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AGRICULTURE

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INTERIM EVALUATION OF RURAL DEVELOPMENT PROGRAMMES

(OBJECTIVES 5(a) AND 5(b))

The second stage in EU Structural Fund reform covers the period from 1994 to 1999 for all the Objectives defined, including those relating to rural development (under Objective 5). It was decided to carry out a mid-term review of the programmes under the various Structural Fund Objectives. The results of the review for rural areas under Objective 1 are given in a report to Parliament covering Objectives 1 and 6. This report presents the results for Objective 5, which is intended to promote rural development.

The purpose of interim evaluations is to analyse in critical detail the full range of monitoring data, so as to assess how far the aims pursued have been achieved. Evaluations should provide monitoring committees or managing authorities with data enabling them to make any required adjustments to the programme. As a rule, in the Structural Funds, a mid-term review is required at the end of the third year for any scheme lasting more than three years (1).

(1) Common guidelines for monitoring and interim evaluations, European Commission, 1995

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I. INTERIM EVALUATION OF MEASURES UNDER OBJECTIVE 5(a)

BACKGROUND

Objective 5(a) concerns speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy. It is a horizontal objective consisting of measures which are applicable all over the Community. In principle, two types of measures can be distinguished: measures on agricultural holdings, which are governed by Regulation (EC) No 950/97, and measures to improve the conditions for processing and marketing agricultural products as laid down in Regulation (EC) No 951/97.

Since 1990, Objective 5(a) has been included in the Structural Funds, applying the same principles and subject to the same discipline, with some exceptions concerning, in particular, Regulation (EC) No 950/97. Assistance under that Regulation is not subject to overall programming within the meaning of Article 8 of Regulation (EEC) No 4253/88. Programming is limited to financial forecasts and to the definition of physical indicators for the different sub-measures.

Article 6 of Regulation (EEC) No 2052/88 provides the legal basis for evaluation of structural measures. Monitoring and evaluation are regarded as indispensable instruments to gauge the effectiveness of Community structural operations. However, given the above specificity of measures under Objective 5(a) and the fact that these measures have been in application for over twenty years, Member States took a quite hesitant attitude towards the required evaluation.

Therefore, working documents prepared by Commission staff and aiming at setting out more specific indications concerning evaluation were presented to Member States in the Committee on Agricultural Structures and Rural Development. The documents were intended to encourage Member States in their efforts in this field and to come to a harmonised framework defining certain minimum standards of evaluation.

Regulation (EEC) No 2052/88 on the tasks of the Structural Funds provides for support for technical assistance, including the measures to monitor and evaluate operations. For the measures under Objective 5(a) no provision was made for such financial support when programmes were drawn up and approved. During the discussion about evaluation Member States requested a financial contribution from the Commission towards the cost of evaluating Objective 5(a). Taking into account the increased requirements for such evaluation activities, the Commission considered this technical assistance to be justified. The expenditure eligible for a financial contribution will in any case be limited to additional expenditure eligible for technical assistance as defined in “Datasheet No 22”[1] on the eligibility of expenditure under the Structural Funds. By Commission Decision 98/524/EC of 28 July 1998 an amount of ECU 4 million of a reserve available for Objective 5(a) measures was reserved for part-financing evaluation. The relevant amounts are now to be allocated to the different programmes and Member States respectively.

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[1] Title of the datasheet: “Costs incurred by public administration, including salaries of Member States’ civil servants”

1. Implementation of measures

Measures under Regulation (EC) No 950/97

Regulation (EC) No 950/97 on improving the efficiency of agricultural structures offers a wide range of measures, the most important of which are investment aid to agricultural holdings, start-up aid for new entrants to farming and the compensatory allowance for farmers in less-favoured areas. As mentioned above, measures under Regulation (EC) No 950/97 are subject to financial programming only, except in Objective 1 and 6 regions, where they are part of the normal programming procedure. Concrete implementation according to the priorities and needs of Member States is by national or regional laws and provisions which have to be approved by the Commission. Another special feature of these measures outside Objective 1 and 6 regions is that there are no Monitoring Committees, which usually have a major role in monitoring and evaluating of the application of Community measures and in adapting programmes to take account of monitoring results and evaluation recommendations.

At the beginning of the programming period 1994-98, Member States submitted indicative financial plans for the measures under Regulation No 950/97 based on forecasts which were broken down by measures (investment aid, start-up aid, etc.). The plans were accompanied by information on physical indicators relating to the different measures. The plans were approved by the Commission. They are subject to an annual up-date procedure to bring the expenditure forecasts in line with expenditure actually incurred in previous years and with the adjusted forecasts.

According to the Member States' initial financial forecasts (EU 15), 46% of the total EU contribution to these measures was for compensatory allowances in less-favoured areas. About 29% of EAGGF funds allocated to these measures was for start-up aid, and 23% for investment aid.

Measures under Regulation (EC) No 951/97

Regulation (EC) No 951/97 on improving the processing and marketing conditions for agricultural products aims at increasing the competitiveness of agricultural products. For the period 1994-99, 22 Single Programming Documents (SPD) were approved by the Commission. Italy's programming was based on a Community Support Framework (CSF) covering 25 operational programmes (OP). While most of the Member States implemented the measure through a single programme, Germany and Belgium chose a regionalised approach, at the level of Länder (Germany) or regions (Belgium).

For a number of programmes, approval was delayed, in particular because of failure to satisfy the requirements laid down in the relevant legal provisions. The programming period 1994-99 is the first where this measure is subject to full programming. Member States had to cope with new special requirements for programming. In the previous period, Member States established their programmes on the basis of existing applications for investment projects. In the new period, they had to change to a programming procedure establishing the framework of interventions for a certain period and based on their expectations. The last SPDs for EUR-12 were approved in June 1995. The operational programmes for Italy were adopted by the end of 1996. The last SPDs for the new Member States was approved in March 1996.

