



# Greening the CAP: What Role for Cross Compliance?

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# Outline of presentation

- **Content**
- **Key features of the current CAP**
- **Cross compliance and the environment**
  - **Concept**
  - **Evidence**
- **Conclusions - Emerging issues**



# Context



# The OECD



**The Organisation for Economic Cooperation and Development is an inter-governmental organisation financed by its 34 member countries with increasing outreach to other countries.**

**Aim is to foster global economic growth, sustainable development and prosperity and act as a hub for globalisation.**

**Addresses common policy issues through dialogue among countries, based on analysis and comparative statistics.**

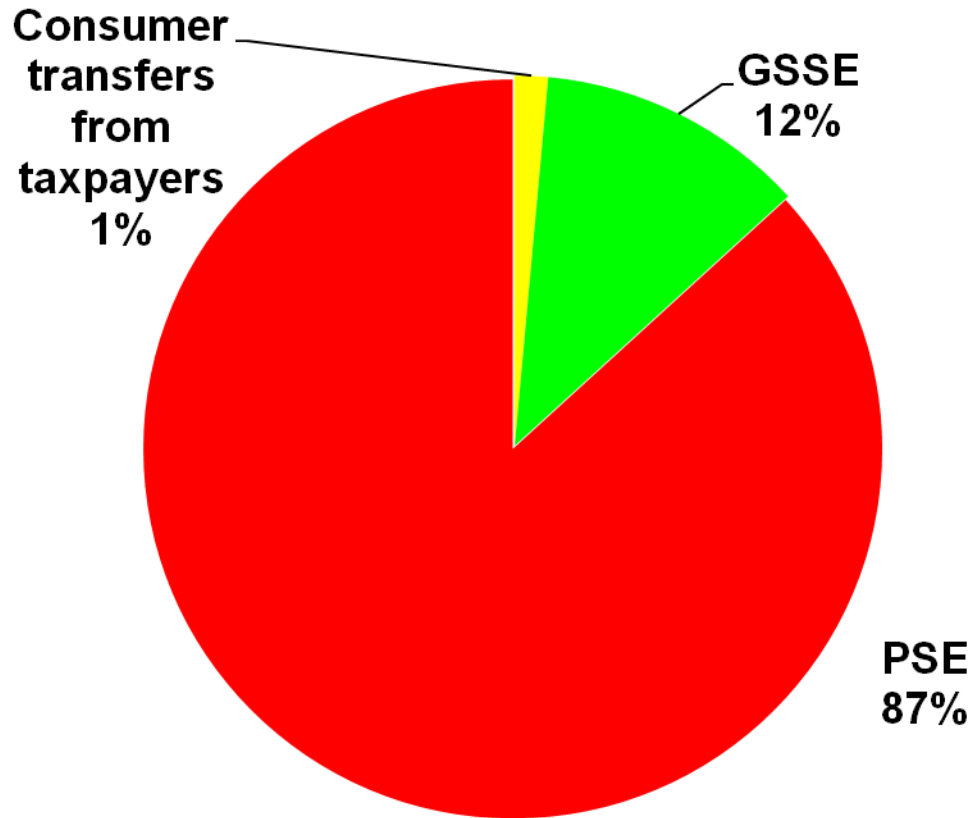


# **Key features of the EU Common Agricultural Policy (CAP)**



# Agricultural support in the EU, 2007-09

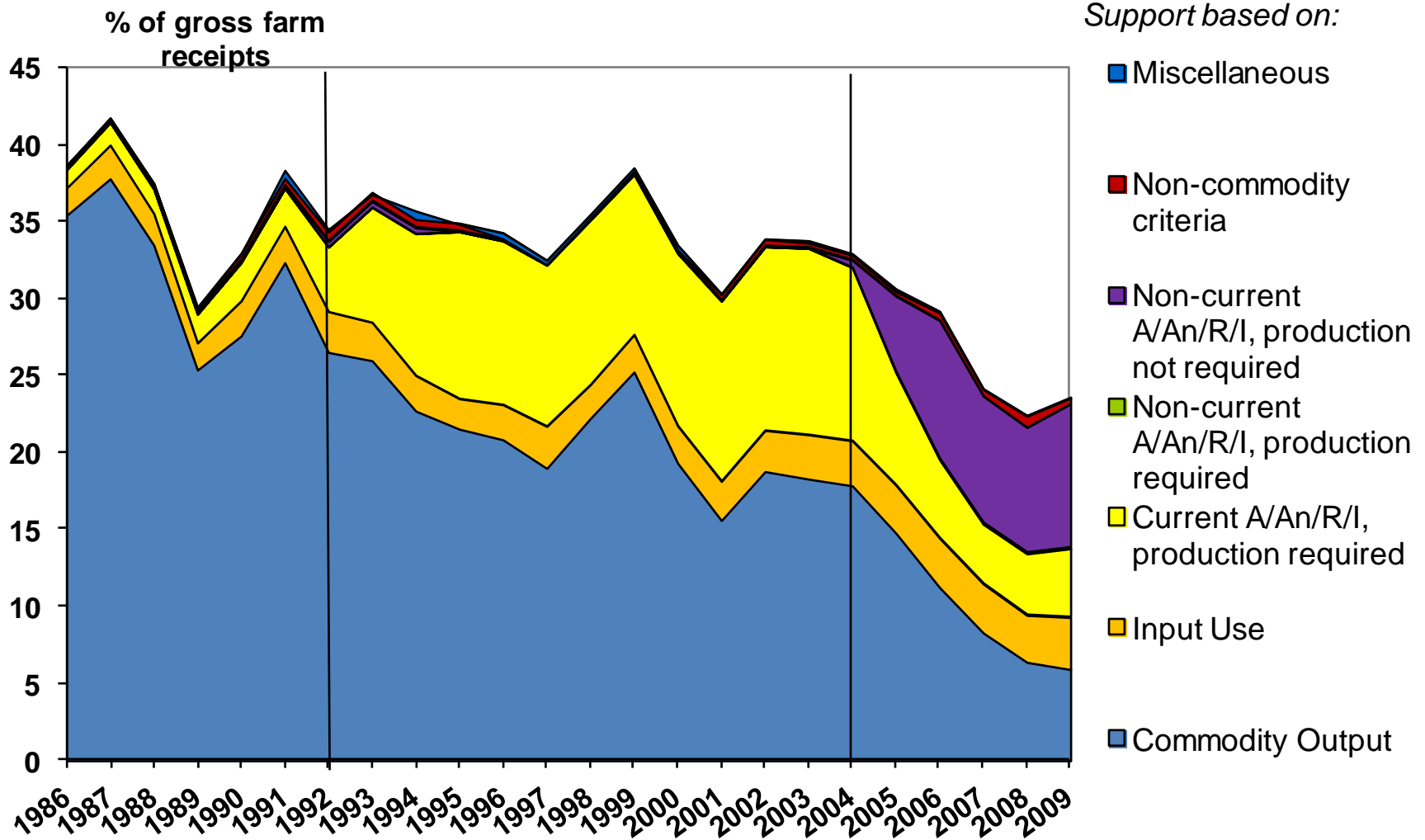
TSE, 2007-09: OECD = EUR 267 bill; EU = EUR 105 bill.



EU %TSE/GDP: 1986-88 = 2.6% ; 2007-09: 0.86%



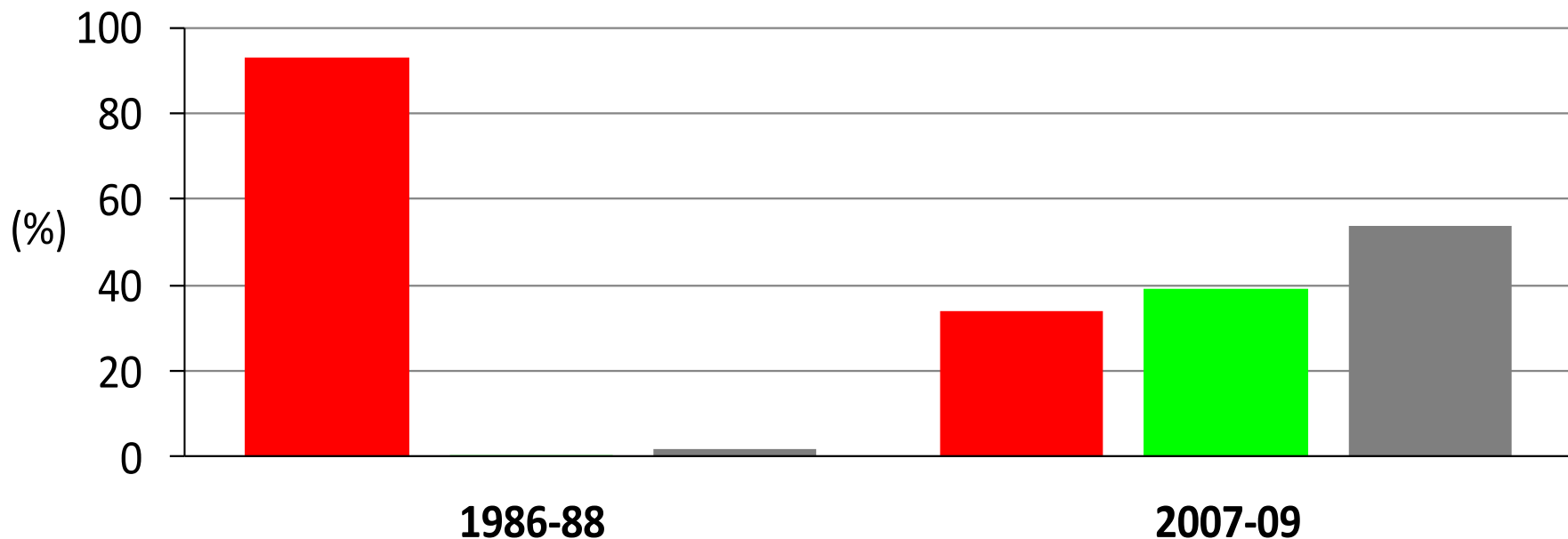
# CAP reform: lower levels of support and large changes in composition



