



# How to assess direct payment interventions in the new CAP

**Good Practice Workshop**

Athens (Greece), 9-10 November 2022



The European Evaluation Helpdesk for the CAP is responsible for providing support to monitoring and evaluation activities at the EU and Member State level. It works under the guidance of DG AGRI's Unit A.3 'Policy Performance' of the European Commission (EC). The European Evaluation Helpdesk for the CAP supports all evaluation stakeholders, in particular DG AGRI, national authorities, managing authorities and evaluators, through the development and dissemination of appropriate methodologies and tools; the collection and exchange of good practices; capacity building and communicating with network members on evaluation related topics.

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# List of acronyms

BISS	Basic Income Support for Sustainability
BPS	Basic payment scheme
CAP	Common Agricultural Policy
CMEF	Common monitoring and evaluation framework
CSP	CAP Strategic Plan
DG AGRI	Directorate-General Agriculture and Rural Development
DRF	Dose Response Function
EAFRD	European Agricultural Fund for Rural Development
EQ	Evaluation Question
FADN	Farm Accountancy Data Network
FSDN	Farm Sustainability Data Network
FSS	Farm Structure Survey
GPSM	Generalised Propensity Score Matching
GPW	Good Practice Workshop
JRC	Joint Research Centre
M&E	Monitoring & Evaluation
MFF	Multiannual Financial Framework
PMEF	Performance Monitoring and Evaluation Framework
RDP	Rural Development Programme
SAPS	Single area payments scheme
SO	Specific Objective



# Executive Summary

The second Good Practice Workshop (GPW) of the European Evaluation Helpdesk for the CAP, on 'How to assess direct payments interventions in the new CAP', took place in Athens (Greece) on 9-10 November 2022. Building experience for the assessment of direct payments is of high relevance in the post-2020 programming period, given that these interventions were not part of rural development programmes (RDPs), nor evaluated at Member State level. As they are now part of CAP Strategic Plans, they will be subject to evaluation in the context of the Performance Monitoring and Evaluation Framework (PMEF) with Member States obliged to assess all these types of interventions at national level. The workshop focused on the income and socio-economic effects of direct payments and aimed at:

- Increasing the evaluation knowledge of stakeholders involved in direct payments interventions;
- Exchanging practical experiences from past evaluations of direct payments interventions (from both EU and Member State level);
- Providing an opportunity for networking and identification of needs for Managing Authorities and evaluators in relation to methods and data collection when evaluating direct payments interventions.

The first day of the workshop began by sharing past lessons from assessments of direct payments and the challenges and main aspects to consider for evaluating direct payments in the current period. Next, it shared experiences from EU level evaluations of the CAP, particularly on the methods and data used for evaluating direct payments and their effects on income and socio-economic factors. The second day shared knowledge from evaluating direct payments at Member State level (in Germany, Greece and Croatia) and at sectoral level (in the starch sector) and specifically on the methods that can be used to assess the net effects of direct payments. Useful lessons include:

1. Direct payments interventions need to be assessed in light of the new CAP architecture and the PMEF. Evaluations need to cover the whole CAP based on the intervention logic of [each Specific Objective \(SO\)](#) and the possibility that interventions may contribute to several SOs. Specifically, direct payments interventions may contribute to SO1, SO2 as well as to socio-economic (e.g. reducing disparities, reducing poverty, maintaining jobs), environmental and climate-related objectives. Furthermore, the performance framework entails a change from compliance to results, meaning that result indicators, including those relevant to direct payments, link to targets and milestones, with the overarching objective to target farmers or sectors in need;
2. A good understanding of the scope of direct payments and how these have evolved over time will enable evaluators to identify the key elements when evaluating direct payments. Given the novelty of having to assess direct payments at Member State level, it is important for evaluators to understand what direct payments aim to achieve, e.g. provide an income safety net to farmers but also redistribute income more equitably, contribute to competitiveness, protect the environment and respect working and employment conditions (social conditionality). Evaluations should therefore take into account multiple, often conflicting, factors related to the effects of direct payments, e.g. effects on income considering the opportunity cost of labour, effects on the environment considering the costs of environmental conditionality;
3. The use of quantitative methods (e.g. econometric, modelling, input-output and other statistical analysis methods) to quantify the results of direct payments interventions can provide evidence on the actual performance of the policy. This is more complete when complemented with a qualitative assessment (e.g. case studies) to validate and explain the findings, especially since the causality of the effects of direct payments is more difficult to demonstrate as they apply to all EU farmers.



# 1. Setting the scene

## 1.1 Introduction

The second Good Practice Workshop (GPW) organised by the European Evaluation Helpdesk for the CAP (Evaluation Helpdesk) during this programming period focused on how to assess direct payments interventions in the new CAP. Direct payments interventions include decoupled direct payments (i.e. basic income support or complementary income support for young farmers), as well as coupled direct payments<sup>1</sup>.

These interventions were not part of RDPs in the past and therefore not evaluated at Member State level in the context of the common monitoring and evaluation framework (CMEF). In the last programming period, Pillar 1 direct payments interventions were generally evaluated at EU level. As they are part of the new CAP Strategic Plans, they will be subject to evaluation in the context of the performance monitoring and evaluation framework (PMEF) of the new CAP, and Member States have to assess all these types of interventions at national level. The PMEF includes result indicators for direct payment interventions, such as R.6 in relation to the redistribution to smaller farms or R.8 in relation to coupled income support for farms in specific sectors<sup>2</sup>. The CAP output, result, impact, and context indicators will form the basis for monitoring and evaluation and will be used to assess the achievement of the CAP general and SOs<sup>3</sup>.

This change will require Member States to broaden their range of evaluation approaches to assess how direct payments interventions contributed to the CAP objectives, including the identification of methods, indicators, and data sources. Planning, preparing, and

