

# Danish Food Industry Agency

Ex post evaluation of

## The Danish Rural Development Programme 2000 – 2006

Executive summary

## **SUMMARY**

The Ex Post Evaluation of the Danish Rural Development Programme 2000 – 2006 is conducted by Orbicon A/S in cooperation with Capacent Epinion A/S and with Morten Kvistgaard, Evaluators.EU ApS, as team leader. The evaluation took place from August to December 2008.

### ***Methodological approach***

The evaluation design is arranged in accordance with Commission guidance and contains four phases constituting structuring, data collection, data evaluation and reporting. In the structuring phase the evaluation design was established, and an updated context description of the rural development was prepared. The final evaluation questions were decided upon in cooperation with the Steering Committee established.

Data collection was focused on both the programme and measure level. Desk research was conducted in relation to document on the RDP, legal documents, previous evaluations, financial data etc. There were conducted interviews with head of sections and divisions in the relevant divisions in the Danish Food Industry Agency and interviews with key stakeholders. Further data collection in relation to specific measures and case studies were conducted together with use of questionnaires and telephone interviews.

Data analysis concerned synthesis of collected data. Data is analyzed from a technical using multi-criteria approach of collected data. The predefined evaluation questions are answered on basis of a number of criteria (relevance, efficiency, compliance, effectiveness, and viability). The evaluation of data includes evaluation of the administrative set-up, financial input and use of resources.

Reporting covers preparation of a note on evaluation questions (Annex II in main report), updated description of context in rural areas, evaluations reports for the 18 measures, and the present aggregated report.

### ***Rural Development Programme 2000 – 2006***

The Rural Development Programme is prepared by The Danish Food Industry Agency for the Ministry of Food, Agriculture, and Fishery in 1999 and approved by European Commission in 2000. The overall objective of the program was “to improve living conditions in rural areas including the possibility to develop new and improved food products and improve integration of environmental, nature and cultural considerations for agricultural and forestry production”. To obtain these objectives the public financial contribution marked for the program was 7,037 million DKK with an expected private contribution on 8,500 million DKK. In total the total expected financial use by the opening of the program in 2000 was above 15.000 million DKK.

The program started with 10 measures, later developed to 18 measures, exclusive measure on setting up of young farmers closed in 2003:

Measures targeting the competitiveness of the agriculture and forestry sectors:

- Modernization of agricultural holdings (2006)
- Setting up of young farmers (2000-2003)
- Competence and education

- Improvement of food processing 2004-2006, Investments in new technology 2006
- Land consolidation
- Demonstration projects for agriculture and horticulture
- Food quality schemes
- Plant genetic resources
- Farm advisory services

Environmental nature and forestry related measures:

- Payments to farmers in areas with handicaps (less favored areas)
- Agri-environment payments
- Organic farming
- Demonstration of agri-environmental and organic farming projects
- Grazing associations and nature plans
- Forestry measures
- Wind breakers and fences

Measures related to quality of life in rural areas and diversification

- Article 33 measure
- Children and youth measure
- Cultural measure

## **Relevance**

### **Relevance and coherence**

The context analysis in the rural areas shows that the economical development is still a matter of concern compared to economical development in urban areas. There is further a tendency for reduced importance of agricultural practices, movement of the population from rural to urban areas to improvement possibilities for employment and general living conditions – for young people improved possibilities for education. Further analysis has shown that environmental impact from agricultural practices is increasing. It shows the general need for the Rural Development Programme as an instrument and contribution to change this development together with other national and EU regulations and politics.

**The measures related to improvement of competitiveness of the agricultural and forestry sector** ( Modernization of agricultural holdings, Animal welfare (2000-2002), Investments in new technology (2006), Restructuring and development of physical potential and innovation: General measure (2004-2006), Innovation (2006), setting up of young farmers (2000-2003), Land consolidation (2003-2006), Demonstration projects for agriculture and plant nurseries (2006), Food quality schemes (2006), Plant genetics (2006), Helping farmers to adapt to demanding standards are all in the evaluation found to be very relevant related to the needs found in rural areas and related to objectives of the overall program. A number of external factors have a major impact leading to increased vocational needs of the farmers, obligations related to environmental and nature protection issues, animal welfare, quality, efficiency etc.

*The environmental, nature and forest related measures* (Agri-environment, organic farming, demonstration projects for agri-environment and organic farming, grazing associations and nature planning, payments to farmers in areas with handicaps, forest measures and non-productive measures were similarly found to be very relevant, corresponding to the needs in rural areas, needs expressed by applicants and in the relevant sectors. Environmental friendly production forms, nature friendly production and more forest areas are an increasing demand from society, also in parallel to increased impact from pesticides and overuse of areas. The environment, nature and forest related measures are influenced by a number of external factors, among these the present national and EU legislation related to environment, structural development etc, that all underlines the need and relevance.

