

Final Report for  
The European Commission  
Directorate-General for Agriculture

EX POST EVALUATION OF MEASURES UNDER  
REGULATION (EC) NO 950/97  
ON IMPROVING THE EFFICIENCY OF  
AGRICULTURAL STRUCTURES

Submitted by  
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## Glossary of abbreviations

CAP	Common Agricultural Policy
CSF	Community Support Framework
DG AGRI	Directorate-General for Agriculture
EAGGF	European Agriculture Guidance and Guarantee Fund
EC	European Community
ERS	Early Retirement Scheme
FI	Farm Investment
HLCA	Hill Livestock Compensatory Allowance
LFA	Less Favoured Area
LU	Livestock Unit
MIP	Material Improvement Plan
MS	Member State
OP	Operational Programme
SC	Sub-Contractor
SGM	Standard Gross Margin
UAA	Utilised Agricultural Area
YF	Young Farmers





## S1. Executive summary

The Directorate-General for Agriculture requested a study to carry out a pan-EU meta-evaluation of the measures under Council Regulation (EC) No 950/97 on improving the efficiency of agricultural structures (henceforth referred to as Regulation 950/97). This research was carried out by Agra CEAS Consulting Ltd. at the Centre for European Agricultural Studies, Imperial College at Wye and in Brussels between September 2002 and July 2003.

### S1.1. Regulatory framework

The measures under Regulation 950/97, which are the subject of this ex-post evaluation, are part of a group of horizontal measures within Objective 5a of the Structural Funds which aim to promote rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy (CAP)<sup>1</sup>. Adoption of the measures under Regulation 950/97 was voluntary at the national level and Member States were also able to adapt the measures to suit national situations within the framework of the EU legislation. Measures under Regulation 950/97 were co-financed by the EU. The need for Member State co-financing of the measure will almost certainly have influenced the overall level of uptake of the measure. The overall objectives of the Regulation are set out below.

#### Objectives of Regulation 950/97

- to help restore the balance between production and market capacity;
- to help improve the efficiency of farms by developing and reorganising their structures and by promoting supplementary activities;
- to maintain a viable agricultural community and thus help develop the social fabric of rural areas by ensuring a fair standard of living for farmers and by offsetting the effects of natural handicaps in less-favoured areas; and,
- to contribute to the safeguarding of the environment and the preservation of the countryside, including the long-term conservation of natural farming resources.

The Regulation contained eight measures, of which the following three were applied more widely:

<sup>1</sup> The other measures of Objective 5a are Council Regulation (EC) No 951/97 (for improving the processing and marketing of agricultural products) and Council Regulation (EC) No 952/97 (on producer groups and associations thereof).

**Principal measures applied under Regulation 950/97**

- Aid for investments in agricultural holdings ('FI Scheme' or 'Farm Investment Scheme');
- Setting up aid for young farmers ('YF Scheme' or 'Young Farmers Scheme'); and
- Compensatory allowances in Less Favoured Areas ('LFA Scheme').

Financial data on these three main schemes under Regulation 950/97 was only available between 1994 - 1996 at the time of writing this report<sup>2</sup>. Part of the reason for this is that programmes had not been fully closed by July 2003. For the three major schemes, overall EU expenditure amounted to €2,583 million in 1995 (excluding Austria, Finland, Italy and Sweden) and to €2,530 million in 1996 (excluding Denmark, Finland, Italy, and Sweden). If expenditure during these years can be taken as representative for the whole programming period total expenditure on these programmes would amount to at least €15.5 billion.

In terms of relative expenditure volumes on average between 1994 and 1996, the weight of the LFA Scheme was highest at just over half (52%) of total expenditure. The Farm Investment Scheme absorbed a further third of funds, while the Young Farmers Scheme absorbed the lowest proportion of total funds (15%). Annual EU expenditure for compensatory allowances in LFAs ranged from €510.5 million in Germany in 1996 to €3.4 million in the Netherlands in 1994. For the Farm Investment Scheme, most EU spending occurred in Germany in 1996 (€283.4 million) and the smallest amount was spent in the UK in 1996 (€1.0 million). For the setting up of young farmers, annual EU expenditure was highest in France in 1996 (€235.6 million) and lowest in Luxembourg in 1995 (€2.1 million).

The measures under Regulation 950/97 are now incorporated under the Rural Development Programmes (see Council Regulation (EC) No 1257/99), as are the other two Regulations on which Objective 5a is based.

### **S1.2. Objectives and scope of the evaluation**

The objective of this research project is to provide a meta-evaluation of the implementation of Regulation 950/97 across the EU over the period 1994 to 1999 based on national ex-post evaluations. It was not within the scope of the evaluation to undertake these national ex-post evaluations where they did not exist.

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<sup>2</sup> Expenditure data relating to the minor schemes does not exist. It is, however, known that they accounted for very small proportions of the total expenditure under the Regulation (for example, 5% in Spain over the entire programming period).

### **S1.3. Evaluation methodology and constraints**

This meta-evaluation was carried out primarily by means of an analysis and synthesis of evaluations for each Member State carried out by Agra CEAS' sub-contractors, consisting of experts from most EU countries. These analyses in turn were primarily based on ex-ante, mid-term and ex-post evaluations conducted by the national authorities and the data contained in these reports was supplemented by discussions with implementing authorities, farmers unions and other stakeholders, as well as with analysis of other reports relating to the schemes and statistical data. Similarly, where ex-post evaluations were not available, discussions with implementing authorities and other key stakeholders were used to obtain the information necessary to address the evaluation questions set out in the Terms of Reference for this study.

A number of constraints were encountered during the research:

- ex-post evaluations conducted by the national authorities were not available from all Member States;
- some national authorities' ex-post evaluations were made available to the researchers too late in the life of the project, so that they could not be taken into account fully for the sub-contractors evaluations;
- the quality of the national authorities' ex-post evaluations was variable;
- methodologies and indicators used in the national authorities' ex-post evaluations were not always consistent;
- some Member States were reluctant to provide assistance and in others the time elapsed since the end of the programming period meant that the individuals interviewed were unable to recall as much detail as would have been desirable;
- the evaluation questions appear to have been devised after the Regulation was introduced. The schemes were therefore not implemented with an evaluation in mind and therefore full data to facilitate such evaluations was not being collected;
- no consistent database (number of beneficiaries, money disbursed, etc.) at the EU level for all years was available thus making it impossible to fully compare implementation over the whole period by Member State;
- the incorporation of Regulation 950/97 within Objective 1 Operational Programmes means that there is no ex-post evaluation in these areas relating specifically to Regulation 950/97 measures.

This evaluation also investigated the extent to which the national authorities' evaluations, which were used as a basis of this study, followed the Commission's guidelines to the national authorities for evaluation of measures under Regulation 950/97<sup>3</sup>. It emerged that on average, 90% of the core questions set out in the Commission guidelines were fully or

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<sup>3</sup> STAR document VI/7676/98/, available at [http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm).

partially answered, but only a small number of the other questions were addressed in the national authorities' evaluations. This is mainly due to the fact that only the core questions were obligatory. In addition there was a lack of data due to the fact that the monitoring systems appear to have primarily been geared to tracking expenditure and progress on implementation rather than collecting data specifically for evaluation purposes. It was also noted that national and regional administrations found some of the evaluation questions too broad (notably those relating to the objectives of the Regulation as a whole), rigid (i.e. strict adherence to evaluation questions alone did not necessarily contribute to a clear understanding of the factors for success or failure), too numerous and complex.

#### **Recommendations on Member State evaluation procedures**

- a greater effort is required to ensure that a consistent database on implementation (number of beneficiaries, expenditure by measure and by country) is available to evaluators;
- evaluation data needs to be collected consistently across different regions (Objective 1 /non-Objective1);
- evaluations need to be conducted in a timely fashion to allow results to be used;
- Member States need to be provided with a more concise, clear and comprehensible list of evaluation questions from the start of the programming period. In this context we note that for the evaluation of rural development programmes in the 2000-2006 period the Commission has from the outset (Regulation 1257/1999, Article 48 para.2) provided a set of common evaluation questions including a description of the intervention logic, criteria, indicators, target levels and possible information sources;
- the ultimate objective of the evaluation in terms of providing clear evidence relating to the success or failure of the intervention (and the lessons to be drawn from this) needs to be highlighted so that answering the evaluation questions does not become an end in itself;
- more consideration should be given to the extent to which responses to evaluation questions should be compulsory or voluntary since voluntary questions appear to generate a limited response.

#### S1.4. Socio-economic context

The key factors affecting the operating environment for producers over the period under review (1994-1999) were as follows:

- Just prior to the start of the period the MacSharry reforms of the CAP introduced a major shift to the management of the CAP by moving support in major sectors away from market price support towards support of farm incomes via direct payments.
- These support price cuts combined with the Uruguay Round Agreement on Agriculture created a degree of uncertainty amongst farmers concerning the future direction of policy.
- The sector faced increased concentration downstream in the processing and distribution sectors.
- The 1990s were characterised by external shocks (BSE) and increasing consumer concern about food safety, animal welfare and the general environmental impacts of agricultural policy.
- The macro-economic context was characterised by relatively strong growth, falling unemployment and declining interest rates.

The study also uses socio-economic data to develop a regional typology for the Farm Investment Scheme. This provides a characterisation of the EU regions into four broad categories and is detailed in the main body of the report. It should be noted that while such a typology enables some useful insights, during the period under review EU agricultural and rural development policy was implemented nationally in most Member States (with some notable exceptions including Belgium, Germany, Italy and Spain). In addition, in order to use such a typology for the analysis and judgement of the impacts of the schemes and their efficiency and effectiveness, it is necessary that data and information used in the evaluation is available at the same geographical level as the typology. However, this meta-evaluation is predominantly based on national evaluation reports, and information at regional level was not generally available. This means that most evaluative comments must ultimately be framed with reference to Member States rather than specific regions within them. **In order to be able to address this issue more satisfactorily in future it is recommended that further work is undertaken on developing robust socio-economic regional typologies which can be used for future evaluations.**

## S1.5. Farm Investment Scheme

### Evaluation of Farm Investment Scheme

The impact of the Farm Investment Scheme varies substantially in line with the way in which it was implemented at the national level. Using the typology above provides a framework within which it is possible to provide a judgement on the scheme.

- In countries which predominantly have Type I regions (small farms with low intensity and a high proportion of permanent crops) the scheme was essentially used to increase intensity and generally accelerate the pace of structural change along the path on which it had already been developing. These countries typically have farms with a small physical and economic size and sought consolidation and economic intensification.
- Member States with a predominance of Type II regions have a high proportion of relatively small and medium sized farms in areas with relatively low agricultural productivity and a high proportion of farms with grazing livestock. In these regions the Farm Investment Scheme was often used to encourage development in terms of adding value to products and addressing issues such as animal welfare. The Farm Investment Scheme was relevant to these aims, as it was to countries with a predominance of Type IV regions which are characterised by small, but nonetheless intensive farms in areas having highly productive agricultural systems and which partly used the scheme for traditional investments and partly to address environmental concerns.
- Member States which predominantly have Type III regions have generally large farms in highly productive agricultural areas. The Farm Investment Scheme was probably least relevant for this category.

The impact of the scheme in terms of restructuring is likely to have been offset by a number of constraining factors. These include:

- the operation of the land market;
- the prevalence of relatively low interest rates in many EU countries over the period;
- low funding thresholds for eligibility leading to a dilution of funding;
- focus on environment and animal welfare; and
- the relatively limited financial weight of the scheme in the overall sectoral context (representing less than 10% of gross fixed capital formation in the sector in a typical year).

As has been set out in a review of the intervention logic/history of the scheme's evolution the nature of the policymaking process has meant that the Farm Investment Scheme was focused on a wide range of objectives. This has the advantage that it effectively allows Member States to flexibly choose which items on the 'menu' i.e. which objectives, they

wish to prioritise. It has the potential drawback that since Member States are free to in effect choose what objectives they wish to give particular weight to, there may be a lack of coherence for the EU as a whole in that, historically at least, pursuing structural improvements may not be fully compatible with environmental objectives. Ideally even if the Member State/regions focus is on improving efficiency on farms, the environmental objective of the Regulation should act as a restrictive factor to ensure that an increase in efficiency does not take place at the expense of the environment. This cannot, however be demonstrated conclusively for this programming period. **We would therefore recommend that, if the measure is continued in its present form, in order to ensure that the multiple objectives of the Regulation are being fully met more explicit cross-compliance conditions (with respect to environment, animal welfare etc.) are attached to aid recipients in future.** We note that this forms a part of the condition for the receipt of direct payments under the recently agreed Mid-Term Review of the CAP.

More generally, for the scheme under review, each Member State or region first had to consider whether the scheme should primarily be used to address economic, social or environmental goals although we recognise that these are not necessarily exclusive of one another.

#### Recommendations on Farm Investment Scheme

- Consideration should be given to concentrate the focus on improving economic efficiency in those regions of the EU where this is a priority. Environmental goals could then be addressed more directly through other schemes. An economic focus would have the additional benefit of providing some indirect social benefits in terms of contributing to maintaining farm viability and employment. This would mean that the scheme would be particularly targeted to areas of the EU with structural problems, predominantly Member States with a predominance of Type I and Type II regions.
- Payments should be tied to cross compliance conditions in respect of the environment and animal welfare.
- In terms of the form of assistance offered, during periods of low interest rates it might be appropriate to channel more support farms through capital grants as interest rate subsidies tend to be of lesser benefit in such times. This would also make the scheme more accessible for smaller farm businesses where access to loans may not be straightforward.

### **S1.6. Young Farmers Scheme**

The evaluation found that the Young Farmers Scheme is highly relevant given the small proportion of young farmers in the EU in the overall farming population, the increasing difficulty of attracting young people into the agricultural sector and the fact that due to their relatively larger size (and corresponding economies of scale) young farmers' holdings tend to be more efficient.

