



Monitoring the effects of the Common Agricultural Policy in developing countries

A review of the institutional options

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Abbreviations

CAP	Common Agricultural Policy
CATS	Clearance Audit Trail System
CGD	Center for Global Development
CGE	Computable General Equilibrium
CMO	Common Market Organisation
COMAGRI	Agriculture and Rural Development Committee
DAC	Development Assistance Committee
DG	Directorate-general
DG AGRI	Directorate-general for Agriculture and Rural Development
DG DEVCO	Directorate-general for Development Cooperation
EC	European Commission
EU	European Union
FAO	Food and Agricultural Organization
FADN	Farm Accountancy Data Network
GDP	Gross Domestic Product
MFF	Multi-annual Financial Framework
NGO	Non-governmental Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PCD	Policy Coherence for Development
PSE	Producer Support Estimate
SIA	Sustainability Impact Assessment
SPS	Sanitary and Phyto-sanitary
WTO	World Trade Organization

1 Introduction

1.1 Context, objectives and structure of this paper

The Common Agricultural Policy (CAP) is a European policy whose *raison d'être* is to support European farmers. The European Commission (EC) website details the overall purpose by explaining that the CAP is 'aimed at supporting farmers' incomes while also encouraging them to produce high quality products demanded by the market and encouraging them to seek new development opportunities, such as renewable environmentally friendly energy sources'.¹ The CAP accounts for a substantial proportion, 41% in 2009, of the European Union (EU) budget. It is divided into two main categories: income support (Pillar I) and rural development (Pillar II). In 2011 the EC proposed allocating 72.8% of the CAP budget to Pillar I, 23.2% to Pillar II and the remainder to an emergency fund and a separate fund to support farmers if they lose their jobs as a result of changing global trade patterns (Klavert and Keijzer, 2012).

The CAP remains a central component of the EU's internal agricultural and social development policy, and the policy's primary stakeholders – European farmers and related agricultural industries – have strong incentives to maintain its focus, budget and clarity of objectives as an internal EU policy instrument. Based on an analysis of the EC's proposals and stakeholder engagement, Klavert and Keijzer (2012) conclude that decision makers (i.e. the EC and EU Member States) and primary stakeholders have in the past, but also for the 2011 legislative proposals, used their influence largely to keep the CAP as it is.

In contrast, non-governmental actors, academics and developing country representatives have long advocated that CAP reform reflect its impact globally and on development objectives. In recent years, these calls have become part of the wider Policy Coherence for Development (PCD) agenda, initially inspired by stipulations in the Maastricht Treaty of 1993 to take development objectives into consideration in wider EU policy, and latterly committed to in various high-level policy statements, including the Millennium Declaration,² the European Consensus on Development, the Busan Partnership for Effective Development Cooperation and the Organisation for Economic Co-operation and Development (OECD) Strategy on Development.

PCD can be defined as the process whereby developing countries' interests are taken into account in EU policy processes with the objective of increasing the contribution of these policies to the achievement of EU development goals. With the CAP being among the EU's best-known policies, its revision process is widely considered a key arena for the promotion of PCD.

To help strengthen the CAP's contribution to international development, this paper looks into different institutional options for monitoring its external effects on developing countries. Monitoring can be defined as the regular collection and analysis of information to assist timely decision making, ensure accountability and provide the basis for evaluation and learning. It is a continuing function that uses methodical collection of data to provide decision makers and the main stakeholders of a programme with early indications of progress and achievement of objectives (Woodhill and Guijt, 2002).

A discussion of proposals to strengthen the monitoring of the external effects of the CAP is taking place at a particularly important point in the process of CAP reform. On 12 October 2011, the EC published its legislative proposals for the reform of the CAP.³ When presenting

¹ See http://ec.europa.eu/agriculture/capexplained/index_en.htm for details.

² Paragraph 5 of the UN Millennium Declaration calls on UN members to 'ensure that globalization becomes a positive force for all the world's people'. See <http://www.un.org/millennium/declaration/ares552e.htm>

³ One reviewer noted that a variety of documents, including this paper, use the term 'reform of the CAP', which is a rather normative expression and assumes that each revision of the CAP is an all-encompassing

the proposals, the EC put forward three key objectives for the CAP for the 2014-2020 period: 1) address the food supply challenges of the 21st century; 2) enhance the sustainable management of natural resources across the whole of the EU; and 3) strengthen territorial and social cohesion in EU rural areas. The intention of EU decision makers was to complete the reform process in the period 2010-2012, but a longer period may be required, for two reasons:

- The enhanced legislative role of the European Parliament being applied in this context for the first time; and
- The discussion on the CAP being closely linked to and influenced by discussions on the 2014-2020 EU budget.

As per the Ordinary Legislative Procedure defined by the Lisbon Treaty, this reform process has two phases: a first phase, whereby the EC uses a systematic and relatively transparent process to develop its legislative proposal, followed by a second phase whereby the Council and the Parliament aim to reach a consensus decision (Klavert and Keijzer, 2012). The CAP revision process is currently in the second phase. At the time this paper was published, the Parliament was still preparing its first reading of the legislative proposals. The revision process is expected to be finalised by Spring 2013 and to enter into force in January 2014.

Complementing a detailed stakeholder analysis prepared for this research programme on the CAP (Klavert and Keijzer, 2012), this paper analyses **positions and specific proposals** of EU decision makers, as well as of primary and secondary CAP stakeholders, on whether the effects of the CAP and relevant EU policies on development outcomes should be monitored and, if so, how this might be done. The analysis in this paper is derived from a systematic review of statements and positions by CAP decision makers and secondary CAP stakeholders,⁴ as well as documents in relation to CAP monitoring, and desk-based research on the impact of EU agricultural policy and specific literature on the role played by, and challenges of, policy indicators. It examines the **political and technical feasibility** of **four proposals** that have been put forward by stakeholders to monitor the effects of the CAP in developing countries:

- 1 A monitoring mechanism for the **effects of the CAP on developing countries**, with objectives for process and results **enshrined in the legal text** of the CAP. These objectives could then be the 'measuring stick' to monitor the effects in developing countries, for which the same regulation could describe its main dimensions.
- 2 A monitoring mechanism for the **effects of the CAP on developing countries without specific objectives enshrined in the legal text**, where the monitoring of results provides a basis to judge whether any effects are unwanted. This would orient the monitoring mechanism towards following any unintended 'side-effects' of the CAP on developing countries, and then leave it to political judgement whether these effects are of such a scale that they require corrective action of any kind.
- 3 A more general EU-led monitoring mechanism covering **all EU policies** known or assumed to affect **outcomes in developing countries**. Such a basis partially exists in food security, being one of five areas for more proactive EU engagement on PCD identified in November 2009 and reaffirmed in May 2012.
- 4 No institutionalised form of monitoring by the EU of the effects of the CAP in developing countries, which would mean secondary stakeholders would carry out monitoring. Two sub-options are considered: an OECD-led PCD monitoring process as suggested in King et al. (2012), and an alternative where the monitoring is conducted independently by a non-governmental organisation (NGO)⁵ or academic institution.

improvement over the latter. Given some of the changes that are now under discussion between the Member States and in the Parliament, the more neutral term 'revision of the CAP' seems to better reflect that what is going on. This paper uses both terms as per its focus on stakeholder positions and discourse, yet it is emphasised that the outcome of the revision process cannot be pre-judged.

⁴ For more information on this terminology, please refer to Klavert and Keijzer (2012).

⁵ Here, one might think in particular of Brussels-based NGO umbrella organisations that could liaise with their members in EU Member States and that have in the past been engaged in the CAP reform process,

The four options for monitoring the external effects of CAP differ conceptually and institutionally. With the exception of the first two options, they could co-exist and complement one another. The paper asks three main research questions about their feasibility:

- 1 What concrete proposals for monitoring the effects of the CAP in developing countries have been put forward, and to what extent and in what way has the EC considered including such provisions in its legislative proposals?
- 2 What are the prospects for acceptance and effective implementation of the different proposals?
- 3 Is it possible to define a set of indicators with clear causal chains to monitor the effects of CAP in developing countries?

This paper has been written in the context of a research project on the reform of the CAP conducted by the Overseas Development Institute (ODI) with financial support from the Bill and Melinda Gates Foundation. The paper is structured as follows. Section 2 analyses stakeholder positions and proposals on the need to monitor how the CAP and/or other agriculture-related EU policies affect developing countries. Section 3 analyses the methodological choices and conceptual challenges of monitoring the effects of EU policies on developing countries. In this section, references are made to complementary papers published under the ODI research project, with more detailed analysis of the effects of the CAP in developing countries. In Section 4, each of the proposals is evaluated from the points of view of political feasibility, technical feasibility, likely impact, timing and cost of implementation. Based on this analysis, Section 5 concludes on which of these four scenarios seems most feasible, and puts forward recommendations as to how progress could be achieved.

e.g. CONCORD and Aprodev. See also Klavert and Keijzer (2012) for specific secondary stakeholders that have engaged in the reform of the CAP.