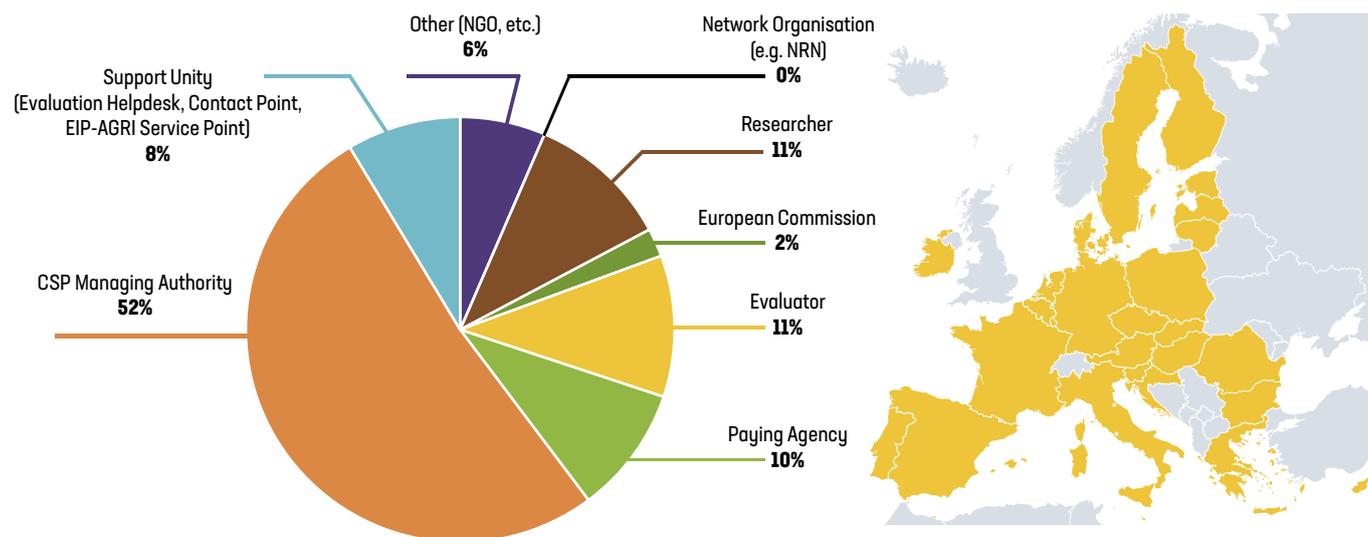
conducting evaluations at Member State level will also go beyond the relative 'routine' of evaluating rural development type interventions and examine the specifics of direct payments interventions, including the data that will need to be collected on a regular basis. The results of this GPW should help Member States in the identification, planning, and development of methodologies and data collection for future evaluations of direct payments.

The GPW had the overall objective to reflect and learn from each other's experiences in the evaluation of direct payments interventions with a view to help Member States' future evaluations. The specific objectives were to:

- Increase the evaluation knowledge of stakeholders involved in direct payments interventions;
- Exchange practical experiences from past evaluations of direct payments interventions (from both EU level and Member State level);
- Provide an opportunity for networking and identification of needs for Managing Authorities and evaluators in relation to methods and data collection when evaluating direct payments interventions.

The GPW was attended by 92 participants from 24 different Member States and 1 participant from a non-EU country across the two days, including Managing Authorities, evaluators, European Commission representatives, paying agencies, researchers, network organisations such as national rural networks (NRN), and other stakeholders.

Figure 1. Participants of the Good Practice Workshop per role and Member State



Source: European Evaluation Helpdesk for the CAP (2023).

1 Article 16 of the CAP Regulation lists all types of direct payment interventions in the form of decoupled and coupled direct payments  
 2 Annex I of the CAP Regulation  
 3 Article 7 and Article 128 of the CAP Regulation



## 1.2 The framework for assessing direct payments interventions

Ms Sophie Helaine (Head of Unit A3 'Policy Performance', Directorate-General for Agriculture and Rural Development (DG AGRI)) gave a presentation about the new CAP (2023-2027) and the performance assessment, where she outlined the main challenges for future evaluations and provided examples on key aspects when assessing direct payments. When discussing the main changes, Ms Helaine explained the renewed strategic approach of the CAP (i.e. analysis and intervention logic by SO and no distinction between funds) and the need to acknowledge the multiple contributions of the CAP budget, as one can assign one intervention to multiple SOs. Another change was the move from compliance to results, as this gives more importance to monitoring and evaluating (M&E) and the fact that Member States have set objectives for all result indicators, covering all interventions with milestones. The new CAP is also more targeted, focusing on farmers and sectors in need, which is ultimately the main goal of the CAP, as well as gender equality. When it comes to changes in interventions, a notably one is from greening to eco-schemes, which could potentially have a strong impact on farmers' income. Basically, if farmers do not adhere to implement more demanding environmental practices then they will not receive a payment under an eco-scheme.

Ms Helaine went on to explain that Member States may face financial suspensions if they implement the CAP in a way where targets

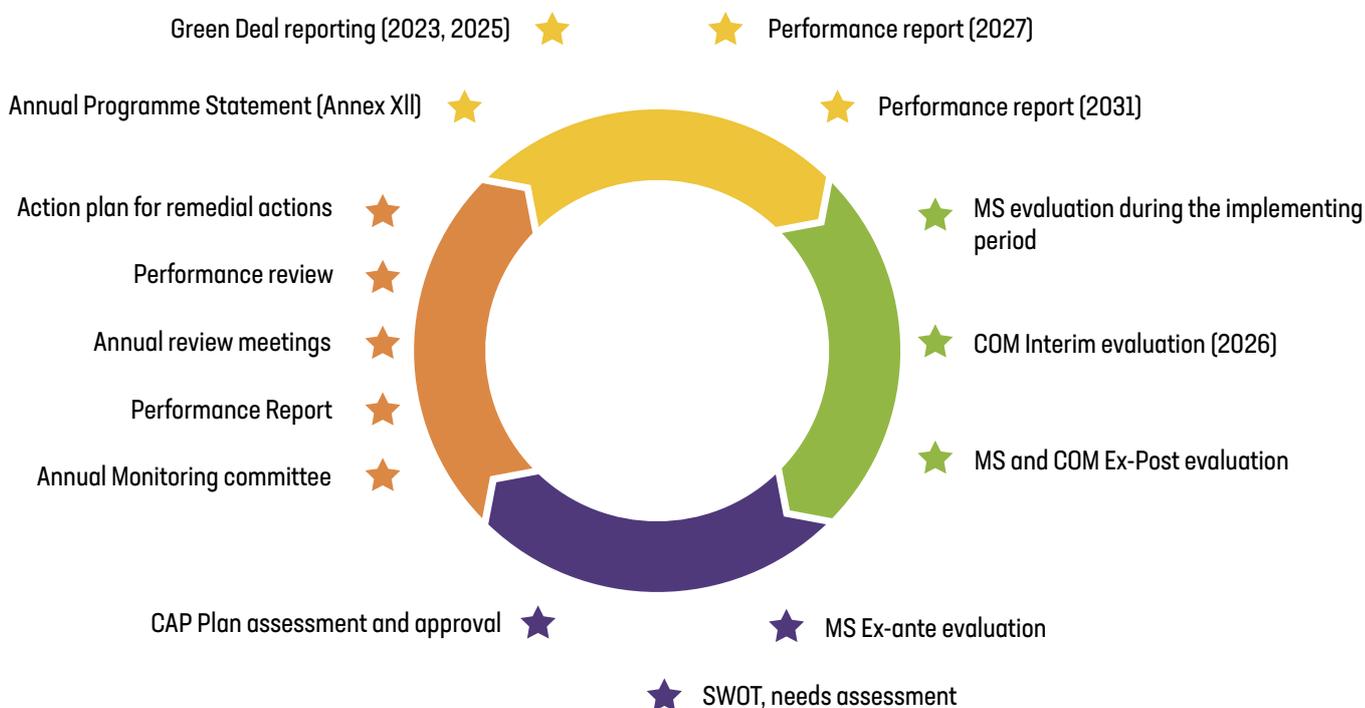
are not met, although this is not expected to happen as they can justify the differences between planned and realised result indicators. An action plan can also be developed to address shortcomings with Member States only facing suspensions if they cut corners in its implementation. Another main change regarding evaluations is related to the responsibilities from the Commission and different expectations for Member States, notably:

