

## Workshop on

# Agri-environment-climate Measures (AECM): Challenges of controllability and verifiability

# 7 December 2016 Brussels







## **Table of Contents**

Abb	previations	3
1.	Background and Overview	
1.	Introduction	5
2.	The Agri-environment-climate Measure: Expectations and requirements for selectedinterventions	
3.	Experiences from auditing agri-environmental measures	7
4.	Input reduction support	8
5.	Risk of double funding	9
6.	Collective approaches to AECM	10
7.	Group work – designing and implementing audit-compliant result-oriented AECM	11
8.	Conclusions and Next steps	13
Anr	nex	14
A	Results of the Group work	14
В	Participants' Feedback	15





## **Abbreviations**

AEM Agri-enivironment Measures

AECM Agri-environment-climate Measures

CAP Common Agricultural Policy

DG AGRI Directorate-General for Agriculture and Rural Development

DG ENVI Directorate-General for Environment

EAFRD European Agricultural Fund for Rural Development

ECA European Court of Auditors

EFA Ecological Focus Areas

EIP European Innovation Partnership

ENRD CP European Network for Rural Development Contact Point

EU European Union

FAQs Frequently Asked Questions

GIS Geographical Information System

IACS Integrated Administration and Control System

IFT Indicator of Frequency of Treatment

MA Managing Authority

OTSC On-the-spot checks

PA Paying Agency

RDP Rural Development Programmes

WTO World Trade Organisation





#### 1. Background and Overview

The Directorate-General for Agriculture and Rural Development (DG AGRI) and the European Network for Rural Development Contact Point (ENRD CP) recently responded to the interest of programme agencies to exchange experiences on the programming and implementation of Agri-environment-climate Measures (AECM) by organising a workshop on the subject.

AECM are funded under the European Agricultural Fund for Rural Development (EAFRD) and are a longstanding element in the instrument portfolio of the Common Agricultural Policy (CAP) to which Member States usually allocate a significant part of their budgets. In the current programming period 2014-2020, this is the second most important measure in terms of financial allocation.

In this period and with the implementation of the "Greening" under Pillar 1 of the CAP, the implementation of this measure, along with some other area-based measures, has become more complex as the risk of double-funding has increased.

Moreover, there is high interest in further developing AECM and making them more effective, efficient and simpler in the implementation at authorities' and beneficiaries' levels. These include the complex aspects of controllability and verifiability. So far, the most commonly applied approach to AECM has taken the form of interventions where the activities to be carried out by farmers are prescribed ex-ante by managing authorities and controlled. Yet, in this kind of AECM the verification of the intended environmental output turns out to be challenging. This is the reason why there has been a general demand for finding a solution to this problem to improve efficiency of AECM.

This has led to the implementation of some new approaches to AECM in some Rural Development Programmes (RDPs) in the 2014-2020 funding period. Frequently such new approaches have been tested in pilot projects or nationally funded schemes before they were programmed under the EAFRD. The most common among those approaches are the implementation of AECM through collective approaches, result-based measures or new methods of supporting input reduction. However, such interventions under the EAFRD often present certain challenges among which those linked to controllability and verifiability.

Against this background, a workshop was organised in Brussels on 7 December 2016 on AECM and the related challenges of controllability and verifiability. The event brought together more than 80 representatives from national and regional Managing Authorities (MAs) and Paying Agencies (PAs), and representatives of Environmental Ministries, the European Court of Auditors (ECA) as well as DG AGRI Desk Officers and members of the Commission's Directorate-General for Environment (DG ENVI). At the event, participants discussed examples presented by Member States (both from the Managing Authorities but also other stakeholders) and the experiences of the experts from DG AGRI's horizontal and audit units and the ECA. Among other things, sessions focussed on how to deal with the risk of double funding, how to better design the support to input reduction as well as on designing and implementing novel approaches to AECM such as collective and result-based approaches. Practical exercises on designing audit-compliant result-based AECM revealed that it is challenging to rethink the programming approach for AECM so that measurable results form the core of the interventions.

In addition to this brief workshop report, the ENRD CP will produce and circulate a set of factsheets on the main topics discussed at the event, and will publish it on the <u>event website</u>. DG AGRI and ENRD CP are aware that programme agencies, and other rural stakeholders are interested in this subject and will try to make the results of the workshop accessible to a wider audience.