According to the programmes approved, most of the investments were initially intended to be carried out in the meat, fruit and vegetables and milk sectors. The rate of Community financing varies from 7% to 30% of total eligible expenditure, with an average of 18% over all programmes outside Objective 1 and 6 regions. The Member States' contribution was fixed at between 5% (minimum rate) and 35% and averaged 12%. This indicates that beneficiaries contributed 70% of investment costs.

The definition of indicators for the monitoring and evaluation of programmes was part of the programming. The definition of impact indicators in particular was considered a difficult exercise. The main reasons for this were the lack of experience in this field and certain methodological problems. For example, where investment supported under this scheme represents only a small share of total investment in a sector, it is unlikely that the impact of the measures can be identified by indicators at the level of the sector. Furthermore, it may be supposed that most of the general indicators are affected by a number of other economic and policy factors, making it difficult to isolate the impact of the measure.

Under these conditions, Member States/regions often defined impact indicators at the level of the project. Some Member States/regions made noteworthy efforts to identify appropriate indicators. For example, in the fruit and vegetables sector there were operations aimed among other things at concentrating the supply of fresh products (increased quantities, homogenous quality) and reducing seasonal variations. The indicators adopted are defined as "the increase of quantities received per enterprise" and the "increase of turnover in the months outside of the normal supply season". In the meat sector, in a number of cases the "increase of the use of capacity" was chosen as an indicator. For investment focusing on environmental objectives, economies in the use of electricity and reduced use of water were chosen.

2. Scope of the interim evaluation

Measures under Regulation (EC) No 950/97

The above specific features relating to these measures have to be taken into account for the evaluation of this Structural Fund measure. In 1997 the Commission took the first step towards interim evaluation by drafting a working document (VI/6680/97) distributed to the Member States in the STAR Committee. This document included important points concerning implementation, monitoring and evaluation of measures under Regulation No 950/97, outlining more specific indications concerning monitoring and evaluation. One of the aims, besides improving implementation and reinforcing monitoring, was to start evaluation of the structural measures under this Regulation with a view to improved application and administration of these Community measures in the current phase, and also for the future period of structural measures. It should therefore lead to an indication of the changes in approach needed to achieve a higher degree of efficiency and decentralised implementation in the framework of Agenda 2000. Member States agreed on the need for evaluation and on the approach proposed by the Commission in the working document.

As a next step the Commission is preparing a working document on the Community framework for evaluation. This paper will give common guidelines to Member States for the national evaluations so as to ensure comparability of evaluation results and an overall assessment of Regulation (EC) No 950/97 at Community level. The Community guidelines are meant to assist Member States in defining their evaluation procedures and methods by setting the general framework to be implemented and detailed by all Member States within their own terms of reference. They set some basic conditions and procedures to be respected and include a list of evaluation questions which should be answered using defined criteria and indicators. Thus, the evaluation procedure proposed by the Commission is designed to ensure that the evaluations of Regulation (EC) No 950/97 carried out in the Member States provide information on key points of the Regulation, and that they can both be useful for national/regional purposes and be summarised at Community level.

Evaluation will concentrate on analysing the efficiency of the three most important measures (investment aid, start-up aid for new entrants and compensatory allowances for farmers in less-favoured areas) in terms of achieving their objectives. To this end Member States have to reply to a series of priority questions identified by the Commission using defined criteria and indicators. The evaluation will cover the period from 1 January 1994 to 31 December 1998. National evaluation reports are expected for the end of next year so that the summary at Community level should be available in the first half of 2000.

Measures under Regulation (EC) No 951/97

Working paper VI/3778/97 on evaluation of measures under Regulation (EC) No 951/97 identifies the four main elements to be dealt with in the interim evaluation:

– analysis of the information available from the Monitoring Committee using financial and physical indicators;
– assessment of the impact of measures based on the impact indicators defined in the SPD (CSF/OP); if necessary, these indicators will have to be discussed; where they are considered insufficient, additional indicators need to be defined;
– initial evaluation of the effectiveness of the programme in terms of action and results (action taken compared with intended action, results obtained compared to expected results);
– information on the implementation of programmes and on any difficulties as regards organisation and management.

On the basis of these elements a judgement should be possible as to whether the strategy of the programme, in particular the proposed measures and the financial planning, need to be modified or adjusted in order to make assistance more effective.

3. Results of interim evaluation of measures under Regulation (EC) No 951/97

Reports on their interim evaluations were submitted to the Commission by all Member States except France. Within Objective 1 regions, these measures were included in the evaluation of the overall Community Support Framework and the operational programmes.

The information provided by a number of reports on interim evaluation for regions outside Objective 1 is unsatisfactory. Reports are often limited to monitoring aspects and very few of them deal with the impact of the measures. The financial data provided by some Member States were incomplete and had to be corrected on the basis of information submitted later on in the context of monitoring. The information provided on the impact of the measure is based on a limited number of reports.

3.1. Progress of implementation

Financial situation

Due to delays in starting programmes, the progress of implementation was quite poor up to the end of 1996. Thereafter the rate of implementation increased significantly. By the end of 1997, 57% of the total amount of EAGGF contribution initially planned for this measure for 1994-99 had been committed by Member States for approved projects (see Table 1). There were major differences between Member States: high rates of commitment in Belgium (90%), Spain (70%) and Denmark (69%), compared to 28% implementation in Italy (the lowest rate recorded). These results, in particular the low rate of implementation in Italy, should be considered in the context of delays over approval and of varying administrative procedures for the selection of projects. It seems that the practise of a number of Member States, which approve projects on the basis of annual calls for proposals, brings the risk of delays in execution.

