

**SIXTH FRAMEWORK PROGRAMME
PRIORITY 8.1.
SPECIFIC SUPPORT TO POLICIES**



SPECIFIC SUPPORT ACTION

**Agriculture for sustainable development: A dialogue on
societal demand, pressures and options for policy**

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**Implementation of sustainable development
in the context of the CAP**

New challenges for research

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Summary

This policy brief concentrates on the crucial role of implementation in a policy process. It offers a brief review to implementation research and identifies future research needs in the field of implementation of the Common Agricultural Policy (CAP). The policy brief and its recommendations are based on information gathered through the SASSPO project and its activities. The main information sources have been the background notes, presentations and roundtable discussions held as a part of the policy dialogue sessions in Helsinki and The Hague and the comments of the advisory board.

Current policy implementation research and related discussion are focused on an ongoing change in policy-making and implementation. There is a shift from hierarchical and centrally steered government to more networked governance that supersedes traditional administrative borders and includes different actors from outside the public sector. There is clearly a need for enhanced multi-level governance, which aims to a closer connection and interaction between the EU, national, regional and local levels of administration. The adaptation of the ideas behind multi-level governance would advance the successful implementation of policies for sustainable development.

The CAP can be seen as a measure which has a long tradition in the maintenance of economic sustainability of agriculture in Europe. However, the evolution of the CAP since the MacSharry reform in 1992 has gradually augmented the contribution of the CAP to the ecological and social dimensions of sustainability. The first pillar of the CAP is currently under both modulation and decoupling. Modulation, i.e. reduction of direct payments, has brought a transfer of funds from the first pillar to the second pillar. At the same time decoupling has removed the link between direct payments and production, causing changes in farmers' incentives and economic production environment. The new core of the first pillar is decoupled single farm payment (SFP), which is conditional on cross-compliance with certain environmental, public health and animal welfare standards. Therefore, it can be argued that in the future the first pillar will contribute less to economic sustainability (due to modulation) and more to ecological sustainability (due to cross-compliance).

As a result of modulation the economic significance of the second pillar will increase. The introduction of cross-compliance in connection with the SFP may, in turn, reduce the demand for environmental goods and services provided by the second pillar measures of which the most important are compensatory allowances for less favoured areas (LFA) and agri-environmental measures. Therefore, it can be argued that in the future the second pillar will contribute more to economic sustainability (due to modulation) and less to ecological sustainability (due to cross-compliance).

Regarding the social dimension of sustainability, the CAP is predominantly aimed to serve interests of farmers and not other rural people. If the key element of social sustainability is considered to be rural viability, the CAP guarantees a minimum income level for farmers, which to some extent directly contributes to rural viability. However, in the second pillar, the future tendency will be to broaden the view of rural development and subsequently allocate more funds to non-agricultural purposes. In this respect, one of the key instruments is the LEADER Community Initiative, which concentrates on the promotion local rural development through the activities of the local action groups.

Needs and challenges for future research

One of the objectives of the SASSPO project was to identify research gaps and future research needs in the field of sustainable development. With regard to policy implementation, the most ur-

gent research needs can be characterised as follows: It is crucial to resolve, what kind of institutional innovations would best advance more efficient policy implementation, both in general terms and particularly in relation to sustainable development. The key research task in this respect is to determine, what is an appropriate implementation level (EU, national, regional, local) of administration for different policy measures. In addition, more research is required in order to identify and quantify transaction costs relevant to the implementation process of policy measures.

Furthermore, there is a need for research concentrating on institutional arrangements (concerning implementation as well as other phases of a policy process) able to construct markets or quasi-markets for agriculture-related externalities and public goods. A foresight approach is clearly crucial for policy implementation research, too. The mapping of possible futures of European agriculture can act as a basis for analysing alternative implementation practices and their sustainability effects. Also the statistical base of the EU has to be developed. There is not enough detailed data from regional and especially from sub-regional level, which makes it difficult to carry out comparative research among the EU countries. Especially the new member states are suffering from severe data problems because before-accession statistics are not compiled according to the EU standards. Finally, modelling is considered to be a crucial line of research, because it makes comparisons among countries easier and offers a cost-efficient way to assess outcomes of alternative future policies and their implementation. However, there are also a large set of implementation issues which cannot be properly examined through modelling. Models are useful when measurable quantitative impacts of policies are assessed and compared, but in many cases it is also important to investigate the functioning of the implementation process itself.

Recommendations for policy implementation

One of the objectives of the SASSPO project was to formulate policy recommendations for policy options for sustainable development. With regard to policy implementation the recommendations are as follows.

More efficient implementation of the CAP

The CAP should phase out policy implementation practices which lead to continuous incremental adaptation processes at the farm level. Processes of this kind create unnecessary transaction costs which lower the cost-effectiveness of policies. Transaction costs should be paid more attention in the implementation and monitoring stages. One of the policy objectives should be their reduction. In order to reduce transaction costs new institutional arrangements needs to be established. The question on justification is closely connected to the implementation of the CAP. If it is not shown how the CAP contributes to the general objectives of the EU and on the well-being of EU citizens, the justification of agricultural spending will not become properly reasoned. There is an urgent need for assessing the net effect of different policy measures. The problem here is the lack of appropriate information available for the assessment.

New member states implementing the CAP

Agriculture related problems of the new member states differ considerably from the ones of the old member states. The funding of the CAP is naturally a decisive factor when national flexibility is increased. The tightening of the EU budget framework calls for expanding co-financing, which is not necessarily in the interests of the new member states.

