of different land management actions (as was seen with the introduction of the green direct payments - see section 3.2);

- More broadly the entire green architecture is not clearly singled out as a priority area for the FAS (unlike risk management and innovation support). While the FAS must cover all environmental interventions, there appears to be a much stronger focus placed on binding requirements and standards compared to voluntary commitments. For instance, requirements for beneficiaries to have knowledge and information to implement the commitments is only signposted for environmental interventions funded under the EAFRD (in Article 65) and not for the eco-scheme as outlined above. It is important that the FAS covers all aspects of the green architecture in order to increase farmers' understanding and awareness of different schemes and the way they can be used in combination;
- No reference is made to placing existing or forthcoming national environmental and climate planning tools (e.g. Prioritised Action Frameworks (PAFs) under the EU Nature Directives<sup>24</sup>, River Basin Management Plans (RBMPs) under the EU Water Framework Directive<sup>25</sup>, or Energy and Climate Plans (NECPs) under the EU Regulation on the Governance of Energy Union<sup>26</sup>) under the remit of the FAS. Not requiring these plans to be integrated into their FAS could considerably lessen the chance of Member States making progress in addressing the priorities identified in these plans. The FAS is required only to cover certain, limited, pieces of EU environmental legislation and there is no explicit requirement to involve relevant environmental expertise/competencies in the implementation of the FAS/AKIS. This could weaken the ability of such services to support farmers in actively contributing to achieving the EU's environmental and climate objectives;
- There is also a missed opportunity to use the FAS to promote sustainability planning at farm or, where relevant, landscape level in order to encourage farmers and land managers to better integrate multiple environmental and climate objectives (as well as economic and social ones) into their overall farm management;
- Despite covering key Pillar 1 and 2 instruments, the FAS is funded solely from the EAFRD budget. This requires Member States to co-finance all information and exchange knowledge interventions. Furthermore, with no minimum spending requirements or higher co-financing rates (e.g. global or intervention specific), the proposals do not send a strong signal of the need for Member States to invest in the FAS.

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<sup>24</sup> Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds; Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora

<sup>25</sup> Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy.

<sup>26</sup> A political agreement on the Governance of the Energy Union was reached in June 2018 and ratified by the European Parliament in November 2018. At time of press the final Regulation was not published. For further information see European Parliament legislative resolution of 13 November 2018 on the proposal for on the Governance of the Energy Union Available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2018-0443+0+DOC+XML+VO//EN&language=EN>

#### **4.2.4 What is still needed?**

To avoid the risks and seize the opportunities identified above, the following changes or clarifications to the proposals are recommended:

- The FAS as proposed under Article 13 should support the whole implementation cycle of all relevant CAP commitments affecting farmers and not be limited to providing basic information about scheme conditions. This would allow farmers to understand the implications of their management actions more fully and would give them the tools to integrate environmental and climate considerations into their farm management in a more effective way. Using the FAS to facilitate sustainability planning at farm level, for instance, could help to promote the shift towards a culture of continuous development on the environment and climate action;
- It should be made explicit that Member States should offer advice and training for eco-scheme commitments under the FAS as well as through knowledge exchange and information actions under Article 72 where appropriate (in addition to conditionality and Pillar 2 environmental and climate commitments);
- To address Member State environmental and climate priorities the design of the FAS must also take in account existing national planning tools emanating from EU environmental and climate legislation, as set out under Annex XI;
- Although the next CAP places greater emphasis on the FAS/AKIS, investment in these systems is at the discretion of Member States, while funding opportunities are constrained by national/regional co-financing requirements. Provisions under either Articles 13 or 86 are necessary to put in place a hybrid-funding model that allows the use of both the EAGF and the EAFRD to support FAS.

### **4.3 Relationship of the eco-scheme with other relevant interventions**

Designing and planning CAP interventions in a more joined up way is important to make best use of them. This is particularly important for tackling environmental and climate needs as there are different interventions available under both Pillars 1 and 2 that should be designed to work together in a coherent and complementary way. Furthermore, combining environmental and climate interventions with other interventions, traditionally seen to address economic and social needs, may help to maximise more sustainable environmental and climate outcomes by encouraging synergies and addressing trade-offs between interventions. The next CAP therefore should make sure that Member States are required to take a strategic approach in addressing their environmental and climate needs, using the full range of interventions available under EAGF and EAFRD.

#### **4.3.1 What is in the Commission's proposals?**

The new CAP proposal encourages complementarity between the eco-scheme and other relevant interventions related to the CAP's environmental and climate objectives (Articles 11-12 and 65, Recitals 21-23 and 37-39, Annex III).

This complementarity most notably refers to the different elements that make up the rest of the green architecture, but other rural development interventions may also complement the eco-scheme. Support for non-productive investments, for example, is often a necessary element of agri-environment-climate schemes in order to provide funding for capital items. Similarly, support for knowledge exchange and information may be necessary to ensure farmer access to relevant training and advice for fulfilling these commitments. (For further information on complementary interventions see Box 3)

The baseline component of the green architecture is **conditionality, basic conditions that CAP beneficiaries have to meet**. This sets the legal floor for the design of both the eco-scheme and the environment-climate scheme funded by the EAGF and the EAFRD respectively (Articles 11-12, Recitals 21-23, Annex III). The legal baseline makes up the basic requirements and standards that all farmers in receipt of Pillar 1 payments and those payments relating to agricultural areas under Pillar 2 must fulfil. The baseline includes **16 Statutory Management Requirements (SMRs)** related to the environment and climate, public, animal and plant health, animal welfare and plant protection and **10 standards of Good Agricultural and Environmental Condition (GAEC)** related to climate, water, soil, biodiversity and landscapes. It has been created through the merging and modification of the current greening requirements and the existing cross compliance conditions (SMRs and GAECs). Two new standards have been introduced in addition - the use of farm sustainability tool for nutrients (GAEC 5) and the appropriate protection of wetland and peatland (GAEC 2) - as well as a standard for crop rotation (GAEC 8) which replaces the crop diversification measure under greening<sup>27</sup>. Similarly to cross compliance, Member States will have a certain level of flexibility to set out their own formulation of their GAECs according to their environmental and climate situations but unlike the current CAP, they must be assessed and approved by the Commission as part of their CSPs.

The other components of the green architecture complementary to the eco-scheme commitments are within Pillar 2. These commitments are funded under the EAFRD and programmed on a multi-annual basis (Article 65, Recitals 37-39). The majority of schemes fall under the **environmental, climate and other management commitments** intervention type and like the eco-scheme must go beyond conditionality. Under this intervention, Member States must **as a minimum design a portfolio of agri-environment-climate commitments**. They may also include commitments pertaining to organic farming conversion and maintenance and forest environmental and climate services (although commitments can be programmed to contribute to all CAP 'specific' objectives (e.g. related to animal welfare and genetic resources can be included). From an environmental and climate perspective these commitments have the greatest potential to be targeted and tailored to different national, regional and local needs based on agreements of 5-7 years (with possible extensions).

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<sup>27</sup> Certain elements, which made up 'greening' measures in the 2014-2020 period, were in fact GAEC standards (in some cases voluntary) before 2014.



Individual farmers or groups of farmers, based on a collective approach, can also enter into commitments. For all commitments, Member States are required to provide beneficiaries with the knowledge and information necessary to implement them successfully. **Payment calculations are strictly based on costs incurred and income forgone**, including transaction costs. These payments do not have to go beyond commitments programmed under the eco-scheme, but the schemes must be consistent with each other and avoid double funding of beneficiaries.

