



Securing greater environmental and climate performance from EU agricultural funds

Moving towards agricultural systems that are sustainable and resilient is in the long-term interest of land managers as well as wider society. Although the 2023-27 CAP has adopted a new performance-based delivery model, initial evidence suggests that the overall environmental and climate ambition of Member States' CAP Strategic Plans (CSPs) has not increased as much as is necessary to meet the goals and targets set out in the Farm to Fork and Biodiversity Strategies or climate-related legislation. There are a range of reasons for this. This briefing examines some of the reasons for the failure to embed a transition to more sustainable farming practices more fully within the CSPs and explores how to increase their ambition going forward. It focuses on three interlinked topics:

- the adequacy of targets and performance frameworks, including data and monitoring;
- governance issues at Member State and EU level; and
- how to incentivise land managers to make this transition.

It proposes a number of changes required to stimulate Member States to take action to increase the environmental and climate performance of their CSPs, many of which can already be taken forward within the current programming period, even if they may not be fully operational until after 2027. They are also relevant under future scenarios should different policy frameworks or funding models be developed under the next Multi-annual Financial Framework.

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1. Introduction

As the CAP has evolved over time, adjusting to greater environmental and climate ambition, a number of the requisite legal requirements and related processes have also developed and improved. For example, Article XIII of the CSP Regulation¹ requires Member States to demonstrate that their CSPs are consistent with and contributing to environmental and climate legislation, including new legislation when this enters into force. The Performance, Monitoring and Evaluation Framework (PMEF) has also evolved, now covering both the two CAP funds, including new indicators and a greater emphasis on seeking to understand what impacts CAP support has had on the ground.

However, despite the new performance-based delivery model adopted for the 2023-27 Common Agricultural Policy (CAP), initial assessments suggest that the overall environmental and climate ambition of Member States' CAP Strategic Plans (CSPs) has not increased as much as is necessary to meet the goals and targets set out in the Farm to Fork and Biodiversity Strategies or climate-related legislation². There are a number of reasons for this, with issues arising at different levels:

- The lack of binding sector-specific EU environmental and climate targets for agriculture, making it hard to hold Member States to account;
- Limitations in the monitoring and evaluation framework for the CAP as well as gaps in indicators and the availability of data to assess the environmental and climate outcomes achieved through CAP support;
- Governance issues at Member State and EU level – for example, political and capacity issues in Member States that influence the extent to which they are willing to embrace a significant departure from the *status quo*, and challenges for the European Commission in holding Member States to account on the environmental and climate ambition of their CSPs; and
- At the farm level there are often issues of insufficient motivation to embark upon a transition to more sustainable farming systems, as well as sometimes a lack of knowledge, capacity, support and/or financial means.

¹ Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013#.

² See for example: Midler E, Pagnon J, Nadeu E, Scheid A, 2023, [Environmental and climate assessments of CAP Strategic Plans: Summary of impact based on four key Member States](#), IEEP AISBL; Münch, A. et al. 2023, Research for AGRI Committee – [Comparative analysis of the CAP Strategic Plans and their effective contribution to the achievement of the EU objectives](#), European Parliament, Policy Department for Structural and Cohesion Policies, Brussels; Sundseth K and Tucker G, 2023, [Analysis of the CAP Strategic Plans in 10 Member States and their contribution to the conservation of Farmland Birds](#), report by the N2K Group for DG Environment.

This briefing examines what changes are required to stimulate Member States to take action to increase the environmental and climate ambition and impact of their CAP interventions and, hence, lead to action in the agriculture sector so that tough targets for 2030 and beyond are actually met. It focuses on three interlinked topics: targets and performance frameworks (including data and monitoring), governance, and incentivising land managers to take action.

Although the briefing focuses largely on issues with securing greater environmental and climate ambition via the current CAP, they are also relevant under future CAP scenarios or if different policy frameworks or funding models are developed under the Multi-annual Financial Framework³.

2. Targets and performance frameworks

2.1 Targets external to the CAP

The history of “greening” EU policies for economic sectors such as agriculture suggests that having suitably ambitious environmental targets in place independently of sectoral policies, such as the CAP, is often fundamental to generate an impetus for change. Objectives and targets of this kind are established in many examples of EU environmental and climate legislation and often these are translated into Member State specific objectives and targets through various strategies and action plans. Such legislation includes the EU Birds and Habitats Directives, the Water Framework Directive, the Sustainable Use of Pesticides Directive, the Effort Sharing Regulation, the Land Use, Land Use Change and Forestry Directive, as well as the National Emissions Ceiling Directive.

There are also EU-wide environmental targets for 2030 set out within EU level Strategies, such as those identified within the Biodiversity Strategy and the Farm to Fork Strategy. However, the targets identified within these Strategies are not legally binding on Member States and are headline targets for the EU as a whole. Examples include the target for the area of farmland that should be under organic management (25%), the target for a 50% reduction in the use and risk of pesticides and the target for at least a 50% reduction in nutrient losses and a 20% reduction in fertiliser use.

Furthermore, where binding targets are set within relevant pieces of EU legislation and a response from the agriculture sector is expected (for example reducing GHG emissions), the targets are often not explicit in relation to the contribution required from agriculture or land management, meaning that little or no action in the agriculture sector can continue in many cases and is not in conflict with the law *per se*. This absence of specificity in terms of targets for agriculture makes it hard to hold Member States to account in terms of the policies and actions proposed for their farm and land management sectors as well as their delivery in practice, whether via the CAP or other means.

