



European
Results-based
Payments
Network

Workshop on results-based payments,
Caernarfon 12-13/03/2024

Calculating payments; combining measures

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Ariennir gan
Lywodraeth Cymru
Funded by
Welsh Government

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Google Earth



Public and private not the same

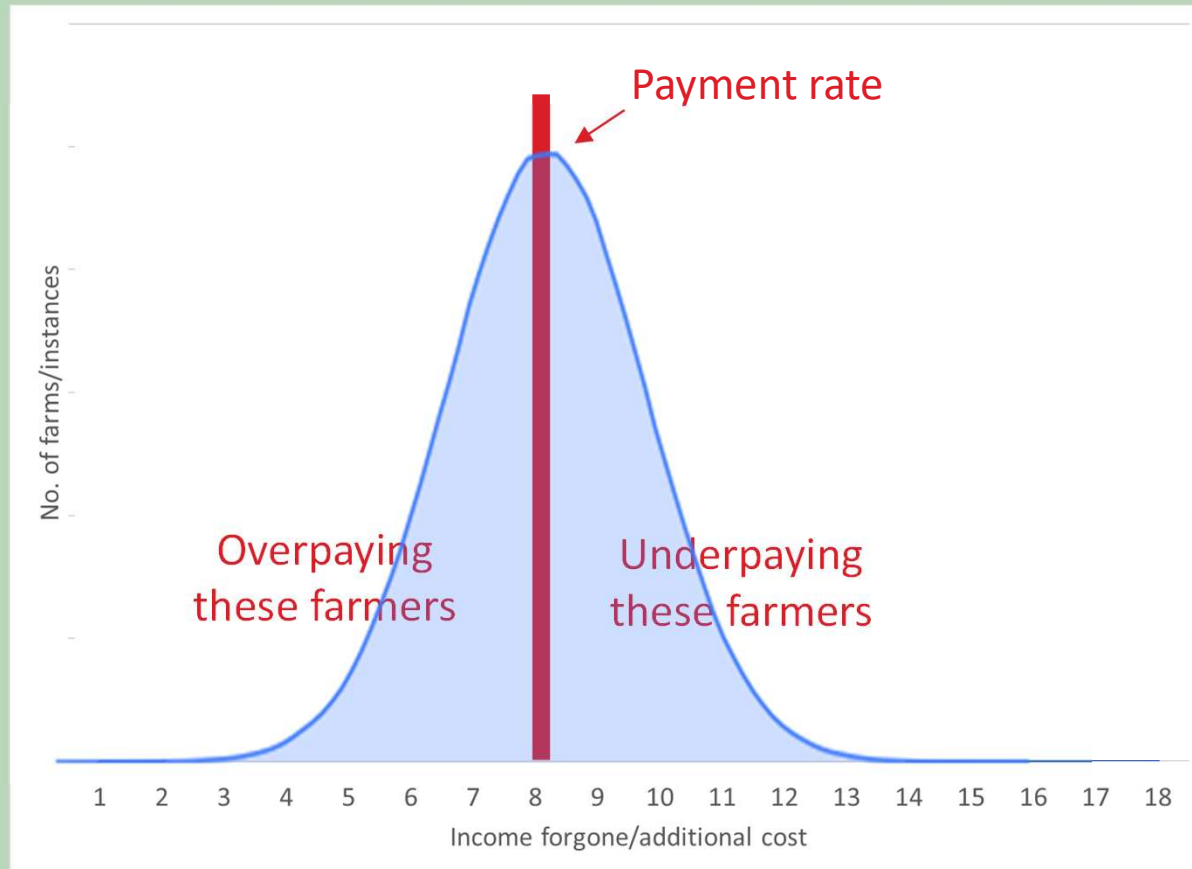
- Tight control on what is paid for is unavoidable (but implications vary a lot)
- Key things for auditor – clarity and no surprises?
- Predictability is prized
- Subject to international treaty obligations
 - WTO Agreement on Agriculture
 - Green box payments limited to additional costs and income forgone
 - (other payments possible, but limited in scale by treaty)