Implementation by sector (Table 2) reflects developments on the markets for the different products. Unlike other structural measures, which are often carried out by public bodies and relate to infrastructure, measures under Regulation (EC) No 951/97 concern entirely private investment. Whether or not such investment is made depends closely on the situation on the relevant markets. The highest rates of implementation in relation to the initial plans of Member States were recorded for potatoes, forest products and milk and milk products, with 69%, 68% and 67%, respectively. In the milk sector, this could be due to a permanent need to improve standards of hygiene; in the potato sector a number of Member States identified an increasing demand for processed products. Low rates of implementation are recorded in non-specific sectors (“other products” and “other animal products”), and in the cereals and oilseeds sectors.

During the interim evaluation, four Member States identified additional financing requirements for measures under Regulation (EC) No 951/97. They indicated a quite advanced level of realisation of the programme and further applications which could not be satisfied in the framework of the initially approved financial plan. The Member States concerned requested an increase of funding of their programmes from non-allocated financial resources available for measures under Objective 5(a). Most of the requests, e.g. for some German Länder, Spain and Belgium, involved intensification of measures in the sectors initially determined in the programme. In the case of France, the request related to operations in the field of animal waste rendering, following developments in the meat sector. All requests were satisfied by the allocation of additional funds to the different programmes from the above-mentioned source[2].

Physical realisation

The measurement of physical progress was provided for by the definition of indicators referring to the number of projects and to the capacity created by or involved in the investment. Table 1 in the annex indicates 3 791 projects approved by Member States up to the end of 1997. France and Spain approved about 43% of the total number of projects. However, the size of the investments has to be taken into account. While average eligible cost per investment is quite low in Sweden and the Netherlands (ECU 367 000 and ECU 585 000 respectively), Belgium and Austria realised the highest average cost per investment (ECU 1.9 million). The average size of investment in Member States is affected, among other things, by the different priorities given to individual sectors. The average eligible cost per investment is highest in the milk products, eggs and poultry and meat sectors. Investment in the forest products, oilseeds and cereals sectors involves lower average investment cost.

Compared to the number of projects planned at the beginning of the period, the number of projects approved is quite high. This is often due to the fact that more smaller projects have been selected, which extends the potential number of possible projects within a given financial envelope.

Concerning capacity as a possible measurement of physical progress, figures provided by the evaluation exercise are incomplete and not very satisfactory. It was not easy at the outset to define and quantify capacity indicators when the programmes were drawn up. Under the rules governing the scheme before 1994, Member States submitted operational programmes on the basis of existing applications for investment. These applications provided sufficient information on the physical and financial dimension of the project.

At the beginning of the present programming period, however, Member States had to draw up a programme developing a strategy for a six-year period and to identify the impact of their activities on capacity (processing/marketing) in the relevant sectors. At that time Member States could not be expected to be aware of individual projects to be selected for assistance at a later stage. The information provided was moreover based on estimates by Member States.

Furthermore, the implementation of measures under Regulation (EC) No 951/97 is subject to considerably more uncertainty than structural measures in the field of infrastructure. Projects under Regulation (EC) No 951/97 concern private investment. Their realisation depends on a number of factors, such as economic development and the policy framework which influences the situation on the different markets.

The results of the analysis of capacity effects in the context of the interim evaluation confirm the difficulty of basing the measurement of physical progress on such indicators.

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2 Commission Decision 98/524/EC of 28 July 1998.

The problem is given especial prominence in the Finnish, Spanish and Danish reports. In a number of reports, the evaluator suggests changing these indicators.

3.2. Impact of measures

Apart from the indicators to measure physical progress, Member States were required to define impact indicators in their programmes. The idea of the definition of unique impact indicators for all Member States was abandoned as the existing structural problems in Member States/regions and the corresponding approaches chosen in programmes were considered too different to be reflected in the same indicators. However, from the beginning it was clear that this approach would make it difficult to compare results between Member States/regions and to aggregate results at EU level.

In those Member States where investment in the framework of programmes under Regulation (EC) No 951/97 represents a major share in total investment in the sector, more general economic indicators have been defined (e.g. amount and composition of exports, production value, etc.). Where investment under this scheme is only a small part of total investment in the sector, with limited repercussions on statistics for the sector as a whole, impact indicators were defined at a level where results are measurable (e.g. capacity utilisation rate, labour productivity, etc.). Furthermore, a number of programmes refer to e.g. employment and environmental indicators.

Most of the reports identify problems with analysing the impact of the measures during the interim evaluation. They consider the time between the approval of programmes and the intermediate analysis too short for reasonable conclusions to be reached about the impact of a programme. However, for certain Member States partial analyses concerning the impact of the measures on employment are available. They are based only on completed projects.

For some regions/Member States an increase in <u>employment</u> is recorded. The evaluation of the Austrian programme indicates the creation of 610 new jobs. The programme for Hessen (Germany) created 153 new jobs in two sectors. The evaluation of other programmes shows a reduction of employment, due to investment in rationalising and modernising existing installations. It should be stressed that measures under Regulation (EC) No 951/97 are, by their nature (modernisation and rationalisation), not necessarily employment creating. Nevertheless, some programmes regard creating and maintaining jobs as an objective and as a criterion for the selection of investments.

A number of evaluation reports include information on the <u>impact of the aid on the decision to invest,</u> on the basis of interviews with beneficiaries. According to these analyses, aid is more highly appreciated in small and medium-sized firms. The Finnish report states that about 30% of small businesses would not have carried out their project without support. The same reply was made by about 25% of Austrian beneficiaries interviewed. These figures are disappointing on the face of it, if aid is supposed to be an essential condition of investment. The question reveals which types of investment are intended or expected to be supported. Under the Regulation, an essential requirement for support is that the investment will prove profitable. This condition indicates that in principle Community assistance is intended for investment that can guarantee the commercial success of the operation, which precludes the possibility of supporting high-risk investment.