Source: OECD, PSE/CSE database, 2010.

# Marked changes in ways to deliver producer support

## Share in producer support

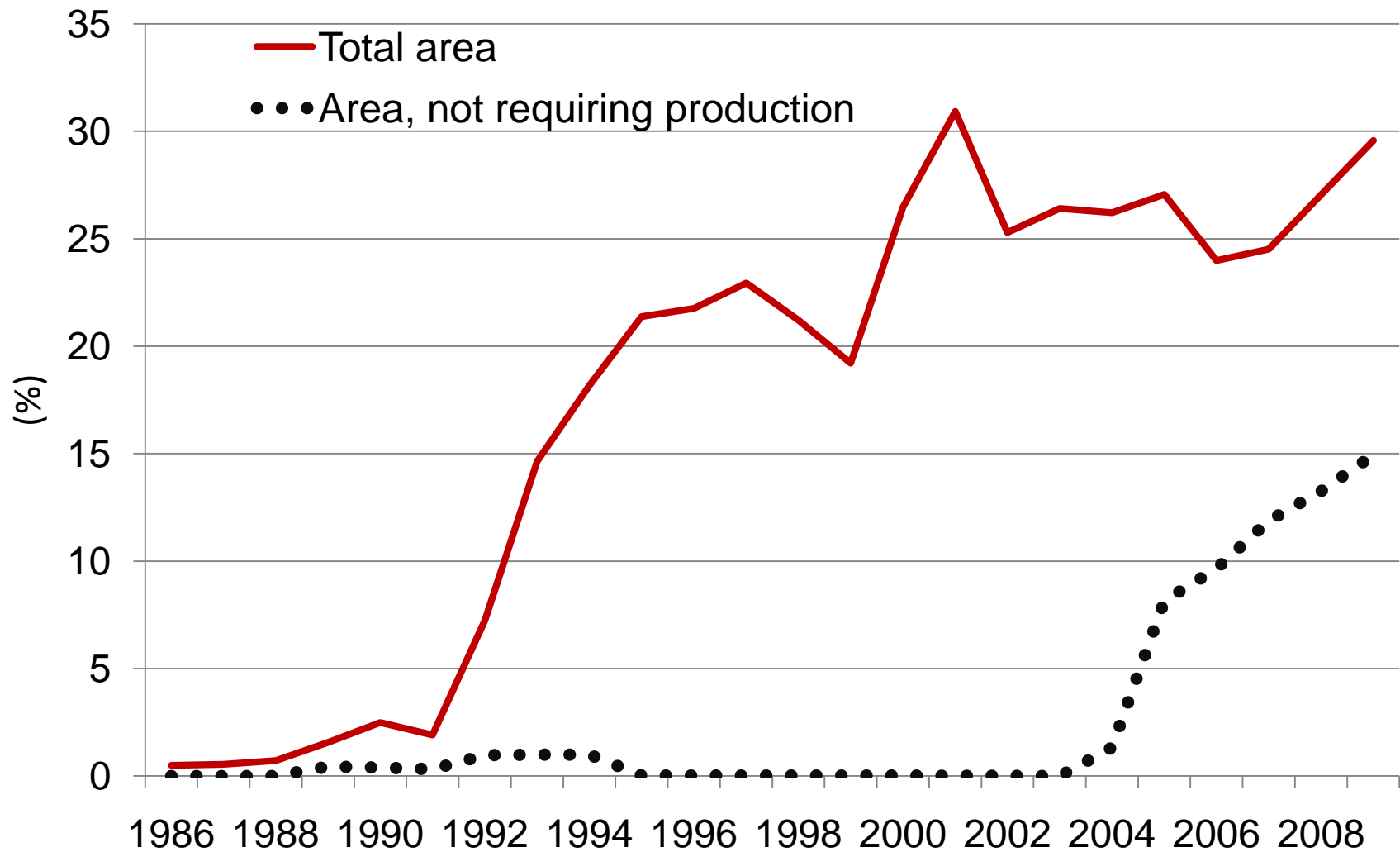


- Single-commodity support
- Support not-requiring commodity production
- Input constraints