A number of pieces of EU legislation proposed within the Green Deal do attempt to make some targets more explicit and legally binding on Member States, e.g. the Nature Restoration Law and the regulation for the Sustainable Use of Pesticides. However, adopting the legislation

³ See for example: Baldock, D. and Bradley, H. (2023) '[Transforming EU land use and the CAP: a post-2024 vision](#)', Policy Paper, Institute for European Environmental Policy.

required has proved controversial and both the European Parliament and the Council have sought to reduce the ambition of Commission proposals, particularly where the targets impinge upon agricultural land⁴.

Concerning climate, the European Scientific Advisory Board on Climate Change (established by the European Climate Law) has recommended that EU emission reductions of 90–95% are required by 2040, relative to 1990 levels, in order to be on track to reach net zero by 2050⁵. In line with this recommendation, the Commission has stated its intention to establish a 2040 climate target of reductions of 90%, a Communication on which was published on 6 February 2024⁶. Although not explicitly stated in the Communication, achieving this will require significant reductions in GHG emissions from the agricultural sector, particularly of nitrous oxide and methane as well as an increase in carbon removals. It would also require dietary changes towards more plant-based diets and greater consumption of plant-based proteins.

Some Member States have introduced specific targets for the agricultural sector within their climate laws as part of the pathway towards net zero (e.g. Germany, Denmark and Ireland). However, there are questions about whether these sector-specific targets are binding and what happens if they are not met.

The absence or weaknesses of EU environmental targets that explicitly require responses from national agricultural sectors within a given timeframe has knock-on implications for the extent to which these objectives and targets are embedded within Member States' CSPs, particularly in relation to the needs identified and the interventions chosen to address these needs. Although Member States must demonstrate how their CSPs contribute to and are consistent with all environmental and climate legislation set out in Annex XIII of the CSP Regulation⁷, the extent to which such contributions are quantified has been limited to date, both overall and in terms of the contribution of specific policy interventions. Furthermore, most Member States have chosen not to include their own national or regional targets in response to the non-binding EU Farm to Fork targets in their CSPs, the notable exception being the organic farming target.

To make these important EU environmental objectives and targets bite on agricultural management and CAP support policies, sector-specific targets should be identified for agriculture and forestry, and efforts should continue to embed the Farm to Fork and Biodiversity Strategy targets into law.

⁴ At the end of November 2023, the European Parliament voted to reject the proposed position on the Sustainable Use of Pesticides of Regulation, throwing into question the future of this proposed legislation, and the Commission has subsequently withdrawn the file.

⁵ European Scientific Advisory Board on Climate Change (2023) [Scientific advice for the determination of an EU-wide 2040 climate target and a greenhouse gas budget for 2030–2050](#), DOI: 10.2800/609405

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Securing our future Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, COM/2024/63 final

⁷ As required under Articles 108, 109 and 115 of the CSP Regulation (Regulation (EU) 2021/2115)

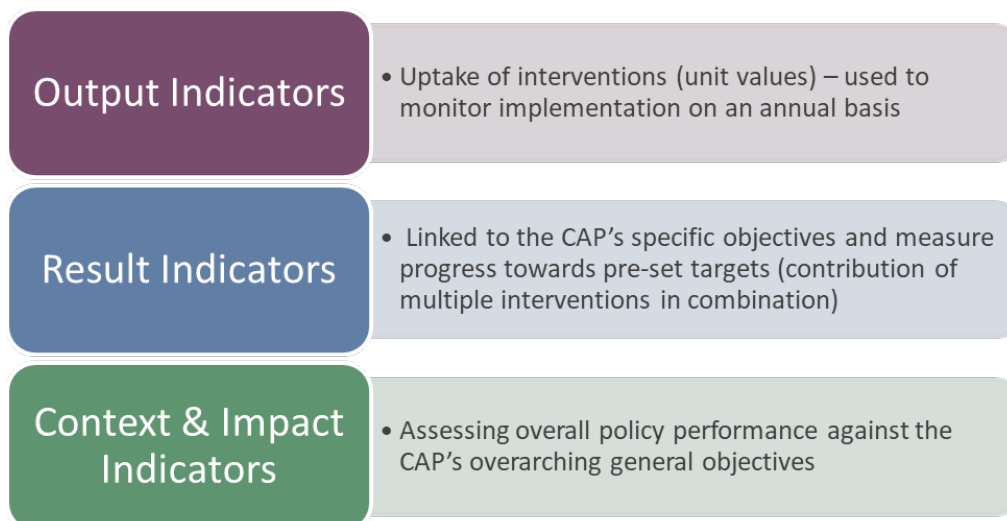
2.2 The CAP's Performance, Monitoring and Evaluation Framework

The main internal tool for monitoring, evaluation and annual performance reporting of the CSPs is the CAP's Performance, Monitoring and Evaluation Framework (PMEF). The objectives of the PMEF⁸ are to:

- a) assess the impact, effectiveness, efficiency, relevance, coherence and Union added value of the CAP;
- b) monitor progress made towards achieving the targets of the CAP Strategic Plans;
- c) assess the impact, effectiveness, efficiency, relevance and coherence of the interventions of the CAP Strategic Plans;
- d) support a common learning process related to monitoring and evaluation.