- > No interim evaluation for Member States, only at EU Level (planned for 2026);
- > Member States are to design evaluations according to the intervention logic of their Strategic Plans, and the Commission does not impose evaluation questions;
- > Member States have the obligation to evaluate all SOs during the implementation period;
- > Member States' evaluation plan can be updated without modifying the Strategic Plan.

These changes will see a need for more quantification of the CAP's performance, and to defend its budget, but only a few result indicators show actual results.

The following figure summarises all the above points in relation to the performance orientation of the new CAP.

Figure 1. Participants of the Good Practice Workshop per role and Member State



Source: PPT 'The new CAP and performance assessment' from Ms Helaine (EC)



Ms Helaine also explained that evaluation of direct payments does not imply an evaluation of instruments per se but more of objectives, and repeated the objectives of direct payments in the current period:

- > direct payments are related to general objective 1: to foster a smart, competitive, resilient, and diversified agricultural sector ensuring long-term food security;
- > there is a strong link to the socio-economic dimension: 50% of CAP beneficiaries have less than 5 hectares, so there is a social role to direct payments. Eligibility to direct payments is also managed via minimum requirements;
- > direct payments contribute to environmental protection and climate action;
- > EAFRD also provides income support and contributes to general objective 1.

Finally, Ms Helaine gave some examples on the main aspects to evaluate for direct payments. These examples focus on a fairer CAP (example 1), reducing disparities between farmers (example 2), viable farm income (example 3), and generation renewal (example 4) and can be found in her presentation.

**Link to the Ms Helaine's presentation:** [The new CAP and performance assessment](#)

Mr Tassos Hanriotis (retired DG AGRI Director) presented his personal opinions based on his experience on assessing direct payments, including lessons learnt. Having an understanding of the past could help Member States see past problems that can be now viewed in a new light, especially since the initial logic of complementarity between Pillar 1 and 2 gradually turned into one of competition.

The first thing that the Commission was initially aiming to achieve with the introduction of direct payments was to provide an inco-

me safety net in a less trade distorting CAP context. There was a necessity for a CAP reform in the 1990s, as there was a move to lower intervention prices (40-50%) which implied a fundamental change in mentality. The Commission wanted to compensate only part of farmers' potential income loss so that they would better orient themselves towards the market and determine which product best supports their income. The second thing that the Commission wanted to achieve with direct payments was to support certain environmental and food safety conditionalities, especially with the fiscal reform of 2003. These conditions were not meant to compensate farmers for doing the right thing, but to make sure they were penalised if they did the wrong thing. The third goal of direct payments was to address the different timing and types of Member States' reform challenges. In 2005, there was another enlargement of the EU and some discussions with regard to the CAP were not relevant for the new Member States as they had to start from the beginning, compared to some already established practises in other countries.

When discussing what direct payments aim to achieve nowadays, Mr Hanriotis underlined the use of direct payments to: provide an income safety net, but with a lower level and different redistribution goal than the past; to increase the link to, and ambition of, environmental and social conditionality; and to integrate other policies which carry some implicit and complex trade-offs (i.e. anything across and beyond the food chain). Mr Hanriotis also stated that direct payments aim to address private market failures (e.g. non-competitive behaviour in the value chain sees agricultural prices go down, while consumer prices remain untouched), public policy failures (which is not the fault of farmers), and solve problems beyond the Commission's reach (e.g. land-market legislations in Member States and the absence of an EU Soil Directive impedes the CAP leverage on soil practices). Lastly, Mr Hanriotis presented some criteria to consider when assessing direct payments, such as whether there is a link to the opportunity cost of land and/or labour, how to account for economic vs environmental actual tensions and potential synergies, and if there is some income volatility desirable in the current context.

**Link to the Mr Hanriotis' presentation:** [Assessing direct payments: lessons and criteria](#)



After the presentations, participants put forward the following remarks or questions:

**When talking about land and the cost of value of land as an asset, there was no mention about knowledge, innovation or technology, but these also play a role in the value of land.**

Mr Haniotis agreed and explained that when talking about agronomic conditions, people using the same technologies in the same areas could have very different results due to different management styles. There are gaps in the production of knowledge and in the transfer of this knowledge to farmers, as well as the perception of this knowledge.

**When talking about SOs, it is important to have a clear idea about the intervention logic, but for the evaluation it would be of great importance to consider the division and prioritisation of SOs' needs. Defining the needs would be a great help to build evaluation questions.**

Ms Helaine agreed and said the Commission expected the objectives were set in view of the needs and ambitions in terms of result indicators and the intervention logic. The challenge would be that some needs would be addressed not by the CAP, but by other instruments at Member State level, or by other EU funds. Of course, needs not addressed by the CAP would not be asked to be evaluated.

**What is your opinion about using wages and salaries in relation to direct payments, as they might not be directly related but there is good data available about wages and salaries?**

Mr Haniotis believes wages should be used to address and assess redistributed level of payments between Member States. There was usually a reference stating that one country received more or less per hectare, but if one looks at the wages between different Member States, these also differ so what would be the weighting of the two factors? Within a Member State, it is a different story as it should be the agro-economic characteristics that should give the best reflection. A country needs to provide basic safety net and should reach a level of payments that is the same for everyone, regardless of what type of farming is done. The level of wages should only play a role when assessing things in-between Member States.

Furthermore, Mr Haniotis added that he heard the easy slogan 'we should give money to people, not land' but he wondered what it meant? There are three factors of production: capital, labour, and land. He assumed that no one was seriously discussing providing support based on capital, so how does one choose between labour or land? If choosing labour, controls will be necessary to determine what is a payment, how many people work on the farm, how many do not, etc. At the end of the day, using land gives more control and is better to measure what ones does in terms of income, redistribution, etc.