The main expected impact of the aid scheme is not the realisation of investment that would not otherwise be carried out. The interviews with beneficiaries in some Member States show that the main impact of the aid is elsewhere. 80% of participants in the Finnish survey stated that aid provided under Regulation (EC) No 951/97 speeded up the implementation of the project. Had it not been forthcoming, the investment would have been delayed. This means that the aid did enable investors to adapt earlier to the requirements of markets than they otherwise could have done.

About 45% of the Austrian beneficiaries interviewed said that without the aid their investment would have been realised in a reduced form. In the Finnish group, about 66% of beneficiaries declared that the aid allowed the extension of their project and 62% indicated the support improved the quality of the entire project.

Because of the limited number of beneficiaries interviewed, no general conclusions can be drawn for the scheme. However, a preliminary conclusion could be that aid does not determine whether or not investment is carried out, but that the scheme does seem to affect capacity to adapt more quickly to the changes and requirements of the markets, and the quality and extent of a project.

Most of the evaluators indicate that the <u>impact of the measure on agriculture</u> cannot be quantified in the course of the programming period. They limit their analysis to description and discussion of qualitative points. Some reports refer to the establishment or extension of contractual links between farmers and processors and marketing operators as a result of the investment. Contracts are considered as an instrument to provide a certain security on quantities and prices for farmers. The conclusion of such contracts is of special importance in the fruit and vegetables and meat sectors.

It should be stressed that one of the main objectives of the scheme is to enhance the competitiveness of agricultural products so as to ensure outlets for them in the future. The discussion of employment effects of this measure, which are of special importance in the context of structural policy in rural areas, often neglects the impact of the scheme on agricultural employment. The direct employment effects in the processing and marketing industries are quite limited, since most of the operations involve modernisation and rationalisation. Nevertheless, the aid scheme has an indirect employment impact in the agricultural sector. Competitive and high-quality products ensure outlets for agricultural products and thus stabilise employment for the producers of the basic products.

CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations expressed in the reports can be summarised as follows:

(1) Structure of the programme - efficiency of operations

A number of programmes were thought to cover too many sectors, which prevented concentration of financial efforts. The structural effect of the operations was thus unnecessarily limited. It seems that the tendency in some Member States/regions to establish programmes including a large number of sectors is intended to provide for a maximum of flexibility. This is contrary to the idea of developing a clear strategy focusing on a limited number of sectors in order to concentrate efforts and to ensure the efficiency of the scheme.

(2) Definition of indicators

The indicators defined in the context of programme approval were criticised by some evaluators. They considered them to be too general to allow any qualified statement. Some evaluators proposed other indicators or asked the Monitoring Committee to deal with this subject.

(3) Changes to existing programmes

Market developments, in particular for meat, fruit and vegetables and potatoes, had an important influence on programme implementation. As already indicated above, the fact that the scheme concerns private investment means that programmes may be affected by changes on the market or policy changes in the different sectors.

In Germany, for example, the problems on the beef market were reflected in failure to carry out a number of mainly large projects, and the tendency to concentrate on small investment projects in the regional context. Moreover, interest in the cereals sector was slight, because of the development of prices. Processing and marketing of organic agricultural products did not meet expectations, mainly because the businesses concerned often had only limited capital available, and because of uncertainties concerning the possible outlets for these products.

In the light of the mid-term evaluation, most of the Member States made changes to their programmes. The changes mainly concerned the reinforcement of certain promising sectors where increasing outlets could be identified.

Other types of change concerned intentions in the field of renewable resources and the processing of agricultural products into non-food products. At the beginning of the programming period such activities were envisaged in particular by some German Länder, and by Spain. In the course of implementation, planned projects involving the processing of agricultural products into energy products were not realised and are no longer expected to be carried out. The main reason is the difficulty of proving that the investment will be profitable, and the changed outlook for set-aside after 2000. However, non-food activities relating to the use of agricultural products for the production of construction and packaging material did take place.

(4) Implementation and administration of programmes

A number of reports identified weaknesses in the implementation and administration of programmes. Referring to the procedures to amend programmes, evaluators criticised cumbersome Community procedures for introducing new sectors and changing financial arrangements. Evaluators suggested simpler procedures involving more responsibility for the Monitoring Committees.

With reference to administration at national level, there was criticism of open procedures for the selection of projects. Several Member States issue annual calls for proposals. The procedure takes a long time to prepare and complete, which slows down implementation of a programme. Evaluators suggested either abandoning open procedures or limiting the number of calls for proposals within the programming period.

ASSESSMENT AND FOLLOW-UP

The above analysis identifies room for improvement and needs for more in-depth analysis in a number of fields. Below we address only the main aspects.

(1) Evaluation exercise

The above analysis and explanations show that efforts are necessary to improve the evaluation of operations under Regulation (EC) No 951/97. This interim evaluation, the first joint exercise for this scheme, revealed a number of deficiencies and weaknesses. Although Member States were informed about the requirements of such evaluation, its objectives and elements need more explicit discussion. Often there was confusion between the different requirements for monitoring and evaluation. In other cases, the analysis dealt, not with the implementation and impact of the scheme, but with criticising the structure and discussing various legal aspects of the scheme. In future exercises special attention will have to be paid in particular to defining terms of reference.

(2) Indicators

The selection of appropriate indicators needs to be discussed in order to allow Member States/regions to focus their monitoring and evaluation on the aspects they consider pertinent and useful for the assessment of their programme. However, care should also be taken to ensure that additional indicators are defined to enable results to be aggregated at EU level.