This is an evolution of the Common Monitoring and Evaluation Framework (CMEF) which was in place in previous programming periods to assess the performance of the rural development part of the CAP. From 2023 onwards, the PMEF covers all objectives and both CAP funds. It includes a set of context, output, result and impact indicators (see Figure 1). Compared to the previous CMEF, there are fewer indicators overall. However, there are new indicators on biodiversity, pesticides and animal health.

Figure 1: Indicators included within the CAP's PMEF



Source: own compilation

Member States are required to establish 'comprehensive, timely and reliable' data sources to demonstrate progress towards meeting the CAP's objectives using the relevant output, result and impact indicators. The Managing Authority and the Monitoring Committee in each Member State must monitor the implementation of the CSPs and progress towards meeting the targets set. Member States must submit annual performance reports that include

⁸ Article 129 of the CSP Regulation (Regulation (EU) 2021/2115)

qualitative and quantitative information on the implementation of the CSPs with respect to financial data and progress against output and result indicators (as set out in Article 134 of the CSP Regulation). The European Commission then uses this information to report on overall progress towards achieving the ten CAP objectives during the implementation period. Member States are also required to carry out evaluations of their CSPs both during the implementation period and *ex-post*. They must develop an evaluation plan which is submitted to the national monitoring committee for review. However, the overall impact of the CSPs in relation to achieving the CAP's general and specific objectives (and therefore use of the impact indicators) only has to be assessed through the *ex-post* evaluation, which must be completed by 31 December 2031.

This means that the measurement and assessment of how CSPs are performing during the programming period focus on progress against a set of 'result indicators'⁹ (essentially the area of farmland under agreement of certain CAP interventions that are expected to have an effect on a particular environmental or climate outcome), rather than on 'impact indicators'. The reason for this is pragmatic, since measuring actual impact can be a more complex and demanding undertaking and the timescales over which impact can be demonstrated vary (see Box 1).

Box 1: The difference between result and impact indicators under the CAP's PMEF

Result indicators are intended to act as a proxy for the anticipated effect of an intervention, such as an incentive scheme for farmers, on a particular environmental or climate outcome. They are expressed in terms of areas of farmland or forestry that are funded under a scheme (i.e. levels of uptake), the objectives of which are to address a particular environmental or climate issue. The values of these result indicators, therefore, summarise the overall uptake by land managers of one or more of the range of CAP policy interventions that are intended to address a particular issue. Target values are set at the start of the programming period and should take account of the farm practices incentivised under these interventions and the environmental and climate effects that the evidence shows these can achieve in different situations and settings. The actual indicator values are updated on an annual basis.

⁹ For example, indicators relating to interventions with environmental objectives include:

- R14: Carbon storage in soils and biomass: Share of utilised agricultural area (UAA) under supported commitments to reduce emissions or to maintain or enhance carbon storage (including permanent grassland, permanent crops with permanent green cover, agricultural land in wetland and peatland)
- R19: Improving and protecting soils: Share of utilised agricultural area (UAA) under supported commitments beneficial for soil management to improve soil quality and biota (such as reducing tillage, soil cover with crops, crop rotation included with leguminous crops)
- R23: Sustainable water use: Share of utilised agricultural area (UAA) under supported commitments to improve water balance.

In contrast, impact indicators are focused on specific outcomes achieved (e.g. the amount of carbon sequestered; amount of soil erosion reduced; or farmland bird populations increased). Such impacts are measured using external, established indicators and associated data sources quite separate from the CAP, such as Eurostat, and these are not updated every year. Although it is ultimately the actual impacts that policy makes on the ground that is of key interest (e.g. through the medium of directly influencing land managers' decisions), often this is not easy to measure. Demonstrating causality between the actions taken as a result of payments to land managers under the CAP and the changes in the impact indicators is not always straightforward and there may also be a relatively long period between the introduction of a policy, the response by farmers and the subsequent change in the environment, such as a measurable fall in the concentration of a pollutant in the soil or water environment.

However, the focus within the CAP on the current suite of result indicators is problematic as the indicator measures simply the overall area of land subject to an agreement under interventions considered by the Member State in question to contribute to a particular environmental outcome. Since these indicators do not consider the quality or effectiveness of the actions carried out it is difficult to attribute any meaningful judgement about the extent to which environmental objectives or targets are likely to be met. For example, two separate CSPs for different Member States may have very different target values for the result indicator on carbon storage in soils and biomass (R.14). It might be assumed that the higher the proportion of total utilised agricultural area in a Member State under agreement for this purpose, the better the outcome. However, the higher target value may relate to an action for cover crops adopted on a large area of land, while the lower value may relate to a highly targeted, more demanding and impactful action to restore peatland soils. In this case, the carbon storage benefit may be more significant, more permanent and therefore more effective for the CSP with the lower value.