2 Institutional options: stakeholder positions and proposals

2.1 CAP reform: where we are today?

The stakeholder analysis conducted by Klavert and Keijzer (2012) focused on the first phase of the policy process, that is, the consultative process the EC used to prepare the legislative proposals as published in October 2011. The policy process is currently in its second phase, which started with the publication of the legislative proposals by the EC on 12 October 2011. During this current phase, the governments of European Member States (led by the Agriculture and Fisheries Council) and the European Parliament (led by the Agriculture and Rural Development Committee (COMAGRI)) aim to reach a consensus decision. Given the large share of the EU budget the CAP takes up, there is also a strong link with negotiations around the EU's next Multi-annual Financial Framework (MFF) for the period 2014-2020 (Klavert and Keijzer, 2012).

During the first phase, two separate rounds of public consultations provided opportunities to bring developing country concerns to the table: a public consultation to gather overall views and inputs from April to June 2010 and a public consultation for the impact assessment the EC conducted between November 2010 and January 2011. Although no developing country stakeholders are referred to in the overview of contributions received in either of the two consultations, the references to food security and other outcomes in developing countries made in the conclusions of the synthesis report of the first consultation indicate that several European stakeholders expressed concerns about the effects on developing countries (Klavert and Keijzer, 2012).⁶

Following the end of this first phase, the College of Commissioners adopted the following 'package' of legislative proposals, which together constitute its proposals for the reform of the CAP. The package centres around four proposed EU Regulations that together govern the CAP:

- 1 A regulation governing direct payments;
- 2 A regulation governing rural development payments;
- 3 A regulation revising the single Common Market Organisation regulation (CMO);
- 4 A horizontal regulation covering financing, management and monitoring of the CAP.

In addition to these 'big four', three additional regulations look into 'fixing certain aids and refunds related to the common organisation of the markets', direct payments to EU farmers in 2013 and the single payment regime and support to vine growers. In addition, a detailed impact assessment was published that evaluates possible options for the revision of the policy. This was a key input into the formulation of the legislative proposals.⁷

As note, the proposed legislation is a package, with different parts together forming the 'whole' of the CAP and only one regulation explicitly positioned to be 'horizontal' in terms of covering the CAP as a whole. In an accompanying press release, the EC summarised the main objectives of the reformed CAP as a whole in the following way: 'strengthen the competitiveness and the sustainability of agriculture and maintain its presence in all regions, in order to guarantee European citizens healthy and quality food production, to preserve the environment and to help develop rural areas'.⁸

⁶ The consultation synthesis report is available at http://ec.europa.eu/agriculture/cap-post-2013/debate/report/summary-report_en.pdf.

⁷ All documents are available here: http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm.

⁸ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1181&format=HTML&aged=0&language=en&guiLanguage=en>.

The impact assessment further details the three proposed overall objectives of the CAP (emphasis added by the authors): 'In the context of the contribution of agricultural policy to the Europe 2020 strategy the three broad policy objectives for the future CAP are:

- Contributing to a **viable, market oriented production of safe and secure food throughout the EU** by acting on drivers related to income derived from the market (improving farmers' capacity to add value to their production, improving the functioning of the food supply chain in a pro-competitive way, providing a safety-net in case of excessive price drops), promoting sustainable consumption, enhancing the competitiveness of agricultural holdings (innovation, modernisation, resource efficiency, addressing production difficulties in areas with natural constraints) and helping farmers to deal with income volatility and the below average income and productivity of the sector (income support, risk management for economic and public health risks). This is related to the smart growth objective of the Europe 2020 strategy;
- Ensuring the **sustainable management of natural resources**, such as water and soil, and the provision of environmental public goods such as preservation of the countryside and biodiversity, integrating and promoting climate change mitigation and enhancing farmers' resilience to the threats posed by a changing climate, fostering green growth through innovation and reducing environmental damage by agriculture. This contributes to the sustainable growth objective of Europe 2020 with the aim of contributing to a low carbon economy, an expanding bioeconomy and protecting the environment;
- Contributing to the **balanced territorial development and thriving rural areas throughout the EU** by responding to the structural diversity in farming systems and assuring positive spill-over effects from agriculture to other sectors of the rural economy and vice-versa, improving their attractiveness and economic diversification. This is related to the **inclusive growth** objective of Europe 2020 considering the relatively lower level of development of rural areas and the aims of **social and territorial cohesion** within and also between Member States.'

These three objectives evolved from the seven challenges identified in the first public consultation referred to above: food security, competitiveness of agriculture, globalisation, environmental challenge, territorial balance, diversity and simplicity of the CAP. Based on the analysis of the proposals put forward on food security and environmental protection, Klavert and Keijzer (2012) conclude that primary stakeholders and decision makers maintain that the CAP is an internal EU policy and that, as a result, the legislative proposals do not make explicit any objectives for the external effects of the CAP, neither do they put forward objectives for what the CAP should seek to achieve beyond the EU's borders.⁹ This is also visible in the EC's Citizen's Summary of the legislative proposals, which asserts that there are two beneficiaries of the CAP:¹⁰

- 1 'Everyone [in the EU] will benefit from greater food security, a better environment, action to fight climate change, and a living countryside.
- 2 Farmers and rural areas will benefit from a more balanced, equitable and stable policy, and new investment opportunities.'

Despite this overall positioning of the CAP legislative proposals, as well as the absence of any explicit objectives on what the CAP should contribute to outside the EU's borders, it should, however, be noted that the proposals do make explicit the external dimensions of coupled payments and export subsidies by making specific reference to WTO obligations. However, the

⁹ Although no explicit objectives are stated in this regard, it should be noted that the legislative proposals more generally include a reference to the need for the EU to abide by its international responsibilities (specifically, World Trade Organization (WTO) obligations). Given that the role of the WTO is to monitor and reduce the distorting impacts of one country's trade policies on another, this more general reference is relevant to monitoring the effects of the CAP.

¹⁰ See http://ec.europa.eu/agriculture/cap-post-2013/communication/citizens-summary_en.pdf for details.

CAP as a whole lacks a detailed and results-oriented external dimension that is found in other 'internal' EU policies.¹¹ It should be noted, however, that the Directorate-general for Agriculture and Rural Development (DG AGRI) has initiated the creation of a specific advisory group on international aspects of the CAP,¹² which offers possibilities for multi-stakeholder discussions on the effects of the CAP in developing countries, which could further enrich the policy debate and possibly inform future policy changes.

In view of the references made in the policy proposals to the Europe 2020 strategy, Box 1 gives a brief overview of this strategy that 'frames' the reform of the CAP in terms of how Europe wants to develop more generally.

Box 1: The Europe 2020 strategy and its relevance to the reform of the CAP

In June 2010, the Europe 2020 strategy was introduced by the EC and backed by the EU Council and Parliament. The strategy carries the subtitle European Strategy for Smart, Sustainable and Inclusive Growth.¹³ In order to realise this ambition, the EC acknowledges that a wide range of actions will be necessary at national, EU and international levels. It thus defines seven flagship initiatives, which aim to catalyse progress in relation to an equal number of priority themes, one of them being a 'resource-efficient Europe'. The required change to the EU's economy is summarised as follows: 'to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise our transport sector and promote energy efficiency'.

Realising the aims of the Europe 2020 strategy's Flagship Initiative on 'a resource-efficient Europe' requires a significant transition in energy, industrial, agricultural and transport systems, technological innovation and changes in behaviour of both producers and consumers. The EU perceives the improvement of resource efficiency as a tool to keep costs under control by reducing material and energy consumption and thus for improving future competitiveness of the Union. A specific EU Communication with proposed actions in relation to the Flagship Initiative emphasises the need to 'increase certainty for investment and innovation by forging an agreement on the long-term vision and ensuring that all relevant policies factor in resource efficiency in a balanced manner'.¹⁴ An annex to the Communication describes a total of 17 policy initiatives, ranging from 'softer' white papers and Communications to ensuring reflection of the Flagship's ambition in reform proposals for existing policies as well as concrete policy measures such as reforming energy taxation. The CAP is mentioned first among those policy reforms, where there is a need to 'help align them with current policy priorities, in particular with the Europe 2020 strategy and this flagship initiative'.

The following sub-sections describe the four options for monitoring introduced in Section 1.1 in more detail, with a focus on relevant policy discussions and/or concrete proposals from decision makers or secondary stakeholders. The feasibility of the various options is further examined in Section 4 following an overview of existing evidence on the effects of the CAP in developing countries, as well as some conceptual and methodological challenges that have to be confronted when monitoring these effects.

The description of the four options below is preceded by a short overview of the current and proposed approach to monitoring the CAP's effects *inside* the EU. While being outside the scope and purpose of this paper, the existing proposals from the EC on the monitoring of the CAP provide an important context and can allow for a better framing and understanding of the technical and political feasibility of the four options introduced above.

¹¹ For example, the proposed Basic Regulation for the Reform of the Common Fisheries Policy, which is currently also in the second phase of the policy formulation process, does include detailed and explicit objectives in relation to how EU fishing vessels should operate outside the EU's borders. For details, refer to Keijzer (2011).

