

Review of the implementation of EU-FAS policy in Member States of EU- Latvia

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I- Executive summary

In Latvia, the EU Farm advisory system (EU-FAS) is organised at the national level via a triangular system of policy making, administration and implementation. Implementation of the EU-FAS is integrated in the Latvia Rural Development Programme (LRDP), which is the central national rural and agricultural development programming document. The policy function is executed by the Ministry of Agriculture (MoA). The administrative function is the responsibility of the Rural Support Service (RSS), while the delivery of the EU-FAS is granted to an advisory organisation on the basis of public procurement procedures. In practice, there are only two advisory organisations which have been able to comply with the tender rules and have been granted the EU-FAS contracts. These are LRATC, the biggest EU-FAS provider and the only provider of the EU-FAS in agriculture, and the Forestry Cooperative Society, a union of three forestry cooperatives that offers EU-FAS services only in forestry. Financially and in terms of the number of consultations and clients covered, LRATC is by far the largest EU-FAS provider and provides the full spectrum of the mandatory EU-FAS consultations.

EU-FAS activities in Latvia are fully funded from public sources. Approximately 68% of the finances come from the European Agricultural Fund for Rural Development and the remainder is national funding. The maximum cost covered per farmer is 1,500 EUR over the entire programming period (2014-2020). According to LRDP, the planned number of total beneficiaries during the whole programming period was 10,500 farmers. However, only part of the allocated funding was spent, as only a small proportion of farmers apply, even though the number has been growing.

The EU-FAS is believed to have made a valuable contribution to agriculture in Latvia, though not all farmers make use of it. Stakeholders contend that the EU-FAS has enhanced farmers' professionalism, helped them find practical solutions to concrete problems and strengthened the role of the independent advisors. However, the EU-FAS currently covers only a limited proportion of farms in Latvia. In general, these are medium-sized and commercially oriented farms operating in crop production and livestock sectors, and a smaller number of farms engaged in forestry. While the limited number of farmers making use of the EU-FAS is partially down to limited awareness, the actual capacity of advisory services to deliver a sufficient number of consultations also plays a role.

While the delivery of the EU-FAS in Latvia is well organised, there are some administrative burdens which are currently being addressed. The application for services is done by farmers in the online application system managed by the RSS. All EU-FAS consultations are provided on an individual basis in direct interaction between a farmer and an advisor. This distinguishes the EU-FAS from other training activities, where collective and networking training methods (e.g. seminars) are more common. However, registering EU-FAS services poses a certain bureaucratic burden and planning pressure for service providers. In order to help advisors handle the administrative tasks, LRATC is planning to strengthen the back-office.

The **key strengths** of the EU-FAS in Latvia are that it is a unified and nationally-operating system that is well supported by a digital management platform. The **weaknesses** are that farmers are insufficiently aware about the services and there is a limited capacity of service providers to increase the number of EU-FAS consultations.

The future challenges of the EU-FAS in Latvia are varied. These include strengthening the capacities of advisors, broadening the scope of FAS target groups, and reconsidering the future of public procurement for EU-FAS service delivery. There is also a need to encourage cooperation among advice providers and address new targets and measures related to the climate and the environment.

II- Extensive description of the implementation of the EU-FAS in Latvia

In this section, we use the AgriLink's advisory regimes concept to describe more extensively the implementation of the EU-FAS. There are five subsections:

- the sub-section "**boundaries**": **what** is the scope of implementation of the EU-FAS (geographical zone, themes, target audience)?
- the section "**identity** of the suppliers": **who** is entitled to deliver advice under the EU-FAS regulation?
- the section "**attributes** of the service": **how** are the services delivered (front- and back-office dimensions)?
- the section "**control of the quality**": by whom and how is the EU-FAS monitored?
- the section "**financing of the services**": how is the EU-FAS funded?

A) [Introduction](#) – General overview about the EU-FAS implementation

Implementation of the EU-FAS in Latvia is an integral part of the Latvia National Rural Development programme, the key national programming document for rural and agricultural development. As such, the EU-FAS is regulated to serve defined priorities of the national agricultural policy in the respective programming period. The central function of the EU-FAS remains to help farmers to comply with EU regulations and avoid sanctions, and to use EU public support for farm development.