Measures related to quality of life in rural areas and diversification

- Article 33 measure
- Basic services for rural population
- Cultural measure

*Measures related to quality of life in rural areas and diversification* (Article 33-measure, basic services for rural population (2006) and rural heritage measure (2006) were found very relevant in relation to objectives for rural development. They were similarly found attractive by applicants.

In conclusion by evaluator, program and measures are found highly relevant, but it is also the opinion, that the balance between the three groups of measures has not been balanced. From a consideration based on needs, there could have been more focus on rural development and the measures related to improvement of competitiveness of the agricultural sector should from the same consideration not have been closed in periods during the evaluated program period.

It is similarly the opinion of the evaluator, that the measures and the supported projects have been in compliance with objectives and priorities set inside the program. All measures have contributed to at least one objective of the program. Only a few have covered several objectives though that was the intension with several of the measures opened up in 2006.

It is further the conclusion of the evaluator, that the coherence and additionality between measures throughout the program period 2000—2006 have been rather limited apart from the forest measures, that shows a high degree of internal additionality. The measures were until 2005 rather isolated from each other, but with the enlargement of measures in 2006 the coherence were improved internally and between the described groups of measures. Further in the first years of the programming period there were rather limited coherence between the measures and other national funding schemes, this were improved later in the programming period, especially in 2006.

## **Achievement of goals**

### **71, 5 % economical achievement of goals**

The budget objective for the programme has not been met. The total economical achievement of goals has been 71, 5 % corresponding to 11.082 million DKK inclusive private contribution. The total public spending was 5.421 million DKK compared to a budget on 7.037 million DKK. The total public spending corresponded to 77 % but in relation to co-financing from EU 94, 6 % of the

budget was used corresponding to 2,500 million DKK. The last is quite satisfactory. On average the programme has meant an annual investment on 1,583 million DKK.

The reasons for the rather low economical efficiency are several. One of the most important is that there has been shifting political willingness to provide the Rural Development Programme a continuous high priority compared to other political priorities. This has especially had a negative impact on the measures targeting the competitiveness of the agriculture and forestry sectors. This is naturally acceptable and part of the political reality, but it is not optimal for the possibilities to use the programme in relation to set objectives. The activities has been on a lower level then foreseen and the actors have not had the possibilities to plan activities and investments based on a long term strategy living with uncertainty on measures and the stop-and-go policy they have experienced.

Limited demand inside MVJ sub-measures and organic farming has also had an impact on achievement of goals. Politically there have been changes in relation to the different sub-measures and in the programming period there was a reduced demand for organic products by consumers. All has meant a reduced used of money inside the measure.

### **Final spurt in 2006 meant higher uptake of EU co-financing**

A last spurt in 2006 resulted in a total uptake of EU co-financing corresponding to 94, 6 % of the budget. It was based on opening of a number of new measures primarily inside the area of competitiveness of agricultural and forestry holdings, that was relevant and efficient in the light of the challenges that the rural areas and the sectors were facing. Economically it was also appropriate.

### **Technical achievement of goals is in correspondence with use of resources**

The technical achievement of goals on the level of measures is because of the reduced uptake of financial resources on a similar level. For the main part of the measures, where operational goals has been developed the achievements are below expectations and for the single measures also below what could be expected seen in the light of allocated resources. There are however examples among the measures showing the opposite.

## **Effects, deadweight, and efficiency**

### **Positive effects of activities and projects**

The measures have had very positive impacts on rural areas. This concern the measures related to competitiveness of the agricultural and forestry sector, where the measures related to demonstration projects and investments has had a positive impact on achievement of production goals and achievement of goals related to considerations for environment, nature, and working environment through integrated projects. There have been achieved positive results in relation to fulfilment of objectives on nature protection and forest issues through the measures targeting these. The fulfilment of objectives from other measures has been more limited also seen in the light of the rather limited economical resources used for these.

Effects of the programme compared to the overall objectives have been reduced because of the similar reduced uptake of money. It is however the opinion of the evaluator that the programme has contributed to stabilise the population in rural areas though other external factors in this relation have been more important. The economical effects from the programme have been limited. The programme has only to a limited extent had an impact on the level of income and employment in rural areas. Human resources has also only to a limited extent been strengthened. The programme

has meant more for nature and environmental conditions, in relation to use of areas, protection of water resources, reduced outlet of nutrients, though it is somewhat difficult to document exactly. Generally the contribution to development of rural areas has been limited.

### **The programme shows valuable results in terms of public goods, but carries also a certain deadweight**

The effects of the measures are impeded by an average deadweight on 20-24 % of the total public contribution even considering statistical uncertainty. Deadweight expresses the value of investments and activities that would have been fulfilled without the public funding. Deadweight is not desirable because it means that private investments are substituted by public. Private capital is hereby used for other investments that not necessarily support public objectives.

