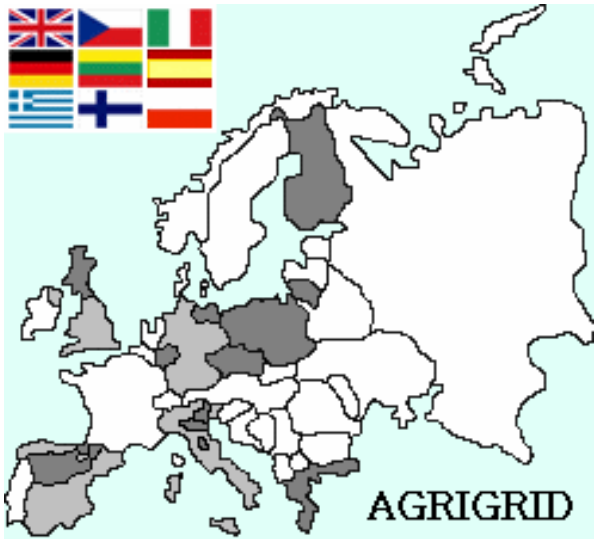
SIXTH FRAMEWORK PROGRAMME
SPECIFIC TARGETED RESEARCH PROJECT n° SSPE-CT-2006-044403

AGRIGRID: Methodological grids for payment calculations in rural development measures in the EU



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1 INTRODUCTION

The AGRIGRID project develops methodological grids for the calculation of payments in rural development (RD) measures in the EU and its member states. The project covers a representative set of EU member states, including United Kingdom (UK), Germany, Finland, Lithuania, Czech Republic, Italy and Greece and regional case studies in the selected countries. Methodological grids are developed for agri-environment measures, compensatory allowances, Natura 2000 payments, forestry measures and animal welfare and meeting standard measures. The proposed project has three main objectives:

- To carry out an initial brief comparative analysis (representative cross study) of the methods applied by the member states and their regions for calculating the various aids for their current rural development programmes, grouped by measure.

- To elaborate and recommend methodological grids that are based on objective and quantifiable criteria. They should be applicable EU-wide and differentiated by the nature of the measure.

- To elaborate, based on the methodological grid, appropriate software tools for applying this grid in the individual measures and cases and recommendations for the assessment of payment calculations.

The main tasks in the first year of the project was to review existing payment calculations in the different partner countries, including some selected regional examples, and to conduct a representative comparative analysis of the different methods applied to define payments. The review for each of the five RD policy measures includes information about the range of applied practices and schemes, data sources used, assumptions for production techniques, economic calculations applied, or level of payment determined compared to result of the calculation. Towards the end of the first year, first tasks for the development of the methodological grids were carried out building on the successful finalisation of the review of the payment calculations. General frameworks and guidelines for the grid development have been developed, which provide the basis for further elaboration of the measure-specific grids in the second project year.

The main aim of the first annual activity report is to summarise the activities carried out in each workpackage in the first project year. The report outlines the different tasks including their progress, timetable and encountered problems and solutions. The report provides a brief overview of the project objectives and worplan as defined in the original description of work and then assesses the progress of the different activities (e.g. milestones and deliverables) for each workpackage against the original workplan. Finally, the report summarises the management and coordination activities and outlines the dissemination activities in the first year and concludes with ethical considerations in relation to the AGRIGRID project.

2 OBJECTIVES AND EXPECTED IMPACTS

The main aim of this project is:
To develop methodological grids for the calculation of payments in rural development measures in the EU and its member states.

The project covers a representative set of EU member states, including United Kingdom (UK), Germany, Finland, Lithuania, Czech Republic, Italy and Greece and regional case studies in the selected countries. Further member states are covered by the project through allocating the task of data collection and analysis to sub-contractors. The selected countries cover a range of different natural and agronomic conditions from intensive farming with good soils and favourable climatic conditions, e.g. in some parts of Germany and England, to extensive livestock systems in some of the most marginal and remote areas in the EU with unfavourable natural conditions isolated from markets, e.g some areas in Scotland, Finland and Greece. The agricultural sectors in the new member states are going through a process of significant structural change and adjustments to new standards. Lithuania and the Czech Republic provide interesting country case studies for the new member states with different farm structures. The priorities in the Rural Development Plans vary between the different partner countries covering all relevant rural development measures. Principally following the new Rural Development Regulation (EC regulation 1698/2005), the project will develop methodological grids for agri-environment measures, compensatory allowances, Natura 2000 payments, forestry measures and animal welfare and meeting standard measures.

Developing methodological grids for the payment calculation in different RD measures requires a detailed knowledge of present conditions and methods at both production level and policy level. At the production level, it is necessary to gather data on the structure and characteristics of the farming sector including natural and agronomic conditions and productions systems and techniques. At the policy level, it is necessary to analyse national and/or regional RD measures, identify the specificities of the measures and link them to cost elements and existing methods for payment calculations in RD measures and their impacts on that structure. This will provide the basis for identifying new methods for payment calculations and, consequently, the development of grids. A central issue in the development of the grids is the evaluation of data requirements and availability. There are several data bases available at national or regional bases like the Integrated Administration and Control System data, as well as other spatially defined data sets that could be used with the appropriate administrative arrangements. Moreover, the new grids are tested through regional case studies and the continuous involvement of policy makers and government agencies ensures the suitability of the grids for the end-users in the project. Policy makers and government agencies in the EU and its member states will be able to use the developed grids to calculate payments in the different RD measures providing a new harmonised, but at the same time flexible, method.

2.1 Objectives

The project has three main objectives:

- To carry out an initial brief comparative analysis (representative cross study) of the methods applied by the member states and their regions for calculating the various aids for their current rural development programmes, grouped by measure.
- To elaborate and recommend methodological grids based on objective and quantifiable criteria. They should be applicable EU-wide and differentiated by the nature of the measure.

- To elaborate, based on the methodological grid, appropriate software tools for applying this grid in the individual measures and cases and recommendations for the assessment of payment calculations.

2.2 Expected impacts

The main aspect of innovation in the project is the development of new methodological grids that can be used to aid the calculation of levels of payments for a range of measures under the Rural Development Regulation. These will be based on objective and quantifiable criteria and their application will lead to transparent, verifiable and quantifiable calculations. The project will be in contact with many officials and policy makers in the member states. The project results will help to harmonise the calculations of payments in different RD measures avoiding over- and under-compensation of farmers, hence improving the efficiency of RD measures and their evaluations. It will be a tool for national and EU officials to use the same language and to understand each other better. Moreover, the different member states can use the same methodological framework, flexible enough to consider specific circumstances prevailing in the different countries and regions.

There are two main ways in which this project will contribute to policy objectives. The first is the contribution to cost-effective delivery of rural development policy. In particular the calculation of levels of payments under the range of measures in the Rural Development Regulation must be such that they take account of income foregone, additional costs as a consequence of natural and other handicaps, from compulsory management restrictions or from voluntary commitments to apply certain production methods which go beyond good farming or animal husbandry practice. In addition, in some cases agri-environment and animal welfare payments could include an 'incentive' element of up to 20% of the calculated income foregone/cost incurred. However, this incentive element has been replaced in the new Rural Development Regulation 2007-2013 (EC Reg 1698/2005) through the introduction of the concept of transaction costs in the calculation of the payments for agri-environment and animal welfare measures.

To ensure high levels of uptake of voluntary measures it is important to avoid under-compensation to particular groups of beneficiaries and equally over-compensation needs to be avoided. There also needs to be account taken of the appropriate 'baseline'. For example the requirements for cross-compliance as a condition of Pillar 1 support payments has changed the basic requirements of aspects of land management and this will have to be taken into account in the calculation of Pillar 2 levels of payments under the Rural Development Regulation.

The second main contribution to policy is the harmonisation of methods of calculation of payment levels. While actual levels of payments need to reflect conditions in individual member states, including regional variation etc, it is important that there is harmonisation of the methods of calculation. The proposed methodological grids will assist in this harmonisation process.

3 PROJECT WORKPLAN

This section summarises the workplan for the whole duration of the project as agreed and outlined in the Description of Work (Annex1 of the contract). This section forms the basis against which the reporting of the project progress is compared in section 3.

3.1. Project introduction

The project is split into three phases, managed within nine workpackages.
Figure 1 shows the linkages between project phases, workpackages and the objectives of the project.

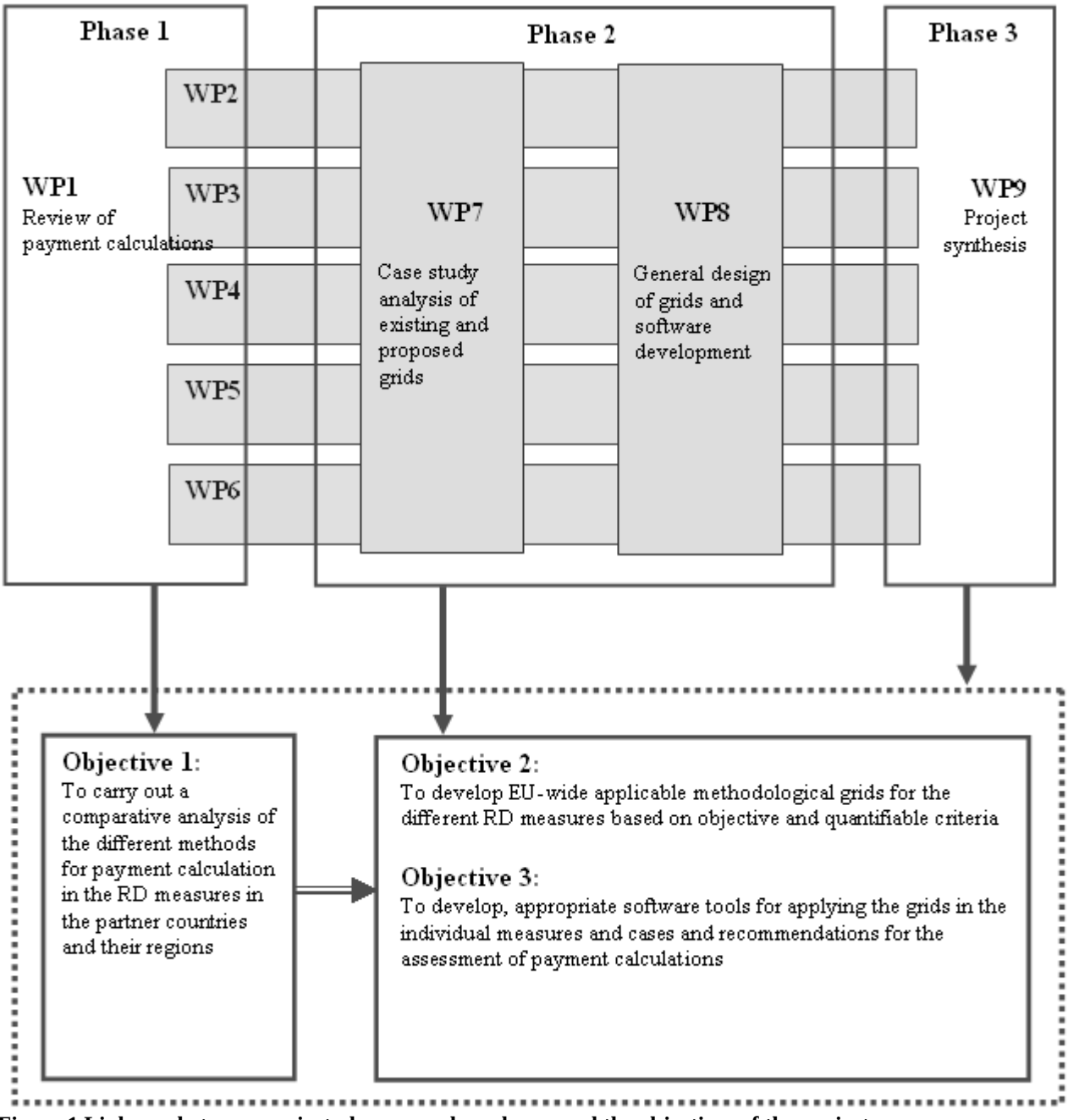


Figure 1 Linkages between project phases, work packages and the objectives of the project

Phase 1: The first phase of the project comprises the review of payment calculations in the different partner countries, including some selected regional examples, and conducting a representative comparative analysis of the different methods applied to define payments. The review for each of the five RD policy measures will include information about the range of applied practices and schemes, data sources used, assumptions for production techniques, economic calculations applied, or level of payment determined compared to result of the calculation. Phase 1 is co-ordinated by Workpackage 1 which provides the general framework for the review of payment calculations in the different RD measures conducted in the horizontal workpackages (WP2 – WP6) (Milestone M1.1). WP2 – WP6 will conduct the comparative analysis of the different payment calculation methods divided in two steps: Firstly, team members from each partner country and the two sub-contractors will collate the relevant information for their country case study and provide an internal national report for each country in each RD measure-specific workpackage. Secondly, the workpackage leading team will then summarise the national information in an internal review report for each RD measure and present their findings at the review workshop (Milestones M2.2, M3.2, M4.2, M5.2 and M6.2). The review workshop (WS2) (Milestone M1.2) will be held in month 6 with the whole project team and a range of end-users and representatives from government agencies to discuss and assess the different reviews provided by WP2-WP6 (Milestones M2.1-M6.1). Workpackage 1 concludes Phase 1 by providing a summary and synthesis report of the review to the WP2-WP6 and the case study analysis WP7 (Milestone M1.3) and thus the first main objective of the project will be achieved at the end of this first phase in month 7.

Phase 2: Based on the outcome of the review, Phase 2, the main phase of the project, consists of the case study analysis and the development of the methodological grids, which will be carried out parallel. Workpackage 7 will conduct the case study analysis of methods for calculating payments in the RD measures. In a first step, based on the internal reports provided by WP2-WP6 (Milestones M2.1-M6.1) and WP8 (Milestones M8.1 and M8.2), selected existing approaches will be analysed to identify the impacts of data availability and detail of differentiation on the calculated payment levels. The results of the case studies of existing payment calculation will be presented at a mid-term workshop in months 12 (Milestone M7.1). The mid-term workshop (WS3) will also provide the platform for the presentation of the preliminary grids developed in WP2 – WP6 (Milestones M2.3, M3.3, M4.3, M5.3 and M6.3). In a second step, WP7 conducts case study analysis of the proposed preliminary grids for the different RD measures. The case study analysis will provide useful information on farm level implications of the different payment calculation methods to the grid development (Milestone M7.2). Moreover, Workpackage 7 provides explicit examples for the grids developed which will be added to software tool and its user guide (Milestone M7.3). Workpackage 8 will be responsible for the co-ordination of the grid development providing the general design and structure for the measure-specific grid development in the horizontal workpackages (Milestone M8.1). WP8 will also conduct an assessment of baseline requirements of the different RD measures and deliver an internal report to WP2-WP7 (Milestone M8.2). Following the mid-term workshop (Milestone M8.3) and the development of the methodological grids for the payment calculations in the different RD measures in WP2 – WP6 (Milestones M2.4, M3.4, M4.4, M5.4 and M6.4), WP8 will then summarise the grid developments in WP2 – WP6 and transform the methodological grids and case study examples developed in WP7 into a software tool applicable by Commission services and government agencies (Milestones M8.4) and forward the summary report to WP9 (Milestone M8.5), achieving objectives 2 and 3 of the project.

Phase 3: In the third and last phase Workpackage 9 will synthesise the project results and an internal assessment of the project outcome and the achieved objectives will be conducted

involving the whole project team. Finally, Workpackage 9 will co-ordinate the dissemination of the project results and the presentation of the developed grids and software tools at a final workshop (WS4) and will be responsible for the submission of the final report to the Commission (Milestones M9.1 and M9.2).

The different project Milestones are summarised in Table 1 below.

Table 1 List of Milestones

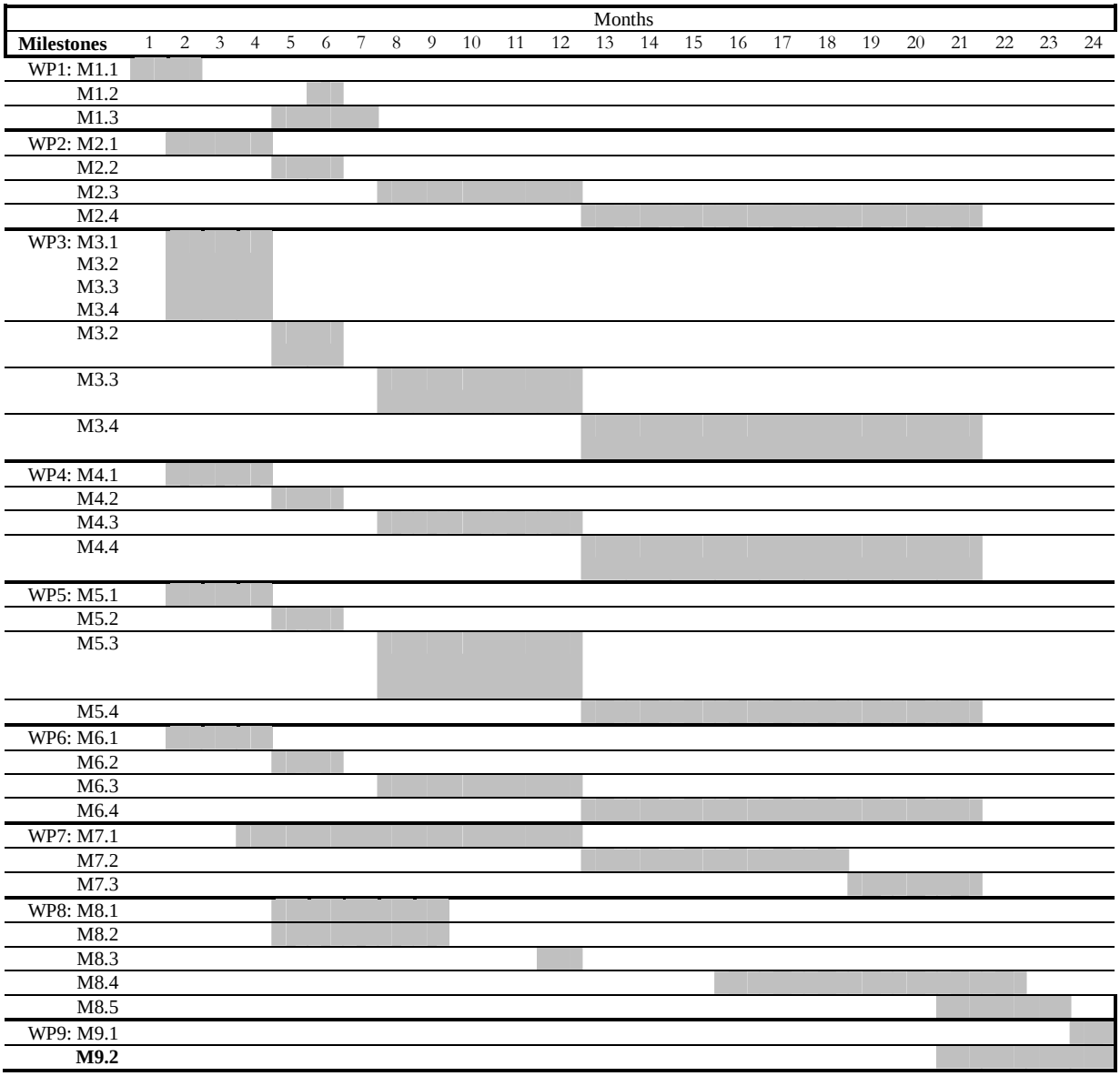
	Milestones	**Start month**	End month
M1.1	General framework and methods for data collection and the comparative analysis of the payment calculations for the different RD measures developed and provided to WP2-WP6	1	**2**
M1.2	Review workshop (WS2) held and the outcome of the measure-specific reviews provided by WP2-WP6 assessed	6	**6**
M1.3	Synthesis and summary report of reviews on the payment calculations for the five different RD policy measures in the partner countries completed and provided to other WPs	5	**7**
M2.1	Review of methods for payment calculations in agri-environment measures in the partner countries finalised and internal national reports delivered to WP coordinator	2	**4**
M2.2	Summary of review of methods for payment calculations in agri-environment measures finalised and internal report delivered to WP1 and presented at the review workshop	5	**6**
M2.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M2.4	Methodological grid for payment calculation in the agri-environment measure completed and delivered to WP8	13	**21**
M3.1	Review of methods for the calculation of compensatory allowances in the partner countries finalised and internal national reports delivered to WP coordinator	2	**4**
M3.2	Summary of review of methods for the calculation of compensatory allowances finalised and internal report delivered to WP1 and presented at the review workshop	5	**6**
M3.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M3.4	Grid for the calculation of compensatory allowances completed and delivered to WP8	13	**21**
M4.1	Review of methods for the calculation of Natura 2000 payments in the partner countries finalised and internal national reports delivered to WP coordinator	2	**4**
M4.2	Summary of review of methods for the calculation of Natura 2000 payments completed and internal report delivered to WP1 and presented at the review workshop	5	**6**
M4.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M4.4	Grid for the calculation of Natura 2000 payments completed and delivered to WP8	13	**21**
M5.1	Review of methods for payment calculations in forestry measures in the partner countries completed and internal national reports delivered to WP coordinator	2	**4**
M5.2	Summary of review of methods for payment calculations in forestry measures completed and internal report delivered to WP1 and presented at the review workshop	5	**6**
M5.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M5.4	Grid for payment calculation in the forestry measure completed and delivered to WP8	13	**21**
M6.1	Review of methods for payment calculations in animal welfare and meeting standards measures in the partner countries completed and internal national reports delivered to WP coordinator	2	**4**
M6.2	Summary of review of methods for payment calculations in animal welfare and meeting standard measures completed and internal report delivered to WP1 and presented at the review workshop (WS2)	5	**6**
M6.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M6.4	Methodological grid for payment calculation in animal welfare and meeting standard measures completed and delivered to WP8	13	**21**
M7.1	Case study analysis of existing grids completed and results presented at the mid-term workshop	4	**12**
M7.2	Case study analysis of proposed grids from WP 2-6 completed	13	**18**