#### **Evaluation of Young Farmers Scheme**

- Aid to young farmers under Regulation 950/97 represented an element of financial security during the sensitive setting up phase. The aid at this point in time contributed to ensuring economic/financial viability of the beneficiaries' holdings and thereby made a clear albeit limited contribution to their sustainability. This particularly holds for the Additional Investment Aid under which farmers were obliged to draw up a Material Improvement Plan and thereby to plan their business carefully and for the long-term.
- The existence of the aid scheme acted as one incentive among others to set up. However, it was not the main factor influencing the decision to set up as farmers. Other variables such as national inheritance laws, interest rates and taxation, the nature of opportunities outside agriculture, traditional social structures, and the granting of additional milk quota to young farmers in some Member States have more explanatory power. This factor also explains why in spite of the existence of the scheme there was virtually no aggregate change in the overall farmer age structure observed at EU level (although of course the scheme may well have brought forward the date at which transfers occurred and as is evidenced by the fact that some improvement in age structure was observed in seven Member States the scheme may have helped to maintain the proportion of young farmers in the overall farm population). In four Member States, it was considered that a majority of beneficiaries would have set up without the aid granted under the Young Farmers Scheme. This suggests that if the real objective of the scheme was to encourage the setting up of young farmers there was a significant degree of deadweight. However, as was noted by a number of sub-contractors the scheme had an important symbolic social and political value in terms of demonstrating support for young agricultural entrepreneurs.

On the basis of the above judgement of the scheme we would recommend the following (see box below).



### Recommendations on Young Farmers Scheme

The targeting of the Young Farmers Scheme could be improved in order to assist those individuals or regions that need it most and to increase effectiveness. This increased targeting could be achieved by focusing on some of the following groups:

- New entrants to the sector that do not inherit a holding from relatives. Frequently these face the greatest difficulties in entering the agricultural sector and as an alternative to greater direct support via the scheme consideration could also be given to granting such new entrants premium/direct payment rights, dairy quota or water usage rights.
- Young farmers who start in alternative sectors or who focus on alternative activities, or who use environmentally friendly production methods. The scheme would then support risk capital towards innovative agricultural development, rather than being a standard subsidy that nearly every farmer starting in the business receives and would support those farmers more focused on providing public goods.

We recommend that existing training schemes be reviewed in order to tailor them more to the specific needs of young farmers. In addition sustainability is likely to be improved if the scheme is linked directly to a training requirement.

The question future evaluations should address is not whether the scheme encouraged the setting up (since a large variety of other factors influenced the young persons in their decision to set up), but whether it made a qualitative difference in the way the farm was set up (i.e. contributed to the sustainability of the enterprise).

### S1.7. Less Favoured Areas Scheme

#### Evaluation of LFA Scheme

- The LFA Scheme has been in operation across most of the EU for many years and thus there were very few innovative features to its design and implementation.
- The LFA Scheme as a whole is clearly relevant to the objective of compensating for the effect of natural disadvantage on production costs.
- While it is to a certain extent relevant to the objective of preventing a decline in the farming population as well as preventing land abandonment in such areas, overall population growth or decline is clearly driven by a range of factors other than the farming activity itself.
- More generally, it is not clear whether the scheme of itself is fully relevant to the objective of protecting and maintaining the countryside and rural environment since it is not specifically targeted at this objective. This having been said, it clearly plays an indirect role in maintaining traditional farming systems in areas of high nature value. Conversely the scheme has been criticised from an environmental perspective in that it is considered to have led to overstocking and overgrazing in certain areas. The scheme, while imposing a ceiling on the stocking density in terms of the number of animals which would receive support, did not actually impose a ceiling in terms of stocking densities actually allowed. In this context the move to a partially decoupled area based payment system as has occurred under Agenda 2000 and the move to largely decoupled single farm payments under the Mid-Term Review should address this particular issue.
- On the major issue of how effectively it meets the objective of cost compensation the conclusion here depends on the weight of the scheme in different countries and regions and the proportion of income loss compensated for. This varies greatly from country to country and between regions within countries. Generally one can conclude that the scheme offset a significant but not precisely measurable proportion of the disadvantage incurred in a large number of Member States although this will generally have been lower in Mediterranean Member States where more weight was given to other structural objectives than in northern Member States. The degree to which increased costs have been compensated for cannot, however, be quantified with any precision.

- On the major issue of efficiency while it seems clear that implementation took place without an excessive administrative burden being imposed on public authorities or beneficiaries, it needs to be noted that because of the partially political nature of the definition of LFAs, the absence of clear and consistent criteria for defining and adjusting the definition of LFAs and the flat rate nature of the payments, there may well have been an element of under-compensation in the most severely disadvantaged areas (due to poor definition of these areas) and an element of over-compensation in areas where the disadvantage compared to non-LFAs (or other Member States) was minimal or non-existent. Again there is little evidence available in the national authorities' evaluation reports which would allow a quantification of these effects, (and further research on this point would be helpful), but this aspect of the policy has been criticised since at least the late 1980s and has again been the subject of criticism in a recent Court of Auditors report<sup>4</sup>.

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<sup>4</sup> Court of Auditors Special Report No.4/2003 concerning rural development support for Less Favoured Areas.

### Recommendations on LFA Scheme

The objectives of the scheme represent a mixture of economic, social and environmental objectives. The analysis has shown, without a more targeted approach to each of these objectives they are not necessarily achievable simultaneously with the single instrument of a compensatory allowance in areas which have to an extent been defined by political rather than fully objective criteria. We would therefore recommend that to allow better targeting of the measure the criteria for defining LFAs should be harmonised and that their classification be updated on a consistent basis so as to ensure that payments are aligned more closely with natural and other handicaps. This would help to minimise the risk of possible over- and under-compensation.

- We would recommend that cross-compliance be introduced thus ensuring that the payments are conditional on adherence to good farming practice and environmental protection requirements. Under the June 2003 Mid-Term Review reforms this has in fact been occurred.
- More generally, however, we would argue that if provision of public goods in terms of landscape maintenance, maintaining the social fabric of the countryside and environmental protection are sought, these cannot be obtained without the potential for considerable deadweight through what is in effect a payment (in Northern Europe at least) which is largely based on the number of animals held by farmers. We note that the introduction of area rather than headage payments under Regulation 1257/99 and the further extensive decoupling of payments which has been introduced by the June 2003 Mid-Term Review reforms will go some way to addressing this deadweight issue. More generally, however, in order to deliver specific public goods in terms of landscape appearance, biodiversity, etc. it would seem more appropriate to fund this via positive payments for actions delivering such goods rather than via a general support scheme such as LFAs.
- Finally we would note that if the aim is to prevent depopulation of rural areas and to stimulate the rural economy (and maintain the social fabric) this objective must be met by a range of different structural measures influencing all actors in the countryside (such as the LEADER programme). In this sense the significant decoupling and the modulation of market related payments under Agenda 2000 and the Mid-Term Review reforms will potentially allow funds to flow into different sectors of the rural economy.

### **S1.8. Minor schemes**

Minor schemes included Aid for the Introduction of Accounting Practices, Setting up Aid for Groups, Setting up Aid for Farm Relief Services, the Farm Management Services Scheme and a Training Scheme. Uptake of these schemes was very variable with only a minority of Member States/regions implementing these schemes in each case. It was noted that some of these schemes could usefully be merged and that a stronger linkage should be established with the Farm Investment and Young Farmers Schemes in order to increase uptake of the minor schemes and improve performance of the Farm Investment and Young Farmers Schemes.

### **S1.9. Regulation 950/97**

#### **S1.9.1. Judgement on 950/97 as a whole**

The overall EU impact of Regulation 950/97 is hard to determine given the fact that it is made up of several different measures, all of which were implemented in line with differing national priorities and with additional national criteria in many Member States. It is not sufficient that each measure was in itself successful in order for the overall Regulation to also be judged a success. The measures within the Regulation must also be coherent and not conflict with one another to ensure this. In this sense the new programming approach adopted for the Rural Development Programmes under Agenda 2000 should provide for greater coherence and synergies and is therefore to be welcomed.

For the period under review, given the origins of the Regulation in a range of separate national and EU policies which were pulled together under one heading, this is, *a priori* at least, not likely. An obvious example of this is the contradiction between the aims of the Less Favoured Area Scheme and the Young Farmers Schemes. One of the main barriers to entry to the agricultural sector is the price of land and support payments such as those under the LFA Scheme are capitalised into the land value thus increasing its price. This argument probably also applies to the Farm Investment Scheme where improvements to facilities are also likely to be capitalised.

#### **S1.9.2. Contribution to objectives**

##### Contribution to restoring market balance

The Regulation is unlikely to have made a significant contribution to restoring the balance between production and market capacity and may indeed have partially contributed to maintaining imbalances. Although there were specific sector exclusions within the Farm Investment Scheme, these only had a small impact in what was, in the overall context of the CAP, a small measure. The Young Farmers Scheme is not considered to have had any impact on this issue. The LFA Scheme also cannot be considered to have had any significant impact on this issue although to the extent there was an impact it would have tended to exacerbate market imbalances. While the LFA Scheme contributed substantially

to farm incomes in some countries and regions these payments were generally far less significant to farmers than the range of direct payments made under market related schemes. Nevertheless it can be argued that to the extent they contributed to the maintenance of some types of production for which the markets were in imbalance (such as beef in the latter half of the 1990s, and butter) the payments will have tended to exacerbate market imbalances.

#### Improved efficiency of farms

The efficiency of farms is likely to have been improved through the Farm Investment Scheme, especially where this scheme was used to increase economic intensity (particularly Member States with a predominance of Type I regions), through the Young Farmers Scheme (on the grounds that the average farm size of beneficiaries was higher than national averages, there was a requirement to produce a plan and applicants had to have 'adequate' occupational qualifications) and by some of the minor schemes (conceptually Accounting, Farm Management Services and Training Scheme). On the other hand, the relatively untargeted nature of the LFA Scheme is likely to have been viewed more as a subsidy than an incentive to increase production efficiency. On balance, therefore, whilst some aspects of the Regulation may have helped to improve efficiency, this is not likely to have made a substantial impact at the aggregate level due to the relatively low weight of the Regulation in relation to the overall level of subsidy and market returns farmers will have received. It is also possible that whilst the Regulation is likely to have increased efficiency at the micro-level, this may not have been transferred to the macro-level because the Regulation helps to maintain the viability of holdings, some of which, from the sectoral point of view, could usefully have ceased production and been consolidated into larger and more efficient farms.

#### Maintaining a viable agricultural community and helping to develop the social fabric of rural areas

The maintenance of a viable agricultural community and thereby helping to develop the social fabric of rural areas was assisted through the Regulation, most notably through the LFA and Young Farmers Schemes. The degree to which this occurred will have varied from region to region depending on the level of priority attached to this objective by the relevant authorities. We would also reiterate that a wider approach targeting sectors beyond agriculture is needed if the aim is to prevent depopulation and stimulate the rural economy as a whole. We would also note that this objective highlights the lack of coherence in the Regulation as a whole in that it is primarily a social objective, whereas the desire to increase efficiency is clearly an economic one and the two may not be fully compatible.

### Safeguarding the environment

As has been pointed out above, the objective of increasing efficiency may not be fully compatible with the objective of safeguarding the environment. If farmers are economically rational, they will be profit maximising and will therefore be as efficient as they can be given their resource base. Trying to introduce changes to favour the environment implies a potential reduction in economic efficiency, otherwise farmers would already be producing to these standards. That said, the LFA Scheme is likely to have helped to safeguard the environment because of the overlap of LFAs and areas of environmental value. Maintaining farming in these areas helps to ensure the delivery of public goods such as landscape and, through grazing, species rich grasslands which are considered preferable to scrub. While clearly such areas can be maintained through active management the LFA Scheme also ran the risk of contributing to damage from overgrazing by not ensuring that stocking density ceilings relating to all animals held were a requirement for participation in the scheme. Where the Farm Investment Scheme was used to achieve environmental goals, then it is also likely to have made a positive environmental contribution.

### Impact on rate of structural change (contribution to Objective 5a)

The only measures under the Regulation which are likely to have had a significant impact on the pace of structural change are the Farm Investment and Young Farmers Schemes. Whilst they both undoubtedly did accelerate change (in the case of the Farm Investment Scheme this depends on the way in which the scheme was implemented, therefore perhaps only in countries within certain typological groups, mainly Member States which predominantly have Type I regions), the weight of the Regulation within the context of the overall support provided by the CAP and market returns is likely to have been insufficient to have made a substantial difference to the overall trends in this regard.

Bearing the above in mind, across the range of schemes evaluated a large number of issues relating to design, implementation, uptake and achievement of desired effects have been raised. These can be broadly summarised as follows:

There is a general need to have a tighter definition of objectives and better targeting of beneficiaries. Regulation 950/97 appears to have been an overarching policy incorporating a range of diffuse and possibly conflicting objectives with little overall internal coherence. Cross-compliance and the programming approach introduced under Agenda 2000 and the recent Mid-Term Review reforms should help to ensure that there is less potential for conflict between individual measures. Better focus of the schemes in terms of eligibility criteria and targeting of beneficiaries as should now be taking place in the Rural Development Programmes would have reduced the scope for deadweight and thus generated a higher achievement of effects at potentially lower cost.





## S2. Résumé et commentaires

La Direction Générale Agriculture a commandé une étude visant à effectuer une méta-évaluation couvrant l'ensemble de l'Union Européenne et concernant les mesures réalisées au titre du Règlement du Conseil (CE) N° 950/97 concernant l'amélioration de l'efficacité des structures de l'agriculture (ci-après dénommé Règlement 950/97). Cette recherche a été réalisée par Agra CEAS Consulting Ltd au Centre des Etudes Européennes sur l'Agriculture (Centre for European Agricultural Studies) de l'Imperial College de Wye et à Bruxelles entre les mois de septembre 2002 et juillet 2003.

### S2.1. Cadre réglementaire

Les mesures prises au titre du Règlement 950/97 faisant l'objet de la présente évaluation ex-post font partie d'un ensemble de mesures horizontales relevant de l'Objectif 5a des Fonds Structuraux qui a pour but de promouvoir le développement rural en accélérant l'adaptation des structures de l'agriculture dans le cadre de la réforme de la Politique Agricole Commune (PAC)<sup>5</sup>. L'adoption des mesures prises au titre du Règlement 950/97 était volontaire au niveau national et les Etats Membres ont également pu adapter les mesures aux situations nationales dans le cadre de la législation communautaire. Les objectifs généraux du Règlement figurent ci-dessous.

#### Objectifs du Règlement 950/97

- Contribuer à rétablir l'équilibre entre la production et la capacité du marché;
- Contribuer à l'amélioration de l'efficacité des exploitations agricoles par un renforcement et une réorganisation de leurs structures et par la promotion d'activités complémentaires;
- Maintenir une communauté agricole viable pour contribuer au développement du tissu social dans les zones rurales en assurant un niveau de vie équitable aux agriculteurs, y compris par la compensation des effets des handicaps naturels dans les Zones Agricoles Défavorisées; et
- Contribuer à la sauvegarde de l'environnement et au maintien de l'espace rural, y compris la conservation durable des ressources naturelles de l'agriculture.