¹² For information on this group, see: http://ec.europa.eu/agriculture/events/advisory-group-international-2012_en.htm. For analysis on other CAP advisory groups, refer to Klavert and Keijzer (2012).

¹³ See http://europa.eu/press_room/pdf/complet_en_barroso_007_-_europe_2020_-_en_version.pdf.

¹⁴ See http://ec.europa.eu/resource-efficient-europe/pdf/resource_efficient_europe_en.pdf.

2.2 Monitoring the CAP's internal effects: current practices and legal proposals

Current monitoring and evaluation of the CAP's 'internal effects' (i.e. its objectives as described in the legislation) basically consists of two components, one for each pillar:

- 1 Pillar 1 on income support has a multi-annual evaluation plan, which is an EC responsibility. Each of these evaluations covers different aspects of Pillar 1.¹⁵
- 2 Pillar 2 on rural development has a common monitoring and evaluation framework, providing ex-ante, mid-term and ex-post evaluation based on common indicators and on-going evaluation. This is a Member State responsibility, with the EC making a synthesis.

Data needed for these two components are gathered by different mechanisms and organisations, including Eurostat, the Clearance Audit Trail System (CATS), the Farm Accountancy Data Network (FADN) and Member States' own monitoring. Owing to its decentralised nature, it is not easy to gain an overall picture of CAP monitoring and evaluation in the current legislative period (2007-2013). A website with detailed background information is available and describes a detailed and comprehensive approach. One of the frequently asked questions relevant to this paper is raised and summarised in Box 2 below.

Box 2: Excerpt from the EC's CAP monitoring Frequently Asked Questions document¹⁶

'Q: Do the evaluators have to provide a specific intervention logic with specific indicators and objectives if a certain measure has an impact which is not included in the measure objectives (e.g. environmental effect of farm modernisation) or can this be dealt with as a 'side-effect' which is not linked to a specific objective?

A:

- Evaluators have to identify specific intervention logics and to assess programme-specific additional indicators when a given measure corresponds to specific national/regional objectives that Member States have introduced to address particular needs of the rural areas covered by the programme.
- Unintended effects of implementing measures have to be dealt with and duly described under the evaluation process.'

The approach is referred to in evaluation literature as 'theory-based evaluation': 'Theory-based evaluation has similarities to the LogFrame approach but allows a much more in-depth understanding of the workings of a program or activity — the "program theory" or "program logic." [...] By mapping out the determining or causal factors judged important for success, and how they might interact, it can then be decided which steps should be monitored as the program develops' (World Bank, 2004). In the approach to constructing an intervention logic, such unintended effects can be 'anticipated' and made explicit or not, but the response to the specific question does not fully clarify whether or not such unintended effects have to be linked to one or more specific CAP objective.

As noted in Section 2.1, provisions for the future CAP monitoring and evaluation system are laid down in the so-called 'horizontal regulation' dealing with planning, monitoring and financing of the CAP. The proposal is described in Article 110, which can be summarised as follows:

- 1 The common monitoring and evaluation framework shall be established with a view to measuring all aspects of the performance of the CAP, that is, both pillars and the accompanying funds. The article states that, 'In order to ensure an effective performance

¹⁵ Reports can be found here: http://ec.europa.eu/agriculture/evaluation/market-and-income-reports/index_en.htm.

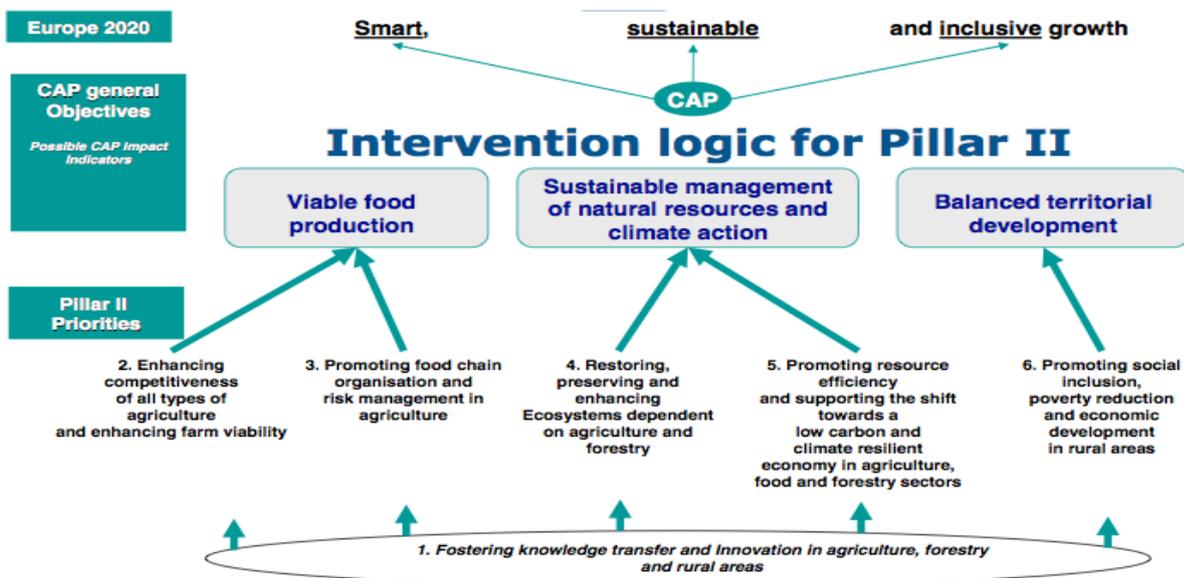
¹⁶ See http://ec.europa.eu/agriculture/rurdev/eval/guidance/note_1_en.pdf for details.

measurement the Commission shall be empowered to adopt delegated acts in accordance with Article 111 regarding the content and construction of that framework.¹⁷

- 2 If the EC were empowered as proposed, it could define the set of indicators specific to the three main objectives of the CAP and define requirements on the information to be provided by the Member States, as well as on the data needs and synergies between potential data sources. The EC is required to present a report on the implementation of the common monitoring and evaluation framework to the Council and Parliament, the first of which is expected for 2017.

Although the legislative proposal concerned is still under discussion by the Council and Parliament, and will remain so for a while, the EC has taken steps to formulate this monitoring and evaluation framework in collaboration with all relevant stakeholders, defined here as decision makers, farmers and 'other rural actors'.¹⁸ Several workshops and consultative events have since taken place, in which the EC has presented detailed proposals for the intervention logics, which provide the basis for indicators at four levels: context, impact, result (target) and output. Figure 1 presents the proposed overall intervention logic developed for Pillar II, which can serve as a basis for more specific intervention logic to determine detailed indicators.

Figure 1: Overall intervention logic proposed for the CAP



Source: EC (2012).

In line with general monitoring and evaluation traditions in the EC, the existing internal monitoring system of the CAP consists of a number of key ingredients: 1) a theory-based approach to evaluation which starts from EU Treaties and relevant overarching strategies (notably the Europe 2020 strategy); 2) definition of key objectives and indicators in relation to an intervention logic; 3) a task division between the EC, other EU institutions and EU Member States.

Following on from the EC's own proposals and on-going operationalisation of a common monitoring and evaluation framework for the CAP's effects in Europe, the different options for

¹⁷ 'The legislator delegates the power to adopt acts amending non essential elements of a legislative act to the Commission. For example, delegated acts may specify certain technical details or they may consist of a subsequent amendment to certain elements of a legislative act. The legislator can therefore concentrate on policy direction and objectives without entering into overly technical debates.' Only the EC can be authorised to adopt delegated acts, which can be revoked or revised by the Council and the European Parliament.

http://europa.eu/legislation_summaries/institutional_affairs/treaties/lisbon_treaty/ai0032_en.htm.

¹⁸ http://ec.europa.eu/agriculture/cap-post-2013/monitoring-evaluation/index_en.htm.

monitoring the CAP's effects on developing countries can be introduced. The analysis is presented here is based on the actual proposals put forward by the different stakeholders.

2.3 Option 1: monitoring the external effects of the CAP by inserting specific objectives in its legal text

As a first option, monitoring the external effects of the CAP by inserting specific provisions in its legal text has been advocated by several European development NGOs and described in most detail by Aprovev (2012). This publication argues that 'a mechanism is needed that allows to assess concrete cases of serious difficulties of agricultural producers and affected groups in a specific context. Such a mechanism should be referred to in the CAP legislation to allow this information to be "institutionalised" and become part of the process of operationalising and implementing the legislation.' It considers such an approach to monitoring to be one of the following three key ingredients for a 'CAP complaint mechanism':

- 1 'Include monitoring the external impact of CAP on developing countries as an objective in the CAP legislation and include it in regular reports presented.
- 2 Invest in completing the unfinished CAP Impact Assessment on developing countries and examine whether Annex 12 assumptions that clear impact of CAP cannot be established are correct. Define PCD indicators to ensure that information gathering becomes part of the regular policy process.
- 3 Create or upgrade a mechanism to receive complaints and hear interested parties and affected groups on serious difficulties they face. Ensure fair hearing and participation of all interested parties involved.'

