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Information note on Special report no 14/00 of the European Court of Auditors on Greening the CAP ([1])

Agriculture has become increasingly polarised in recent years, with the intensification of practices in certain regions and abandonment of farming in other areas. This development has created environmental problems: nitrates and other pollution of rivers, lakes and groundwater, including sources of drinking water; erosion, pollution and impoverishment of soil; reduction of wildlife; damage to the atmosphere and to the rural landscape ; and abandonment of environmentally beneficent extensive farming in poorer regions.
The Treaty of Maastricht in 1992, has addressed this problem by requiring environmental priorities to be incorporated into other Community policies, including the Common Agricultural Policy (CAP).
This report deals with the environmental significance of the reforms made to the various common organization of the markets (COMs) and with the assessment of environmental results of the accompanying measures to the CAP Reform of 1992.

The Court's audit

The Court's audit involved an examination of various reports, studies and assessments made, in particular by the European Commission, the European Environment Agency (EEA) and the Organisation for Economic Co-operation and Development (OECD). A number of visits were undertaken at the EEA, the OECD and a number of on-the-spot audits were made both at the level of the Commission and in seven selected Member States. Account was also taken of audit findings supplied by the National Audit Institutions of four Member States. Furthermore, use was made of outside experts in the field.

With regard to the reform of 1992 the Court has found that to a significant extent the expected environmental benefits of policy changes to the COMs have not materialised. The reduction of institutional prices for arable crops (10-16) was expected to have a significant environmental effect by weakening the incentive for intensive production. However, these price reductions were partly offset by the introduction of area aid payments, the devaluation of some national currencies against the Euro and the high cereal prices on the world market in the years following the Reform.

In the livestock sector (19-26), the Reform introduced a premium per animal linked to stocking density limits, which however proved ineffective from an environmental point of view. The farmers were allowed to keep as many animals as they wished and limit their aid claims only to the eligible number. In addition, lower feed prices due to lower cereal prices have encouraged intensive raising of livestock indoors. Moreover, the reform itself, did not tackle at all the serious nitrate pollution problem in regions of intensive pig and poultry production. This problem has been aggravated by the unsatisfactory application of the Community's Nitrates Directive by Member States.

With regard to the COMs not included in the 1992 reform, environmental concerns have not been taken adequately into account. For example, the subsidised energy use of the dried fodder regime in one member state alone is sufficient to meet the annual electricity needs of a city of 285 000 inhabitants (27-31).

Apart from the changes to the various COMs, the 1992 reform introduced two significant measures, the so-called accompanying measures, oriented explicitly towards the improvement of the environment. The agri-environment measures (AE), aiming at compensating farmers for using environmentally beneficial farming techniques and the afforestation measures (AF), aiming at compensating farmers for relevant expenses and loss of agricultural income resulting from planting trees on their farmland. The AE measure has benefited the environment especially by encouraging some farmers to continue their existing extensive practices, thus, abandonment of less favoured areas or their conversion to more intensive practices has been limited. But the

[1] The figures in brackets refer to the relevant paragraph numbers in the Special Report.

The sole purpose of this Information Note is to provide a brief summary. For further details please refer to the report adopted by the Court of Auditors, which was published in the Official Journal.

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measure has had little success in converting environmentally damaging intensive agriculture to environmentally sound farming methods. The AF measure has significantly failed to achieve its environmental potential. In many cases aid was given for plantation of alien species which are commercially profitable but of limited environmental value or even damaging to the environment.

The fact that, neither the Community nor the Member States targeted the use of Community funds according to pre-established environmental priorities (37-69) resulted in less environmental value for money being realised from the application of these measures than should have been achieved. Funds were not allocated to the zones with the greatest agri-environmental problems and/or potential, while much fundings was absorbed by countries with less severe problems. Furthermore, programs were approved without specific and substantial environmental aims being established and in one case even without an explanation being given by the national authorities as to how the programme could benefit the environment.

With regards to AE aid rates, in some cases, they are too low to attract farmers to environmentally friendly farming techniques; in other cases, farmers received rates of aid significantly in excess of their actual costs (54-60). Aid should only be given if the farmer's commitments go beyond levels marked by the Nitrate Directive and good farming practice. The Member States' failure to fully implement the Nitrate Directive and the absence of adequate "Codes of Good Agricultural Practice" for much of Europe's farmland, create a risk of widespread local incompatibility of AE measures with the EC Treaty's "Polluter Pays Principle": i.e., the European taxpayer is meeting some costs which should properly be borne by farmers.
There is also poor co-ordination between the various Community schemes which have an impact on the environmental performance of agriculture (61-70).

With respect to the implementation and control of programmes (71-81), an important source of weakness has been the fact that the necessary detailed implementing regulations were introduced by the Commission only after four years in the case of AE, and not at all in the case of AF. Apart from this, control problems stem from weaknesses in the co-ordination by Member States of AE measures with the Integrated Administrative and Control system (IACS) . For example the IACS has not addressed the problem of the necessity to verify that farmers are respecting limits on their use of fertilisers, which in most programmes is one of the necessary conditions to receive aid.

On evaluation (82-89), the failure to set quantitative objectives and the widespread lack of base line surveys of the pre-programme environmental state both at Community level and Member State level, make it difficult to monitor progress in achieving environmental goals against harmonised, measurable criteria since the programmes started.

The Court’s main recommendations

The Community has succeeded, to a significant extent, in "greening" its CAP, but it has not yet “greened” agriculture. In view of the most recent "Agenda 2000" changes to the CAP, which demand prioritising the environment within agriculture policy, the Court holds the view that the existing optional "eco-conditionality" rules should have been improved and made mandatory throughout the EU. Aid should be conditional upon the respect by farmers of European and local environmental legislation such as the Nitrates, Habitats and Wild Birds directives. Aid in respect of livestock should be made conditional upon the respect of real density limits and local veterinary and animal welfare legislation.

The Commission and the Member States should better target the aid to zones and activities where it can secure the best environmental value for money.
Programme design and approval procedures should be improved to ensure that AE aid-supported farm practices deliver clear and measurable environmental benefits and the Commission should also verify by on-the- spot inspection that the basic premises of program design are sound. Better controls are also needed and programs should be implemented as approved (100). Moreover, a thorough review of all environmentally relevant measures which have an impact on agriculture should be conducted so as to secure better co-ordination between the various Community initiatives (97-99, 101-102). All this of course presupposes that the Commission disposes of sufficient staff with the right skills.