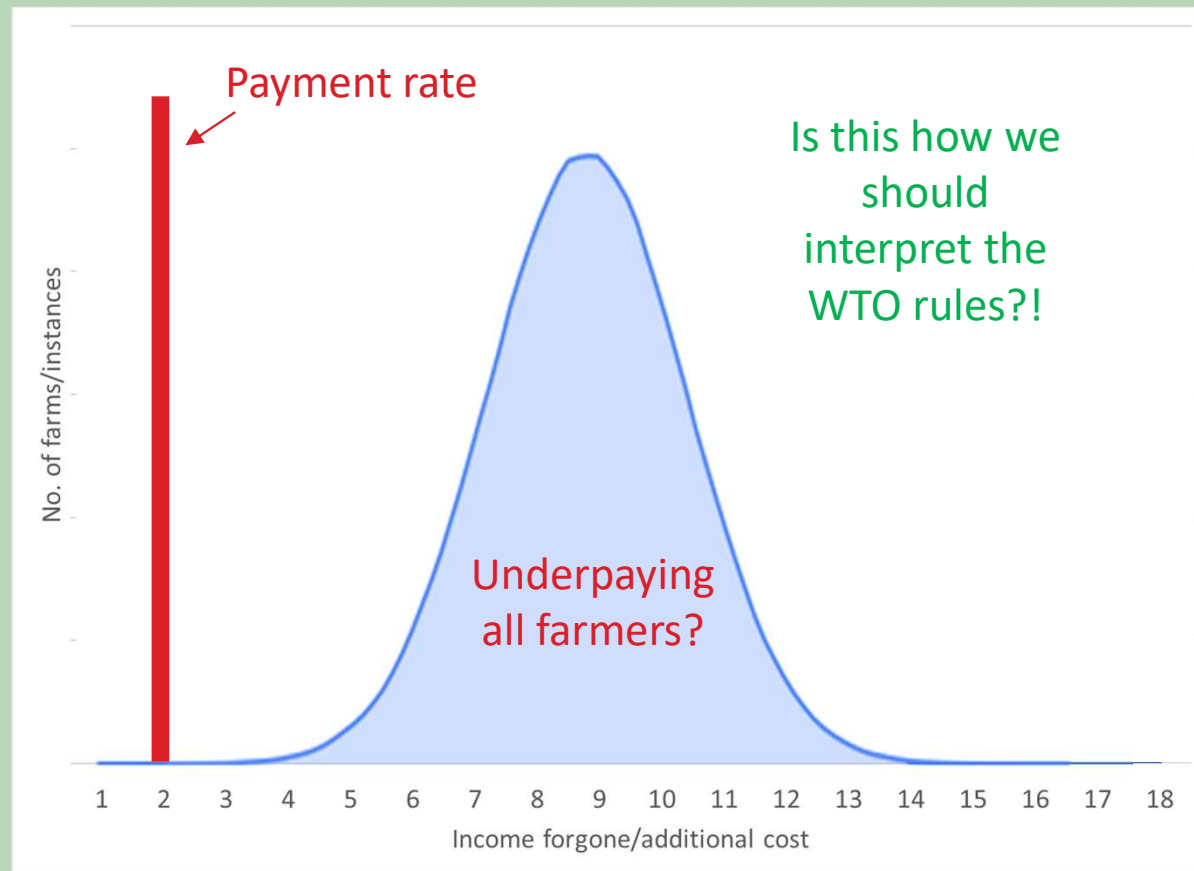
How limiting is WTO in practice?

- Less talk about going beyond Green Box from WG?
- Name a payment with full reimbursement of additional costs (or income forgone)
- Tradition in UK of imagining an income forgone even on uneconomic systems (incl. systems paying less than minimum wage for farmer's time)
- Work for Land Use Policy Group showed how broad a WTO-compatible approach could be
 - Additional costs including full cost of labour (not just minimum wage if opportunities in wider economy locally)
 - Opportunity costs of other incentives (e.g. afforestation)
- Clear link, in principle at least, to specified costs limits wastage and at least highlights freeloading

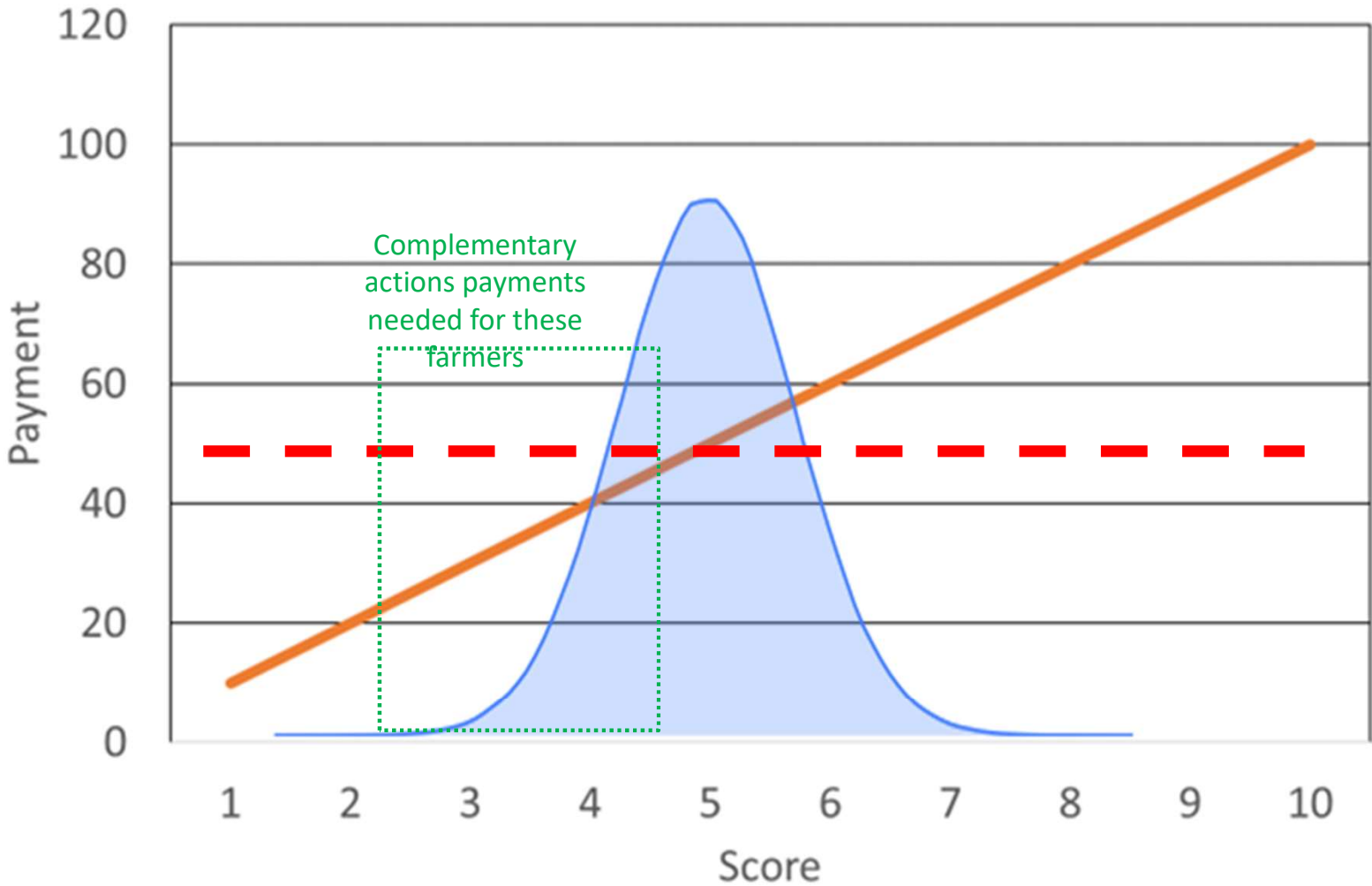
Remember you're always making choices/assumptions



