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**TRADE AND AGRICULTURE DIRECTORATE  
ENVIRONMENT DIRECTORATE**

**Joint Working Party on Agriculture and the Environment**

**INVENTORY OF AGRI-ENVIRONMENTAL POLICIES**

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**NOTE BY THE SECRETARIAT**

At the meeting of the JWP in December 2009, some Delegations argued that before taking decisions on whether and how to update the *Inventory* the Secretariat should be clearer about its purpose and use in analytical work. The Secretariat has prepared this short paper on the role of the *Inventory* in policy analysis and proposals on how to structure the information and how to update it.

***Action required:*** The document is submitted to the JWP for DISCUSSION and DECISION.

## INVENTORY OF AGRI-ENVIRONMENTAL POLICIES

### Introduction

1. Since 2000, the Secretariat, in close co-operation with Member countries, has been building an *Inventory of Policy Measures Addressing Environmental Issues in Agriculture* (Inventory). The Inventory was designed to provide a source of detailed and up-to-date information on policy measures addressing environmental issues in agriculture, covering a broad range of instruments used by member countries and to provide also information on the objectives of these policies. During the December 2009 JWP some Delegations asked for more clarification on how the data in the inventory will be used in the policy analysis before agreeing to any further update of the information in the Inventory.

2. This document first provides detailed information concerning the current structure of the information in the Inventory, its availability and usefulness in policy analysis (including the existing caveats). The second part outlines some conceptual issues related to the Inventory and makes proposals on how to continue the work on the Inventory in the light of the decisions in the Committee for Agriculture at its meeting on 1-2 June concerning the PWB 2011-12.

### 1. Background

#### *1.1. Purpose and current structure of the Inventory*

3. There were two main roles of the Inventory (i) to improve policy transparency and facilitate an exchange of information amongst OECD countries and (ii) to be used in policy analysis. The Inventory has to be seen in the context of both OECD work on agricultural policy reform and agriculture sustainability. In relation to agricultural policy reform the Inventory complements the information in the OECD database on agricultural support policies. In relation to agriculture sustainability the Inventory complements the agri-environmental indicators. The choice of policy information contained in the Inventory, and their classification, depends on the purpose or intended use of the Inventory. If the goal is to evaluate effectiveness in achieving stated environmental objectives, this would suggest a categorisation of policies based on their *environmental objectives*. If the goal is to assess the impacts of the measures on farmers' production practices and incomes, this would suggest a classification based on *methods of implementation*. If the goal is to gather information on the different policy approaches used, then this would suggest collecting information on the different *types of instruments* used (economic instruments, regulations, voluntary agreements, and information).

4. To be helpful for policy analysis and evaluation, the inventory has to pursue all these three goals and hence a multi-tier approach was used to build the Inventory. As OECD countries are using different policy approaches to meet the environmental objectives related to agricultural activities, the type of policy instrument was used as the basis on which to classify policy measures (Annex 1). The classification was further elaborated through a selected description of the stated environmental objectives (Annex 2). A search database enables access to policy measures by country, by type of measure and by objective. For each policy measure, a standard description is used concerning its objectives, implementation and outcomes (Annex 3). A World file containing the description of all measures, based on information provided by the member country, is available on the OECD public website.

5. The measures addressing environmental issues in agriculture are applied under unique economic, environmental, socio-cultural and historical conditions in each country. Also the mix of policies applied to support agriculture varies across countries. To reflect this situation, a *Contextual document* is prepared for each country in the database, to provide “at a glance” the main characteristics of the overall context in which policies are applied. The generally applied structure of the Contextual document is described in Annex 4. The Contextual document is also available to the public on the OECD website.

### ***1.2 Evaluation of the current inventory and its use in policy analysis***

6. This part provides a general assessment to what extent the information currently available in the Inventory is useful in further policy analysis. The information is provided according to the main categories of instruments used in the Inventory Classification.

#### *1.2.1 Payments to farms (agri-environmental payments)*

7. In most countries, the information concerning payments to farms is the most important part of the Inventory and provides the most detailed information concerning the implementation of these measures. However, the level of detail concerning the specific programmes and their outcomes (*e.g.* number of farms participating, area involved) varies across countries.