Although the publication does not put forward explicit suggestions on what objectives should be reflected in the CAP legislation for such monitoring to refer to, it does advocate defining indicators that should reflect agreement on what kind of positive effects should be aimed for (or what negative effects should be avoided).

Neither the legislative proposals that the EC published, nor the debates in the European Parliament Committee and Council group involved in discussing the proposals under the Ordinary Legislative Procedure, have so far proposed the inclusion of explicit objectives of the CAP in relation to developing countries. DG AGRI instead chose to apply definitions of food security and environmental quality that apply to Europe and not globally, and concluded in the impact assessment that there is insufficient evidence of the effects of the CAP in developing countries, and on that basis chose not to define any external objectives (Keijzer and Klavert, 2012).¹⁹

In the absence of any stated external objectives in the legal texts of the CAP reform, it will be more difficult to 'institutionalise' any approach to monitoring the (un)intended effects of the policy beyond the EU's borders. In principle, it would still be possible for either the European Parliament or the Council to propose including such external objectives in the text, as an independent article in the Regulation or by amending the articles defining the focus on food security and environmental protection. That the EC has not included any such language in its legislative proposals indicates that there was insufficient support from primary stakeholders and decision makers to do so. This outcome is disappointing in view of the legal and political commitments to PCD made in the EU Treaties and the 2005 European Consensus on Development, but the commitments as stated are process oriented in that they require the EU to 'take account' of effects, and not results-oriented in the sense of requiring PCD to be elaborated in all relevant policies.

¹⁹ Westhoek et al. (2012) note, 'The current proposals do not refer to development objectives, nor do they imply a global scope of measures that have potential for synergy with development objectives.'

2.4 Option 2: monitoring the external effects of the CAP without defined objectives

Proposals for the second option, including a monitoring requirement in the legal text without specifying objectives, have been put forward by the European Parliament Development Committee's draft opinion on the horizontal regulation covering financing, management and monitoring of the CAP. In the explanatory memorandum of the opinion, which the Committee accepted with unanimous vote in June 2012, the rapporteur argues that, 'The CAP should be placed in the broader framework of the EU's Policy Coherence for Development and its external impacts should be closely monitored, involving the governments and stakeholders of the partner countries' (European Parliament Development Committee, 2012). To this end, specific amendments in the legal text are proposed. These and other suggestions argue for the need to ensure the CAP does not undermine the achievement of the objectives of other EU policies. The European Parliament's COMAGRI has also included three proposed amendments in the text of the Regulation in relation to PCD that would add a general requirement to monitor the CAP's effects (Amendments 104, 105 and 172) in a list of several hundreds of amendments to be voted on by the Committee.²⁰ The amendments do not describe who should be tasked with the monitoring. The voting in the Committee on these proposed amendments was still to take place at the time this paper was completed.

During the April 2011 EU Agricultural and Fisheries Council meeting in Luxembourg, the Delegation of the Netherlands government presented a short note in which it encouraged the EC to take the effects of the CAP reform proposals on developing countries into account in its impact assessment of proposed measures: 'The Netherlands recognizes the role of EU agriculture on the global markets and believes it is important to closely monitor the impact CAP policy changes may cause in third markets.' Although no detailed record of the Council meeting is available, a press release from the EC published after the meeting notes that several Member States supported the Netherlands' view that the consequences of CAP changes on farmers in developing countries should be taken into account in the EC's CAP impact assessment. It was not clear to what extent they also supported continuous monitoring of the CAP once the revisions had been adopted. The EU Presidency recalled that the Council had agreed in November 2009 that ensuring global food security was a priority issue in its PCD agenda, while emphasising the role of the CAP and its impact on developing countries. In its Communication on the CAP towards 2020, the EC stated that measures to improve production capacity have to respect EU commitments in international trade and PCD. Recognising the role of EU agriculture on global markets, the Netherlands pointed out the need to closely monitor the impact CAP changes may have on third country markets.²¹

2.5 Option 3: wider EU-led PCD monitoring exercise

As a third possibility, the effects of the CAP could be covered by a monitoring exercise that is larger in scope, EU led and covers all policies identified as having a bearing on outcomes in developing countries. As noted above, a partial basis for such an approach is found in food security, being one of five areas for more proactive EU engagement on PCD as agreed by the EU Council in November 2009 and reaffirmed in May 2012. The Council adopted five broad priority areas where the EU wanted to engage more proactively and strengthen its results orientation, namely: 1) trade and finance; 2) climate change; 3) global food security; 4) migration; and 5) security and development. The basis for this approach was provided by a proposal of the EC published in September 2009, entitled 'Policy Coherence for Development – Establishing the Policy Framework for a Whole-of-the-Union Approach' (EC, 2009).

²⁰ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONSGML%2bCOMPARL%2bPE-492.777%2b02%2bDOC%2bPDF%2bVO%2f%2dEN>.

²¹ <http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/11/103&format=HTML&aged=0&lg=lt&guiLanguage=en>.

It is important to make clear that the effect of CAP in developing countries is not limited to food security. The CAP, and wider EU agricultural and related trade policy, can have negative effects on efforts to build a profitable agricultural export sector (see Boysen and Matthews, 2012, Cantore, 2012a and Klavert and Engel, 2011 for detailed discussions on these linkages). This means efforts to limit the PCD analysis to food security would miss some of the key effects of the CAP, and indeed other EU agricultural and related trade policy.

Within the context of these five focus areas for PCD within the EU, there have been calls for greater monitoring of progress. In November 2009, the EU Council called for a more 'targeted, effective and strategic' approach to PCD: 'Although progress has been made in improving PCD within the EU, the Council agrees that further work is needed to set up a more focused, operational and result-oriented approach to PCD in order to more effectively advance this commitment within the EU at all levels and in all relevant sectors.'²² The Council asked the EC to prepare a PCD Work Programme for 2010-2013 setting out the role of the EU institutions and Member States in making progress in relation to the five areas. The ministers further agreed that the plan should describe how the five priority issues will be addressed and that it should 'establish a clear set of objectives, targets and gender-disaggregated indicators to measure progress' (Keijzer, 2012).

Following an intensive EC-wide consultation process and one meeting to consult Member State officials and NGO experts, the EC's Directorate-general for Development Cooperation (DG DEVCO) published a Staff Working Paper entitled 'Policy Coherence for Development Work Programme 2010-2013' (EC, 2010). As requested by the EU ministers, this Work Programme included objectives, targets and indicators in relation to each of the five areas (Box 3).

Box 3: Coverage of the CAP in the 2010-2013 EU Work Programme on PCD²³

Following a short introduction that describes the global food security challenge and the role of development cooperation, the Work Programme notes specifically the importance of the reform of the CAP: 'In the future, the EU would need to produce more food using less land, water and energy. An important initiative in EU agricultural policy expected to be taken in 2010 will be the Communication on the post-2013 CAP. At the operational level, there are several on-going initiatives to improve the functioning of the food supply chain which have a potential impact on developing countries. They include initiatives aimed at simplifying or rationalising marketing standards, geographical indication schemes, labelling requirements. This is an opportunity to enhance the Commission's capacity to assess, on a case by case basis, the impact of legislation of this nature on development objectives.'

The Work Programme does not go as far as the Council's brief in proposing results-oriented objectives, targets and indicators but provides a qualitative description of key areas and upcoming policy decisions that are considered relevant. In particular, it is interesting to note the following areas that are considered key components of the EU's efforts to promote PCD in the area of food security:

- Trade policy;
- Research and development and innovation policy;
- Biodiversity policy;
- Land access and use and impact of bioenergy production;
- Common fisheries policy.

Despite not going into great detail on what concretely needs to change in these areas, it is clear that this approach analyses the impact of EU policies on food security in developing countries, and on the EU's development objectives more generally, in a more holistic manner than the first and second options analysed above.

The process used by the EC's DG DEVCO for preparing the Work Programme in 2010 in close consultation with other directorates-general (DGs) means that consensus was required for the

²² The Council conclusions are available at <http://register.consilium.europa.eu/pdf/en/07/st14/st14921.en07.pdf>.

²³ http://ec.europa.eu/development/icenter/repository/SEC_2010_0421_COM_2010_0159_EN.PDF.

objectives, targets and indicators as put forward (Keijzer, 2012).²⁴ On 14 June 2010, EU ministers gathered in the Foreign Affairs Council adopted a single paragraph as their political response to the EC proposals, in which they called for 'consultation with member states with a view to a proactive and early use of the PCD Work Programme as a tool to guide EU decision-making on the broad range of decisions that affect developing countries beyond development assistance'.²⁵

This rather 'modest' response and the lack of a formal acceptance/endorsement of the plan convey implicitly that much remains to be done to realise the Council's decisions from November 2009. As noted above, in the May 2012 Council Conclusions, the EU ministers for development cooperation invited the EC to further improve independent assessment and monitoring, evaluation and follow-up of the 2010 EU PCD Work Programme. Important political developments such as the revision of the CAP could help the Work Programme regain traction.