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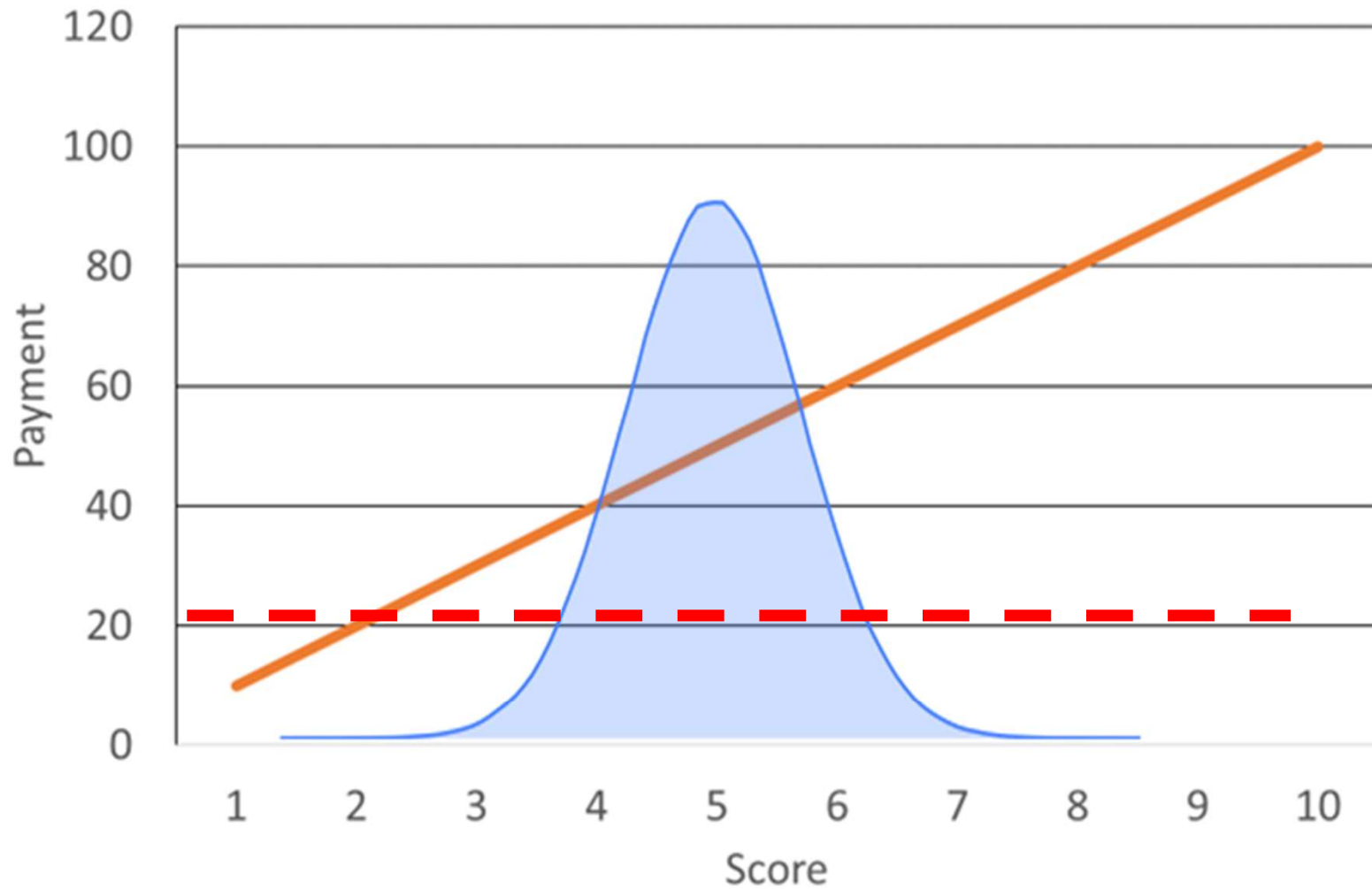