Ms Helaine stated that wages are used when looking at the income of farmers and their costs of production, but how does one value their labour? How to value the work of farmers - non-employees are always an issue. It is important to take this into account when comparing Member States; because in some countries the use of employees is much higher. Depending on the value one country give to its own labour, one can end up with a negative income.

## 2. Sharing experience

### 2.1 Day 1 - Knowledge building and sharing on evaluating direct payments interventions; examples from EU level evaluations.

#### 2.1.1 Evaluation study on the impact of CAP measures towards the general objectives 'viable food production'

Ms Carlotta Valli and Mr Simone Severini (Agrosynergie) presented the evaluation study implemented by Agrosynergie in 2017-2018 on the impact of the CAP measures towards the general objective of 'viable food production' as commissioned by DG AGRI. The evaluation was quite complex; it used quantitative and qualitative evaluation approaches, a combination of different tools of analysis, and had to overcome limited data availability due to its timing. It was explained that the analysis used two econometric models developed at micro-level on individual farm data (FADN) aimed at estimating the net effects of decoupled and coupled direct payments as well as EAFRD annual payments on farm income level. The direct payments were assessed at EU level but also between Member States applying single area payment schemes (SAPS) and basic payment schemes (BPS). Model 1 tried to assess the overall impact of direct support on income level as a single level per unit of labour, but also controlling for other aspects that could influence the level of income. The other model looked at the role of three different forms of payments (i.e. coupled direct payments, decoupled direct payments, and rural development payments) with the goal to identify those coefficients assessing the net impact of the support. Key findings of the models were that CAP support provided by annual payments had a net positive impact on farm income; decoupled direct payments have a higher transfer efficiency of policy support than coupled direct payments; and transfer efficiency of policy support differs according to single area payment schemes (SAPS) and basic payment schemes (BPS).

**Link to the presentation:** [Evaluation of the impact of the CAP measures toward the general objective 'viable food production'](#)

#### 2.1.2 Evaluation support study on the impact of the CAP on territorial development of rural areas: socio-economic aspects

Mr Bernd Schuh (ÖIR) presented lessons from an evaluation support study on the impact of the CAP on territorial development of rural areas. The scope of the study was to determine how far and in which ways the CAP interventions influenced balanced territorial development, especially on socio-economic aspects and social inclusion in rural areas. The study focused on nine socio-economic aspects (i.e. depopulation, generation renewal, etc.) and had quite a complex methodological set-up to detect the effects, as the main issue was to establish what causality is there between the CAP and the various aspects, and how can it be disentangled from any other effects stemming from other programmes and funds. They filtered

out the complexity by statistical analysis to determine which policy had an effect on which aspect of the nine socio-economic aspects. This was combined with a qualitative approach (i.e. 13 case studies) to corroborate what was first analysed. The main challenge was to determine where exactly the effects showed up, but it was also challenging to determine territorially where the money was going, and what exactly was considered as a rural area. For causality, there were two direct payments anchor points attached to the income of farmers: an input-output analysis was done as well as a chain of statistical analysis to establish a gist of causality and effects.

There were mixed findings for direct payments, but the main finding was that direct payments had a high relevance in addressing farm-level poverty and retaining labour. There were also a few drawbacks, such as the terms of employment on the farm and lack of explicit targeting on women or needs outside the farm sector.

**Link to the presentation:** [Evaluation support study on the impact of the CAP on territorial development of rural areas: socio-economic aspects](#)

#### 2.1.3 An evaluation of the CAP impact: A discrete policy mix analysis

Mr Montezuma Dumangane from the Joint Research Center (JRC) presented a study that looked at the objectives of the CAP, and then, knowing that the CAP is multi-dimensional, tried to find a causal method to understand how all the different CAP instruments combined contribute to the CAP objectives. The objective of the JRC study was to identify the causal impact of different CAP mixes on economic outcomes using counterfactual impact evaluation methods at NUTS3 (Nomenclature of Territorial Units for Statistics) level. This approach characterises the policy mix adopted by each NUTS3 region as a combination of three groups of CAP instruments: market measures, direct payments, and rural development; each policy mix is described by the intensities of the three instruments in a group of NUTS3 regions. The policy mix evaluation of the CAP addressed two challenges: defining the treatment variable and estimating its causal effect. By grouping regions with similar CAP mixes, and assuming observability of all relevant variables that affect simultaneously the treatment allocation and the outcomes, counterfactual impact evaluation methods are applied. The study reached the following conclusions:

- Assessing the CAP impact cannot be dissociated from the context in which it is implemented;
- The proposed approach simplifies the representation of the CAP mix allowing causal interference in a multi-treatment context;
- The CAP funds, and in particular direct payments, contribute to attenuate the job losses in the agri-sector;
- The characterisation of the CAP mixes can be extended to consider a variety of other elements, such as other groups of CAP instruments or different intensities of CAP subsidies;
- The NUTS3 level characterisation of the policy mix can be replicated at a regional (provided there is data) or farm level within a Member State

After the presentations, participants put forward the following remarks or questions:

**Was it possible to isolate the farmers that also received payments from investment measures which strongly affects their income?**

Mr Severini explained that they tried to include the low survival rate and one of the control variables was the amount of money received. However, it was not easy because investment support demonstrates impact quite some time after one gets paid.

**When talking about disentangling the effect of direct payments from other effects, you need causal models to get the net effect. You can only establish causality when you use control groups and when you have some counterfactuals. So it means that if you use this nice approach, when you put the programme as a shifter of the function, you end up with a lot of problems. So, by using this approach, you will never disentangle this effect and it means that you are not talking about the net effects of direct payments.**

Mr Severini stated that this was a disadvantage of their work, as they had limited time and information. He concurred that the results may be naïve and that individual effects and support (i.e. something mimicking the variable-affecting elements) could strengthen it, as well as more time for such work. However, he also noted that having a control group (of farmers) for direct payments would be almost impossible in Europe.

Mr Schuh agreed and underlined that it is a gist of causality. In a multi-complex situation (i.e. where a multitude of findings are present in the same area), it cannot be untangled and one cannot find a control group for it. The main issue which cannot be solved with any counterfactual evaluation is the fact that the more policy objectives an evaluation has to follow (in this case territorial cohesion as conglomerate of multiple goals: social, economic etc.) the more unobservable traits/qualities occur when setting up/identifying control group(s). In complex societal evaluation situations, even the observable traits of test- and control group (which have to be exactly the same) are difficult to set equal. However, in terms of textbook evaluation, a counterfactual approach would have been the correct approach.