2.6 Option 4: OECD- or civil society-led monitoring

As the fourth and last possibility, those stakeholders that have not put forward or backed any of the three concrete proposals argue by default for a less institutionalised form of monitoring. These stakeholders include DG AGRI as the leading DG on the CAP reform proposals, which has pointed out in several public debates that it is not its responsibility to monitor the effects of the CAP in developing countries. DG AGRI thus places the burden of evidence on secondary stakeholders, particularly those indirectly representing developing country interests, as well as developing countries themselves. Box 4 describes how the impact assessment has looked into the effects of the CAP reform options on developing countries.

Box 4: The CAP impact assessment - analysing the potential effect of the reform options on developing countries

In addition to the legislative proposals, on 12 October 2011 the EC published its impact assessment of the CAP reform. Impact assessments serve to prepare evidence for political decision makers on the advantages and disadvantages of possible policy options by assessing their potential impact.²⁶

The impact assessment includes a specific annex on the effects of the CAP on developing countries, which was drafted by DG DEVCO. This annex recognises the significant lack of data and observes that 'impacts [of the CAP] would differ according to the trade profile of the country, i.e. the country's trade balance, whether it is a net exporter or importer of the product in question, relative trade with the EU, the country's level of development and trade regime, or the country's possible preferential status' (EC, 2011a). The analysis subsequently concludes that the CAP is becoming more and more coherent with development objectives, and that impacts on agriculture in developing countries will be further reduced. This is, however, not a firm conclusion in view of the absence of a clear baseline (i.e. what were the effects of the CAP on developing countries during year X) and/or targets in relation to how coherent EU agricultural policy should be, in other words whether progress in terms of improving coherence is politically satisfactory.

The overall impact assessment report does not analyse the effects of the CAP on developing countries and does not include references to the developing countries annex. It does, however, analyse the effect of the CAP reform options on developing countries and concludes that 'all [CAP reform] scenarios would have a limited impact on food prices, although the integration option is more likely to improve quality and choice of products and assure sustainable production. The effects on world markets (including on developing countries) would also be very limited in all cases' (EC, 2011b).

Two options can be considered here. First, it is possible that the external effects of CAP could be monitored as part of an OECD-led PCD monitoring exercise. Such a direction was proposed in King et al. (2012). From the perspective of a potential dividend for developing countries, there is significant advantage in a global effort to define and continually monitor PCD indicators

²⁴ Member States officials working on PCD and civil society representatives were consulted on one occasion, where the EC presented in broad lines what was in the draft Work Programme and took note of general remarks made.

²⁵ The Council Conclusions can be found here:

http://ec.europa.eu/development/icenter/repository/EU_council_conclusions_MDGs_20100614.pdf.

²⁶ More information can be found here: http://ec.europa.eu/governance/impact/index_en.htm.

as opposed to an EU initiative. Specific reference can also be made to the case of Producer Support Estimates (PSE), which the OECD publishes annually as a measure of the transfers to agricultural producers generated by agriculture-specific policies. The PSE (and a suite of derived indicators) cover all OECD Member States and a growing number of emerging economies included China, Brazil, the Russian Federation, South Africa and Ukraine. While initially mandated by trade and finance ministers and carried out by a small group of countries, these countries have sought to enlarge this group gradually. Specific efforts have been made to ensure the collaboration of farmers and their organisations of participating countries.

However, progress at OECD level on agreeing to a set of PCD indicators remains only a possibility, with limited advances made in recent years, although new plans were adopted in May in the OECD Strategy on Development.²⁷ The set of interviews with OECD Member State Development Assistance Committee (DAC) representatives conducted by King et al. (2012) uncovered significant resistance to a set of PCD targets and indicators in some countries and significant sensitivities in other countries regarding monitoring the development implications of some policy areas of strategic interest, including, for many countries, agriculture.

Alternatively, monitoring the external effects of the CAP could be left to independent NGOs or academic institutions. Such efforts could focus specifically on the CAP or be part of a wider PCD monitoring exercise. Four examples of monitoring exercises include the biennial reports produced by CONCORD (2009; 2011), the Swedish Coherence Barometer (Barometer 2008), Ireland's Policy Coherence Indicators study (2012) and the annual Commitment to Development Index from the Center for Global Development (CGD) in Washington, DC²⁸. Each initiative in turn improves significantly the quality of data and analysis on PCD performance. However, despite the fact that initiatives are financed to a greater or lesser extent by official government funding, there is not much evidence to suggest that national governments use the data in any meaningful manner in policymaking or that the indices play a role in the wider political debate.

²⁷ See Paragraph 17: <http://www.oecd.org/development/50452316.pdf>.

²⁸ The latest 2012 edition is available here: http://cgdev.org/section/initiatives/_active/cdi/

3 The practicalities of monitoring: methodological and conceptual considerations

3.1 Introduction

Irrespective of the institutional approach taken to monitoring the external effects of the CAP, a range of methodological choices must be made and conceptual challenges overcome in designing any monitoring mechanism. The challenge can be described in two parts as the need to 1) identify the appropriate monitoring methodology/methodologies and 2) define and verify causal chains between EU policy and development outcome. While there are significant complexities underlying each of these tasks, in many respects each can be overcome once the political will to carry out the exercise is present and the best institutional approach for the exercise has been identified.²⁹

3.2 Methodologies

While this paper is not intended as a comprehensive review of potential monitoring methodologies, this section briefly outlines four potential approaches where precedents exist and could form either the entire monitoring exercise or just one part of a multi-methodological approach. These include:

- 1 A series of indicators;
- 2 Case studies;
- 3 Quantitative economic modelling; and
- 4 Expert panels.

Policy indicators tend to be most widely used for monitoring, whereas case studies or quantitative modelling might be considered more relevant for evaluation. However, for the purposes of monitoring the external effects of the CAP, the lines between monitoring and evaluation are blurred, and all four methodologies can be considered relevant.

First, **a set of indicators** could focus specifically on the external effects the CAP. Once agreed, and assuming they are scientifically based and verifiably relevant, indicators can be updated on a regular basis and results easily communicated. There are three recent examples that fall into this category including the Swedish Coherence Barometer (2008), Ireland's Policy Coherence Indicators study (2012) and the annual Commitment to Development Index from the CGD. The primary challenge in this approach lies in making sure the indicators measure EU policy outputs that are verifiably linked to important development outcomes or developing country outcomes that can be linked causally to EU policy.³⁰ As discussed in Section 2.2, one way of linking indicators to policy objectives is to develop an intervention logic for the CAP's anticipated effect on developing countries and defining indicators that can help determine the extent to which these effects arise.

There are various possibilities for using indicators for monitoring the external impact of CAP: a focus on outcome indicators in developing countries, a focus on EU policy output indicators or a

²⁹ The ability to achieve this political will is questionable as the call to monitor the impact of the global CAP takes place within the context of scepticism by some decision makers (e.g. DG AGRI) and primary stakeholders about the potential impacts in developing countries on the one hand and strong criticism by secondary stakeholders on the other (e.g. the G-110 and non-governmental actors) (King et al., 2012).

³⁰ King and Matthews (2012) and King et al. (2012) distinguish among four types of indicators for PCD (input, output, outcome and policy stance), three of which are worthy of note in this context. Outcome indicators measure real changes that are a result of both policy and societal changes and may be influenced only partly by policy instruments. Alternatively, policy output/input indicators capture more directly the efforts of policymakers and might include a particular tariff rate or a measure of trade-distorting subsidies to a particular sector.

combination of the two. In reality, CAP will play only a minor role in the determination of outcomes in developing countries when compared with other EU policies,³¹ national policies and other regional and wider economic and technological developments, so outcome indicators might best be included only on a case-by-case basis or as important background information. EU policy outputs that have demonstrable and empirically verified causal chains to outcomes in developing countries might constitute a better approach.

Second, using a combination of qualitative and quantitative methods, **case studies** have been used effectively in the past to highlight unintended externalities of the CAP in developing countries. NGO case studies have pointed to the alleged impact of EU exports of particular commodities, the production and/or export of which were subsidised through the CAP (milk powder, pig meat, poultry meat) in particular countries (see ActionAid Denmark, 2011; Aprovech, 2010; Bertow and Schultheis, 2007; Fritz, 2011; Oxfam International, 2004). The inherent challenge with case studies is the absence of a counterfactual. For example, if the EU stopped exporting a particular agricultural product, other exporting country/countries could react and respond to the same demand instead. Case studies generally fail to take account of these dynamic effects. The body of empirical evidence on the effects of the CAP in developing countries is relatively limited. A wide body of more theoretical literature as well as more general analysis on the effects of the CAP on the world market is available, however.

A third approach involves **modelling**, often involving computable general equilibrium (CGE) models that can predict dynamic reactions to EU policy changes and establish a counterfactual. Other EU DGs have employed sophisticated modelling techniques to estimate impacts of EU policies on developing countries. For example, DG Trade has systematically used modelling to assess the impact of EU trade agreements by developing trade sustainability impact assessments (SIAs).³²

In relation to agricultural policy, external model simulations of previous CAP regimes have confirmed that the CAP has distorted both the level and the volatility of world market prices to the detriment of farmers in developing countries, even if consumers and net importing developing countries could have reaped some benefits from lower world market prices (Costa et al., 2009; Gohin, 2009; Gouel et al., 2008; Nowicki et al., 2009).