Arguably a fair scenario



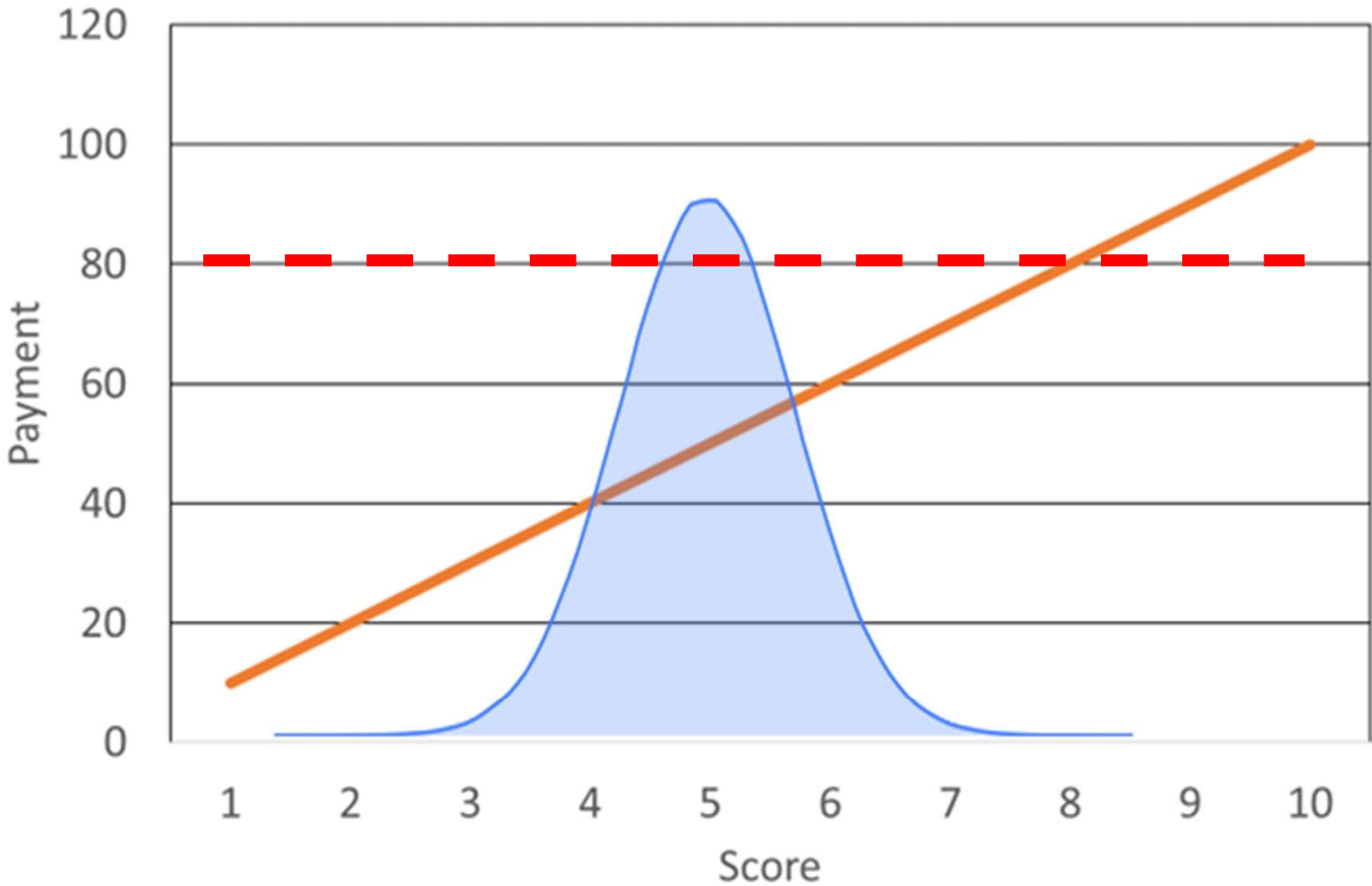
Representative net cost/income forgone of positive management regime