Formal introduction of the EU-FAS in Latvia started in 2005 when the European Agricultural Guidance and Guarantee Fund approved the Latvian national programme "Establishment of agricultural advisory and farm enlargement services"¹ and its accompanying project "Establishment of the farm advisory system" (Ragaine-Volniano, 2014). The project increased the capacity of the Latvian Rural Advisory and Training Centre (LRATC), the central agricultural advisory organisation in the country, in terms of physical infrastructure, equipment and human resources to assist farmers to comply with EU regulations and to apply for EU public support (Ministry of Agriculture, 2004). Advisors' training programme on farming requirements was developed. First farms received EU-FAS services in a test regime during the project.

When the EU-FAS was established, the official implementation of EU-FAS services for farmers started in the programming period 2007-2013. However, during this period, the EU-FAS reached very modest targets. Implementation of the measure No. 114 "Use of advisory services for farmers and foresters" of the Rural Development Programme was interrupted in 2009 due to an economic crisis in the country and shortage of public funding. The initial target to provide EU-FAS services to 5,768 farmers (10% of active farmers) was reduced to 30 farms (i.e., less than 0.1% of active farms); the actual public funding spent for this measure was 7,424 EUR (instead of 12,866,253 EUR planned in 2008) (AREI, 2016). In total, 36 farmers received EU-FAS services in this programming period (AREI, 2016). As a result, the EU-FAS did not play an important role in the functioning of farm advisory services in Latvia during this period.

The EU-FAS has become fully operational in Latvia in the programming period 2014-2020. Farm advisory organisations, selected in a public procurement procedure, provide EU-FAS services to

¹ In Latvian: *Lauksaimniecības konsultāciju un saimniecību paplašināšanās pakalpojumu dienestu izveidošana.*

farmers. It is expected that these service providers will benefit from the implementation of the EU-FAS by improving the quality of their advice and developing their advisors' network (AREI, 2013).

B) "Boundaries" of the implementation of the EU-FAS regulation

The EU-FAS in Latvia is organised as a triangular system of policy making, administration and implementation. The policy function (including setting the EU-FAS objectives, targets, indicators, securing funding, procuring services) is executed by the Ministry of Agriculture (MoA). The administrative function (organising calls for tenders, contracting and controlling the EU-FAS providers, managing financial flows, controlling farmer consultation records) is realised by the Rural Support Service (RSS) - a state agency that administers EU support to rural development. Delivery of the EU-FAS is granted to advisory organisations on a competitive basis through a tender procedure (the public procurement of EU-FAS services).

The EU-FAS in Latvia is implemented at the national level. Implementation of the EU-FAS is integrated in the Latvia Rural Development Programme (LRDP). In the current LRDP 2014-2020, the EU-FAS is placed under the measure "M02 Advisory services, farm management and farm relief services". M02 is a horizontal measure that addresses all the priorities of the LRDP 2014-2020, and, in particular, it contributes to the goals No. 1A "Support to innovations, collaboration and development of knowledge base in rural areas" and No. 2A "Improve farms' economic performance, support their restructuring and modernisation, market integration and diversification", and the priority No. 4 "Restoring, maintenance and enhancement of agricultural and forestry ecosystems". The LRDP refers also to the binding legal basis of EC regulation 1306/2013. The procedure of granting public aid to suppliers of advisory services is defined in the Regulations of the Cabinet of Ministers No. 695 (Cabinet of Ministers 2015).

The measure M02 is aimed at supporting access to farm advisory services in the following **domains**: cross-compliance, environmental protection, hygiene, animal welfare, and good farming and environmental conditions, environment-friendly farming practices, forest management, climate change, and measures to improve farm economic and/or environmental, including climate-friendly, performance (see Table 1).