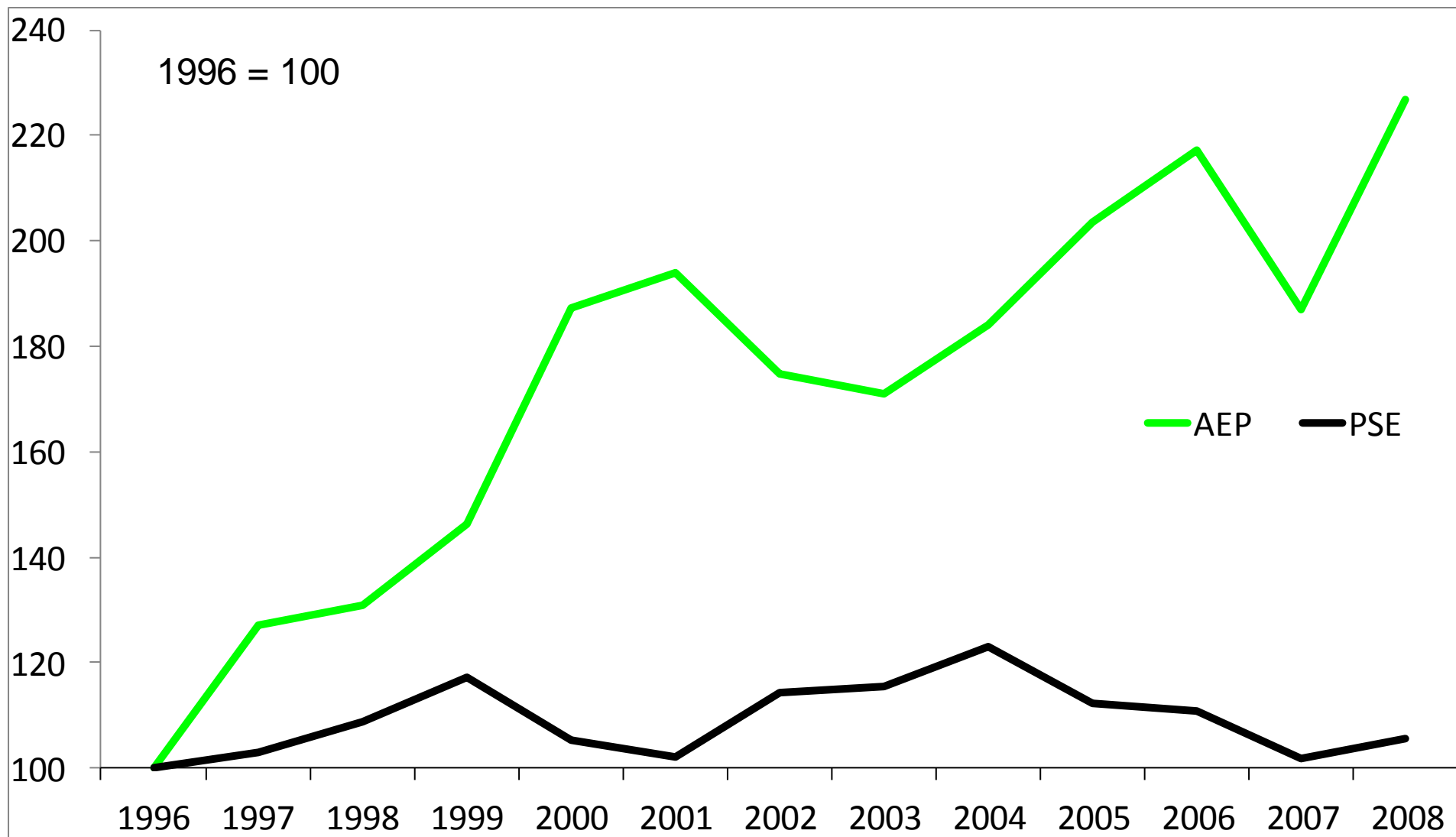
# Increased emphasis on land ...