**What kind of RDP annual payments were considered as payments for the areas with natural constraints?**

Mr Severini answered that they have considered all the area payments as an aggregate (i.e. IACS measures). For areas with natural constraints (ANC), payments for mountain and non-mountain areas were both included. It would have been difficult to consider separate types of area payments in the econometric models used, so it was decided to keep the payments as an aggregate.

After the presentations, participants continued exchanging experiences and sharing ideas in group discussions with the aim of identifying the main challenges for evaluating direct payments in the context of CAP Strategic Plan evaluations and how the main challenges could be overcome.

## 2.2 Day 2 – Sharing experiences from Member State and sectoral level evaluations of direct payments

### 2.2.1 Assessing the impact of CAP direct payments in EU Member States: An analysis of efficiency and effectiveness in Croatia and Greece.

On behalf of the World Bank, Mr Dimitris Psaltopoulos presented findings on the efficiency and effectiveness of CAP direct payments in Croatia and Greece. The impact analysis presented was both at the national and regional levels and was based on data from the 2014-2016 FADN individual farm database for Croatia and the 2014-2018 individual farm database for Greece. The ultimate goal of the case study was to utilise the executed diagnostic analysis to propose an evidence-based national agricultural strategy for Croatia and Greece. Efficiency of direct payments in agriculture was addressed from a technical perspective, looking at technical and scale efficiency. Effectiveness of direct payments support was assessed using Total Factor Productivity (TFP) and econometric analysis. Empirical findings showed a rich variation of impacts of different types of direct payments (e.g. coupled, decoupled support) for farms of different economic size and production orientation and another rich variation on the extent of the influence of farm structural characteristics (including direct support) on farm economic performance.

**Link to the presentation:** [Assessing the impact of CAP direct payments in the EU Member States: An analysis of efficiency and effectiveness in Croatia and Greece](#)

*Due to technical limitations, there was no opportunity to ask the presenter questions.*

After the presentations, participants put forward the following remarks or questions:

**Direct payments are a share of income which varies to a very significant degree with what is happening in markets. Before 2013, there was a spike in market prices, which led to a very significant decline in the share of direct payments in income. Were any adaptations made, keeping in mind that, as long as prices depend on land, the ownership of land to a very large degree determines the distribution of such matters?**

### 2.2.2 Direct payments in Germany – Income and distribution effects of the 2013 CAP Reform

Mr Frank Offerman (Thünen Institute) gave a presentation on the specific aspect of income and redistribution effects of the 2013 CAP reform based on a case study from Germany. The main focus of the case study was to determine to what extent the 2013 CAP reform has contributed to the postulated distributional aims of Germany and what role the different new direct payments play in this. The case study had a specific focus on full-time family farms, with the data coming from the German Farm Accountancy Data Network (FADN). Step 1 of the methodological approach was to establish the farm income under the scenario of using a simple static simulation of new direct payments schemes and step 2 was to measure the income equality and contributions of different income sources (the decomposition of the Gini coefficient by income per direct payments component). Some results of the case study include a small reduction in inequality of direct payments but no reduction in inequality of distribution per income, and first hectares support was almost equally distributed, but there was a low 'leverage' due to limited financial magnitude. One challenge was that many of the distribution measures had difficulties in dealing with negative income values and another challenge is how to define the fairness of the distribution of support.

**Link to the presentation:** [Direct payments in Germany – Income and distribution effects of the 2013 CAP Reform](#)

Mr Offerman indicated that they only simulated the change in direct payments, so the market was kept constant. The challenge would be to isolate what is due to the change in direct payments. This is the advantage of a simulation/modelling study where one could control for this factor. The other issue would be, in the medium to long term, if there were a change in direct payments, what happens to land prices and rental prices as this would affect the income of farmers who have a large rental share? There are many different studies on this and no unique results. It is also a question about the timeframe that is looked at, as it takes a much longer time to observe any changes due to rental prices.



**If one wanted to help poor farms, an issue to be addressed could be household income. If the data is available, it could be interesting to develop such an analysis.**

Mr Offerman explained that the issue of household income, which was a reason not to analyse the distribution, is the part-time farms, as a good indicator is missing for such data. The analysis was extended to corporate farms, but here the challenge was to have a good income indicator, so remuneration of all the workers on the farm was used. However, there is no widely accepted profit indicator.

**As the calculations were done at the beginning of the distribution of the direct payments without having any ex-post data, could it be that the income would decrease because of the capitalisation of the direct payments?**

Mr Offerman indicated that the opposite would be true, as the time of the analysis would have to be carefully defined and the capitalisation would take quite a few years to be realised due to long-term rental contracts. The land markers were modelled in this study to consider this effect, and it definitely has an effect on the magnitude of the distributional effect.



### 2.2.3 Approaches for evaluating the income effects of direct payments in the EU: starch sector

Ms Alice Devot (Agrosynergie) presented the evaluation of CAP measures applied to the starch sector, which was carried out in 2010. The evaluation considered to what extent the 2003 CAP reform impacted starch production as, at that time, the introduction of the Single Payment Scheme induced a partial decoupling of the aid targeted toward the starch potato growers. It was thus necessary to assess the effects of partial decoupling by considering the role of coupled aid on farm income, among other elements. A theoretical analysis revealed the potential effects that were to be expected based on a microanalysis of farmers' behaviour and the regulation and also enabled the consideration of other factors outside the CAP that might affected starch potato growers' income. Statistical analyses based on available data delivered information of the actual effects observed in order to confirm or not the hypotheses drawn

from the theoretical analysis. A qualitative assessment based on case studies and interviews with stakeholders complemented the overall approach by providing complementary explanations of the situation, which shed light on specific mechanisms at stake. The main result was that direct payments were necessary for the net income by hectare to be positive and coupled aid represented at least 50% of the income after the reform. Lessons learned for future evaluations are that quantitative analyses are used to check results from the theoretical analysis, that literature and the opinions from stakeholders remain essential to cross-check and interpret the results from quantitative analysis and that FADN remains an extensive source of data for farm income analysis at EU level and offers many possibilities.

**Link to the presentation:** [Evaluation of the CAP measures applied to the starch sector – Analysis of income effects of coupled aid delivered to starch potato growers](#)

After the presentations, participants put forward the following remarks or questions:

**Why were wheat prices chosen in this evaluation?**

Ms Devot explained that, to a certain extent, manufacturers could replace starch from potatoes with starch from wheat, so the prices of wheat influenced the prices of starch potatoes significantly.

**What would be recommended; to do a quantitative analysis first and then discuss with the experts or discuss first with the experts in order to guide the quantitative analysis, or both?**

Ms Devot explained that she had no specific answer but that, for this evaluation, the collecting phase of data as well as the implementation of the quantitative data were done at the same time due to time constraints.