### Box 3: Other CAP interventions complementary to the eco-scheme

- **Investment aid** (Article 68, Recital 41) targeted at tangible and/or intangible infrastructure. These investments can contribute to one or more of the CAP's nine 'specific' objectives. The proposal signposts a number of different types of infrastructure relevant for the agriculture and forestry sectors to develop, modernise or adapt to climate change. They include access to farm and forest land, land consolidation and non-productive improvements such as habitat restoration, agro-forestry practices, the supply and saving of energy and water. These types of infrastructure as well as others are equally relevant for wider environmental needs. Investment support interventions may cover up to 75% of the eligible costs of the project, with a higher rate of support possible for certain investments including afforestation and non-productive investments linked to meeting the CAP environmental and climate objectives. All investment support is based on the fulfilment of certain selection criteria defined by Member States in their CSPs. The criteria include a list of ineligible investment types and expenditure categories such as investments related to irrigation and afforestation
- **Aid for area specific disadvantages resulting from certain mandatory requirements** (Article 67, Recital 40) targeted at farmers situated in certain river basins or protected areas who must undertake certain requirements as part of the implementation of Natura 2000 under the Nature Directive and/or Water Framework Directive. Payments are based on costs incurred and income forgone taking account of the specific constraints pertaining to the above mentioned directives, but only for actions beyond the conditionality baseline.
- **Knowledge exchange and information** (Article 72, Recital 46) support may be used by Member States to fund interventions that can contribute to achieving any of the CAP 'specific' objectives including those related to the environment and climate. This may include relevant actions to promote innovation, access to training and advice, and exchange and dissemination activities. Support covers up to 75% of eligible costs. This intervention is also used to fund Member States' Farm Advisory Services (see section 4.2)

Source: Own compilation based on the CAP legislative proposals

#### 4.3.2 Opportunities

There are number of opportunities to optimise the full range of relevant interventions and maximise environmental and climate outcomes. These include:

- The need to base all Pillar 1 and 2 interventions, to be set out in the CSPs, on a common SWOT analysis and needs assessment. This should help Member States to ensure a more coherent strategy for delivering environmental and climate outcomes. Flexibility to design the eco-scheme, Pillar 2 environmental, climate and other management commitments and other interventions in synergetic way should also permit different interventions to build on each other, enable more joined up action and create a culture of continuous development;
- The requirement for Member States to demonstrate in their CSPs how different interventions will work together to address the CAP 'specific' environmental and climate

objectives supports a more joined up approach to meeting these all objectives and contributing more proactively to achieving the EU's wider environment and climate objectives and relevant targets (also see section 4.5.2)

### **4.3.3 Risks**

Despite the CAP proposals encouraging more joined up thinking, a number of risks exist that could impede the eco-scheme and other related interventions from working in a more coherent and complementary way to maximise environmental and climate benefits. These include:

- Ensuring greater complementarity between different parts of the greening architecture requires a change in mind-set and in the way that different government departments work together (including at EU level) to engender more strategic thinking. Currently most Member States have no overarching strategy or structures in place to think through how different Pillar 1 and 2 environmental and climate interventions might work together synergistically. Rather the current focus is generally to ensure that interventions do not overlap and to avoid the risk of double funding. Finding ways to achieve greater impacts seems a much lesser priority. Not only is sufficient investment and capacity building needed to bring these changes about, but the approval process must also require the Commission to push Member States to design the eco-scheme as part of an overall coherent policy mix to maximise environmental and climate outcomes;
- There are not sufficient safeguards in place for the Commission to ensure that Member States implement robust basic standards (as they should do under conditionality) as the baseline for the eco-scheme and other voluntary environmental and climate area-based commitments.<sup>28</sup> It is also unclear how Member States will show that they have addressed any conflicts and trade-offs between environmental, economic, and social objectives. Although Member States must demonstrate how they use the eco-scheme together with other parts of the green architecture to increase their overall environmental and climate ambition, it remains unclear how this will be measured and enforced in practice. (See also section 4.5.3).

### **4.3.4 What is still needed?**

To avoid the risks and seize the opportunities identified above, the following changes or clarifications are recommended:

- Member States should be explicitly required to demonstrate in their CSP intervention strategy, under Article 97, how the eco-scheme and other elements of the green architecture (in particular conditionality under Article 12 and agri-environment-climate commitments under Article 65) will be used in combination to maximise environmental and climate outcomes. This will also demand the setting of up sufficient training and

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<sup>28</sup> SMRs and GEACs set the baseline for all voluntary environmental and climate area-based commitments, however the GEACs are vague and have to be interpreted by Member States according to their priorities. This risks that a minimum baseline will be difficult to establish

capacity building at both Member State and EU levels. Thus, by the end of the approval process the Commission should be able conclude that all chosen interventions are part of a coherent and integrated strategy and that the uptake or not of the full range of interventions available to the Member States under the green architecture is clearly justified by them;

- Sufficiently concrete expectations should be set out in the final text to ensure there is a robust baseline for the eco-scheme and all other voluntary environmental and climate area-based commitments. This could involve, for example, putting in place a minimum requirement on the number of crop types in rotation - GEAC 8 - and a minimum threshold for devoting farmland to non-productive features or areas - GEAC 9).

#### 4.4 Financing the eco-scheme

Dedicating a significant proportion of agricultural spending to environmental and climate actions is essential to ensure that there is a sufficient level of investment to address the scale of the challenge facing the EU agriculture sector. The ring fencing of CAP funding for the environment and climate not only sends a clear signal of the importance of these issues, but also strongly influences the level of investment by Member States in environment and climate issues, an area which has to date often been under-resourced in many Member States (see Chapter 3). It is important therefore to ensure that there is sufficient funding made available under the future CAP for these objectives.

##### 4.4.1 What is in the Commission's proposals?

While Member States are required to programme the eco-scheme, there is **no mandatory requirement to allocate a minimum percentage of their EAGF expenditure to the eco-scheme**. The current greening measure has a 30% share of the direct payment budgetary envelope as described in the previous chapter. Under Pillar 2, Member States are required to dedicate **at least 30% their EAFRD allocation for environmental and climate interventions** (Article 86). This minimum spending requirement applies to any interventions focussed on addressing any of the CAP's environmental and climate objectives, excluding funding allocated to the natural or area specific-constraints intervention.

In addition, Member States may also choose to **move up to 30%<sup>29</sup> of their EAGF allocation to the EAFRD**, all of which could be used to programme interventions designed to **address the CAP 'specific' environmental and climate objectives** (Article 90). Interventions funded from this transferred money would be 100% financed by the EU and would not be subject to Member State co-financing requirements (Article 90). Up to 15% of their EAFRD allocation may

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<sup>29</sup> Under the proposal, Member States can transfer up to 15% up to their EAGF budget to the EAFRD budget to be spent on any interventions and to address any of the CAP's nine objectives. This can be increased by an additional 15% if the new funding is used for interventions addressing CAP environmental and climate objectives.

also be transferred to the EAGF for interventions designed to address any of the nine CAP 'specific' objectives.

#### **4.4.2 Opportunities**

The options available would allow Member States to earmark considerable financial resources to the eco-scheme in order to maximise environmental and climate outcomes. For instance:

- Member States have the option to dedicate a large percentage of their Pillar 1 budget to the eco-scheme in order to deliver public goods more effectively. These payments would be 100% financed by the EU (with no national co-financing requirements in contrast to most EAFRD funded interventions). This is likely to give Member States with constrained national and regional financing a stronger incentive to address environmental and climate challenges.