The institutional structures need to be improved at the each level of governance. The accession process was top-down and technocratic, thus now should be the time to concentrate on the content of the policy and quality of implementation and administration. In the new members states it is not reasonable to consider new radical changes before the former reforms and the most recent new policy measures are fully implemented. The current problem is that there is already a new programme coming even though the previous one is not yet properly implemented.

Deeper integration of agricultural, environmental and rural dimensions of the CAP

The participants emphasised that concentration mainly on the agricultural aspects of the CAP is not a desirable line of development. Environmental and rural dimensions have to gain more importance in the goal-setting of the CAP. Otherwise the multifunctional nature of agriculture will not become appropriately recognised. Special attention has to be paid to the negative and positive environmental impacts of agriculture as well as to the rural impacts of agriculture.

Integration of the CAP to the other sector policies of the EU

The deeper integration of agricultural, environmental and rural dimensions of the CAP inevitably means that links from the CAP to the other sector policies of the EU must be reviewed and reassessed. Successful rural development, for instance, requires a closer co-operation between the CAP and structural funds. When the environment is concerned, a better reconciliation of environmental objectives and policy principles of the CAP and the EU environmental policy would be a step forward, especially with regard to environmental sustainability.

Better monitoring of policy outcomes at the EU, national and regional levels

The starting point of better monitoring should be the simplification of the CAP. However, there is not a clear-cut way to carry out the simplification. Indicators are increasingly used in the monitoring of policy outcomes. In this respect, the simplification would denote a smaller number of indicators but a higher level of aggregation. It should be remembered that indirect and non-agricultural outcomes of the CAP also matter and they should be monitored somehow. The participants considered as a severe shortcoming that despite numerous evaluation studies the actual impacts of various CAP measures have remained indistinct. The question is also about the legitimacy of the CAP. If it is not possible to show how the CAP contributes to the general objectives of the EU and well-being of the EU citizens, the justification of agricultural subsidies is not properly argued. Such information was not available when the rural development programmes for the new programming period were decided upon.

More democratic policy making process

The CAP has traditionally been an arena for vested national interests. The participants pointed out that the current way of policy-making makes it easy to counter-reform forces to prevent any significant progress. In order to mitigate the influence of vested national interests, the role of formal and informal institutions, which are not responsible for the defence and promotion of official national standpoints, should be increased in the decision making process. Clearly, involvement of a larger number of stakeholders through more bottom-up approaches is a prerequisite for a more democratic policy making process. Following the subsidiarity principle, decisions concerning both policy content and policy implementation should be taken as close to relevant stakeholders as possible. Policy formation and implementation processes should be more transparent and they should be based on open communication.

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1. Introduction

The purpose of this policy brief is to illuminate the important role of implementation in a policy process and to identify research gaps and future research needs in the field of sustainable development and the implementation of the Common Agricultural Policy (CAP). This policy brief aims to give a reader a condensed overall picture of the phenomenon which will assist in focusing on the most urgent research needs connected to the implementation phase in the policy-making process.

1.1. Preparation of the policy brief

The background paper on implementation (Aakkula et. al., 2006) gave an overview on implementation studies on the CAP, focussing in particular to the second pillar instruments, which are expected to contribute most to sustainable development in agriculture. In this paper research needs are identified based on the background paper and two policy-dialogue seminars (for more information on see www.mtt.fi/sasspo/index.html). In the seminars policy-makers, administrators, stakeholders and researches jointly discussed and deliberated on societal demand, pressures and options for agricultural policy, research, monitoring and evaluation. The objective was to exchange information to reach a better understanding of the issue, explore potential solutions to the problems and formulate policy recommendations.

Four background notes were developed in the preparation of the seminars and distributed to the participants in forehand. The aim was to provide relevant information to the participants on the relevant policy issues and to outline the key questions to be discussed at the policy dialogues. Main points of the background notes were presented in the seminar by the research team members as an introduction to the roundtable discussions. Both policy dialogue seminars included four roundtable discussion sessions of which one was about implementation of the CAP and research needs concerning implementation.

First participants were asked to identify and list 5-10 main development needs regarding the implementation of the CAP, keeping sustainability focus and foresight perspective in mind. They had to also argue, why the listed implementation development needs have particular policy relevance. The group then prepared a summing up of its findings and presented it to the other groups. The second task was to list the most crucial research needs concerning implementation in relation to the key policy issues identified and addressed in the previous roundtable discussions. The group had also to argue, why the listed research needs are of particular policy relevance. These findings were then presented to the other groups. The preliminary conclusions of both seminars are available at the webpage of the projects.

This policy brief is based on the background note on implementation of sustainable development in the context of CAP, the keynote speeches of the seminars, results of the roundtable discussions and open discussions during the seminars and on the comments of the advisory board. The focus is on research needs and policy recommendations.

This policy brief is structured as follows: The rest of the section 1 gives an overview of the overall policy making environment of the CAP. Section 2 discusses the different dimensions of sustainable development and the contribution of the CAP to each of them. Section 3 introduces approaches to implementation research. Section 4 first presents some crucial issues especially the problems concerning implementation of the CAP. Section 5 describes the problems which new member states face in implementation. Section 6 presents the research needs concerning policy implementation

identified by the policy dialogue seminars. Finally, the section 7 discusses the use of the policy dialogue method as a tool to identify crucial issues of implementation and research needs and then draws conclusions and gives recommendations on future steps to be taken.