Target groups are not specified in the LRDP, but obviously they are active farmers. Beneficiaries can be legal and natural persons involved in agriculture or forestry as owners or managers, i. e. economic operators of the land. There is a requirement that the beneficiary has to be registered in the RSS Register of Clients before receiving advisory services under M02. One domain of advice within EU-FAS - farm's economic and environmental performance - targets small farms, ie farms with a turnover under 15,000 EUR per year. This marks a difference from the period 2007-2013 when the EU-FAS was oriented to serve bigger and economically stronger commercial farms as preference was given to farmers who receive over 15,000 EUR of direct payments per year (LRDP 2007-2013).

A) "Identity" of the suppliers selected for the implementation of the EU-FAS regulation

The EU-FAS regulations in Latvia include criteria for the providers of the EU-FAS which define eligible advisory organisations. These criteria concern such attributes as legal status, independence and impartiality, professional, administrative and financial capacity, infrastructure.

In practice, there are only two advisory organisations which have been able to comply with the tender rules and have been granted the EU-FAS contracts. These are LRATC, the biggest EU-FAS provider and the only provider of EU-FAS in agriculture, and the Forestry Cooperative Society, a union of three forestry cooperatives that offers EU-FAS services only in forestry. The reasons why there are

only a few organisations involved in the EU-FAS provision can be explained by the tender requirements (see section 2.3), which presume a complex approach and thereby exclude smaller advisory companies. The domains of their provided EU-FAS consultations are presented in Table 1.

Table 1. Domains chosen as priorities in the implementation of the EU-FAS in Latvia and percentage of expenditures by the main FAS providing organisation

Scope of EU-FAS		Accredited supplier #1 Latvian Rural Advisory and Training Centre²	Accredited supplier #2 Forestry cooperatives “L.V.Mežs”, “Mežsaimnieks”, “Vidzeme” (only for advisory services in forestry)
<i>Mandatory</i>	(a) CROSS-COMPLIANCE Standards for Good Agricultural and Environmental Conditions (GAEC)	30%	x
	(b) PRACTICES BENEFICIAL FOR THE CLIMATE AND THE ENVIRONMENT <i>(chap. 3 – Reg. No 1307/2013)</i> <i>Crop diversification, Permanent Grassland, Ecological areas</i>	25%	x
	(c) FARM MODERNISATION, Competitiveness, Market, Entrepreneurship	5%	x
	(d) WATER DIRECTIVE <i>Article 11(3) of directive 2000/60/EC</i>	15%	x
	(e) PESTICIDE DIRECTIVE <i>Good practices for pesticide use & Integrated pest management. Article 11(3) of Directive 2000/60/EC and article 14 of directive 2009/128/EC</i>	15%	
<i>Optional</i>	(a) DIVERSIFICATION OF ECONOMIC ACTIVITIES and conversion of farms	5%	
	(b) RISK MANAGEMENT <i>Vis-à-vis natural disasters; catastrophic events, animal_& plant diseases</i>	0%	
	(c) AGRI-ENVIRONMENTAL SCHEMES & ORGANIC FARMING <i>Articles 28(3) and 29(2) of Regulation No 1305/2013</i>	3%	

² Apart from disaggregation of spending by the EU-FAS domains, LRATC also calculates the project spending by branches of agricultural activity: 15% of project financing goes for economic consultations, 67% - for consultations in animal husbandry, and 22% - for advice on crop production.

	(d) INFORMATION related to CLIMATE CHANGE, BIODIVERSITY, WATER	2%	x
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Sources: LRDP 2014-2020, LAD (2016a; 2016b), interview with a LRATC representative.

Financially and in terms of the number of consultations and clients covered, LRATC is by far the largest EU-FAS provider in Latvia. It is an advisory organisation co-founded by the Ministry of Agriculture in 1991 to address knowledge needs of the huge number of new farmers, many of whom did not have an agricultural background. Since then, LRATC has changed its legal status to a private company, but it continues to carry out targeted advisory measures commissioned and funded by the MoA. LRATC consists of a central office and 26 regional branches all across the country, and in 2016 it employed around 450 people (LLKC, 2017). LRATC has been active in this area since the measure M02 was introduced in Latvia in 2007, was also the only accredited supplier during the first period of the EU-FAS, and is also heavily engaged in providing M01 (Knowledge transfer and information actions).

