



EXPLAINER: PAYMENTS FOR AGRI-ENVIRONMENT SCHEMES BY RESULTS

Replacing prescription based agri-environment schemes with a system that rewards farmers in proportion to the environmental outcomes they provide, regardless of how they are achieved, is being considered by policy makers. This explainer summarises the idea of results-based payments, how they might work and the strengths and weaknesses of the idea.

What are results-based payments?

Results-based payments are agri-environment schemes where farmers and land managers are paid for achieving a pre-defined environmental result or outcome. In general, the better outcomes a farmer achieves the higher the payment they receive. This differs from traditional or action-based agri-environment schemes, as the farmer has greater flexibility in what management they undertake and payment varies based on delivery.

Research undertaken for the European Commission¹ identified a small number of schemes where farmers received payment for environmental outcomes without any management prescription – these are referred to as ‘pure’ results-based payment schemes.

The majority of active schemes are hybrids, where part of a payment is linked to delivering biodiversity results, and part for complying with a prescribed management regime.

How does it work?

At their simplest results-based schemes involve the following process:

- 1. Environmental objectives are set for a specific option**
 - For instance, ‘Maintain species rich grasslands with their typical plant communities’
- 2. Success indicators are created**
 - Indicators include a defined list of which plant species should be found if the environmental outcome is being achieved.
 - Indicator species must be: representative of the target habitat or species; present consistently in target farmland habitats in the area; easily identified by farmers and by representatives of the paying agency; measurable using a simple methodology; sensitive to changes in agricultural management, but otherwise stable over time; unlikely to be influenced by external factors beyond the control of the land manager; and not achieved easily by means other than agricultural management
- 3. Payment rates are determined and thresholds created**
 - Most schemes include thresholds of improving environmental performance. For each of these thresholds, a different set of indicator species must be observed before the linked payment is released.
- 4. An agreement is produced and signed off by the authority and farmer**
 - The agreement will set out the objectives, indicators, thresholds and payment levels as well as any other relevant information, such as any management prescriptions; terms and conditions etc.
 - Capital works are likely to be provided in addition to land management agreements.

¹ Available from <http://ec.europa.eu/environment/nature/rbaps/>



5. **Farmer undertakes work**
 - Unless otherwise stated, the farmer is able to manage the land as they see fit.
 - The farmer is primarily responsible for tracking progress through, for instance, monitoring changes in indicators.
6. **The authority audits progress towards meeting environmental objectives**
 - The authority inspects the sites and, using the agreed indicators and thresholds, determines to what extent the farmer has met the environmental objectives.
7. **Payment is provided based on results**
 - Based on the thresholds and status of indicator species the farmer receives their payment.

What is the current status?

This is not a new idea. There was a small-scale scheme for hay meadows operated by the Peak District National Park Authority during the late 1980s. The UK Conservation agency network (LUPG) also commissioned a study that was completed in 2009. Uptake has been limited by the limited resources within environmental authorities and the undoubted challenges of testing and creating an effective system.

Specific challenges include which options are best suited for this approach, how to set payment rates, how to define 'success', whether to use a pure or hybrid system, relationship with 'traditional' schemes and the administrative implications for regulators and applicants.

There is a renewed interest at the European level. This is because of increasing concern about how effective agri-environment schemes are, and the limitations of 'one-size fits all' approach to prescriptions and payments. More recently, stakeholders and authorities are aware that the current control and verification system for Countryside Stewardship is too onerous and discouraging farmers from the scheme.

There is nothing in the current EU rules to stop results-based payments. Rather the challenge is how managing authorities – such as Defra – can design effective schemes. The current focus in Europe, and those Member States that are interested in the approach, is therefore on understanding where this approach works, what are the administrative and cost implications of such a system and what needs to be done to develop it further.

In 2012, the European Parliament asked DG Environment to review results-based schemes across Europe. The Commission recently published a Guidance Handbook for the 2014 – 2020 CAP and created a small fund for pilot projects. Natural England was one of three successful bidders for this fund.

The Natural England project has two elements: the first is in Wensleydale (in partnership with YDNPA) and is testing results-based payments for upland grassland options; the other is in Norfolk/Suffolk (led by Natural England) and is focused on arable options. The CLA has visited these projects and is inputting into their development.

Post-EU exit

There is a lot of interest from stakeholders and policy makers about including results based payments in a post-EU exit agricultural policy. This interest is driven in part by the need to say something new, but less cynically there is an emerging consensus around the principle that the level of financial support should be linked to the scale of environmental delivery. The



counter is that the design and delivery of any such programme needs to remain attractive both financially but also administratively to potential applicants. Regardless of the merits of a specific system, there is little value in it if the management costs and risks are too high and applicants do not engage.

Analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT) of results-based payments

The following includes a high-level analysis of results-based payments.

Strength	Weaknesses
<ul style="list-style-type: none"> • Greater flexibility in managing their land for farmers and land managers • Farmers can use their knowledge and experience to deliver environmental results in a way that is consistent with the rest of their farm business. • Potential to reduce administrative / control and verification requirements • Farmers are incentivised to deliver better environmental outcomes • Proponents say that results-based schemes lead to greater farmer awareness and engagement with biodiversity management; especially where schemes are supported by training and advice 	<ul style="list-style-type: none"> • Initially any such system would require a substantial amount of administrative time and effort • Applicants have to accept an additional level of risk when signing an agreement as the total payment is not assured • Current evidence is insufficient to create indicators for more than a handful of options • Schemes are likely to be limited to biodiversity outcomes, as indicators related to water quality and climate change are less robust (especially true for water quality)
Opportunity	Threat
<ul style="list-style-type: none"> • Potential to create a more flexible system that is developed by those working on the ground • Likely that environmental outcomes will improve • Control and verification is focussed on high risk options and activities only, reducing the total burden • Some schemes have created competitions and celebrate the best performing farmer in a given area. This has created friendly competition between farmers • By supporting activities that deliver and incentivise good environmental outcomes, it is easier to make the case that the sector is delivering value for money 	<ul style="list-style-type: none"> • Results-based payment schemes could be developed without farmer input and not be practicable • It is likely that results based payment and management based payment will co-exist – this could complicate the demonstration and delivery of any policy • For some systems and some environmental outcomes, the evidence base of what works is lacking • The current level of ecological knowledge is poor in many farmers, advisers and regulators • There are concerns that quality and availability of inputs such as seeds and herbicides is lacking and would limit the ability to farmers to achieve high outcomes