1.2. Driving forces, pressures and trends relevant to the overall policy making environment

Driving forces, pressures and trends relevant future development in agriculture and in agricultural policy were identified during the SASSPO policy dialogue process (Brouwer, 2006; Silvis, 2006). The identification was carried out in relation to the physical environment, production and production technology, consumption and demand of biomass and agriculture-related public goods, socio-demographic structure as well as institutional issues concerning both policy processes and market forces.

Greatest concerns in relation to the physical environment were biodiversity loss, unpredictable side-effects of biofuel production, the climate change and negative environmental impacts of agriculture in general. Main issues regarding production and production technology were the development of farm structure (especially the risk of polarisation), intensification and extensification of production, environment-friendly cultivation techniques, the adoption of genetically modified organisms (GMO) and immigrant farm labour.

Issues raised in connection with the consumption and demand of biomass and agriculture-related public goods dealt with better fulfilment of consumer preferences. Main issues were quality, safety and traceability (i.e. more consumer-driven food production orientation), production of bioenergy instead of food, multifunctional nature of agricultural production (biodiversity promotion, landscape preservation etc.). Major changes in the socio-demographic structure were seen to be the depopulation of less favoured areas (LFA) and ageing of farmers and other population, implicating a need for controlled immigration.

Institutional issues appeared to be the most significant factors influencing the operational environment of agricultural policy making. The following issues were seen important: international trade negotiations (WTO), financial framework of the EU, governance structures, enlargements, further market orientation of policies, internalisation of externalities and valuation of public goods, coherence between first and second pillars (e.g. the role of cross-compliance), application of subsidiarity principle, bottom-up implementation, monitoring of policy effects and enhanced integration of the food chain.

A rather unanimous conclusion was that the CAP has to evolve, although a non-stop reforming process should not be an end itself. Nevertheless, there were somewhat conflicting views on certain fundamentals of the reforming philosophy. Especially conflicting was the question of the desirable level of market orientation concerning future reforms of the CAP. Furthermore, it was pointed out that if the evolution is based on continuous incremental adaptation, transaction costs may exceed potential benefits. The importance of sustainable development as such was recognised, but simultaneously it was reminded that multi-dimensionality and general vagueness of the concept makes it difficult to operationalise it in a consistent and constructive way for policy making purposes. However, it was recommended, although not unanimously, that sustainability should receive more emphasis in the priority setting of the CAP at the expense of competitiveness.

2. Sustainable development and the CAP

Sustainable development is often defined as “development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. This entails preserving the overall balance and value of the natural capital stock and taking a long-term view of the real socio-economic costs and benefits of consumption and conservation. At the first level, sustainable agriculture involves managing natural resources in a way which ensures that they are available in the future. This narrow definition of sustainability reflects the economic interests of farmers. A broader definition takes into account the use of land and natural resources as part of protecting the environment and cultural heritage. Sustainability reflects also to social function of agriculture that is the maintenance for the viability of rural communities and balanced pattern of development. Sustainability therefore reflects to productive, environmental and social functions.

Sustainable development is one of the objectives of the EU that has a constitutional status. The European Union strategy for sustainable development was agreed in 2001 (CEC, 2001; the global perspective added in EC, 2002) and updated after the mid-term review in 2005 (CEC, 2005). The EU has special complexities in the implementation of sustainable development, like the historical commitment of the Union to economic growth or the different levels of socio-economic development and commitment to environmental protection in different member states.

The implementation of sustainable development has been relatively little studied when compared to the large discussion dealing with the concept. Especially six themes link the normative dimension and the policy or implementation dimension of sustainable development: (1) the integration of economy and environment, (2) the development of modalities for environmental planning, measurement and monitoring, (3) the expansion of societal participation and stakeholder involvement in environmental and developmental decision-making through partnerships, (4) the internationalisation of environmental governance, (5) support for environment and development in the South and (6) sustainable production and consumption (see Lafferty & Meadowcroft, 2000).

2.1. How the CAP contributes to the different dimensions of sustainable development?

The CAP has a long tradition in the maintenance of economic sustainability of agriculture in Europe. However, since the MacSharry reform of 1992 the continuous evolution of the CAP has gradually increased the contribution of the CAP also to ecological and social dimensions of sustainability. In 1999 the Rural Development Regulation (No 1257/1999) (RDR) was agreed as a part of the Agenda 2000 package of reforms to the CAP. At the time it was devised RDR was widely hailed as the new second pillar to the CAP. There were expectations for a reform of the CAP into a policy for sustainable rural development, in which the second pillar would play a key role. The Commission’s rationale for the policy was to introduce a sustainable and integrated rural development policy governed by a single legal instrument to ensure better coherence between rural development and the prices and market policy of the CAP and to promote all aspects of rural development (EC, 2001).

The RDR established the framework for Community support for sustainable rural development. It includes two types of measures. Accompanying measures (e.g. compensatory allowances for less-favoured areas, agri-environmental measures and afforestation) include area-based payment made on an annual basis while non-accompanying measures offer a mix of capital and annual payments to specific development projects or activities (e.g. investments, support for young farmers, training and marketing). The RDR relies on an integrated approach of rural economy which is consistent

with the multifunctional features of agriculture. It aims at improving competitiveness of rural areas, reinforcing agricultural and forestry sector as well as and maintaining environment and preserving rural heritage.