Le Règlement contenait huit mesures, trois d'entre elles ont été appliquées de manière plus large:

<sup>5</sup> Les autres mesures relevant de l'Objectif 5a sont le Règlement du Conseil (CE) N° 951/97 (concernant l'amélioration des conditions de transformation et de commercialisation des produits agricoles) et le Règlement du Conseil (CE) N° 952/97 (concernant les groupements de producteurs et leurs unions).

### Mesures principales prises au titre du Règlement 950/97

- Aides aux Investissements dans les Exploitations Agricoles;
- Aides à l'Installation des Jeunes Agriculteurs; et
- Indemnités Compensatoires dans les Zones Agricoles Défavorisées.

Au moment où le présent rapport<sup>6</sup> a été rédigé, les seules informations financières disponibles concernant ces trois principaux régimes d'aides au titre du Règlement 950/97 ne couvraient que la période 1994-1996. Ceci est dû en partie au fait que les programmes n'ont pas été totalement clôturés au mois de juillet 2003. Pour ces trois principaux régimes d'aides, les dépenses communautaires totales se sont élevées à 2,583 millions d'€ en 1995 (à l'exclusion de l'Autriche, de la Finlande, de l'Italie et de la Suède) et à 2,530 millions d'€ in 1996 (à l'exclusion du Danemark, de la Finlande, de l'Italie et de la Suède). Si les dépenses pour ces années peuvent être considérées comme représentatives de l'ensemble de la période de programmation, les dépenses totales pour ces programmes s'élèveraient au moins à 15,5 milliards d'€.

En termes de volumes relatifs des dépenses moyennes de 1994 à 1996, ce sont les aides destinées aux Zones Défavorisées qui pesaient le plus lourd, représentant un peu plus de la moitié (52%) des dépenses totales. Les Aides aux Investissements dans les Exploitations Agricoles absorbaient un autre tiers des fonds alors que les Aides à l'Installation des Jeunes Agriculteurs représentaient la part la moins élevée de l'ensemble du fonds (15%). Les dépenses communautaires annuelles destinées aux indemnités compensatoires dans les Zones Défavorisées variaient de 510.5 millions d'€ en Allemagne en 1996 à 3.4 millions d'€ aux Pays-Bas en 1994. En ce qui concerne les Aides aux Investissements dans les Exploitations Agricoles, la majorité des dépenses ont été effectuées en Allemagne en 1996 (283.4 millions d'€) alors que c'est au Royaume Uni que l'on a dépensé le moins en 1996 (1.0 millions d'€). En ce qui concerne les Aides à l'Installation des Jeunes Agriculteurs, les dépenses annuelles communautaires ont surtout eu lieu en France in 1996 (235.6 millions d'€) et c'est au Luxembourg que le niveau a été le plus bas en 1995 (2.1 millions d'€).

Les mesures prises au titre du Règlement 950/97 sont maintenant intégrées aux Programmes de Développement Rural (voir Règlement du Conseil (CE) N° 1257/99), de même que les deux autres Règlements sur lesquels se fonde l'Objectif 5a.

<sup>6</sup> Il n'existe aucune information concernant les dépenses dans le cadre des régimes d'aides mineurs au niveau Européen. On sait cependant qu'elles représentent de très petites parts dans les dépenses totales au titre du Règlement (par exemple, 5% en Espagne pour l'ensemble de la période de programmation).

## **S2.2. Objectifs et compétences de l'évaluation**

Le présent projet de recherche a pour but d'effectuer une méta-évaluation de la mise en oeuvre du Règlement 950/97 dans l'ensemble de l'UE de 1994 à 1999, sur la base des évaluations ex-post nationales. La réalisation d'évaluations ex-post nationales, là où elles n'existaient pas, n'entraîne pas dans le cadre des attributions de la présente évaluation.

## **S2.3. Méthodologie et contraintes de l'évaluation**

La présente méta-évaluation a été réalisée avant tout au moyen d'une analyse et d'une synthèse des évaluations de chaque Etat Membre par les sous-traitants d'Agra CEAS, experts de la plupart des pays de l'UE. Ces analyses étaient elles-mêmes fondées sur des évaluations ex-ante, à mi-parcours et ex-post menées par les autorités nationales et les informations contenues dans ces rapports ont été enrichies par les discussions avec les autorités de mise en oeuvre, les syndicats agricoles et autres acteurs concernés, ainsi que par l'analyse d'autres rapports concernant les régimes d'aides et de données statistiques. De même, là où il n'y avait pas d'évaluations ex-post, des discussions avec les autorités de mise en oeuvre et autres acteurs essentiels ont permis d'obtenir les informations nécessaires pour répondre aux questions d'évaluation prévues dans le Cahier des Charges de la présente étude.

Au cours de la recherche, nous avons été confrontés à un certain nombre de contraintes:

- tous les Etats Membres n'avaient pas fourni des évaluations ex-post;
- certaines évaluations ex-post menées par les autorités nationales ont été remises aux chercheurs en retard et les sous-traitants n'ont donc pas pu en tenir totalement compte;
- les évaluations ex-post menées par les autorités nationales étaient de qualité variable;
- les méthodologies et les indicateurs utilisés dans les évaluations ex-post menées par les autorités nationales manquaient parfois de cohérence;
- certains Etats Membres ont été réticents à coopérer et dans d'autres le temps écoulé depuis la fin de la période de programmation était tel que les individus interrogés ne se rappelaient plus suffisamment des détails;
- les questions de l'évaluation semblent avoir été rédigées après l'introduction du Règlement. Les régimes d'aides n'ont donc pas été mis en oeuvre dans un esprit d'éventuelle évaluation et il n'a pas été possible de réunir toutes les informations nécessaires pour faciliter de telles évaluations;
- il n'existait aucune banque de données compatible au niveau communautaire (nombre de bénéficiaires, montants déboursés, etc.) pour l'ensemble des années concernées, ce qui n'a pas permis de comparer totalement la mise en oeuvre par Etat Membre pour l'ensemble de la période;
- étant donné que le Règlement 950/97 a été inclus dans les programmes opérationnels de l'Objectif 1, il n'y a pas d'évaluation ex-post dans les domaines spécifiquement liés aux mesures prises au titre du Règlement 950/97 à l'intérieur de l'Objectif 1.

Cette évaluation examinait également dans quelle mesure les évaluations des autorités nationales, qui servaient de base à la présente étude, suivaient les lignes directrices fournies par la Commission aux autorités nationales en vue de l'évaluation des mesures prises au titre du Règlement 950/97<sup>7</sup>. Il est apparu que 90% en moyenne des questions centrales avaient trouvé réponse complète ou partielle alors que seul un petit nombre d'autres questions étaient traitées dans les évaluations des autorités nationales. Ceci est surtout dû au fait que seules les questions centrales étaient obligatoires. De plus, certaines informations étaient manquantes en raison du fait que les systèmes de contrôle semblaient plus particulièrement dirigés vers l'identification des dépenses et l'état d'avancement de la mise en œuvre plutôt que sur la collecte des informations aux seules fins d'une évaluation. On a également noté que certaines administrations nationales et régionales ont trouvé les questions de l'évaluation trop vastes (c'était notamment le cas des questions se rapportant aux objectifs du Règlement dans son ensemble), rigides (c'est-à-dire que le fait de s'en tenir strictement aux questions de l'évaluation ne contribuait pas à une bonne compréhension des facteurs de succès ou d'échec), nombreuses et complexes.

#### **Recommandations relatives aux procédures d'évaluation dans les Etats Membres**

- Un plus grand effort doit être réalisé en vue de mettre à la disposition des évaluateurs une banque de données cohérente et compatible concernant la mise en œuvre (nombre de bénéficiaires, dépenses par mesure et par pays);
- Les données d'évaluations doivent être réunies de manière cohérente et compatible dans les différentes régions (Objectif 1 et hors-Objectif 1);
- Les évaluations doivent être menées à temps pour que l'on puisse en utiliser les résultats;
- Les Etats Membres doivent recevoir une liste plus concise, plus claire et plus compréhensible des questions d'évaluation dès le début de la période de programmation. Dans ce contexte, nous constatons qu'en ce qui concerne l'évaluation des programmes de développement rural pour la période 2000-2006 la Commission a depuis le début (Règlement 1257/1999, Article 48, para. 2) établi un ensemble de questions communes d'évaluation comprenant une description de la logique d'intervention, des critères, des indicateurs, des niveaux indicatifs et des sources d'informations éventuelles;
- Il convient de souligner l'objectif final de l'évaluation, à savoir fournir des témoignages clairs concernant le succès ou l'échec de l'intervention, afin que la réponse aux questions d'évaluation ne devienne pas une fin en soi;

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<sup>7</sup> Document STAR VI/7676/98/, voir <http://europa.eu.int/comm/agriculture/eval/950fr.pdf>.

- Il conviendrait d'examiner dans quelle mesure les questions d'évaluation doivent être obligatoires ou facultatives étant donné que les questions facultatives semblent n'engendrer qu'une réaction mitigée.

#### S2.4. Contexte socio-économique

Au cours de la période examinée (1994-1999), les facteurs ayant eu le plus grand impact sur le contexte opérationnel des producteurs ont été les suivants:

- Juste avant le début de la période, les réformes MacSharry de la PAC ont introduit un changement majeur dans la gestion de la PAC, le soutien dans les principaux secteurs passant d'un soutien des prix du marché au soutien des revenus agricoles via des paiements directs.
- Ces réductions des prix de soutien allant de pair avec les Accords de l'Uruguay Round en matière d'Agriculture ont créé quelque incertitude parmi les exploitants agricoles quant à la direction qu'allait prendre la politique.
- Le secteur était confronté à une concentration accrue en aval, dans les secteurs de la transformation et de la distribution.
- Les années 90 ont été caractérisées par des chocs externes (ESB) et par un intérêt croissant des consommateurs envers la sécurité alimentaire, le bien-être des animaux et l'impact général de la politique agricole sur l'environnement.
- Le contexte macro-économique a été caractérisé par une croissance relativement forte, une diminution du chômage et une baisse des taux d'intérêt.

La présente étude fait appel aux données socio-économiques pour développer une typologie régionale destinée aux Aides aux Investissements dans les Exploitations Agricoles. Ceci permet de diviser les régions de l'UE en trois grandes catégories dont les détails sont repris dans le corps du présent rapport. Il est à noter que si une telle typologie nous fournit quelques informations utiles, pendant la période en question, la politique communautaire de développement rural et agricole a été mise en oeuvre au niveau national dans la plupart des Etats Membres (à quelques importantes exceptions près, notamment la Belgique, l'Allemagne, l'Italie et l'Espagne). De plus, pour appliquer une telle typologie en vue de l'analyse et de l'appréciation des effets de ces régime d'aides, de leur efficacité et de leur bon fonctionnement, il est nécessaire que les données et les informations utilisées dans l'évaluation soient disponibles au même niveau géographique que la typologie. Cependant, cette méta-évaluation est avant tout fondée sur des rapports d'évaluation nationaux et les informations régionales n'ont en général pas été disponibles. Ceci signifie que les commentaires les plus évaluatifs doivent être élaborés par rapport aux Etats Membres plutôt que par rapport à des régions spécifiques en leur sein. **Pour mieux traiter ce problème dans l'avenir, nous recommandons que l'on travaille davantage à développer de solides typologies socio-économiques régionales pouvant servir aux évaluations futures.**

## S2.5. Aides aux Investissements dans les Exploitations Agricoles

### Evaluation des Aides aux Investissements dans les Exploitations Agricoles

L'impact des Aides aux Investissements dans les Exploitations Agricoles varie beaucoup suivant la manière dont elles ont été mises en oeuvre au niveau national. La typologie ci-dessous offre un cadre permettant de juger ce régime d'aides.

- Dans les pays comportant essentiellement des régions de Type I (petites exploitations agricoles à faible intensité et avec une importante proportion de cultures permanentes), les aides ont été utilisées avant tout pour augmenter l'intensité et généralement accélérer le rythme des changements structurels sur une voie déjà tracée. Ces pays sont généralement dotés d'exploitations agricoles d'importance physique et économique réduite et se sont plutôt dirigés vers la consolidation et l'intensification économique.
- Les Etats Membres dans lesquels les régions de Type II prédominent sont dotés en majorité de petites et moyennes exploitations dans des zones à productivité agricole relativement faible avec une importante proportion d'exploitations élevant des herbivores. Dans ces régions-là, les Aides aux Investissements étaient souvent utilisées afin d'accélérer le développement en termes de valeur ajoutée pour les produits et afin d'améliorer le bien-être des animaux. Les Aides aux Investissements dans les Exploitations Agricoles s'inscrivaient dans ces objectifs, ce qui était vrai également pour les pays à prédominance de régions de Type IV qui sont caractérisés par des exploitations agricoles petites mais intensives dans des zones dotées de systèmes agricoles très productifs, qui ont utilisé la mesure pour effectuer des investissements traditionnels ou pour traiter les problèmes liés à l'environnement.
- Les Etats Membres où prédominent les régions de Type III sont généralement dotés de grandes exploitations agricoles dans des zones agricoles très productives. Les Aides aux Investissements dans les Exploitations Agricoles étaient probablement moins bien adaptées à cette catégorie.

L'impact des aides en termes de restructuration va probablement être compensé par un certain nombre de facteurs contraignants, notamment:

- Le fonctionnement du marché foncier;
- La prédominance de taux d'intérêts relativement peu élevés dans de nombreux pays de l'UE pendant cette période;
- Les seuils de financement peu élevés en terme d'éligibilité, entraînant une dilution des financements;
- L'accent sur l'environnement et le bien-être des animaux;

- Le poids financier relativement limité des aides dans le contexte sectoriel global (représentant moins de 10% du capital fixe brut dans le secteur pour une année-type).

Comme l'a révélé un examen de la logique d'intervention et de l'histoire de l'évolution du régime d'aides, la nature du processus de gestion était telle que les Aides aux Investissements dans les Exploitations Agricoles se sont concentrées sur une vaste gamme d'objectifs. Ceci a l'avantage de permettre effectivement aux Etats Membres de choisir avec souplesse les propositions du «menu», c'est-à-dire les objectifs auxquels ils désirent donner la priorité. L'inconvénient potentiel est qu'étant donné que les Etats Membres sont en effet libres de choisir les objectifs qu'ils veulent favoriser, cela peut entraîner un manque de cohérence pour l'ensemble de l'UE en raison, du moins du point de vue historique, d'un manque éventuel de compatibilité entre la poursuite d'améliorations structurelles et les objectifs liés à l'environnement. Idéalement, même si les Etats Membres ou les régions visent avant tout une meilleure efficacité des exploitations agricoles, l'objectif du Règlement en matière d'environnement devrait être un facteur restrictif assurant qu'une augmentation de l'efficacité ne porte pas préjudice à l'environnement. Ce qui ne peut pas être démontré avec certitude pour cette période de programmation. **Nous recommanderions donc, si la mesure doit se poursuivre dans sa forme actuelle et afin d'assurer la réalisation totale des multiples objectifs du Règlement, que des conditions d'écoconditionnalité (en matière d'environnement, de bien-être des animaux, etc.) soient prévues pour les bénéficiaires de l'aide dans l'avenir.** Nous avons pris note du fait que ceci fait partie des conditions de versements de paiements directs aux termes de la Révision à Mi-Parcours de la PAC telle que récemment approuvée.