M7.3	Documentation of examples of new grids completed and delivered to WP 8	19	**21**
M8.1	General structure of the methodological grids developed and provided to WP2-WP6	5	**9**
M8.2	Assessment of baseline requirements of the different RD measures completed and internal report delivered to WP2-WP7	5	**9**
M8.3	Mid-term workshop held to assess the progress in grid development and experiences from case study analysis	12	**12**
M8.4	Software tool for methodological grids completed and tested	16	**22**
M8.5	Summary report and user guide for grid development completed and forwarded to WP9	21	**23**
M9.1	The dissemination of the project results coordinated and final workshop (WS4) held	24	**24**
M9.2	The project results synthesised and final report completed	21	**24**

3.2. Planning and timetable

The overall project span is two years. The length of the project is given the by description of Task 14 provided by the Commission and the different milestones of the project, as outlined in section 2.1, have been defined to achieve the objectives within the two year period.

Table 2 Timetable



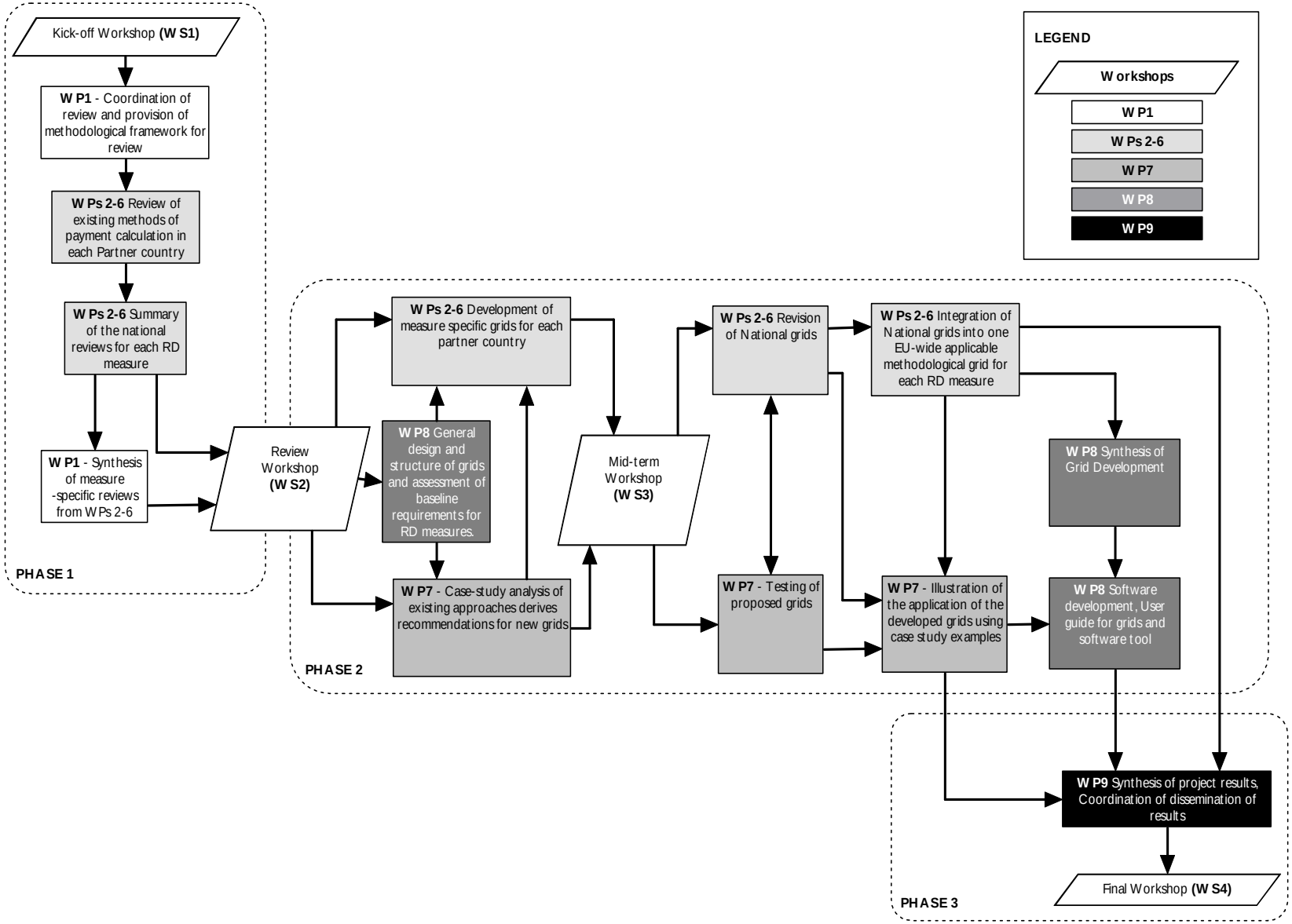


Figure 2 Graphical presentation of the project components and sub-tasks

The above figure summarises the linkages between the different workpackages. WP1 first will define the framework for the review of the different methods applied for the calculation of payments in the RD measures in the partner countries and provide an internal report to the RD measure-specific Workpackages WP2 – WP6. WP2 – WP6 will conduct the comparative analysis of the different payment calculation methods divided in two steps: Firstly, team members from each partner country will collate the relevant information for their country case study and provide an internal national report for each country in each RD measure-specific workpackage. Secondly, the workpackage leading team will then summarise the national information to an internal review report for each RD measure and present their findings at the review workshop (WS2). WP1 will based on these findings produce a review synthesis and deliver a report to the other WPs (deliverable D2). With the review workshop the first phase of the project will be completed.

Following the review, the second phase of the project starts with the definition of the general structure and design of the methodological grids, conducted in WP8, which will be provided to the measure-specific workpackages to develop national grids for each RD measure in each partner country and present preliminary grids at the mid-term workshop (WS3). Parallel, WP7 will be analysing case studies of the existing methods for payment calculations, provide the outcome to the Workpackages 2 – 6 and present the results and the mid-term workshop. The mid-term workshop, organised by WP8, will be used to discuss the progress and potential problems of the grid development as well as evaluate preliminary results of the case study analysis and their consequences for the design and structure of the grids. The workshop will bring together representatives of government agencies from the partner countries and other relevant stakeholders, update end-users on the project progress and allow to incorporate their feedback.

The workshop results will provide the basis to revise the national grids in the Workpackages 2 – 6 and to test these grids through case studies in WP7. The findings of the case study testing will inform the revision of the national grids. However, this is seen as an iterative process where in close collaboration national grids will be revised and tested at various stages of the revision. In the next step the national grids will be integrated to one methodological grid for each RD measure by the relevant workpackage leading team and finally delivered to WP8 (deliverables D4, D5, D6, D7, D8 and D9). After testing the final grids, WP7 will be illustrating examples for the application for each grid choosing suitable case studies for each partner country and some selected regions and forward the case study report to Workpackages 8 and 9 (deliverable D10). It will then be the responsibility of WP8 to carry out the final steps of phase 2 of the project. WP8 will synthesise the grid development and provide a summary report on grid development (deliverable D11) and based on the information provided by, and in collaboration with, WP2 – WP7 develop the software tool for the application of the grids. At the end of phase 2, WP8 will have produced the software tool including its documentation and user guide (deliverable D12).

The project synthesis in Phase 3 will summarise the overall project outcome and it will be the responsibility of the project co-ordinator to manage the dissemination of the project results and organise the final project workshop (WS4). At the final workshop the methodological grids for the calculation of payments in the different RD measures will be demonstrated to government agencies from the partner countries and Commission Services. Finally, the final project report will be delivered to the Commission (deliverable D14).

The complex nature of the project with a large number of cross-linkages between the different workpackages requires a suitable control system to ensure that the project progresses on time and all milestones and deliverables all fulfilled. This will be achieved through monthly progress reports from all partners, the delivery of internal reports and the deliverables and milestones outlined in the workpackage description ensuring that the required data and information will be made available on

time for the teams in the various workpackages. It will be the responsibility of the project co-ordinator, supported by the management board, to manage the on-line project platform and to guarantee the punctual delivery of all reports (for more details on project management see section 6).

Table 3 and Table 4 summarise the workpackages and deliverables for the whole duration of the project.

Table 3 Workpackage list (full duration of project)

Work-package No	Workpackage title	Lead contractor No	Person-months	Start month	End month	Deliv-erable No
WP1	Review of payment calculations	4	12	1	7	D2
WP2	Elaboration of a methodological framework for the payment calculation in agri-environment measures	3	22	2	21	D4
WP3	Elaboration of a methodological framework for the payment calculation for compensatory allowances	6	20	2	21	D5
WP4	Elaboration of a methodological framework for the payment calculation for Natura 2000 payments	4	14	2	21	D6
WP5	Elaboration of a methodological framework for the payment calculation for forestry measures	1	14	2	21	D7
WP6	Elaboration of a methodological framework for the payment calculation for animal welfare and meeting standard measures	5	14	2	21	D8, D9
WP7	Case study analysis of existing and proposed grids	2	28	4	21	D10
WP8	General design of grids and software development	7	18	5	23	D11, D12
WP9	Project synthesis	1	11	21	24	D14
	TOTAL		153			

Table 4 Deliverables list (full duration of project)

Deliverable No	Deliverable title	WP no	Lead participant	Estimated person months	Nature	Dis-semination level	Delivery date
D1	Internal and public website	1-9	1	1	O	PU	3
D2	Summary report on review of payment calculations for RD measures	1	4	12	R	PU	7
D3	First annual report to Commission	1-9	1	1	R	CO	12
D4	Methodological grid for agri-environment measures	2	3	22	P, R	PU	22
D5	Methodological grid for compensatory allowances	3	6	20	P, R	PU	22
D6	Methodological grid for Natura 2000 payments	4	4	14	P, R	PU	22
D7	Methodological grid for forestry measures	5	1	14	P, R	PU	22
D8	Methodological grid for animal welfare measures	6	5	7	P, R	PU	22
D9	Methodological grid for meeting standards measures	6	5	7	P, R	PU	22
D10	Summary report on case study analysis of existing and proposed grids	7	2	28	R	PU	22
D11	Summary report on grid development	8	7	1	R	PU	23
D12	Software tool for methodological grids and user guide on grid development	8	7	17	P, R	PU	23
D13	Second annual report to Commission	1-9	1	1	R	CO	24
D14	Project synthesis and final report to Commission	9	1	11	R	CO	24
D15	Technical implementation plan to Commission	1-9	1	1	R	CO	24

4 PROGRESS

4.1. Overview of progress in deliverables and milestones

Before progress in the different workpackages is reported in more detail in the section 4.2, an overview is provided on the progress at project level by indicating which deliverables and milestones have already been completed or are in progress.

In the first year of the project three out of 15 deliverables were expected to be finished. The nature of the project with the development of the methodological grids in the second year implied that most of the deliverables were scheduled in year 2. As Table 5 and Table 6 show, the project made good progress with the main tasks carried out and completed as planned in the Description of Work. The internal and public website was developed and activated in month 2. Since then, regular updates were added to the website. The summary report on the review of payment calculations for RD measures (deliverable D2) was completed and sent to the European Commission. The completion of deliverable D2 marked the successful end of the first phase of the project. The information obtained from the review of the payment calculations in nine EU countries provided the basis for the development of the methodological grids. The submission of this report completed the third deliverable.

Work on the deliverables D4 – D9 was started in month 9 of the first year and all partners across the different workpackages finished first tasks and milestones under these deliverables. The provision of these deliverables was scheduled for month 22. The remaining deliverables D10 – D15, which were mainly reports, were completed between month 22 and 24.

In the second year of the project the remaining 12 deliverables were completed. All research tasks were carried out and completed as planned in the Description of Work. The methodological grids were developed for the different rural development measures and the case study analyses were completed (deliverables D4 – D10). Also, the summary report on the grid development and the software and its user guide (deliverables D11 and D12) were completed and sent to the European Commission. The completion of deliverable D12 marked the successful end of the research tasks of the project.

The final report and the technical implementation plan (deliverables D14 and D15) were completed and submitted to the European Commission.

Table 5 Status of Deliverables

Deliverable No	Deliverable title	WP no	Lead participant	Estimated person months	Nature	Dis-semination level	Delivery date
D1	Internal and public website	1-9	1	1	O	PU	3
D2	Summary report on review of payment calculations for RD measures	1	4	12	R	PU	7
D3	First annual report to Commission	1-9	1	1	R	CO	12
D4	Methodological grid for agri-environment measures	2	3	22	P, R	PU	22
D5	Methodological grid for compensatory allowances	3	6	20	P, R	PU	22
D6	Methodological grid for Natura 2000 payments	4	4	14	P, R	PU	22
D7	Methodological grid for forestry measures	5	1	14	P, R	PU	22
D8	Methodological grid for animal welfare measures	6	5	7	P, R	PU	22
D9	Methodological grid for meeting standards measures	6	5	7	P, R	PU	22
D10	Summary report on case study analysis of existing and proposed grids	7	2	28	R	PU	22
D11	Summary report on grid development	8	7	1	R	PU	23
D12	Software tool for methodological grids and user guide on grid development	8	7	17	P, R	PU	23
D13	Second annual report to Commission	1-9	1	1	R	CO	24
D14	Project synthesis and final report to Commission	9	1	11	R	CO	24
D15	Technical implementation plan to Commission	1-9	1	1	R	CO	24

Completed

Table 6 Status of Milestones

	Milestones	Start month	**End month**
M1.1	General framework and methods for data collection and the comparative analysis of the payment calculations for the different RD measures developed and provided to WP2-WP6	1	**2**
M1.2	Review workshop (WS2) held and the outcome of the measure-specific reviews provided by WP2-WP6 assessed	6	**6**
M1.3	Synthesis and summary report of reviews on the payment calculations for the five different RD policy measures in the partner countries completed and provided to other WPs	5	**7**
M2.1	Review of methods for payment calculations in agri-environment measures in the partner countries finalised and internal national reports delivered to WP coordinator	2	**4**
M2.2	Summary of review of methods for payment calculations in agri-environment measures finalised and internal report delivered to WP1 and presented at the review workshop	5	**6**
M2.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M2.4	Methodological grid for payment calculation in the agri-environment measure completed and delivered to WP8	13	**21**
M3.1	Review of methods for the calculation of compensatory allowances in the partner countries finalised and internal national reports delivered to WP coordinator	2	**4**
M3.2	Summary of review of methods for the calculation of compensatory allowances finalised and internal report delivered to WP1 and presented at the review workshop	5	**6**
M3.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M3.4	Grid for the calculation of compensatory allowances completed and delivered to WP8	13	**21**
M4.1	Review of methods for the calculation of Natura 2000 payments in the partner countries finalised and internal national reports delivered to WP coordinator	2	**4**
M4.2	Summary of review of methods for the calculation of Natura 2000 payments completed and internal report delivered to WP1 and presented at the review workshop	5	**6**
M4.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M4.4	Grid for the calculation of Natura 2000 payments completed and delivered to WP8	13	**21**
M5.1	Review of methods for payment calculations in forestry measures in the partner countries completed and internal national reports delivered to WP coordinator	2	**4**
M5.2	Summary of review of methods for payment calculations in forestry measures completed and internal report delivered to WP1 and presented at the review workshop	5	**6**
M5.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M5.4	Grid for payment calculation in the forestry measure completed and delivered to WP8	13	**21**
M6.1	Review of methods for payment calculations in animal welfare and meeting standards measures in the partner countries completed and internal national reports delivered to WP coordinator	2	**4**

M6.2	Summary of review of methods for payment calculations in animal welfare and meeting standard measures completed and internal report delivered to WP1 and presented at the review workshop (WS2)	5	**6**
M6.3	Preliminary national grids completed and presented at the mid-term workshop	8	**12**
M6.4	Methodological grid for payment calculation in animal welfare and meeting standard measures completed and delivered to WP8	13	**21**
M7.1	Case study analysis of existing grids completed and results presented at the mid-term workshop	4	**12**
M7.2	Case study analysis of proposed grids from WP 2-6 completed	13	**18**
M7.3	Documentation of examples of new grids completed and delivered to WP 8	19	**21**
M8.1	General structure of the methodological grids developed and provided to WP2-WP6	5	**9**
M8.2	Assessment of baseline requirements of the different RD measures completed and internal report delivered to WP2-WP7	5	**9**
M8.3	Mid-term workshop held to assess the progress in grid development and experiences from case study analysis	12	**12**
M8.4	Software tool for methodological grids completed and tested	16	**22**
M8.5	Summary report and user guide for grid development completed and forwarded to WP9	21	**23**
M9.1	The dissemination of the project results coordinated and final workshop (WS4) held	24	**24**
M9.2	**The project results synthesised and final report completed**	**21**	**24**

Completed

4.2. Progress in workpackages

Workpackage number	***WP1* (Review of payment calculations)**							
Phase:	**1**							
Start date:	**Month 1**							
Completion date:	**Month 7**							
Partner responsible:	**4**							
Partner:	1	2	3	**4**	5	6	7	8
Person months allocated:	1	1	1	**6**	1	1	1	0
Used in year 1:	1	1	1	**7**	1	1.2	1	0
Used in year 2:	0	0	0	0	0	0	0	0
Total:	**13.2**							

Objectives

1. To provide the general framework for data collection and the comparative analysis of payment calculation methods for the different RD measures in selected partner countries
2. To provide the review synthesis and produce the summary report on payment calculations for the different RD policy measures in the selected partner countries

Deliverable	**Description**	**Status**
D2	Summary report on review of payment calculations for RD measures	Complete

Milestone	**Description**	**Status**
M1.1	General framework and methods for data collection and the comparative analysis of the payment calculations for the different RD measures developed and provided to WP2-WP6	Complete
M1.2	Review workshop (WS2) held and outcome of measure-specific reviews provided by WP2-WP6 assessed	Complete
M1.3	Synthesis and summary report of reviews on the payment calculations for the five different RD policy measures in the partner countries	Complete

Current status: Completed in Year 1.