LRATC provides the full spectrum of the mandatory EU-FAS consultations. 70 out of 300 advisors employed by the LRATC are directly involved in the delivery of the EU-FAS. However, to be capable to ensure the full range of consultations required by the tender rules, LRATC has to involve experts from other organisations, notably the Latvia University of Life Sciences and Technologies, some research institutes, as well as co-operatives.

B) “Control” of the quality of the services implemented under the EU-FAS regulation

i) Selection procedures and requirements

The MoA is responsible for implementing the legislation related to EU-FAS provision, the RSS organises a tender, concludes contracts with service providers and controls their work. **EU-FAS providers are selected in open call procedures.** Contracts for the EU-FAS provision are granted on a 3-year basis, which means that two bids for the EU-FAS provision have been organised in the current programming period (2014-2020).

The requirements to advisors that serve as the main criteria for the selection of EU-FAS providers are set in the LRDP 2014-2020 and specified in the tender rules, and they include:

- *Legal status:* applicants have to be a legal person or a union of legal persons;
- *Thematic coverage:* in agriculture, the applicant has to provide advice on obligations at farm level deriving from the statutory management requirements and/or standards for good agricultural and environmental conditions; requirements on the use of plant protection products and integrated pest management; farm’s economic and environmental aspects;
- *Territorial coverage:* advisory services are provided in at least one third of the territory of Latvia;
- *Qualification and training of advisors* (in terms of formal professional or university education, a maximum number of advisors with professional education): advisors should hold a college or a university degree and be regularly trained in the field of advice (at least once a year);
- *Experience of advisory organisation in the field of advice* (minimum number of years): EU-FAS providers should have at least 3-year experience in consultations;
- *Independence:* impartiality (no commercial interest) in the field of advice;
- *Relevance:* ability to provide the needed knowledge to advisors and to ensure practical applicability of that knowledge on farms;
- *Administrative capacity* of the provider organisation: sufficient administrative resources to manage the service provision;
- *Financial capacity:* sufficient financial resources to provide advisory services;
- *Equipment:* ability to ensure the needed facilities and equipment;

- *Price of services*: according to the Public procurement law, the criterion of the most economically advantageous tender is applied;
- *Language proficiency*: knowledge of the Latvian language for advisors.

ii) Requirements in terms of monitoring of services

The delivery of the EU-FAS in Latvia is well organised in terms of monitoring (registration and payment procedures), and control. The MoA defines quantitative and qualitative targets of the EU-FAS, while RSS controls the implementation of EU-FAS contracts and audits the contracted advisory organisations. To administer, monitor and control the implementation process, RSS has created an online information system that ensures the registration of beneficiaries and the amount spent for their consultations, logic and automatic checks, tracking changes, warnings, etc. There are also on-site inspection visits being organised as part of the control system.

The application for services is done by farmers in the online application system managed by RSS. The same system is used by the service providers to register dates and times of consultations and results of advisors' work. This information is visible in the system for the RSS controlling department. The digitalised system makes EU-FAS services transparent, easy to manage and control for RSS. However, registering EU-FAS services poses a certain bureaucratic burden and planning pressure for service providers, and requires a thorough time planning.

In order to help advisors handle the administrative tasks, LRATC is planning to strengthen the back-office by establishing advisors' administrative support groups which would help with documentation, plan advisors' work, communicate with clients and register data in the EU-FAS system. LRATC considers introducing a mobile application which would ease the registration of advisors' farm visits in the RSS online system.

In addition, LRATC has adopted internal systems of training and certification of advisors and supervision of services. The certification is done for specific services, and advisors have to pass exams. For example, regarding the measure on cross-compliance there is a combined certification for services in animal welfare and environmental services; another certificate exists for services in crop protection and crop fertilisation.