In order to assess whether or not the environmental and climate performance of agriculture is improving, ultimately it is important to be in a position to assess the changes in farm practices that are happening on the ground and how these are affecting soil health, water quality, biodiversity, greenhouse gas emissions and so on. These impacts will vary in different regions depending on bio-geographic and climatic factors. This requires a clear link to be made between the farm practices proposed/implemented via the different interventions, their predicted or actual uptake and the outcomes that these are planned to achieve in practice (backed up through monitoring *ex-post*). This, in turn, should be used to demonstrate which interventions contribute to specific result indicators, but also the impact that the combinations of interventions chosen are intended to have on the environmental and climate needs identified in the CSP's needs assessment. To formalise this would require a more detailed policy intervention logic, with each step in the chain and the key assumptions and scientific evidence base spelt out. While this would require more detailed information to be provided by Member State authorities, it would ensure that the assumptions behind the result indicator values are transparent, allow the (assumed) causality to be traced back through the interventions

implemented and actions taken, and allow for more informed judgements to be made about the effectiveness of the interventions concerned.

As a result, there should be a greater focus on both robust *ex-ante* assessments of the potential impact of actions funded under the CAP (based on scientific evidence) as well as ongoing scheme monitoring in Member States, focusing on the effects of specific farm management practices. The emergence of new ways of monitoring impact, particularly mobilising the use of digital tools (see below) will play a crucial role here. There should also be continuous efforts to improve the robustness of the data sources required to feed the established impact indicators (a point already acknowledged in the CSP Regulation – preamble 121).

2.3 Data and monitoring

Greater monitoring efforts are required to assess the performance of CAP interventions effectively at a variety of spatial scales (farm, landscape) and to be able to aggregate these at regional, national and ultimately EU level. This underlines the need for increasing the availability of more detailed data on the environmental and climate effects of farm practices, including geospatial information on how and where they are implemented, using scientifically robust and adequate sampling approaches that include control areas to enable an assessment of the counterfactual (i.e. what is happening on farms that are not receiving funding under the CAP scheme in question). Although many monitoring programmes are already in place in Member States, additional investment is likely to be required for Member States to source and analyse more detailed, comprehensive and comparable data to inform the assessment of policy impacts, and not just in relation to the CAP. It will be necessary to strike a balance between the costs of sourcing such data and the level of accuracy required. However, if designed properly, it would not only help demonstrate the outcomes of the interventions in place but also inform their improvement over time in terms of targeting, payment levels and overall design. The [EU CAP Network's Evaluation Helpdesk](#) plays an important role in providing support to Member States on data needs for assessing specific objectives and types of interventions as well as sharing information on useful monitoring practices.

A 2022 European Court of Auditors Report examined whether the Commission makes good use of data and data analytics for analysis of the CAP¹⁰. It concluded that although the Commission held large amounts of data on CAP implementation, the existing data and tools were lacking significant elements, including details of the environmental practices applied in Member States, which are necessary to inform policymaking.

Progress is being made, for example, through the evolution of the Farm Accountancy Data Network (FADN), mainly used to assess farm economic data, into the Farm Sustainability Data Network (FSDN) which aims to increase the data collected from EU farms to include information on environmental practices as well as some social data¹¹. However, although 2025 will be the first reporting year, the availability of data at EU level on the new topics (see Box 2 below for

¹⁰ ECA, 2022, [Data in the Common Agricultural Policy: Unrealised potential of big data for policy evaluations, Report 16/2022](#), Luxembourg.

¹¹ Regulation (EU) 2023/2674 was adopted on 22 November 2023 and introduces amendments to Council Regulation (EC) No 1217/2009 converting the *Farm Accountancy Data Network* into a *Farm Sustainability Data Network*. The list of topics on which information must be collected is included in Annex 1

those relating to the environment) will be available only from 2027, so data will be available to inform the future CAP. The Commission has the power to amend this list over time to include new topics, via implementing acts. To ease the administrative burden associated with the collection of these additional data, links to existing data collection processes will be made and the use of digital tools explored, to try and avoid any duplication in the collection of data.

Box 2: FSDN list of environmental topics on which information must be collected

- Farming practices
- Soil management
- Nutrient use and management
- Carbon farming
- Greenhouse gas emissions and removals
- Air pollution
- Water use and management
- Plant protection use
- Antimicrobial use
- Animal welfare
- Biodiversity
- Organic farming
- Certification schemes
- Energy consumption and energy production
- Food loss on primary production level
- Waste management

Source: Annex 1 of Regulation (EU) 2023/2674

Digital technologies, including satellite data, have become increasingly important tools for monitoring environmental changes with considerable potential yet to be exploited. [Copernicus](#) provides free and openly accessible data on six thematic areas, one of which focuses on information on land management and land use. There are many ongoing research projects examining how to leverage EU Space data for monitoring (and scheme design) purposes. For example, BirdWatch focuses on how to use Copernicus data to protect agricultural biodiversity and improve farmland ecosystem health through assessing habitat suitability for farmland birds via satellite-enabled monitoring and evaluation, which in turn will allow Member States to design their CAP interventions in a way that is optimised for farmland birds. In terms of tracking progress towards ambitious targets for carbon removals, the new LULUCF Regulation specifically requires an improvement in monitoring and reporting of emissions by Member States, with remote sensing data and Copernicus specifically mentioned¹². There is also research ongoing to look at how to use public data from remote sensing, and from the CAP to

¹² Preamble 29 of Regulation (EU) 2023/839 Preamble 29 states that “Mapping and monitoring provisions, both in field and remote sensing monitoring, should be introduced in order to allow Member States to have geographically explicit information to identify priority areas that have the potential to contribute to climate action”. Annex V sets out the type of data and categories of land that must be provided.

determine what land management practices would be most beneficial and where (e.g. the [Carbon Counts](#) and [C-FARMS](#) LIFE projects). Another Horizon research project [MEF4CAP](#) is creating an inventory of future data needs for monitoring and evaluation, with a view to creating a roadmap for future monitoring that exploits the potential of different approaches, including statistics as well as satellite and sensory data.