#### 1. Introduction

09.30 - 09.40

Welcome

The workshop was opened by Martin Scheele, Head of Unit H1, DG AGRI. Setting the scene for the event, he pointed to two key challenges related to the implementation of AECM: a) how to achieve the intended results of AECM; and b) how to verify the achievement of those results, i.e. provide evidence for the declared outcomes.

Two approaches to AECM can be distinguished: a compliant-oriented approach, where the management practice is a central element of the concept of a measure, and a result-based approach. There are challenges associated with both.

For the *practice compliant-oriented approach*, which is currently dominant, the design of operations with regard to commitments, activities carried out by farmers and eligibility rules, have to be based on reasonable assumptions that intended outputs might be achieved. These assumptions have to be backed by science or practical evidence. Yet, in most cases there is a challenge to verify the final results of the interventions.

When setting up an AECM following the *result-based approach,* it can be difficult to calculate and justify the level of payments to farmers as production methods are not defined in advance in such schemes.

Independently of the approach applied to an AECM, payment rates have to be based on calculations of the income forgone and additional costs, and have to be compliant with agreements with the World Trade Organisation (WTO) (Annex 2 of the WTO agreement on agriculture is particularly relevant).

Furthermore, when implementing an AECM, it is necessary to consider the interactions with other area-based interventions, such as greening. Double funding has to be avoided.

Martin Scheele underlined, that one purpose of this workshop is to build programme agencies' capacities. Yet, participants should regard this event not only as an opportunity to bring forward their questions to the EU Commission and the European Court of Auditors (ECA), but should also be aware that DG AGRI is interested in ideas from the Member States. There is a particular interest in ideas about how to design and control AECM in the current and forthcoming funding periods to ensure its improved efficiency and effectiveness.

He encouraged participants to identify programming and implementing challenges and to use the workshop as an opportunity for exchanging experience.





# 2. The Agri-environment-climate Measure: Expectations and requirements for selected interventions

09.40 - 10.10

Note: Presentations can be directly downloaded by clicking on the link provided

The Agrienvironment-climate
Measure:
Expectations and
requirements for
selected interventions

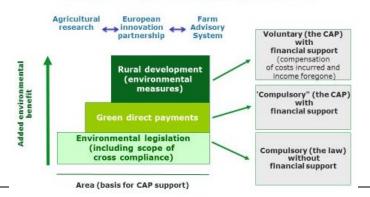
Krzysztof Sulima from DG AGRI, provided a comprehensive overview of AECM, i.e. the EAFRD Measure 10, in the current funding period. He recalled that AECM are one of the main instruments in the CAP contributing to the objective of sustainable management of natural resources and climate actions (see Figure 1 below). The importance of AECM is also shown by its budget, as around 23% of the total EAFRD budget of the period 2014-2020 is earmarked for AECM – although this share has slightly decreased in comparison to the former funding period. He described the core characteristics of an "ideal" AECM: clear objectives; evidence based; clearly going beyond mandatory standards; targeted at specific problem/need; delivering clear result; and controllable and verifiable. He then introduced specific aspects of AECM, which were explored in later sessions of the workshop: support to input reduction, the risk of double funding, collective approaches to AECM, and result-based approaches to AECM.

He also pointed out that the ECA has encouraged the implementation of both collective result-oriented approaches to AECM. He explained that the legal framework has been adapted so that higher transaction costs can be considered in the calculation of payments to farmers implementing the measure collectively. At the same time, he raised the question whether the legal framework is suitable for the implementation of result-based AECM. He clarified that with regard to the challenging aspect of payments calculation the current legal provisions do provide scope allowing calculating premia for result-based AECM based on the existing principle of income loss and additional costs. Furthermore, he pointed to the potential of linking AECM with advisory services and research activities (see Figure 1).

Figure 1: Environmental architecture of the CAP

Source: Slide 7 of the presentation provided by Krzysztof Sulima

#### **Environmental architecture of the CAP**







### 3. Experiences from auditing agri-environmental measures

10.10 - 10.35

Note: Presentations can be directly downloaded by clicking on the link provided

Experiences from auditing agrienvironmental measures

**Paolo Rexha**, from the **European Court of Auditors** (ECA), Head of the Module for area transactions co-financed by EAFRD, presented the Court's experiences of auditing AEM.