#### **4.4.3 Risks**

At the same time, there are significant risks that Member States will choose not to invest in the eco-scheme because:

- There is no minimum spending identified for the eco-scheme, which means it could be deployed on a very small scale in certain Member States. There is effectively competition between such schemes and other Pillar 1 decoupled payment interventions and this could undermine the incentive for Member States to invest sufficiently in environment and climate outcomes. Expenditure on the 'green' element of Pillar 1 could be less than under the current CAP;
- Even with the 30% minimum spending requirement for the EAFRD interventions, budget allocations for Pillar 1 and 2 are not distributed in the same way amongst Member States. Available resources and/or commitments to co-finance interventions also differ significantly from Member State to Member State. Without a minimum spending requirement for the eco-scheme, there is no major push for Member States to use Pillar 1 expenditure to invest in environment and climate action;
- The possibility for Member States to shift 15% of their EAFRD contribution to the EAGF to support decoupled payment interventions could well result in lower environmental and climate investments. The risk is even greater because there are proposals for a major reduction in the EAFRD budget - in contrast to the EAGF where only minimal cuts are proposed.

#### **4.4.4 What is still needed?**

To avoid the risks and seize the opportunities identified above, the following changes or clarifications are recommended:

- A minimum expenditure requirement for the eco-scheme is necessary to ensure that the intervention is fully utilised and the EAGF is playing its part in making an active contribution to environmental and climate concerns. This minimum expenditure should be as high as

the current allocation for the greening measures under Pillar 1 (i.e. 30%) and must build on the 30% minimum spending clause under Pillar 2. Alternatively, Member States could choose to have global minimum spend equivalent to a 30% allocation from both the Pillar 1 and 2 budget, with different percentage allocations from each budget. This would build on existing the 30% minimum spending requirement under Pillar 2. In the end, the overall aim should be to guarantee an adequate amount of spending for good quality and sustained environmental and climate actions. It would also maintain a certain level of flexibility for Member States to programme the full suite of environmental and climate interventions according to their identified needs and priorities.

- Member States should not have the option to transfer 15% of their EAFRD to EAGF unless it is ring-fenced for the eco-scheme. Alternatively, if Member States choose to use Pillar 2 agri-environment-climate as the main instrument for addressing their environmental and climate needs and priorities they should be required to take full advantage of the mechanism to shift 30% of the EAGF to environmental and climate measures under the EAFRD.

#### **4.5 Planning and approval of the eco-scheme**

Strategic planning is essential to ensure that the policy choices made by Member States are fit for purpose. These choices should reflect both national and regional environmental and climate needs and be capable of actively contributing to the relevant EU objectives, including associated targets - backed by rigorous oversight at EU level. Facilitating a real shift to a more results/performance-based CAP will require a serious mind-set and cultural change on the part of both Member States and the Commission. The final CAP legislative text therefore must put suitably robust procedures, safeguards and resources in place to ensure that Member States' choices on the eco-scheme are coherent, relevant and sufficiently ambitious.

##### **4.5.1 What is in the Commission's proposals?**

Along with all other interventions, the **eco-scheme must be clearly set out and justified in a Member State's CSP - a key component of the CAP's 'new delivery model'** (Articles 95-109, 111; Recitals 54-68, 70). These plans, assessed and approved by the Commission, represent a new departure in common strategic planning, bringing together the Commission and the Member States. **CSPs are part of a move away from imposing detailed EU rules and a "one size fits all" approach towards greater autonomy for Member States to design the various interventions aligned to the CAP's objectives** and their needs with a new emphasis on performance rather than simple compliance with the rules.

To address the CAP's environment and climate objectives, the needs assessment conducted by Member States should **take account of existing national environmental and climate plans** that have been developed in keeping with requirements under certain EU environmental and climate legislation e.g. PAFs, RBMPs and NECPs. Based on this assessment, Member States must explain how the eco-scheme will work, together with other elements of the green

architecture, to reach the CAP's environmental and climate objectives. A key condition of the new CAP's strategic planning approach is the requirement for Member States to demonstrate a higher level of ambition for the environment and climate under the CAP 2021-2027 compared to the current period (Article 92). Member States also are required to demonstrate how the eco-scheme and other parts of the green architecture will contribute to already established national targets set out in the national plans outlined above.

More broadly, the **planning process requires the involvement of relevant stakeholder groups**. On the environment and climate specifically, competent authorities must be involved in the preparation of all elements of the green architecture, while the CSP preparation must be done in partnership with relevant public authorities, economic and social partners and civil society. Furthermore a monitoring committee, involving a balanced representation of partners, must be established prior to the submission of the CSP, to provide opinions on the draft CSP, including selection criteria for the disbursement of funds as well as the evaluation plan.

The **Commission approves the CSP on the basis that the plan meets all EU requirements and is in line with the provisions of the relevant CAP regulations**. The actual assessment focuses strongly on the adequacy of the CSP's intervention strategy *vis-à-vis* the CAP 'specific' objectives and Member States' chosen targets, interventions, and budget allocations, taking account of the Member States' SWOT analysis<sup>30</sup>, needs assessments and the ex-ante evaluation. Final approval of the CSP must take place within eight months of its submission by a Member State. During this period, the Commission may request further information or adjustments to the CSPs in order to ensure all legal obligations are satisfied. If not all elements are ready in time, Member States can request that part of the CSP is approved, with indicative targets and financial plans for the entire CSP to allow the Commission to judge whether what is proposed is both consistent and coherent. Partial approval can take place in exceptional circumstances and the reasons for this must be fully justified by the Member State.

Member States may submit annual amendments to their CSP which are subject to Commission approval, taking account of the impact these changes would have on achieving the CAP objectives overall.

#### **4.5.2 Opportunities**

The current legislative text relating to the process for development and approval of the CSPs includes some positive elements that should help ensure that eco-schemes are fit for purpose. These include the provisions that:

- Member States are required to explain how the eco-scheme and other elements of the green architecture will work together to contribute to the achievement of national targets

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<sup>30</sup> The SWOT analysis examines the current situation of the areas covered by CSP against each of the CAP 'specific' objectives. The analysis should be based on common context indicators and other quantitative and qualitative data

emanating from certain EU environmental and climate legislation. Programming these Pillar 1 and 2 interventions in one overarching and integrated strategy may help Member States to design support in a way that achieves greater efficiencies and effectiveness in delivering environmental and climate outcomes;

- Member States would have the flexibility to develop their own eligibility criteria<sup>31</sup>, control systems and schemes. This can potentially help to target and tailor the eco-scheme and other complementary interventions towards their environmental and climate needs rather than spending time trying to fit them to EU-wide rules that can lead to risk-averse choices being made and even perverse effects arising;
- Involving a wider range of stakeholders in the design of the eco-scheme and other elements of the green architecture should help to support a more inclusive and participatory CAP implementation process that brings together all relevant expertise and interests. In particular, the involvement of national environmental authorities in the design of environmental interventions should increase the capacity to introduce more targeted and tailored interventions for environmental and climate outcomes and the impetus to do so.