There is also considerable untapped potential to utilise the detailed spatial data on CAP implementation via Member States' Land Parcel Identification Systems (LPIS), which is still not widely available, despite the requirements of the INSPIRE directive¹³, which states that geographic information needed for good governance at all levels should be readily and transparently available. Where data are available, they are often excessively aggregated which limits their usefulness.

There are an increasing number of tools that have been developed that farmers can use to measure their own impact on the environment, such as carbon calculators and assessments of soil health as well as farmer-led assessments for results-based payment schemes. Data are also required from farmers by the private sector via their own monitoring processes, for example under environmental certification schemes, but also increasingly by actors in the supply chain and banks that lend to farmers so that they can report on their environmental impact. These data form an important repository of information, and there would be merit in exploring the opportunities for sharing, standardising and optimising these data so that farmers can collect them only once and provide them for multiple purposes.

These advances in data collection and monitoring are promising, but urgent work is still required to enable access to and interpretation of these data for policy-making purposes. Ongoing in-field monitoring, both by experts and land managers themselves, will also still be required to understand local dynamics, particularly for some more complex types of management that cannot be accurately determined from space, such as management practices to benefit biodiversity and the use of inputs, such as fertilisers and pesticides. Additionally, in terms of determining where the best locations for different types of management are from an environmental and climate perspective, it will continue to be important to combine local knowledge with satellite data so that decades of knowledge and experience are incorporated.

¹³ [Consolidated text: Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community \(INSPIRE\).](#)

3. Governance and political considerations

At the Member State level, there are political and capacity issues that influence whether national authorities are willing and able to embrace departures from the *status quo*. This is exemplified by the adoption by governments of schemes that do not deliver sufficient results on the ground, in many cases a lack of ambition and innovation in terms of CSP design, and a general reluctance to take action at the national level to meet generic EU environmental targets that are not legally binding at the current time. Therefore, finding ways to encourage Member States to design more ambitious CSPs and incentives to pursue greater environmental and climate performance from the land-based sectors is critical if the EU is to meet its climate and environmental targets. Since the CAP currently provides the largest share of EU funding for these purposes, it is equally important to ensure that the European Commission has the powers to hold Member States to account for this spending. This will also be true for any future policy frameworks that are put in place after 2027.

The current CAP provides the tools and flexibility necessary for Member States to design incentives to enable agriculture, forestry and rural areas to become more performance-focused and increase their contribution to addressing the environmental and climate challenges faced. However, despite this, many of the Member States, in drawing up their CSPs for 2023-2027, have opted for only incremental change in the way they have designed their schemes for land managers, with very few embracing the opportunity to make the step changes required for a transition to sustainable agriculture.

Some of the explanation for this can be found in a set of political and other barriers that Member States may encounter in increasing the environmental and climate ambition of their CSPs, including the economic and social implications of moving towards a more public goods-focused approach to support, as well as the strength of the agricultural industry in resisting such proposals. However, given the general trend towards greater transparency in the value for money of EU spending and its alignment with EU objectives, the CAP cannot be an exception and must also evolve in this way.

All CSPs are subject to approval by the Commission and the “new delivery model” within the CAP, introduced for the 2023-27 period, means that plans for delivering all aspects of the CAP against its ten objectives must be approved, including the specific proposals by Member States for direct payments and conditionality which were previously not subject to formal approval processes. However, although the Commission was certainly able to strengthen the CSPs’ contribution to environmental and climate objectives during this process¹⁴ in the period running up to 2023, there are certain limitations to how far it can push Member States to make the improvements that it thinks are justified. Some of the most important stem from a combination of the tight timescales within which the approval process has to take place, the need to treat all Member States equitably, meaning it is difficult to push some Member States harder than others, and thirdly whether or not the requested improvements are required to meet legal requirements set out in the CSP regulation or not. With respect to this last point, it

¹⁴ See for example the Observation Letters sent by the European Commission to Member States which led to some changes between the draft CSPs and the final approved versions - available under the sections for each country’s CSP [here](#)).

is possible for the Commission to hold Member States to account with respect to demonstrating how their CSPs address national requirements emanating from environmental and climate legislation set out in Annex XIII of the CSP regulation. However, it has less leverage where EU targets are not legally binding on Member States, e.g. the targets set out in the Farm to Fork Strategy and Biodiversity Strategy. As noted earlier, this underlines the importance of having legally binding targets for environmental and climate objectives regarding agriculture and the wider land-based sectors.