In particular, he referred to results of assessments carried out for the ECA's Special Report No 23/2014 "Errors in rural development spending: what are the causes and how are they being addressed?", and to the Statements of Assurance for the years 2014, 2015 and - as far as possible - also to the Statement for 2016.

Audits by the ECA include – among other points- assessments of transactions, e.g. the payments paid to the individual beneficiaries/ farmers, and assessments of Member States' delivery and control systems.

The *main cause for area-related errors* was found to be non-compliance with agri-environmental commitments.

Three main *reasons for errors* were identified:

- a) low incentives for farmers to apply,
- b) low control rates for commitments,
- c) low sanction rates for non-compliances.

The presentation included concrete examples of errors, such as non-compliance with the grazing period or with maximum stocking density or some eligibility criteria.

In the discussions, Paolo Rexha explained that it is too early at this stage for the ECA to identify differences between the implementation of AEM in the former period and AECM in the current funding period.





#### 4. Input reduction support

10.50 - 12.00

Note: Presentations can be directly downloaded by clicking on the link provided

# Examples from the Member States

- Approach

   applied in

   France
- <u>Approach</u> <u>applied in</u> England

The first specific session of the workshop focussed on support to input reduction. Examples from two Member States of how such interventions can be programmed and implemented were presented. Then the DG AGRI auditors provided insights into their experiences with related support schemes.

Marion Dominiak from the French MA, introduced the approach to support to input reduction which has been applied in France since the last funding period. The element of the scheme is a so-called "Indicator of Frequency of Treatment" (IFT), with which the use of pesticides on farms and its evolution over time is measured. The IFT is based on the amount of pesticides really applied by farmers and calculated at farm level. Farmers have to record all the treatments applied to crops. Controls include a consistency check with the amounts of pesticides purchased and the stock on the farm.

Russell Todd from the English MA, spoke about their experiences over recent years with a portfolio of interventions to support input reduction. Farmers opt more frequently for full input reduction rather than for partial reduction. It is important to *assess the baseline* with regard to farming practices and water quality. Controls are primarily conducted on the basis of the documentation provided by farmers and on-the-spot checks (OTSC). He pointed to the challenge of establishing a *proportionate penalty system*; the English system takes into account the severity, extent, duration and reoccurrence of the non-compliance. He concluded by raising the question of whether the control and verification regime is and should be proportionate to the environmental benefits aimed for.

Both MAs pointed to the relevance of providing support to input reduction through good *advisory services*.

The auditors' perspective on input reduction operations

**Miguel Lago, DG AGRI Audit Unit**, presented his views on how input reduction measures can be best controlled and how far they can be verified. He made one clear general recommendation "Everything that can be controlled, should be controlled". He explained that none of the commonly applied control methods would provide full assurance on their own but they could be effective when combined.

Q & A Session

The session was rounded off with a **Q&A Session**. Issues raised included, for example, how to establish levels in input reduction schemes, and the calculation of payments. Questions raised by participants in the course of this session will be considered in the supplementary *Fact sheets*.





### 5. Risk of double funding

13.00 - 13.45

Note: Presentations can be directly downloaded by clicking on the link provided

Avoiding double funding: the perspective from the Member States

The first afternoon session dealt with the risk of double funding from the perspective of programming bodies managing authorities and from that of the auditors.

- from the perspective of the Austrian MA
- from the perspective of the Austrian PA
- from the perspective of the Polish MA

In their presentation, Thomas Neudorfer from the Austrian MA and Johannes KneissI from the Austrian PA stated that the risk of double funding can be well approached at different levels and at different implementation stages respectively. Registering all area-based CAP interventions and nature/environmental protection schemes, which entail obligations for farmers, forms an essential corner stone for programming AECM and avoiding double funding. Such a strategic framework is supplemented by a comprehensive *Geographical Information System (GIS) system*, in which the different types of commitments such as *Ecological Focus Areas (EFA)* or AECM commitments, form individual layers. The strategic framework then allows them to establish the *baseline* for AECM payments on different kinds of areas. For some kinds of regimes the proper calculation of payment rates can still be challenging, so these areas are not eligible for AECM. This applies for instance to areas in *National Parks*, where the legal obligations are already quite high.