As an illustrative example and directly relevant to this paper, Boysen and Matthews (2012) combine a CGE model with the Ugandan national household survey of 2005/06 to assess the impact of different CAP reform scenarios on different households in Uganda. The results show differing impacts on Ugandan households of changes to the CAP. They highlight the many assumptions that must be made to derive these results and the caveats that accompany them.

A fourth methodological approach involves the considered conclusions of **expert panels** on the available evidence. Such evidence can include indicators, case studies and modelling. The intergovernmental panel on climate change is an example of an expert panel that has helped achieve consensus on a contentious issue and helped make some policy progress (e.g the Kyoto Protocol (1997) and the Durban Platform (2011)).³³ A civil society example of this approach can be seen in the Copenhagen Consensus on Development, which ranks impact per dollar invested of a range of development interventions.³⁴

For effective monitoring of the external effects of the CAP, it is advisable that a mixture of methods be employed. At the very least, modelling and case studies will be required to demonstrate the relevance of selected indicators. An expert panel may be required to agree and update indicators on a regular basis.

The need to use a mix of methodologies is suggested by the EC in the annex to the impact assessment, as follows: 'Impacts should be assessed on a case by case basis, as the economic,

³¹ For more discussion on these other policies, please refer to Klavert et al. (2011).

³² See http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf for the handbook on SIAs.

³³ An alternative example might include the Food and Agricultural Organization (FAO) Committee on Food Security High-level Group of Experts.

³⁴ See <http://www.copenhagenconsensus.com/Projects/CC12.aspx> for further details.

social, cultural and demographic heterogeneity among and within developing countries, as well as the multitude of factors that affect food security policies and situations in the short-, medium- and long-term, make generalisations difficult. The assumption of direct price transmission mechanisms calls for a methodological approach that combines aggregate/national with household level data' (EC 2011b).

3.3 Complexities in verifying causal chains³⁵

Causal chains can be derived from theory and logic. It is a separate challenge to verify these causal chains empirically. For EU decision makers to alter large, domestically supported policies, it seems realistic to argue that the supposed causal chains should be empirically verified.³⁶ However, a number of specific challenges exist in verifying causal chains between EU policy, specifically the CAP in this case, and development outcomes. This paper identifies three such complexities, and discusses each in turn. The complexities discussed include conflicting development goals, heterogeneity among and within countries and the need to consider CAP within a wider perspective.³⁷

Conflicting development goals

First, definition of what is in the best interest of a developing country is less than straightforward. Economists tend to summarise the fortunes of a country in gross domestic product (GDP) or GDP per capita growth or a rate of poverty, whereas environmentalists will stress inter-temporal environmental considerations. As the example of biofuels illustrates, EU policy could help economic growth in a developing country, through rising exports, while at the same time negatively affecting measures of environmental sustainability, thereby undermining the natural capital on which future income is partly based.³⁸

Other conflicts can be considered relevant to the CAP. For example, if the CAP contributes to lower world prices for a particular commodity, it is conceivable that poverty rates in a particular developing country may be reduced (if the commodity is consumed locally), but that incentives to develop local production capacity in this commodity may be undermined.

The presence of conflicting development goals can confuse causal chains and, while establishing a narrow definition of what development means in any monitoring mechanism may help the exercise, interpretation of any conclusions or indicators should occur with such trade-offs in mind.

Heterogeneity among and within countries

A second complexity for consideration is the existence of significant heterogeneity among and within developing countries, resulting in winners and losers from some EU policy changes.

EU policies, including the CAP, have been criticised by developing countries, economists and development NGOs for their adverse effects on developing country agriculture and on the development prospects of developing countries. The CAP has encouraged over-production and therefore lower imports and higher exports by the EU, depressing world market prices and thus distorting incentives, undermining the profitability of farmers in developing countries and discouraging the pursuit of agricultural development strategies (Anderson and Martin, 2006; Bouet 2006; World Bank, 2008).

³⁵ Some of the analysis in this section has been adapted from Appendix 7 in Volume II of Measure Policy Coherence for Development, May 2012 (King et al., 2012).

³⁶ In this context, the Netherlands Minister for Development Cooperation has informed the Parliament of his intentions to carry out three pilot studies to evaluate the effects of Netherlands and EU policies on three of its partner countries. These studies are currently under preparation and may provide a means to validate assumed causal relations between EU policies including the CAP and development outcomes.

³⁷ For a wider discussion on the complexities of PCD, see Barry et al (2010).

³⁸ Further details of the economic growth/environmental sustainability trade-off is available in Barbier (2006).

However, the precise way in which an individual developing country is affected by the CAP depends on whether it is a net importer or exporter of EU-protected commodities or their close substitutes, the nature of its trade regime with the EU, the nature of its integration into global supply chains (smallholder value chains versus corporate farming), the structure of its own domestic trade and agricultural policies and the role of agriculture in its development strategy. For example, by reducing global food prices, the CAP undermines the ability of net food exporters to earn export revenues. While some developing countries, and groups within developing countries, such as poor consumers, might benefit from low world market prices, the long-term impact of this on their development is uncertain because this distorts their trade and production patterns and increases their dependence on the EU.

The CAP within a wider perspective

A wider set of agriculture-related EU policies also affects outcomes in developing countries. With this in mind, PCD analysis typically starts by taking EU policies, such as agricultural policy, of which the CAP is only one part, and evaluating the impact of all agriculture-related policies on developing countries.

For example, evaluation of the effects of the CAP should take into consideration the many preferential trade agreements the EU has signed in recent decades. While EU tariff barriers are almost universally considered a negative for developing countries as a group, the EU's preferences and free trade agreements offset these effects for some of the least-developed and other preferred groups of countries.

In addition, many non-agricultural EU policies affect agriculture sectors in developing countries. An argument could be made that PCD indicators should be grouped by developing country sector, rather than EU policy area, and as a result a wider group of EU policies would be relevant. Such related policies include food safety, sanitary and phyto-sanitary (SPS) regulations, environmental regulations, climate change policies and research and innovation policies. Some examples are as follows:

- Food safety and SPS measures raise the costs of trading, and can be used to have a discriminatory effect on specific exporting countries.
- Renewable energy policies may also limit food production and hence raise world prices, but will also affect developing countries through their influence on fossil fuel prices.
- Policies on agricultural research and the use of innovations (e.g. biotechnology) influence EU agricultural production levels and hence world market prices, but may also increase the level of technologies available to developing countries and hence their yield potential in the longer run.

4 Exploring possible mechanisms under four scenarios

4.1 Introduction

This section explores further the four proposals introduced in Section 2 before conducting an evaluation of the options. Analysis of the four proposals uses five criteria: political feasibility, technical feasibility, likely impact, timing of proposal and cost of implementation. In addition to these criteria, some practical considerations are identified for each individual option that could facilitate their further discussion and possible operationalisation.

While readers can place their own weighting on the importance of each criterion, the authors present political feasibility, technical feasibility and likely impact as the three most important. Political feasibility is deciphered primarily from a review of stakeholder positions, mentioned previously in this paper and in Klavert and Keijzer (2012). With regard to design and rigour, it is fair to assert that all four proposals face common methodological choices and conceptual challenges, as presented in Section 3, and in some senses this may suggest that the technical feasibility criterion is subordinate to political feasibility and likely impact. Nevertheless, the four proposals are different in nature and do face different technical challenges. The third principal criterion is likely impact. While this is uncertain, the proposals are likely to have different impacts on the trajectory of the CAP and EU agricultural policy more broadly. Likely impact is assessed based on the relative strength of the monitoring institution and the degree to which the indicators' findings are enforceably tied to policy changes. The final two criteria are the practical consideration of timing of the proposal and cost of implementation. In addition to analysing each option in relation to these five criteria, for each option we identify a number of practical considerations related to implementation.

Option 1: specific external objectives within the CAP

Specific objectives for the 'external effects' could be inserted into the legal text of the CAP, for which the horizontal regulation would seem the best location. These objectives could then be the 'measuring stick' to monitor the effects in developing countries. This approach has been advocated by several European development NGOs as described in Section 2.3.

Enshrining external objectives in the CAP would represent a full acknowledgement of EU commitments to development objectives within the legislative framework of the EU's largest spending programme. While such a development would parallel efforts of the UK and Swedish governments to a whole-of-government approach to development assistance that mandates each government ministry to report its contribution to development in its annual statements, it seems apparent that establishing a similar achievement for the CAP is politically ambitious. Klavert and Keijzer (2012) document the opposition of DG AGRI and Member States with significant national interests at stake to the potential consideration of external effects in CAP design.