Progress

The project kick-off workshop was held on 15th and 16th January at the Macaulay Institute (Partner 1) in Aberdeen. In the context of workpackage 1, the main purpose of the kick-off meeting was to discuss the tasks in the first phase of the project and to identify key issues for the development of the general framework for data collection and comparative analysis of the payment calculations for the different rural development measures.

After the kick-off workshop, partner 4 finalised the general framework for the review and milestone M1.1 was completed. Based on the general framework, partners 1, 3, 4, 5 and 6, who were responsible for workpackages WP2 – WP6, created six questionnaires for the six types of investigated rural development measures (compare with progress reported under respective workpackages). The questionnaires included questions on basic data about RD measures, methodology of the payment calculation describing eligible criteria, scheme commitments, approaches for payment calculation and impact of other factors on payment rates, data sources and administrative structure and problems identified during payment calculation and their solutions.

List of key questions in the questionnaires

- What kinds of measures exist in the partner countries?
- What kind of payment differentiations exist in the partner countries?
- What differences exist in eligible criteria and commitments?
- What cost components are considered in the calculations?
- What approaches are used to quantify the different cost components?
- What types of data are used in the calculations and what sources are used?
- What problems are identified in the calculation and how are these dealt with?

Two ways of obtaining data on different approaches for payment calculation were defined. The first one was collecting data from accessible literature such as draft rural development plans and the second approach was conducting interviews with persons responsible for payment calculations in the payment agencies or government administrations. Every partner and sub-contractor collected the required information for each investigated rural development measure (compare with Table 7) and filled in the questionnaires through literature review and interviews. The responsible partners leading WP2 – WP6 provided a summary report for each rural development measure to partner 1 (compare with progress reported under respective workpackages) and presented the outcome at the review workshop organised by workpackage 1 in Prague on 17 July 2007. **Error! Reference source not found.** provides an overview of which rural development measures have been investigated in this review.

The review covered mainly area-based RD measures and includes agri-environmental measures, natural handicap payments, Natura 2000 measures, forestry measures, meeting standards and animal welfare measures. Data collection covered nine EU member states: Czech Republic (CZ), Germany (DE), Finland (FI), Greece (GR), Italy (IT), Lithuania (LT), Scotland (SCO) Poland (PL) and Spain (ES). Although not all of these measures were implemented in each of the selected countries, the coverage (and amount of data) is

sufficient for a meaningful synthesis in the context of the AGRIGRID project.

Table 7 Investigated measures by partner/region

Code	CZ	DE	DE_{MWP}	DE_{NRW}	ES	ES_{BC}	ES_{CL}	ES_{N}	FI	GR	IT_{ER}	IT_{UMB}	IT_{VEN}	LT	PL	SCO
Meeting standards																
131	-	x	-	-	x	-	-	-	-	✓	x	x	✓	-	-	-
Natural handicap payments																
211	✓	x	x	✓	✓	x	x	x	✓	✓	x	✓	x	-	✓	✓
212	✓	x	x	✓	✓	x	x	x	✓	✓	x	✓	x	✓	✓	
Natura 2000 on agricultural land																
213	✓	x	x	✓	x	-	x	✓	-	-	x	✓	x	✓	✓	-
Agri-environmental measures																
214	✓	✓	✓	✓	x	✓	x	✓	✓	✓	x	x	✓	✓	✓	✓
Animal welfare																
215	-	✓	x	x	x	-	✓	-	✓	✓	✓	x	x	-	-	✓
Forestry measures																
221	✓	x	-	x	x	✓	x	✓	✓	✓	x	✓	x	✓	✓	✓
222	-	x	-	x	x	-	x	-	-	✓	x	✓	x	-	-	-
223	-	x	-	x	x	-	x	-	-	✓	x	✓	x	✓	✓	✓
224	✓	x	x	✓	x	-	x	-	-	✓	x	✓	x	✓	-	-
225	✓	x	✓	x	x	✓	x	-	-	✓	x	✓	x	✓	-	✓
226	✓	x	-	x	x	✓	x	✓	-	✓	x	✓	x	✓	✓	-

✓ = implemented, - = not implemented, x = not investigated

The purpose of the workshop was to discuss the outcome of the review of payment calculations in a range of different rural development measures. Government representatives from the nine project countries and the project officer from the European Commission attended the workshop (see also section 5). The workshop included sessions on payment calculations in agri-environment measures, natural handicap payments, Natura 2000 payments, forestry measures and animal welfare and meeting standard measures. Based on the outcome of the reviews, key issues for the development of methodological grids for payment calculations were discussed with the workshop delegates and incorporated in the overall review summary report, deliverables D2. The workshop with government representatives marked the completion of milestone M1.2.

Following the workshop and further discussions between the project partners, the deliverable D2 was completed on time and sent to the European Commission. With the submission of the deliverable report D2 the milestone M1.3 of workpackage WP1 was complete. This was a report entitled ‘Summary report on review of payment calculations for rural development measures’. The main purpose of this report was to synthesis the review the different approaches used to calculate payments in EU rural development

measures based on the measure-specific summary reports provided by WP2 – WP6. Integrating the main findings from the review with the feedback from government representatives, the following general and measure-specific key issues for future payment calculations can be summarised as follows:

General key issues:

- complexity of calculations versus simplicity (balance between scientific approaches and political acceptability)
- development of suitable incentives at the farm level
- lack of suitable and current technical, economic, and regional data
- differentiation of the issues in relation to implementation and justification of payments and measures
- need to test efficiency (gains) of more differentiated approaches
- lack of methodological experiences (considerable uncertainties in relation to some specific parameter values used for calculation, mainly transaction costs)
- rigidity of RDR requirements and the WTO framework does not allow to consider payments for environmental benefits and differences between intensive and extensive farming.

Measure-specific key issues:

- stakeholder interests affect payment design and calculation through consultation process (AEM, forestry measures)
- fixed costs can not be considered in payment calculation (AEM, AWM)
- payment calculations are not flexible because of Commission guidelines which are, at least in some cases, not effective (AEM, forestry measures)
- difficulties in payment calculations hinder innovation in application of new measures (AEM, Natura 2000 payments)
- definition and calculation of baseline requirements (AEM, LFA, AWM)
- implementations and payment calculations are driven by different objectives (LFA)
- changes in the policy and economic environment, e.g. market developments, are not considered in payment calculations (AEM, LFA)
- uncertainty in relation to transaction costs (AEM, AWM).

In addition, payment levels are not only determined by the methods of calculation used but, to a large extent, by external factors such as objectives of other European and national policies, financial considerations, stakeholder influences and payment levels from previous RDPs ('path dependency'). Most of above mentioned problems and issues within payment calculations confirm that sufficient and long-term research, enabling innovation, using more variations of payment calculation method and data sources, is at present missing. More attention should be paid to such research within the future design of RD measures and RDPs overall (e.g. within the support of technical assistance actions provided through the EAFRD).

From a practical point of view concerning the planned development of methodological grids for the payment calculations, the differences in payment calculations between the investigated countries and regions emphasise one of the main challenges in developing

such grids: trying to create a harmonised method for payment calculations which, at the same time, allows consideration of regional circumstances and maintains relatively low administration costs. The different methods of payment calculation are only one of the reasons for difference of payment levels within the RD measure. The other identified challenges for creation of common harmonised grids across member states include mainly:

- large variation in applied eligibility criteria and commitments
- range of payment differentiation
- difference in suitable and detailed data availability, their reliability, data sources and reference period of used data
- different definition and calculation of baseline requirements
- different time of providing of the payment (mainly in forestry measures: one-off payments, payments for 5, 7 or up to 20 year period)
- different degree of transparency of payment calculation.

However, the review showed that certain similarities can be found across countries, and some harmonisation of payment calculation processes in the form of common methodological grids is feasible, but only on the assumption that some simplification and selection of the most common commitments and payment components will be adopted.

Discussion and outlook

The review of applied approaches to payment calculations in the nine countries was successfully completed. Overall, the review collated and synthesised sufficient information and data for the development of harmonised methodological grids for the payment calculations in the different rural development measures. However, it is important to note that the detailed information concerning payment calculations, in particular, provided in the annexes of deliverable report D2 can change, as further revisions to the rural development plans are implemented in the various countries. The fact that in most countries rural development plans were not approved in spring 2007 led to a slight delay in the finalisation of the review. It was decided with the approval of the project officer to extend the review by a few months to capture at least some of the 'last minute' changes in payment calculations in rural development plans. This also meant that staff time used for the review was slightly above original estimations. However, this was balanced in the second year of the project.

The synthesised data obtained during the review was used as a basis to develop the general framework for the grid development in WP8 and facilitate the case study selection in WP7. In addition, based on the information on payment differentiation and cost and revenue components used in the investigated payment calculations, harmonised logic diagram models were developed for each investigated rural development measure, which formed the first main step of developing measure-specific methodological grids.

Workpackage number	***WP2* (Elaboration of a methodological framework for the payment calculation in agri-environment measures)**								
Phase:	**1**								
Start date:	**Month 2**								
Completion date:	**Month 21**								
Partner responsible:	**3**								
Partner:	1	2	**3**	4	5	6	7	8	
Allocated person months:	2	2	**9**	2	2	3	2	0	
Used in first year:	1	1.5	**7**	1	1.25	3	2	0	
Used in second year:	1	0.5	**12**	1	0.75	0	2	0	
Total:	**34**								

Objectives

1. To carry out a comparative analysis of the different methods for payment calculation in the agri-environment measure in the partner countries and their regions
2. To identify and incorporate quantifiable criteria in the proposed methodological grids
3. To develop national grids for the calculation of agri-environment payments
4. To develop a methodological grid for payment calculation in the agri-environment measure

Deliverable	**Description**	**Status**
D4	Methodological grid for agri-environment	Complete

Milestone	**Description**	**Status**
M2.1	Review of methods for payment calculations in agri-environment measures in the partner countries finalised and internal national reports delivered to WP coordinator	Complete
M2.2	Summary of review of methods for payment calculations in agri-environment measures finalised, internal report delivered to WP1 and presented at the review workshop (WS2)	Complete
M2.3	Preliminary national grids completed and presented at the mid-term workshop	Complete
M2.4	Methodological grid for payment calculation in agri-environment measure completed, delivered to WP8	Complete

Current status: Complete

Progress during first reporting period

Milestones M2.1 and M2.2

The work in workpackage WP2 focused in the first year on fulfilling objective 1 to carry out a comparative analysis of the different methods for payment calculation in the agri-environment measure in the partner countries and their regions. There is, however, an extremely large variety of agri-environment measures, sub-measures and schemes offered to farmers across the EU. In the 12 member states and regions (seeTable 8) examined, there are at least 177 different types of contracts available to be signed. They are grouped into 103 measures across member states/regions, as summarised in Table 8 below.

Table 8 Agri-environmental programmes 2007-2013 in participanting MS/Regions

MS/Region	Measures	Submeasures	Types of contracts available
CZ	4	19	19
DE	13	15	n.a.
DE_{NRW}	6	9	n.a.
DE_{MWP}	3	3	n.a.
ES_{BC}	24	n.a.	24
ES_{N}	4	n.a.	4
FI	3	34	34
GR	16	22	22
IT_{VE}	15	n.a.	15
LT	4	12	12
PL	8	38	38
SCO*	3	9	9
TOTAL	103		177

* The list only contains those measures which were investigated in the review.

Due to the large number of different agri-environment measures, the project team decided to limit the review of agri-environment measures to three sub-measures per country (including potential sub-measures). To allow a comparative analysis and, at the same time, cover a wide range of different types of agri-environment payments, one common sub-measure across all countries (conversion to organic farming) and two country-specific sub-measures were chosen. For example, in Scotland payment calculations in 'creation and management of species rich grassland' and 'creation and management of water margins' were reviewed, while measures in Spain included conservation of rare livestock breeds and management of mountain pastures.

Following the development of the general framework for the review through workpackage WP1, partner P3, responsible for the workpackage, created the questionnaire for the agri-environment measures and sub-measures. Feedback from each

partner was incorporated into the final version of the questionnaire. Each partner and sub-contractor then collated the data for selected agri-environment measures and sub-measures in their country and provided an internal report to partner P3. The internal national review reports on agri-environment measures completed milestone M2.1.

A summary report reviewing payment calculations for agri-environmental measures was produced by partner P3 in August 2007, and milestone M2.2 completed. Before the completion of the report, interim results were presented to government representatives at the review workshop in Prague and the outcome of the discussions, as well as comments from all partners, incorporated into the report. It was published on the project website and provided the material on agri-environment measures for the deliverable report D2.

The summary report showed that agri-environment measures are implemented in all investigated countries and regions and confirmed the variety of submeasures and schemes offered to farmers across the EU. Generally, payment differentiations are based on crop/animal type, farm structural characteristics and spatial dimensions, in addition to the main factor representing various management prescriptions applied to achieve the environmental objectives.

Considering the calculation components, the income foregone was estimated mainly through gross margins (GMs) or by direct calculation considering yield reductions. Subsidies lost were the third element of the income. Additional costs included in the calculation vary across countries / regions but among the main items are labour and machinery costs. However, the main problem lies with the calculation of transaction costs and the classification of certain cost items either as additional costs incurred or transaction costs. Three approaches were applied across countries to determine TCs: detailed calculation; simple reference of the certain amount; and non-involvement at all.

For the calculation three types of methodology were used. In cases where an appropriate database was available, direct comparison of existing samples of participants and non-participating farms was conducted. When such data was unavailable or inadequate (in terms of coverage and representativeness), a transformation procedure was selected using non-participating farms as a reference situation and applying transformation coefficients where appropriate; the respective participant figures were then calculated. The third methodology applied, in cases of extreme lack of data, an ad hoc selection of income and / or cost items and the sum of these was defined as the amount to be paid. Hybrid methods combining elements from the above methodologies were also used. The selection of the method was data driven.

Methodologies used on payment calculations

- Comparison of actual farm gross margins of participating and no participating farms
- Use non participant farms as a starting point and change the appropriate cost and income elements.
- Ad hoc approach.
- Hybrid method

Milestone M2.3

Following the review, partner 3 started with preparatory work for the development of preliminary methodological grids for agri-environment measures (Milestone M2.3). Using the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P3 prepared a first draft for the 'agri-environment grids' including first ideas for the inclusion of baseline criteria in the payment calculations. A revised and elaborated draft has been presented at the mid-term workshop in Venice in February 2008. Milestone M2.3 was ongoing at the end of 2007 and was then finalised in the second project year in project month 14. Thus, more details on the final output of milestone M2.3 will be provided in the second annual report.

Discussion

The first two milestones M2.1 and M2.2 in relation to the review of the payment calculations were successfully completed. Work on milestone M2.3 was at a very advanced stage at the end of 2007 and completed with the presentation at the mid-term workshop in February 2008. Together with the general framework for the grid development provided by partner P7 in workpackage WP8, milestone M2.3 provided the platform for the software development in the next year.

Due to student protests in partner 3's University, the external researcher and the research assistant was contracted on the 6th month of the project. Up to the 6th month, WP milestones were prepared by the rest of the project staff to ensure the timely progress of the different project tasks.

Progress during second reporting period

Milestones M2.3 and M2.4

During the second year of the project the methodological framework for the payment calculation in agri-environmental measures was presented, tried, debated and finalised. Agri-environment measures are the most complex rural development measures covered by the project. In the 12 member states and regions examined, there are at least 177 different types of agri-environment contracts available. Following the review, partner 3 started with preparatory work for the development of preliminary methodological grids for agri-environment measures (Milestone M2.3). Using the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P3 prepared a first draft for the 'agri-environment grids' including first ideas for the inclusion of baseline criteria in the payment calculations. A revised and elaborated draft was presented at the mid-term workshop in Venice in February 2008.

The draft grids included the different core parts of the calculation process including baseline requirements, relevant commitments defined in the rural development measures, lists of practices reflecting required changes in farm management, lists of cost, revenue and income components and payment differentiation categories and elements. Further improvements and expansions were incorporated in the methodological grid for agri-

environment measures and the application of the revised version with a couple of examples was presented at the project meetings in Santorini in June 2008 and Berlin in September 2008. Feedback from government representatives was implemented in the final version which was then presented at the final project meeting in Brussels in December 2008. The results were reported in deliverable D4 and the final methodological grids delivered to WP8 (milestone 2.4).

Discussion

In a situation as complex as the case of AEMs, policy makers and administrators tend to adopt those measures which are easier to handle. Proposed innovative schemes that can not be easily monitored and that require complicated calculations for their design and assessment would be unpopular. This is the main argument for the usefulness of the calculation grids produced by this project. The proposed methodological grid for the calculation of AE payments as well as the software will enable policy makers at all levels of administration to overcome the problem of complexity, increase their flexibility and thus allow them to adopt innovative measures.