The Commission also has the ability to hold Member States to account through the performance reporting process. For example, it is required to carry out biennial performance reviews based on information provided by Member States in their annual performance reports. Where result indicator values fall short of the milestones identified in the CSPs by a certain percentage the Commission can request an action plan to be produced describing the intended remedial actions and timeframe for these to be taken. If there is still a shortfall of more than 35% in 2026, the Commission can ask the Member State for remedial action to be taken. These options have not yet been tested in practice, and it is unclear how much of an impact they will have in reality, given that Member States may have set targets at a level they are confident can be achieved and the current programming period already ends in 2027.

The question is whether there are other levers that could be deployed to encourage a more fundamental change in the way payments to farmers and land managers are designed by Member States and to embed more ambitious environmental and climate considerations within them. Some options are set out below. These are relevant not just for the current CAP period but also for any future policy framework that might emerge beyond 2027.

CSP development within the Member States: To demonstrate credible pathways towards achieving net zero and other environmental targets it would help if a requirement were put on Member States to set out their plans for the programming period within a longer-term perspective of their vision and priorities for agriculture, forestry and rural areas, taking into account future objectives and targets set out at EU and national level – this is already partially done through the SWOT and needs assessment, but greater quantification of how the CSP will contribute to future environmental and climate targets is necessary.

Currently, the development of policies making up the CAP and CSPs remains the responsibility of agricultural ministries. Greater dialogue and partnership between environmental and climate ministries and authorities should be cultivated so that they could play a more prominent role in the design and approval of environmental aspects of EU agricultural spending. This should become the norm to ensure that environmental and climate considerations are more firmly embedded. In relation to the existing processes, the *ex-ante* and Strategic Environmental Assessments are an important part of the CSP development process and it is important that these are robust and that they are commissioned early in the process to allow sufficient time for the recommendations from these to be incorporated within the final CSPs. This was not always the case for the 2023-27 CSP development process¹⁵.

¹⁵ This was one of the findings of the synthesis of the ex-ante evaluation reports for the 2023-27 CSPs: [European Commission – Directorate-General for Agriculture and Rural Development – Unit A.3 \(2023\): Synthesis of ex ante evaluations of CAP post 2020.](#)

Approval and performance review processes at EU level: To ensure that the overall quality of the CSP is not compromised by the limited timescale for approval, it may be helpful to explore the feasibility of a phased approval process, with the possibility of approving non-contentious elements of the CSP first, with more difficult issues approved at a later date once agreement has been reached. This would avoid the risk that sub-optimal elements of the Plan are approved simply to meet the deadlines. However, in assessing the feasibility of such an option it will be important to take account of the need to have a stable and reliable flow of funding to Member States and land managers to support sustainable management practices.

A further option would be to consider the potential to reserve a proportion of the CAP budget to be distributed amongst Member States according to the ambition of the CSP so that those with more ambitious CSPs would receive a boost to their CAP budget. Alternatively, a proportion of funding could be held back as a discretionary pot of funding to be awarded once performance has been assured via a performance reserve or a performance bonus. The latter option would have to be designed in a way that still encouraged ambitious targets to be set, rather than encouraging the setting of low targets to ensure such a bonus. Similar ideas for improving the effectiveness of CAP spending have recently been recommended by the OECD, which additionally also recommends investigating ways of linking Member States' budgetary allocation to the achievement of environmental and climate objectives¹⁶.

Finally, where issues of underperformance persist, options could be explored for clawing back funding from Member States where targets identified are not being attained, linked to the performance of individual schemes, and where Member States are clearly not taking the action required to improve the situation. Taking action of this kind would only happen as a last resort. Given that ongoing issues of underperformance will become evident later in the programming period, a further option could be that continued underperformance would lead to less funding being provided to the Member State in question in the next financial period, or that funding would be withheld until remedial action had been taken.

There are pros and cons to each of these options. However, it is important that the options chosen provide Member States with an incentive to improve performance over time, with penalties being used only where continued underperformance is evident.

4. Incentivising land managers

Changes in policy-level targets, performance frameworks and governance are only one part of the picture. Incentivising land managers to take action on the ground to achieve a transition to sustainable farming systems is fundamental to achieving greater environmental and climate ambition in practice. This requires payments to be attractive enough to encourage uptake, preferably accompanied by changes in mindset and motivation amongst those who manage the land, so that pressure for change comes from the land managers themselves. However, it also requires consistent and coherent signals to be provided via policy to provide land managers with confidence about the long-term direction of travel whilst at the same time stimulating changes upstream, downstream and on the demand side. Some of this is already

¹⁶ OECD (2023), *Policies for the Future of Farming and Food in the European Union*, OECD Agriculture and Food Policy Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/32810cf6-en>.

happening, but a continuous culture of change is required and funding should be made available to support this green transition¹⁷.

Approaches that encourage greater ownership of farmers in the actions they take to deliver environmental outcomes have been shown to lead to longer-term behavioural change. There are multiple ways of doing this, including:

- greater inclusion of land managers in scheme co-design;
- a greater role for results-based and hybrid schemes;
- designing schemes that motivate a race to the top;
- landscape-scale cooperation;
- the development of Agricultural Knowledge and Information Systems (AKIS), including demonstration and peer-to-peer learning; and
- ensuring that facilitators and advisers are resourced on an adequate scale and have the necessary training.