De manière plus générale, en ce qui concerne les régimes d'aides examinés, chaque Etat Membre ou Région a d'abord dû considérer si les régimes d'aides allaient avant tout servir à réaliser les objectifs économiques, sociaux ou environnementaux, même s'il nous faut reconnaître que ceux-ci ne s'excluent pas nécessairement les un les autres.

#### **Recommandations relatives aux Aides aux Investissements dans les Exploitations Agricoles**

- Il conviendrait peut-être de se concentrer sur l'amélioration de l'efficacité économique dans les régions de l'UE où il s'agit là d'une priorité. Les objectifs en matière d'environnement pourraient donc être envisagés plus directement par d'autres régimes d'aides. Un plus grand intérêt pour les aspects économiques offrirait en outre des avantages sociaux indirects puisque cela contribuerait à maintenir la viabilité et l'emploi dans l'exploitation agricole. Cela signifie que les aides devraient être particulièrement centrées sur les régions de l'UE à problèmes structurels, surtout les Etats Membres où prédominent les régions de Type I et de Type II.



- Les paiements devraient être liés à des conditions de conformité en matière d'environnement et de bien-être des animaux.
- Quant à la forme d'assistance proposée, pendant les périodes où les taux d'intérêt sont bas, il serait peut-être bon de canaliser davantage le soutien aux exploitations agricoles par des subventions en capital étant donné que les bonifications d'intérêts tendent à être moins intéressantes dans ces moments-là. Ceci rendrait aussi le régime d'aides plus accessible aux exploitations agricoles de tailles plus réduites où l'accès aux prêts peut ne pas être aussi simple.

### **S2.6. Aides à l'Installation des Jeunes Agriculteurs**

L'évaluation a établi que les Aides à l'Installation des Jeunes Agriculteurs sont particulièrement bienvenues en raison du nombre peu élevé de jeunes dans la population totale d'agriculteurs de l'UE, la difficulté de plus en plus grande d'attirer les jeunes dans le secteur de l'agriculture et le fait qu'en raison de leur taille relativement plus grande (et des économies d'échelle en découlant), les exploitations de jeunes agriculteurs tendent à être plus efficaces.

#### **Evaluation des Aides à l'Installation des Jeunes Agriculteurs**

- Les aides aux jeunes exploitants aux termes du Règlement 950/97 ont représenté un élément de sécurité financière pendant la phase sensible de démarrage. L'aide à ce moment-là contribuait à assurer la viabilité économique et financière aux exploitations des bénéficiaires et contribuait donc clairement, mais d'une manière limitée, à leur durabilité. Ceci est particulièrement vrai pour l'Aide Supplémentaire aux Investissements aux termes de laquelle les agriculteurs étaient obligés d'élaborer un Plan d'Amélioration Matérielle et donc de planifier leur exploitation avec soin et à long terme.
- L'existence du régime d'aides a été un des éléments qui a encouragé les jeunes à s'établir. Cependant, ce n'était pas le seul facteur essentiel influençant la décision des jeunes à s'établir comme agriculteurs. D'autres variables telles que les lois nationales sur la patrimoine familial, les taux d'intérêt et la fiscalité, la nature des possibilités existant dans des activités autres que l'agriculture, les structures sociales traditionnelles et l'octroi de quotas laitiers supplémentaires pour les jeunes agriculteurs dans certains Etats Membres expliquent ce phénomène. C'est ce qui explique également pourquoi, en dépit de l'existence du régime d'aides, presque aucun changement n'a été observé dans la structure des âges des agriculteurs dans l'ensemble de l'UE (même si, bien-sûr, en raison des aides, il se peut que la date de transfert ait été reportée et qu'une certaine amélioration de la structure des âges ait été observée dans sept Etats Membres). Dans quatre Etats Membres il a été estimé qu'une majorité de bénéficiaires se serait établie sans le soutien d'aides aux jeunes



exploitants. Ceci semble indiquer que si l'objectif réel du régime d'aides était d'encourager les jeunes agriculteurs à s'établir, il y a eu un important volume de poids mort. D'après certains sous-traitants, le régime d'aides a eu une haute valeur symbolique sociale et politique du fait de l'appui apporté aux jeunes chefs d'entreprises agricoles.

Sur base de l'évaluation ci-dessus, nous recommandons ce qui suit (voir encadré ci-dessous).

#### **Recommandations relatives aux Aides à l'Installation des Jeunes Agriculteurs**

Les aides aux jeunes exploitants pourraient être mieux ciblées, de manière à aider les individus ou les régions qui en ont le plus besoin et à améliorer les performances. Ceci devrait être dirigé de préférence vers certains des groupes suivants:

- Les nouveaux venus dans le secteur, dont l'exploitation ne provient pas du patrimoine familial. Lors de leur entrée dans le secteur agricole ils sont souvent confrontés aux plus grandes difficultés et plutôt que de leur apporter un soutien direct plus élevé par la voie du régime d'aides il faudrait peut-être envisager de leur donner des droits aux primes ou paiements directs, des quotas laitiers ou des droits liés à l'usage de l'eau.
- Les jeunes agriculteurs qui débutent dans des secteurs de substitution ou qui se dirigent vers des activités alternatives ou encore qui font appel à des méthodes de production respectueuses de l'environnement. Le régime d'aides apporterait alors un soutien au capital à risque en vue d'un développement agricole innovateur plutôt que d'apporter des subventions ordinaires perçues par presque tout nouvel agriculteur, et aiderait ces agriculteurs qui apportent le plus aux biens publics.

Nous recommandons la révision des programmes de formation existants, de manière à mieux les adapter aux besoins spécifiques des jeunes agriculteurs. De plus, si le régime d'aides était lié directement à un élément de formation, la durabilité se verrait améliorée.

La question à poser dans des évaluations futures n'est pas de savoir si le régime d'aides a encouragé l'installation (puisque une large gamme d'autres facteurs a influencé les jeunes dans leur décision à s'établir comme agriculteurs), mais s'il a entraîné une différence qualitative dans la façon d'établir l'exploitation agricole (c'est-à-dire si le régime a contribué à la durabilité de l'exploitation).

## S2.7. Indemnités Compensatoires dans les Zones Agricoles Défavorisées

### Evaluation des Indemnités Compensatoires dans les Zones Agricoles Défavorisées

- Les Indemnités Compensatoires dans les Zones Défavorisées existent depuis de nombreuses années dans la plus grande partie de l'UE et il n'y a donc pas eu beaucoup de éléments innovateurs dans leur conception et leur mise en œuvre.
- Les aides aux Zones Agricoles Défavorisées dans leur ensemble s'inscrivent bien dans l'objectif de compensation des effets des désavantages naturels sur les coûts de production.
- Même s'il est également établi qu'elles s'inscrivent dans l'objectif de prévention du déclin de la population agricole et de prévention de l'abandon des terres dans certaines régions, leur utilité est moins claire lorsqu'il s'agit de prévenir le dépeuplement de telles Zones Agricoles Défavorisées étant donné que la croissance ou le déclin de la population dans son ensemble dépend de toutes sortes de facteurs autres que l'activité agricole elle-même.
- De manière plus générale, il n'est pas possible d'établir avec certitude si les aides en elles-mêmes s'inscrivent dans le cadre de l'objectif de protection et de maintien de l'espace naturel et de l'environnement rural, étant donné que ce n'est pas son but spécifique. Ceci étant dit, elles jouent sans aucun doute un rôle indirect dans le maintien des systèmes d'agriculture traditionnels dans les zones à grande valeur naturelle. A l'inverse, il est à noter que depuis qu'elles existent, les aides ont été critiquées du point de vue de l'environnement par ceux qui considèrent qu'elles ont entraîné une surexploitation des pâturages et une densité de cheptel trop importante dans certaines zones. Tout en imposant un plafond à la densité du cheptel en termes de nombres d'animaux percevant des aides, le régime aides n'impose pas vraiment de plafond en termes de densité de cheptels réellement autorisée. Dans ce contexte, il est à noter que l'adoption du système partiellement découplé fondé sur la superficie prévu aux termes de l'Agenda 2000 et les paiements par exploitation largement découplés prévus aux termes de la Révision à Mi-Parcours devraient aborder ce problème particulier.
- Quant à savoir si elles s'inscrivent dans l'objectif d'indemnisation des coûts, la conclusion dépend ici de l'importance du régime d'aides dans les différents pays et régions et du volume de perte de revenus indemnisé. Ceci varie dans une large mesure d'un pays à l'autre et d'une région à l'autre au sein d'un même pays. On peut en général conclure que les aides indemnisent une partie importante mais pas exactement mesurable des désavantages encourus dans un grand nombre d'Etats Membres, même s'ils ont été moins élevés dans les Etats Membres de la Méditerranée où l'on a donné plus d'importance à d'autres objectifs structurels que dans les Etats Membres du nord.

Il n'est cependant pas possible de quantifier avec précision dans quelle mesure les augmentations de coût ont fait l'objet d'indemnités.

- En ce qui concerne l'aspect très important de l'efficacité, s'il semble évident que la mise en œuvre a eu lieu sans charge excessive pour les autorités publiques et les bénéficiaires, il convient de noter qu'en raison de la nature partiellement politique de la définition des Zones Agricoles Défavorisées, de l'absence de critères clairs et cohérents permettant de définir et d'adapter la définition des Zones Agricoles Défavorisées et de la nature des indemnités à taux fixes, il se peut qu'il y ait eu un élément de sous-indemnité dans les zones les plus défavorisées (à cause d'une définition inadéquate de ces zones) et un élément de sur-indemnité dans les zones où le désavantage était minime ou non-existant par rapport à des zones non-défavorisées (ou d'autres Etats Membres). Ici encore, il est difficile de trouver dans les rapports d'évaluation menés par les autorités nationales les éléments probants qui permettraient de quantifier ces effets (et il serait souhaitable de mener des recherches supplémentaires sur ce point), mais cet aspect de la politique a été critiqué au moins depuis la fin des années 80 et a à nouveau fait l'objet de critiques dans le récent rapport de la Cour des Comptes<sup>8</sup>.

<sup>8</sup> Rapport Spécial de la Cour des Comptes N°4/2003 concernant le soutien au développement rural dans les zones agricoles défavorisées.

### Recommandations relatives aux Indemnités Compensatoires dans les Zones Agricoles Défavorisées

Les objectifs du régime d'aides sont à la fois économiques, sociaux et environnementaux. L'analyse a démontré que sans une démarche plus ciblée vers chacun de ces objectifs, ils peuvent ne pas être nécessairement réalisés en même temps avec l'instrument unique des indemnités compensatoires dans des zones définies dans une certaine mesure par des critères politiques plutôt que par des critères totalement objectifs. Pour mieux cibler la mesure, nous recommandons donc que les critères de définition des Zones Agricoles Défavorisées soient harmonisés et que leur classification soit mise à jour de manière cohérente afin que les indemnités puissent être alignées plus étroitement sur les handicaps naturels et autres. Ceci réduirait le risque de sur- ou de sous-indemnisation.

- Nous recommandons l'introduction de l'écoconditionnalité pour assurer le fondement des indemnités sur le respect de la bonne conduite agricole et des conditions de protection de l'environnement. Cela c'est produit aux termes des réformes de la Révision à Mi-Parcours.
- De manière générale cependant, à notre avis, si l'on recherche le bien public en termes de maintien des espaces naturels et du tissu social des campagnes et de protection de l'environnement, ceci ne pourra pas être atteint sans le potentiel de poids mort considérable par ce qui est en fait une indemnité (du moins en Europe du Nord) largement fondée sur le nombre d'animaux dont les exploitants sont propriétaires. Nous notons que l'introduction des aides à l'héctare plutôt que des primes à la tête de bétail au titre du Règlement 1257/99 et l'extension du principe du découplage des indemnités prévue aux termes de la Révision à Mi-Parcours de juin 2003 vont d'une certaine manière régler la question du poids mort. De manière plus générale cependant, pour assurer le bien public en termes d'espaces naturels, de biodiversité, etc., il semblerait plus souhaitable d'assurer un tel financement par des indemnités positives pour des actions allant en ce sens plutôt que par un régime général de soutien tel que les Indemnités Compensatoires dans les Zones Agricoles Défavorisées.
- Nous avons enfin noté que si l'objectif est d'empêcher le dépeuplement des zones rurales et de stimuler l'économie rurale (et de maintenir le tissu social), cet objectif doit être réalisé par toutes sortes de mesures structurelles différentes influençant la totalité des acteurs de l'espace rural (notamment le programme LEADER). En ce sens, le découplage important des indemnités liées au marché tel que prévu aux termes de l'Agenda 2000 et les réformes de la Révision à Mi-Parcours permettront éventuellement aux financements de pénétrer les différents secteurs de l'économie rurale.

## **S2.8. Régimes d'aides mineurs**

Parmi les régimes d'aides mineurs figurent l'Introduction à la Comptabilité, les Aides au Démarrage des Groupements d'Agriculteurs, les Aides au Démarrage de Services de Remplacement, les Aides aux Services de Gestion des Exploitations et les Aides à la Formation Professionnelle. L'adhésion à ces programmes était très variable, seule une minorité d'Etats Membres ou de régions les ayant mis en œuvre dans chaque cas. Il est à noter que certaines de ces aides pourraient utilement fusionner et qu'un lien plus étroit devrait être établi avec les Aides aux Investissements dans les Exploitations Agricoles et les Aides à l'Installation des Jeunes Agriculteurs afin d'obtenir une meilleure adhésion à ces mesures mineures et d'améliorer les résultats des aides aux jeunes exploitants et des Aides aux Investissements dans les Exploitations Agricoles.