The mid term review of the CAP built into the Agenda 2000 agreement, brought additional important decisions in 2003 on the reform of the first pillar (i.e. market support and direct payments) by introducing modulation (i.e. reduction of direct payments) and decoupling (i.e. removal of the link between direct payments and production). The new core of the first pillar is so-called single farm payment (SFP). With the reformed CAP the first pillar concentrates on providing a basic income support to farmers, who are further free to produce in response to market demand. Under the reformed CAP, instead of having to produce particular products to obtain subsidy, farmers are able to choose what to produce. The Council of Ministers of the European Union recognised that farmers in receipt of subsidy have important responsibilities towards the protection of the environment, animal health and welfare and public health. The CAP Reform Agreement (No 1782/2003) therefore requires farmers in return for SFP to observe certain conditions which is known as cross-compliance. The conditions of cross-compliance include that a farmer receiving direct payments is required to respect a number of European laws (known as the Statutory Management Requirements) as well as maintaining the land in good agricultural and environmental condition (GAEC).

The first pillar of the CAP is currently under both modulation and decoupling. Modulation has brought a transfer of funds from the first pillar to the second pillar and decoupling has changed farmers' incentives and economic production environment. Since the idea of decoupling is to make the amount of direct payments received by a farmer independent of cultivated crops, it is likely that in certain conditions the overall intensity of farming will diminish, when there is less economic incentive to produce high-yield crops. Therefore, it can be argued, at least in relative terms, that in the future due to modulation the first pillar will contribute less to the economic sustainability and due to cross-compliance and decoupling more to the environmental sustainability.

The second pillar of the CAP will increase its economic significance as a result of modulation. However, the introduction of cross-compliance in connection with SFP may reduce the demand for environmental goods and services provided by the second pillar measures. Therefore, it can be argued, at least in relative terms, that in the future due to modulation the second pillar will contribute more to the economic sustainability and due to cross-compliance and decoupling less to the environmental sustainability.

Modulation has not so far had major impacts, because there is general reluctance to switch resources and emphasis between the pillars. The current beneficiaries of CAP are the richest core agricultural regions. They strongly resist the reallocation of money. The first pillar is 100% funded by the EU while the second pillar is only co-financed (roughly 50%). Therefore any member state which switches resources from first to second pillar must find additional national resources. This is a major problem, especially in the new member states. Poorer countries prioritise farm modernisation.

With regard to the social dimension of sustainability, the CAP is predominantly aimed to serve interests of farmers and not other rural people. Thus, if the key element of social sustainability in this context is considered to be rural viability, the CAP takes care of social sustainability by guaranteeing a minimum income level for farmers, which more or less directly contributes to rural viability. However, inside the second pillar, the future tendency will be to broaden the view to rural development and, subsequently, allocate more money to non-agricultural purposes.

2.2. Preparation of the next rural development programming period

The stronger rural development policy aims at targeting agri-environmental measures in relation to territorial strategies. The preparation of the next Rural Development programming period (2007-2013) brings to the forefront the need to assess the impact of these policies. Three major objectives for rural development policy for the period 2007-2013 are

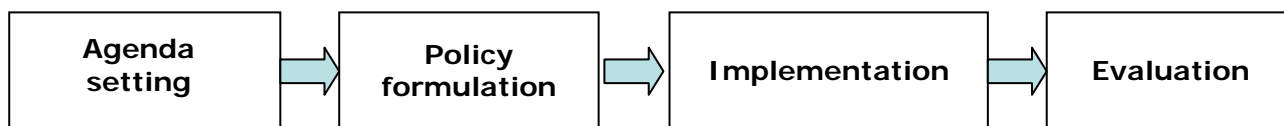
- Increasing the competitiveness of the agricultural sector through support for restructuring
- Enhancing the environment and countryside through support for land management
- Enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and the other rural actors.

Most stakeholders agree on the need for simplification and better targeting of the CAP. At the regional level there is also a claim for an increased application of the subsidiarity principle. The policy objectives will, however, remain multiple and complex, since the proposed strategic policy goal for the rural development policy of the EU is ‘to accompany and complement CAP market policies in the overall aim of supporting the sustainable development of all rural areas throughout the enlarged EU’ as stated by the EU Commission (CEC, 2004).

3. Approaches to implementation research

Implementation is a very important part of a policy process, since policy outputs are of crucial importance for outcomes. Implementation research can focus on policy outcomes, outputs or processes (Hill and Hupe, 2002). Different theoretical approaches have been used in analysing implementation processes. The traditional field of implementation research is split into two major schools, top-down and bottom-up. Research on implementation has also been carried out under several other areas of research e.g. governance, institutional analysis, organisation and management research, organisational sociology, evaluation and monitoring of which some is direct disciplinary literature and some is produced for practical concerns in forms of pamphlets and reports.

Policy stages model can be used to illustrate policy process. The model fits well to the context of the CAP since the EU policy process is highly fragmented. There is a very clear-cut separation between the agenda-setting and policy formulation stages and the implementation stage. The policies are prepared in Brussels and implemented in the member states.



The question often asked is how to locate failure. If the results of evaluation show that the policy objectives are not met, the next step is to examine whether the implementation process was carried out properly. Policy implementation in general is a field that is relatively much studied from the point of view of policy analysis and implementation studies since the seminal work of Pressman and Wildavsky (1973). An important finding of early studies was that the outcomes of the policy after the implementation process could differ drastically from the policy originally intended. Different kinds of policies could also face different problems.