The principal sources of risks in the implementation of the EU-FAS, as identified in LRDP, can be poor organisation of the public procurement for the delivery of advisory services, selection of inappropriate providers of advisory services, defective IT support system, and ineligible or false payment applications. Appropriate risk mitigation measures are identified. To ensure sufficient quality of advice in the mandatory and selected EU-FAS themes, criteria for the applicants (as presented above) have been defined. These include specific requirements regarding advisors' training (minimum educational level and experience, and at least one training course per year).

Some of the problems in the implementation of the EU-FAS have been resolved by introducing clear and regular monitoring measures. Article 17 of the regulations of the Cabinet of Ministers on support to the use of advisory services sets the principles to be applied for monitoring. The suppliers of advisory services have to submit a quarterly activity overview consisting of a description of who has received advice, when it has happened, applications requesting advice, and some other documents.

C) "Attributes" of the services implemented under the EU-FAS regulation

As described above, **the criteria for EU-FAS providers considerably narrow the number of eligible advisory organisations.** To be able to respond to the calls for tenders and to deliver advisory services, advisory service providers form alliances. Even the biggest farm advisory organisation in Latvia does not have a sufficient capacity to respond to demands for advice in all the EU-FAS domains; therefore, it cooperates with experts from other organisations.

All EU-FAS consultations are provided on an individual basis in direct interaction between a farmer and an advisor. This distinguishes the EU-FAS from other training activities in the wider agricultural knowledge and innovation system, where collective and networking training methods, such as seminars, training courses, study groups, etc. are more often applied. EU-FAS consultations have two main forms: farm visits and consultations on the farm, and farmer visits to the advisory office. Consultations on the issue in question are provided on the basis of a discussion between a farmer and an advisor, understanding of farmer's needs, advisor's analysis of the farm data, and examination of the situation on the farm. Usually consultations result in an advisor's recommendation regarding the issue discussed. Advisors may also develop practical plans, for example – a farm crop protection plan.

As part of the establishment of EU-FAS in Latvia, three **computer programmes** were developed to support farm management and decision making: (i) a system for farm management and economically justified farming practices, (ii) a programme for fertilization and crop rotation, and (iii) a programme for food supply and resource-efficient farming.

D) “Financing” of the services implemented under the EU-FAS regulation

The total planned public expenditure for the implementation of the EU-FAS in the programming period 2014-2020 was 10,445,189.00 EUR, of which two thirds (7,102,729.00 EUR) are funded by the EAFRD, and one third (3,342,460.00 EUR) is co-funded by the state. No additional national funding for the EU-FAS was planned. Distribution of the EU-FAS spending by priority areas is reflected in Table 1.

However, **only part of the allocated funding is spent.** RSS has contracted LRATC for FAS services in 2016-2019 for the amount of 4.9 million EUR. In practice, only less than one third (1.5 million EUR) will be actually spent during this period. LRATC provides an explanation that farmers are not well informed about the possibilities offered by the EU-FAS and admit that the organisation would experience difficulties if the demand were higher. Therefore, LRATC is currently not interested in active promotion of FAS services among farmers. In the coming years LRATC plans to raise revenues from the EU-FAS in its budget from 0.5 million EUR (5% of LRATC annual budget) to 1 million EUR; this will be done mainly by raising the price of consultations, rather than increasing their quantity.

The maximum cost covered per farmer is 1,500 EUR in the whole programming period (can be allocated in several consultations; the number of consultations is not limited). Aid intensity is 100%; a benefitting farmer is not required to make a co-payment.

Eligible costs for providers of advisory services include consultation fees, costs for facilities, equipment and educational materials, travel costs, organisational costs, and overheads.

III- Effectiveness of EU-FAS

A) Facts and figures about EU-FAS implementation

According to LRDP 2014-2020, the planned number of total beneficiaries during the whole programming period is 10,500 farmers. Of these, 3,150 have been planned under Priority 2 (Improve farms' economic effectiveness and competitiveness in all the regions and support innovative agricultural technologies and sustainable forest management), and 6,600 farmers and 750 foresters under Priority 4 (Restoration, maintenance and enhancement of agricultural and forestry ecosystems) (LRDP 2014-2020). The size of the target population has been set in deliberation between MoA, RSS and the main EU-FAS providing organisations (notably LRATC). In total, 3.1 million EUR are earmarked to be spent for Priority 2, and 7.9 million EUR are to be allocated for Priority 4 by the end of the planning period (OECD, 2019: 160).