## Share in PSE



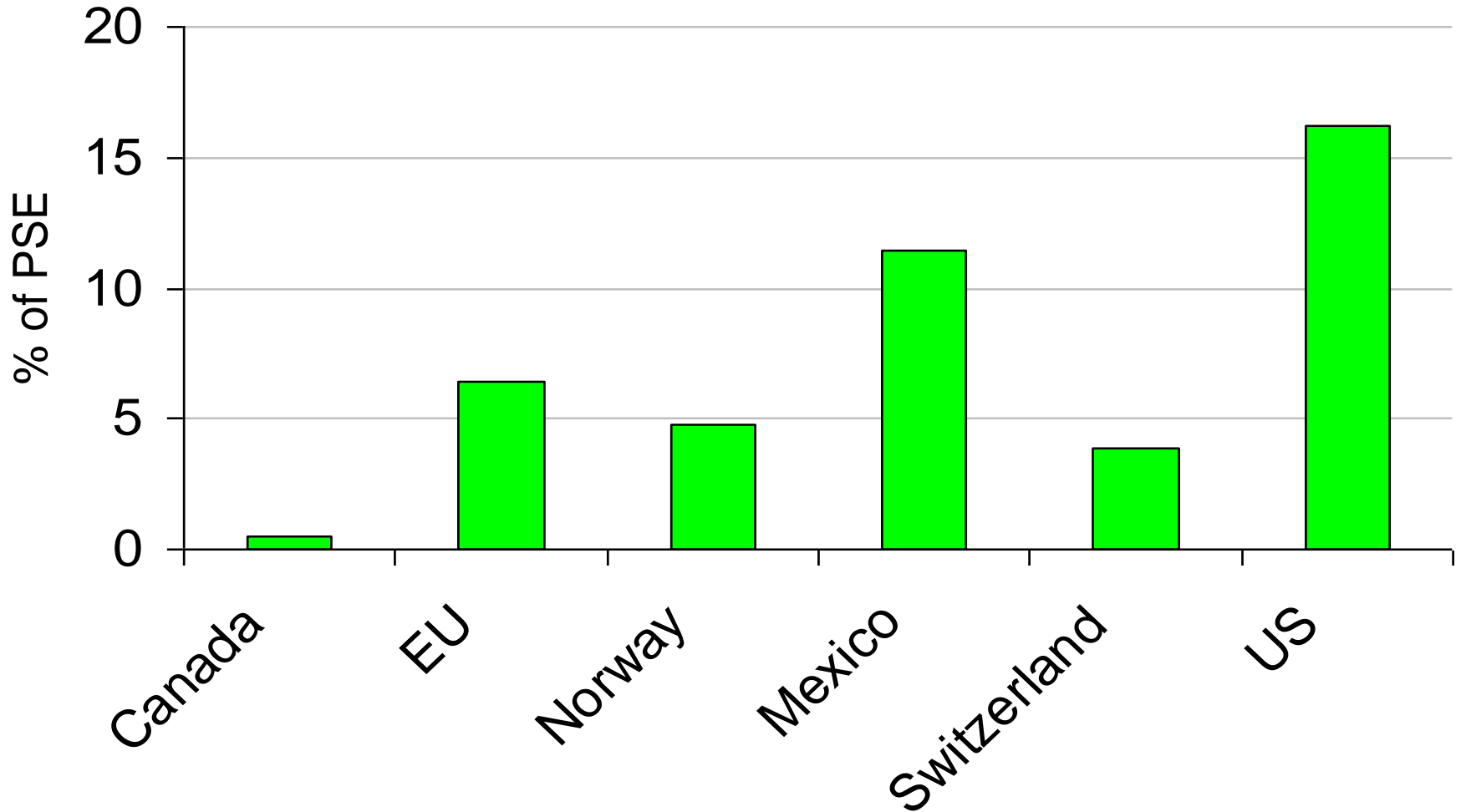


# ... and agri-environmental payments



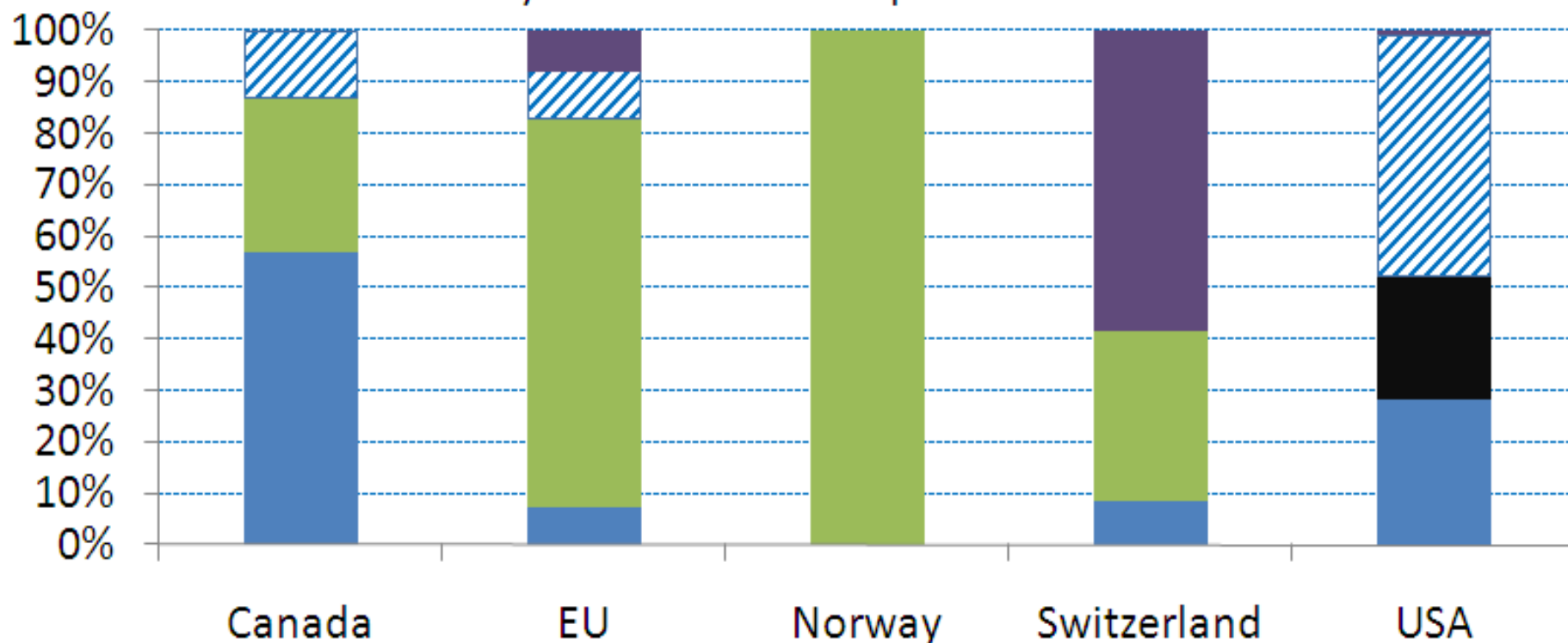


# ... but their share in PSE remains low



# ... and are mainly based on area

- A specific non-commodity output
- ▨ Long term resource (land) retirement
- Payments based on area/animal numbers
- Technical assistance on farms
- Payments based on input use





# **Cross Compliance (CC) and the Environment**



# CC and the environment : Concept

- **Conditionality linking receipt of support payments to the fulfilment of specific environmental objectives.**
- **Eligibility for participation depends on criteria pertaining to support policy.**
- **Receipt of payment depends on compliance with environmental requirements.**
- **CC, by creating a link between two policy instruments, is regarded as having a role to play in meeting both agricultural and environmental objectives.**