(3) Efficient structure of programmes and procedures to modify programmes

Evaluators criticised a number of programmes for not developing a clear strategy based on a limited number of sectors. This shortcoming is due to a concern to provide for greater flexibility when changes are needed to adapt to a changing economic and political framework. Member States try to avoid the red tape surrounding, e.g. the introduction of new sectors into a programme. For certain Member States/regions it seems to be difficult for political or other reasons to concentrate the aid on the basis of objective criteria on a limited number of selected projects. All these obstacles tend to reduce the efficiency of the scheme. A careful analysis of these problems by Commission staff in collaboration with

Member States is necessary, in particular with a view to the new programming period from 2000.

II. INTERIM EVALUATION OF RURAL DEVELOPMENT PROGRAMMES UNDER OBJECTIVE 5(b)

The results of some 73 interim evaluations of Objective 5(b) areas were presented between mid-1997 and early 1998. They relate to all the programmes, some covering several areas (Finland). This was the first time such a systematic operation had been carried out for Objective 5(b) areas. It was based on partnership, so the Monitoring Committees were able to comment above all on the assessment report. As the appointment of an external evaluator was often a lengthy process, and the time available for the evaluation was often short, the availability of good quality monitoring data was important. Financial resources were provided under appropriations for technical assistance in the SPDs.

On the Commission's initiative, the interim evaluations were collated for the larger countries with many eligible areas. This applies to Germany, Spain, France, Italy and the United Kingdom, accounting for 56 programmes altogether. It is now time to undertake a mid-term assessment of the application of the programmes and their impact.

1. Rural areas

1.1. The definition of rural areas outside Objective 1 areas (areas where development is lagging behind) is based on criteria that are not fundamentally different from those applied in the previous period (1989-93). On certain points, they are more precise. Selection procedures give priority to rural areas with gross domestic product per head of population below the Community average, a high share of agricultural employment in total employment (over 5.2% of the labour force), a low level of agricultural income, and low population density and/or a significant depopulation trend. The last of these has been re-classified as a quantitative criterion, having previously been included among the qualitative criteria.

The existing qualitative criteria were kept, and new ones added: remoteness of the area, sensitivity to the CAP (common agricultural policy), fragility of the structure of holdings or ageing labour force, pressure on the environment, classification as hill-farming or less-favoured area, etc.(2)

The rural areas eligible under Objective 5(b) covered about 9% of the population of the Community, and about 30% of its area, compared to barely 5% of the population and 17% of the area in the previous period. The number of areas has increased considerably, from 51 (with 44 Community support frameworks and 75 programmes) to 83 SPDs (single programming documents). The terminology has changed somewhat, as has the procedure. The initial presentation of the Community support framework prior to presenting the programme is no longer required; the Commission now approves a single document known as the SPD.

1.2. SPDs still adopt a **multifund** approach, and involve the EAGGF Guidance Section (agricultural fund), the ERDF (regional fund) and the ESF (social fund). The contributions of the various Structural Funds finance a variety of sectoral measures with a view to rural development. In principle, a programme must ensure integration of economic activities in different sectors, but that requirement is not always fulfilled. Thus the share of measures financed by the EAGGF Guidance Deception is very high, accounting for 39.5% of total Community financing of programmes, with the ERDF accounting for 43.6% and the ESF for 15.2%, plus 1.7% for technical assistance. There are wide differences from one Member State to another (see Table 1).

1.3. The regional breakdown corresponds to the statistical level of the NUTS 3 breakdown (usually smaller than a region), but is often finer. The areas designated are supposed to be sufficiently homogeneous geographical units to justify integrated action on development.

There have been various **criticisms** of the area breakdown:

– exclusion of smaller areas with identical features to neighbouring areas included in the assisted area;

– discontinuity and fragmentation of certain areas;

– failure to include medium-sized towns, which can often be motors of development in their areas;

– superimposition of more than one breakdown, especially the national territorial breakdown (France), which often results in differentiated concentration of funds, or the Community breakdown into hill-farming areas and less-favoured areas.

1.4. The sum allocated among the Member States, on the basis of objective criteria such as area and population, amounts to about ECU 7 billion under Objective 5(b). This sum accounts for 5% of the total Structural Funds allocation, and it is divided between the Member States (France: over 30%; Germany: 14.5%; United Kingdom: 8.4%; Italy: 7.7%, etc.). Community financing accounts for only about 40% of total regional or national public aid, supplemented by private financing of an amount difficult to ascertain, but which must represent some 30% to 40% of the total cost.

The largest regions, where most Community financing is concentrated, are (in descending order): Bavaria (ECU 571 million), Aragon (ECU 304 million), Midi-Pyrénées (ECU 283 million), Lower Saxony (ECU 245 million), Aquitaine (ECU 229 million), South West England (ECU 219 million) and Wales (ECU 184 million).

The interim evaluation covered several subjects, the most important of which were: financial and physical implementation, efficiency, impact, implementation of programmes, application of the principles of the 1988 reform. Common terms of reference were agreed at the level of Commission departments to guide the content of the evaluations.

2. <u>Programme implementation</u>

Financial implementation

The financial indicator (commitments as a percentage of planned expenditure, and payments as a percentage of planned expenditure) is a simple tool for measuring progress with programmes. For Objective 5(b) as a whole, at the end of 1997, 47% of the planned total for the period had been committed, and 33% paid. There are differences from one country to another: rates of commitment range from 60% for Germany and 65% for Spain to 30% for Italy and 32% for Belgium and Finland. Rates of payment are 40% and 48% respectively for Germany and Spain, 13% for Italy and 18% for Belgium (see Table 3).