The school of thought which analysed implementation and its failure mainly from the “managerial” point of view of the central government has been labelled as a top-down approach (e.g. Pressman & Wildavsky, 1973; Bardach, 1977). The top-down model has been greatly criticized for not taking into account the role of other actors and levels in the implementation process. Critics have emphasised for instance the complexity of interactions and negotiations in the implementation process, the multitude of actors and sometimes even conflicting political initiatives, the political – not only administrative – nature of policies, the problems when researchers adopt a view about how policies should be implemented, or the difficulties to define a clear-cut policy or to analyse implementation separately from decision-making. In the late 1970s, a different approach emerged in response to the perceived weaknesses of the top-down model (e.g. Ingram, 1977; Hanf, 1982). Instead of starting from policy decision, the bottom-up approach starts with an analysis of actors who interact at the local level on a particular problem or issue. In the process the policy stages of formulation, implementation and reformulation disappear. Research focuses on the strategies pursued by various actors in pursuit of their objectives. See the overviews of the implementation theory in e.g. Sabatier, 1986 or Ham & Hill, 1993.

If implementation studies raised great interest especially in the 1970s and 1980s, current discussion is focused on an ongoing change in policy-making and implementation. Researchers in political and administrative studies speak about a shift from more hierarchical and centrally steered “government” to more networked “governance” that overrides vertical and horizontal administrative borders and encompasses different actors also outside the public sector (i.e. representing the market and the civil society) (e.g. Kooiman, 1993). The reasoning behind the new governance is linked, on the one hand, to the effectiveness of politics and service delivery, and on the other hand, to participation and the involvement of relevant stakeholders. The EU system, especially the Structural Funds, are characterised by the concept of “multi-level governance” (Marks *et al.*, 1996), a close interaction between the EU, national, regional and local levels. Multi-level governance seems to refer to an analytical cut from the whole of inter-institutional relations and processes to a policy. By looking at the implementation stage, the focus shifts from a policy to the system of inter-governmental relations.

Parallel discussions with the one dealing with the new governance concern regulation or the choice of policy instruments. The traditional regulation of the central government has been partly dismantled, but this has not lead to deregulation but to a new kind of re-regulation (e.g. Majone, 1996). At the national and the EU level, at least in some areas, there is a shift from “command-and-control” regulation to “new” policy instruments (so called NEPIs), which are based on a bigger role of the market and the civil society, information, persuasion and incentives (Jordan *et al.*, 2005; Howlett & Ramesh, 1993). In the European Union, new policy instruments include codes of conduct, eco-labels, scoreboards, benchmarking, best practice, high-level forums, voluntary agreements, co-regulation and so on (Zito *et al.*, 2003). The new policy instruments are common in environmental policy, but they are used in a wide range of policy areas (*ibid.*) – also in the context of the open method of coordination (OMC), presented in the Lisbon summit in 2000, where the binding regulation of the union is replaced by benchmarking, codes of conduct, indicators, evaluation and measures at the national and regional level.

The evaluation of public interventions consists of judging its value in relation to explicit criteria, and on the basis of information that has been specially gathered and analysed (EC, 1999). Evaluation has become very important – a booming industry- especially in the OECD countries. In terms of quantity, the most important branch of policy studies. Evaluation in the context of the European Commission dates back to the 1980s, in the fields of research and aid to developing countries. In 1995 evaluation was institutionalised as a key element for all policies in improving management at

the Commission. The Directorates are requested to establish on-going evaluation programmes and to create evaluation units.

In the evaluation literature, contradictory opinions are expressed on the timing of evaluation. Some authors consider that evaluation is only a retrospective exercise while others also attribute a prospective dimension into it. In the EU policy context evaluation is defined as an activity which takes place before, during and after a public action. Three stages are related to a life cycle of a program consisting ex ante evaluation, mid-term evaluation and ex post evaluation. Ex ante evaluation (feasibility study) takes place at the beginning of the cycle before programme has been adopted. Mid-term evaluation (monitoring outputs) is performed during the second stage of the programming cycle, during the implementation of the interventions. Ex post evaluation (reporting) focuses on factors of success or failure, and on the results and impacts of an intervention when it is over. Evaluation can have a number of forms, depending on the stage at which is performed as well as on the level of decision making and the scope of the evaluation.

4. Implementing the CAP

The Commission and the member states play a central role in the implementation of the CAP. The Commission issues the necessary technical and managerial regulations and directives by means of the Management Committee procedure. The member states incorporate, if necessary, the European decisions in national law, inform the agro-industry and undertake the actual administration. (Meester, 2000). However, there is no truly uniform agricultural policy within the EU, as there are national agricultural and rural policies remaining and the CAP is also implemented in various ways in different member states (Greer, 2005). Over the past years the Commission and the Member States have sought to improve the implementation and control of EU programmes. This has been undertaken in the context of the SEM 2000 initiative and has been an integral part of the reforms proposals presented in the context of Agenda 2000. Reinforced control, monitoring and evaluation will accompany greater subsidiarity and decentralisation of responsibilities. Such improvements also reflect a need to improve the accountability of EU policies to the budgetary authority and to EU citizens and their representatives.

The Agenda 2000 reform of the CAP clarifies the roles of the Commission, the Member States and other bodies in the implementation of Agricultural and Rural Development policies. A greater role is given to the Member States to tailor policies to the needs of their agriculture and rural areas principally through the Regulation EC No 1259/99 on the establishment of common rules for direct support schemes under the CAP and Regulation 1257/99 on support for rural development. These two regulations provide for reinforced monitoring and reporting requirements.