# Cross compliance in OECD countries

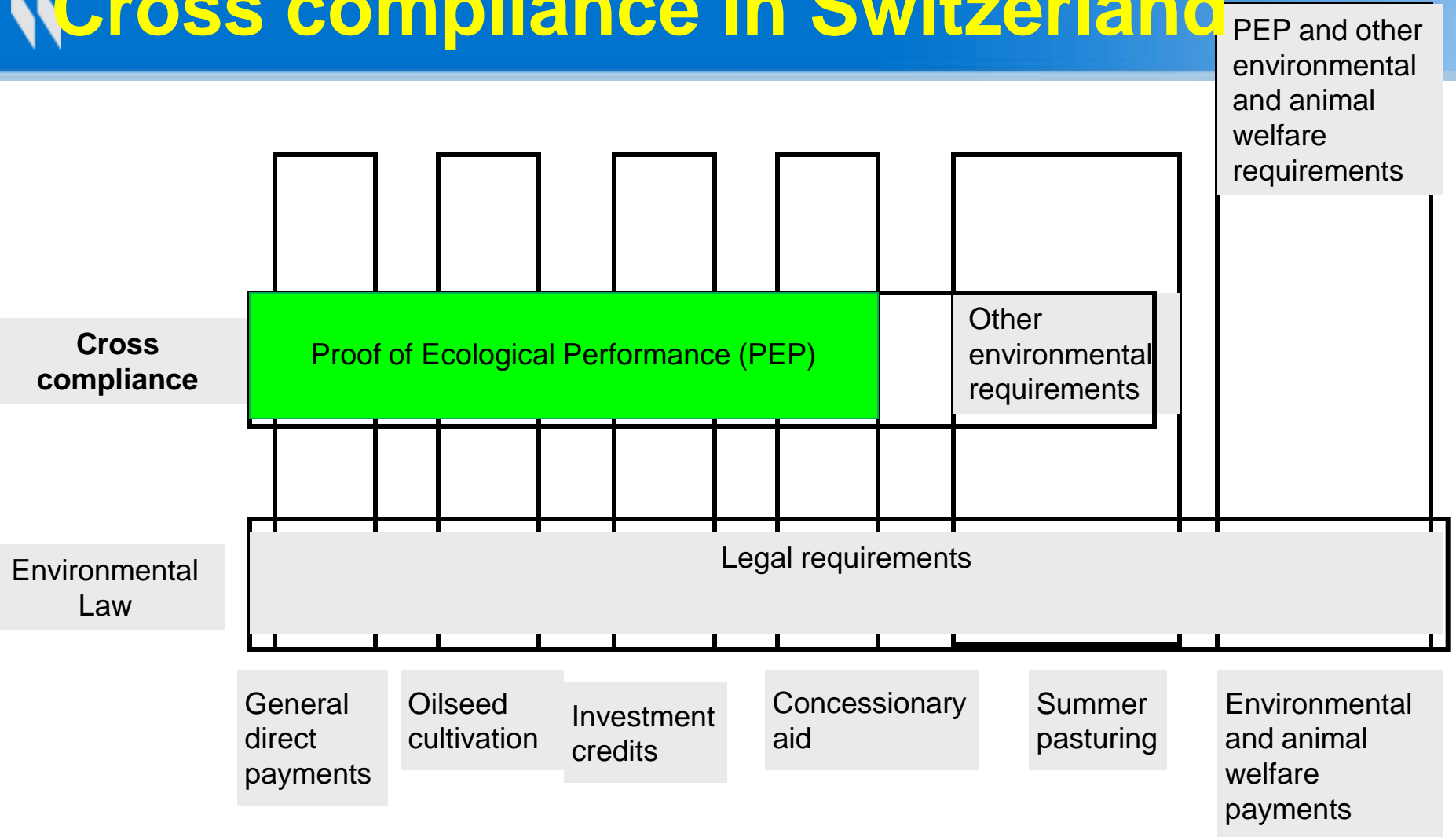
- **US was the first to implement CC (1985).**
- **Switzerland introduced CC in 1999 as part of the Agricultural Policy Reform Programme 1999-2003.**
- **In the EU, CC became compulsory with the 2003 CAP reform.**

## ... but cross-compliance approaches differ

- The method of control, monitoring and penalties imposed also differ.
- In the EU CC requirements align pre-existing environmental legislation, while in Switzerland and the US they go beyond legislation.



# « Cross compliance in Switzerland



# CC and the environment – evidence

- CC has expanded the area of land subject to basic SMR and have been more concrete and specific than reliance on “usual Good Practice”.
- Awareness of environmental requirements has increased and some members extended the baseline of environmental standards.
- Although introduction of optional standards with the CAP Health Check review could weaken environmental base.

# CC and the environment – evidence

- .... but CC not very popular neither with farming organisations, while environmental organisations argued that the potential of CC mechanism to deliver environmental benefits has not been maximised.

# CC and the environment – evidence

- **European Court of Auditors (2008):**
  - Objectives are not **SMART**.
  - Certain issues (irrigation, air pollution) have been excluded from without justification.
  - The distinction between CC and agri-environmental measures is not always clear.
  - Control and sanction systems are weak
  - Data for monitoring often unreliable.

# CC and the environment – evidence

- **Bird International (2009) found:**
- The Current CC system fails to deliver value for taxpayers' money ... with no link between subsidies received and public goods delivered.
- There are structural weakness in the current CC which limits its environmental effectiveness.
- CAP payments which have potentially the worst environmental impacts are excluded from CC (Axis 1 and Axis 3).
- Ineffective control and enforcement and penalty system.

# CC and the environment – evidence

- **DEFRA (2009)** evaluation for England found:
  - A major problem for CC relates to farmers not being convinced of the benefits of the standards.
  - Although CC has increased awareness, there is considerable scope for improving effectiveness through clarification of the rationale of certain GAECs.
  - Some standards have potential overlap with agri-environmental schemes.
  - Increasing targeting would improve the effectiveness of CC.

# CC and the environment – evidence

- **Alliance Environment (2007)** recommends:
  - Member states should be allowed to establish GAEC issues and standards going beyond the current framework, if these are relevant to national needs and priorities.
  - Farmers' obligations to address localised problems should be limited to the respective areas.
  - Permanent pastures: Rules should better reflect site-specific environmental issues and to take into account other policies.



