Results-based Agri-environment Payments Scheme

Policy and regulatory framework: review and recommendations
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Project partners

Project Title: Pilot results-based agri-environment measures in Ireland and Navarra
Project Co-ordinator: European Forum on Nature Conservation and Pastoralism
Period covered by the project: January 2015 - June 2018
Introduction

The Results-Based Agri-environment Payment Scheme (RBAPS) pilot project has developed and tested results-based remuneration for biodiversity in three contrasting areas: two in the Atlantic biogeographic region of Ireland (County Leitrim and the Shannon Callows); and one in the Mediterranean region of Navarra in Spain. The project (www.rbaps.eu) has implemented, monitored and evaluated on-farm results-based agri-environment (AE) measures from conception and design through to exploring facilitation of wider roll-out. This briefing outlines key recommendations for current and future polices to enable the wider implementation of results-based agri-environment schemes.

Current Regulatory Framework

In theory the current regulatory framework (Regulations (EU) 1305/2013; 1306/2013; 808/2014) allows for the development of results-based AE schemes, although such an approach is not explicitly foreseen. Within the current Rural Development Regulation (1305/2013), Article 28 (Agri-environment and climate (AEC)) is the main mechanism through which AEC measures are implemented in Member States Rural Development Programmes (RDPs). Article 30 (Natura and Water Framework Directive payments) could also be used for payments targeted at designated areas, to compensate for costs resulting from specific restrictions. In addition, Article 35 (Co-operation) can be used for multi-actor collaborative approaches to testing and piloting environmental practices, which could include results-based approaches, although this is not specified. Article 35 is currently being used to fund European Innovation Partnership (EIP) operational groups under Ireland’s RDP to further test innovative results-based and hybrid (results-based payments with complementary action-based payments) approaches.

Other measures can play an essential supporting function. Article 17 (RDP Measure 4: Investments in physical assets), has a key role to play in funding complementary actions which covers non-productive investments linked to achieving agri-environment-climate objectives, specifically listing biodiversity conservation status of species and habitats, public amenity of Natura 2000 sites and other HNV systems. As acknowledged in Article 28, participants in the AEC measure (RDP Measure 10) must be provided with the knowledge and information required for implementation. Article 14 (RDP Measure 1: knowledge transfer and information actions) and Article 15 (RDP Measure 2: advisory services, farm management and farm relief services) can be utilised to integrate and build the required knowledge base into the wider farm advisory system within the Member State. Article 20 (Basic services in rural areas) has the potential to be used to develop measures under other Articles which will benefit, inter alia, Natura and HNV farmland areas. There is also significant potential for the scores linked to the results-based approach to be used as the basis for eco-labelling under Article 16 (RDP Measure 3: quality schemes for agricultural products, foodstuffs and farms). In effect, the following measures (Table 1) in Member States current RDPs (and future equivalent measures post 2020) need to be designed in an integrated and coherent manner to effectively deliver RDP objectives through results-based payment schemes.

1 REGULATION (EU) No 1305/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
2 REGULATION (EU) No 1306/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on the financing, management and monitoring of the common agricultural policy
Table 1. RDP measures of relevance to results-based payment scheme implementation

<table>
<thead>
<tr>
<th>Measure under Regulation (EU) 808/2014</th>
<th>Measure code</th>
<th>Relevant Article in Reg. (EU) 1305/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge transfer and information actions</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Advisory services, farm management and farm relief services</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Quality scheme for agricultural products and foodstuffs</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Investments in physical assets</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Basic services in rural areas</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Agri-environment-climate</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Natura 2000 and Water Framework Directive Payments</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Co-operation</td>
<td>16</td>
<td>35</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>20</td>
<td>51-54</td>
</tr>
</tbody>
</table>

The results-based payments approach under the AEC measure has been demonstrated to be a useful tool in the delivery of wider RDP objectives. Clear coherent objectives implemented through maximising the synergies and mix of Articles currently available within the regulatory framework can facilitate the wider roll out of RBAPS.

**Key Barriers**

This pilot project and previous RBAPS initiatives in Europe⁴ have consistently highlighted the potential of results-based approaches to AEC measures to be effective in delivering the desired biodiversity output. Despite the possibilities afforded by the current regulatory framework, RBAPS are the exception rather than the norm across the EU. So why are RBAPS measures not more widely implemented across the EU?