Workpackage number	***WP3* (Elaboration of a methodological framework for the payment calculation for natural handicap payments)**							
Phase:	**1**							
Start date:	**Month 2**							
Completion date:	**Month 21**							
Partner responsible:	**6**							
Partner:	1	2	3	4	5	**6**	7	8
Person months allocated:	2	2	2	2	2	**8**	2	0
Used in first year:	1	1.5	1	1	1.25	**6**	1	0
Used in second year	1	0.5	1	1	0.75	**2**	1	0
Total:	**20**							

Objectives

1. To carry out a comparative analysis of the different methods for payment calculation in compensatory allowances in the partner countries and their regions
2. To identify and incorporate quantifiable criteria in the proposed methodological grids
3. To develop national grids for the calculation of compensatory allowances
4. To develop a methodological grid for the calculation of compensatory allowances

Deliverable	**Description**	**Status**
D5	Methodological grid for compensatory allowances	Complete

Milestone	**Description**	**Status**
M3.1	Review of methods for the calculation of compensatory allowances in the partner countries finalised and internal national reports delivered to WP coordinator	Complete
M3.2	Summary of review of methods for the calculation of compensatory allowances finalised and internal report delivered to WP1 and presented at the review workshop (WS2)	Complete
M3.3	Preliminary national grids completed and presented at the mid-term workshop	Complete
M3.4	Grid for the calculation of compensatory allowances completed and delivered to WP8	Complete

Current status: Complete

Progress during first reporting period

Milestone M3.1 and M3.2

The work in workpackage WP3 focused in the first year on fulfilling objective 1: to carry out a comparative analysis of the different methods for payment calculation in the natural handicap payments in the partner countries and their regions. Natural handicap payments in mountain areas (211) and in other areas with handicaps (212) contribute, through continued use of agricultural land, to maintaining the countryside as well as maintaining and promoting sustainable farming systems. These payments compensate for farmers' additional costs and income foregone related to permanent handicap for agricultural production in the area concerned.

Following the development of the general framework for the review through workpackage WP1, partner P6, responsible for the workpackage, created the questionnaire for the natural handicap payments. Feedback from each partner was incorporated into the final version of the questionnaire. Each partner and sub-contractor then collated the data for the natural handicap payments in their country and provided an internal report to partner P6. By providing the internal national review reports on natural handicap payments, milestone M3.1 was successfully completed.

A summary report reviewing payment calculations for natural handicap payments was produced by partner P6 in August 2007, and milestone M3.2 completed. Before the completion of the report, interim results were presented to government representatives at the review workshop in Prague and the outcome of the discussions, as well as comments from all partners, incorporated into the report. It focused on the payment calculation methods of compensatory allowances (natural handicap payments) in nine EU member states and regions under the Council Regulation (EC) 1698/2005. The member states and selected regions include the Czech Republic, Finland, Greece, Lithuania, North Rhine-Westphalia in Germany, Poland, Scotland, Spain, and the region of Umbria in Italy. The report was published on the project website and provided the material on natural handicap payments for the deliverable report D2.

The summary report identified large variations in the objectives of the natural handicap payments leading to different designs (including payment calculations) of these payments across member states. In the Czech Republic, Finland, Greece, Lithuania, North Rhine-Westphalia in Germany, Scotland and Spain, the objectives of natural handicap payments include continued agricultural land use and farming activities in naturally less favoured areas. The continued use of agricultural land will promote sustainable farming systems and contribute to the conservation of the environment, biodiversity and rural landscape in the Czech Republic, Finland, Greece, Lithuania, Scotland, Spain, and the region of Umbria in Italy. It was also mentioned that the maintenance of minimum rural population level or viable rural communities is an objective in the Czech Republic, Finland, Greece, Spain, and Umbria.

The payment levels and structures of natural handicap payment schemes vary significantly among the reviewed states and regions. This is not surprising, since natural conditions in Europe also vary noticeably and there is no robust measure of natural handicaps or generally acknowledged reference level for payment calculations.

Most states and regions measure handicaps at municipality level, but some, such as Scotland, Spain and North Rhine-Westphalia in Germany, focus also at farm level. Soil and land quality are typical proxies which measure the severity of natural handicaps. Also, differences in farm incomes between farms located in less favoured areas and in non-less favoured areas are widely utilised.

Almost all reviewed states and regions differentiate natural handicap payments and these differentiations are closely related to LFAs delimitation covering a wide range of parameters. This allows policy-makers to address regional and local variation better in the levels of natural handicaps, but it also makes it possible to promote other objectives which may not be in line with the objectives mentioned in the EC Reg. 1698/2005. Consequently, the complexity of natural handicap payment schemes combined with multi-level goal-setting may jeopardise the transparency of payment calculations and their EU-wide distribution in a just and equitable way.

Key payment differentiation criteria

- Geographic regions
- Soil quality or land productivity
- Agricultural land use

The most commonly-used approach in measuring the natural and other handicaps is to provide a comparison of revenues and costs of farms located in LFAs with the corresponding data of non-LFA farms. However, it also seems that the implementation of natural handicap payments is not only dependent on natural conditions but also on economic, political and administrative conditions of the state or region. Therefore, the significance of natural handicap payments in national agricultural policy settings varies considerably. In the future, more attention should be paid to the interplay between natural handicap payments and other rural and agricultural policy measures. In addition, some stricter environmental requirements should be included as a condition for natural handicap payments in order to make them more effective.

Methodologies used on payment calculations

- Comparison of revenues and costs (gross margins) of farms located in LFAs with the corresponding data of non-LFA farms

Milestone M3.3

Following the review, partner P6 started with preparatory work for the development of preliminary methodological grids for natural handicap payments (Milestone M3.3). Using

the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P6 prepared a first draft for the 'natural handicap payment grids' including first ideas for the inclusion of baseline criteria in the payment calculations. A revised draft was presented at the mid-term workshop in Venice in February 2008. Milestone M3.3 was ongoing at the end of 2007 and was then finalised in the second project year in project month 14. More details on the final output of milestone M3.3 is provided in the second annual report.

Discussion

The first two milestones M3.1 and M3.2 in relation to the review of the payment calculations were successfully completed. Work on milestone M3.3 was at a very advanced stage at the end of 2007 and was completed with the presentation at the mid-term workshop in February 2008. Together with the general framework for the grid development provided by partner P7 in workpackage WP8, milestone M3.3 provided the platform for the software development in the next year. As explained earlier, the delay resulted from problems in relation to finding a suitable date for the project meeting.

However, the objectives of natural handicap payments have evolved and environmental objectives have received more attention, there is also a certain historical element involved especially in the calculation or setting of payment rates. This makes natural handicap payments foreseeable for the farmers but it may also hinder some necessary policy changes.

Moreover, natural handicap payments are not only dependent on natural conditions but also on economic, political and administrative conditions of the state or region. Therefore, the significance of natural handicap payments in national agricultural policy settings varies considerably. In future, more attention should be paid to the interplay between natural handicap payment schemes and other rural and agricultural policy measures.

The outcome of the review suggests that, for future natural handicap payments, the payment level should reflect the severity of the handicap measured against a number of regional/national and European reference points. The use of a single indicator may not be sensitive to all handicaps, although this would increase transparency and reduce administrative costs. The reviewed measure should probably also include some stricter requirements for farmers than just continuous farming and cross-compliance in order to make natural handicap payments more effective. In general, it would make sense that farmers were to influence their natural handicap payment rates by their production-related choices. For instance, the application of more environment-friendly farming practices would result in higher natural handicap payment rates.

Progress during second reporting period

Milestones M3.3 and M3.4

The first version of the natural handicap payments grid was completed in January 2008.

In close collaboration with WP8, partner P6 had started the development of the measure-specific grid for natural handicap payments and the implementation of baseline requirements in the methodological framework already during the first reporting period.

The report on the assessment of baselines in Finland and the improved second version of the national natural handicap payments grids were sent to all partners in February 2008. A presentation on natural handicap payments grid development was given at the Venice project meeting where partners compared experiences on grid development between workpackages.

The development of natural handicap payment grids continued after the Venice project meeting and P6 sent the proposal for the logic framework for the natural handicap payment measures to the other partners in April 2008.

In May and June, the cost components and differentiation categories and elements of the grids were harmonised before the Santorini workshop and project meeting where a presentation on the draft of natural handicap payment grids and their application was given and progress in the grid development and the remaining key issues were discussed.

The lists of commitments and activities based on the two country-specific examples of natural handicap payment grids were compiled in July 2008 and comments and feedback on issues raised in the software tool document draft were provided and discussed.

The revised measure-specific natural handicap payment grids were presented at the project meeting held in Berlin in September 2008.

In October, the document containing the step-by-step approach for natural handicap payments was sent to all partners and the list of cost/revenue components, practices and differentiation categories/elements was completed.

The methodological grid for calculating natural handicap payments was completed and forwarded to WP8 in November. At the same time, the deliverable report D5 (Methodological grids for natural handicap payments) and the executive summary of the deliverable report were also finalised.

In December 2008, AGRIGRID library and grid files and the tutorial, which will demonstrate how to apply the AGRIGRID software tool to the calculation of natural handicap payments, were prepared for the final workshop and the project meeting held in Brussels. The library and grid files and the tutorial were updated after the workshop and included into the final version of the software.

Discussion

All milestones from M3.1 to M3.4 have been successfully completed.

Natural handicap payments are paid to farmers in Less Favoured Areas in recognition of higher production costs and/or lower incomes due to adverse natural conditions. Since the

methods for the calculation of payments vary considerably among the EU member states and regions, there was an apparent need for the development of a unifying approach which would set common guidelines and practices for the calculations. In workpackage 3, the methodological grid for natural handicap payments was developed for this purpose.

The starting point of the grid development was a logic framework which captures key elements relevant to the design of natural handicap payment schemes. The natural handicap payments should be determined based on farmers' additional costs and income foregone related to the permanent natural handicap for agricultural production in the area concerned. Since the severity of natural handicap and thus the productivity of arable land and the income received from agriculture vary between the areas, it is necessary to differentiate payments according to biological, geological and physical characteristics of land. In the calculation of additional costs and agricultural income foregone, either the Balance Sheet (FADN) approach or the Practices approach may be utilised depending on the availability of data required in the calculation process.

The purpose of the developed methodological grid is not to set guidelines on how to define the characteristics and degree of natural handicaps in different areas but to provide a well-grounded calculation procedure which makes it possible to both compare existing natural handicap payment schemes and design new ones in a transparent and methodologically sound way. The determination of actual payment levels is a political issue which must be based on argumentation understandable and detailed enough to be critically assessed and evaluated in all relevant policy contexts and by all involved stakeholders.

Workpackage number	***WP4* (Elaboration of a methodological framework for the payment calculation of Natura 2000 payments)**							
Phase:	**1**							
Start date:	**Month 2**							
Completion date:	**Month 21**							
Partner responsible:	**6**							
Partner:	1	2	3	4	5	**6**	7	8
Person months allocated:	1	1	1	6	1	**3**	1	0
Used in first year:	0.5	1	0.5	5	0.5	**1**	1	0
Used in second year	0.5	0	0.25	5	0.5	**2**	1	0
Total:	**18.75**							

Objectives

1. To carry out a comparative analysis of the different methods for the calculation of Natura 2000 payments in the partner countries and their regions
2. To identify and incorporate quantifiable criteria in the proposed methodological grids
3. To develop national grids for the calculation of Natura 2000 payments
4. To develop a methodological grid for the calculation of Natura 2000 payments

Deliverable	**Description**	**Status**
D6	Methodological grid for Natura 2000 payments	

Milestone	**Description**	**Status**
M4.1	Review of methods for the calculation of Natura 2000 payments in the partner countries finalised and internal national reports delivered to WP coordinator	Complete
M4.2	Summary of review of methods for the calculation of Natura 2000 payments completed and internal report delivered to WP1 and presented at the review workshop (WS2)	Complete
M4.3	Preliminary national grids completed and presented at the mid-term workshop	Complete
M4.4	Grid for the calculation of Natura 2000 payments completed and delivered to WP8	

Current status: Complete

Progress during first reporting period

Milestone M4.1 and M4.2

The work in workpackage WP4 focused in the first year on fulfilling objective 1 to carry out a comparative analysis of the different methods for payment calculation of Natura 2000 payments in the partner countries and their regions. Support under the Natura 2000 measure is divided into two measures: payment on agricultural land (213) and on forestry land (224). Their different purpose leads to different management requirements to preserve natural values and therefore also to different support payments. These payments compensate for farmers' additional costs and income foregone related to specific management requirements due to the Natura designation. Although the emphasis of the review is on methods applied to calculate Natura 2000 payments in the new RDPs for the programming period 2007 – 2013, some information was also based (e.g. some statistical data or development of payment rate) on earlier RDPs.

Following the development of the general framework for the review through workpackage WP1, partner P4, responsible for the workpackage, created the questionnaire for the Natura 2000 payments. Feedback from each partner was incorporated into the final version of the questionnaire. Data collection and semi-structured interviews were coordinated and held between April and June 2007 in all countries and their regions where Natura 2000 payments are implemented. Each partner and sub-contractor then collated the data for the Natura 2000 payments in their country and provided an internal report to partner P4. By providing the internal national review reports on Natura 2000 payments, milestone M4.1 was successfully completed.

A summary report reviewing payment calculations for Natura 2000 payments was produced by partner P4 in August 2007, and milestone M4.2 completed. Before the completion of the report, interim results were presented to government representatives at the review workshop in Prague and the outcome of the discussions, as well as comments from all partners, incorporated into the report. The report focused on the payment calculation methods of Natura 2000 measures in the Czech Republic, Greece, Lithuania, North Rhine-Westphalia in Germany, Poland, Spain, and the region of Umbria in Italy. Although these measures are not implemented in all partner countries, the data obtained were sufficient for the synthesis. Natura 2000 measures are not implemented in Finland and Scotland at all. The support to agricultural land is not applied in Greece and, in contrast, Navarra (Spain) and Poland does not provide the support to forestry land. In these countries, a protection of Natura 2000 areas is realised mainly through specific agri-environmental measures, forest environment measures and non-productive investments, supplemented by national supported system. The report was published on the project website and provided the material on Natura 2000 for the deliverable report D2.

The report confirmed large variation in commitments and consequently in approaches used for Natura 2000 payment calculations depending on natural and other country-

specific conditions. The only factor of Natura 2000 payment differentiation is according to various management commitments applied in Natura 2000 areas. Among the most frequent commitments applied are: limitation of fertilisation, stocking density, grazing and mowing and ploughing up grassland in Natura 2000 on agricultural land or preservation of required composition of tree species, prohibition of clear cutting, exclusion from final felling and maintenance of old and dead trees on forestry land.

Payment differentiation

- Payment differentiation applied according to various management commitments applied in Natura 2000 areas

Considerable differences exist in approaches of payment calculation of both Natura 2000 measures. The amount of Natura 2000 payments is generated from basic components like income foregone and additional costs, whereas additional income and transaction costs are added in the case of Natura 2000 on agricultural land in Poland, since submeasures focused on Natura 2000 areas are implemented for the present within AEMs. Income foregone is determined mostly on a basis of GM difference and loss of value of timber volume or interest rate foregone in case of forestry Natura 2000. However, other approaches such as net margin, replacement costs of yield reductions, NVA difference or average felling increments difference are used as well. Greater similarity exists within the determination of additional costs where the increase in labour costs and feeding costs dominate. Additional income, considered in Poland, arises from a possibility to realise fattening on grassland. Finally transaction costs cover costs of documentation preparation for ornithological and natural habitats.

Considering the wide range of commitments and calculation approaches, the list of data sources used is very heterogeneous. Each country uses data from different sources, particularly for Natura 2000 on forestry areas where no common database exists.

Milestone M4.3

Following the review, partner P4 started with preparatory work for the development of preliminary methodological grids for Natura 2000 payments (Milestone M4.3). Using the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P4 prepared a first draft for the 'Natura 2000 payment grids' including first ideas for the inclusion of baseline criteria in the payment calculations. A revised draft was presented at the mid-term workshop in Venice in February 2008. Milestone M4.3 was ongoing at the end of 2007 and was then finalised in the second project year in project month 14.

Discussion

The first two milestones M4.1 and M4.2 in relation to the review of the payment calculations were successfully completed. Work on milestone M4.3 was at a very advanced stage at the end of 2007 and was finished with the presentation at the mid-term workshop in February 2008. Together with the general framework for the grid development provided by partner P7 in workpackage WP8, milestone M4.3 provided the

platform for the software development in year 2. As explained earlier, the delay resulted from problems in relation to finding a suitable date for the project meeting.

Two key problems were encountered during the work in the first year. Firstly, in many cases, information on final versions of Natura 2000 measures was not available at the beginning of 2007 and the measures were not approved by the European Commission at that time. Consequently, as outlined under workpackage WP1, it was necessary to postpone the time-schedule of the review (mainly the time for data collection). Secondly, the process of payment calculation is not described in any detail in all countries. However, although methods for payment calculation could not be described in detail in all countries, due to lack of data or measures not being implemented, the data obtained are sufficient for the synthesis.

Generally, it was recognised that the comparison of different payment calculation approaches and the development of methodological grid harmonised across all countries is possible, but only on the assumption that some simplification and selection of the most common commitments / payment components will be adopted.

Progress during second reporting period

The work in workpackage WP4 focused in the second year on fulfilling remaining objectives 2 and mainly 3 and 4 – to develop national and lately general grid for the calculation on Natura 2000 payments.

Milestones M4.3 and M4.4

Based on previous work (Review of calculation methods) and the general framework for the grid development provided by partner P7 in workpackage WP8, partner P4 prepared first raw measure-specific grids for investigated RD measure (i.e. one grid for 213 measure – Natura 2000 payments on agricultural land and one grid for 224 measure - Natura 2000 payments on forestry land). This first version of the adjusted measure-specific grids for Natura 2000 payments was circulated among project partners to check an adaptation of grids to their country-specific conditions. Likewise the relevance and applicability of developed drafts of other measure-specific grids (e.g. for compensatory allowances, forestry measures etc.) were reviewed according to the Czech specificities and needed modification reported to WP2-WP6 leading partners.

Following the guidelines for the grid development provided by partner P7 as well as DoW, an identification and assessment of Czech baseline requirements including their linkage to the payment calculations was provided. Within the reviewed Natura 2000 payment calculations, the baselines were represented mostly by *common practice* and by the *requirements of additional national legislation* which applicants have to meet in the Natura 2000 areas. The current cross-compliance requirements relate to agricultural activities and are not applied for forestry measures in most of the investigated countries and regions. In fact, there is little to no evidence available from the review that existing baseline requirements are directly considered in the payment calculations.

A second revised version of the national Natura 2000 grids was presented at the mid-term workshop in Venice in February 2008 (Milestone M4.3). Taking into account the outcome of the mid-term workshop, national grids were consolidated to one methodological grid for calculation Natura 2000 payments (especially to two grids – one for 213 and second for 224 measure). The work covered mainly a consolidation of the core parts of the grid such as commitments and relevant practices, cost and revenue components, differentiation criteria of payments and the calculation process of income foregone and additional costs.

The consolidated methodological grid for the calculation of Natura 2000 payments (213 and 224) including Excel examples of calculation process (based on step-by-step approach) was presented at the fourth project meeting and second workshop with government representatives in Santorini in Greece in July 2008. Government representatives felt that the grids were helpful, mainly in less complicated measures (e.g. Natura 2000) can improve the low transparency of payment calculations. The harmonized grids can help to consolidate the process of payment calculations across different department within one country, regions and countries and also between countries and EU. A key issue for the grid application is data availability.