Anna Jobda, representing the MA from Poland, described the Polish approach to *equivalence* with Greening requirements. AECM packages offered to farmers build on Greening requirements at farm level, with high level of requirements which go beyond the obligatory *Greening* requirements. For instance, if the cultivation of three different crops is required for farms larger than 30 ha for compliance with Greening, the AECM package would stipulate that four crops have to be cultivated. She pointed out that the implementation of these AECM might become challenging if the compulsory Greening requirements were changed in the course of the funding period. Her presentation also clearly demonstrated the complexity of the whole exercise of excluding double funding in AECM due to greening.

Double funding – the perspectives of the auditors **Paolo Rexha**, from the **ECA**, responded to the two presentations from the Member States by saying that auditors consider two important issues when looking at possible double funding; a) that a proper system of administrative controls, OTSC and IT components is in place, and b) that the methods of calculating AECM premia are properly laid down in the RDP.

He provided a brief outlook of the Court's planned *review of the Greening* measures. He pointed out that these assessments will take the form of a performance audit rather than being a compliance audit. The key question to be addressed will be how far Greening can contribute to enhance the environmental and climate performance of the CAP.





#### 6. Collective approaches to AECM

13.45 - 14.35

Note: Presentations can be directly downloaded by clicking on the link provided

First lessons from collective AECM implementation 2014-2020

Jan-Gerrit Deelen and Aard Mulders, both from the Dutch Ministry of Economic Affairs, presented a collective approach to AECM implemented in the Netherlands. As this approach is not a common practice across the EU, they firstly explained the concept before referring to aspects of controllability and verifiability.

The design of the intervention allows AECM to operate at a landscape-scale. A legally constituted collective of farmers applies for an AECM and enters into a 6-year commitment. In this commitment, the framework conditions are fixed. These include, for example: maximum and minimum hectares under AECM in the region concerned, payment rates, and activities to be carried out (adequate activities selected from the menu of operations offered and included in the RDP). Each year in January, the collective submits a management plan with actions to be followed and adapted to the environmental situation (e.g. state of habitats). Parcels under contract have to be defined annually with the general claims for area payments in May. By end of September, collective's management plans with concrete activities to be carried must be fixed which allows for a high degree of flexibility to adapt cultivation patterns to natural condition (e.g. breeding times). To ensure controllability of the commitments, the implementation of the activities has to be notified to the PA two weeks in advance.

The collective has private contracts with the individual farmers and is accountable for ensuring that the AECM commitment is properly implemented. It can establish a buffer of additional parcels beyond the number of hectares stipulated in the AECM commitment, which can reduce the potential for errors and sanctions.

As the size of the statistical population of applicants is one determinant for defining samples sizes for OTSC, using this method, the number of controls to be carried out by the PA can be reduced significantly compared to the situation where all the farmers involved in one collective AECM commitment applied individually. The collective approach followed in the Netherlands is described in detail in a brochure.

Q & A Session

The following features were mentioned as advantages of the collective approach: strong evidence-based, flexible, targeted, offering administrative simplification and costs reduction. The measure's implementation cost has been reduced by a third compared to the "individual" approach.

In the **Q&A Session**, workshop participants expressed great interest in exploring the implementation of the collective approach in more detail. Questions were raised on the designation of parcels under AECM





commitments and their registration in the *Integrated Administration and Control System (IACS)*, control aspects, catalogue (menu) of activities proposed as well as on the possibility of establishing a *buffer of AECM parcels*.

Questions raised by participants in the course of this session will be considered in the supplementary *Fact sheets*.

## 7. Group work – designing and implementing audit-compliant resultoriented AECM

14.50 - 16.45

Implementing result-oriented AECM: adapting the concept to EAFRD 2014-2020:

- <u>An example from</u> <u>Romania</u>
- <u>An example from</u> Ireland

Note: Presentations can be directly downloaded by clicking on the link provided

The final session of the workshop focussed on the elaboration of auditcompliant and result-based AECM.

As an introduction, two examples of interventions following a result-based approach were presented:

**Razvan Popa**, from the **ADEPT foundation**, **Romania**, presented a pilot project, which is not funded under the EAFRD. Support to farmers for grassland management is provided under a system where performance is measured by means of indicator species. To assess performance a list was elaborated, which includes suitable indicators species, which:

- only grow in low intensity hay meadows;
- are associated with high plant & animal species richness;
  - are associated with good quality hay;
  - are not rare; and
  - are sensitive to changes in management.

In total, 30 indicator species were chosen, paying attention that the list included species that were easy to recognize, that flowered from spring to summer, and were indicative of wet, mesic and dry meadows.