The percentage of the deadweight varies from few up to 50 for specific measures. Especially measures related to investments have a high deadweight and the positive impact from these measures is reduced by this. An average of deadweight on 10 to 15 % would from international experience be an accepted level. This level should be targeted by revision and selection criteria for the measures with the highest percentage of deadweight.

The acceptance of the deadweight percentages should also be seen in the light that the investments also lead to that the projects are implemented earlier, with more activities, and with a higher environmental profile than it would have the case without support. This is valuable for the society as a whole and a gain that would not have been achieved otherwise. Administratively it would also be difficult and expensive to reduce deadweight completely.

### **Efficiency is satisfactory**

In conclusion it is the opinion of the evaluator that the measures shows high efficiency measured in relation to obtained effects though this measure is somewhat difficult to conduct in full detail. In certain cases in relation to creation of new jobs and increase in turnover the efficiency is found at the same level as the calculations for the 2007-2013 program.

## **Viability and adaptation of programme**

### **Viability is satisfactory**

The implemented projects and activities leads to viable results on a satisfactory level. The project under the measures targeting the competitiveness of the agricultural and forestry sectors are all well-established at the applicants and is seen to give viable results inside the time frame that could be expected by such measures. Viability of the measures with objectives to improve the countryside and the environment shows greater variation from high viability inside the forest measures and a more moderate viability for the others where viability is proportional to the period with funding. As one example the viability of the effects of the agri-environmental sub-measures is connected to the funding and the effects will cease together with cessation of the support. For the measures related to quality of life in rural areas and diversification viability is evaluated to be satisfactory.

### **Appropriate adaptation of programme in relation to changes in external factors**

Since the programme was prepared in 1999 and approved in 2000 a drastic change has taken place in Danish rural areas and external factors influencing actors has developed. There has based on this been a need constantly to adapt to these changes and even with the conclusions from the midterm evaluation that it is troublesome to make changes because of the Commission rules related to this

has been successfully done in the final period of the programme. Especially the changes in 2006 with opening of a number of new measures was an appropriate revision of the programme leading to increased focus on measures with demonstration and introduction of new technologies.

## **Administration**

The evaluation concludes generally that the Rural Development Programme and the measures have been administrated according to the rules laid down by regulations and European Commission and the Danish rules for administration. Overall the administration has been appropriate though there has been found a need to strengthen monitoring.

In relation to measures on competitiveness it is the conclusion of the evaluator that the administrative set-up has functioned well in the programming period for the majority of measures. Applicants and other actors has expressed high levels of contentment with the organisation of the measures, administrative procedures, the quality of this and the time for considering cases.

In relation to measures on environment, nature and forests the applicants has not expressed any problems with administration. It is the opinion of the evaluator that the cooperation between central and regional administrative bodies has worked well. It is generally the opinion of the evaluator that the environmental related measures and sub-measures has received a competent administration and have been in accordance with the rules laid down.

In relation to measures targeting quality of life in rural areas and diversification again an appropriate administration has been found and especially there has been a high level of knowledge on local conditions important for the successful implementation of the programme.

## **Overall conclusion**

The overall conclusion of the Ex Post evaluation is that the Danish Rural Development Programme for 2000 to 2006 has been very relevant, where objectives for the programme as a whole and for the individual measures have reflected needs and problems that have existed in rural areas in the programming period. These needs and problems are still valid in the new programming period. It is also the opinion of the evaluator that the programme has developed throughout the period, and in 2006 appear more coherent compared to the start. This has lead to improved possibilities to secure optimal use of the budget resources through synergy and additionality.

At the same time it should be underlined that evaluator has found uneven implementation of measures and by that uneven use of financial resources that as a whole leads to 70 % use of resources compared to the original planning. Part of the reason is the priorities set down by government. The results and effects of the programme are evaluated to be satisfactory though with huge variation between measures.

The administration is found appropriate and satisfactory fulfilling rules established by Commission. There is however a need for strengthening the monitoring of implementation.

One of the lessons learned is that coherence, additionality, and synergy can only be obtained by continuity in programme implementation and that this is a condition to secure a strategic programme with optimal use of economical resources. Following this it is the opinion of the

evaluators that the changes in the overall priorities inside the programme period have not been appropriate and that this should be kept in mind in the new programme.

Below is presented the most important conclusions for the 2007-2013 programme derived from the evaluation of the previous period.

## **Recommendations**

The recommendations from the evaluation are summarized below. This is done at the program level as well as for the three clusters of measures under the program: the agricultural measures, the environmental, nature and forestry related measures and the rural development measures.