Knowledge exchange, advice, training and capacity building are often neglected, both inside and outside the CAP and require far greater attention to ensure that all farmers and land managers are able to access the information they need in the way that is most accessible to them and will motivate them to take action.

In recent years, there has been significant progress in some respects, e.g. through the EIP-AGRI network and the Member State operational groups,¹⁸ which promote exchanges between scientists, farmers, stakeholders and other relevant actors to develop innovative solutions to the challenges being faced. However, efforts to build capacity and knowledge are variable across the EU¹⁹. One way of addressing this could be to make receipt of funding under the CAP conditional on Member States engaging on a sufficient scale in knowledge exchange, advice and training. This would require greater investment in advisory capacity within Member States as well as ensuring that the advisers themselves are suitably trained and motivated to be able to advise on how to improve the environmental and climate performance of the farm business in a way that is specific to the farm in question. Demonstration farms, networking and peer-to-peer learning and exchange between farmers are also important tools to disseminate

¹⁷ Baldock, D. and Bradley, H. (2023) 'Transforming EU land use and the CAP: a post-2024 vision', Policy Paper, Institute for European Environmental Policy

¹⁸ The agricultural European Innovation Partnership (EIP-AGRI) works to foster competitive and sustainable farming and forestry that 'achieves more and better from less'. As part of the EU CAP Network, it brings together a range of actors in agriculture and forestry (farmers, advisers, researchers, businesses, NGOs and others, at EU level to they form an EU-wide network. Operational Groups, funded through the CAP form part of this network, alongside research projects funded through the Horizon programme. EIP-AGRI Operational Groups are project-based and tackle a certain (practical) problem or opportunity using different types of knowledge (practical, scientific, technical, organisational, etc.) which may lead to an innovation.

¹⁹ See, for example, Birke, FM et al (2022) AKIS in European countries: Cross analysis of AKIS country reports from the i2connect project.

knowledge and challenge existing ways of working. Whichever methods are chosen, the land manager should be at the centre and trust in the system is required so that farmers feel they can take ownership of how to address the issues they face.

Environmental performance can be incentivised by good scheme design or hampered by poor scheme design, which includes setting payments at the appropriate level. There should be an emphasis on involving land managers in scheme design and finding ways to encourage ownership of the outcomes to be achieved. Focusing on the outcomes to be achieved, rather than being prescriptive about the precise practices to be implemented can provide the flexibility for land managers to use their experience, expertise and knowledge of their own land to determine what works best for them in terms of delivering the outcomes required, whether at the farm level or working in cooperation with other farmers at the landscape scale²⁰.

Partly for this reason, a range of results-based payment schemes have been developed in the EU and can be supported under the CAP. So far, the most developed are in relation to biodiversity outcomes²¹. Central to the effectiveness of these types of schemes is the availability and quality of indicators representing the desired outcomes and the ability to measure change within a suitable timeframe. Work is ongoing to examine what indicators might be feasible for such schemes in relation to increasing soil carbon, reducing greenhouse gas emissions, soil health and water quality^{22,23}. However, results-based schemes may increase the risk for farmers, for example if target increases in species populations are not feasible because of untypical weather conditions. Hence, it is important that the design of payments considers this higher risk exposure and uncertainty through the development of hybrid schemes offering, for example, a combination of a fixed basic payment and a bonus payment or by using flexible payment rates to address the impact of external factors (such as extreme weather events).

Whatever types of schemes are in operation, to ensure their effectiveness and their ability to stimulate long-term behavioural change, there should be a focus on continuous learning and improvement, informed by monitoring and feedback from those implementing the schemes. More emphasis could be placed on piloting new measures before they are rolled out more widely, with a requirement that their effectiveness in delivering environmental outcomes is demonstrated before being implemented formally. It is also important to make sure that rules set at the EU level do not constrain the ambition of Member States to design effective schemes. For example, feedback from Member State officials involved in designing schemes has

²⁰ See, for example: I. Herzon, T. Birge, B. Allen, A. Povellato, F. Vanni, K. Hart, G. Radley, G. Tucker, C. Keenleyside, R. Oppermann, E. Underwood, X. Poux, G. Beaufoy, J. Pražan, Time to look for evidence: results-based approach to biodiversity conservation on farmland in Europe, *Land Use Policy*, 71 (2018), pp. 347-354.

²¹ The results-based payment network provides information on the variety of results-based schemes that have been developed in Member States on their website: <https://www.rbpnetwork.eu>

²² See, for example: COWI, Ecologic Institute and IEEP (2021) Technical Guidance Handbook - setting up and implementing result-based carbon farming mechanisms in the EU Report to the European Commission, DG Climate Action, under Contract No. CLIMA/C.3/ETU/2018/007. COWI, Kongens Lyngby and

²³ See, for example: Sidemo-Holm W, Smith HG, Brady MV, (2018) Improving agricultural pollution abatement through result-based payment schemes, *Land Use Policy*, Volume 77, Pages 209-219.

identified a range of issues set in the CAP regulations that constrain their ability to design ambitious schemes, such as requirements for the simplification of controls through the use of Area Monitory Systems²⁴ (AMS); restrictions on the level of incentive that can be included within payments (beyond a strict interpretation of the income foregone and costs incurred formula); and the limits on the length of schemes. There would be value in facilitating more active exchange between Member States that have found solutions to these issues or have innovative ideas about how to overcome such barriers so that their ideas can be shared more widely.