#### **4.5.3 Risks**

At the same time, there remain significant risks that could lead to poorly designed eco-schemes, which would not be fit for purpose to address environmental and climate priorities. These include:

- The fact that the CAP ‘specific’ environmental and climate objectives are not sufficiently detailed. Nor are they directly linked to EU environmental and climate targets, which require the EU agriculture and wider land management sector to make a proactive or quantified contribution. There is also no requirement for Member States to turn CAP environmental and climate objectives into more targeted operational objectives adapted to their needs, circumstances and priorities. The unspecific nature of the CAP ‘specific’ objectives increases the risk that Member States will not engage in strategic planning and instead set vague national objectives and targets which in turn will lead to the design of poorly focused interventions;
- The proposals do not require all relevant EU environmental legislation and policy to be taken into account by Member States when designing the eco-scheme and other related interventions. This is despite the relatively slow progress made against certain key targets in recent years and the need for a greater contribution from the agriculture and land management sector. For example, there is no requirement for Member States to take account of the relevant targets under the EU Biodiversity Strategy<sup>32</sup> (addressing species and habitats conservation and improving ecosystem services provision) or the Marine

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<sup>31</sup> There are also certain caveats associated with Member States designing their own eligibility criteria for the eco-scheme and direct payments more broadly. For more information see section 4.1.3

<sup>32</sup> Communication Our life insurance, our natural capital: an EU biodiversity strategy to 2020 COM/2011/0244 final

Strategy Framework Directive<sup>33</sup> (addressing nutrient and organic matter enrichment). Moreover, whilst accepting the absence of a common EU legislative framework for soil, reference could have been made to existing policy frameworks and guidelines such as the EU Soil Thematic Strategy<sup>34</sup> and the FAO Voluntary Guidelines for Sustainable Soil Management<sup>35</sup>;

- Environmental partners e.g. from civil society, are not explicitly required to be consulted (even though environmental authorities are). Furthermore, consultation requirements are no longer bound by ESIF common rules including the European Code of Conduct on Partnership (ECCP) for the current European Structural and Investment funds<sup>36</sup> (due to the fact that in future the CAP will not be linked to the EU's proposed Common Provisions Regulation) which could end up squeezing out relevant stakeholders in some Member States. Furthermore it appears that the consultation process will not be fully assessed by the Commission as part of CSP approval process;
- It is unclear how Member States and the Commission will demonstrate that the eco-scheme and other related interventions support a greater level of environmental and climate ambition compared to the current CAP. Beyond the clause set out under Article 92 of the proposal to ensure a greater level of ambition compared to the current period there is no specific methodology detailed for how this will be achieved. The possibility for partial approvals may also undermine consistency and coherence between the eco-scheme because it is a new scheme and other elements of the green architecture (even if indicative targets and financial plans must already be in place).

#### **4.5.4 What is still needed?**

To avoid the risks and seize the opportunities identified above, the following changes or clarifications are recommended:

- The CAP environmental and climate objectives under Annex I need to be expressed in more concrete and quantitative terms in order to ensure that they become operational at national and regional level and assist Member States in setting meaningful targets. Making the objectives more SMART<sup>37</sup>, including identifying relevant EU environmental and climate targets for each objective, would help inform the design of the eco-scheme and other related interventions and make the link with corresponding EU legislation in a more tangible way;

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<sup>33</sup> Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy

<sup>34</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Thematic Strategy for Soil Protection COM/2006/0231 final

<sup>35</sup> FAO 2017. Voluntary Guidelines for Sustainable Soil Management. Food and Agriculture Organization of the United Nations Rome, Italy

<sup>36</sup> Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds

<sup>37</sup> Specific, Measurable, Achievable, Relevant, Time Related



- All existing binding and non-binding EU environmental policies as well as international instruments, where the EU agriculture and wider land management sector is expected to make a meaningful contribution, should be set out under Annex XI in order to ensure that they are taken into account in Member States' CSP needs assessments;
- Further provisions are needed under Article 94, including the incorporation of key elements of the ECCP, to ensure that environmental partners are part of the design of the eco-scheme and other elements of the green architecture;
- A significant mind-set and cultural change is required to implement a more coordinated and integrated approach to the delivery of environmental and climate commitments. Member States should therefore be given sufficient time, training and guidance (including the use of technical assistance under Article 112) to enable them to plan strategically how they will fully utilise the eco-scheme and Pillar 2 agri-environment-climate commitments to build on basic conditionality requirements and standards.
- Clear criteria are necessary under Article 92 to ensure that Member States can demonstrate that eco-scheme and other elements of the green architecture are designed to make a greater contribution to meeting EU environmental and climate objectives compared the current programming period. Any partial approvals of CSPs (under Article 106) where the eco-scheme is not included should be an exception rather than the rule, with Member States required to clearly demonstrate the reasons why and that it will not undermine the addressing of identified environmental needs.

#### **4.6 Monitoring and evaluating the eco-scheme**

Effective monitoring and evaluation of the eco-scheme and other related interventions is essential not only to support the shift towards a more results/performance-based approach, but also to ensure greater accountability and legitimacy towards EU citizens in terms of the added value of the CAP. The next CAP therefore must build on the Common Monitoring and Evaluation Framework (CMEF) introduced in 2013, with clearly defined environmental and climate objectives for the CAP. Operational objectives including associated EU and national targets also need to be sufficiently specific or quantified to ensure robust EU oversight effectively holding Member States to account.

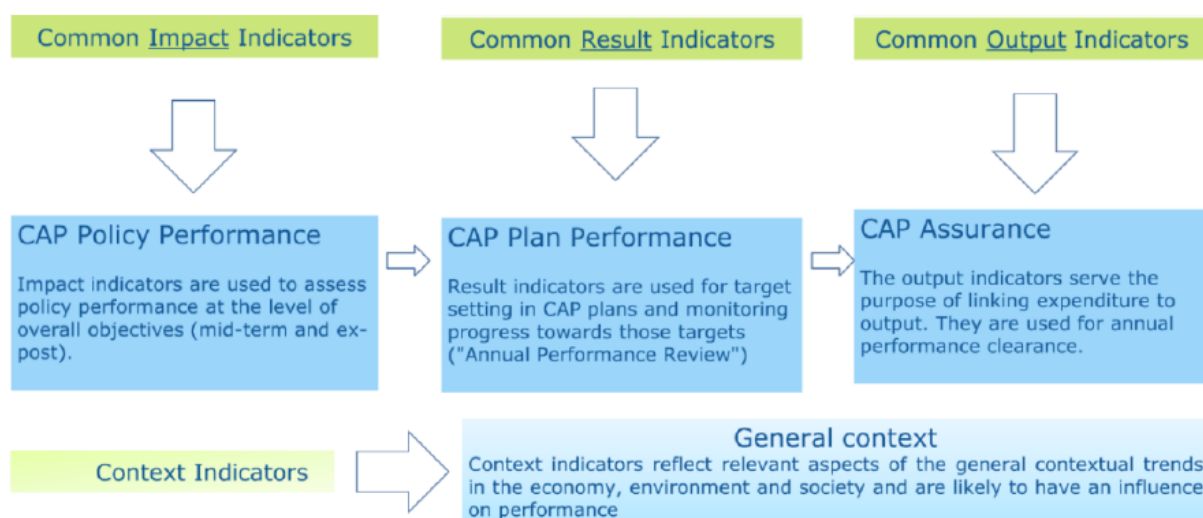
##### **4.6.1 What is in the Commission's proposals?**

A new **Performance Monitoring and Evaluation Framework (PMEF)** will be used to assess how the CSPs are contributing to the CAP's general and 'specific' objectives and the overall results/performance of the policy (Articles 111, 115-129; Recitals 70, 73-77).