>> additional costs – not Green Box compliant; waste of money



Representative net cost/income forgone of positive management regime

Unrealistic, probably ineffective, situation

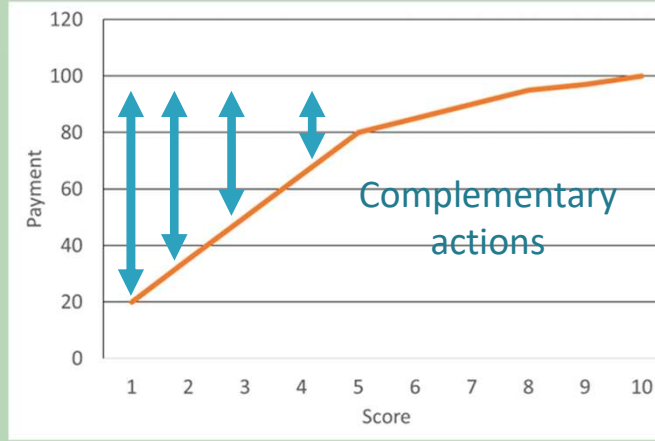
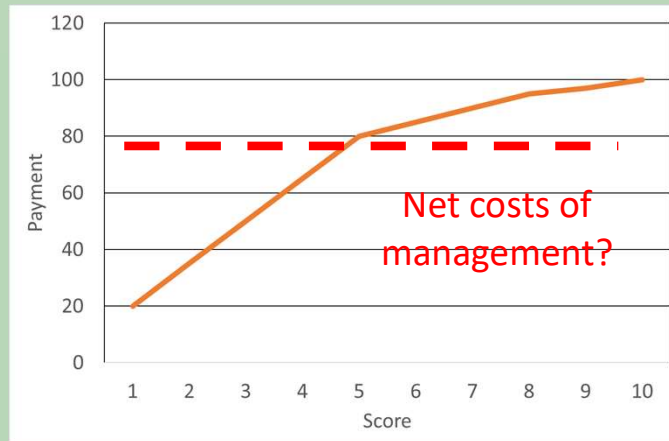
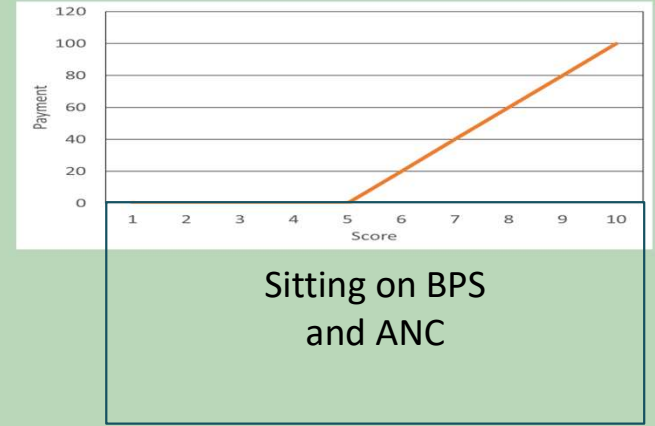
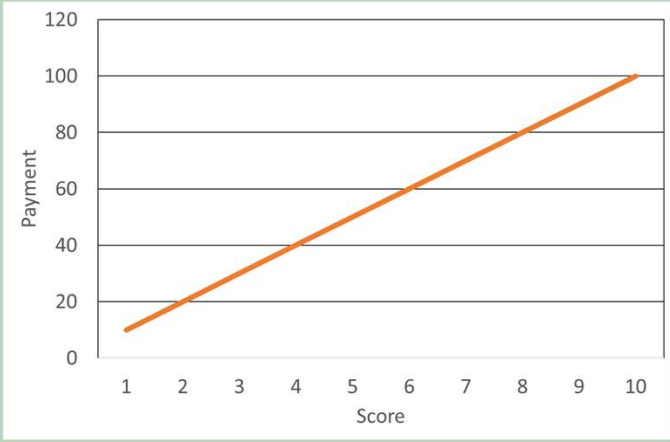


