

Breakout group 1 discussion



# Key elements of durability of investments

## Subjects discussed:

This breakout group gathered examples of different durability requirements for investments that exist in different Member States (MS), specific difficulties faced regarding durability in different MS and possible solutions for these. Finally, participants discussed different MS' experiences regarding the longevity of investments after the expiration of durability requirements.

## Specified MS example that kicked-off the discussion:

In the Netherlands, durability is seen as both an environmental and an economic feature. Many supported projects are selected for their potential to diversify farm holdings, and they must make clear the added value they will bring to the region. In this way, support is sometimes given to innovative projects in which something new is tested and, therefore, may fail. Assessing project continuation after the expiration of durability requirements is difficult because it creates an administrative burden for Managing Authorities (MAs) and Paying Agencies (PAs).



## Summary of the discussion:

### General requirements for durability:

- › Most MS represented in the workshop have kept the 5-year durability requirement after the final payment to the beneficiary.
- › In some MS, such as Belgium, applicants must prove stable income from agricultural practices.
- › The use should match the initial requirement. In some MS (e.g. the Netherlands), beneficiaries receive support and advice if plans change.

### Challenges and possible solutions:

- › Participants agreed that it can be difficult for projects to ensure profitable production. Business plans might be of low quality, or the actual implementation may not be in line with initial (too optimistic) assumptions. The importance of functioning advisory services was highlighted, i.e. in Austria and Cyprus, a methodology and advice on business plans is provided. To avoid conflicts of interest, some countries use intermediaries (e.g. Chamber of Agriculture in Austria) to give advice and feedback to beneficiaries. Providing feedback on unsuccessful applications can help applicants to improve. Using electronic systems to do so increases transparency and eases the feedback process.
- › In Italy, as in several other MS, one challenge was the increase of prices for raw materials in recent years. To address this, MS took different approaches, e.g. Bulgaria passed a national law allowing grant amounts to be increased for public investments to cover construction costs for infrastructure. In Cyprus, applicants for public on-farm investments were allowed to file a new application with an increased amount.
- › Sometimes, the maintenance of the investment is not a key objective of projects, or the actual demand does not match the initial intentions (e.g. cultural facilities in rural areas addressing youth, but there is not enough demand for it).
- › MAs and PAs need to manage risk and failures and differentiate between honest mistakes and fraudulent behaviour. Projects not in line with applications are sanctioned, and support may be withdrawn if imposed correction measures are not implemented. However, participants agreed that if a project is transparent about what is not working, the PA is less likely to withdraw support if the activity still contributes to set objectives and agreed-upon amendments.

### Longevity of investments:

- › It is difficult for MAs and PAs to maintain a relationship with the beneficiary after the end of the funding period. Many evaluations happen right after the funding ends, which is often not the best time to assess durability. In Hungary, all projects must submit a final implementation report, which a national research institution then analyses. Results showed that 80% of projects are durable, and the majority were considered for follow-up investments.

## Recommendations or actions proposed:

- › Exchange among MAs of different MS is useful for exchanging information and learning from each other how challenges are addressed in different countries.
- › MS need to establish functioning advisory systems and capacity building to support applicants and beneficiaries.
- › MAs and PAs should show some flexibility to react to changing circumstances (e.g. increasing prices). Beneficiaries should transparently communicate shortcomings to MAs and PAs in order to find solutions.
- › Filing mandatory “final implementation reports” after the funding period ends may help identify projects worthy of follow-up funding.
- › Voluntary surveys for projects after the funding period ends could be a way of collecting additional information about successes.



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