The inclusion of external objectives within the CAP could lead to conflicts between objectives that some primary stakeholders of the CAP may consider ill advised. For example, if it were shown that a certain subsidy in an EU market damaged the competitiveness of farmers in West Africa, a conflict between CAP objectives would arise.³⁹ Such conflicts can be dealt with by either leaving it to political decision making or enshrining specific provisions for moderating between them.

The inclusion of explicit external objectives within the CAP is likely to be the strongest proposal for achieving coherence between the CAP and development policy. One could argue that

³⁹ Indeed, it is not unusual for EU policies to have conflicting objectives that are legislatively defined. For example, it could be argued that such tensions have been present in the CAP since the Treaty of Rome, which included both high farm income and low consumer prices as objectives.

inserting general references to the importance of PCD into the CAP legislation, as suggested among the European Parliament amendments, would not suffice and would not add much value to the existing horizontal requirement in the Treaty. On the other hand, one might also argue that, by being too specific in the legal text as to what effects should occur, the text might be too rigid and unable to adapt to changing global trends.

While the initial cost of including the new objective in the legal text is zero, the monitoring and evaluation unit in DG AGRI would need additional resources to expand its brief to include an external objective in its monitoring framework, as there are considerable technical challenges to effectively monitoring the impact of an EU policy in developing countries. However, the major stumbling block and the reason for the opposition of key decision makers and primary stakeholders is not the cost of the monitoring, but the potential significant cost to the 'intended beneficiary' European farmers and regions if the new development objectives require changes to subsidies to reduce or eliminate negative effects on developing country stakeholders.

A number of monitoring options can come under consideration if this approach is pursued. First, a series of indicators could be incorporated to complement the current set of domestically focused indicators. Second, the provision could mandate the EC to commission a series of impact assessments to continually update or confirm the evidence of causal chains on the links between the CAP and developing country outcomes.

Selected practical considerations for Option 1:

- The current CAP monitoring system features a specific task division: while the EC collects and analyses information in relation to Pillar I, EU Member States provide the data for Pillar II, which the EC subsequently synthesises. As opposed to making the EC responsible for everything, could a task division with Member States or other actors (e.g. developing country researchers) be considered for the monitoring of the CAP on developing countries (see Section 2.2)?
- Similar to what is done under the external dimension of the EU's Common Fisheries Policy,⁴⁰ would there also be possibilities for working directly with developing country researchers in collecting the data?
- In terms of budget, should the EU's DG AGRI and responsible ministries in Member States resource the CAP's monitoring function, or should it be financed from the official development assistance (ODA) budget?
- In terms of resourcing and task division, how can the EC ensure that the monitoring is done independently and that conflicts of interest are avoided?⁴¹

Option 2: general CAP monitoring provision without specific objectives

The second option, whereby the legal text of the CAP regulation could include provisions for monitoring its effects in developing countries, but without spelling out the effects desired (or feared), would essentially orient the monitoring mechanism towards identifying any 'side-effects' of the CAP on developing countries, and then leave it to political judgement whether any negative effects were of such a scale that they required corrective action. This approach has been proposed by the European Parliament Development Committee and is in the list of amendments proposed by COMAGRI.

Incorporation of a provision for monitoring the side-effects of the CAP would avoid the blatant conflict of domestic and external objectives inherent in the previous proposal and as a result may be more politically feasible than Option 1. It would open the CAP to legislatively based continual reflection on possible side-effects and provide a mandate for the EC to actively investigate and reflect on impacts in developing countries.

⁴⁰ http://ec.europa.eu/fisheries/documentation/publications/externalpolicy_en.pdf.

⁴¹ Inspiration could be drawn from the Joint Evaluation Unit housed in DG DEVCO, which reports independently to the External Relations family of Commissioners. For more information, see http://ec.europa.eu/europeaid/how/evaluation/introduction/introduction_en.htm.

Different types of monitoring can be considered here, such as a series of indicators or a series of impact assessments to continually update the evidence of causal chains to developing country outcomes. The absence of concrete objectives or targets to monitor should not be seen as calling for a more flexible approach in terms of methodology or conceptual approach. In fact, it might still allow for optimal alignment to the CAP's internal common monitoring and evaluating framework that it should ideally seek to formally complement.

Both Options 1 and 2 would have to look into similar practical considerations; additionally, the following two specific considerations for the discussion and use of the monitoring results could be looked into:

- How could the process to discuss and validate the monitoring results at the political level by the Council, the Parliament, the EC and other stakeholders best be given shape?
- Could there be a role for the advisory group on international aspects of the CAP in preparing higher-level exchanges on monitoring results?

Option 3: wider EU-led PCD monitoring exercise

The third option involves the monitoring of the CAP as part of a larger monitoring exercise that covers all EU policies identified as having a bearing on outcomes in developing countries. Such a basis partially exists in principle in food security, being one of five areas for more proactive EU engagement on PCD as agreed in November 2009 and reaffirmed in May 2012, wherein Member States called for a more evidence-based approach with a greater role for EU Delegations in developing countries.

The political feasibility of an EU led-process that monitors the effect of all EU policies that can affect outcomes in developing countries is perhaps stronger than for Options 1 and 2 above, and may also be more likely to lead to concrete evidence that can justify the resources spent on the monitoring. However, there is still likely to be opposition from DG AGRI and farmers' groups. Question marks also remain about how successful such monitoring would become, and this would depend on the technical quality of the indicators, the strength of the causal chains established and the relative strength of the sponsor, most likely DG DEVCO to other key stakeholders.

This approach would mean that the external effects of the CAP would be monitored only indirectly. Under the PCD monitoring process, the effects of all EU policies relating to EU agriculture and trade of agricultural commodities, of which the CAP is one essential component, on outcomes in developing countries would be monitored. Depending on the level of detail of the monitoring exercise, it is conceivable that the role played by the CAP would be obscured behind a small number of 'agreeable' indicators. Proponents of this view may argue that it is in fact more realistic to evaluate the EU's entire contribution to development objectives rather than isolating one component of its policy.

Additionally, as mentioned earlier, the effect of the CAP on developing countries is not limited to food security. The CAP, as well as wider EU agricultural and related trade policy, can have negative effects on poverty reduction and growth strategies through negative effects on efforts to build profitable agricultural export sectors. There is an argument that any focus on food security could be too narrow and fail to fully capture all impacts of the CAP in developing countries. Of course, this argument depends in part on the exact definition of food security employed and what is captured by other PCD areas included in the exercise.

One challenge of this more horizontal PCD approach is that it would occur in parallel with more sectoral monitoring efforts, for example the CAP's common monitoring and evaluation framework, and as such could appear more like an add-on or something 'specifically for development experts'. This also links to the question of who should be financially and technically responsible for the collection of the data. It seems advisable for DG DEVCO to seek to collaborate with other DGs and combine this with data collection from national bureaus of statistics.

To overcome the conceptual challenges outlined in this paper, building a sophisticated set of PCD indicators at EU level to help with CAP monitoring would entail significant set-up and on-going operational costs. This would require a higher level of political commitment to the process evident in the listing of the 87 potential indicators in the 2010 EU PCD Work Programme.

Selected practical considerations for Option 3:

- What lessons can be drawn from the preparation of the PCD Work Programme in terms of ways of increasing 'ownership' of a horizontal monitoring mechanism among technical and specialist ministries in Brussels and in Member States?⁴²
- Would there be a role for the European Parliament in organising hearings for developing country experts as an input into such a mechanism, and how should they be informed and relate to its results?

Option 4: OECD- or civil society-led monitoring

In the final option, the monitoring is not by EU institutions but by independent third parties. There would be two possible sub-options here: 1) an exercise by the OECD covering not only the EU but all OECD members and other interested countries; and 2) monitoring by civil society organisations such as specialised NGOs and academics.

First, as mentioned in Section 2 and explored in King et al. (2012), it is technically feasible to monitor the external effects of the CAP as part of an OECD-led monitoring exercise. There would be a significant advantage for developing countries in an OECD-wide or indeed a global effort to define and continually monitor PCD indicators. There have been discussions in the OECD on the possibility of developing and discussing PCD indicators, albeit without concrete results so far.⁴³ In May 2012, the OECD's Strategy on Development was adopted, in which the OECD committed to taking further action on producing robust PCD indicators, and food security was identified as one of the areas where the OECD could intensify analytical efforts that could improve the evidence base for identifying such indicators.⁴⁴

While there is political support for improved PCD monitoring at the DAC, there is significant resistance among some countries to a set of PCD targets and indicators and significant sensitivities in other countries in relation to monitoring the development implications of some policy areas of strategic interest. The lack of progress on making OECD discussions on PCD more concrete and results oriented (as opposed to process oriented) testifies to the existence of such resistance among many countries.

To overcome this potential resistance to a full package of PCD indicators, a recent study that looked into a possible 'coherence index' concludes that it may be possible to achieve evolutionary progress towards a set of PCD indicators at OECD level. Incremental progress has been made in developing indicators in recent years for some PCD related policy areas, for example in the OECD on anti-bribery. Efforts could focus on strengthening and broadening these processes to include more areas of interest to PCD (King et al., 2012).