Currently there are approximately 3,000 unique EU-FAS clients served by LRATC (as of June 2019). As farmers may apply for several services, the actual number of consultations provided by LRATC is higher - 4,875 in agriculture and 131 in forestry. Overall, the actual figures of farmers reached so far do not match the targets set in LRDP 2014-2020. There are several reasons for this: (i) limited finances available for the EU-FAS; (ii) limited capacity of advisory service providers to deliver sufficient number of consultations; (iii) rather low awareness about the EU-FAS among the farmers, and (iv) perhaps the governance set-up of the FAS system is currently rather restrictive, thus limiting open competition and new entrants coming into the advisory system.

In principle, every farmer in Latvia is entitled to 1,500 EUR earmarked for FAS consultations during the EU programming period (2014-2020). However, only a small proportion of farmers apply. There are 68,000 farms in Latvia, out of which 24,000 are commercially oriented and 44,000 are considered predominantly subsistence oriented and small-scale farms. If all commercial farms would apply for EU-FAS consultations that would require 36 million EUR of funding, which is triple the amount currently available for the EU-FAS (10.4 million EUR in 2014-2020). Still, the number of farmers receiving EU-FAS consultations is gradually but steadily growing. MoA specialists consider that quantitative targets indicated in LRDP are largely being met.

LRATC does not hold detailed records on types and characteristics of farms included in the FAS consultations. **In general, these are predominantly medium-sized and commercially oriented farms operating in crop production and livestock sectors and a smaller number of farms engaged in forestry.** Big farms are less likely to become EU-FAS clients as agri-industrial farms tend to use individual commercial advice and services.

B) In-depth analysis of advice provision regarding water management (Water Framework Directive)

EU-FAS services in relation to the requirements of the Water Framework Directive are mainly provided in the context of crop cultivation and animal husbandry. Advice is primarily provided by advisors from LRATC, but advisors working for cooperatives are also involved, though not as part of EU-FAS. Approximately 50-60 advisors are working in this area nationwide. Formal requirements for advisors are stipulated in the procurement procedure and the regulations of the Cabinet of Ministers. These requirements include the minimum level of education, professional experience (at least 3 years) and regular attendance of training events. Advisors working for input suppliers also provide advice on the practical application of specific products, but not as part of the EU-FAS.

Advice regarding the Water Framework Directive is generally regarded in the context of broader cross-compliance requirements and is not always distinguished as a specific area. However, it was suggested in one of the interviews that advisors working on water management and environmental requirements more generally, have the additional task of persuading farmers that the underlying legislation is fundamentally sound. Advisors have to explain the reasons behind specific requirements and convey the benefits that the observance of these requirements can bring in the long term, despite some apparent economic inefficiency in the short term.

The target groups are defined centrally and include all farms that receive direct payments, with the exception of small farms that do not have to observe cross-compliance requirements. It is estimated that approximately 1,500 farmers have received advice on water management in the last two years. These services account for between 500,000 EUR and 1,000,000 EUR. Their significance will likely grow in the future due to stricter environmental regulations and targets, and, consequently, a higher number of requests for advice from farmers.

The services of LRATC have mainly been engaged by farmers from Zemgale whose farms are located in nitrate vulnerable zones. The farms are generally medium-sized family-owned farms that are not sufficiently big to be able to afford to hire their own specialists. Organic farms are also well represented as they have to follow stricter regulations.

In general, advisors meet the farmers on their farm, though some farmers also seek advice by phone or by coming to the offices of LRATC. In our interview with an LRATC expert it was suggested that the first meeting almost always takes place on the farm. This way the advisor can determine the specific needs of the farm, and also identify areas where work must be done in order to meet the official requirements. Subsequent interactions can take place at the office or on the phone.