It was shown that it was important to carry out the case studies to see exactly what were the different farming systems in which starch potatoes were integrated, which helped establish some samples. Furthermore, Ms Devot suggested doing some interviews after the quantitative analysis to check the results and to better understand the data and results.



In the Netherlands, the starch potato sector is still doing very well despite the decoupling of high support and finally a flat rate. Looking back, what would be the conclusion with the knowledge we have now?

Ms Devot would not draw any conclusions because the evaluation was so wide and considered different aspects. To establish a proper conclusion, one would also have to look at the effects on the structural changes that were foreseen by the manufacturers and how the production could have concentrated in specific areas where the product would be more profitable. The full decoupling simulation showed that income would not be significantly affected, so depending on the price fluctuation we would not have known how the market would have behaved.

#### 2.2.4 Examples of methods for assessing direct payments

Jerzy Michalek (core team expert from the Evaluation Helpdesk) gave a presentation on methodological approaches for measuring net impacts of Basic -and Complementary Redistributive- Income Support for sustainable interventions for the new CAP period using FADN data. He presented an example on advanced econometric methods that can be used for direct payments evaluations. Some methodological requirements for such an impact evaluation are reliance on causal analysis (i.e. using control groups, not only situations with or without), high stability of obtained results and the ability to isolate effects of a specific intervention from other factors. When looking at evaluation practices, Mr Michalek underlined that, recently, impact evaluations of CAP interventions have strengthened considerably, but it is still difficult to evaluate Basic income

Support for Sustainability (BISS) or Complementary Redistributive Income Support for Sustainability (CRISS) through rigorous impact evaluation methods. This is because almost all farms received BISS-CRISS support, though with a different intensity per farm, and it is therefore more difficult to find a suitable counterfactual. A possible evaluation question could be: 'To what extent has BISS-CRISS support affected income and competitiveness of supported agricultural farms?' Mr Michalek suggested using the 'Dose Response Function' based on the Generalised Propensity Score Matching as a methodology (a quasi-experimental method enabling the estimation of policy effects based on observable determinants of subsidy intensity), though there are some caveats to be considered for this.

**Link to the presentation:** [A methodological approach for measuring net-impacts of Basic- and Complementary Redistributive- Income Support for Sustainability \(BISS-CRISS\) interventions \(CAP 2023 - 2027\) using FADN data](#)

After the presentations, participants made the following remarks/asked the following questions:

With regard to the advice given to link FADN with CAP data, the Commission was made aware that there were issues of data protection in various Member States and said it was working on a solution. In the new Farm Sustainability Data Network (FSDN), a new identifier for farms was being developed where the unique identifier could be the CAP beneficiary. Furthermore, a method is being developed to compensate for not having the exact locations of FADN farmers and still being able to cross-check this with other data sources.

Mr Michalek further explained that in their case, the links between FADN and Paying Agencies data was done in the FADN liaison agency or by the Paying Agency. So linking was done anonymously and evaluators did not have access to this data.



This method can be exploited to properly evaluate the multi-dimensional aspect of the CAP. However, it was questioned if a blocking (a word mostly used in experimental studies) strategy concerning other subsidies (beyond BISS and CRISS) is really what is to be done. These variables should be pre-treatment variables so they are controlled before the policy is assumed to be independent and then used as additional controls.

Mr Michalek answered that blocking is a way to control and these variables (i.e. other subsidies as potential confounding factors) are known and controllable (e.g. in various ranges). They can therefore be used as controls (providing examples where it was done in this way).

After the presentations, participants continued exchanging experiences and shared ideas in group discussions with the aim of identifying key steps for the evaluation of direct payments and determining what type of support would be needed to implement the key steps identified.

### 3. Concluding remarks

The outcomes of the presentations and discussions on how to assess direct payments interventions, together with the group discussions, provided insights as to how they can be evaluated, the challenges of these evaluations and the way forward for building the necessary capacity and knowledge to undertake these assessments. A summary of the outcomes of the group discussions are included in the **Annex**. The discussions of Day 1 focused on the challenges for assessing direct payments in the context of CAP Strategic Plan evaluations and ideas for overcoming them. The discussions of Day 2 went a step further and made suggestions on the way forward, i.e. the key steps to follow for the evaluation of direct payments and any support needed in relation to these. The main conclusions are summarised here.

#### **The main challenges for evaluating direct payments interventions.**

Three main considerations can be distinguished for the assessment of direct payments in the context of CAP strategic plans: a) understanding their multiple scope, i.e. what they aim to achieve in terms of income, socio-economic and environmental effects; b) factoring in major uncertainties such as market prices, prices related to the energy transition and geostrategic uncertainties that may impact trade flows, which in turn may create sector asymmetries; and c) adapting evaluation capacities and systems to accommodate direct payments in a performance-oriented evaluation framework.

A key concluding remark is that direct payments evaluations would not take place in a vacuum, but in the context of price volatilities and geopolitical uncertainties. The evaluations can therefore become sector or region specific without losing sight of the need to assess the contribution of direct payments to CAP Specific Objectives.

**The complexity and applicability of evaluation methods.** There is a need for complex and advanced methods to distinguish the effects of direct payments within a broader policy mix and to demonstrate their net contributions to income (including addressing income inequalities) or socio-economic indicators (e.g. employment, gender, social inclusion). Some of the methods used so far do not account for counterfactual analysis (e.g. some econometric analyses, like naive ones). However, even the methods that are based on a standard (i.e. binary) counterfactual analysis (e.g. beneficiaries vs. non beneficiaries) cannot be effectively applied in direct payments evaluations as direct payments are given to almost all farmers, which makes it difficult to create appropriate control groups. The way around this issue is to focus on aid intensities, an approach followed by a JRC model which measured intensities of different policy mixes or by an innovative method that has not been used much in agricultural evaluations, the 'Dose Response Function' (DRF) based on the Generalised Propensity Score Matching (GPSM). Provided that sufficient data is available, this method relies on information on the structure and intensity of support and enables effects to be estimated conditional on observable determinants of support intensity. Notwithstanding this, no model or method and/or its transfer at Member State level is without limitations. Therefore, it is also important to triangulate the findings with the use of qualitative methods.

A key concluding remark is that the complexity of methods can be overcome with innovative, 'out of the box' thinking (e.g. consider different models, consider intensities of support) but also by relying on existing knowledge, i.e. trust what we already know from past evaluations.