8. Agri-environmental payments are the only policy category which is contained both in the Inventory and the OECD PSE/CSE database. During 2009 and 2010, an effort was made to explore that synergy and use the regular (annual) update of the PSE/CSE database to update the information in the Inventory. On the other hand, in some cases information in the Inventory contributed also to improve the policy information in the PSE/CSE database and its documentation.

#### *1.2.2 Technical assistance/extension (on farm)*

9. In many cases, the technical assistance and extension on farm, is part of programmes providing agri-environmental payments to farms, but in most cases, the payments financing technical assistance and extension cannot be separated. Only the United States provides information on these payments within their various agri-environmental programmes. It should be noted that where such measures are not specifically implemented at the farm level they are included in the General Services Support Estimates (GSSE) within the PSE/CSE database. Work is planned for 2011-12 in order to improve the information contained in the GSSE, which may also contribute to a better identification of agri-environmental measures included there.

#### *1.2.3 Tradable rights/quotas*

10. These economic instruments are used by a very limited number of countries to address environmental issues in agriculture, mainly in the management of water resources. In the future these measures may become more important in connection with greenhouse gas emissions trading.

#### *1.2.4 Environmentally related taxes/charges*

11. These economic instruments were used by some countries in the past, especially to limit the use of commercial fertilisers and pesticides, but at present, these measures are used only marginally and have in most cases been replaced by stricter regulation requirements.

#### *1.2.5 Environmental cross-compliance requirement*

12. The Inventory provides only the description of the cross-compliance mechanism (requirements), and the payments to farms to which cross-compliance requirements are attached are not considered as agri-

environmental payments (*i.e.* they are not included in 1.2.1). In the PSE database the payments to which a cross compliance requirement is associated are labelled as “with mandatory input constraints” while the agri-environmental payments provided within programmes that the farmers have joined voluntarily are labelled as “with voluntary input constraints”. The issue of environmental cross-compliance requirements in agriculture was extensively covered in OECD (2010a).

#### *1.2.6 Environmental labelling standards/certification*

13. *Labelling standards/certification* are used in many countries to define specific eco-labelling standards. These standards certify that environmentally friendly methods of production are used to produce the product with the label. Again, the Inventory provides a rather general description of these standards.

#### *1.2.7 Regulatory requirements*

14. Environmental regulation is a key part of policies addressing environmental issues in agriculture in all OECD countries. However, the information on the regulatory requirements contained in the Inventory is mostly limited to a list of regulations and references to websites with further information. In most cases these regulations are only in the national languages, which is less of a problem when the country official language is English (or French). Even in the case where there is no language barrier, it requires substantial resources to extract the additional information necessary for the analysis (*e.g.* the level of restriction imposed by the regulation).

#### *1.2.8 Research, inspection and control*

15. The information in the Inventory provides only general information on institutions providing these general services related to agriculture and environment (in GSSE in the support data base). In some cases, the key research programmes dealing with environmental issues in agriculture are listed. However, in many cases it is impossible to identify the part financing agri-environmental research within the agricultural research budget (the same applies for inspection and control).

## **2. How to organise further work on the policies addressing environmental issues in agriculture**

16. The information in the previous part (1.2) demonstrated several caveats in the Inventory, which are limiting its use in policy analysis. This part of the document provides some proposals on how to organise further the work on collecting information on agri-environmental policies and how to organise them in relation to its use in policy analysis. The proposal takes into account the results achieved so far in building the Inventory, its usefulness in policy analysis and the decisions in the PWB 2011-12.

### ***2.1. Agri-environmental payments***

17. The Secretariat proposes to give particular attention to agri-environmental payments. That work will be closely related to the work on PSE/CSE database. Already work is underway within the APM which will make it possible to better identify the agri-environmental (and animal welfare) payments within the existing PSE/CSE database [TAD/CA/APM/WP(2009)27]. Further work may be considered concerning providing additional information on agri-environmental policies (formalised in the form of labels) concerning their objectives, implementation and targeting, to reflect characteristics such as:

- Spatial targeting (*e.g.* applied to a specifically defined area – mostly using environmental criteria; within an administrative region, whole country);
- Time duration (*i.e.* one-off/transitional; medium term; long term);

- Basis of the payment/implementation criteria (*e.g.* based on input use; payment per area/head, resource retirement, non-commodity outputs – this criteria is already contained in the PSE/CSE database);
- Level of payment definition (*e.g.* valuation of a specific project, using an auction system, using fixed rates – specific region/whole country, share on investment costs).
- An analysis of measures currently included in the GSSE, which include some that address agri-environmental issues (*e.g.* R&D, training and extension).