The institutional and policy-making structures of the EU are highly problematic. The bargaining and shifting alliances between the union and the member states, differences between the EU institutions and the strong role of interest groups all lead to an unpredictable policy. The responsibility for the various stages of policy process is fragmented, as the union plays an important role in decision-making and the member states in the implementation (Baker, 2000). There is an implementation deficit which partly results from vague and contradictory objectives. In many respects that is inevitable given the need to reach consensus or at least to get an extended majority. The issues relevant to implementation are often disregarded during the process of negotiation, which often favours the adoption of policies that cannot be monitored, controlled and enforced at least on a reasonable cost. The Commission's policy proposal for the coming period should take into account these drawbacks

by leaving sufficient flexibility to Member States for elaborating rural development programmes within given agreed priorities and budget (CEC, 2004).

Although implementation studies constitute a broad field inside policy analysis, there are relatively little studies sketching an overall picture of the implementation of the CAP. (Text)books and overviews about the CAP deal with implementation mainly by introducing different policy instruments in the field of market and price policies, often separately with each product (e.g. Oskam, 2000), and sometimes also structural and social policy measures (Fennell, 1987). Much of the research is economic, or when analysing policies, from the public choice school of thought (see e.g. Ritson & Harvey, 1997). When introducing the decision-making mechanisms of the CAP, the implementation phase is very shortly covered (Meester, 2000; Grant, 1997). The overviews do not use the concept of sustainable development, but the environmental or budgetary (economic sustainability) problems of the CAP are often dealt in the context of reforms pressures or realised reforms.

Fennell (1997) argues that CAP research is mainly done by (agricultural) economists and lawyers. It is true that in scientific journals, agricultural economics is well represented in articles dealing with the CAP. Other fields include for instance rural sociology, rural geography, ecology and, to a lesser degree, political science. Many journal articles treat at least in an implicit way the implementation of CAP. A common type of analysis is a case study dealing with one member state and often a certain commodity regime. There is also a large discussion about policy instruments on a more general level, especially price support versus direct aids, the benefits of different instruments etc., and the studies often include econometric modelling. The farm level is also analysed relatively much. There are few overviews about the implementation of the CAP, also from the point of view of sustainable development. The implementation of sustainable development is mainly linked to multifunctionality and agri-environmental measures, but also to organic farming and to the decoupling of subsidies. From the perspective of sustainable development, some of the studies deal at least implicitly with implementation.

The complexity of the relationship between agriculture and the environment – harmful and beneficial processes, diversity of local conditions and production systems – has conditioned the approach to environmental integration in the context of the CAP. The CAP reform “A long-term perspective for sustainable agriculture” requires research and scientific support in implementing policy instruments in order to avoid negative environmental effects while enhancing positive ones.

Issues on implementation raised by the roundtable discussions

It was agreed that policy implementation is not an easy task. Participants emphasised that the CAP is especially difficult due to the lack of goal clarity because of vague, contradictory and often competing policy objectives e.g. between first and second pillars. Compared to the single payment scheme of the first pillar, the administrative complexity is much higher second pillar schemes. The implementation of second pillar is also more demanding due to different natural environment and farming practises. There is no uniform agricultural production nor is the natural environment in member states similar.

The fragmentation of the policy process was also seen as a problematic issue. Policies are prepared in Brussels and implemented in the member states. There is a very clear-cut separation between policy making and implementation. Each member state has different institutional structure, their national administrative structures and traditions are very heterogeneous. As a result the CAP is implemented in different ways in different member states. To make common implementation even

more complex, in addition to the CAP and its accompanying policies, national agricultural and rural policies are remaining. The monitoring and controlling requirements are also seen as a problem.

Policy makers are tight to the existing institutional structures and therefore resist changes. Often they don't have a foresight. Changes are then usually incremental adaptations, which leads to situation of increasing amount of different policies. Only the change is constant. This situation is not good for policy makers, implementers or farmers. It was emphasised that more proactive and integrated approach towards implementation of regulations is needed. Feedback is not fed from implementation into the policy making process. There is also need for more effective delivery of advice on implementation to farmers.

Problem concerning the content of the policy especially regarding agri-environmental schemes is that "one size does not fit all". For example area payments are not suitable for agri-environmental measures in all the member states (e.g. in Malta the average farm size is < 1 ha). The criteria for payments is not always the best option, e.g. from the environmental perspective, agri-environmental payments should be based on environmental benefits instead of costs. To overcome these problems a bottom-up approach for more tailor-made programmes is needed.

The question on policy failure was discussed; what if evaluation shows that policy objectives are not met even though the policy implementation is carried out correctly? Participants thought that it is not clear whose responsibility it is if the measures are not working as they were supposed? How the commission reacts?

5. New member states implementing the CAP

From the point of view of policy implementation, the Central and Eastern European new member countries offer an interesting and also much evaluated case, as they have (had) to implement the existing *acquis communautaire* as well as measures to adapt to the requirements of the EU membership. In general, the agricultural elements of the *acquis* have been applied in the CEECs since their membership in 2004 (except the full application of direct payments to farmers). Reports and studies on the CAP and the CEECs have been listed in the "Agriculture of the Europe of 25" web page (see http://ec.europa.eu/comm/agriculture/eu25/index_en.htm).