A key part of the PMEF is the so-called annual review process between Member States and the Commission. Under this process Member States must report on the implementation of their CSP in the preceding year by submitting an annual performance report to the Commission. (The first annual review covers the first two years of implementation). A monitoring committee of national stakeholders is also responsible for examining the progress

in the implementation of the CSP, including the achievement of a Member State’s milestones and targets set out in the plan.

As with the other CAP objectives, environment and climate objectives are accompanied by a common set of output, result and impact indicators used to monitor and evaluate the implementation of the CSPs. These are used for both monitoring and evaluation purposes, including the reviewing of interventions against expenditure and ensuring planning performance and policy impact (see Figure 5). The common indicator set is particularly relevant for the annual review conducted between the Commission and the Member State as progress in reaching the CSP’s targets is tracked using the output and result indicators.



**Figure 5: Overview of rationale for indicators used under the CAP’s new PMEF**

Source: European Commission (2018)

The only indicators that will relate directly to the eco-scheme as well as other environment and climate related interventions are the output indicators, which record uptake in terms of the number of hectares or number of beneficiaries enrolled<sup>38</sup>. The implementation of the eco-scheme will also provide a contribution, alongside other environmental interventions, to the result indicator targets, showing the area of land under management classified as beneficial for different environmental purposes. Finally, the actions by farmers under the eco-scheme should provide a demonstrable contribution to the impact indicators, which are used to measure progress under all CAP interventions in delivering the CAP ‘specific’ objectives.

In contrast to the impact indicators, which are used to measure the medium to long-term impact of the CAP against its objectives, the output indicators monitor uptake of an individual

<sup>38</sup> From our analysis relevant output indicators, set out in Annex I accompanying the proposal, include for example 0.13/0.14 Number of ha (agricultural/forestry) covered by environment/climate commitments going beyond mandatory requirements and 0.15 number of ha with support for organic farming.

intervention over time and the result indicators monitor the cumulative contribution of a range of interventions against a particular objective (again in terms of proportion of land enrolled). As part of the annual review process, where targets are not met, the Commission may opt to take remedial actions (for example where one or more of the result indicator values shows a gap of 25% or more compared with the original milestone). To encourage Member States to deliver on the environmental and climate targets set out in their Strategic Plan, 5% of each Member State's EAFRD allocation is earmarked as a performance bonus and will be unlocked in 2026 when a Member State achieves at least 90% of its result indicators' target values in 2025.

In terms of measuring actual impacts, Member States are required to carry out independent evaluations of their CSP during their implementation as well as *ex post* to ensure the adequacy of interventions in achieving the CAP 'specific' objectives. These evaluation activities should be set out in a plan, which is shared with the stakeholder monitoring committee, at least one year after the approval of the CSP. The monitoring committee follow and examine progress on the various evaluation activities. The *ex post* evaluation of the CSP must be carried out by Member States, by 31 December 2031.

Finally, it is envisaged that both the existing Integrated Administration and Control System (IACS) and Land Parcel Identification System (LPIS) will be further developed to better meet the statistical needs of the CAP as well as gaps in other data sources.

#### **4.6.2 Opportunities**

There are a number of positive elements in the draft CAP legislative text that provide opportunities to improve the overall monitoring and evaluation of the CAP to support a more results/performance-based approach. These include:

- The new Performance Monitoring and Evaluation Framework (PMEF) covering all aspects of Pillar 1 and Pillar 2 for the first time. It further consolidates and streamlines the policy's overall monitoring and evaluation procedures set out under the current CMEF. In principle it allows the cumulative effects of different interventions to be assessed more coherently against the CAP's objectives. This means that the assessment of the eco-scheme and other environmental interventions (in both Pillar 1 and 2) would be combined into one overarching framework that in principle measures the cumulative performance of all environmental interventions in contributing to the CAP and EU's environmental and climate objectives.
- The increasing use of satellite technology and digitisation could help contribute to the monitoring of the performance of eco-schemes and other elements of the green architecture across the whole EU territory, specifically focussing in on the uptake of particular types of management activity, which can be used as proxies when assessing environmental and climate effects. It is also foreseen that IACS and the LPIS will be further developed to meet the CAP's statistical needs as well as gaps in existing data sources e.g. the Farm Accountancy Data Network and the Farm Structure Survey.

### **4.6.3 Risks**

At the same time, the current PMEF proposals raise a number of risks that could impede the shift to a more results/performance-based approach. These are as follows:

- In their current form, there are no specific output indicators assigned independently to the eco-scheme, while the impact indicators are not clearly linked to relevant EU objectives or targets. In particular, the result indicators, which will be monitored as part of the annual performance review, do not allow for an assessment of the quality of the results achieved, just the area of land under management relevant to a particular environmental issue. Sub-indicators that are more detailed should be put in place by Member States relating to the type of management being carried out on the ground (e.g. area of land in a particular scheme under buffer strips or catch crops or semi-natural grassland etc.). These should be linked in a transparent way to the overarching result indicators identified in Annex I of the CAP proposals (based on the literature demonstrating a proven or theoretical link between certain types of management and an environment/climate outcome). This would enable a more informed judgement to be made about the quality of the results achieved during the annual performance review. A robust set of indicators and framework for measuring outputs and results is important not only to assess the potential environmental and climate results of interventions, but also to ensure transparency and accountability linked to expenditure and planning performance. It can also help to facilitate a learning process for Member States and the Commission to maximise environmental and climate outcomes over the lifetime of the CSP.
- The availability of relevant data and extent of commitment to timely collection differs significantly between Member States. This can hinder regular monitoring and robust evaluations of actual progress. While more detailed delegated acts are foreseen, a clear requirement is needed that detailed information should be collected on the different management actions being carried out under the eco-scheme as well as other environmental interventions, for example via IACS and LPIS. Otherwise it will be extremely difficult to be confident of developments on the ground or to assess the environmental and climate outcomes
- The Performance Bonus covering the eco-scheme and all other relevant environmental interventions set out in the CSP, only ring-fences 5% of a Member States' EAFRD allocation rather than covering a proportion of the EAGF too. Performance is based on Member States' ability to meet their projected milestones and targets rather than any attempt to measure performance against the CAP's impact indicators. The lack of a direct connection between the performance bonus, the entire CAP budgetary allocation for a Member State and the impact indicators undermines its potential to encourage genuine environmental and climate performance.

