

## KEY ISSUES

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The recent expansion of agri-environmental payment approaches in European countries provides a rich set of experiments to discover ways to improve programme performance. The mid-term evaluations of agri-environmental measures in the Belgian, French, Greek, and Italian Rural Development Plans offer early insights on improving their efficacy and cost effectiveness, and suggest ways to strengthen future evaluations. The authors are to be commended for contributing new knowledge to a critical agri-environmental policy arena in all OECD countries.

### **Overarching themes from the evaluations**

***Significant or growing participation*** – Each country programme has established a significant or growing base of participation. Measures of the uptake of agri-environmental measures, in hectares enrolled or the number of farms, convey a clear message that many farmers are willingly participating. This achievement reflects an effective demand for the programmes' services.

***Early stages of administration and learning*** – Because the programmes are in very early stages, it is clear that much is to be learned about their operation. As experience with well established programmes in the US and other countries shows, administrators will become more knowledgeable and proficient in achieving the programmes' objectives over time. Given the expectation of change, the evaluation framework should be flexible.

***Unclear environmental objectives*** – Most programmes appear to emphasise the general implementation of a portfolio of measures that may reduce the environmental pressures of farming in general. There appears to be little attention given to targeting specific resource areas or certain ambient environmental conditions, which would likely achieve more predictable and cost-effective responses.

***Insufficient baseline and monitoring data*** – Given their short duration, there is an understandable lack of baseline and monitoring data with which to evaluate programme efficacy and cost effectiveness. However, unless such information is assembled, sound evaluations are impossible. Current evaluations may lead to unsound recommendations for improving programme performance.

***“Additionality” of programmes?*** – The Greek, French and Italian evaluations do not appear to have identified the “additionality” of the programmes. That is, the counterfactual production and environmental conditions that would have occurred on participating farms in the absence of the payment programmes is unclear. The Flemish study used a farmer survey to isolate the programme effects, although self selection bias may not have been controlled.

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***Incomplete economic analysis*** – Most evaluations have conducted only rudimentary economic analyses to this point. For example, payments to farmers were used as a measure of programme costs, but they do not represent the full social costs. Potential deadweight losses from public expenditures are not considered, nor are reductions in deadweight losses from reducing excessive production. The administrative and transaction costs were noted in the studies from Flanders, Greece and France, but not estimated. None of the studies reported cost-effectiveness or cost-benefit analyses, and only the French discussed the distributive effects over farm sizes, regions and farm types, etc.

### **Improving future evaluations**

***Environmental impact assessment*** – The evaluations should move beyond the use of agri-environmental measures as indicators of programme efficacy. Improved baseline and monitoring data would permit estimates of changes in environmental conditions. Such assessments are crucial to determining if ecosystem wide threshold effects may occur, such as meeting minimum area water quality standards.

***“Additionality”*** – The evaluations should assess the “added” farm and environmental changes, and not rely on before and after conditions to measure efficacy. Farmer surveys and control groups or regions are two potential ways to address programme additionality.

***Strengthen economic analysis*** – Future evaluations should control for self selection bias, include administration and transaction costs, incorporate changes in deadweight losses from using public funds for payments and from reductions in subsidised production, and estimate environmental benefits and costs where feasible and reliable. For environmental conditions where monetary values cannot be reliably estimated, careful descriptions of the effects should be included in the analysis.

***Account for distributive effects*** – Economic welfare theory makes clear that the distribution of costs and benefits are a critical component of determining the social welfare of programmes. Analysis of the distribution of payments and effects by farm size, type, income level, regions and other relevant criteria may be appropriate depending on the country’s situation.

***Analyse “soft effects”*** – Although very difficult to quantify, and mostly impossible to monetise, the “soft effects” of agri-environmental payment programmes merit discussion in any evaluation. For example, programme elements that upgrade farmer skills in “smart” adaptive management may affect length of benefit stream. Designing in programme flexibility that encourages farmer innovations in agri-environmental management measures, is key to expanding such “soft effects”.

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