The impact of the EU-FAS on advice provision regarding the Water Framework Directive in Latvia has been positive. It was suggested that farmers are more aware of the regulations that have to be followed, and better informed about why specific requirements have been put in place. Likewise, the advisors have benefited from the EU-FAS, as they have to continuously improve their knowledge and skills (incl. soft skills), and broaden their areas of expertise. Furthermore, advisors routinely cooperate with scientists (e.g. Latvia University of Life Sciences and Technologies) and have recently started discussing different emission-reduction measures.

In terms of future challenges, most are internal to the profession. It was suggested that generational change is becoming increasingly important. Specifically, it is challenging to attract young and highly skilled professionals to work for LRATC. More generally, improving the professional capacity of advisors is challenging and requires cooperation between the comparatively small number of professionals and scientists working on water management in agriculture. This way the best practices and most recent advances in knowledge can be applied in Latvia.

IV- Discussion

The key strengths of the EU-FAS in Latvia are as follows: (i) it is a unified system, (ii) it entails a common standard for services, (iii) it is available in the whole country, (iv) the system is well supported by a digital management platform. Relative weaknesses are (i) an insufficient awareness of farmers about the EU-FAS resulting in low demand for services, on the one hand, and (ii) a limited capacity of service providers to increase the number of EU-FAS consultations, on the other. We call this the 'capacity-awareness squeeze'. It is well illustrated by the underused finances for EU-FAS services (1.5 million EUR used out of 4.9 million EUR available for 2016-2019). LRATC contends that farmers are not well informed about the possibilities offered by EU-FAS, but simultaneously admits that the organisation would experience difficulties if the demand were higher. Thus presently there is a certain equilibrium between the supply and the demand side of EU-FAS services in Latvia.

According to MoA representatives, the EU-FAS has been a very valuable instrument in Latvia to enhance farmers' professionalism and help them find practical solutions to concrete problems. EU-FAS measures and consultations are very focussed on individual farms and targeted at concrete problems, therefore, they are also efficiently delivered as farmers can receive immediate advice tailored to their needs.

LRATC estimates that the implementation of the EU-FAS has strengthened the role of the independent advisors in two ways: firstly, by securing a financial basis, and, secondly, by educating, training and certifying advisors. This is an important issue as independence of advice is increasingly challenged by commercial companies – agricultural input suppliers, also food processors. Commercial companies offer their consultants salaries that are occasionally two or even three times higher than those of independent advisors. Therefore, professional agricultural advisory organisations are under the continuous threat of brain drain.

The current regulation states that the EU-FAS is a public service and its implementation has to be organised through public procurement. The procedure of the EU-FAS implementation through public procurement procedure raises some questions though, as it has its advantages and drawbacks. One of them is the negligible possibilities for small advisory companies and specialised advisory services to provide EU-FAS services unless they participate in tenders in consortia with bigger providers to meet the requirements for applicants. EU-FAS service providers do not have to compete for clients once they have won the tender as farmers have to choose from the few selected providers. To an extent, this form of implementation limits the choice of advice provider to farmers that would exist, for example, in a voucher system. This situation raises a set of complex questions also beyond the EU-FAS framework about the balance between subsidised and paid services, public procurement and free choice, limited and open competition.

We conclude that the EU-FAS currently covers only a limited proportion of farms in Latvia. However, given that clients are predominantly commercial farms that presumably operate on the basis of intensive technologies and contribute a major share of total agricultural output, FAS has an important role to play in spreading environmentally sound and economically sustainable practices.

From the point of view of LRATC as the biggest provider of FAS consultations, the future challenges of the EU-FAS relate to three dynamic trajectories: (i) strengthening capacities of advisors – their recruitment, education, training, material stimulation; **(ii) addressing new climate and environmental targets** that might be incorporated in EU-FAS in the future;; this would also require education of advisors; **(iii) broadening the scope of FAS target groups and increasing the number of clients.** The latter point is associated with eventual changes in legally permitted forms of EU-FAS consultations and the introduction of study groups, interest groups and other forms of collective advice in addition to the currently allowed individualised farm-based advice.