**Data is always an issue but there are solutions.** There has been no evaluation up to now without issues related to data availability and quality. Direct payments evaluations have been affected by limited representativeness of FADN data in some countries, by the lack of sufficient or adequate alternative data sources, by the lack of homogeneous data across time and by delays in the availability of data. Often, however, the issue has also been how to use the various sources of available data. It is therefore not always a matter of lack of data but often lack of knowledge or information on what, where and how to use existing data. Therefore, the involvement of relevant data providers (e.g. Paying Agencies, local/regional authorities, researchers) to obtain the right types of data (expanding FADN) or at the right level (NUTS3 or farm level) would contribute to addressing some of these issues.

**The key concluding remark is that direct payments evaluations do not necessarily need to use new data but to make more effective use of existing data by communicating their data needs to relevant data providers.**

**Capacity building is of utmost importance for Managing Authorities and evaluators alike.** Building capacities does not necessarily only involve training. It involves careful analysis and understanding of the intervention logic of direct payments, i.e. their aims and expected contributions to multiple objectives (competitiveness, socio-economic and environmental) and the exogenous factors that may intervene in the achievements of their objectives. It also involves sharing experiences from EU level evaluations of direct payments as well as Member State exchanges on how they have addressed or plan to address the assessment of direct payments. External support can also be sought through guidelines or inputs from research centres such as the JRC or national researchers/experts with experience on the matter.

**The key concluding remark is that capacity building through training needs to be complemented with exchanges and knowledge sharing as well as with expert support to better understand what is at stake when evaluating direct payments.**

**The next steps for assessing direct payments involve careful evaluation planning.** Defining the evaluation objectives and priorities, identifying the resources available for evaluation, setting up the necessary monitoring systems to collect data on direct payments and deciding on responsibilities and deciding which stakeholders to involve, when and how, are the first steps to undertake and these will take place at the planning phase of the evaluation of direct payments. The next steps involve the development of evaluation tenders that reflect the scope and ambition of evaluations, e.g. assessing the contribution of direct payments to a single objective or to a bundle of objectives, accompanied with relevant evaluation questions. Finally, the evaluations of direct payments should be structured based on the intervention logic of these interventions and the development of an evaluation framework consisting of evaluation criteria (effectiveness, efficiency, etc.), evaluation questions and factors of success to assess the evaluation criteria, indicators and evaluation methods, taking into account data needs and data sources. For the latter, close links with the FADN and the Paying Agency are important from the early stages of the evaluation, while alternative sources of information also need to be considered, such as a national/regional databases, surveys, etc.

**As Member States embark on the evaluation journey of direct payments, they need to develop a structured evaluation framework that builds on a good understanding of what direct payments aim to achieve (intervention logic) and provide sufficient detail on the 'what' (evaluation questions, evaluation criteria, factors of success) and 'how' (indicators, methods, data) to evaluate but without losing sight of the strategic level, i.e. CAP Strategic Plan.**



## 4. ANNEXES

### 4.1 ANNEX 1 - Outcome of group discussions

#### 4.1.1 Summary of the outcome of group discussions day 1

##### What do you consider as main challenges for evaluating direct payments in the context of CSP evaluations?

###### Methodological challenges:

- › Need for complex methods on how to evaluate policy mix or how to isolate the effect of direct payments;
- › Multiple instruments affect the same unit; how to isolate only one (direct payments);
- › Some standard methods based on binary counterfactuals cannot be used for some types of interventions, e.g. BISS;
- › How to use them when all farmers in the EU receive direct payments. Therefore they are all treated/No comparison is possible between two identical situations with and/or without. One of the possible solutions: DRF and GPSM methods;
- › Even if it was possible to identify control groups, the challenge remains in terms of observing the same traits in both groups;
- › Some of econometric approaches (e.g. naïve approaches) do not use any counterfactual;
- › I/O (elasticity); not sensitive to payment changes (old method, there were not many alternatives);
- › Lack of methodologies for forecast data (e.g. soil erosion) needed to be monitored every year;
- › Assessment of transfer efficiency;
- › Time lag for observed effects.

###### Data-related challenges:

- › Lack of representativeness of the FADN sample in some countries (FADN data does not reflect the CAP farms/beneficiaries);
- › Need for specific data → have a lot of data but do not know how to use it;
- › Limited data availability;
- › Sources of data (absence) other than FADN;
- › Database for a long period of time → unbalanced;
- › Discrepancies between social & economic data → rural areas, how to extrapolate data.

###### Defining the evaluation framework:

- › How to focus the evaluation:
- › Assessing 'fair redistribution'; equal vs. equality;
- › Consider how to 'defend' the policy in the next EU Multiannual Financial Framework (MFF);
- › How to approach the evaluation of specific objectives during the programming period;
- › What do we want to know (i.e. economic, environmental, social, etc.);
- › How to cope with the diversity of farm systems and differences among regions;
- › How to assess targeting (strategies to deliver direct payments to farmers);
- › How to define evaluation questions/what to measure;



- › What indicators to choose;
- › What data to collect;
- › Territorial specificities → direct payments are at national level, so how can one take into account the specific aspects of different regions?

#### **Timeline:**

- › There is certain continuation of measures/interventions over programming periods;
- › Delays in the provision of data.

#### **Capacity-related challenges:**

- › How to choose the right evaluator.

**How do you think these challenges for evaluating direct payments in the context of the evaluations of CAP strategic plans could be overcome?**

#### **Addressing methodological challenges:**

- › Try to assess net effect where possible; try to assess 'direction', is it going in the right direction?
- › Use the 'Dose Response Function' (marginal effects) to assess net effects:
  - › it requires information on the structure and intensity of support;
  - › control groups in terms of intensity, i.e. receiving/not receiving → receiving high intensity / receiving low intensity;
  - › establish clusters of territories; compare those within the same typology;
- › Synthetic counterfactual analysis, e.g. cluster farms in groups then assess differences between groups;
- › Consider using SAM (Social Accounting Matrix) → CGE (ex ante)
- › Use triangulation;
- › Relative effectiveness solution → Do we have to improve the effects? (combination of implementation choices);
- › Consider the differences in land/labour conditions between regions.

#### **Addressing data-related challenges:**

- › Expansion of FADN (although it is costly);
- › Use NUTS3 or LAU 1 -2 data rather than farm level data → farm structure survey (FSS) data;
- › There is data but to avoid bias → get the right methodology;
- › Engage data providers early in the process (i.e. Paying Agencies); communication between evaluators and Paying Agencies;
- › Ask municipalities to extract data;
- › Involve research institutions (e.g. to overcome data protection);
- › Digital solutions and cross thinking databases → spatial;
- › Use other sources of data.

#### **Addressing challenges on how to define the evaluation framework:**

- › Evaluations should aim to improve policy rather than defend it;



- > Is it enough to assess only economic? Could be with environment? What is the priority;
- > Split the questions in time;
- > Use factors of success & intervention logic;
- > Create new indicators;
- > Use indicators/proxies for estimating potential effects.