5. Conclusions

Despite the introduction of the new performance-focused delivery system within the CAP from 2023, Member States have not made sufficient use of the flexibilities and opportunities available to increase the environmental and climate ambition of the schemes being implemented. With some exceptions, there continues to be a strong bias towards path dependency in the majority of Member States. This means that the contribution of the agricultural and land management sector to environmental and climate targets is likely to fall short of what is required. As the OECD recently stated, "Important innovations, such as the eco-schemes and the programming approach that underpins the CSPs, have the potential to transform the CAP, but this will require significant efforts by Member States to improve policy design and the associated monitoring and enforcement procedures. The post-2027 programming period will be an important opportunity to accelerate this change and further transform the CAP into a tool to achieve the EGD objectives"²⁵.

This briefing has examined some of the reasons for this failure to embed a transition to more sustainable farming practices more fully within the CSPs, focusing on three specific issues: the adequacy of targets and performance frameworks, including the need for strengthened data and monitoring; governance issues at Member State and EU level; and the challenge of incentivising land managers to make this transition. To address these issues and to secure improved environmental performance from agriculture and land management through the CAP, a number of solutions have been proposed, which can be summarised as follows:

- **Targets:** EU environmental legislation outside the CAP should identify sector-specific objectives and targets for agriculture and forestry at the EU level, and efforts should continue to be made to embed the Farm to Fork and Biodiversity Strategy targets into law. Member States should be required to set clear objectives and targets flowing from those set at EU level.

²⁴ AMS is the regular and systematic observation, tracking and assessment of agricultural activities and practices on agricultural areas by Copernicus Sentinel Satellite data or other data with at least equivalent value. A number of Member States are finding it difficult to design schemes, particularly for biodiversity, that can be controlled in this way as adapting the requirements of schemes so that they can be checked via AMS has the potential to be sub-optimal. While there are alternatives, these can be expensive and/or add to the administrative burden of farmers.

²⁵ OECD (2023), *Policies for the Future of Farming and Food in the European Union*, OECD Agriculture and Food Policy Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/32810cf6-en>.

- **CAP Performance Frameworks:** The CAP's Performance Monitoring and Evaluation Framework should be strengthened to allow for continuous assessment of performance and impact both during and after the lifetime of the CSP in addition to rigorous *ex ante* assessments that review the strength of the evidence for impact in advance. This requires a much clearer and transparent link to be made between the farm practices proposed/implemented via the different interventions, their predicted or actual uptake and the outcomes that these are planned to achieve in practice on the ground (backed up through monitoring *ex-post* so that causality between the farm practice and the indicator value can be ascertained). This should flow from requirements for CSPs to set out more detailed and robust intervention logics to justify their spending, including greater clarity on the anticipated impact of the actions to address the needs identified, using science-based evidence.
- **Monitoring:** Adequate investment is required to enable more effective monitoring of the impact of CAP interventions, both to source and analyse the data required in Member States (including baseline data), as well as to continue to exploit the full potential of advances in satellite and remote sensing data and to make IACS/LPIS data available for these purposes.
- **Governance:** At Member State level, to embed environmental and climate considerations within CSPs, greater dialogue and collaboration between the Agriculture Ministry and those government ministries and agencies responsible for environmental and climate in both the design and implementation of the CSPs is necessary. Recommendations from the *ex-ante* assessments and SEAs should also be taken on board and reflected within the CSPs and Member States should ensure that enough time is given for this to happen. At the EU level, an overhaul of the approval process is required to establish a system that is more robust with clear criteria for assessing whether the CSP is fit for purpose and sufficient leverage for the Commission to insist on improvements where these are required. There are a number of options proposed to enable the European Commission to hold Member States to account if their CSPs are not sufficiently ambitious in their design or do not deliver in practice. These include: examining the feasibility of introducing a phased approach to the approval system, albeit in a way that prevents major disruptions to the flow of funding for sustainable land management; keeping back a proportion of the CAP budget to be allocated to the most environmentally ambitious CSPs; and as a last resort considering options for clawing back funding from Member States in cases of continued underperformance.
- **Incentivising land managers:** If land managers are to be sufficiently motivated to make the transition to sustainable farming systems and increase the supply of environmental services, then it must be ensured that payment levels are sufficiently attractive alongside encouraging greater ownership by farmers of the outcome to be achieved. Greater investment in knowledge exchange, capacity building, advice and training is essential, for example by making it a compulsory condition for receiving CAP funding. More emphasis should also be placed on piloting new ways of designing and implementing schemes to assess their feasibility and effectiveness before rolling them out more widely, as well as on the potential for greater use of results-based payments.

Fundamental to all these solutions is the greater involvement of land managers in the relevant policy discussions and consultations as well as in the design of schemes.

Many of the changes proposed here could already be taken forward within the current programming period and even for those that might take longer to put in place, preparatory planning and thinking should be initiated soon to be ready for the next EU budget cycle and CAP.

Finally, while this briefing has focussed on challenges in securing greater environmental and climate ambition via the CAP, all these issues are relevant also if funding for environmental purposes were to be available outside the CAP, for example if different policy frameworks or funding models were developed under the next Multi-annual Financial Framework.

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