## **S2.9. Règlement 950/97**

### **S2.9.1. Jugement sur 950/97 dans son ensemble**

Il est difficile de déterminer l'impact du Règlement 950/97 dans l'ensemble de l'UE en raison du fait qu'il est constitué de plusieurs mesures différentes, toutes mises en œuvre suivant les différentes priorités nationales et sur la base des critères nationaux établis par les différents Etats Membres. Ce n'est pas parce qu'une mesure particulière est un succès que l'ensemble du Règlement doit être jugé comme tel. Pour y parvenir, il faut que les mesures prises aux termes du Règlement soient cohérentes et logiques et qu'elles ne soient pas en opposition les unes avec les autres. En ce sens, la nouvelle démarche de programmation adoptée par les Programmes de Développement Rural aux termes de l'Agenda 2000 assurerait une plus grande cohérence et davantage de synergies, raisons pour lesquelles elle doit être accueillie favorablement.

Pour la période examinée, étant donné que le Règlement trouve ses origines dans différentes politiques nationales et communautaires rassemblées sous une seule rubrique, cela, à priori du moins, ne semble pas probable. Nous en trouvons un exemple évident dans la contradiction entre les objectifs des Indemnités Compensatoires dans les Zones Agricoles Défavorisées et des Aides à l'Installation des Jeunes Agriculteurs. L'un des principaux obstacles à l'engagement dans le secteur agricole est le prix du terrain et les indemnités prévues au titre du régime d'aides aux Zones Défavorisées sont capitalisées dans la valeur du terrain, ce qui en augmente le prix. Cet argument s'applique probablement aussi aux Aides aux Investissements dans les Exploitations Agricoles suivant lesquelles les améliorations des infrastructures ont également des chances d'être capitalisées.

### **S2.9.2. Contribution aux objectifs**

#### Contribution au rétablissement de l'équilibre du marché

Le Règlement n'apportera probablement pas grand chose en terme de rétablissement de l'équilibre entre la production et la capacité du marché et pourrait même avoir partiellement contribué au maintien des déséquilibres. Bien que certains secteurs aient été exclus des Aides aux Investissements dans les Exploitations Agricoles, ces exclusions n'ont eu qu'un impact limité sur ce qui ne fut, dans l'ensemble de la PAC, qu'une mesure limitée. On ne peut pas considérer que les Aides à l'Installation des Jeunes Agriculteurs ont eu un impact sur cette question. Ceci est également vrai pour les Indemnités Compensatoires dans les Zones Agricoles Défavorisées bien que s'il y avait eu un impact, il aurait eu tendance à renforcer les déséquilibres du marché. Si les aides aux Zones Agricoles Défavorisées ont représenté une part substantielle du revenu des agriculteurs dans certains pays et régions, ces indemnités sont généralement bien moins importantes pour les agriculteurs que les différentes sortes de paiements directs obtenus aux termes d'aides liées au marché. On peut cependant faire remarquer que dans la mesure où elles ont contribué au maintien de certains types de productions déséquilibrant les marchés (notamment le bœuf au deuxième semestre 1990, et le beurre) les indemnités versées ont eu tendance à renforcer les déséquilibres du marché.

#### Amélioration de l'efficacité des exploitations agricoles

L'efficacité des exploitations agricoles devrait s'améliorer grâce aux Aides aux Investissements dans les Exploitations Agricoles, en particulier là où elles ont été utilisées dans le but d'accroître l'intensité économique (en particulier dans les Etats Membres où la majorité des régions sont de Type I), grâce aux Aides à l'Installation des Jeunes Agriculteurs (à condition que la taille moyenne de l'exploitation des bénéficiaires soit supérieure aux moyennes nationales, il y avait obligation de produire un projet et les candidats devaient avoir des qualifications professionnelles "appropriées") ainsi que grâce à des régimes d'aides mineurs (conceptuellement les Aides en matière de Comptabilité, de Services de Gestion des Exploitations Agricoles et de Formation). D'autre part, les Indemnités Compensatoires dans les Zones Agricoles Défavorisées, non ciblées par nature, seront probablement considérées davantage comme une subvention que comme un encouragement à améliorer l'efficacité de la production. A tout prendre, si certains aspects du Règlement peuvent donc avoir contribué à améliorer l'efficacité, cela ne devrait pas avoir un impact substantiel sur l'ensemble, en raison du poids relativement peu important du Règlement sur le niveau global des subventions et des produits des ventes des exploitants. Même si le Règlement a contribué à améliorer les performances au niveau micro, il se peut que cela n'ait pas eu d'impact au niveau macro en raison du fait que le Règlement aide à maintenir la viabilité des exploitations alors qu'un certain nombre d'entre elles, d'un point de vue sectoriel, auraient pu à juste titre cesser la production et se regrouper dans des exploitations plus importantes et plus performantes.

### Maintien d'une communauté agricole viable et aide au développement du tissu social dans les zones rurales

Le Règlement a contribué au maintien d'une communauté agricole viable et par conséquent au développement du tissu social dans les zones rurales, surtout grâce aux Indemnités Compensatoires dans les Zones Agricoles Défavorisées et aux aides aux jeunes exploitants. L'ampleur de cette contribution varie de région à région suivant le niveau de priorité accordé par les autorités responsables. Nous désirons rappeler une fois encore qu'une approche plus large, ciblant des secteurs autres que l'agriculture le cas échéant, est nécessaire si l'objectif est d'empêcher le dépeuplement et de stimuler l'économie rurale dans son ensemble. Il convient également de noter que cet objectif met en lumière le manque de cohérence du Règlement en ce sens qu'il est avant tout un objectif social alors que le désir d'améliorer les performances est clairement un objectif économique, les deux objectifs n'étant pas forcément totalement compatibles.

### Protection de l'environnement

Comme nous l'avons dit plus haut, il se peut que l'objectif d'amélioration de l'efficacité ne soit pas compatible avec l'objectif de protection de l'environnement. Si les agriculteurs sont économiquement rationnels, ils vont maximaliser leurs profits et vont donc être aussi efficaces que le leur permettra leur potentiel de ressources. Tenter d'introduire des changements en faveur de l'environnement implique une réduction potentielle des performances économiques, sinon les agriculteurs produiraient déjà à ce niveau. Ceci étant dit, les Indemnités Compensatoires dans les Zones Agricoles Défavorisées auront probablement contribué à la protection de l'environnement en raison du chevauchement entre les Zones Agricoles Défavorisées et les zones à valeur environnementale. Le maintien d'activités agricoles dans ces zones permettra d'assurer l'existence de biens publics tels que les espaces naturels et, grâce au bétail mis à l'herbage, l'existence de pâturages riches en espèces végétales considérées comme préférables aux broussailles. S'il ne fait aucun doute que ces zones peuvent être entretenues grâce à une gestion active, les aides aux Zones Agricoles Défavorisées ont également risqué d'y porter préjudice par une surexploitation des pâturages en ne prévoyant pas de plafonds de densité du cheptel pour l'ensemble des animaux élevés comme condition de participation au régime d'aides. Lorsque les Aides aux Investissements dans les Exploitations Agricoles ont servi à réaliser des objectifs en matière d'environnement, elles semblent avoir apporté une contribution positive du point de vue de l'environnement.

### Impact sur l'ampleur des changements structurels (contribution à l'Objectif 5a)

Les seules mesures prises au titre du Règlement susceptibles d'avoir eu un impact important sur le rythme des changements structurels sont les Aides aux Investissements

dans les Exploitations Agricoles et les Aides à l'Installation des Jeunes Agriculteurs. Si ces deux régimes ont sans aucun doute accéléré le changement (dans le cas d'Aides aux Investissements dans les Exploitations Agricoles cela dépend de la manière dont le régime d'aides a été mis en œuvre, donc seulement peut-être dans des pays appartenant à certains groupes typologiques, surtout les Etats Membres où les régions de Type I prédominent), le poids du Règlement dans le contexte de l'ensemble des aides apportées par la PAC et des produits des ventes n'a probablement pas été suffisant pour faire varier considérablement les tendances générales en ce domaine.

Considérant ce qui précède, dans tous les régimes d'aides évalués, un grand nombre de questions relatives à la conception, à la mise en œuvre, l'adhésion et à la réalisation des effets attendus ont été soulevées. Dans les grandes lignes, elles peuvent être résumées de la manière suivante:

Il conviendrait en général de mieux définir les objectifs et de mieux cibler les bénéficiaires. Le Règlement 950/97 semble avoir été une politique surplombant toutes sortes d'objectifs diffus et éventuellement divergents avec dans l'ensemble peu de cohérence interne. L'écoconditionnalité et la démarche de programmation introduites aux termes de l'Agenda 2000 ainsi que les réformes de la récente Révision à Mi-Parcours devraient permettre de réduire les conflits potentiels entre les différentes mesures prises. Si les régimes d'aides avaient été mieux dirigés en termes de critères d'éligibilité et de ciblage des bénéficiaires, comme cela devrait maintenant être le cas avec les Programmes de Développement Rural, on aurait pu réduire les possibilités de poids mort et ainsi mieux réaliser les effets, éventuellement à moindre coût.



## 1. Introduction

The Directorate-General for Agriculture (DG AGRI) requested a study to carry out a pan-EU meta-evaluation of the measures under Council Regulation (EC) No 950/97 of 20 May 1997 on improving the efficiency of agricultural structures (henceforth referred to as Regulation 950/97). This research was carried out by Agra CEAS Consulting Ltd. (referred to forthwith as Agra CEAS) at the Centre for European Agricultural Studies, Imperial College at Wye and in Brussels between September 2002 and July 2003. This Draft Final Report provides the results of this research and is structured as follows.

The second chapter outlines the objectives and scope of this meta-evaluation. Chapter Three sets out the regulatory framework under which Regulation 950/97 was operated. The Regulation consists of three main schemes and five minor schemes and the regulatory framework for each is discussed in turn. Chapter Four reviews the evaluation methodology in three parts: first, the meta-evaluation methodology; second the national evaluation methodology; and finally, the constraints encountered during the research.

The fifth chapter provides the socio-economic context within which the measures under Regulation 950/97 were implemented. This is drawn on to construct a typology into which the regions are characterised in order to structure the subsequent discussions. This is only applicable to the Farm Investment Scheme.

Chapter Six considers the Farm Investment Scheme. Design and implementation of the scheme in each Member State is discussed through the typologies, scheme effects are then drawn out, judgement on the scheme is provided and finally recommendations are put forward. This same structure is then used to address the Young Farmers Scheme in Chapter Seven, the Less Favoured Area Scheme in Chapter Eight and the minor schemes in Chapter Nine.

The final chapter provides an overall judgement and recommendations for Regulation 950/97, taking into account the changes that have already been implemented following the incorporation of the measures into the Rural Development Programmes under Council Regulation (EC) No 1257/99 in the current programming period 2000-06.

As a basis for our evaluation work, we took the evaluation questions as set out in Annex 3 of the Terms of Reference and as provided in the Community Guidelines to the Member States for national ex-post evaluations, Annex A.I (available at [http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm)). They are annexed to this report as Appendix 1.



## 2. Regulatory framework

### 2.1. Intervention logic

The structural measures which applied in the period covered by this meta-evaluation have a long history in the EU before the 1990s. Their origins lie in the 1968 'Memorandum on the Reform of Agriculture' otherwise known as the 'Mansholt Plan' after the then Commissioner for Agriculture Sicco Mansholt. This plan was developed as a response to the fact that while the common pricing policy had been successful in increasing Community self-sufficiency, and was indeed by the late 1960s beginning to generate surplus production (for milk, sugar and wheat), this increase in production had been generated at high cost (due to high guaranteed prices) and had not been accompanied by significant structural change. Thus the key idea was to enable a gradual lowering of prices by improving efficiency on farms (through farm investment plans on larger units and through release of land to these units by encouraging older farmers to discontinue farming) and thereby creating 'modern production units' which could achieve an income comparable to those outside agriculture.

In practice this plan, which along with price reductions envisaged removal of land from production and substantially lower levels of employment in agriculture, met with considerable resistance (due to the potential cost involved; because Member States were unwilling to accept serious restructuring and price cuts; and because they wished to continue with national rather than Community based policies) and eventually the proposals were adopted in watered down form in Directive 72/159 on the modernisation of farms and 72/160 (cessation of farming) along with 'smaller' price increases. These two measures were accompanied by Directive 72/161 providing socio-economic guidance and training. It should be noted that from the start Member States were given considerable leeway in how to implement the Directives and this meant that in practice uptake was very variable across the EU.

More generally it can be said that from the start these structural measures were adopted half-heartedly and essentially allowed the existing dominance of price based policy to continue. As is pointed out in Ritson and Harvey (Ritson, C. and Harvey, D.R. eds. *The Common Agricultural Policy*, 2<sup>nd</sup> edition, CAB International, 1997) '...while the farm ministers of the Six recognised the need for the reform of the Community's agricultural structure, they were reluctant to accept the political consequences of agreeing to the appropriate reform of its agricultural policy. As Mansholt himself protested, the price policy was based on consensus politics rather than economic rationale...'.

Not unexpectedly, given the reluctance of Member States to introduce these measures, as well as the fact that they were introduced when a recession started to bite, in their implementation the measures were not considered particularly successful. Thus relatively little land was released as a result of the Early Retirement Scheme and, not surprisingly as

this was the intention, the main effect of the farm modernisation scheme appears to have been to intensify production (and increase output volumes) on what were already larger farms.

Therefore at a time of diminishing off-farm employment opportunities and increasing concern with maintaining rural communities it was decided to refocus the programme on smaller units. As the Commission itself noted in its 1979 price proposals package 'the existing measures have not been such as to bring about improvement in the structural situation of a substantial number of farms, particularly those which are small and especially those in difficult areas' (COM(79)10 final, volume 1, page 48). The Commission therefore proposed changes to the measures so that they could apply 'more selectively by concentrating them on farms which are in real need, while at the same time steering such farms towards economically sounder types of farming' (ibid., p.49). When these proposals eventually saw the light of day in 1983 they included the removal of the lower limits on eligibility and introduced a ceiling on the size of farms which could be assisted via the Farm Investment Scheme. For the first time also protection of the environment was added as an eligible type of investment.

After many years of discussion the Young Farmers Scheme was introduced in 1981 via Directive 81/528 for farmers under 40 who undertook to participate in farm development plans under 72/159 within 5 years. The original scheme was designed to compensate such farmers for the substantial production cost increases resulting from the mid 1970s energy crisis as well as to mitigate the effects of the high cost of credit. To address these issues the European Parliament had called for an 'organised system of aids to encourage young people to take up farming'.