Programmes were to be launched in 1994, but did not begin until 1995 or later. Once the areas had been defined, after strenuous negotiations between the Commission and the Member States, programmes had to be presented and approved, a procedure that might take up to six months. After approval, a further six months to one year may elapse, depending on the country, before the projects can actually be implemented. Some countries, such as Italy, select projects on the basis of calls for submissions. The rate of payments is gradually gathering momentum (see Table 4). Developments may be expected to be quicker over the remaining two years. Commitments cease in 1999, but payments continue and project implementation can go on for a further two years.

Physical implementation

It was planned to measure physical implementation using indicators for each measure or action. For most programmes, the indicators were indeed defined and quantified initially, but it is clear from data obtained for the interim evaluations that physical indicators are far from systematic, and often not picked up on. Follow-up mainly concentrates on financial monitoring, with the monitoring of physical indicators taking second place. Results are patchy on the whole. Evaluators have collected and compiled existing data, but they often lack comparability between regions. Consequently, at the level of the summaries by country, there are few available physical indicators. For France, Spain and Germany, tables have been drawn up with the data available, but they are fairly sparse.

A number of **problems with indicators** need to be solved: indicators mentioned in the programmes, but no figures given; unsuitable indicators (in this case, evaluators often suggest improvements); lack of clarity concerning the content of the indicator, especially when several measures are covered.

Quantification is frequently rather approximate, and forecasts turn out to be either serious overestimations, or underestimations. In France, for example, the number of holdings in receipt of aid for structural improvement, the number of people served by roads, or the number of water supply projects had been underestimated. However, agricultural and forestry conversions were considerably overestimated.

In view of the problems affecting basic data — differences in content, information collections systems or monitoring quality — it is somewhat risky to attempt to aggregate indicators for a Member State or for the Community as a whole.

Most of the **sectoral analyses** concentrated on the following measures (see Table 5).

Agriculture and forestry

On average, 40% of Objective 5(b) concerns agriculture and forestry. It covers agricultural infrastructure, but especially modernisation of structures in terms of the food production and processing sector. Financing under Objective 5(a), including the rules on financing investment on individual holdings and those on processing and marketing, is not part of programmes, but is covered by schemes applicable throughout the Union. The same is true of the accompanying measures concerning the agriculture and the environment, woodland management and early retirement.

In France, where investment in the primary sector is substantial, 17% of appropriations went to this sector, and 20% in Spain. In the northern countries, agricultural financing is declining in favour of other sectors. Traditional measures are predominant: land consolidation and irrigation in Spain, land improvement, financing of livestock buildings as part of a product chain, and aid towards shared machinery in France. Agricultural conversions are fairly limited, with few innovations. However, the development of quality products, e.g. in the meat sector, has been a success. Some of the financing has also been absorbed by livestock disease prevention and by expenditure to ensure compliance with Community health rules (Spain and Italy).

Protection and upkeep of forests (2 to 5% of Community financing) is a major activity in rural areas, and the processing of forest products is continuing to develop (modernisation of sawmills and downstream industries).

Tourism

The importance of tourism in rural development is increasing. Many regions are basing their economic diversification on the sector. The share of Objective 5(b) financing devoted to tourism is 9%, a figure that rises to about 13% with the addition of environmental expenditure on improving natural parks. Other measures, such as village renewal and the restoration of heritage sites and traditional farm buildings should also be included. However, investment in tourism is often limited to accommodation. There are some integrated measures including the development of tourist demand, the improvement of sites and circuits, information campaigns, etc. In future, the regions must give more thought to the development of the tourist business, determining suitable approaches and fields, to ensure proper returns on investment.

Small and medium-sized businesses

About 11% of all Community financing goes to the small business sector. On average, the Community contribution covers one third of the total cost of investment.

In the United Kingdom programmes, business development predominates, accounting for 50% of the financing, concentrated in Wales and in Scotland (Dumfries and Galloway, Grampian). Over 43 000 small and medium-sized businesses have been assisted. Aid has been granted for infrastructure, investment in the narrow sense, advisory services (15%), research (25%), training and activities related to tourism or farming businesses.

In Spain, the scheme has been very successful (Catalonia, La Rioja and the Basque country) with more projects than expected. The evaluator remarks that the amounts initially intended for this measure were not large (with 155 businesses involved) and it should be progressively linked up more closely with training. In Germany, in the region of Bavaria, total investment of ECU 217 million (out of a grand total of ECU 276 million for the eight German regions) led to the creation of 7 400 new jobs.

The French programmes encountered problems implementing sizeable projects, since rural small businesses are small, and suffer from isolation, inadequate technological innovation and lack of skills among workers. The measures relate to the provision of shared business facilities (business incubators, support for management, promotion and market research structures).

Finland has also concentrated on the development of small firms. The programme mentions the creation of 6 000 new small businesses (1 500 of which were already established by mid-1997), including 3 000 based on new activities linked to farms.

The environment

The environmental aspect of programmes has been important, with 8% of resources devoted to protecting the agri-environment, and 4% to disposal of wastes. Some of the environmental measures remain integrated into accompanying programmes under the common agricultural policy. Objective 5(b) concentrates on joint measures to develop nature parks and reserves. Frequently, this Objective has covered high-cost infrastructure for waste water treatment and waste recycling (France and Spain). The environmental aspects are better integrated into programmes in the Netherlands, where their purpose is to ensure more environment-friendly farming (Friesland and Groningen), and in Denmark and certain parts of the United Kingdom (25% in the Northern Uplands), where the inhabitants are more receptive to this type of measure.