Representative net cost/income forgone of positive management regime



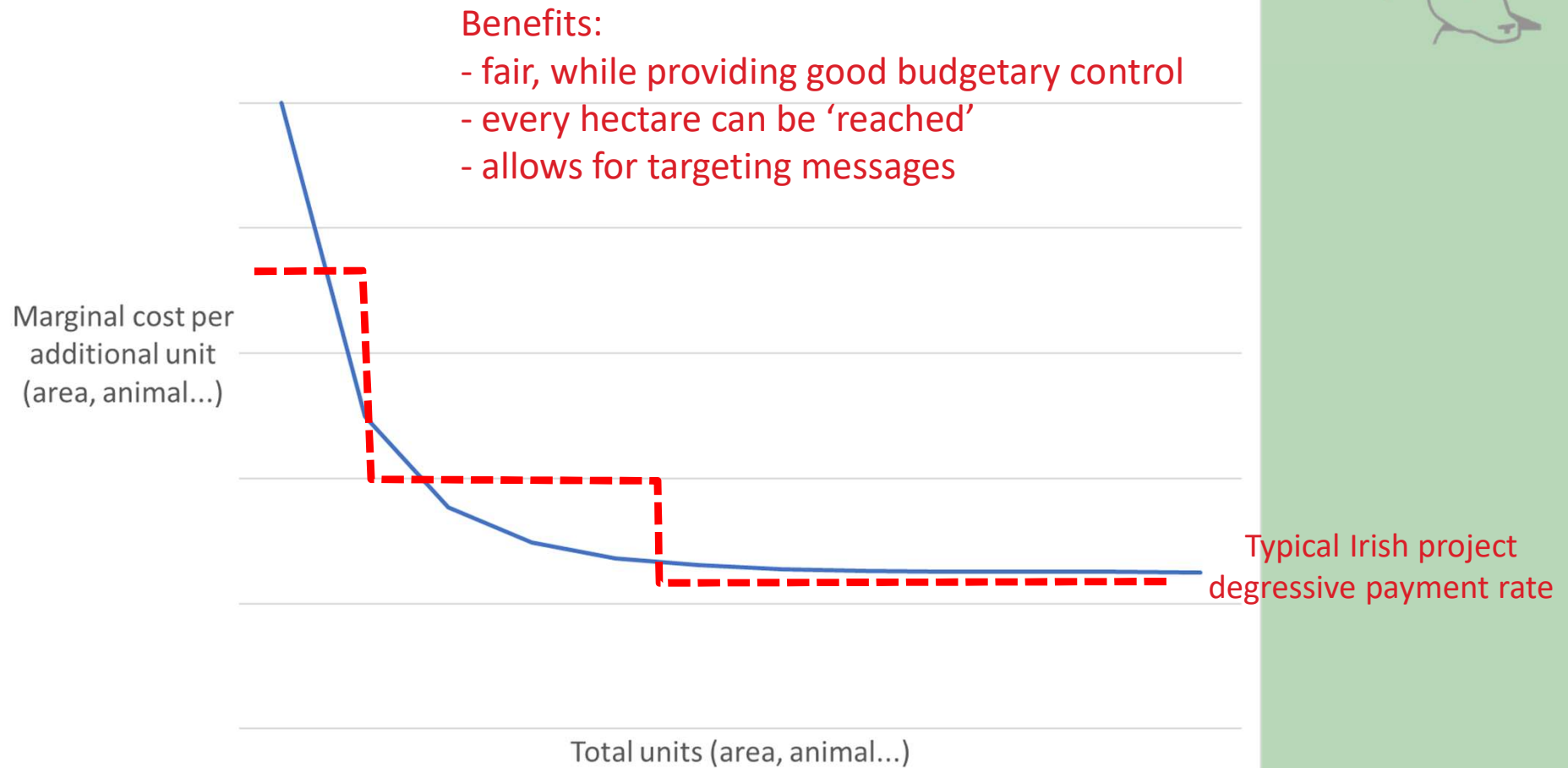
Item	per LU	per ha	Source; comment
<i>Per LU costs</i>			
Hill sheep farms management and investment loss	237.52	118.76	IBERS
Extra labour of hill cattle (half of stocking rate)	75.00	37.50	QMS – half of difference in labour cost between hill and upland
Wintering (half of stocking rate)	104.00	52.05	Exeter – half of calculated cost
Extra 2 TB tests, taking <u>ave.</u> cost for 20 tested animals	13.74	6.87	Steffan Vets, pers. comm.
<i>A. Sub-total per LU costs</i>		<i>215.18</i>	
<i>Per ha costs</i>			
Additional costs of management		22.50	Glastir
Additional management costs of heavy stock		15.00	Glastir
<i>B. Sub-total per ha costs</i>		<i>37.50</i>	
<i>C. Sub-total field-based costs</i>		<i>252.68</i>	A + B
<i>D. Transaction costs 20%</i>		<i>50.54</i>	20% of C
<i>E. Total estimated cost</i>		<i>303.21</i>	C + D