18. This information is updated annually within the work related to the annual updates of the PSE/CSE database and the Monitoring of Agricultural Policies.

19. The information concerning on-farm environmental *technical assistance and extension* and *environmental cross compliance*, is also contained in the PSE/CSE database and its documentation, and will be updated as well.

## **2.2. Environmental taxes/charges and tradable rights/quotas**

20. As mentioned earlier, these instruments have only limited use in addressing environmental issues in agriculture at present. Moreover these measures are included in the *OECD/EEA database on instruments used for environmental policy and natural resources management*, maintained by the Environment Directorate and is updated regularly directly by Member countries. Hence we do not propose to collect information on such instruments for the Inventory, and rely on the information in the above mentioned database.

## **2.3. Research, Inspection/Control**

21. More information on those issues may be gathered within the work being mandated to improve the General Services (GSSE) information within the PSE/CSE database included in the PWB 2011-12.

## **2.4. Regulatory requirements**

22. These are important and widespread but as they do not (in themselves) involve monetary transfers from governments to farmers they are not included in the PSE database. It is difficult to classify them and to get a sense of the relative impact in terms of environmental performance (they can be classified according to the target media though, such as water quality). The Secretariat proposes to collect more detailed information concerning regulatory requirements as appropriate within work on specific projects (*e.g.* climate change, green growth and water).

23. In many countries farmers are required to respect certain minimum agricultural and environment (animal welfare) requirements defined as “good farming practices” although the degree to which they are binding and the enforcement of the regulations to ensure that the practices are implemented differs across countries (in some cases these practices are part of cross-compliance requirements).

## **2.5. Contextual Document**

24. The Secretariat proposes to maintain the current *Contextual Documents* for each country and to update them annually. Among other information, the document will provide links to the information concerning the specific measures used (*e.g.* link to the Environment Directorate’s *Database on instruments used for environmental policy and natural resources management* for environmental charges/taxes and tradable schemes or a link to a table with agri-environmental payments).

25. The contextual documents will provide basic information on the instruments used and links to further policy information and can be considered as an input in further policy evaluation work (see the workshop on evaluating agri-environmental policies in the 2011-12 PWB).

### **2.6. Proposed actions**

26. The above proposals can be summarised as follows:

- During 2010 the Inventory will be updated from available information, in its current form (covering information up to 2008 or 2009).
- In 2011 and 2012, TAD work will focus on providing more information on agri-environmental payments and this work will be closely related to the regular updates of the PSE/CSE database. An envisaged output may be a spreadsheet specifically presenting the various measures providing the agri-environmental payments, including the key policy characteristics in the form of descriptive information and labels.
- Within the work to improve the GSSE, efforts will be made to identify policies addressing environmental issues in the form of general services to the agricultural sector collectively rather than to farmers specifically.
- Information on other economic instruments such as environmental charges/taxes, tradable permits will be provided and further updated in the Environment Directorate's *Database on instruments used for environmental policy and natural resources management*.
- Concerning the Inventory itself, no work is planned to collect and update information on regulations. These vary considerably across countries, but given that such regulations are mostly targeted at specific environmental media (such as water quality) they will be further explored (if relevant) in projects focused on specific issues (in particular, climate change, green growth, and water).
- TAD will continue to annually update the Contextual documents available on the website. These documents will be structured to provide the basic contextual information, information on agricultural policies and associated support, and information on the main agri-environmental policy measures. The last part will also include information as to where detailed information on the various policy measures can be found on the OECD website.

### **3. Questions to Delegates**

27. Related to the Secretariat proposal Delegates may want to consider the following questions:

- Is the proposal to have the various policy instruments addressing environmental issues in agriculture available in several databases (provided that the Contextual paper provides guidance as to which information is available and where) sufficient for the needs of capitals and further policy analysis on agri-environmental measures?
- If the Contextual papers are to be maintained do you have a suggestion whether and how its structure and content may be improved?
- Do you have a suggestion on what the Secretariat should focus on, when improving the information on policies included in the GSSE, concerning general services related to environmental issues in agriculture?
- Environmental regulations are a very important part of the mix of policy measures addressing environmental issues in agriculture. Can you provided guidance as to whether and how the

information on such measures should be explored in policy analysis (whether to seek information of all regulations applied or case by case for specific projects? Apart the general information that the regulation exists, what more detailed characteristics of these measures need to be available to be useful in policy analysis?