Less favoured area payments were initially introduced by a different route. According to the Treaty of Rome when devising and implementing the CAP policymakers were to take into account 'the structural and natural disparities between various agricultural regions' (art.39.2 (a)). At the Community level, while during the 1960s there was an effort to introduce so-called 'Community Plans' to improve the living standards of those in disadvantaged regions, little was done to address this issue until the 1972 enlargement negotiations when the UK pushed for a Community programme which would allow for the continuation of the UK policy of headage based aids for hill farmers. While initially the Commission envisaged the aim of such a measure solely in terms of 'preserving reasonable income for farmers in such areas' in 1973 it eventually introduced proposals which justified the introduction of such support by the need:

- for continued conservation of the countryside;
- to offset the dangers inherent in depopulation of mountain and poor land areas;
- to offset higher production costs.

While initially the proposals envisaged that disadvantaged farmers should receive more favourable treatment under Directive 72/159 this was dropped in the final formulation of

the Directive which appeared as Directive 75/268 and was accompanied by eight further Directives listing the LFAs (Denmark decided not to apply the Directive). As has been pointed out by various commentators over the lifetime of the legislation the areas classified as less favoured have expanded (to some 55% of UAA in the early 1990s) 'because the Member States have sought to expand these areas in order to allow more of their farmers to benefit from the special programmes of aid and to receive more favourable treatment under legislation intended to control output' (Fennell., R. *The Common Agricultural Policy - Continuity and Change*, Clarendon Press, Oxford, 1997). This trend was commented on by the Economic and Social Committee which in 1988 pointed out that it opposed 'the tendency to over-extend the geographical areas of the disadvantaged regions in some Member States as a way of offsetting the effects of milk quotas and market policy' (OJ C175, 4-7-88,50).

Taking into account the refocusing of the Farm Investment Scheme all the above structural measures (except for those relating to cessation of farming which was reintroduced in the form of the Early Retirement Scheme in 1988) were eventually combined in a single measure Regulation 797/85. This was subsequently replaced by the consolidated measure Regulation 2328/91 and ultimately 950/97.

Thus the intervention logic for the above programmes has from the start been based on an effort to reconcile differing national needs and priorities. What started as an investment scheme aimed at improving efficiency on large units ended up as a scheme primarily focusing on smaller units seemingly in contradiction to the direction of market management policy. Commenting on the effects of the structural funds payments during the 1970s and 1980s Fennell (ibid.) notes that these payments 'encouraged the intensification of production' and 'have also inhibited the logic of the price and market policy, which should result in the shift of production to the areas most suited to the particular commodity'. Similarly, as has been pointed out above, what started as a scheme to support incomes in disadvantaged areas appears to have ended up being used by Member States to offset the impacts caused by changes in market policy. Commenting specifically on the 1975 Less Favoured Areas Directive, Tracy (Government and Agriculture in Western Europe 1880-1988, Harvester Wheatsheaf, 1989) points out that '...the scheme remains essentially a social instrument rather than an instrument of structural adjustment'. Viewed in this light it is perhaps a misnomer to term these policies 'structural funds' since the intervention logic appears to have ultimately become primarily focused on providing income support to smaller farmers (particularly in disadvantaged regions) rather than encouraging the restructuring of agricultural production.

## **2.2. Regulation 950/97**

Council Regulation (EC) No 950/97 of 20 May 1997 'on improving the efficiency of agricultural structures' entered into force on 9 June 1997. As is indicated above, prior to this, measures under Regulation 950/97 were covered by Regulation (EEC) No 2328/91 'on improving the efficiency of agricultural structures' which in turn superseded Regulation

(EEC) No 797/85, also 'on improving the efficiency of agricultural structures'. This in turn was based on the 1970s structural Directives as outlined above.

Regulation 950/97 provides for Community co-financing from EAGGF (European Agriculture Guidance and Guarantee Fund)-Guidance for eight support measures. Most of these measures have been in place for many years although the precise rules and conditions have changed over time (see Section 2.1). They all focus on agricultural holdings and are the following:

- aid for investments in agricultural holdings (henceforth referred to as 'FI Scheme' for 'Farm Investment Scheme') (Regulation 950/97 Title II, Articles 4 to 9 and Title IV, Article 12);
- aid for the setting up of young farmers (henceforth referred to as 'YF Scheme' for 'Young Farmers Scheme') (Regulation 950/97 Title III, Articles 10 to 11);
- compensatory allowance for farmers in less-favoured areas (LFAs) for offsetting natural handicaps (henceforth referred to as 'LFA Scheme' for 'Less Favoured Areas Scheme') (Regulation 950/97 Title IX, Articles 17 to 19);
- aid for joint investment in less-favoured areas (Regulation 950/97 Title IX, Article 20);
- aid for introduction of accounting practices (henceforth referred to as 'Accounting Scheme') (Regulation 950/97 Title V, Article 13);
- setting up aid for groups (Regulation 950/97 Title VI, Article 14);
- setting up aid for farm relief services (henceforth referred to as 'Farm Relief Services Scheme') (Regulation 950/97 Title VII, Article 15);
- aid for farm management services (henceforth referred to as 'Farm Management Services Scheme') (Regulation 950/97 Title VIII, Article 16); and,
- vocational training (henceforth referred to as 'Training Scheme') (Regulation 950/97 Title X, Articles 26 to 28).

The first three measures are more widely implemented across Member States and are therefore referred to as the three 'major schemes'. The others are implemented to a much lesser extent and are referred to as 'minor schemes'.

Adoption of the measures was voluntary at the national level and Member States took their own particular needs into account in this decision. The measures could also be adapted to national situations as long as the principal rules were adhered to. No guidance as to balance between schemes was provided in the Regulation. The schemes were implemented after Commission approval following favourable indications from the Committee regarding agricultural structures and rural development (STAR Committee). The measures were co-programmed with other measures eligible under the Objective 1 and Objective 6 programmes.

The measures under Regulation 950/97 are part of a group of horizontal measures within Objective 5a of the Structural Funds which aim to promote rural development by speeding

up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy (CAP)<sup>9</sup>. They are therefore subject to the general provisions of the Framework Regulation for the Structural Funds<sup>10</sup> and the Co-ordination Regulation for the Structural Funds<sup>11</sup> and the specific EAGGF Regulation<sup>12</sup>.

The overall objectives of Regulation 950/97 are as follows:

- to help restore the balance between production and market capacity;
- to help improve the efficiency of farms by developing and reorganising their structures and by promoting supplementary activities;
- to maintain a viable agricultural community and thus help develop the social fabric of rural areas by ensuring a fair standard of living for farmers and by offsetting the effects of natural handicaps in less-favoured areas; and,
- to contribute to the safeguarding of the environment and the preservation of the countryside, including the long-term conservation of natural farming resources.

The wide ranging character of these objectives can be explained by the history and evolution of the schemes and the nature of the policymaking process (see Section 2.1). Most of the objectives existed in one form or another in specific Member States before they were incorporated into the pan-EU CAP regulations. This has the advantage that it effectively allows Member States to flexibly choose which items on the 'menu' i.e. which objectives, they wish to prioritise. It has the potential drawback that since Member States are free to in effect choose what objectives they wish to give particular weight to, there may be a lack of coherence for the EU as a whole in that, historically at least, pursuing structural improvements may not be fully compatible with environmental objectives. Ideally even if the Member State/regions focus is on improving efficiency on farms, the environmental objective of the Regulation should act as a restrictive factor to ensure that an increase in efficiency does not take place at the expense of the environment. This cannot, however be demonstrated conclusively for this programming period.

The measures under Regulation 950/97 are now incorporated under the Rural Development Programmes (see Regulation (EC) No 1257/99), as are the other two Regulations on which Objective 5a is based. Most elements of the FI Scheme, the Setting up Aid for young farmers, the LFA Scheme and the Training Scheme are now separate chapters of Regulation 1257/99 (FI Scheme under Articles 4 to 7, YF Scheme under Article 8, LFA Scheme under Articles 13 to 21 and the Training Scheme under Article 9). The Setting up Aid for Farm Relief and Farm Management Services are explicitly mentioned in Article 33 of Regulation 1257/99, while Article 9 refers to the Training Scheme. The Aid for Introduction of Accounting Practices is not explicitly mentioned, however, it is more or less covered by

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<sup>9</sup> The other measures of Objective 5a are Regulation (EC) No 951/97 (for improving the processing and marketing of agricultural products) and Regulation (EC) No 952/97 (on producer groups and associations thereof).

<sup>10</sup> Regulation (EEC) No 2052/88 as modified by Regulation (EEC) No 2081/93.

<sup>11</sup> Regulation (EEC) No 4253/88 as modified by Regulation (EEC) No 2082/93.

<sup>12</sup> Regulation (EEC) No 4256/88 as modified by Regulation (EEC) No 2085/93.

other support measures mentioned in Article 33 of the new Regulation on support for rural development. Aid for the setting up of producer groups in the framework of rural development measures has been discontinued under the Agenda 2000 reforms, and has therefore been excluded from rural development support in the 2000-06 programming period for the current EU Member States.

The Commission adopted the Regulation concerning aid to producer groups (No 243/1999) in February 1999. In March 1999 it produced a Decision amending the list of Less Favoured Areas (No 251/1999) and in July 1999 a Regulation on producer groups and associations of such groups (No 1606/1999) was adopted.

### 2.3. Farm Investment Scheme

Aid was granted for investments aiming to:

- provide qualitative improvements and the redeployment of production;
- reduce production costs;
- improve the living and working conditions of farmers;
- promote the diversification of farming activities, including the direct sale of farm produce;
- improve hygiene conditions of livestock enterprises and compliance with Community animal welfare standards, or, failing these, national standards until Community standards are adopted; and,
- preserve and improve the natural environment.

#### Eligibility criteria:

- farming must be the main occupation (term to be defined by Member States, support for part-time farmers was also possible);
- the beneficiary must have adequate occupational skills and competence (to be defined by Member States);
- there must be a Material Improvement Plan (MIP);
- accounts must be kept; and,
- labour income per Man Work Unit (MWU) must be below a certain threshold (to be fixed by the Member State at a level not exceeding the average gross wage of non-agricultural workers in the region).

#### Specific sector exclusions:

The following investments were excluded from aid under the FI Scheme:

- investments relating to **milk production** if they would have resulted in exceeding the reference quantity for milk production. However, if an additional reference quantity had been granted beforehand, aid could have been given under certain conditions;



- investments which had the effect of increasing **pig** places. Investments in the pig-producing sector were only allowed under certain conditions;
- investments relating to the **beef** sector (except if these had objectives relating to environmental, hygiene or animal welfare and not intending to increase capacity) were only supported if the intention was to decrease the stocking density; and,
- investments in the **egg and poultry** sector (except if they had an objective of improving the safeguarding of the environment, hygiene or animal welfare and were not aimed at increasing capacity).

#### **Form and rates of aid:**

Aid was granted in the form of capital grants and/or interest rate subsidies or deferred repayments. It could also cover guarantees for loans contracted and the related interest. There were two maximums on the amount of aid that could be supported:

- the proportion of total investment that could be paid out:
  - 45% for investment in fixed assets and 30% for other types of investment in LFAs; and,
  - 35% for investment in fixed assets and 20% for other types of investment in other regions; and,
- a maximum amount of €90,000 per MWU or €180,000 per holding for capital grants.

Under Article 12 of Regulation 950/97 Member States were able to grant state aid for investment into farms for land purchase, operating loans not exceeding one marketing year, the purchase of male breeding stock, securities for loans contracted including interest, the protection of the environment, the improvement of hygiene conditions in livestock enterprises and animal welfare, and on-farm-activities not relating to field crops and stockfarming under certain conditions. Member States could also grant investment aid to holdings not fulfilling the eligibility criteria where the investments aimed at saving energy, improving land, safeguarding the environment, improving hygiene conditions and animal welfare and not increasing production capacity.

#### **Current status of the Farm Investment Scheme:**

Like the other schemes under Regulation 950/97, the Farm Investment Scheme is now incorporated into the Rural Development Programmes (Regulation 1257/99). Under the support for investments in agricultural holdings, the following eligibility criteria were abolished (see Article 5 Regulation 1257/99):

- farming as main occupation;
- keeping accounts; and,
- labour income per man work unit below a certain threshold.

However, in order to be eligible for support for farm investment under Regulation 1257/99 the beneficiary must comply with minimum standards regarding the environment, hygiene and animal welfare.

All sector exclusions were abolished with only investments with the objective of increasing production for which no normal market outlets can be found now excluded from support. The level of aid was increased for investments inside LFAs from a maximum of 45% for investments in fixed assets and 30% for other types of investments under Regulation 950/97 to a maximum of 50% in LFAs and 40% in other areas.

#### **2.4. Setting up Aid for young farmers**

##### **Eligibility criteria:**

- the young farmer must be less than 40 years old;
- the young farmer must be the head of holding and farming must be his main occupation (support for part-time farmers was also possible under certain conditions);
- the farmers must have adequate occupational qualifications (as defined by Member States);
- the holding must require a volume of work of at least one MWU (as defined by Member States).

##### **Form and rates of Start-up Aid:**

Aid was granted in the form of:

- a single premium of a maximum eligible amount of €15,000 (Annex I of Regulation 950/97), which could be replaced by an equivalent interest subsidy. This had to be paid over a maximum five year period.
- an interest subsidy on loans (not exceeding the value of the single premium), for a maximum period of fifteen years.

An **Additional Aid for Investment** could have been granted to farmers under the age of 40 under a MIP amounting to a maximum of 25% of the aid granted under the FI Scheme. To receive this a farmer had to submit a plan within five years of setting up and had to possess adequate vocational qualifications.

##### **Current status of the Young Farmers Scheme:**

Like the other schemes under Regulation 950/97, the Young Farmers Scheme is now incorporated into the Rural Development Programmes (Regulation 1257/99). The following eligibility criteria are no longer required:

- farming as main occupation; and,

- holding requires a volume of work of at least one man work unit.

However, in contrast to Regulation 950/97, the applicant must now demonstrate economic viability and must comply with minimum standards regarding the environment, hygiene and animal welfare.

The maximum amount of aid under the YF Scheme (single payment or interest rate subsidy) was increased from €15,000 in 1994-99 to €25,000 for 2000-06. Additional Investment Aid for young farmers can now be up to a maximum of 55% of the aid granted under the FI Scheme inside LFAs and 45% in other areas in contrast to a flat 25%.

### **2.5. Less Favoured Area Scheme**

The objective of the LFA Scheme was to support farm incomes and to maintain farming and thereby viable agricultural communities in Less Favoured Areas. The design of the LFA Scheme is simpler than the one for the FI and YF Schemes because it is a land rather than a project based scheme. This meant that there was no requirement to submit a project description in order to receive funding.