Payment rates have been elaborated in collaboration with the Romanian Ministry of Agriculture, so that the scheme – if it is successful-could potentially be transformed into an EAFRD-funded intervention.

Jerome Walsh, from the Irish MA, presented a result-based AECM, which is now funded under the EAFRD but which was originally funded under LIFE programme. Under this measure, grassland management is supported and performance is measured by a scoring system reflecting the overall status of the area rather than the presence of individual species. It turns out that there is a growing number of beneficiaries with a maximum scoring points which





reflects the success of the approach. That result-based measure is complemented by support to capital investments, for e.g. scrub removal. He raised the question, whether such schemes, which are ideally community-led, might be better implemented under the European Innovation Partnership (EIP), where a higher degree of flexibility in controlling results and calculating payment rates would be given.

#### Working groups on:

- <u>Climate-relevant</u> <u>emission</u> <u>reduction</u>
- Improving water quality

The examples presented provided a good entry point for the **group work**. The four groups had the task of elaborating AECM schemes, based on provided case studies, for a given situation including the definition of objectives, results/ indicators, calculation of payment rates and provisions concerning the control and verification of that measure (see description in the Power Point Presentation on the left).

Two groups developed measures aiming at the *reduction of climate-relevant emissions*, the other two groups worked on measures aiming at the *improvement of the water quality in a region*.

The results of the four groups (see Annex A) indicate that it is a challenging task for programme agencies to rethink the approach to AECM spontaneously from practice-based to result-oriented. This exercise showed that while proposing adequate objectives or even setting methodology for payments calculations did not pose most of the problems, it was especially difficult for the participants to identify clear, practical and appropriate indicators to measure the results and the performance of the beneficiaries.

The **auditors** from the ECA and DG AGRI reviewed the four proposals for AECM. In their feedback, they welcomed the proposals from groups which in terms of control opted for the combination of control methods and mechanism e.g. administrative checks accompanied by bookkeeping, invoices control or assessing the livestock density by OTSC, by using the database/animal and register and soil probes.

The results of the group work will be considered in the elaboration of *Factsheet*s, which are to supplement this report.





### 8. Conclusions and Next steps

16.45 - 17.00

Martin Scheele, DG AGRI, who had chaired the workshop provided the wrapup & outlook from the workshop.

Closing remarks

Summing up the main points discussed, he pointed out that

- there is a growing need to have evidence of the outputs achieved under AECM;
- the concepts and technical specifications of AECM as such appear to work, but for their implementation ways for simplification have to be sought;
- result-based approaches offer the promise of enhancing the effectiveness and the performance of the policy [the CAP]. However, the group exercise showed that setting up result-based interventions might be challenging;
- the demand for avoiding the risk of double funding is just one indication that the policy [the CAP] is reaching its limits in terms of manageability. MAs report that it has become too complicated.

Considering that the discussions on the design of the CAP after 2020 have already started, **Martin Scheele** underlined that the EU Commission and the MAs but also various stakeholders have to collaborate in identifying new solutions to provide an actual simplification of the policy as many limited attempts to simplify its implementation have not delivered the necessary results.

Fact sheets, which are to supplement this workshop report, will be circulated among participants and will be published on the <u>event website</u>.



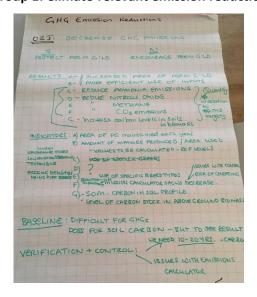


#### **Annex**

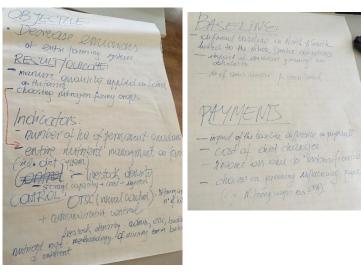
#### A Results of the Group work

#### Main features of AECM operations elaborated by the working groups

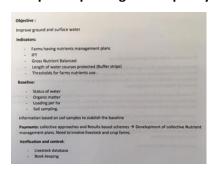
**Group 1: Climate-relevant emission reduction** 



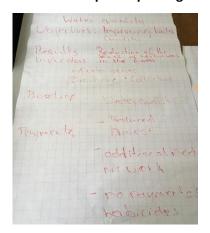
Group 2: Climate-relevant emission reduction