DG AGRI set up in 2000 the *Network of Independent Agricultural Experts in the CEE Counties* in order to obtain expert advice. In 2003 the Network published a report "The future of rural areas in the CEE new Member States". The report presents the agri-environmental measures in the CEECs, the impact of agriculture and agricultural policy on rural development and the different policy instruments to support agriculture and rural development (CAP-like policies and additional measures). One of the conclusions about the institutional context is that there is a general convergence of policy instruments towards those of the EU, but the adaptation of instruments towards CAP-like measures has been taken on an ad hoc basis and has not been implemented systematically.

Rural Development in an Enlarging Union project was carried out in six Member States and two Candidate Countries in 2001-02. It was undertaken to inform and influence the Mid-Term Review on the RDE, further reform of the CAP and other policies relevant to sustainable development. The research aimed to explore implementation of rural development programmes supported under the EU's ERD No 1257/1999 and the SAPARD pre-accession instrument. The study examined the extent to which these programmes and promoting integrated and sustainable rural development, the protection and enhancement of biodiversity and the coherence of rural development policies with

environmental legislation. The study confirmed the importance of the central goals and aspirations of sustainable development as represented in the II Pillar of the CAP and the value of flexible measures such as the RDR. The study also showed that there have been significant constraints in implementing these measures. The flexible, coherent, integrated and partnership-oriented approach has not widely been achieved in reality.

Issues on new member states implementing the CAP raised by the roundtable discussions

Agriculture related problems of the new member states differ considerably from the ones of the old member states. Therefore, the need for more national flexibility was strongly emphasised. The funding of the CAP is naturally a decisive factor when national flexibility is increased. The tightening of the EU budget framework calls for expanding co-financing, which is not necessarily in the interests of the new member states. Some rules and regulations are already too expensive or complicated for all the new member states to implement.

The institutional structures need to be improved at the each level of governance. The accession process was top-down and technocratic, thus now should be the time to concentrate on the content of the policy and quality of implementation and administration. In the new members states it is not reasonable to consider new radical changes before the former reforms and the most recent new policy measures are fully implemented. The current problem is that there is already a new programme coming even though the previous one is not yet properly implemented.

6. Research issues

The participants were able to identify a large number of potential research topics related to the implementation of sustainable development in the context of the CAP. The widely agreed starting point was that there is not enough information on impacts of applied policy measures. The lack of information relates to environmental, economic as well as social impacts. It is especially important to assess the effectiveness of policy measures. However, it should be kept in mind that there are various factors influencing the effectiveness of taken (or planned) policy measures, and issues related to implementation do not necessarily play a major role in this respect. However, it would be crucial to resolve, what kind of institutional innovations would best advance more efficient policy implementation, both in general terms and particularly in relation to sustainable development. The key research task regarding the institutional setting of policy implementation is, how to determine the appropriate level (EU, national, regional, local) of administration for different policy measures. In other words, the question is about the subsidiarity principle and how to apply it in a beneficial way in the redesign of governance structures crucial to the promotion of sustainable agriculture.

The role of transaction costs is significant in any policy implementation process. However, their magnitude or origin are not usually well-known, which makes it difficult to assess cost-effectiveness of alternative implementation processes. Thus, it is needed more research which concentrates on identification and quantification of transaction costs relevant to the implementation process of policy measures. By making transaction costs related to implementation more transparent it would be possible to produce better estimates for true costs of the CAP.

The further justification of the CAP requires valuation research, the idea of which is to make agriculture-related externalities and public goods commensurate in monetary terms with market goods or other monetary value references. Furthermore, there is a need for research concentrating on insti-

tutional arrangements able to construct markets or quasi-markets for agriculture-related externalities and public goods. A comprehensive benefit-cost analysis or welfare effect analysis of the CAP is possible only if non-market benefits and costs of the CAP can be incorporated in monetary terms.

A foresight approach is clearly crucial for policy implementation research, too. An increasing number of part-time and pluriactive farms creates new challenges in the field of policy implementation. The mapping of possible futures of European agriculture acts as a basis for analysing alternative implementation practices.

Also the statistical base of the EU has to be developed. There is not enough detailed data from regional and especially from sub-regional level, which makes it difficult to carry out comparative research among the EU countries. A current problem is a lack of comparable statistics on diversified farms, which hampers proper policy implementation. The new member states are facing data problems because in most cases the before-accession statistics are not compiled according to the EU standards.

Modelling is considered to be a crucial line of research, because it makes comparisons among countries easier and offers a cost-efficient way to assess outcomes of alternative future policies and their implementation. Interfaces between different models and multidisciplinary modelling platforms should be developed in order to attain a more complete view of likely and possible outcomes of applied policy measures.

However, there are also a large set of implementation issues which cannot be properly examined through modelling. Models are useful when tangible impacts of policies are assessed and compared, but in many cases it is also important to investigate the functioning of the implementation process itself.

7 Conclusions and recommendations

General conclusions of the policy dialogue seminars

The internal and external coherence of the CAP should be paid more attention. The contentual coordination of policies is needed in order to further develop the first and the second pillars of the CAP so that environmental and rural benefits of the second pillar measures will not be offset by policy measures taken in the first pillar. The likely development in the WTO negotiations should also be taken into account while considering the reassessment of the relationship between the first and second pillars. More attention should also be paid to the development of the content of cross-compliance. Policy measures should also be better targeted at regional and local levels (subsidiarity aspect). Furthermore, the CAP should be more explicit in relation to the role of entrepreneurship in agriculture as well as to the role of pluriactivity in farming.