Table 7. Calculation of estimated costs for a stocking density of 0.5 LU/ha

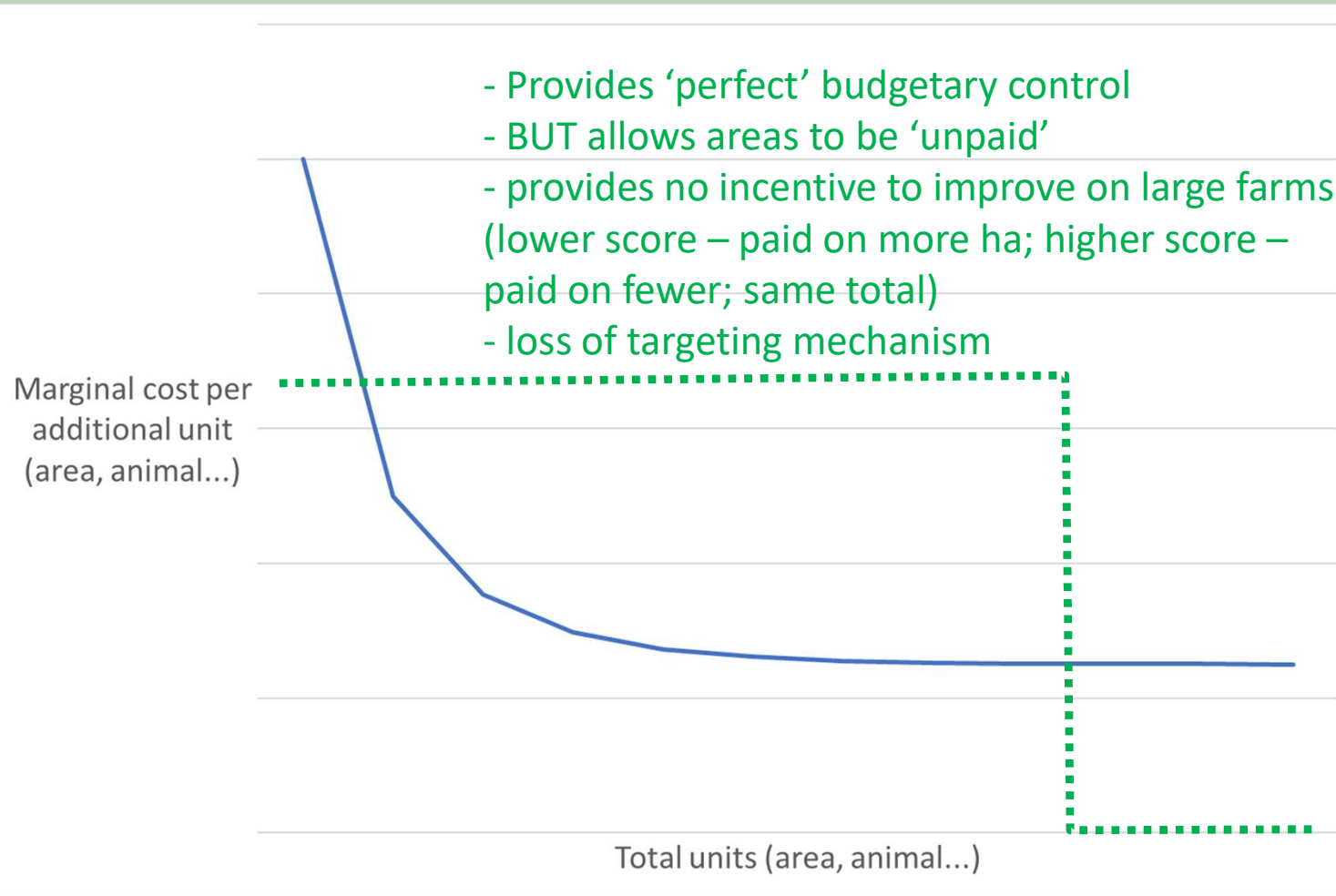


(not forgetting any transaction costs on commons)