#### **4.6.4 What is still needed?**

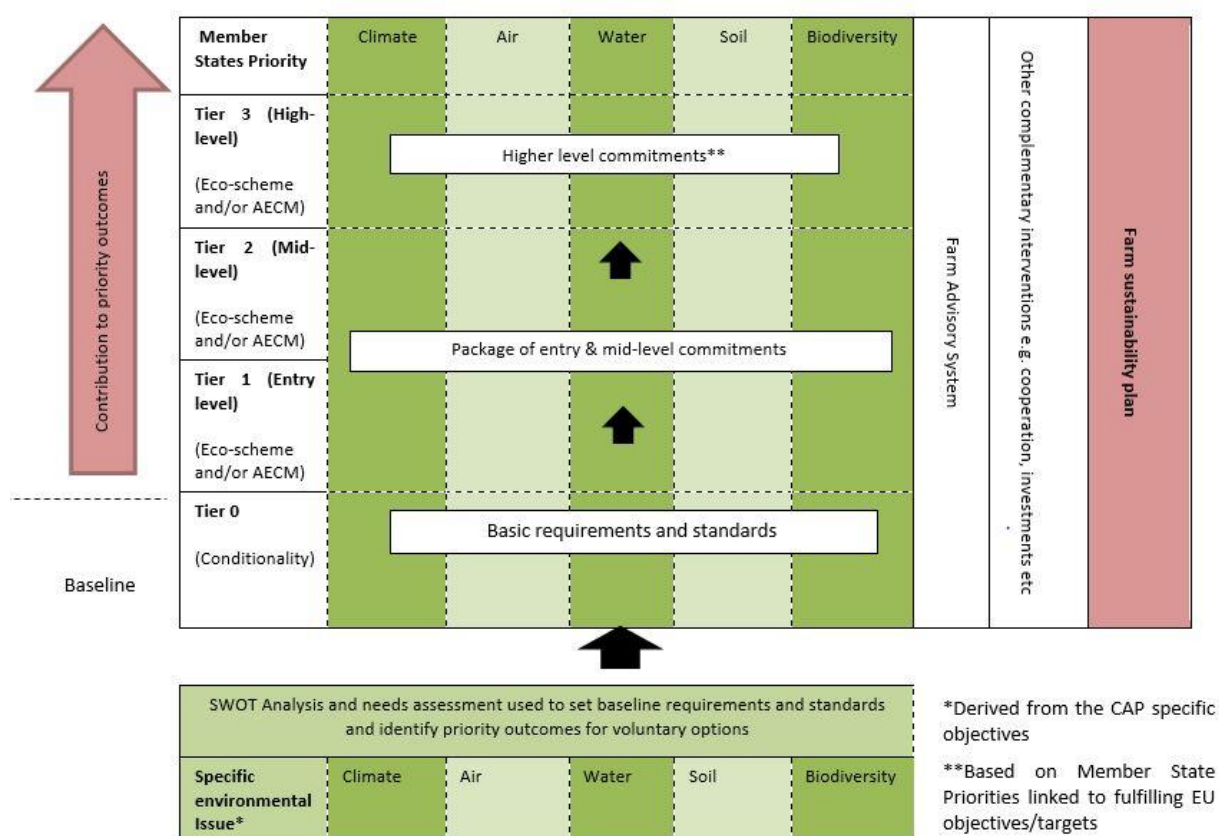
To avoid the risks and seize the opportunities identified above, the following changes or clarifications are recommended:

- The common set of output, results and impact indicators set out under Annex I must be fit for purpose in order to genuinely shift the focus towards a more results/performance-based CAP. Output and results indicators must draw on a sub-set of more detailed indicators (including information about the type, quality and location of the different interventions). This is essential in order for the potential environmental and climate results of different commitments under the eco-scheme and other elements of the green architecture to be adequately assessed;
- Measuring the performance of environmental interventions against the CAP 'specific' objectives will require significant investment by Member States in electronic information systems for data collection. A clearer overview under Articles 115-120 of the types of data foreseen and their integration with the IACS and LPIS is critical in order to improve the availability and timely collection of datasets relevant to assessing the performance of the eco-scheme and other elements of the green architecture;
- For the Performance Bonus to achieve this potential it must have teeth. To this end a direct connection is needed between Member States' performance bonus and their entire CAP budget allocation under Articles 123-124 with actual performance measured against the CAP's impact indicators where appropriate.

## 5 Using the eco-scheme to maximise environmental and climate benefits

Our analysis of the legal proposals shows that the introduction of the eco-scheme offers Member States a new way to target and tailor Pillar 1 direct payments to support farmers and land managers who wish to transition towards more sustainable farming practices and systems. At the same time, there are a number of risks identified in the CAP draft proposals which may limit the potential for the eco-scheme to be designed in ways that can maximise its contribution to environmental and climate objectives. We have identified therefore how the European Parliament and Agriculture Council could potentially improve the Commission’s proposal during the co-decision procedure. In this Chapter we set out some ideas for how the eco-scheme could be best exploited by Member States, in their CAP Strategic Plans (CSP), to form part of a mix of interventions for maximising the delivery of environmental and climate outcomes.

### 5.1 Towards an overarching framework for the CAP’s green architecture



**Figure 6: Proposed framework for designing the eco-scheme and other related interventions**

Source: Own compilation

Figure 6 illustrates our initial thinking of how the eco-scheme could operate and interact with other CAP environmental and climate related interventions. Our starting point is that the shift towards a more performance focussed CAP requires Member States to look at all elements of the green architecture in order to determine how best to respond to their environmental and climate needs. As a result, the eco-scheme should not be seen in isolation, but rather as a component part of the overall green architecture.

A more integrated framework incorporating the eco-scheme and other related interventions would aim to address Member States' environmental and climate needs and the corresponding CAP objectives and EU environmental and climate targets in a coherent and coordinated way. The proposed framework is based on graduated approach to environmental and climate delivery, whereby Member States use a multi-tier hierarchy to incentivise and reward farmers and land managers to take action and undertake a combination of basic and more demanding commitments. Key elements of the framework are set out and explained below:

**a) *Creating environmental and climate commitments based on needs:***

- Member States' priorities for climate, air, water, soil, biodiversity are derived from the results of their CSP's SWOT analysis and needs assessment, taking account of relevant national environmental planning tools and targets emanating from the EU's environmental and climate objectives.
- Tiered packages of mandatory voluntary commitments ideally multi-annual<sup>39</sup> in nature, would cover all environmental and climate issues as outlined under the CAP objectives based on the Member State's needs assessment.
- All commitments would involve a certain non-trivial level of additionality (i.e. going beyond Tier 0 - the baseline defined by GAEC standards and eligibility criteria and increasing - depending on the level of the commitment). Interventions would include support for beneficial management practices that are under threat, for the alteration of existing management practices or the introduction of new management practices that incur some cost for the beneficiary.
- Certain commitments under Tiers 1-3, where relevant to a specific farm business, could be combined with other relevant interventions such as cooperation, investments for non-productive infrastructure e.g. for habitat restoration or for improving the management and storage of farmyard manure.

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<sup>39</sup> All commitments whether paid on an annual or a multi-annual basis should require beneficiaries to commit to between 5-7 years in order to ensure sufficient time for a desired result to be achieved and to provide stable long-term payment obligations to farmers. Experience of the implementation of the so-called Article 68 measures under the CAP 2007-2013 already provides a precedent for annual payments to be based on multi-annual agreements. This should not exclude the possibility for Member States to develop short-term agreements e.g. for habitat restoration or the introduction of landscape elements such as a hedge planting

b) **Common approach for all environmental and climate spending:**

- All funds dedicated to achieving environmental and climate actions beyond the baseline (fulfilling conditionality) should be designed together, forming one overall approach for delivering environmental and climate outcomes using funding from both the EAGF and the EAFRD<sup>40</sup>;
- Commitments can be presented to beneficiaries as one overall framework, with the allocation between funds happening behind the scenes. For example it should not matter to the beneficiary whether semi-natural grassland management is funded via the EAGF or the EAFRD, the important point is that support for such management actions fits within a logical approach to achieve the desired environmental and climate outcome and is sufficiently attractive to stimulate uptake by the beneficiary;
- Funding allocations should be sufficient to achieve the environmental and climate needs identified, with a sufficient percentage of the total funding dedicated to each tier to encourage farmers to progress through the different tiers. The temptation to allocate funding between the different types of interventions before the overall approach has been designed must be avoided. Some flexibility may be required to make financial adjustments to commitments depending on the uptake by farmers and other land managers.