Training

Training accounts for about 15% of total Community financing. It mainly involves continuing vocational training. Some measures are directed towards recruitment or research and technological improvement. Training generally follows vertical measures launched at national or regional level, and often in parallel with other programmes relating solely to training. It is not clear how the training aspects fit in with the various measures in the programme, which sometimes leads to a low rate of resource utilisation. Training measures are integrated best when they are incorporated with measures relating to tourism, the environment or small businesses. This is often the case, in particular in the United Kingdom, where vocational training is adapted to need and well-used. However, they are less visible at the level of the programme as a whole.

Other measures

Other major measures relate to the renewal and rehabilitation of villages (8%), services and small-scale infrastructure (over 5%). These measures involve a wide range of investment projects adapted to the needs of each area.

3. Impact of programmes

At this stage in the implementation of programmes, it is not possible to gauge their overall impact since the measures are still under way, some more advanced than others. However, some tentative conclusions can be suggested on the basis of the evaluation reports.

Impact on employment

Results are fairly scattered. It is difficult to give a figure for each of the Objective 5(b) regions. However, certain evaluators take account of the figures in the monitoring data provided by the regional authorities.

In Germany, it is reported that 15 200 jobs have been saved and 4 300 new jobs created. This result may be improved by directing measures towards jobs for young people and women, without changing the strategy of programmes. In Spain, 10 500 jobs are cited, including 6 650 in Aragon, where the method used involved input/output analysis.

Evaluations for Italy indicate approximately 12 600 jobs created for five programmes and 16 000 jobs safeguarded for two programmes. Although these are partial results, the promotion of employment in high unemployment areas responds to the most urgent job-creation needs. The strategy involves concentrating on the development of jobs outside farming, since agricultural jobs will tend to decline.

Figures for the United Kingdom show over 3 800 jobs created, over 11 200 safeguarded, and 15 500 jobs grouped in the category “created or safeguarded”; these figures are much higher than expected.

Indicators of general development

The programmes set various priorities: to maintain population levels, develop multiple activities, improve incomes, provide infrastructure and services in the countryside, etc.

Indicators of general development gave less significant results for the regions: population change, total employment, participation ratios, per capita GDP, new business start-up rates, levels of income, etc. The period covered by the statistics does not always coincide with the start of a programme. This type of indicator changes rather slowly, and is affected by external factors. Consequently, the figures supplied are observations at a point in time. The evaluator for Objective 5(b) in Spain reports that GDP increased by 1.4% in the regions concerned. The list of indicators drawn up for France, which comprises most of those mentioned above, shows that data are incomplete and not really comparable.

As a rule, agricultural investment has led to lower costs and improved income, at a time when agricultural market prices have been rising (except for beef prices). Improved product quality and the introduction of new products are a response to the crisis in the farm sector. Exploitation of woodland makes a significant addition to farm incomes, and adds value to the raw material. Small-business start-ups and other types of activity have enabled certain sectors to resume business in declining areas, reinforcing the industrial fabric and slowing down migration from the countryside.

The impact of tourism is related to the development of green tourism. It is difficult to estimate indirect job creation, but it is certainly considerable: anything from two to three jobs for each directly-created new job.

Although most reports observe that training schemes are not properly integrated with the rest, their impact on the level of skills in the labour force has been substantial.

Although traineeships are short, numbers of trainees for certain countries are impressive: 111 090 for France, 40 000 for Spain, 35 300 for the United Kingdom. Some evaluations for UK regions stress the quality of results obtained in terms of improved skills and self-employment. Good results are also obtained for small business consultancy (8 600 hours) and visits to small firms (1 356 visits). There was also training to prepare for associations or mergers of businesses.

Distribution of aid and territorial effects

The problem of distribution arises mainly in extensive areas, where there are wide disparities from one part of the region to another. Inequality in the distribution of aid is often mentioned. It is due to the diversity of Objective 5(b) regions, some of which have been more aware of the opportunities available, and had higher participation rates. Investment is also to some extent specialised by location, probably reflecting existing specialisation. To correct this, the Spanish regions introduced territorial distribution of resources to smaller geographical units, which led to more efficient management.

On the whole, the EAGGF funding is concentrated in the more rural areas, and ERDF financing in villages and small towns. ESF financing, which naturally depends on the location of training centres, is less affected by territorial considerations. The various analyses show that the poorest Objective 5(b) areas were not necessarily the biggest recipients, especially as they are least able to undertake sizeable projects.

A project for village renewal in Germany under a national programme has been highly successful over the past few years, and similar projects have been introduced into the programmes of other countries. This makes possible a range of measures bringing villages back to life, restoring services and small shops, so as to prevent their being abandoned. There are examples of successful integrated development at local level, enabling living conditions for the inhabitants to be enhanced.

Data on efficiency (in terms of comparative costs) are easier to assess when the projects involve substantial sums of money. The summary evaluations have not mentioned any such case. For small projects divided into a large number of measures (usually 20 to 50, depending on the size of the programme), it is more difficult to gather data. Benchmarks for comparison are also more difficult to identify. The concept of cost must be situated in the context of the measure, otherwise low-cost actions will be given preference over high-quality results. Serious thought should be given to this, with a view to integrating cost better into programme evaluation.

4. Implementation of programmes

The programmes have provided leverage in areas relatively lacking in dynamism. However, the application and effectiveness of financing could be considerably improved. Attention is drawn to various benefits of the programmes.

– They have often led to wide partnership at regional level, with separate institutions working together. In some regions (such as Bavaria and Burgundy), local involvement in implementation was closer, ensuring that resource utilisation was in line with needs.

– They have led to better knowledge in the regions about responsibilities and their allocation, the project selection system, criteria applied, degree of transparency of selection, and the role played by regional and local authorities in organising and informing.