# **Cross compliance and the environment - Issues**



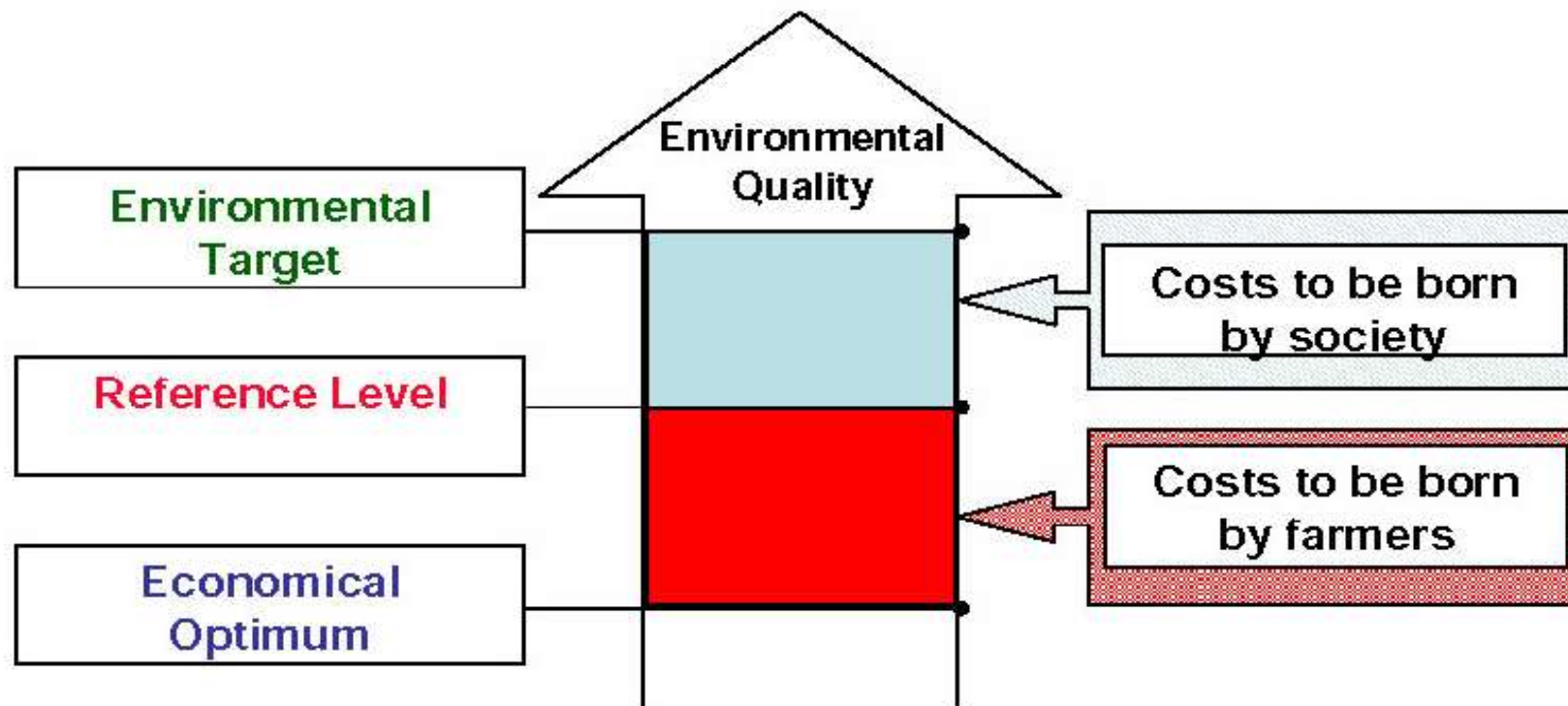


# CC and the environment – issues

- Limited effectiveness because basic eligibility and payment levels are determined by non-environmental objectives.
- Lack of environmental targeting reduces cost-effectiveness.
- When CC is built on statutory requirements that apply to all farmers, CC is redundant if the pre-existing legislation is not breached.

- **CC has compatible objectives with targeted environmental measures, but there are important boundary issues (reference level).**

# Reference levels and environmental targets



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# Policy challenges

- **Medium-term sustainability of environmental effectiveness depends on maintaining level of direct income payments.**
- **In a post-reform situation where direct income payments are targeted to specific social objectives (minimum income, disaster relief, *etc*), the challenge is to manage policy development so that current benefit of CC is not lost and reform momentum continues.**



# Policy challenges

- Would more targeted Pillar I direct payments improve environmental performance?
- Monitoring and evaluation of the environmental impacts of cross compliance is crucial.
- **OECD Workshop on evaluation of agricultural policies to be held in Germany in late June 2011.**

# Thank you for listening!



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