c) **Enabling a graduated approach to environmental and climate commitments:**

- Adopting a graduated and stepwise approach, each Tier could be modular with Tier 0 a pre-requisite for Tier 1 and Tier 1 a pre-requisite for Tier 2 etc. Another option could be that those participating under Tier 1 would have priority access to Tiers 2 and 3.
- For Tiers 1-3 a Member State would develop packages of commitments, including regional elements, that aim to address priorities identified across its entire territory (addressing multiple priorities) and in specific environmental hotspots (addressing one or more of the priorities);
- Tier 1 would comprise basic commitments and would aim to target a large proportion of the EU's farmland. Farmers and land managers choosing to enter this tier would be required to fulfil a number of commitments addressing multiple environmental and climate priorities (applicable to their farm type and holding). Commitments could be extensions to the different GAEC standards, relevant to different farmland types with the aim of raising the environmental value of all basic actions emanating from conditionality based on a farm system or landscape approach, rather than individual land parcels;
- Tier 2 would comprise commitments that are more demanding and would be targeted to farmers or land managers who wish to introduce and/or maintain beneficial farming practices. The tier would be open to all farmers, but would also cover the introduction of beneficial management actions aimed at specific outcomes. Tier 2 should also have

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<sup>40</sup> We acknowledge that the EAGF and EAFRD have different conditions attached, but this should not stop Member States from looking for ways to design a more joined up approach in order to fully utilise all elements of the green architecture



a multi-objective focus, but unlike Tier 1, not all commitments would address all of objectives and farmers and other land managers would have more flexibility to choose commitments addressing one or more of their Member State's priorities.

- Tier 3 would comprise higher-level actions that are more ambitious. These commitments would tackle a specific priority a Member State has identified. These commitments would be expected to be targeted at key environmental hotspots e.g. areas with high levels of biodiversity where action is needed.

d) ***Putting sustainability planning at the heart of farm management:***

- Under our proposed approach, all farmers and land managers receiving direct payments would be paid to draw up a farm sustainability plan, in partnership with an accredited farm advisor;
- The initial aim would be to increase farmers and land managers' awareness of how addressing the current range of environmental and climate priorities may be relevant and could be applied to their farm business. It would also serve to lay the groundwork for farmers and land managers who choose to improve their environmental and climate performance and take up voluntary actions in the light of their circumstances and the schemes available to them.
- The plan would be expected to become fully operational and subject to assessment insofar as farmers take up voluntary commitments under the different Tiers. The plan itself would require farmers to document their contribution to environmental and climate priorities from the perspective of their overall farm enterprise. Implementation should be monitored by Member States in order to assess progress over time, and allow adjustments to be made, if problems arise in farm management relevant to specific commitments.
- Depending on the type of practice(s) within the agreement and level of commitment, farmers and land managers would be financially supported to work on implementing the plan with a farm accredited advisor to address environmental and climate priorities relevant to their farm enterprise and the commitments they have made. Accredited advisors could help to implement plans on an individual basis or with a group of farmers (with relevant elements of the plans developed to work together).

e) ***Ensuring a sound environmental and climate baseline:***

- Tier 0 sets out the baseline for all farmers receiving direct payments and requires beneficiaries to fulfil all relevant statutory management requirements (SMRs) and standards for good agricultural and environmental condition (GAEC) established by Member States.
- Based on the post 2020 CAP proposal, Tier 0 covers all beneficiaries in receipt of Pillar 1 payments as well as those in receipt of area-based payments on agricultural land under Pillar 2. It would be a prerequisite for entering all voluntary environmental and climate schemes under Tiers 1-3.

## 5.2 Benefits of a single environmental and climate framework

A single environmental and climate policy framework for the agriculture sector and land management under the next CAP would certainly be a new departure for some countries in terms of strategic planning, farmer engagement and policy integration. Such a framework could be expected to provide a number of benefits in terms of shifting the next CAP towards a more results/performance-based approach. Some of the anticipated benefits for farmers, policymakers and administrators are set out below. These benefits are not meant to constitute an exhaustive list nor do they do they eliminate the inevitable challenges that could be associated with introducing a new approach. Rather, the discussion seeks to suggest the potential of a single environmental and climate framework to create a means for more incentive-based environmental and climate payments and potentially stimulate a more performance focussed approach to CAP support after 2020.

**Benefits for farmers and land managers:** A systematically modular and stepwise approach to environmental and climate commitments could be a more effective, participatory and stimulating way to reward and incentivise farmers for delivering what will be a broader range of commitments, now that more weight will be given to securing climate benefits in the next CAP. A tiered approach to commitments would be used to incentivise uptake of the most environmentally beneficial options with different levels of payment. Farmers and land managers would not necessarily have to be aware of which CAP intervention has been used to fund environmental commitments, but rather would be presented with different tiers and options to choose from as part of an overall package.

A framework that seeks to induce long-term attitudinal and behavioural change is almost certain to involve sound investments in farmer support networks. The integration of farm advisory services (FAS) into the overall framework is therefore critical to support farmers' capacities in terms of technical knowledge and of understanding the relevance of environmental actions for their farm businesses, including the potential benefits and impacts over the period of the commitment. There has been very little EU-wide empirical research done on the impacts of training and advice on the overall effectiveness of agri-environmental schemes (Batáry et al, 2015). At the same time, there is some evidence demonstrating the potential benefits of training, advice and farmer support networks to assist the successful uptake of environmental and climate schemes (Allen et al, 2014; Poláková et al, 2014) including in the current CAP (for further information see section 3.3). Such support may help to increase farmers' awareness of environmental land management approaches; respond to the needs of individuals and/or groups of farmers; and influence farmers' attitudes and behaviour towards environmental management in the long-term. Sustainability planning with an approved advisor in combination with attractive payments based on the level of commitment (entry, medium or higher-level) should also help to create a culture of continuous development.

**Benefits for policymakers and administrators:** Using a single over-arching framework for addressing environmental and climate issues would be a helpful step towards realising the Commission's stated intention to use this reform to 'support the transition towards a fully sustainable agricultural sector and the development of vibrant rural areas, providing secure, safe and high-quality food for over 500 million consumers'<sup>41</sup>. Such a framework could enable policymakers to demonstrate more clearly to CAP beneficiaries and society at large the political imperative of mainstreaming environmental and climate considerations into our food and farming systems on a large scale. However, for such a framework to work, both policymakers and administrators must recognise the urgent need for EU agriculture to play an active role in addressing the underlying environmental and climate challenges facing Europe. This includes being prepared to dedicate a significant and rising share of the CAP budget to environmental and climate interventions. For further analysis on the financing of the eco-scheme see section 4.4.

Integrating the eco-scheme and other all other elements of green architecture into one overarching framework within their CSP should allow Member States to foster more coordinated, synergistic and systemic responses to address these challenges. To this end, different commitments would no longer be seen in isolation, but rather as part of an overall strategy for achieving identified environmental and climate needs and contributing to relevant EU objectives. On the one hand this should help to lift the environmental and climate performance of farmers across the entire territory (through widespread entry-level commitments), and on the other act as a basis for addressing more demanding and often site-specific environmental and climate issues (through a combination of commitments in medium and higher tiers). Targeting and differentiating commitments based on a tiered approach could also help to focus administrative efforts more on achieving results. Granting payments based on multi-annual agreements (although generally paid on an annual basis) should assist in reducing the administrative burden significantly.