At the program level it is recommended to:

1. Ensure a continuous long-term and strategic implementation of the 2007-2013 program and its measures
2. Improve the use of criteria for prioritization in relation to project selection
3. Consider the possibilities for reduction of the dead weight and the optimization of the utility of measures through design of measures and through assessment and prioritization criteria
4. The directorate develops a coherent monitoring system based on input-, output-, results- and impact indicators and supports this system through data collection and by using applications forms, reporting templates and IT systems.

### **For the agricultural related measures the following is recommended:**

5. *Modernization of agricultural holdings (Investments in new technologies) and Improvement of food processing (The so-called Ordinary measure and the Innovation measure):* Deadweight is reduced through investments fulfilling prioritized social objectives, regarding public goods.
6. *Competence and education:* The measure is focused on beneficiaries normally not participating in training activities. Furthermore the measure is focused on the types of theoretical courses (innovation, management, environment, sustainability etc) not supplied from other actors in the sector.
7. *Competence and education:* The support intensity (percentage) is differentiated and theoretical courses (innovation, management, environment etc) are supported the most.
8. *Competence and education:* Training is integrated better with related training and education activities carried out of other public education and training institutions.
9. *Advisory services:* The component concerning the Nature conservation plan support is maintained under the 2007-2013 program under the Axes 2 measure: Non production related investments in relation to protection of the environment, nature and animal welfare.



10. *Food quality measure*: It should be considered to supplement the measure under the 2007-2013 programme with an initiative regarding recruitment of new Danish food companies to the PDO and PGI quality schemes.
11. *Land consolidation*: The land consolidation measure is developed as an important instrument for implementation of integrated local rural development projects with combined objectives of increased agricultural competitiveness, environmental and nature related considerations and improvements of rural living conditions in a broader sense.
12. *Land consolidation*: The administration of the measure should be operated from one single office in the Directorate taking care of the technical processing of applications and payments as well as the administration of measures where land consolidations is used as a tool to achieve specific objectives.

**For the environmental, nature and forestry related measures the following is recommended:**

13. *Agro-Environmental measures*: It can be recommended that the measures have a longer time period of operation and that focus is on measures with the largest environmental impacts, such as reduced nutritional leakages, where increased effectiveness of the measures are needed.
14. *Agro-Environmental measures*: There is a need for clear objectives regarding the anticipated number of contracts and the expected impact of these contracts. For the individual measure and sub-measure specific indicators should be developed related to the measure objectives.
15. *Organic farming*: The measure objective should be carefully analyzed. Is the primary objective to support an agricultural production covering the demand from the consumers for ecological products or is it a parallel objective to protect and improve the environment and nature?
16. *Organic farming*: It should be considered to adjust the support rates.
17. *Demonstration of AE and organic farming projects*: The main barriers for a successful implementation of AE and Ecology measures should be analyzed. If these barriers are not only financial but also related to lack of knowledge and information, targeted demonstration activities could be expected to stimulate the interest for the measures.
18. *Demonstration of AE and Organic farming projects*: New project applications should be assessed carefully in order to address the barriers and lack of knowledge identified, see the previous recommendation.
19. *Forestry measures*: The operational objectives for private afforestation should be maintained at the same level under the 2007–2013 program as under the 2000-2006 program.
20. *Forestry measures*: The possibilities for support to the implementation of planned activities identified through so-called green operational planning should be considered.

21. *Forestry measures*: The support schemes to the smaller forests should be more flexible and less demanding in order for the beneficiaries to have easier access to the support.
22. *Wind breakers and fences*: The operational objectives for the measure are adjusted in accordance with the financial allocations for the full program period.
23. *Grazing societies*: Support to nature conservation projects under the 2007-2013 program should be considered.
24. *Less favored areas support (The small island support measure)*: Enhance the support to agricultural practices at the island with considerable environmental and nature conservation impacts. It could be though maintenance of fruit plantations grassing of open nature types and trough differentiation of the support.
25. *Less favored areas support (The small island support measure)*: Consider requiring that applicants should respect certain requests regarding environmental agriculture, ecology etc. through higher support intensity for beneficiaries meeting these requirements or demands.
26. *Less favored areas support (The small island support measure)*: The design of the measure regarding animal production, fruit and horticultural producers is considered through a possible differentiation of the support.

**For the rural development related measures the following is recommended:**

27. *Article 33 measure including Children and Youth measure and the Culture measure*: Make more visible through a publication of best practice projects the realized impacts in order to make a demonstration effect in relation to the LAG approach under the 2007-2013 program.
28. *Article 33 measure including Children and Youth measure and the Culture measure*: At Enhance the information effort for Children and Youth measure and the Culture measure under the 2007-2013 program if the measures are prolonged, in order to have more relevant organizations involved under the measures. The web site of the Directorate as well as news letters can be used effectively for this purpose.