The project has identified barriers to the wider use of RBAPS to meet agri-environment-climate objectives. These include:

- Lack of familiarity with RBAPS approach among farmers and administrators.
- Perceived greater financial risks for farmers when payments are linked directly to results, compared to more traditional action-based approach.
- For administrations RBAPS is just one of many approaches to meeting RDP priorities and there is currently no incentive to implement results-based actions.
- Current administrative systems are set up to deal with action-based approaches and authorities are increasingly risk-averse due to current overriding focus on controllability and audit rather than performance⁵.
- There can be increased uncertainty around annual budget projections which can impact on financial planning.
- There can be concern of added administrative complexity when integrating action-based and results-based actions in member states AEC schemes.
- WTO rules, and interpretation of same, limit scope for more innovative approaches to costing RBAPS.
- RBAPS require long-term commitments (>7 years) to achieve lasting improvements and the current policy timeframe is a limiting factor.
- Up-front costs assumed to be higher for results-based than similar action-based schemes (e.g. the costs of defining and testing indicators, of training staff, farmers, advisers and inspectors, preparing publicity, etc.). Note: well-designed action-based schemes would have similar costs.

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⁴ RBAPS Best practice and guidance from around Europe http://ec.europa.eu/environment/nature/rbaps/Articles/6_en.htm
Recommendations

The policy framework must enable regulatory and institutional innovation at Member State level with a clear focus on incentivising results rather than penalties. An integrated approach is needed to ensure that improvements in the quality of the results delivered are adequately rewarded. Clear objectives and targeting are a prerequisite for well-designed RBAPS measures. The need for co-operation, knowledge-sharing, capacity and trust building are essential to successful implementation. Long-term commitments to sustain a "market" for public goods and ecosystem services are needed. This will give clear signals to farmers that it is worthwhile adapting their farm business to enhance biodiversity and associated ecosystem services as an additional output from their farm. There are currently significant delays in the implementation of AEC measures between Member States’ successive RDPs. A firm commitment is required to roll-over successive AEC measures without the current breaks (of uncertain duration) in order to alleviate the resulting insecurity in these new markets for public goods and ecosystem services.

A dedicated Article within the rural development regulations in CAP post 2020 is needed and is one approach to ensuring more widespread uptake of results-based measures within Member States. The implementation regulations need to be cognisant of the RBAPS measures and they need to be facilitated within the financial management and monitoring regulations. These regulations need to be accompanied by clear updated guidance from the Commission integrating member states and third country experiences of results-based AE measures. This will add to the tool box of measures that member states have to deliver on the CAP priorities. The regulatory framework and Commission guidance needs to make it easy for Member States to implement the best option (i.e. action-based, results-based or hybrid payment schemes) that meets their stated objectives for specific regions, informed by best available evidence. Overall, the programming process for rural development needs to avoid inertia, encourage innovation and have a clear results focus. A targeted and flexible approach to the combinations of measures used needs to be adapted to meet defined objectives and priorities of future rural policies.

RBAPS measures can be designed to fit within the existing CAP structure and would not add to the administrative burden on the farm business. From the outset of the CAP cycle we recommend an integrated “CAP framework contract” for services between the managing authority and the farmer. This contract would integrate both pillar I and pillar II payments to the farm business with clear farm level objectives/priorities, commitments and deliverables. With a clear focus on results this contract should facilitate an adaptive management approach, enabling the farm business to adapt to changing conditions and emerging challenges (both socio-economic and environmental) in order to maintain a clear focus on delivering on the objectives. The need for integration between different pillars of CAP is clearly illustrated in this pilot. For example, differences in the application of cross compliance rules between crops in different locations adds to the complexity of setting the baseline for agri-environment commitments.
The current regulatory framework limits the costings of AE schemes to extra costs incurred and income foregone. Results-based measures are defined on the results not on the production method used to achieve them. As such they can be deemed to be difficult in terms of premium calculation where additional information is needed as a basis for calculation. This can be done using the opportunity costs of production of the required results; or costs of management and income foregone of practices which are generally considered a requirement of the delivery of the results. It must be noted that where there are significant natural constraints on intensification of production, abandonment is the major threat to maintenance of biodiversity dependent on agricultural systems. In this case the full cost of management incorporating a fair price for farm labour needs to be used as the basis for costings. An incentive or reward element for improvement in result needs to be designed into the costings with payments levels set accordingly. Current WTO “green box” rules can be met by setting the maximum payment level within the maximum cost and income foregone calculated for a particular measure.

Raising awareness and knowledge of the RBAPS approach is needed to facilitate wider uptake of this type of measure. Commission guidance and best practice examples on RBAPS need to be provided to member states at an early stage in the design of their Rural Development Programmes. The European Network for Rural Development has a key role to play with regard to knowledge sharing.