**Group 3: Improving water quality** 



**Group 4: Improving water quality** 









## B Participants' Feedback<sup>1</sup>

How do you rate the <i>overall organisation</i> of the event?				
The organisation of the event	Excellent	Good	Fair	Poor
Communication about the event and prior-planning	8	9	3	
Suitability of the venue	4	9	7	
Organisation of the event whilst in Brussels	6	11	2	
Opportunities for networking (exchanging views) and making new contacts during the event	9	11		
Overall judgement	34%	51%	15%	

#### Any suggestion and comments on the organisation:

#### How do you rate the *overall content* of the event?

Overall content of the event	Excellent	Good	Fair	Poor
The <b>usefulness of the outcomes</b> of the event for your work	6	13	1	
The <b>relevance of the information</b> provided (e.g. through presentations) for your work	7	12	1	
The extent to which you <b>improved your skills</b> during the event for your work	5	9	6	
Overall judgement of the session	30%	57%	13%	

#### Any suggestions and comments on the content/quality: 3 entries

- 1) More examples from MS for specific topics;
- 2) the work in groups was too short to address correctly the issues;
- 3) ENRD provided a good overview in 1 day.



 $<sup>^{\</sup>rm 1}$  Out of 85 participants, 20 completed the questionnaire.



How do you rate the specific sessions of the event?				
Measure 10: Expectations and requirements for selected interventions (09:40-10:10)	Excellent	Good	Fair	Poor
Relevance of topic of the session	10	10		
Quality of information provided	8	11	1	
Usefulness of the outcomes of the session	5	14	1	
Overall judgement of the session	38%	58%	3%	
Experiences from auditing agri-environmental measures (10:10-10:35)	Excellent	Good	Fair	Poor
Relevance of topic of the session	9	8	2	
Quality of information provided	5	7	6	1
Usefulness of the outcomes of the session	5	14	1	1
Overall judgement of the session	33%	40%	23%	4%
Input reduction support (10:55-11:40)	Excellent	Good	Fair	Poor
Relevance of topic of the presentation	7	12		
Quality of information provided	3	14	2	
Usefulness of the outcomes of the presentation	2	14	3	
Overall judgement of the session	21%	70%	9%	
Q&A Session (11:40-12:00)	Excellent	Good	Fair	Poor
Value of discussion/ exchange with participants	(22%)	8 (44%)	5 (28%)	1 (6%)





#### How do you rate the specific sessions of the event? Risk of double funding (13:00-13.45) Excellent Good Fair Poor Relevance of topic of the session 5 3 11 2 Quality of information provided 4 13 Usefulness of the outcomes of the session 1 14 Overall judgement of the session 14% 67% 19% Collective approaches to AECM (13:45 – 14:35) Excellent Good Fair Poor 5 2 Relevance of topic of the session 12 6 1 Quality of information provided 12 Usefulness of the outcomes of the session 2 12 Overall judgement of the session 63% 9% 28% Q&A Session (14:15-14:35) Excellent Good Fair Poor Value of discussion/ exchange with participants (39%) (50%) (6%) (6%)





## How do you rate the specific sessions of the event?

Group work – designing and implementing audit-compliant result-oriented AECM (14:50-16)	Excellent	Good	Fair	Poor
Relevance of the session and quality of the concept of the group work		12	3	1
The value of the discussion during the working group (e.g. gaining new ideas, hearing about practices of others, etc.)		9	6	1
The usefulness of the information reported back from various working groups		8	6	
Overall judgement of the session		65%	33%	4%

## Please describe one key message / lesson learnt that you take away from this event: 9 entries:

- 1) Workshop cases did not match the outcome based payments;
- 2) too warm in the room, location not adapted for this group, Sound and view was poor of the presentations, not enough space for group work, Group work was interesting but difficult to attend.
- 3) To get some paper for the discussion in advance. to discuss only one (no widely) topics.
- 4) Was the goal of the work to: -check MS how to design a good measure?, verify if the MS want to design an RR measure?
- 5) Room too small and networking AECM must be continued.
- 6) Message from the auditors: no checking method ensures 0% of error rate, but combining different methods can improve the system of control.
- 7) For group work, better to do it earlier in the day with more time to exchange between MS.
- 8) Workshop very helpful; suggestion to building working groups again for similar AECM.
- 9) this is all very difficult.
- 9) The AECM is complex , and measure design takes a great deal of thought and time.