## REFERENCES

OECD (2009), *Agricultural Policies in OECD Countries: Monitoring and Evaluation 2009*, OECD, Paris.

OECD (2010a), *Environmental Cross Compliance in Agriculture*, OECD, Paris.

OECD (2010b), "Policy Measures Addressing Agri-environmental Issues", OECD Food, Agriculture and Fisheries Working Papers, No. 24, OECD Publishing, Paris, France.

*OECD/EEA database on instruments used for environmental policy and natural resources management*,  
[www.oecd.org/env/policies/database](http://www.oecd.org/env/policies/database)

*OECD database on policies addressing environmental issues in agriculture*  
[www.oecd.org/tad/env/inventory](http://www.oecd.org/tad/env/inventory)



## ANNEX 1. CLASSIFICATION BY TYPE OF POLICY MEASURE USED IN THE INVENTORY

### I. MEASURES AT FARM LEVEL

- a) **Payments based on farm fixed assets:** policy measures granting a monetary transfer (including implicit transfers such as tax and credit concessions) to offset the investment cost of adjusting farm structure or equipment to farmers to adopt more environmentally friendly farming practices, or for purchasing conservation easements (not including land retirement).
- b) **Payments based on land retirement:** policy measures granting monetary transfers (including implicit transfers such as tax and credit concessions) to farmers for retiring eligible environmentally fragile land from commodity production for a given contract duration.
- c) **Payments based on farming practices:** policy measures granting annual monetary transfers (including implicit transfers such as tax and credit concessions) to farmers to encourage or constrain the use of specific farm inputs (farming practices) and/or to offset the costs of implementing more environmentally friendly farming practices.
- d) **Tradable rights/quotas:** Environmental quotas, permits, restrictions and bans, maximum rights or minimum obligations assigned to economic agents which are transferable or tradable.
- e) **Technical assistance/extension:** policy measures for on-farm services providing farmers with information and technical assistance to plan and implement environmentally friendly farming practices.
- f) **Environmental taxes/charges:** policy measures imposing taxes or charges relating to pollution or environmental degradation, including taxes and charges on farm inputs that are a potential source of environmental damage. (Fines and penalties for non-respect of environmental legislation are not included in this category and are considered as part of the enforcement mechanism of regulatory measures, see below).
- g) **Cross-compliance mechanisms:** measures imposing environmentally friendly farming practices or levels of environmental performance on farmers participating in specific agricultural support programmes.
- h) **Labelling standards/certification:** voluntary participation measures defining specific eco-labelling standards that have to be met by farm products for certification.
- i) **Regulatory requirements:** compulsory measures imposing regulatory requirements to achieve specific levels of environmental quality, including environmental restrictions, bans, permit requirements, maximum rights or minimum obligations.

## II. MEASURES AT SECTOR LEVEL

- j) **Community-based measures:** measures granting support to public agencies or community-based associations (*e.g.* Landcare groups, conservation clubs, environmental co-operatives) to implement collective projects to improve environmental outcomes.
- k) **Research:** measures granting support to institutional services to improve the environmental performance of agriculture through research, including in such areas as ecology, engineering, farm management practices, farmer behaviour, and economics.
- l) **Inspection/control:** measures granting support to institutional services controlling the environment associated with agriculture, including monitoring and enforcement of policy measures addressing the environmental effects of agriculture (administration costs).

## ANNEX 2. CLASSIFICATION BY ENVIRONMENTAL OBJECTIVE USED IN THE INVENTORY

### I. ALL-PURPOSE ENVIRONMENTAL OBJECTIVES

- a) *Generic/Broad Spectrum*: policy measures addressing the environment in agriculture in the widest sense – i.e. detailed environmental objectives are not specified, but some or all of the objectives listed below may be included.

### II. PROTECTING NATURAL RESOURCES/LANDSCAPES

- b) *Soil Quality*: policy measures addressing soil erosion; soil structure; soil fertility; soil acidification; salinisation; and other soil quality issues, such as soil contamination due to pesticides and heavy metals.
- c) *Water Resources*: policy measures promoting water conservation, including more efficient irrigation practices.
- d) *Biodiversity*: policy measures aimed at:
- the conservation of agricultural genetic resources, wild species and habitats; and
  - the protection of agricultural production and ecosystems against invasive species.
- e) *Landscapes*: policy measures aimed at the preservation or enhancement of agricultural landscapes, which may include man-made features, such as farm buildings.