#### **Addressing capacity-related challenges:**

- > Capacity building within Managing Authorities is of utmost importance/need for agile management of evaluation activities;
- > Training/sharing experience; EU experience on tendering procedure can be transferred to Managing Authorities;
- > Guidelines for direct payments assessments;
- > Support from the JRC;
- > Outsource services.

## **4.1.2 Summary of the outcome of group discussions day 2**

### **What are the key steps for the evaluation of the direct payments?**

#### **Planning the evaluations of direct payments**

- > Set up a monitoring system à adequate to manage the evaluation plan;
- > Specify what you want to evaluate (e.g. short run vs long run; first to improve);
- > Identify evaluation priorities (which policy objectives) based on needs;
- > How to move from the evaluation of instruments to strategic evaluations;
- > Define timetables for evaluations à when appropriate to evaluate;
- > What is the end result expected (evaluation objectives);
- > Estimate the costs for evaluating direct payments;
- > Ensure there is political commitment for evaluations;
- > Identify who in the Managing Authority is responsible for evaluations;
- > Identify relevant stakeholders inside & outside the Managing Authority;
- > How to involve regions of decentralised countries on evaluations / Responsibilities (e.g. expert panels);
- > Include all of the above in an evaluation plan.

#### **Preparing the evaluations of direct payments**

- > Write down the right questions to evaluate direct payments to have useful insights;
- > Write the right call for tenders & decide on types of evaluation contract (meaningful evaluation questions can be in the Evaluation Plans and included in the Terms of Reference);
- > Appoint responsible entity/person;
- > When evaluating the SOs, make a choice on whether it is enough with one evaluation or more depending on the interventions;

- › Build capacity:
  - › Capacity building on methods / data needed à improve competences in the Managing Authority;
  - › Involve evaluators in capacity building;
  - › Knowledge exchange à at national level, inside & outside the ministries;

### **Structuring the evaluations of direct payments**

- › Analyse the intervention logic of each SO;
- › Link the interventions to objectives;
- › Define proper evaluation questions & also factors of success (no need to evaluate all five Better Regulation criteria at once) - if evaluation questions included in the Terms of Reference in the Preparing phase, then analyse and further detail these questions;
- › Review links between SO & interventions & indicators;
- › Structure the methodological approach;
- › Define the method to answer the questions thinking about data requirements;
- › Constructions of control groups is crucial (defining intensity);
- › Identify data needs and data sources:
  - › Overview of when data is available and what data is available; this can be done with a feasibility check/study (involve Paying Agencies as early as possible);
  - › Clear structure on what data is to be collected by the Paying Agency, e.g. LPIS;
  - › What can FADN provide in term of constant sample of farms – Member State level;
  - › Reach out to FADN and Paying Agency to ensure linkage of data & access;
  - › The Commission can report to the FADN unit to facilitate access to FADN data;
  - › Exchanges between Paying Agencies to learn from each other on how they collect/share data;
  - › Official statistics at Member State level à useful data for farms/agricultural sectors;
  - › Explore possible alternative options, survey questions or indicators & applications.

### **What type of support would be needed for the key steps identified?**

#### **Methodological support:**

- › Practices of previous attempts to assess direct payments;
- › Potential methods approach to use;
- › Introduction to models that can be useful for Member States;
- › Ask for assistance from the Commission: Better methodologies in the fiches;
- › Support for architecture of database and process;
- › More research (analysis experience) Pillar 1; more evaluations and experience on Pillar 1 at a regional/national level.

#### **Institutional support and exchanges:**

- › Create an evaluation steering committee (incl. agencies & universities) collecting data that is required for evaluations;

- › Examples of additional success factors & indicators;
- › Exchanges between Member States;
- › Regular workshops at EU level;
- › Inspiration from the Commission 2026 interim evaluation (exchange with the Commission on how they plan to run it);
- › Involve stakeholders to identify specific needs for evaluations and also to define evaluation questions;
- › Paying Agency availability to provide access to data and timing of data release.

**Capacities:**

- › Increase motivation on why there is a need to evaluate;
- › Good understanding of the CAP (and its objectives);
- › Managing Authorities need to outsource evaluation à call for proposals;
- › Set up in-house skills to manage evaluation process/activities;
- › Build capacity for evaluations of direct payments.

**Guidance:**

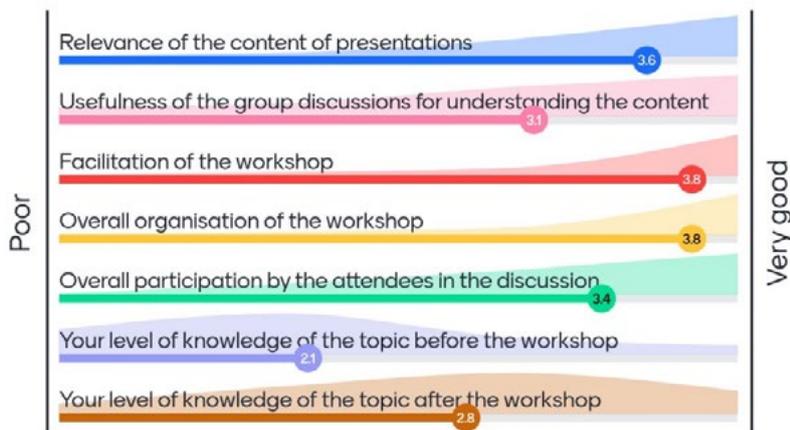
- › Managing Authorities need guidance for evaluation planning, including good examples of evaluation plans;
- › Help from experts to prepare Terms of Reference; experts from the own Managing Authority, universities, research, evaluation experts (i.e. Helpdesk);
- › Concise guidelines on assessing direct payments;
- › Take into account the first and last page of presentations; EQs/research question & conclusions/limitations.



## 4.2 ANNEX 2 - Results of the Mentimeter feedback poll

This is the outcome of the Mentimeter feedback poll that was carried out during the GPW. The poll was launched to determine the satisfaction of the participants with the GPW, as well as get feedback on how GPWs can be improved in the future.

### Feedback on the Good Practice Workshop



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### Strenght, Weaknesses, Suggestions, Comments...?

Strength: very relevant topic	More time is always needed	This was really instructive and great
The social dinner involved a higher cost than estimated... but everything was ok.	You are the best	Thank you very much
Congratulations. One of the best workshops I have attended during my labor Life	Not enough time allocated to discuss in group sessions. Evaluation of Sectoral interventions was not covered. Poor choice of location for hotel.	

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