For the purpose of software tool development (WP8), further work on form of grids and cooperation with partner P1 was carried out. The different core parts of the Natura grids were provided to WP8, including lists of the most frequent commitments and practices and cost and revenue components.

Based on outcomes from the Santorini workshop and Berlin meeting, the methodological grid for Natura 2000 payments was improved, completed and finally delivered in form of deliverable report D6 in November 2008 (Milestone M4.4).

Discussion

Although payment calculations are not possible without the identification of the baseline requirements since only commitments going beyond the minimum mandatory requirements can be compensated for, the baseline requirements for Natura 2000 payments were not clearly defined at all in most investigated RDPs. In addition the current cross-compliance requirements related to agricultural activities and were not applied for forestry measures in most of the investigated countries and regions. Since each measure needed a baseline for the grids, the baseline for Natura 2000 on forestry land payments was formulated by partner P4 mainly based on requirements of national legislation regulating protected areas such as Natura 2000.

Natura 2000 payments are often based on aggregated items such as gross margin or forestry income without any detailed information about how these items were calculated. In addition, a direct linkage between payment calculation and commitment / practices does not exist in all cases. Since the level of detail for payment calculations varies between countries, the grids provide flexibility to allow users to choose between different levels of detail in calculation process.

Natura 2000 payments on forestry land (224) and forestry environment payments brought similar issues during grids development. For example, specific cost and revenue components are not included in FADN, baseline requirements do not exist, and a similar terminology and (sometimes) methodology to determine the rate of compensation is used. Consequently, some issues were discussed and developed in close collaboration with partner P1, in particular during a visit to partner 1 in Scotland in March 2008.

Workpackage number	***WP5* (Elaboration of a methodological framework for the payment calculation in forestry schemes)**							
Phase:	**1**							
Start date:	**Month 2**							
Completion date:	**Month 21**							
Partner responsible:	**1**							
Partner:	**1**	2	3	4	5	6	7	8
Person months allocated:	**5.5**	1	1	3	1	1	1	0.5
Used in first year:	**2.5**	1	0.5	1	0.5	1	1	0
Used in second year:	**3**	0	0.5	2	0.5	0	1.5	0.5
Total:	**15.5**							

Objectives

1. To carry out a comparative analysis of the different methods for payment calculation in the forestry measure in the partner countries and their regions
2. To identify and incorporate quantifiable criteria in the proposed methodological grids
3. To develop national grids for the calculation of forestry payments
4. To develop a methodological grid for payment calculation in the forestry measure

Deliverable	**Description**	**Status**
D7	Methodological grid for forestry measures	

Milestone	**Description**	**Status**
M5.1	Review of methods for payment calculations in forestry measures in the partner countries completed and internal national reports delivered to WP coordinator	Complete
M5.2	Summary of review of methods for payment calculations in forestry measures completed and internal report delivered to WP1 and presented at the review workshop (WS2)	Complete
M5.3	Preliminary national grids completed and presented at the mid-term workshop	Complete
M5.4	Grid for payment calculation in the forestry measure completed and delivered to WP8	Complete

Current status: Complete

Progress during first reporting period

Milestone M5.1 and M5.2

The work in workpackage WP5 focused in the first year on fulfilling objective 1 to carry out a comparative analysis of the different methods for payment calculation of forestry measures in the partner countries and their regions. The forestry measures included first afforestation of agricultural land (221), first establishment of agroforestry systems on agricultural land (222), first afforestation of non-agricultural land (223), forest environment payments (225), and restoring forestry potential and introducing prevention action (226).

Following the development of the general framework for the review through workpackage WP1, partner P1, responsible for the workpackage, created the questionnaire for the forestry measures. Feedback from each partner was incorporated into the final version of the questionnaires. Data collection and semi-structured interviews were coordinated and held between April and June 2007 in all countries and their regions where the different forestry measures are implemented. Each partner and sub-contractor then collated the data for the forestry measures in their country and provided an internal report to partner P1. By providing the internal national review reports on forestry measures, milestone M5.1 was successfully completed.

A summary report reviewing payment calculations in forestry measures was produced by partner P1 in August 2007, and milestone M5.2 completed. Before the completion of the report, interim results were presented to government representatives at the review workshop in Prague and the outcome of the discussions, as well as comments from all partners, incorporated into the report. The report summarises the review of payment calculations in forestry measures as implemented in the partner countries Scotland, Germany, Greece, Czech Republic, Lithuania, Finland, Italy, Spain and Poland. Since some partner countries, e.g. Germany and Italy, implement their RDPs at regional level, specific regions were chosen as examples to investigate the forestry measures in these countries. For example, the calculation of forest environment payments in Germany was investigated in Mecklenburg West-Pomerania, while in Italy forestry measures were investigated for the Umbria region. Similarly, payment calculations in Spanish forestry measures were reviewed in the Basque Country and Navarra region. The report was published on the project website and provided the material on forestry measures for the deliverable report D2.

There is a high degree of variation in the extent to which forestry measures are implemented in the different partner countries. The range varies from countries such as Greece, where all measures are implemented, to Finland, where no new measures and commitments are implemented. First afforestation of agricultural land (221) and the newly-introduced forest environment payments (225) are the most popular measures, at least for the nine investigated countries. Consequently, this report put the emphasis on these two measures in the synthesis of the different forestry questionnaires and measures

and aimed to provide answers to the set of key questions concerning payment differentiation, eligibility criteria, cost components and approaches to calculating costs and associated payments.

The findings of the review confirmed the expected big differences in payment differentiations and calculations within a measure across the countries and between the different forestry measures. Applied payment differentiations varied from simple uniform payments only considering RDR requirements to rather complex differentiations depending on tree or forest types and topography but also agricultural parameters such as production systems or land type and quality. Figure 3 provides a general logic framework for the payment differentiation of afforestation measures.

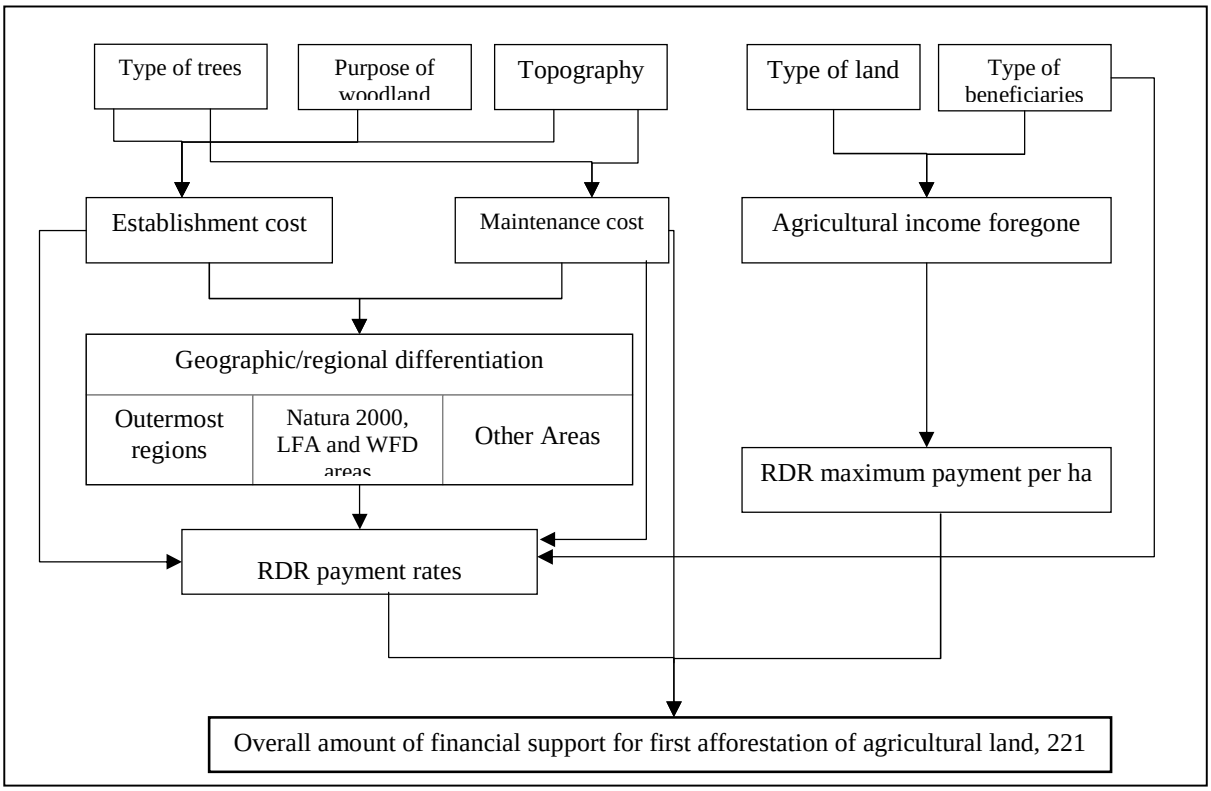


Figure 3 Logic representation of payment differentiation in the afforestation measure 221 (& 223)

While eligibility criteria and scheme commitments are often similar across countries, the level of details in the calculations varies between the different implementations. Taking the establishment payments for afforestation as an example, the standard cost approach can be as simple as using an aggregated figure for establishment costs or can include a number of different cost components for a range of required forest activities. Similarly, approaches used to quantify the different components vary from using expert studies or opinions to more detailed modelling exercises. For example, approaches to quantify standard costs for the establishment of first afforestations include national evaluation guidelines and ministry decrees, stakeholder evaluations, expert studies, modelling exercises of different planting models and a shift from detailed standard cost lists for

different activities to tariff systems.

Approaches for quantification of establishment costs:
- National evaluation guidelines and Ministry decrees
- Stakeholder evaluations
- Expert studies
- Modelling exercises of different planting models
- Shift from detailed standard cost lists for different activities to tariff systems

Agricultural income foregone payments are calculated on the basis of gross margin losses and, in some cases, taking into account loss of direct payments and gross margin gains from forestry enterprise. The following approaches are widely used for the calculation of gross margin losses:

Approaches for calculation of gross margin losses:
- Gross margin losses are calculated by using averages over a number of years (usually 3 years)
- Expert estimates are used to derive cost of non-market goods
- Standardised gross margin figures from expert studies
- Gross margin figures from farm account surveys and databases
- Detailed calculations of reductions in revenue and variable costs

However, the findings of the review seemed to suggest that information on the quantification of cost components in forestry payments is rather limited, in particular in comparison to other RD measures such as agri-environment and Natura 2000 measures. Lack of suitable data often implies that simple calculation methods based on expert studies and opinions have to be used to estimate standard costs for forestry payments.

Milestone M5.3

Following the review, partner P1 started with preparatory work for the development of preliminary methodological grids for forestry measures (Milestone M5.3). Using the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P1 prepared a first draft for the 'forestry grids' including first ideas for the inclusion of baseline criteria in the payment calculations. A revised and elaborated draft has been presented at the mid-term workshop in Venice in February 2008. Milestone M5.3 was ongoing at the end of 2007 and was then finalised in the second project year in project month 14. More details on the final output of milestone M5.3 will be thus provided in the second annual report.

Discussion

The first two milestones M5.1 and M5.2 in relation to the review of the payment calculations were successfully completed. Work on milestone M5.3 was at a very advanced stage at the end of 2007 and was completed with the presentation at the mid-term workshop in February 2008. Together with the general framework for the grid

development provided by partner P7 in workpackage WP8, milestone M5.3 provided the platform for the software development in the next year. As explained earlier, the delay resulted from problems in relation to finding a suitable date for the project meeting. Milestone M5.4 will be pursued in the second project year.

Lack of suitable and current data is one of the identified key problems in relation to the calculation of forestry payments. Other remaining key issues to be taken into account in future calculations are, for example, the limitations of standard cost approaches and constraints resulting from RDR requirements. Discussions with government representatives confirmed the constraining effects of RDR requirements, additional data requirements, transparency of calculations and the need for suitable incentives at farm level.

The differences in payment calculations between the investigated countries and regions emphasise one of the main challenges in developing methodological grids: trying to create a harmonised method for payment calculations which, at the same time, allows consideration of regional circumstances and maintains relatively low administration costs. On the other hand, the review also showed that it is possible to synthesise similarities across the countries and to develop groups or types of parameters which provide a starting point in developing methodological grids for payment calculations.

Progress during second reporting period

Milestones M5.3 and M5.4

Following the review, partner P1 started with preparatory work for the development of preliminary methodological grids for forestry measures (Milestone M5.3). Using the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P1 prepared a first draft for the 'forestry grids' based on examples of existing payment calculations in forestry measures in Scotland and Germany including first ideas for the inclusion of baseline criteria in the payment calculations. The first draft also built in particular on the logic framework models for payment calculations in forestry measures which were developed for afforestation measures 221 – 223 and forestry environment payments in collaboration between partners P1 and P7. The first drafts were then presented at the project meeting in Venice in February 2008.

Following detailed discussions with all partners at the meeting, the logic framework was revised and expanded. The revised logic frameworks differentiated between core elements for the payment calculations as identified in the review in the first project year and additional (new) core elements added following a gap analysis of existing payment calculations. The logic frameworks thus provide a generic structure and a clearer exposition of the calculation process. In a second step, the developed drafts of the forestry grids were revised according to a step-by-step template developed by partner P1. The revisions entailed the compilation of lists of relevant elements for the different core parts of the methodological grids including baseline requirements, relevant commitments defined in the rural development measures, lists of practices reflecting required changes in farm management, lists of cost, revenue and income components and payment

differentiation categories and elements. These parts were then integrated in the revised methodological grids. The developed grids took into account natural, agronomic and silvicultural conditions and production systems and techniques as well as existing methods for payment calculations in RD measures. Each partner provided input by email to updated versions of the forestry grids and elaborated drafts of the forestry grids were presented at the workshop with government representatives in Santorini in June 2008.

The step-by-step payment calculation approach used in the Excel files of the methodological grids was seen by government representatives as a useful way to structure the payment calculations. Discussions of the forestry grids emphasized that the grids should address that required level of detail for the grids varies between measures and case-by-case application. Consequently, the grids must provide flexibility to allow users to choose between different levels of detail in calculating payments. Moreover, users should be able to add components to the developed grids. Generally, government representatives felt that two levels of calculations plus a third level providing guidance on further calculation details would probably be sufficient in most cases. Overall, the importance of using a harmonised terminology for cost, revenue and income components was pointed out.

Based on the feedback from the Santorini workshop, the methodological grids for foresty measures were again revised and completed. The lists of the different core parts such as practices and cost, revenue and income components were revised applying a harmonized terminology across the different workpackages. The actual calculation process in the grids was adjusted to two levels of calculations plus a third level providing guidance on further calculation details. However, users of the forestry grids had the opportunity to add more calculation levels as well as the option to add practices and cost, revenue and income components. Moreover, baselines for forestry environment payments were revised in collaboration between partners P1 and P4 and partners P1 and P8 developed a classification of the practices included in the grids to enhance the user friendliness of the grids.

For the purpose of software tool development (WP8), further work on the forestry grids was carried out in cooperation between partner P1 and P8. The different core parts of the grids were adjusted to fit with the design of the software and provided to the software development in workpackage WP8. Finally the completed forestry grids were delivered in form of deliverable report D7 (Milestone M5.4).

Discussion

Lack of suitable and current data was one of the identified key problems in relation to the calculation of forestry payments. Other remaining key issues to be taken into account in future calculations were, for example, the limitations of standard cost approaches and constraints resulting from RDR requirements. Discussions with government representatives confirmed the constraining effects of RDR requirements, additional data requirements, transparency of calculations and the need for suitable incentives at farm level.

The differences in payment calculations between the investigated countries and regions emphasised one of the main challenges in developing methodological grids: trying to create a harmonised method for payment calculations which, at the same time, allows consideration of regional circumstances and maintains relatively low administration costs. The developed grids provided an attempt to develop such a harmonized method for payment calculations. Government representatives saw the flexibility of the developed grids and the harmonized step-by-step approach as the main improvements of the calculation process in forestry measures.

Similar key issues (for example specific baseline requirements are difficult to define, specific cost and revenue components are not included in FADN, and a similar terminology and methodology to determine the rate of compensation) were identified for forestry environment payments (225) and Natura 2000 payments on forestry land (224). Consequently, some issues were discussed and developed in close collaboration with partner P4, in particular during a visit of partner P4 in Scotland in March 2008.

Workpackage number	***WP6* (Elaboration of a methodological framework for the payment calculation in animal welfare and meeting standard measures)**							
Phase:	**1**							
Start date:	**Month 2**							
Completion date:	**Month 21**							
Partner responsible:	**5**							
Partner:	1	2	3	4	**5**	6	7	8
Person months allocated:	1	1	1	1	**8**	1	1	0
Used in first year::	0.5	1	0.5	0.5	**6**	1	1	0
Used in second year:	0.5	0	0.25	0.5	**2**	0	1	0
Total:	**14.75**							

Objectives

1. To carry out a comparative analysis of the different methods for payment calculation in the animal welfare and meeting standard measures in the partner countries and their regions
2. To identify and incorporate quantifiable criteria in the proposed methodological grids
3. To develop national grids for the calculation of animal welfare and meeting standard payments
4. To develop a methodological grid for payment calculation in these two measures

Deliverable	**Description**	**Status**
D8	Methodological grid for animal welfare measures	Complete
D9	Methodological grid for meeting standards measures	Complete

Milestone	**Description**	**Status**
M6.1	Review of methods for payment calculations in animal welfare and meeting standards measures in the partner countries completed and internal national reports delivered to WP coordinator	Complete
M6.2	Summary of review of methods for payment calculations in animal welfare and meeting standard measures completed and internal report delivered to WP1 and presented at the review	Complete

	workshop (WS2)	
M6.3	Preliminary national grids completed and presented at the mid-term workshop	Complete
M6.4	Methodological grid for payment calculation in animal welfare and meeting standard measures completed and delivered to WP8	Complete

Current status: Complete

Progress during first reporting period

Milestone M6.1 and M6.2

The work in workpackage WP6 focused in the first year on fulfilling objective 1 to carry out a comparative analysis of the different methods for payment calculation of animal welfare measures and meeting standard measures in the partner countries and their regions.

The meeting standards measure is one of the measures aimed at improving the quality of agricultural production and food products. Meeting Standards payments can be paid on the basis of Articles 20 (c) (i) and 31 of Regulation (EC) No 1698/2005 and Article 21 point 5.3.1.3.1 of Annex II of Regulation (EC) No 1974/2006 in the EU. Support for the Meeting Standards measure shall contribute partly to costs incurred and income foregone caused to farmers who have to apply standards in the fields of the environmental protection, public health, animal and plant health, animal welfare and occupational safety. These standards must be newly introduced in national legislation implementing Community law and impose new obligations or restrictions to farming practice which have a significant impact on typical farm operating costs and concern a significant number of farmers. Only two of the investigated countries and regions have implemented Meeting Standards: Greece and Veneto region (Italy).