### III. REDUCING POLLUTION

- f) *Reducing Water Pollution*: policy measures aimed at addressing water pollution caused by nitrates and phosphates; water-born sediments; pesticides and other pollutants, e.g. pathogens.
- g) *Reducing Air Pollution*: policy measures aimed at addressing air pollution caused by ammonia (acid rain); methyl bromide (ozone); pesticide drift; crop burning and odours.

### IV. ADDRESSING CLIMATE CHANGE

- h) *Reducing Emissions*: policy measures directed at reducing on-farm emissions of greenhouse gases (GHGs): nitrous oxide, methane and carbon dioxide.
- i) *Sinks*: policy measures promoting the sequestration of atmospheric carbon in the soil, including by changes in land management, such as afforestation and the planting of perennial crops.
- j) *Renewable Energy*: policy measures promoting agriculture's contribution to renewable energy through energy crops, biofuel production and wind-origin energy.
- k) *Energy Efficiency*: policy measures promoting the more efficient on-farm use of energy.

**V. ADDRESSING ADVERSE EVENTS**

*l) Addressing Adverse Events:* policy measures addressing the environmental effects of adverse events, including fires; avalanches; floods; and droughts.

**VI. FARM MANAGEMENT SYSTEMS**

*m) Organic:* policy measures promoting organic farming practices

*n) Other Sustainable Resource Practices:* policy measures promoting whole-farm environmental plans; less-intensive input use ('extensification'); and 'integrated' farming practices.

**ANNEX 3. STANDARD DESCRIPTION OF POLICY MEASURES  
USED IN THE INVENTORY**

<b><i>Policy</i></b>	The title of the policy measure.
<b><i>Agency</i></b>	The agency through which the policy measure is implemented.
<b><i>Relevant Legislation</i></b>	The legislation relevant to the policy measure (where possible with a link to the website where the legislation is available – with a note whether the website is in English or national language only).
<b><i>Overall Objective</i></b>	A description of the overall objective(s) of the policy measure.
<b><i>Delivery Mechanism</i></b>	A description of how the policy measures work (e.g. which conditions have to be met, details regarding how direct payments are implemented, enforcement mechanisms for regulatory requirements, etc.)
<b><i>Targets</i></b>	Any specific targets (e.g. benchmarks, or thresholds levels etc.).
<b><i>When Applied</i></b>	The years in which the policy measure is applied.
<b><i>Coverage/Eligibility</i></b>	The coverage of the policy measure - e.g. whether it is applied at a national, regional, local level; and whether participation is compulsory or voluntary.  The relevant eligibility criteria – i.e. to all or a specific group.
<b><i>Costs</i></b>	The available information on costs – e.g. fiscal/budgetary costs in the case of direct payments, or costs to farmers in the case of regulatory requirements  (Links will be provided to an excel table providing an overview of all AE payment, where available.)
<b><i>How Programme is Monitored/Evaluated</i></b>	A description of the process and methods of monitoring and evaluation.
<b><i>Participation/Results</i></b>	Any quantitative information on participation in the programme when available (e.g. number of farms, area covered, etc.) and any information on the changes in farm practice or environmental outcomes as a result of the programme/policy measure.

## ANNEX 4. STRUCTURE OF THE CONCEPTUAL DOCUMENT

### 1. **Main economic and environmental characteristics**

Role of agriculture in economy (share on GDP and employment); geographic location, soil and climate conditions; population density; structure of land use; water use in agriculture; conditions for agricultural production; main environmental issues of concern and their link to agriculture (use some of the “operational” AEIs to illustrate the main trends).

### 2. **Agricultural policies**

Main agricultural policies applied; the levels of overall support to agriculture and its main components;

### 3. **Agri-environmental policies**

The institutional framework set for the implementation of AE policies; main targets of agri-environmental policies; main instruments applied. The most important programmes in terms of payments and/or in terms of agricultural area and/or number of farms concerned.

### 4. **Key information sources**

Links to the main source of information concerning the policies addressing environmental issues in agriculture.