It will be important for policymakers and administrators to find the right way of targeting, tailoring and financing the effective combinations of the various elements of the green architecture, utilising different programming possibilities. However, designing and implementing the eco-scheme and related measures in a more streamlined and coordinated way based on identified needs should assist in shifting the focus away from the details of the interventions themselves. This would instead shift the focus towards communicating to beneficiaries the concrete outcomes they would be expected to achieve to receive public support. The initial design and programming will take some effort to work out in the first instance, but once in place this should become easier. Therefore, in the medium to long-term a more integrated approach could improve efficiencies and support greater simplification.

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<sup>41</sup> Reasons for and objectives of the proposal as set out in the Explanatory Memorandum

## 6 Conclusions and recommendations

Based on the preceding analysis of the proposed eco-scheme, this concluding chapter highlights a number of observations about how this new intervention could be an opportunity to maximise environmental and climate benefits in the CAP after 2020. Our recommendations include:

### **1. Ensure that the eco-scheme is well targeted and tailored, and backed by a strong budget in order to deliver a higher level of ambition for environmental and climate action.**

Under a renewed green architecture, the eco-scheme offers greater potential for Pillar 1 direct payments to be better tailored and targeted towards environmental and climate priorities compared to the largely one-size-fits-all design of the common EU rules set out under the current CAP's green direct payments. As the eco-scheme is part of the suite of direct payment interventions, commitments have the potential to be targeted at a larger proportion of EU farmland compared to agri-environment-climate payments under Pillar 2, if Member States design sufficiently attractive commitments. It has the potential to be used to create, at a minimum, the first tier in a multi-tier set of interventions within the two Pillars of the CAP, allowing greater ambition in EAFRD funded schemes. It is well suited to address multiple EU environmental and climate objectives and promote the necessary shift towards greater agricultural sustainability. Moreover, it could be part of a strategic policy architecture with the aim of promoting a culture of continuous development in Member States and amongst farmers.

Member States have the option to dedicate a sizeable proportion of their EAGF allocation to the eco-scheme, which would be 100% financed by the EU budget and would not incur any national or regional co-financing, unlike environment and climate measures available under Pillar 2. Therefore, if Member States are serious about using the CAP to respond to the pressing environmental and climate challenges facing the agriculture sector, they could logically use the eco-scheme to transform the majority of their direct payments into genuine payments for eco-system services - in the medium to long-term.

However, the current proposal does not signal any clear strategic purpose for the eco-scheme. This is a weakness and missed opportunity as Member States may fail to use it to facilitate a shift towards more sustainable farming practices and systems in the medium-term. There should be a focus on securing additionality, both to instil a more results/performance-based approach to commitments amongst beneficiaries and to respond adequately to the environmental and climate pressures facing the sector. To enable its potential to be maximised, the eco-scheme should have the same degree of latitude in terms of design as that afforded to agri-environmental-climate commitments under Pillar 2. There should also be scope to programme multi-annual commitments or to design collective schemes for groups of farmers.

The lack of ring-fencing of CAP funding for the eco-scheme is the single greatest weakness of the proposal. It fails to send a clear signal of the political imperative for the next CAP to respond more decisively to the pressing environmental and climate issues facing the sector and to increase its ambition. The level of minimum spending currently dedicated to the environment and climate action under Pillar 1 (i.e. 30%) must really be maintained, with efforts stepped up to improve the ambition and quality of the different commitments offered to beneficiaries.

To maintain momentum on spending for environmental and climate public goods, which is in danger of declining, Member States should not have the possibility to transfer a percentage of their EAFRD to the EAGF and instead should take full advantage of the opportunity to reinforce their Pillar 2 budgets. If transfers to the EAGF are permitted, they should be ring-fenced for the eco-scheme. Alternatively, Member States could choose to have global minimum spend equivalent to a 30% allocation from both the Pillar 1 and 2 budget, with different percentage allocations from each budget. This would build on the existing 30% minimum spending requirement under Pillar 2

## **2. Ensure that there is complementarity between the eco-scheme and other related CAP instruments including key elements of the green architecture**

There are strong arguments for Member States to combine the eco-scheme with other elements of the green architecture (e.g. conditionality and Pillar 2 agri-environmental commitments) to form a coherent strategy for delivering effective environmental and climate outcomes in the next CAP period. Other interventions that may not be seen to be directly part of the green architecture, such as non-productive investments and knowledge exchange and information, should be included as well. In particular, there needs to be better integration of environmental considerations into Farm Advisory Services (FAS), compared to the current programming period. It is welcome that the Commission proposals place a greater strategic emphasis on knowledge transfer and innovation under the CAP and significantly expand environmental and climate considerations within the scope of the FAS. At the same time, there is still room for improvement, particularly in terms of support for training and advice under eco-scheme. It should be more explicit that advisory support for the eco-scheme is a basic requirement under the FAS and that all existing national planning tools emanating from EU environmental and climate legislation needs to be accounted for in the FAS's remit.

A critical point is that any investment in advisory services should not be seen merely as an administrative cost. Instead it should be considered as a means to support farmers actively and give them the tools to integrate environmental and climate considerations effectively into their farm management and forward planning. Experience shows how valuable advice can be. The FAS should therefore fully support farmers and land managers throughout the implementation of a commitment and not only provide them with information about the scheme conditions when the commitment starts. It should be possible for Member States to

fund the FAS and other knowledge exchange and information actions using the CAP's different funding mechanisms and the Commission should encourage the strategic use of FAS in the CAP Strategic Plans (CSPs). Some ideas about moving towards an overarching framework of linked CAP interventions for achieving environment and climate outcomes in a new more integrated approach to programming are set out in Chapter 5. This could improve outcomes at EU and national and regional level and permit an increase in environmental and climate ambition.

### **3. Ensure that planning and performance under the next CAP is participatory, transparent and evidence-based to effectively address key environmental and climate challenges**

Finally, participatory, transparent and evidence-based approaches must be at the heart of strategic planning processes within the CAP, notably the preparation and development of CSPs. An effective performance, monitoring and evaluation framework (PMEF) will be a critical tool in order to engender a genuine shift towards a more results/performance-based CAP. Such a shift in emphasis will require a significant change in mind-set to ensure that the eco-schemes and other elements of the green architecture are effectively designed and targeted and that the results of different commitments are adequately assessed.

Both the strategic planning and robust monitoring and measurement of the performance of environmental interventions, against the CAP objectives, will require significant investment in Member State training and capacity-building. Under the PMEF, for instance, investments in data collection are needed, not only to assess environmental impacts, but also to help support long-term behavioural change towards sustainable farming. Good stakeholder engagement during the planning and implementation phase will be also be essential in order to ensure a more participatory and transparent approach under the next CAP. These processes must facilitate the full participation of all key partners including the environmental sector. Not only can they offer important contributions, but their genuine involvement can also strengthen the legitimacy of the process and the accountability of the CAP to wider society. Given the cross-cutting nature of these training and capacity needs, Member States should have the possibility to use both the EAGF and the EAFRD to support technical assistance.

Finally, the Commission has set out a number of safeguards aiming to ensure that Member States use the next CAP to raise their level of environmental and climate ambition and activity. However, during the planning phase, clear criteria are needed to guarantee that Member States actually demonstrate how the eco-scheme and other elements of the green architecture are designed to make a greater and sufficient contribution, (not least compared to the current programming period). Furthermore, the proposed Performance Bonus could be better used to encourage more stretching environmental and climate performance amongst Member States than they might otherwise plan for. However, to achieve this potential, it must have teeth. A direct connection is needed, therefore, between Member States' performance bonus and their entire CAP budget allocation (not just the EAFRD), with actual performance measured against the CAP's impact indicators.

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