Animal welfare measures target the sustainable use of agricultural land under the Axis 2: Improving the environment and the countryside and can be paid on the basis of Articles 36 (a) (v) and 40 of Regulation (EC) No 1698/2005 and Article 27 point 5.3.2.1.5 of Annex II of Regulation (EC) No 1974/2006 in the EU. Six of the investigated countries and regions have implemented animal welfare measures: Germany, Castilla Y Leon (Spain) Finland, Greece, Emilia – Romagna (Italy), Scotland (SCO). Only in Germany and Scotland Animal Welfare measure was implemented during 2000-2006 Programming period

Following the development of the general framework for the review through workpackage WP1, partner P5, responsible for the workpackage, created the questionnaires for animal welfare and meeting standards measures. Feedback from each partner was incorporated into the final version of the questionnaires. Data collection and

semi-structured interviews were coordinated and held between April and June 2007 in all countries and their regions where these measures are implemented. Each partner and sub-contractor then collated the data for the animal welfare and meeting standards measures in their country and provided an internal report to partner P5. By providing the internal national review reports on animal welfare and meeting standards measures, milestone M6.1 was successfully completed.

A summary report reviewing payment calculations in animal welfare and meeting standards measures was produced by partner P5 in August 2007, and milestone M6.2 completed. Before the completion of the report, interim results were presented to government representatives at the review workshop in Prague and the outcome of the discussions, as well as comments from all partners, incorporated into the report. The report summarised the review of payment calculations in animal welfare and meeting standards measures as implemented in the partner countries Scotland, Germany, Greece, Czech Republic, Lithuania, Finland, Italy, Spain and Poland. Since some partner countries, e.g. Germany and Italy, implement their RDPs at regional level, specific regions were chosen as examples to investigate these measures in these countries. However, as mentioned above, the meeting standards measure is implemented in only two of the investigated countries and regions (Greece and Veneto region (Italy)). The report was published on the project website and provided the material on animal welfare and meeting standards measures for the deliverable report D2.

The review outlined that meeting standards measure includes a wide range of options and complexity of payments calculations. Scheme commitments depend directly on the obligations or restrictions imposed by the new standard (i.e. implemented regulation) as well as particular components of payment calculation. Some common issues in the process of payment calculations can be identified such as fixed payment for five years, payment is proportionally decreasing annually; the range is given by a fixed maximum amount of payment in the first year up to fixed minimum amount of payment in the fifth year. Another key issue is the limitation of the maximum payment per farm and the complexity of setting up the commitments for a large number of farms.

Differentiation of animal welfare payments are provided according to animal species, applied husbandry conditions and farm systems. The calculation process is on the basis of standard costs with regard to standard assumptions of additional costs, income foregone and transaction cost. However, two additional elements which reduce the payment amount are identified, i.e. savings resulting from expected lower veterinary costs and additional income due to increasing animal health and output. The transaction costs are calculated as a percentage of total amount of income foregone and additional costs or as a constant amount added to the payment.

Calculation of transaction costs:

- As percentage of total amount of income foregone and additional costs
- As constant amount added to the payment

The animal welfare measure is newly introduced in most of the investigated countries;

therefore the fact that there was no reference model to follow made the whole process of calculating payments more complicated.

Milestone M6.3

Following the review, partner P5 started with preparatory work for the development of preliminary methodological grids for animal welfare and meeting standards measures (Milestone M6.3). Using the first draft of the general framework for the grid development provided by partner P7 in workpackage WP8, partner P5 prepared a first draft for the 'animal welfare grids' and 'meeting standards grids' including first ideas for the inclusion of baseline criteria in the payment calculations. A revised draft was presented at the mid-term workshop in Venice in February 2008. Milestone M6.3 was ongoing at the end of 2007 and was then finalised in the second project year in project month 14.

Discussion

The first two milestones M6.1 and M6.2 in relation to the review of the payment calculations were successfully completed. Work on milestone M6.3 was at a very advanced stage at the end of 2007 and was finished with the presentation at the mid-term workshop in February 2008. Together with the general framework for the grid development provided by partner P7 in workpackage WP8, milestone M6.3 provided the platform for the software development in year 2. As explained earlier, the delay resulted from problems in relation to finding a suitable date for the project meeting.

Similarly to other measure-specific workpackages, information on final versions of animal welfare and meeting standards measures was not available at the beginning of 2007 and the measures were not approved by the European Commission at that time. The fact that the meeting standards measure is implemented only in two investigated countries and regions increased the problem of missing information on payment calculations in that measure. However, additional interviews and data collation in those countries were conducted and the respective partners P3 and P7 provided the additional information which was then added to the review reports.

Progress during second reporting period

Milestones M6.3 and M6.4

WP6 was responsible for the grid development for Animal Welfare and Meeting Standard measures.

Animal Welfare

In year 2, methodological grids for calculating payments in the animal welfare measures were developed. Six countries out of the nine partner countries in the AGRIGRID project have chosen to implement the Animal Welfare measure in their RDPs for 2007-2013: Mecklenburg West-Pomerania (Germany), Castilla Y Leon (Spain), Finland, Greece, Emilia – Romagna (Italy), Scotland. In Germany and Scotland, the Animal Welfare measure was already implemented during the 2000-2006 programming period.

After the research was carried out, differentiation categories, sub-categories and elements were identified and adopted to the grid for Animal Welfare measure payment calculation. Summarising the results on Animal Welfare payment calculation process, it was noticed that payment could include two additional elements – savings and additional profit - as well as additional costs, income foregone and transaction costs, which are mentioned in EU Regulation. The Partners concluded that only three elements - additional costs, income foregone and transaction costs - have to be used for Animal Welfare payment calculation. It is very difficult to estimate additional income because its amount mostly depends on market conditions. With the exception of Finland, where additional income is incorporated in to the Animal Welfare payment calculation, it was decided not to include it in the grid because of fluctuations in prices which influence income, and additional income could not appear at all.

Various combinations of different data sources, such as legal acts, statistical data, scientific literature, handbooks, and experts' recommendations, even the model were used to calculate Animal Welfare payments across the countries. Due to the fact that balance sheet (FADN) approach only partly satisfies data demand for payment calculations, the Practices approach was established. The Grid for Animal Welfare measure is based on a logic framework model which includes the main calculation structure. The logic frameworks provided a generic structure and a clearer exposition of the calculation process. The different core parts of the calculation process were identified including baseline requirements, relevant commitments defined in the rural development measures, lists of practices reflecting required changes in farm management, lists of cost, revenue and income components and payment differentiation categories and elements. These parts were then integrated in the methodological grids, providing a new harmonized and flexible method to calculate payments. An early version of the grid was presented at the project meeting in Venice in February 2008, followed by presentations of revised and expanded grids at the project meetings in Santorini in June 2008 and Berlin in September 2008. Feedback from government representatives was implemented in the final version which was then presented at the final project meeting in Brussels in December 2008. The result of the work in WP6 is an up-to-date tool for Animal Welfare payment calculation, which simplifies payment calculation process for policy makers and EU experts.

Meeting Standard

Meeting standard measures differ from the other RD measures covered by the AGRIGRID project. Firstly, it is not an area-based measure of axis 2 of the RDR and, secondly, only two partner countries (Greece and Italy) have opted to implement this measure. However, following the same approach as described for the Animal Welfare measure, a logic framework model was developed based on the review of payment calculations in Meeting Standard measures in Greece and Italy, which provided the generic framework for the grid development. The different core parts of the calculation process were identified including baseline requirements, relevant commitments defined in the rural development measures, lists of practices reflecting required changes in farm management, lists of cost, revenue and income components and payment differentiation categories and elements. Similar to the Animal Welfare measure, these parts were then integrated in the methodological

grids. Again, an early version of the grid was presented at the project meeting in Venice in February 2008, followed by presentations of revised and expanded grids at the project meetings in Santorini in June 2008 and Berlin in September 2008. Feedback from government representatives was implemented in the final version which then presented at the final project meeting in Brussels in December 2008.

Discussion

After the research had been carried out, it was identified that Meeting Standards measure was not widely applied among the countries analysed because of relatively high implementation costs. Because of complexity of setting up Meeting Standards measure commitments for EU farms that are extremely different from each other, the payment amount of EUR10000 per farm could be differentiated according to region specificity or farm types.

Tasks during the second year were fulfilled according to the initial plan. Very few difficulties were faced during the year. All problems faced were solved with effective contribution with project coordinator, WP leaders and other Partners.

Finally, we continually collaborated with other colleagues from LAEI and representatives of the Ministry of Agriculture of the Republic of Lithuania. We organised round tables with valuable outcomes which fed back into, and improved, our work. The grid is complete and ready to use.

Workpackage number	***WP7* (Case study analysis of existing and proposed grids)**							
Phase:	**2**							
Start date:	**Month 4**							
Completion date:	**Month 21**							
Partner responsible:	**2**							
Partner:	1	**2**	3	4	5	6	7	8
Person months allocated:	3	**10**	3	3	3	3	3	0
Used in first year:	1	**3.5**	0.5	0.25	1	2	2	0
Used in second year:	2	**10**	0.25	2.75	2	1	2	0
Total:	**30.25**							

Objectives

1. To analyse selected existing approaches to highlight impacts of standard costs and more differentiated approaches on calculated premium levels
2. To derive recommendations for differentiated approaches in new grids
3. To test the proposed grids of WP 2-6
4. To provide examples for the application of the new grids for the software tool and its user guide

Deliverable	**Description**	**Status**
D10	Summary report on case study analysis of existing and proposed grids	Complete

Milestone	**Description**	**Status**
M7.1	Case study analysis of existing grids completed and results presented at the mid-term workshop	Complete
M7.2	Case study analysis of proposed grids from WP 2-6 completed	Complete
M7.3	Documentation of examples of new grids completed and delivered to WP 8	Complete

Current status: Complete

Progress during first reporting period

Milestone M7.1

As a first step for the analysis of the performance of simple standard cost approaches as well as more differentiated approaches of existing payment calculations, a review of

existing literature was carried out. To this end, a guideline for literature review on payment calculations was developed by partner P2 and sent to all partners, including examples from the literature review in Germany. Each partner then conducted a literature search for relevant studies and information on payment calculations and sent a literature list to partner P2. The cross-country evaluation of the available literature provided by partners P1, P3, P4, P5, P6 and P7 was summarised by partner P2 (see deliverable D10).

The outcome of the literature review suggested that very few studies exist which provide empirical analyses of the impacts of payment differentiation. Therefore, the potential and limits of FADN databases for the evaluation of impacts of standard costs and more differentiated approaches to payment calculations were assessed by partner P2. Figure 4 provides a schematic illustration of the effects of related simple flat-rate payments and more differentiated schemes on uptake and expenditure. Eligible land was sorted by costs incurred by farmers when participating. In favour of simplicity, we assumed constant marginal benefits for each unit of land brought into the programme, and the curve of participation costs represents the 'supply curve' of the public good.

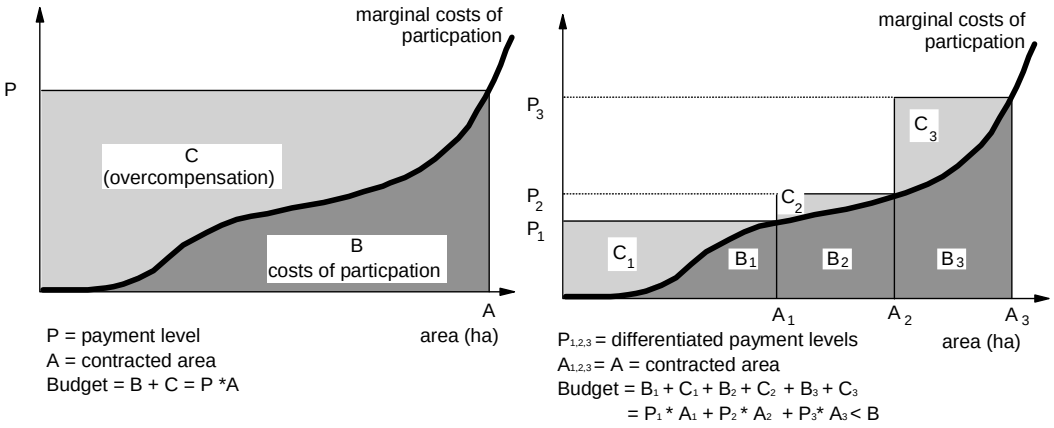


Figure 4 Schematic illustration of the effect of flat-rate vs. differentiated payments

The basic idea of differentiating payments is not to offer a single payment level to all potential participants, but rather to try to separate farms (into groups) by their costs of participation. In theory, differentiated payment levels can be significantly lower than a uniform flat-rate and still provide a financial incentive for participation to the same number of farms, thus reducing budget expenditure. Identified key issues for the analysis of payment differentiation are, firstly, the question of how to evaluate the performance of differentiated approaches, which is closely linked to the discussion of the objectives for differentiation, and secondly, the possibilities for an effective separation of farms into groups with different costs, or even approximation of individual costs, which is essentially an empirical question.

Exemplary case studies for selected agri-environment programmes in Germany were carried out and provided promising results, as FADN data could be used to contrast the results of standard cost approaches with real variances, providing an insight into over-

and underestimation of costs incurred or income foregone. Evaluation algorithms were programmed (SAS; GAMS) to allow further systematic evaluation of efficiency and effectiveness of payment differentiation. Considerable progress was thus made with respect to milestone M7.1. The extension of the case-study analyses to partner countries was delayed compared to the original schedule. However, as the mid-term workshop has been postponed from month 12 to month 14, no serious problems concerning milestone M7.1 and the overall timetable of WP 7 are foreseen.

FADN-based analysis complemented a farm-systems simulation model used by partner P1. The use of the Land Allocation Decision Support System (LADSS) to extend FADN based-analysis was discussed between partner P2 and P1. It had been agreed that a number of farm case studies in Scotland would be analysed in the second project year, applying back-casting mode and exploring some of the key assumptions in the payment calculations. Moreover, the discussion emphasised the benefits of involving farmers and other stakeholders through workshops and testing the acceptability to the calculation methods.

Figure 5 summarises the framework for the case study analysis, using a deliberative inclusive process by combining LADSS with workshop analysis.

A preliminary list of Scottish agri-environmental measures was put together for the selection of examples for the case study analysis with LADSS. However, it was decided that the work would focus on the agri-environment measure 'conversion to organic farming' to allow testing some conclusions for the different partner countries. In this context, collaboration with the Soil Organisation was initiated and the first meeting held to discuss the required input. Workshops with farmers and other stakeholders were set for the first half of the second project year.

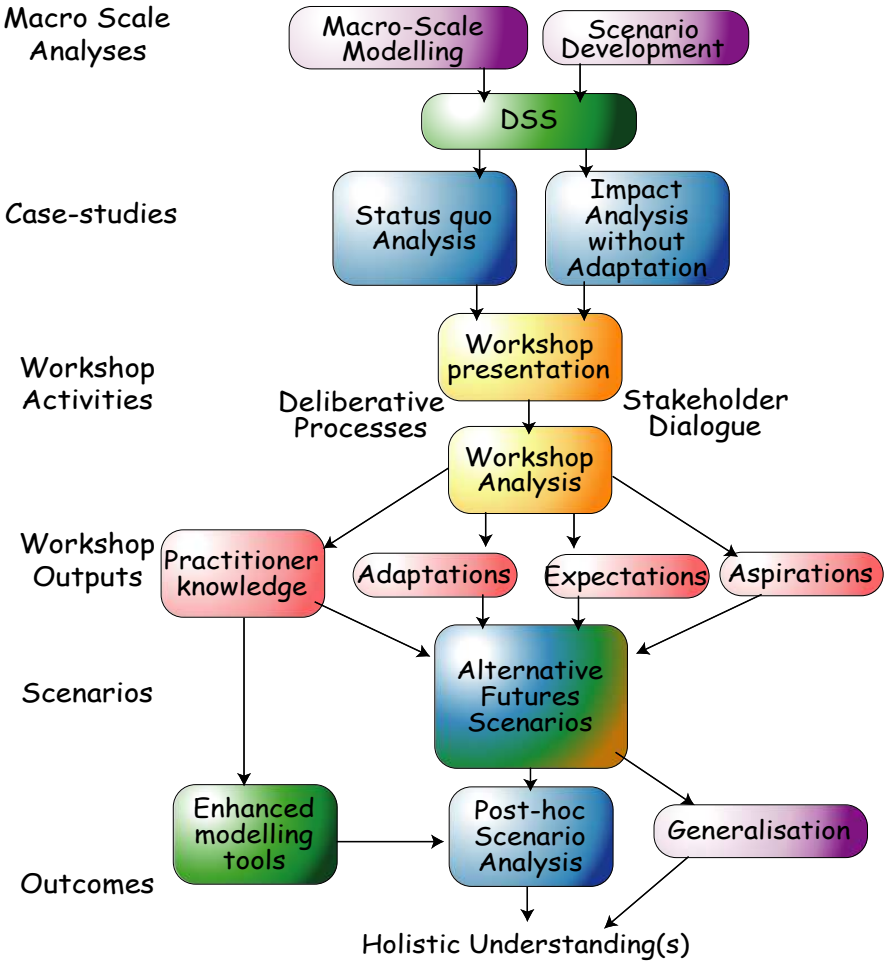


Figure 5 LADSS and framework for deliberative inclusive processes

Milestones M7.2 and M7.3

Work on milestones M7.2 and M7.3 was carried out in the second project year.

Discussion

The work in workpackage WP7 made considerable progress in the first project year. Comparisons of existing standard cost approaches and differentiated payment calculations generated interesting and useful insights into over- and underestimation of costs incurred or income foregone, thus into the impacts of different approaches of calculating payments on the efficiency of the financial support. The outcome of the work in the first project year provided the basis for the assessment of proposed grids.

Work on milestone M7.1 was at a very advanced stage at the end of 2007 and was completed with the presentation at the mid-term workshop in February 2008. The extension of the case-study analyses to partner countries was delayed compared to the original schedule. However, as the mid-term workshop had been postponed from month 12 to month 14, no serious problems concerning milestone M7.1 and the overall timetable

of WP 7 were caused and the overall schedule of WP7 is on time.

Progress during second reporting period

M7.1 The results of the case study analysis of existing grids were presented at the mid-term workshop in Santorini. Discussions with government representatives at this meeting showed that there was a general awareness that flat-rate payments do not reflect farm-level heterogeneity, but the authorities involved prefer flat-rate payments due to administrative simplicity. The high requirements on data quality and quantity for the calculation of differentiated payment levels, as well as higher administration costs incurred by differentiated payment levels, were identified as key problems.

M7.2 Methodology and evaluation algorithms (SAS; GAMS) for a systematic evaluation of efficiency and effectiveness of payment differentiation based on FADN data were finalized. Specifically, the OECD framework for evaluating the implementation costs of agricultural policies was adopted and modified with a view to the evaluation of payment differentiation. For selected partner countries, access to the national FADN data bases was established, and potential differentiation criteria were identified. Exemplar case studies for selected agri-environment programmes were carried out for Germany, Italy, the Czech Republic and Scotland based on the respective national FADN data. The results were presented and discussed at workshops with government representatives in Santorini and Brussels and with stakeholders in Edinburgh, and in a scientific setting at the Annual Conference of the Agricultural Economics Society.