There were two elements, each of which is considered in turn:

#### Compensatory allowance

The objective of this allowance (Regulation 950/97, Title IX, Subtitle I, Articles 17 to 19) was to offset natural handicaps in LFAs.

#### **Eligibility criteria:**

- the farmer must work at least three hectares of usable agricultural area (UAA), although there was a lower limit in certain regions;
- the farmer must continue farming for at least five years from the first payment of the compensatory allowance.

#### **Form and rates of aid:**

Member States had to set the amount of the compensatory allowance according to the severity of the permanent natural handicaps. It was possible to vary the allowance according to the economic situation of the holding and the income of the farmer as well as in order to stimulate environmentally friendly agricultural practices. Aid had to be at least €20.3 per Livestock Unit (LU) or hectare and was limited to the equivalent of 120 units per holdings (whether in LU or area units) and was not able to exceed €150 per unit (although it was possible to increase the aid to €180 per unit in LFAs with very serious permanent natural handicaps). After the equivalent of the first 60 units the amount payable was reduced by half. It was possible to grant aid in the form of:

- headage payments (for cattle, sheep, goats or equines). In this case aid was calculated on the basis of LU and forage area. A stocking density of 1.4 LU/ha applied;
- area payments (for productions other than cattle, sheep, goats or equines). In this case aid was calculated in proportion to the area farmed.

#### **Sector exclusions:**

Cows producing milk for markets were eligible only in mountainous areas or other LFAs where dairying forms an important part of farming activity (up to a limit of 20 dairy cows in the latter case). The following types of UAA were excluded from support when calculating area payments:

- feed-growing areas;
- wheat-growing areas (if the yield exceeded a certain limit);
- full plantations of apple, pear or peach trees where these exceeded half a hectare per holding;
- vineyards in non-mountainous areas (if the yield exceeds a certain limit);
- sugarbeet in non-mountainous areas;
- intensive crops in non-mountainous areas.

#### Aid for joint investment

This assistance was provided under Regulation 950/97, Title IX, Subtitle II, Article 20.

Member States could grant aid for joint investment of the following sort in LFAs:

- fodder production, including the storage and distribution of fodder;
- improvement and equipping of pastures which are farmed jointly; and,
- joint or individual investment in water points, in minor roads for immediate access to pastures (including mountain pastures) and in shelters for herds in mountainous areas.

The level of aid was fixed by Member States, but was subject to a maximum of €150,000 per joint investment project and €750 per hectare of pasture or mountain pasture improved or equipped.

#### **Current status of the Less Favoured Area Scheme:**

Like the other schemes under Regulation 950/97, the LFA Scheme is now incorporated into the Rural Development Programmes (Regulation 1257/99). The eligibility criteria requiring at least three hectares of UAA to be worked was reformulated to allow a minimum area to be defined by the Member State. An additional requirement is now that the farmer must 'apply usual good farming practices compatible with the need to safeguard the environment and maintain countryside, in particular by sustainable farming'. Farmers on whose holdings, or in whose animals, are found certain substances prohibited under

Directive 96/22/EC and Directive 96/23/EC will be excluded from receiving LFA payments for a certain period of time. Also, all sector exclusions were abolished.

Perhaps the most significant change is the move from headage to area-based payments. The amount of payment may be modulated between €25 and €200 per hectare (under certain conditions, it is possible to grant payments over €200 per hectare). As is the case in Less Favoured Areas, farmers in areas subject to environmental constraints can now benefit from area payments up to a maximum of €200/hectare, to compensate for the costs and income losses linked to these constraints. The Regulation calls for compensatory allowances to be fixed in a way that avoids over-compensation.

## **2.6. Aid for Introduction of Accounting Practices**

### **Eligibility criteria:**

- farming had to be the main occupation; and, accounts had to be kept for at least four years.

### **Form of aid and rates of aid and level of co-financing:**

The level of aid was fixed at the Member State level, but had to fall between €700 and €1,500. Aid was spread over at least the first four years that accounts were kept.

### **Current status of the Aid for Introduction of Accounting Practices:**

The Aid for Introduction of Accounting Practices is not explicitly mentioned in the new Regulation on support for rural development (Regulation 1257/99), however, it is more or less covered by other support measures mentioned in Article 33 of this Regulation.

## **2.7. Setting up Aid for Groups**

Aid could be granted to recognised farmers' groups (as defined by Member States) which had as their objective:

- mutual aid between holdings, including the use of new technologies and practices for safeguarding and improving the environment and preserving the countryside;
- the introduction of alternative farming practices;
- the more rational joint use of agricultural means of production; and,
- the operation of a group holding.

It was left to Member States to determine the legal form of the groups and the provisions governing co-operations between members.

### **Form and rates of aid:**

The level of aid was to be fixed at the Member State level to a maximum of €22,500 per group. Aid could only be granted for the first five years following group formation.

### **Current status of the Setting up Aid for Groups:**

Under Agenda 2000, it was decided to exclude aid schemes on producer groups and associations thereof from rural development support (see considerand 44 of Regulation 1257/99). Nevertheless, an analysis of the measure here is considered useful because it has been included in SAPARD (the pre-accession instrument for agriculture and rural development), and it will be a specific measure for the new Member States in the programming period 2004-2006.

### **2.8. Setting up Aid for Farm Relief Service**

It was possible to contribute to covering the management costs of agricultural associations which had as their objective the provision of farm relief services. The definition of the conditions for the approval of the relief services (legal form, provisions governing their management and accounting practices, type of replacement, minimum duration) was defined nationally.

### **Eligibility criteria:**

The relief service had to:

- be approved by the Member State;
- employ at least one full-time worker of qualified staff; and,
- continue for at least 10 years.

### **Form and rates of aid:**

The level of aid was fixed by the Member State to a ceiling of €18,000 per worker. It was paid by relief worker employed on a full time basis and was spread over the first five years of each worker's employment.

### **Current status of the Setting up Aid for Farm Relief Service:**

The Setting up Aid for Farm Relief Services is explicitly mentioned in Article 33 of Regulation 1257/99 as a measure for which support shall be granted under this Regulation.

## 2.9. Aid for Farm Management Services

Member States were able to grant aid to help cover the management costs of agricultural associations who created or set up services to assist farm management. The conditions for the approval of the management services (legal form, provisions governing their management and accounting practices, minimum duration, and minimum number of affiliated farmers) were defined at the Member State level.

### Eligibility criteria:

- the farm management service had to be approved by the Member State;
- at least one full-time worker of qualified staff had to be employed; and,
- the farm management service had to continue for at least 10 years.

### Form and rates of aid:

The level of aid was fixed by the Member States and was paid by management worker employed on a full time basis. Aid was spread over the first five years of each worker's employment to a maximum eligible total of €54,000 per member of staff.

### Current status of the Aid for Farm Management Services:

The Aid for Farm Management Services is explicitly mentioned in Article 33 of Regulation 1257/99 as a measure for which support shall be granted under this Regulation.

## 2.10. Vocational Training Scheme

The objective was to support vocational training projects related to measures under Regulation 950/97 and to adjust them to the requirements of modern agriculture. The following courses were supported:

- vocational training to farmers, family helpers and agricultural workers on qualitative improvement of production, production practices compatible with protection of the landscape and on management techniques for woodland;
- training courses for leaders and managers of producer groups and co-operatives, where this is necessary to improve the economic organisation of producers and the processing and marketing of agricultural products from the region concerned; and,
- courses of further training to help young farmers achieve the eligibility criteria for the YF Scheme in terms of vocational qualification (minimum length of 150 hours).

Aid was granted to beneficiaries of the other minor schemes and of the Farm Investment Measure, as well as to young farmers under 40 years of age. It consisted of aid for attendance of the training courses and for the organisation and provision of courses.

**Form and rates of aid:**

Measures under the Training Scheme were eligible for co-financing up to a maximum amount of €10,500 per person having completed a course of instruction or training. Of this amount, €4,000 had to be spent on further courses on reorientation of production, with regard to production practices compatible with landscape protection and management of woodlands.

**Current status of the Training Scheme:**

Article 9 of Regulation 1257/99 on support for rural development refers to the Training Scheme. It calls for training to be focused on quality production, protection of the landscape and the environment, hygiene standards and animal welfare, and the management of an economically viable farm. In terms of training for persons working in the forestry sector, training shall aim to improve the economic, ecological and social functions of forests.



### 3. Objectives and scope of evaluation

The primary objective of this research project is to provide a meta-evaluation of the implementation of Regulation 950/97 across the EU over the period 1994 to 1999. This synthesis of material is based on conceptual, operational and empirical analysis and places the evaluation within a socio-economic context. The meta-evaluation culminates in a judgement of the degree to which the programmes under Regulation 950/97 fulfilled their stated objectives. Finally, recommendations were sought on how the operation of the measures under the Regulation might be adapted in the future.

The specific objectives are to:

- provide an overview of the farm structural issues across the range of key natural and environmental situations in the rural areas of the EU (typologies);
- provide a description and quantification of the inputs and outputs of measures under Regulation 950/97 at the EU level;
- utilise national ex-post evaluation reports and data in order to synthesise the net effects and impacts of Regulation 950/97 taking into account Member State specific measures within a socio-economic context;
- assess the effectiveness of the programmes in terms of their relevance and net effect and impact; review any knock-on effects of the programmes and assess impact on the rural economy;
- provide a synthesised evaluation of the programmes and instruments employed in terms of their efficiency in fulfilling stated objectives; and,
- provide recommendations to help improve this type of measure within the framework of the Rural Development Programmes.



## 4. Evaluation methodology and constraints

### 4.1. Methodology

As is stated in the introduction of this document, the evaluation undertaken here is a meta-evaluation, i.e. an evaluation of a series of other evaluations<sup>13</sup>. This effectively means that we are not seeking to provide a summary/summation of the national evaluation reports or indeed a control of these reports but rather the meta-evaluation addresses the Regulation itself in its substance and analyses to what extent, why and how it might reach its objectives in their formal definition. The aim is therefore to consider the implementation and effects of the Regulation in the various Member States, what can be said about the objectives underlying the Regulation and the conditions of success in its design and implementation. Member States data are used in order to legitimate and illustrate the judgements. This framing entails some significant methodological and theoretical differences between the meta-evaluation and the national evaluations which we note below.

- The evaluated policy basically rests on the subsidiarity principle. In a European level evaluation, we consider it to be central to analyse the design, rules and principles of the Regulation itself rather than focus on the manner in which the Member States adopted it. In other words, the recommendations should not primarily address the Member State level but rather the EU level.
- In the national evaluations, the core of the evaluation is to address the impacts of the policy (which are the real variables to be explained). The meta-evaluation needs to address the policy itself. The impacts are, to an extent, explanatory variables (in the sense that they give weight to a judgement on the policy).
- What is being sought is an understanding of the diversity of situations and the nature of driving forces rather than a ranking of the MSs. Of course the meta-evaluation is to be based on national evidence and data but it should be noted that in this context some gaps and missing data are not a definitive drawback.

As a basis for our evaluation work, we took the evaluation questions as set out in Annex 3 of the Terms of Reference and as provided in the Community Guidelines to the Member States for national ex-post evaluations, Annex A.I (available at [http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm)). They are annexed to this report as Appendix 1. The first task of the evaluation was to organise these evaluation questions in a conceptual model consistent with the objective of the meta-evaluation. The general approach was to consider a causality chain between the design of the Regulation (in a subsidiarity perspective) and the outputs and effects. This was to address the internal coherence of the policy (consistency between the objectives, the means and the effects). In addition, it was necessary to address the external factors (driving forces)

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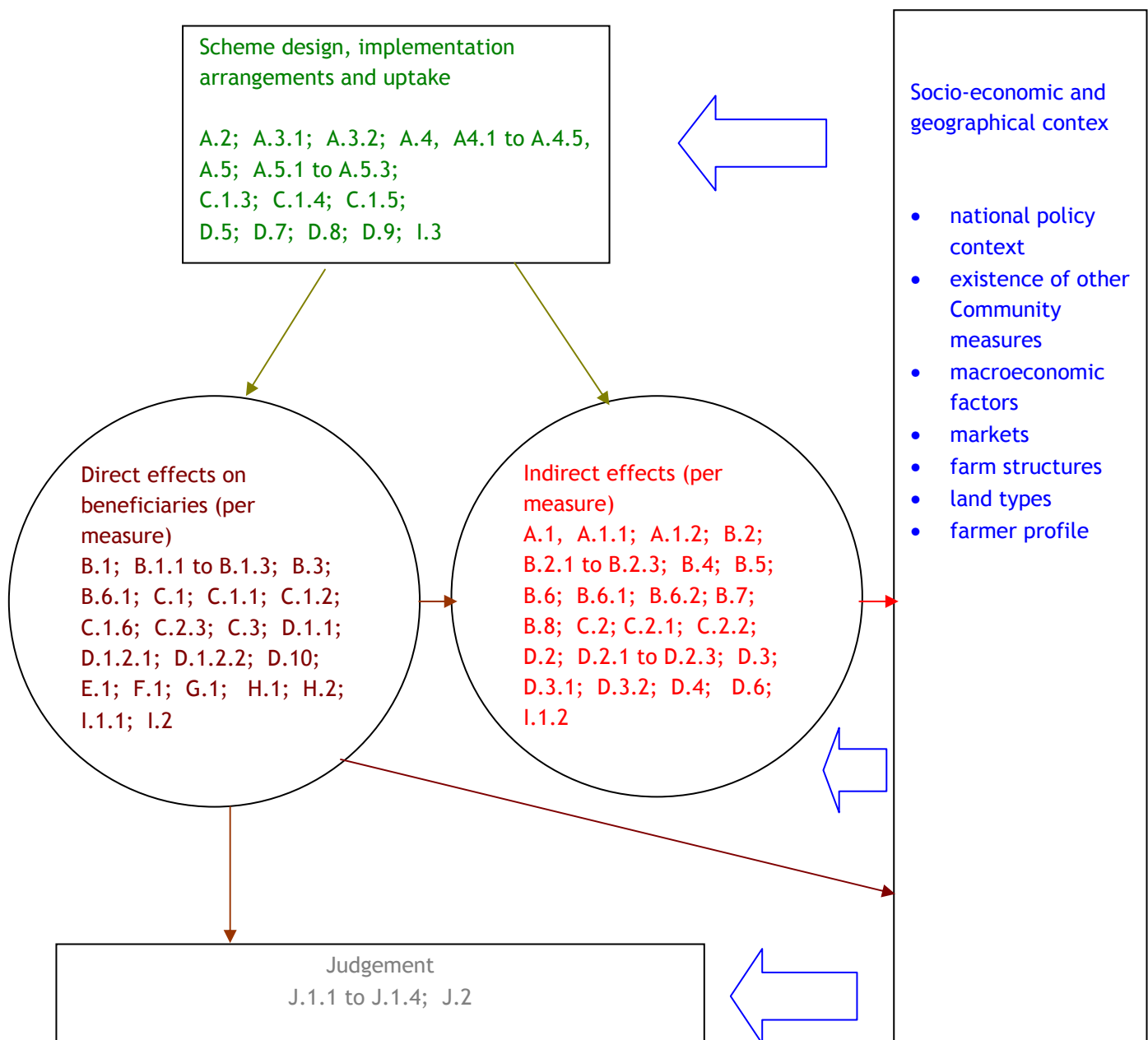
<sup>13</sup> See MEANS Collection, European Commission, Evaluating socio-economic programmes, volume 6, Luxembourg 1999.

influencing the policy. This led to a conceptual framework organising the evaluation questions and provided to the sub-contractors which is presented below.