As a result of different farm sizes, production lines, locations and nationalities, there are conflicting interests among farmers in the EU. This can not completely be avoided because geographic, agronomic and socio-economic farming conditions vary a lot in between different member states and also within the member states. However, the CAP should show a clear intent to offer an equal opportunity to practice agriculture in all member states and in different regions.

The CAP is currently facing a legitimacy problem. Traditionally the CAP has concentrated on the promotion and protection of farmers' interests and despite the development since the MacSharry

reform in 1992, interests of other societal groups have not necessarily received enough attention. EU citizens, consumers and tax-payers do not necessarily feel that they get enough value for the money spent on the CAP if only the basic agricultural outputs in the form of food, feed and fibre are considered. Thus, there is a need for more balanced incorporation of various interests (producers, tax-payers, consumers, citizens, environmentalists) in order to grant further societal justification of the CAP.

Non-market outputs such as positive and negative externalities and public goods closely related to farming have also to be taken into account. Environmental benefits resulting from landscape management and biodiversity preservation and rural benefits resulting from enhanced economic and social viability of rural areas are of high societal value. It is a challenging task to make this value visible and perceivable in commensurable terms for policy making purposes. The multifunctionality of agriculture can act as a justification for agricultural spending. Therefore, environmental and rural dimensions should gain more importance in the goal-setting of the CAP. Otherwise the multifunctional nature of agriculture will not become appropriately recognised. Special attention has to be paid to the negative and positive environmental impacts of agriculture as well as to the rural impacts of agriculture.

A better balance between the market and public intervention should be attained. The CAP faces simultaneously government and market failures. Public intervention in the form of agricultural subsidies tends to distort the functioning of the internal market of the EU as well as the world market, which leads to a government failure. On the other hand, the market is not necessarily able to cope properly with externalities and public goods, which causes a market failure. Therefore, institutional innovations are needed to make the market function better and to keep public interventions on a level which is not too excessive.

Conclusions on implementation of the CAP

It was emphasised that more national flexibility is needed in policy formation, implementation and funding, but at the same time it should be kept in mind that increasing national flexibility in policy design does not mean the same as the re-nationalisation of the CAP. It is possible to have more flexible policies from the national perspective without endangering the EU level commensurability of policy making principles. The need for more flexibility originates from increasing diversity of regional circumstances as well as national and sub-national interests, which result from past, ongoing and planned EU enlargements.

The CAP should phase out policy implementation practices which lead to continuous incremental adaptation processes at the farm level. Processes of this kind create unnecessary transaction costs which lower the cost-effectiveness of policies. Transaction costs should be paid more attention in the implementation and monitoring stages. One of the policy objectives should be their reduction. In order to reduce transaction costs new institutional arrangements need to be established.

The question on justification is closely connected to the implementation of the CAP. If it is not shown how the CAP contributes to the general objectives of the EU and on the well-being of EU citizens, the justification of agricultural spending will not become properly reasoned. There is an urgent need for assessing the net effect of different policy measures. The problem here is the lack of appropriate information available for the assessment.

Agriculture related problems of the new member states differ considerably from the ones of the old member states. The funding of the CAP is naturally a decisive factor when national flexibility is increased. The tightening of the EU budget framework calls for expanding co-financing, which is not necessarily in the interests of the new member states. The institutional structures need to be improved at the each level of governance. The accession process was top-down and technocratic, thus now should be the time to concentrate on the content of the policy and quality of implementation and administration. In the new members states it is not reasonable to consider new radical changes before the former reforms and the most recent new policy measures are fully implemented. The current problem is that there is already a new programme coming even though the previous one is not yet properly implemented.

The deeper integration of agricultural, environmental and rural dimensions of the CAP inevitably means that links from the CAP to the other sector policies of the EU must be reviewed and reassessed. Successful rural development, for instance, requires a closer co-operation between the CAP and structural funds. When the environment is concerned, a better reconciliation of environmental objectives and policy principles of the CAP and the EU environmental policy would be a step forward, especially with regard to environmental sustainability.

Despite numerous evaluation studies the actual impacts of various CAP measures have remained indistinct. The question is also about the legitimacy of the CAP. If it is not possible to show how the CAP contributes to the general objectives of the EU and well-being of the EU citizens, the justification of agricultural subsidies is not properly argued. Such information was not available when the rural development programmes for the new programming period were decided upon.

The simplification of the CAP should be the starting point of better monitoring. However, there is not a clear-cut way to carry out the simplification. Indicators are increasingly used in the monitoring of policy outcomes. In this respect, the simplification would denote a smaller number of indicators but a higher level of aggregation. It should be remembered that indirect and non-agricultural outcomes of the CAP also matter and they should be monitored somehow.

The CAP has traditionally been an arena for vested national interests. The participants pointed out that the current way of policy-making makes it easy to counter-reform forces to prevent any significant progress. In order to mitigate the influence of vested national interests, the role of formal and informal institutions, which are not responsible for the defence and promotion of official national standpoints, should be increased in the decision making process.

Clearly, involvement of a larger number of stakeholders through more bottom-up approaches is a prerequisite for a more democratic policy making process. Following the subsidiarity principle, decisions concerning both policy content and policy implementation should be taken as close to relevant stakeholders as possible. Policy formation and implementation processes should be more transparent and they should be based on open communication.

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