The above analysis was accompanied by a workshop based farm level analysis using the LADSS model. The workshop-based farm level analysis was led by partner P1. The farm-scale part of the case-study analysis was undertaken with stakeholders (from both policy and practice communities) and sought to assess whether both the payment *methods* and the payment *rates* "make sense" to stakeholders and aimed to highlight any unintended consequences. Since the only measure common to all EU27 countries was payment for conversion to, and support for, organic production, this was chosen as the measure to be assessed. This measure was also of interest since it is entails significant enterprise and management change and as such has significant opportunities for changes to both additional costs and income forgone. The lessons from organic conversion/production were thus relevant to agri-environmental, animal welfare and other measures. The outcomes of the farm-scale analysis were presented and formed the basis for deliberation in a multi-perspective stakeholder workshop hosted by the Scottish Government in September 2008. This included participants from government, NGO's, trade-bodies and practitioners. Taking into account the feedback from the workshop, a synthesis of the results was provided to partner P2 and included in deliverable D10.

M7.3 P9 developed guidelines for a harmonised tutorial based on documented examples of an application of the software tool. All partners applied the final grids to selected measures in different countries to illustrate the payment calculations for representative examples. The tutorials as well as related exemplar libraries were delivered to WP8 to be included in the software and the manual. The documented examples were also used to demonstrate the software tool to the Commission and government representatives at the

final workshop in Brussels.

D10: The WP7 summary report on case study analysis of existing and proposed grids (D10) was finalised and sent to the Commission in month 23.

Discussion

The results from the FADN-based case-studies show that though overcompensation can be reduced by payment differentiation in most cases, savings in budget expenditures are often small and are even offset by increasing PRTCs. The evaluation of the overall performance of payment differentiation strongly depends on the weights attached to the objective of reducing unintended transfers. Generally, the scope for effective and efficient differentiation depends on specific measure characteristics. Potential benefits of differentiated approaches are higher if:

- variances of participation costs in the universe of farms are high, which is generally more likely for measures which affect output rather than measures which lead to additional costs
- correlation between costs of participation and environmental benefits are strong
- administration costs for differentiation approaches are low.

It is essential that the discriminatory power of the indicators used for differentiation is significant. For regional differentiation, differences between sub-regions need to be high while variances within sub-regions should be low. For farm individual differentiation, the correlation between actual farm individual costs of participation and selected indicators for payment determination must be high.

Future research on the contribution of payment differentiation in the presence of pure windfall profits is a promising extension of the approach presented in this report. Further, taking into account nonlinear correlations between participation costs and ecological benefits might change outcomes considerably, though finding an empirical basis for such a specification will remain a challenge.

The workshops with government representatives and other stakeholders indicated interest in improving payment calculations and differentiations and identified lack of information as well as the fear of increased administrative burdens as key restraints. Datasets, tools and methods that can look beyond “average values” and that allow a more in-depth exploration, and which structure data and process, were seen as helpful in overcoming these constraints. Future workshops should also aim to include farmers, as acceptance of payment differentiation schemes (e.g., as being ‘just’) by the target group is vital for the success of the respective rural development measures.

Workpackage number	***WP8* (General design of grids and software development)**							
Phase:	**2**							
Start date:	**Month 5**							
Completion date:	**Month 23**							
Partner responsible:	**7**							
Partner:	1	2	3	4	5	6	**7**	8
Person months allocated:	5	3	1	1	1	1	**6**	0
Used in first year:	1.5	0.5	0.2	0.5	0.5	0	**8**	0
Used in second year:	3	2.5	0.8	3.5	1	1	**12**	0.5
Total:	**35.5**							

Objectives

1. To develop the general structure and design of the methodological grids for the RD measures
2. To assess the different baseline requirements of the selected RD measures
3. To develop a software tool for the methodological grids
4. To producer a summary report and use guide for grid development

	Description	**Status**
Deliverable		
D11	Summary report	Complete
D12	Software tool for methodological grids and user guide for grid development	Complete
Milestone	**Description**	**Status**
M8.1	General structure of the methodological grids developed and provided to WP2-WP6	Complete
M8.2	Assessment of baseline requirements of the different RD measures completed and internal report delivered to WP2-WP7	Complete
M8.3	Mid-term workshop held to assess the progress in grid development and experiences from case study analysis	Complete
M8.4	Software tool for methodological grids completed and tested	
M8.5	Summary report and user guide for grid development completed, forwarded to WP9	

Current status: Complete

Progress during first reporting period

Milestone M8.1
Workpackage WP8 provided the methodological framework for the grid development in workpackages WP2 – WP6. A report was produced in November 2007 on the general guidelines for the development of methodological grids for payment calculation in rural development measures. This was to provide WP2-WP6 with a general structure for the development of measure-specific, as well as country-specific, methodological grids for payment calculations in national and regional rural development programmes. In a first step a draft report and draft framework was sent to all partners by partner P7 and comments received back were incorporated in the final report. The final version of the report was the completion of milestone M8.1 and again sent to partners. The guidelines were sent used by the lead partners of WP2 – WP6 to progress with the first steps of the development of the measure-specific grids creating a first outline of a base structure of the grids in Excel.

The report outlining the general structure for the grid development provided a logic model diagram for the methodological grids. Logic model diagrams and grids are essentially a schematic way of representing a complex problem. Grids and logic models are used together in the representation of the problem in a way that makes multi-dimensional problems easy to be considered and solved. Grids are often used in complex problem analysis to represent the logic process to reach a solution. Moreover logic models are often used in the theory and practice of enterprise organisation and business management. As a schematic way to represent a decision making process, a grid can be formulated as a simple spreadsheet where different parameters influencing the decision are included. The increasing complexity of the decision making process often leads to a set of tables connected by links and logic connections. The starting points for the development of the general framework were mainly the concepts and theory of logic models as they can be found in scientific literature and, above all, the different structures of payment calculation as they have been at the time of the review.

At the Prague workshop, the logic framework shown below was presented and discussed. This is a schematic and generalised representation of the process of payment calculation for the Rural development measures, which includes an identification of Cross-Compliance for each country, a consequent definition of the baseline, a clear identification of additional commitments for each individual measure and, consequently, a calculation of income losses and additional costs for each measure and each of the ‘dimensions’ considered in the justification.

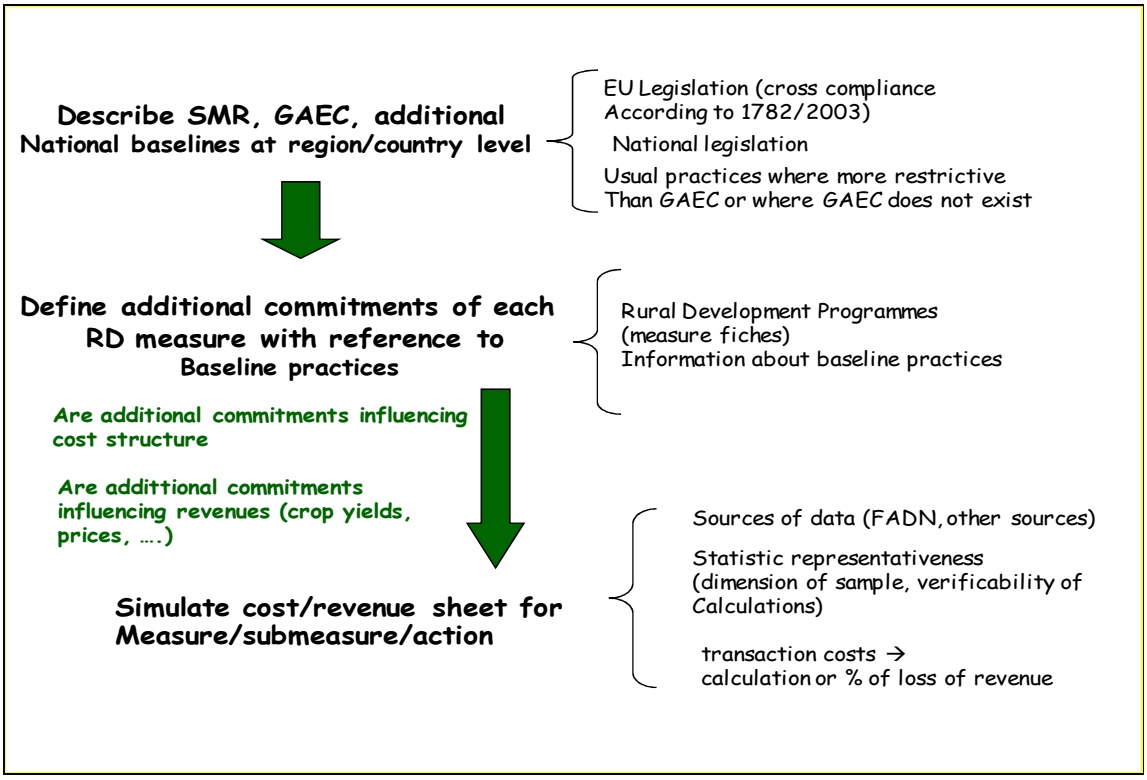


Figure 6 **Logic scheme of the analysis**

The general guidelines for the grid development provided by partner P7 also included a framework for the writing of the reports regarding the measure-specific development (deliverables D2 – D6), which will be used for the production of a summary report for WP8 (deliverable D11).

Milestone M8.2

Parallel to the provision of the report with the general structure and logic model diagram for the grid development, an assessment of baseline requirements (including Statutory Management Requirements, GAEC and additional national baseline requirements) for the different rural development measures was provided by partner P7. This part of WP8 was done in collaboration with all partners who provided an overview of the baseline requirements in their country. However, while the collation of the data took more time than initially expected, the delay was mainly caused by the required extension of the review of payment calculations (phase 1 of the project). Consequently, the milestone M8.2 was not completed in month 9, as initially planned in the description of work. With the support of partner P1 and P2, the lead partner P7 put together a synthesis of the baseline requirements at the end of the first project year and milestone M8.2 was completed at the time of the mid-term workshop in month 14. Figure 7 depicts the structure of the overview table for GAECs.

GAECs				
1	2	3	4	5
Issue	**Standard**	**GAEC description**	**Reference code**	**Related measure(s)**
Soil erosion	Minimum soil cover			
	Minimum land management reflecting site-specific			
	Retain terraces			
	Other			
	Other			
Soil organic matter	Standards for crop rotations where applicable			
	Arable stubbles management			
	Other			
	Other			
Soil structure	Appropriate machinery use			
	Other			
	Other			
Minimum level of maintenance	Minimum livestock stocking rates or/and appropriate			
	Protection of permanent pastures			
	Retention of landscape features, including the			
	Avoiding the encroachment of unwanted vegetation on			
	Maintenance of olive groves in good vegetative			
	Other			
	Other			

Figure 7 Table on GAEC evidence as proposed in Annex 2 of the General framework for the review of payment calculations

The baseline assessment also discusses options how to link relevant baseline requirements with the cost or income foregone components used in the payment calculations. Figure 8 provides an example for the structure and logic how baseline requirements could be linked with components in the payment calculations. However, alternative options for such linkages were further explored during the continuation of the grid development next year.

Name of the measure/submeasure				
1	2	3	4	5
RD commitment	**Baseline practice**	**Reference code**	**Related cost element**	**Related revenue element**

Figure 8 Table for the linkage of baseline, RD commitments and payment calculation

Milestone M8.3

The mid-term workshop was prepared by partner P1 and P7 and a programme was developed at the end of the year. The purpose of this project meeting was to exchange experiences on the early steps on the grid development and case study analysis and

further evolve the frameworks and tasks for the future work. The project meeting was postponed by two month and successfully held in Venice in February 2008.

Discussion

The work in workpackage WP8 made considerable progress in the first project year. Guidelines for the first steps of the development of the different measure-specific methodological grids were developed and successfully used to create first outline of the respective base structures. Equally, the assessment of the baseline requirements made considerable progress and was finalised early in 2008. The outcome of the work in the first project year provided the basis for further extensions of the framework for the grid development and facilitated the continuous coordination of the development of the measure-specific methodological grids, which is the main task of workpackage WP8. Moreover, together with the measure-specific base structures developed by partners P3, P6, P4, P1 and P5 in workpackages WP2 – WP6 it provided the platform for the software development to be started at the beginning of 2008.

The main problem encountered in workpackage WP8 was the slight delay in finalising milestones M8.1 and M8.2. These delays were mainly caused by the required extension of the review of payment calculations (phase 1 of the project) and did not further affect the overall project timetable. Milestone M8.1 was finished in November 2007 and milestones M8.2 and M8.3 were finished early 2008. The work in year 2 (2008) expected continued as initially planned.

Progress during second reporting period

Milestones M8.2 – M8.5

According to the Description of Work, WP8 was charged with the provision of the general structure of the methodological grids and was responsible for the development of the software tools.

The project meeting held in Venice during month 14 helped assess the progress made by WP2-WP6 leading partners in developing the measure-specific grids, in accordance with the *General guidelines* circulated in month 11. What emerged from the meeting was the need of a more precise logic scheme, in order to harmonize the structure of the different grids.

Therefore, partner P7 produced a schematic framework with a better definition of the various phases of development; above all, this logic framework introduced the concept of two separate calculation approaches: one based on FADN and another one based on production processes.

Following the framework, WP2-WP6 leading partners produced a set of draft measure-specific grids presented at the mid-term workshop (M8.3), held in month 18. At the workshop the first ideas and frames of the software were also introduced. Based on the forestry grid presented by partner P1, the consortium decided to implement a step-by-step

structure in all the other grids. Moreover, the concept of calculations based on production processes led to the design of what has been called “practices approach”.

The remaining months were spent to finalizing the grids’ structure according to the decisions taken at the workshop, and testing the various beta versions of the software tool. The software tool was developed in several stages by partner P1 using NET Framework 2.0 and pdf-format for the reporting documents. Partner P1 collated and adjusted the different components (e.g. lists of classified practices, lists of cost, revenue and income components etc.) of the various grids provided by the other partners and incorporated those in the software. The developed software transforms the methodological grids into a new payment calculation tool. The user-friendly design of the software tool and a user guide enable government agencies within the EU to calculate payments applying a harmonized step-by-step approach while maintaining sufficient scope to account for variations in available data. The application of the software is expected to facilitate the justification of rural development payments between the member states and the European Commission.

The different beta versions of the software were presented and discussed at project meetings and workshops. The final version of the software was tested (M8.4) and presented to the Commission in month 24 and at the same time the *Summary report* and the software’s user guide (deliverables D11 and D12) was completed and sent to the European Commission (M8.5). In addition, a CD with the software tool was provided to the European Commission.

Discussion

One of the issues faced during the development of the grids was related to the assessment of transaction costs. After experiencing various calculation approaches and facing a permanent lack of regulation at European level regarding transaction costs, the consortium decided to implement in the final grids two general methods for the assessment of those costs: a) as a percentage of the calculated payment or b) as amount directly stated by the calculation body.

Another remaining open issue is related to data sources and their heterogeneity: the grids provide only general information for the calculation and must be completed with data taken from external datasets available at European, national and regional level.

Workpackage number	***WP9* (Project synthesis)**							
Phase:	**3**							
Start date:	**Month 21**							
Completion date:	**Month 24**							
Partner responsible:	**1**							
Partner:	**1**	2	3	4	5	6	7	8
Person months allocated:	**3**	1	1	1	1	3	1	0
Used in first year:	**0**	0	0	0	0	0	0	0
Used in second year:	**2**	1	1	1	1	3	1.25	1
Total:	**11.25**							

Objectives

1. To synthesise the project results and produce a final project report
2. To coordinate the dissemination of project results and organise a final workshop with government agencies and Commission services

Deliverable	**Description**	**Status**
D14	Project synthesis and final report	Complete

Milestone	**Description**	**Status**
M9.1	The dissemination of the project results coordinated and final workshop (WS4) held	Complete
M9.2	The project results synthesised and final report completed	Complete

Current status: Complete

Progress during first reporting period

Work in Workpackage 9 was scheduled for the second reporting year.

Progress during second reporting period

Partner P1, with support from all other partners, was responsible for coordinating the project synthesis and to produce a final project report. Partner P1 coordinated the dissemination of results and organised a final workshop in December 2008 in Brussels to present and demonstrate the methodological grids to representatives of the government agencies from the partner countries and the Commission Services (M9.1).

For the synthesis of the project results partners P1 and P8 collated the deliverable reports (D2, D4 – D12) and developed a synthesis of the main finding, taking into account country and RD measure-specific outcomes and characteristics of the grids. The synthesis

of the main project results formed the basis for the final report (D14, M9.2)

Discussion

The workshop provided a successful opportunity to present the final results and to test the software tool with government representatives from various EU member states. It would have been desirable to obtain also direct feedback on the project findings and the software tool from representatives from DG Agri, but no representative was able to follow the invitations. The benefits of further dissemination of the software tool through meetings with national policy administrations and management authorities in order to promote the possible application of the new calculation tool was emphasized by government representatives.

Changes in the composition of partner teams towards the end of the project and during the preparation of the final report required the reorganization of work tasks and led to a delay in the submission of the final reports. However, the final report was submitted after the submission of the annual reports.

5 PROJECT MANAGEMENT AND COORDINATION

Start date:	**Month 01**							
Completion date:	**Month 24**							
Partner responsible:	**1**							
Partner:	**1**	2	3	4	5	6	7	8
Person months allocated:	**5**	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Used in first year:	**2**	0.25	0.25	0.25	0.25	0.25	0.25	0
Used in second year:	**2.5**	0.25	0.25	0.25	0.25	0.25	0.25	0.5
Total:	**8**							

Overall management

Partner P1 was responsible for the management, timetabling and production of deliverables from the project, and the reporting of expenditure to the EU. The management team of partner P1 consisting of the project coordinator and a project administration officer have carried out these tasks throughout the reporting period. Partner P1 has overseen the receipt of the monthly progress forms and analysis of potential problems and has coordinated as required the inter-WP liaison and scheduling of exchange of WP outputs. Partner 1 has also carried out all required editing tasks in relation to the deliverable reports and all other published reports. The project meetings and workshops have been organised in collaboration between partner P1 and the hosting partner.

In addition, each partner has supervised their own activities and safeguarded the adequate progression of their activities and the responsible deployment of the financial resources provided by the project. Particular attention was paid by each partner to the management of the workpackage they are responsible for and all workpackages have been successfully finalised. In their role of workpackage manager, each partner carried out the quality control and assurance of the work in their workpackage and ensured the completion of the project milestones. Problems have been quickly identified and delays in the delivery of work, using agreed reporting forms, have been reported to the coordinator and management board.

The project management board has regularly discussed the progress of the project in meetings around the project meetings as well as through regular phone and email exchange. The management board has reviewed the progress of the project against the original timetable, and taken appropriated action such as adjusting the deadlines of a small number of milestones to take into account occurring problems to resolve the situations.