– The programmes have to include a well-defined development strategy, and for most of them, the evaluators' assessments confirm that they are consistent. In certain cases, this method constitutes an innovation, and requires thought to be given to the approach to development in a region in operational terms, and rigorous attention to such aspects as quantification of indicators.

The analyses mainly concentrate on the problems, however.

- The delivery system is generally regarded as too slow, too complicated and too time-consuming and energy-consuming for the regions. This detracts from the quality of measures and the response to need. Response times are considered too long by the recipients, and the presentation of dossiers is too complicated. There are too many separate contact-points: each department dealing with a measure has one, and departments too often work in isolation from each other.

  In order to implement Comunity programmes, the regional authorities have had to set up a special management scheme for appropriations. There are, of course, Monitoring Committees to supervise the measures as a whole, and make sure that representatives of the various authorities and interested parties are involved; but the structures are cumbersome and impractical. In the final analysis, decisions are taken by smaller committees competent in specific fields.

  To ensure greater flexibility, some regions have set up networks of agents for development or outreach. They are responsible for disseminating information, for assisting with design and transfer of dossiers, for technical support, and for contacts with recipients, who feel safer dealing with a local representative than with a distant and abstract body. They have an essential role in isolated rural areas, and the programmes provide financing for their activities under technical assistance, which is a significant component of financing, absorbing an average of 1.5% of Community financing under Objective 5(b).

- Programme implementation also suffers from a lack of coordination with the other Community programmes under way in the same geographical area, which often overlap. The authorities are, however, obliged to ensure synchronisation with national or regional programmes, which are to provide the public sector contribution to the application of Community programmes.

  Under this type of scheme, the recipient is not infrequently unaware of the origin of the aid, and even of the fact that the Community has contributed to it. This is less common with Community Initiatives like Leader, which are more precisely targeted and, despite having less resources, more visible, and which involve local participants more closely.

  The application of the principles of Structural Fund reform has not raised any special problems, in particular for partnerships set up by the Monitoring Committees. Synergy between measures is still only partial, however, and should be improved. But it is difficult to achieve at regional level. Synergy should be sought at a narrower, localised level where participation is more effective.

  There are rather more problems with additionality (which means that the Community contribution must be additional to, rather than replacing, expenditure by the national authorities). Additionality is difficult to assess, in view of the size of the areas concerned. As to the value added of Community programmes, there are significant differences between Member States and regions. For example, evaluations for the United Kingdom show wide differences between regions. For four of the nine programmes, it is estimated that 25% to 50% of the measures would still have been implemented if no Community assistance had been forthcoming, while for the other five, over 50% of the measures would not have been implemented without Community financing.

Reallocation of financial resources

The interim evaluations have played an important role in operational terms: they have contributed to more rational and appropriate reallocation of funding between measures and Funds, within programmes. They have led to recommendations for improving the management and administration of programmes.

In most cases, changes to programmes were postponed until the results of these evaluations were available, which meant that evaluators were obliged to deal with these matters. Often, the evaluator advised the manager to wait when measures were slow to get started or difficult to apply, or when projects were being prepared. The changes to the German and UK programmes were minor, but more extensive modifications were made in other countries. Some managers preferred to delay the changes until the final stage of the programme. Some of the regions already have experience of management, gained since the first stage of Structural Fund reform. They are better able to organise their financing system. For all the Member States except the United Kingdom, a large part of the money for all programmes has already been committed by government departments, local authorities or the public bodies responsible for managing the various measures.

The interim evaluations also revealed shortcomings in data collection and the quantification of indicators. As the annexed table shows, it is difficult to compare results from one Member State and from one region to another. This is due both to the variety of indicators, and to problems with data-gathering. The need for comparability between indicators leads the evaluators to suggest, among other things, a joint list to ensure aggregate results at the end of programming. The evaluators propose improvements to the information and data-gathering system, and means to measure its impact better.

CONCLUSIONS

Programmes got under way slowly, or even with difficulty, but the interim evaluations led to improvements. Many of the recommendations were acted upon.

The evaluators recommended defining more consistent strategies when the aims of a programme were too vague or ill-defined, or when it was not obvious how the measures fitted together. They sought ways of encouraging greater competitiveness in the public sector, and more private-sector participation in investment. In view of the fragmentation of measures, they recommended reducing the number of priorities on which to concentrate programmes, while defining them more closely as a function of needs. They even called for the introduction of new measures.

The evaluations also provided important information on the effectiveness of measures, and in certain cases (but less generally) their efficiency. Usually, recommendations for reallocation of financing were made in the light of these findings.

The evaluations improved analysis and knowledge of the arrangements for management and implementation of the programmes. Improved knowledge of these mechanisms made it possible to improve the systems of programme management, monitoring and data-gathering.

Practically all the programmes highlight the value added of Community assistance. These programmes have started a dynamic process in depressed and sometimes lifeless regions, by introducing new activities and creating or maintaining jobs and services which have improved the living conditions of the inhabitants of the countryside.

Notes

(1) Common guidelines for monitoring and interim evaluations, European Commission, 1995.

(2) For the definition of Objective 5(b) areas, see Article 11a of Regulation (EEC) No 2081/93, OJ L 193 of 31 July 1993.

Tables:

Table 1 :	Objective 5(a): Financial plans and implementation by the end of 1997, by Member State
Table 2 :	Objective 5(a): Financial plans and implementation by the end of 1997, by sector (EU)
Table 3 :	Breakdown of financing for Objective 5(b) between Member States for 1994-99
Table 4 :	Breakdown of commitments and payments by Member State and by year from 1994 to 1997
Table 5 :	Breakdown of Objective 5(b) financing by type of measure
Annex A :	List of evaluators for Objective 5(b)
Annex B :	Table of indicators for Objective 5(b)