The case of PSE was referred to in Section 2.6 as one example of comparative indices that the OECD helps to manage. Measurement of PSE and related indicators begins in each case with an in-depth country study, which seeks to establish a careful and detailed account of the agricultural policy environment. This is essential to the development of the methodology for the indicators, and to the process of checking for consistency between the known policy context and what the indicators are saying. Country studies are undertaken with full

⁴² While being specifically applicable to this option, drawing lessons from this exercise may also benefit the setting-up of other options.

⁴³ In September 2011, DAC members discussed a mapping of incoherent policies that proposed to take further action in the area of indicators, with some concrete actions proposed: <http://www.oecd.org/pcd/50492134.pdf>.

⁴⁴ The OECD Strategy on Development can be accessed here: <http://www.oecd.org/belgium/50452316.pdf>.

cooperation of the country being examined. Consultation and checking occur at every step, including roundtable discussions in capitals, culminating in a peer review, in which fellow OECD Member States vet the results. When the indicators are eventually published, it is with the approval of the country examined and of the remainder of the OECD membership (King et al., 2012).

Alternatively, monitoring of the external effects of the CAP could be left to independent civil society organisations or academic institutions. Such efforts could focus specifically on the CAP or be part of a wider PCD monitoring exercise. The examples mentioned earlier, i.e. the biennial CONCORD reports (2009; 2011), the Swedish Coherence Barometer (2008), Ireland's Policy Coherence Indicators (2012), the annual Commitment to Development Index and more recently CONCORD Denmark (2012) have added greatly to the public debate on the effect of OECD member policies but have failed to achieve tangible changes in policy.

Compared with the first sub-option, monitoring by civil society is easier for decision makers to ignore or 'frame' as being subjective or advocacy oriented. Within this scenario, it might be possible to envisage the funding of a partnership between academic institutions and civil society to develop and maintain a set of PCD indicators that include the external effect of the CAP, at least indirectly. Cooperation with academic institutions could lead to the methodological choices and monitoring results being perceived as objective. Alternatively, there is significant scope for the monitoring exercise to be focused solely on the CAP.

Feeding this information into the policy process remains a challenge, particularly if key decision makers are not receptive to the findings. Given that it is likely that third parties would require funding from governments (partially or fully) to do this work, the need to broker access to specialist policymakers and discuss the findings with them could be raised by the organisations from the outset.

Selected practical considerations for Options 4(a) and (b):

- 4(a): Which non-EU OECD members might support monitoring efforts with a specific focus on development, and what can be learnt from other past comparative processes (e.g. calculating and publishing PSE) on what number of participating states is needed for a 'critical mass'?
- 4(b): How can civil society best consult decision makers and/or primary stakeholders on the main objectives, indicators and data collection methods for their independent monitoring methods to ensure 'uptake' of monitoring results?
- Besides cooperation with academic institutions, are there any other means to ensure the results of civil society monitoring are easily accepted and discussed by CAP decision makers?

4.2 Comparison of the options

Based on the analysis presented here, Table 1 compares the four different options from the perspectives of political feasibility, technical feasibility, timing, cost of implementation and likely impact. To help summarise, the first four criteria are summarised numerically into a rating out of 10 for likelihood of progress, while the likely impact if progress is made is also summarised into a rating out of 10.

Table 1: Comparison of options for monitoring the CAP in developing countries

	Option 1	Option 2	Option 3	Option 4a	Option 4b
		Monitoring of CAP side-effects within CAP process	Wider EU PCD monitoring	Wider PCD monitoring by OECD	Monitoring by external researchers
Political feasibility	Challenging	Moderate	Moderate	Moderate, but the more comprehensive the more challenging it would become	Negligible
Technical feasibility	Maybe difficult to design how to build in responses to negative findings	Feasible	Challenging, as causal chains and indicators need to be defined for areas outside of agriculture and technical expertise in DG DEVCO is weak	Feasible, as the OECD has a good track record in data collection	Feasible
Major constraint	Entrenched CAP stakeholders, protectiveness of DG AGRI and powerful Member States	Convincing key stakeholders that the external effects of the CAP should be monitored systematically	Same as 2 plus coordination and motivating of EU Member States and EU DGs	Same as 2, but agreement needed for all DAC members	Funding
Timing of proposal	Discussion of legal proposals to likely go into 2013	Same as 1	Opportunity to build on weak efforts to monitor EU PCD performance	Opportunity to develop process in advance of the new development reporting framework post-2015	Flexible, as it will not require formal mandating from decision makers
Cost of implementation	Annual cost of monitoring and impact assessments would be real. Small cost compared with the overall CAP budget and the reduction of negative development distortions	Annual cost of monitoring and impact assessments would be real. Small cost compared with the overall CAP budget and the reduction of negative development distortions	Significant resources will be required to conduct a sophisticated the EU-wide exercise	The OECD Secretariat may need additional funds to complete the task but the structures are well placed for a modest additional cost to be sufficient	For success with this approach, the costs are likely to have to be covered by the EU
Likely impact	Significant	Can facilitate significant change if integrated into the CAP policy process	Potentially significant if taken seriously by policymakers and given legal status	Potentially significant if successful. Will depend on the degree to which the exercise captures aspects of the CAP	Low. There is a weak record of civil society efforts forcing changes in EU policies
Scores					
Likelihood of progress	2/10	5/10	4/10	6/10 (evolutionary progress more likely)	7/10
Impact	9/10	6/10	4/10	5/10	2/10

5 Conclusions and recommendations

This paper has examined proposals for institutional approaches to monitor the effects of the CAP on developing countries, as put forward by different stakeholders during the CAP reform process, and reviewed their political and technical feasibility, likely impact and other design elements. Based on a review of the literature on the CAP, PCD and the monitoring of the effects of (public) policies in developing countries, four options have been identified and explored in more detail.

In terms of the political feasibility of monitoring the effects of the CAP in developing countries, it should be noted that the EC's legislative proposals as published in October 2011 do not include any objectives for what the CAP should concretely achieve outside the EU's borders. Key concepts have been defined in relation to Europe, and not for the EU's contribution to the world, for example in the case of food security. Only one Member State and three out of hundreds amendments considered by the European Parliament committee have expressed a need to monitor the CAP's external effects. There are some wider discussions in the EU and the OECD on monitoring the effects of public policies on developing countries, but these discussions are predominantly general in nature and advance at a slow pace. In addition, academic researchers, civil society, international financial institutions and others (e.g. the OECD) have invested in monitoring or are considering doing so, but uptake of such independent research by CAP decision makers has been low.

In relation to the technical feasibility of the different options, it has been found that the body of empirical evidence on the effects of the CAP in developing countries is relatively limited. A wide body of more theoretical literature as well as more general analysis on the effects of the CAP on the world market is available, however, and it is concluded that the insignificant body of empirical evidence is related more to underinvestment than to the technical challenges of doing so.

The challenges to monitoring the impact of EU policies in developing countries relate to three areas: specifying agreed development goals, dealing with heterogeneity among and within developing countries and deciding how broadly to define EU policies with relevance to agriculture.

Based on this analysis, a monitoring mechanism that analyses the effects of the CAP in developing countries without explicit and legally defined objectives (i.e. Option 2) seems most feasible. A requirement for monitoring is among the list of amendments considered by COMAGRI to the horizontal regulation, which would create a basis to translate this option into practice. Once mandated, a mechanism could be constructed based on the literature on agriculture, trade and development and existing monitoring and evaluation frameworks. The advisory group on international aspects of the CAP would provide a useful platform to discuss proposals that could be developed by DG AGRI in collaboration with other DGs. This work could also help inform and drive more general endeavours in the EU and in the OECD to monitor the effects of public policies on developing countries (Options 3 and 4(a)).

Further to this overall recommendation, a few other recommendations could help the EU's commitment to promote international development:

- 1 EU decision makers and Member States as well as relevant committees of the European Parliament in favour of monitoring the CAP outside the EU's borders should seek to take more proactive action to operate in likeminded groups in order to make sure this issue is sufficiently present in any further debates on the revision of the CAP. Their proposals should ideally also include ideas on how to organise the division of tasks between the Member States and the EC in terms of collecting data.
- 2 There is a need for a general discussion on whether DGs (and related European Parliament committees and Member State technical ministries) that lead on specific EU policies should be responsible for collecting evidence about the effects of 'their' policy on

developing countries, or whether this be centralised with DG DEVCO. The present unclear task division has led to inadequate resourcing both in the technical DGs and in DG DEVCO for taking care of this.

- 3 Development and environmental NGOs and independent research organisations⁴⁵ should align any proposals for monitoring they put forward with existing systems for internal monitoring, so as to make it possible to associate independent monitoring efforts with these on-going efforts.
- 4 Finally, secondary stakeholders could look into means to more directly associate developing country stakeholders with the CAP reform process, as in the current phase of the reform process they do not have direct formal access. One possibility would be to suggest to members of COMAGRI and other influential committees to invite developing country representatives to present evidence during hearings and other meetings that influence the preparation of the reform proposals.

⁴⁵ For a complete overview, refer to Klavert and Keijzer (2012).

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