Project reporting, progress monitoring and quality assurance

Workpackage and partner team managers provided monthly report forms (using proforma provided by Partner P1) throughout the project indicating key tasks being undertaken, key

results, problems encountered and progress with respect to the project timetable. This, as well as the project management board meetings, enabled detailed assessments of the project status at various stages. Each partner provided the required financial statements to partner P1, for collation and providing financial reports to the European Commission.

Partner P1 carried out the overall technical co-ordination, administration, and quality control. Each internal report was reviewed by the responsible partner team and workpackage manager and then finally been discussed by the project management board. The deliverables were internally reviewed by partner P1 and the project management board before they published.

Communication flow

An email listserver was established at the beginning of the project by partner P1, enabling communication of administrative and general information across the partnership, including sub-contractors. A project World Wide Web (WWW) platform hosts 'public' and 'private' sections. The public pages disseminate the project's aims and objectives, progress and published results. The private pages allowed communication between partners and are secured by user identifiers and passwords.

Sub-contracting

Two sub-contractors were employed during the first year. Partner P1 employed Instituto de Desarrollo Rural Sostenible (IDRiSi) as a sub-contractor in Spain to collate and analyse information on payment calculations in Spanish rural development measures. Due to administrative complications, this task was moved from partner P3 to partner P1. The second sub-contractor (Agrotec Polska Sp. Zo.o) was employed in Poland by partner P7 to collate and analyse information on payment calculations in the Polish context.

No further sub-contracts were made in the second project year.

Other

The Humboldt University joined the consortium in October 2008. The team from the Chair of International Agricultural Trade and Development, Humboldt University Berlin, brought additional expertise in rural policy analysis and additional technical know-how and experience with development of on-line and software tools to the AGRIGRID consortium. In particular their extensive experience with the development of user-friendly on-line and software tools facilitated the final stages of the development of the software tool for payment calculations in the AGRIGRID project. The team also contributed to the grid development for forestry measures in workpackage WP5.

6 EXPLOITATION AND DISSEMINATION ACTIVITIES

Dissemination activities of the AGRIGRID project concentrated on the outcome of the review of payment calculations. These activities can be differentiated between general or common activities and activities carried out by specific partners focussing on certain aspects of the work. In particular, but not exclusively, for common dissemination activities the website is the key instrument for publishing project output. Deliverable reports and other reports have been published on the website. Moreover, key dissemination activities were the workshops with government representatives. In This section lists the different dissemination activities.

Common dissemination activities

Website

The following reports have been published on the website:

Year 1

- **Deliverable report D2:**
  Hrabalova, A., Wollmuthova, P., Kapler, P., Schwarz, G., Morrice, J., Messager, P., Buchan, K., Matthews, K., Gelan, A., Hecht, J., Kuhnert, H., Nieberg H., Offermann, F., Vlahos, G., Tsakalou, E., Hadjigeorgiou, I., Zemeckis, R., Krisciukaitiene, I., Kuliesis, G., Galnaityte, A., Miettinen, A., Aakkula, J., Kroger, L., Cesaro, L., Chiozzotto, F., Schievano, G.L., Salguero Herrera, C., Woch, M. and Chyboska, R., (2007) Review of payment calculations in EU rural development measures. Deliverable report to the European Commission, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP2:**
  Vlahos, G., Tsakalou, E., et al. (2007) Review of payment calculations in agri-environment measures in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP3:**
  Miettinen, A., Aakkula, J., Kroeger, L. et al. (2007) Review of payment calculations in natural handicap payment schemes in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP4:**
  Hrabalova, A., Kapler, P., Wollmuthova, P. et al. (2007) Review of payment calculations in Natura 2000 measures in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP5:**
  Schwarz, G., Morrice, J., Messager, P. et al. (2007) Review of payment calculations in agri-environment measures in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP6:**
  Zemeckis, R., Krisciukaitiene, I., Kuliesis, G., Galnaityte, A. et al. (2007) Review of payment calculations in animal welfare measures in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP6:**
  Zemeckis, R., Krisciukaitiene, I., Kuliesis, G., Galnaityte, A. et al. (2007) Review of payment calculations in meeting standards measures in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

Year 2

- **Workpackage WP2:**
  Tsakalou, E. and Vlahos, G, et al. (2008) Methodological grids for agri-environment payments. Deliverable report to the European Commission, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP3:**
  Aakkula, J., Miettinen, A., et al. (2008) Methodological grids for natural handicap payments. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP4:**
  Hrabalova, A., Wollmuthova, P. et al. (2008) Methodological grids for Natura 2000 payments. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP5:**
  Schwarz, G., Buchan, K., Matthews, K., Morrice, J., Messager, P., Bohne, A., et al. (2008) Methodological grids for forestry measures. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP6:**
  Zemeckis, R., Krisciukaitiene, I., Galnaityte, A. et al. (2008) Methodological grids for animal welfare measures. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP7:**
  Schwarz, G., Buchan, K., Matthews, K., Morrice, J., Messager, P., Bohne, A. (2008). Methodological grids for forestry measures. Project report, AGRIGRID

project (SSPE-CT-2006-044403).

- **Workpackage WP8:**
  Zemeckis, R., Krisciukaitiene, I., Galnaityte, A. (2008). Methodological grids for payments in animal welfare measures (215) in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP9:**
  Zemeckis, R., Krisciukaitiene, Galnaityte, A. (2008). Methodological grids for meeting standards measures based on Community legislation (131) in the EU. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP10:**
  Hecht, J., Nieberg, H., Offermann, F., Matthews, K., Buchan, K., Schwarz, G., et al. (2008) Case study analysis of existing and proposed grids. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP11:**
  Cesaro, L., Chiozzotto, F., Tarasconi, L. (2008) Summary report on the development of methodological grids for payment calculations. Project report, AGRIGRID project (SSPE-CT-2006-044403).

- **Workpackage WP12:**
  Buchan, K., Schwarz, G., Morrice, J., Matthews, K., Messager, P. et al. (2008) User manual for AGRIGRID Software Tool. Project report, AGRIGRID project (SSPE-CT-2006-044403).

In addition, the website has been used to disseminate project news such as descriptions of meetings and other events.

Workshops

Year 1

As part of the dissemination activities of the AGRIGRID project, a number of workshops were planned to present results and obtain feedback on the results during the different stages of the project important. On 17 July 2007, the first workshop was held at the National Veterinary Institute in Prague to discuss the outcome of the review of payment calculations in a range of different rural development measures and to identify key issues for the development of methodological grids for payment calculations.

Government representatives from seven of the nine project countries and the project officer from the European Commission attended the workshop. Overall, about 15 representatives (in addition to the project team) attended the workshop. The programme of the workshop was organised according to the structure of the review of payment calculation in the different rural development measures. The workshop started with a brief project introduction and outline of the methodological framework for the review

followed by sessions on agri-environment, natural handicap payments, Natura 2000 payments, forestry measures and animal welfare and meeting standard measures. Each session had sufficient time allocated to discuss emerging questions and key issues. The discussions on the different presentations produced a number of key issues for future methods of payment calculations, some rather general and some rather measure-specific, which were summarised in the final conclusion session and are summarised below.

The summary of key issues was divided into measure-specific issues, and general key issues obtained from the discussions at the workshop and from the questionnaires which were filled in interviews with government representatives before the workshop. The following key issues were highlighted with respect to specific measures (abbreviations in brackets indicate the measure context):

- Payment calculations are influenced by stakeholder groups trying to ensure that their interests are met (agri-environment measure)
- Fixed costs can not be considered in payment calculation (agri-environment measure)
- Payment calculations are constrained by Commission guidelines which, at least in some cases, are not effective (agri-environment and forestry measures)
- Difficulties in payment calculations hinder the application of new innovative measures (agri-environment measure)
- Difficulties in defining and calculating appropriate baseline requirements for the payment calculations raise the question how to quantify a reference level for the different commitments in the measures (agri-environment measure, natural handicap payments, animal welfare measures)
- Different implementations and payment calculations are driven by different objectives between the member countries (natural handicap payments)
- Changes in the policy and economic environment, e.g. market developments, are not considered in payment calculations partly due to uncertainty about future policy developments (natural handicap payments)
- Uncertainty in relation to transaction costs (agri-environment and animal welfare measures)

In addition, a number of key issues were identified for the majority of the different measures and were thus seen as general key issues. These are summarised below:

- Lack of suitable and detailed data for the payment calculations
- Payment calculations need to be transparent
- Challenge to find a balance between scientific approaches and political acceptability and necessity:
    - Complexity of calculations versus keep it simple
- Payment levels are often determined by political targets
- Payment calculations need to result in suitable incentives at farm level
- Importance of differentiating between issues in relation to implementation and justification of payments and measure
- Rigidity of the WTO framework does not allow to consider payments for environmental benefits and differences between intensive and extensive farming

Year 2

As part of the dissemination activities of the AGRIGRID project, two workshops were held in 2008 to present results and obtain feedback on the results during the different stages of the project. In June 2008, a workshop was held in Santorini (Greece), hosted by the Agricultural University of Athens, to discuss the draft versions of the methodological grids and to identify key issues for further developments and applications of the methodological grids and the final software tool.

Government representatives from eight of the nine project countries and the project officer from the European Commission attended the workshop. Overall, about 15 representatives (in addition to the project team) attended the workshop. The programme of the workshop was organised according to the structure of the grid development for the different rural development measures, the case study analysis and the development of the software tool. The workshop started with a brief project introduction and outline of the methodological framework for the grid development followed by parallel sessions on agri-environment, natural handicap payments, Natura 2000 payments, forestry measures and animal welfare and meeting standard measures, where the draft grids were presented in detail to the government representatives. Each session had sufficient time allocated to discuss emerging questions and key issues. The discussions on the different presentations produced a number of key issues for future methods of payment calculations, some rather general and some rather measure-specific, which were incorporated in the final grid development and are summarised in the various grid reports. Key issues included:

- The grids need to provide enough flexibility to be applicable under different circumstances. Users require scope to add cost/revenue components and differentiation elements and should be able to choose different levels of detail they want to apply in the payment calculation.
- Data availability is another key issue to be considered in the grid development. Grids need to take into account different levels of data availability across the measures and countries. Suggestions for additional data requirements would be a useful contribution of the project.
- Creating a transparent tool for payment calculations through a clear design and level of detail to justify the calculations was considered as one of the main advantages of such grids.
- Linked with the issue of transparency, a harmonised terminology (for example for cost components and differentiation categories) is another important aspect and challenge of the new grids.
- The grids and the software should consider measure-specific aspects and should, for example, only include relevant baseline requirements and activity lists. The approach to implement a measure-specific configuration of the grid software by allowing the user to select the measure at the beginning was seen as a useful tool.
- Results of the case study analysis will be integrated in the user guide for the grids providing examples for applications of differentiated payments in the various measures.

The final project workshop was held in December 2008 in Brussels, hosted by the

European Commission. The aim of the final workshop was to give an overview on the overall project findings and to present the final AGRIGRID software tool for payment calculations in EU rural development measures.

Government representatives from seven of the nine project countries and the project officer from the European Commission attended the workshop. Overall, about 12 representatives (in addition to the project team) attended the workshop. The programme of the workshop emphasized allowing government representatives sufficient time to test the calculation software and run a few examples of calculating payments in the different rural development measures. The potential for the application of the software through national and regional administrations and payment agencies was acknowledged and the flexibility of the software tool to deal with different levels of detail concerning available data was emphasized. Further meetings at national level to present and test the software were agreed.

Other common dissemination activities

Journal Papers

Year 2

Schwarz, G., **Buchan, K**., **Matthews, K**., **Morrice, J**., **Messager, P**., **Hecht, J**., **Nieberg H**., **Offermann, F**., **Vlahos, G**., **Tsakalou, E**., **Hadjigeorgiou, I**., **Hrabalova, A**., **Wollmuthova, P**., **Kapler, P**., **Zemeckis, R**., **Krisciukaitiene, I**., **Kuliesis, G**., **Galnaityte, A**., **Miettinen, A**., **Aakkula, J**., **Kroger, L**., **Cesaro, L**., **Chiozzotto, F**. and **Tarasconi, L**. (2008) AGRIGRID: Methodological grids for payment calculations in rural development measures in the EU. The Parliament Magazine, Issue 276, 27 October 2008.

Schwarz, G., **Buchan, K**., **Matthews, K**., **Morrice, J**., **Messager, P**., **Hecht, J**., **Nieberg H**., **Offermann, F**., **Vlahos, G**., **Tsakalou, E**., **Hadjigeorgiou, I**., **Hrabalova, A**., **Wollmuthova, P**., **Kapler, P**., **Zemeckis, R**., **Krisciukaitiene, I**., **Kuliesis, G**., **Galnaityte, A**., **Miettinen, A**., **Aakkula, J**., **Kroger, L**., **Cesaro, L**., **Chiozzotto, F**. and **Tarasconi, L**. (2009). Harmonising payment calculations in EU rural development measures – a new software tool. Public Service Review, Issue 17, February 2009.

Schwarz, G., **Buchan, K**., **Matthews, K**., **Morrice, J**., **Messager, P**., **Hecht, J**., **Nieberg H**., **Offermann, F**., **Vlahos, G**., **Tsakalou, E**., **Hadjigeorgiou, I**., **Hrabalova, A**., **Wollmuthova, P**., **Kapler, P**., **Zemeckis, R**., **Krisciukaitiene, I**., **Kuliesis, G**., **Galnaityte, A**., **Miettinen, A**., **Aakkula, J**., **Kroger, L**., **Cesaro, L**., **Chiozzotto, F**., **Tarasconi, L**. and **Bohne A**. (2009). Developing new methods for payment calculations in EU rural development measures – the AGRIGRID project. Paper presented at the International Scientific Conference: The EU Support for 2007–2013: New Challenges and Innovations for Agriculture and Food Industry, 27 – 29 May 2009, Vilnius, Lithuania.

Partner specific dissemination activities

Reports

Cesaro, L., **Chiozzotto, F**. and **Tarasconi, L**. (2008). Progetto AGRIGRID. INEA Informa N. 4/Anno 1.

Cesaro, L., **Chiozzotto, F**. and **Tarasconi, L**. (2008). Confronto del livello dei pagamenti nelle varie regioni tra i PSR 2007-2013 e i PSR 2000-2006. In: Ricognizione e confronto dei finanziamenti previsti nei PSR 2007-2013 a favore dell'agrioltura biologica. Quaderni della Rete Rurale Nazionale.

Hrabalova, A. and **Wollmuthova, P**. (2007): Metodologie výpočtu plateb na opatření pro rozvoj venkova v ČR a EU (The methodology of payments calculation in the rural development measures in the Czech Republic and EU). Thematic report for the Czech Ministry of Agriculture.

Hrabalova, A. and **Wollmuthova, P**. (2007): Návrhy úprav agroenvironmentálních opatření v ČR (The proposal of adjustments of agri-environmental measures in the Czech Republic). Thematic report for the Czech Ministry of Agriculture.

Hrabalova, A. and **Wollmuthova, P**. (2009): Analýza metod a přístupů používaných při kalkulacích plateb u vybraných opatření pro rozvoj venkova (The analysis of methods and approaches used in payment calculations in selected rural development measures). Exploratory study of the Institute of Agricultural Economics and Information.

Conference presentations

Year 1

Schwarz, G., Offermann, F. and Ramirez Harrington, D. (2007). EU agri-environment programmes and the WTO: Exploring new ethods of payment calculations in a transatlantic context. In: Proceedings of the International Conference 'Agricultural Policy Changes: Canada, EU and the WTO'. Victoria, Canada 13-15 September 2007. Published online http://web.uvic.ca/europe/agriculture

Year 2

Cesaro, L. (2008). Forestry measures in rural development policies – new needs in statistics and accountancy data. In: Proceedings of the International Symposium 'Emerging needs of society from forest ecosystems: towards the opportunities and dilemmas in forest managerial economics and accounting', 22-24 May 2008, Ljubljana, Slovenia.

Hecht J, **Offermann F**. and **Nieberg H**. (2008). Potentials of differentiated payment levels based on standard cost approaches: A case study of selected rural development measures in Germany. In: Proceedings of 82nd Annual Conference of the Agricultural Economics Society, 31st March to 2nd April 2008.

Schwarz, G. (2008): Payment calculations and biodiversity targets in agri-environment measures: Experiences from Scotland. Paper presented at the conference 'Using Evaluation to Enhance the Rural Development Value of Agri-environmental Measures' in Parnu, Estonia, 17 – 20 June 2008.

Articles

Hecht J., **Nieberg H**., **Offermann F**., and **Schwarz G**. (2009). AGRIGRID: Prämienkalkulation nach Standardkosten für Maßnahmen der ländl. Entwicklung. *LandInform* 2/2009, 38 - 40.

Krisciukaitiene, I., **Galnaityte, A**., **Zemeckis, Z**. and **Kuliesis, G**. (2008) Methodological issues of rural development measure 'meeting standards based on community legislation'. *Management theory and studies for rural business and infrastructure development*, 12 (1), 84 – 91.

Krisciukaitiene, I., **Galnaityte, A**., **Zemeckis, Z**. and **Kuliesis, G**. (2008) Methodological issues of rural development measure 'Animal welfare payments'. *Management theory and studies for rural business and infrastructure development*, 12 (1), 76 – 83.

Other presentations

Year 1

Schwarz, G., Offermann, F. and Ramirez Harrington, D. (2007) EU agri-environment programmes and the WTO: Exploring new methods of payment calculations in a transatlantic context. Presentation to the Edinburgh Seminar of Agricultural Economists.

Miettinen, A., Aakkula, J., Kroeger, L. et al. (2007) Review of payment calculations in natural handicap payment schemes in the EU. Presentation to the advisory board members of the "Natural handicap payments 2010" project.

Year 2

Offermann F., **Hecht J**. and **Nieberg H** (2009). Analyse und Bewertung von Ansätzen zur Prämiendifferenzierung in Agrarumweltprogrammen. Agrarökonomisches Kolloquium des vTI. 20th May 2009.

Hrabalova, A. and **Wollmuthova, P**. (2008): Presentation of AGRIGRID project and main results. During the Disseminating meeting of TERA project in region Vysocina, Kouty, Czech Republic, concerns "Development of rural areas and multifunctional agriculture" 2.-3.12.2008.

Schwarz, G., **Offermann, F**. and **Ramirez Harrington, D**. (2008) EU agri-environment programmes and the WTO: Exploring new methods of payment calculations in a transatlantic context. Presentation to the Edinburgh Seminar of Agricultural Economists, January 2008.

7 ETHICAL ASPECTS AND SAFETY PROVISIONS

No activities have been undertaken that involve the release of genetically modified organisms, nor any materials that can be described as ‘infected’. No ethical issues have arisen during the period of this contract, and thus no requests have been submitted for specific authorisation.

In the course of the workpackages all efforts were made to ensure no detrimental effect on the environment due to any aspect of normal working practices. These efforts included the recycling of waste paper and printing materials, and low emission computer monitors.