From the point of view of MoA, the EU-FAS future challenges are as follows:

- **Enlarging the number of farmers included in the system**, in particular addressing the segment of farms that currently are economically less viable;
- **Including new targets and measures in the EU-FAS**, especially related to climate and the environment;
- **Reconsidering the future of public procurement as an instrument of EU-FAS realisation**, as the existing procedure restricts competition and clients' possibilities to choose the best service available on the advice market;
- **Encouraging cooperation among advisory service providers** – it will be necessary to address new challenges and provide new services regardless of whether the procurement system will be modified or not;
- **Adapting to the digitalisation in agriculture**, which will require new knowledge and advice. The envisaged introduction of farmer-oriented *FastTool* and its synchronisation with databases will require advisors' expertise on how to make best use of these new digital tools at the farm level. The leading advisory organisations and individual advisors are not yet fit for that purpose.

Eventually, public funding proportions between EU funding and national budget contribution may change in the next CAP period.

Factsheet about FAS assessment in Latvia

Some Key facts about CAP implementation in Latvia

- Number of farmers in the country..... **68,000**
- Share of 2nd pillar in CAP expenditure.....
- Share of Knowledge measures (M01&M02) in the 2nd pillar of CAP.....
- Planned expenditure per farmer (M01&M02)..... **(M02) EUR 1500/farmer**

Some Key facts about the implementation of the EU-FAS in Latvia

Pillar one (Regulation n°(EU) 1306/ 2013)

Level of application Regional National

Domain selected for the EU-FAS regulation

Mandatory

- Cross-compliance
- Payment for environment & climate
- Modernisation
- Pesticides directive
- Water directive

Optional

- Diversification
- Risk management
- Organic
- Information on climate

Types of suppliers accredited

- | | |
|---|--|
| <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Private independent consultant/firms <input type="checkbox"/> SME or start-ups <input type="checkbox"/> Public extension organisation <input type="checkbox"/> NGO <input type="checkbox"/> Charities | <ul style="list-style-type: none"> <input type="checkbox"/> Chambers of agriculture <input type="checkbox"/> Farmers' rings or associations <input type="checkbox"/> Farmers' cooperatives <input type="checkbox"/> Private firms or retailers (inputs/outputs) <input type="checkbox"/> Bookkeepers <input checked="" type="checkbox"/> Other (specify) Forestry cooperatives |
|---|--|

Method required for advisory services

- | | |
|---|--|
| <ul style="list-style-type: none"> <input checked="" type="checkbox"/> One to one on the farm <input checked="" type="checkbox"/> One to one outside the farm <input type="checkbox"/> Small group advice on the farm <input type="checkbox"/> Small group outside the farm | <ul style="list-style-type: none"> <input type="checkbox"/> Telephone helpdesk <input type="checkbox"/> General information via Internet <input type="checkbox"/> Publication (paper copies) <input type="checkbox"/> No requirement |
|---|--|

Conditions required to be accredited for advisory organisation

- | | |
|---|---|
| <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Competences of advisors <input checked="" type="checkbox"/> Training of advisors <input type="checkbox"/> Data base | <ul style="list-style-type: none"> <input type="checkbox"/> Networks <input type="checkbox"/> Monitoring of advice activities <input type="checkbox"/> Knowledge platforms |
|---|---|

Target public (categories of farmers or farm workers)

- | | |
|--|---|
| <ul style="list-style-type: none"> Target group specified..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Farms with more than 15000 € direct support <input type="checkbox"/> Smaller farms..... <input type="checkbox"/> Other farms' criteria | <ul style="list-style-type: none"> <input type="checkbox"/> Zoning criteria..... <input type="checkbox"/> Other criteria..... |
|--|---|

Pillar Two

Use of measure M02..... x Yes No

Number of beneficiaries.....

Average expenditure per farmer:

Domain selected

- Cross-compliance
- Payment for environment & climate
- Modernisation
- Pesticides directive
- Water directive
- Occupational Health
- Farms setting up for the first time

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