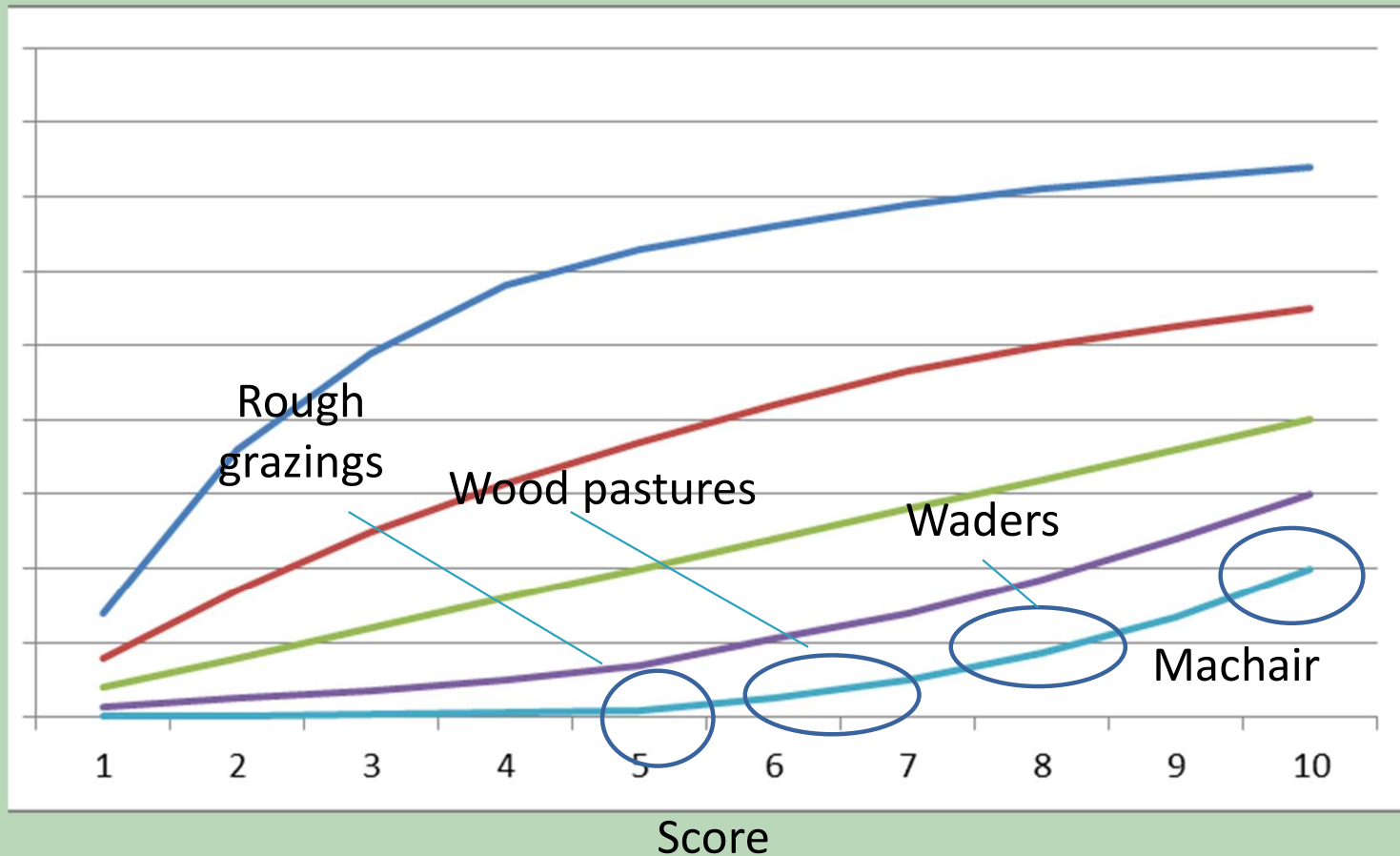
Variable marginal cost



Variable marginal cost



A suggested landscape-wide approach from Scotland



At HOLDING level

First 2 ha

Next 3 ha

Next 5 ha

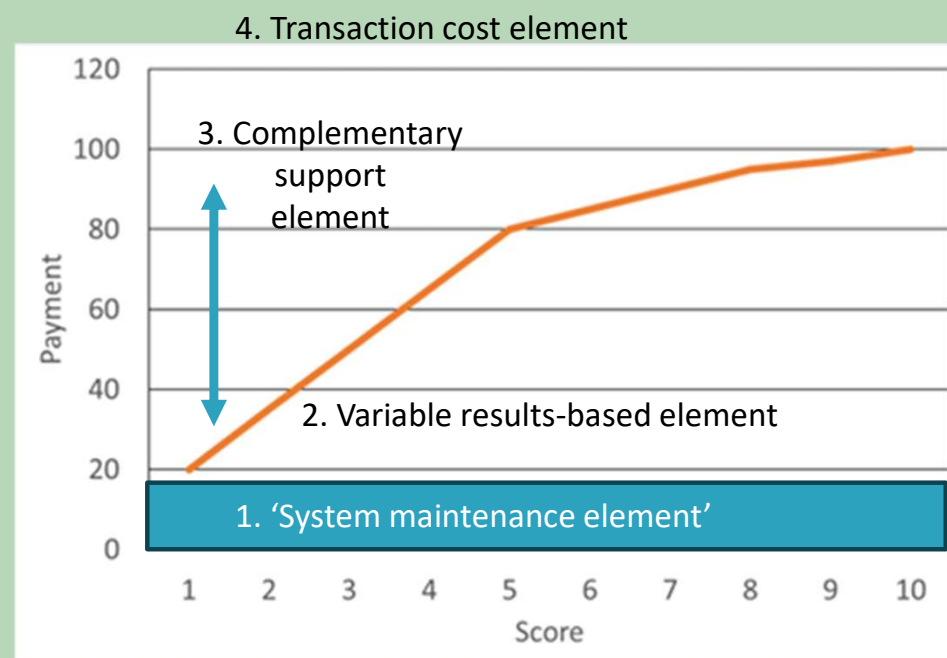
Next 10 ha

Subseq. ha



Allocating budgets

- If budget tight, the bigger the prop. needed for system maintenance (while the higher the policy push for targeting additionality....)
- Complementary support may not be one-off or time-limited if condition hard to shift
- Complementary support might even have a flexibly-prescriptive feel
- Fixed total = complementary + variable (+...)
allows for budgetary discipline
- Trialling gives good estimate of initial scores (& therefore results-based element cost)
- Transaction costs may recognise patterns (e.g. high for commons; high for smallest holdings or small fields)





Advisory/support staff

- Essential for effective delivery, whatever the approach
- How to pay for the support?
 - Agents of the state?
 - Agents of farmers?
 - Possible mixed approach?
- Some example approaches to budget/who pays:
 - Ireland
 - Austria
 - Netherlands



Combining measures

- Depends how you divide up/describe your measures
- AECM
- Non-productive investments
- Cooperation measure (old SMS; old EIP groups...)
- Training
-
- Burren – AECM; non-productive investments; technical assistance
- ACRES CP – AECM; non-productive investments; cooperation measure
- Key thing is as seamless, as policy-outcome-focussed, a package design as possible