### Conceptual framework of the ex-post evaluation on measures under Regulation 950/97

The numbers below represent the numbering of the evaluation questions, see Appendix 1 and Sections 6.2, 7.2, 8.2 and 10.1.2.

Methodology of reports; data quality; validity of conclusions; utility of recommendations



The conceptual framework we have used relies on a general theory which states that a successful policy is a policy that:

- relies on appropriate tools (by “tool”, we mean the technical components of the policy: plans, financial aids, zoning etc.);
- is implemented on a large scale and delivers a high level of uptake;
- is implemented in respect of appropriate and pertinent targets; and,
- achieves the expected effects in respect of national targets and achieves the expected effects at EU level.

This is the logical chain which underlies the Commission’s evaluation questions. It is based on a linear chain of causality: one “weak” step can therefore weaken the entire policy.

In the comparative approach we have adopted, we first tried to identify what are the strong and weak points for each country, and analysed these with explanatory variables. Such variables may be “internal” (meaning inside the policy scheme) or “external” (resulting from the context).

This meta-evaluation was carried out primarily through analysis of evaluations for each EU country carried out by our team of sub-contractors (SCs), consisting of experts from most Member States (see Table 4.1). The SCs’ evaluations were based on national ex-post evaluations conducted by the national authorities beforehand (where available) and complemented by a review of programming documents, statistical analysis and the carrying out of qualitative interviews with relevant stakeholders (for a detailed list of data sources and interview partners per Member State, please see Appendix 2).

The meta-evaluation was conducted in an iterative manner, by conducting the analysis and judgement in tandem with our team of sub-contractors. A key component of this process was the development of explanatory variables and a typology of regions through repeated exchanges of information and analysis between the sub-contractors and Agra CEAS Consulting. A core group of evaluation experts met during the lifetime of the project to discuss the evaluation process and the preliminary results and to give guidance to the team of sub-contractors in the different Member States.

**Table 4.1: Agra CEAS' team and sub-contractors carrying out the evaluations at national level**

Country	Sub-contractor
BE	Tom Pellens and Dafne Reymen, IDEA Consult, Brussels
DK	Anne-Mette Hjalager, Advance/1, Aarhus
DE	Dr Andreas Pölking, Agroplan, Wolfenbüttel
ELL	Lola Lyberopoulous, HYPODOMI Economists Consultants ltd., Athens
ES	Dr Ignacio Atance, Universidad de Valladolid, Palencia
FR	Dr Xavier Poux, AsCA (Applications des Sciences de l'Action), Paris
IRE	Conrad Caspari, Agra CEAS Consulting
IT	Prof Roberto Fanfani, Bologna
L	Doris Haug, Agra CEAS Consulting
NL	Dr F.A. van der Zee, ECORYS-NEI, Rotterdam
OST	Prof Dr Walter Schiebel, Institut für Agrarökonomie, Universität für Bodenkultur, Wien
PT	Pedro Serrano, Agro GES, Cascais
SUO	Kyösti Pietola, MTT Agrifood Research Finland, Helsinki
SVE	Larsolof Persson and Sara Ringö, Nordregio, Stockholm
UK	Dr Dylan Bradley and Dr Victoria Schoen, Agra CEAS Consulting

Our approach was as follows:

1. members of our team of SCs constructed evaluations of the implementation of Regulation 950/97 in each Member State based on the ex-post evaluations of the national authorities (where available) and other information;
2. socio-economic contextual data was reviewed and from this where relevant and applicable a typology was constructed following a brainstorming session with the evaluation team;
3. the information contained in the national reports was synthesised using a grid approach based on the evaluation questions to extract the relevant data from the sub-contractors' reports ;
4. a textual analysis of effects by programme within Regulation 950/97 was made at the EU level based on the synthesis above and using the devised typologies where relevant;
5. the judgement phase built on the textual analysis and the socio-economic context to establish the extent to which the measures met their stated objectives;
6. recommendations arising from the analysis were put forward; and,
7. the main findings of the meta-evaluation were discussed with all sub-contractors and the outcomes of these discussions were reflected in the report where necessary.

The evaluation process and the methodology of the national evaluations and of the meta-evaluation are discussed in detail in the sub-sections below.

#### 4.1.1. Evaluation process

The meta-ex-post-evaluation of measures under Regulation 950/97, commissioned to Agra CEAS Consulting Ltd. by the Directorate-General for Agriculture was carried out between 24<sup>th</sup> September, 2002 and 9<sup>th</sup> July 2003.

The evaluation period was divided into two stages:

1. Stage I (September to October 2002) consisted of a screening and a quality assessment of the national authorities' evaluation reports by the SCs, together with suggestions by the SCs as to how to fill data gaps. The SCs were guided by a workplan for Stage I provided by Agra CEAS Consulting (see Appendix 4). On 17<sup>th</sup> October 2002, the evaluation core group met, consisting of three Agra CEAS staff members (Mr Conrad Caspari, Dr. Alex Kasterine, Miss Doris Haug) and 3 external experts (Dr. Xavier Poux, ASCA, France; Professor Walter Schiebel, Institute for Agricultural Economics, Vienna; Professor Kyösti Pietola, MTT, Helsinki). The meeting discussed the structure of the final ex-post evaluation report and the approach to be taken to integrate the information from the SCs into a report at EU level and to structure the evaluation questions. The core group established the conceptual framework for the evaluation presented in Section 4.1 above.
2. In Stage II (November 2002 to June 2003), the SCs carried out the detailed national evaluations, in line with the guidance provided by Agra CEAS (see Appendix 5) and based on the national authorities' evaluation reports. These national evaluations were complemented by a review of programming documents, statistical analysis and the carrying out of qualitative interviews with relevant stakeholders (for a detailed list of data sources and interview partners per Member State, see Appendix 2).

After delivering an Interim Report to DG AGRI in January 2003, Agra CEAS met with DG AGRI's Steering Committee. Following the meeting, Agra CEAS sent a letter to the SCs (see Appendix 6), reiterating the approach to be taken to address a number of points DG AGRI had a particular interest in.

By the end of February 2003, all SCs had submitted their final country reports to Agra CEAS. In March 2003, the members of Agra CEAS evaluation team met with the external expert Dr Xavier Poux to further develop the methodology to synthesise the information contained in the SCs' reports into a single report at the EU level and to discuss key explanatory variables at the EU level. On the basis of the socio-economic context throughout the EU, the evaluation team constructed a typology of regions applicable to the Farm Investment Scheme.

Agra CEAS then synthesised the information obtained by the SCs using a grid-approach based on the evaluation questions and formulated main findings. These were discussed with the sub-contractors. Taking into consideration the sub-contractors' comments, Agra CEAS summarised the evaluation findings in the form of this draft final evaluation report.

Following another meeting with DG AGRI to discuss the draft final report, Agra CEAS delivered the final report to DG AGRI on 9<sup>th</sup> June 2003.

#### **4.1.2. National ex-post evaluation methodology**

##### **4.1.2.1. National ex-post evaluation reports carried out by the Member States independently of this meta-evaluation**

The SCs based their Member State evaluations on the so-called “national ex-post evaluations”, which were commissioned by Member States authorities (usually the Ministry responsible for agriculture). Most of these were completed between 1999 and 2001 and then sent to the Agriculture Directorate-General of the European Commission. DG AGRI provided us with all available national evaluation reports at the start of the project (see Appendix 2). The quality of the national evaluation reports varies considerably in terms of the extent to which evaluation questions are answered and the judgements are based on sound evidence.

However, not all Member States had produced ex-post evaluation reports at the start of this evaluation and some additional reports were obtained during the contract period. At the time of writing this report, no evaluation reports are available for the Netherlands and the UK, not even mid-term evaluations (with the exception of Northern Ireland, for which a mid-term report of the Single Programme for Agriculture and Rural Development exists).

##### *Objective 1 regions*

At the beginning of the evaluation process, only mid-term evaluation reports were available for regions classified as Objective 1, i.e. regions lagging behind in development (whole of Greece, Ireland and Portugal, as well as large parts of Spain, Italy, Germany and the UK). These date from 1996 or 1997, when the current Community Guidelines for ex-post evaluations did not exist. Thus the evaluation questions did not exist either. At the time, the mid-term evaluation reports were written, almost no monitoring procedures relevant to an evaluation were in place nor was data being collected on accompanying indicators, target levels etc. Data available related mainly to the financial and physical implementation of the Regulation, and no impact data was collected.

The mid-term evaluations cover the whole Community Support Framework for the respective Objective 1 area, or in some cases the Agricultural Operational Programme (OP). Therefore, these studies have broader objectives than just Regulation 950/97 and so did not consider many of the impacts on a measure-by-measure basis. Even when they did, it must be born in mind that generally, almost all of the support schemes under Regulation 950/97 were placed within a single measure and the impacts of the schemes were not studied individually. As a result, these reports were of only very limited utility for the present meta-evaluation. Greece was an exception because our sub-contractor managed to obtain the ex-post evaluation report of the Greek Sub-Programme 1 “Structural Adjustments” of the Agricultural Operational Programme in late 2002.



### *Objective 6 regions*

Within the EU, large parts of Finland and Sweden were classified as coming under Objective 6, i.e. covering "Development and structural adjustment of regions with an extremely low population density". In Finland, approximately 60% of the area is covered by Objective 6, in Sweden, approximately 50%.

In principle, the same remarks apply for Objective 6 regions as for Objective 1 regions. However, in the case of Sweden, the national ex-post evaluation reports for Regulation 950/97 also covers Swedish Objective 6 areas.

### *European Commission's evaluation guidelines*

DG AGRI has developed guidelines for the national authorities for carrying out the national ex-post evaluations in STAR document VI/7676/98/ (available at [http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm)). These guidelines contain a list of evaluation questions (see Appendix 1), which are structured as follows:

- core and additional questions on the three so-called main schemes (aid for investments in agricultural holdings, aid for the setting up of young farmers and compensatory payments in Less Favoured Areas),
- additional questions on the five minor schemes (aid for introduction of accounting practices, setting up aid for groups, setting up aid for farm relief services, farm management services, training scheme),
- general questions that relate to administrative and implementation issues and wider policy contexts ('A' set of questions) and
- common questions regarding the contribution across the schemes to the general objectives of Regulation 950/97 and to Objective 5a ('J' set of questions).

The Commission's guidelines also suggest a list of success criteria, indicators, target levels and information sources to be used for answering the core questions, however, not for the additional questions or the 'A' and 'J' set of questions.

Looking in more detail at how the national ex-post evaluations responded to the evaluation questions the following points emerge. According to the Community Guidelines for the national ex-post evaluation, the Member States were only obliged to answer the core evaluation questions for the three main schemes. Therefore, the additional questions for the three main schemes, the questions relating to the five minor schemes, the "general questions" ('A' set of questions) and the common questions relating to the general objectives of the Regulation and to Objective 5a ('J' set of questions) were answered to a

lesser extent in the national evaluation reports. Appendix 3 shows the extent to which each type of question has been answered in the different national reports.

Outside Objective 1 areas (i.e. not considering the whole territories of Ireland, Greece and Portugal, and not considering the Objective 1 regions in the other MS), and not considering the Netherlands and the UK (since no national evaluation reports are available and therefore none of the evaluation questions were answered),

- 75% of the *core questions* for the 3 main schemes (FI Scheme, YF Scheme, LFA Scheme) were fully answered. 15% of the questions were partially answered, and 10% not at all.
- 25% of the *additional questions* for the 3 main schemes were fully answered. 25% of the questions were partially answered, and 50% were not answered at all.
- 15% of the *general questions* (“A” set of questions) that relate to administrative and implementation issues and wider policy contexts were fully answered. 25% were partially answered, and 60% were not answered at all.
- the *common questions regarding the general objectives of the Regulation and Objective 5a* (‘J’ set of questions) were hardly addressed at all.

This analysis suggests that there is virtually no point in asking Member States questions to which the response is not compulsory as the likelihood of receiving an answer is very low. It also highlights the fact that most Member States were unable or unwilling to respond to the questions relating to the general objectives of the Regulation. In addition there was a lack of data due to the fact that the monitoring systems appear to have primarily been geared to tracking expenditure and progress on implementation rather than collecting data specifically for evaluation purposes. It was also noted that national and regional administrations found some of the evaluation questions too broad (notably those relating to the objectives of the Regulation as a whole), rigid (i.e. strict adherence to evaluation questions alone did not necessarily contribute to a clear understanding of the factors for success or failure), too numerous and complex.

It is therefore recommended to provide Member States with a more concise, clear and comprehensible list of evaluation questions from the start of the programming period. The ultimate objective of the evaluation in terms of providing clear evidence relating to the success or failure of the intervention (and the lessons to be drawn from this) needs to be highlighted so that answering the evaluation questions does not become an end in itself. More consideration should be given to the extent to which responses to evaluation questions should be compulsory or voluntary since voluntary questions appear to generate a limited response.

We note that the situation is different for the current programming period: In its guidelines of December 2000<sup>14</sup>, the Commission provides Member State authorities with a set of common evaluation questions including criteria and indicators for *all* questions for the rural development programming for the period 2000-2006. This considerably helps to clarify the meaning of the questions. For further explanation, an economic terminology and explanatory sheets (outlining for each evaluation questions the intervention logic, the evaluation criteria, and the programme indicators, recommending a target level and a baseline, giving context information and indicating information sources) are attached.

#### *Temporal scope of national evaluation reports*

The Community Guidelines for ex-post evaluation to the Member States limit the period to be evaluated to 01.01.1994 - 31.12.1998 (see page 6 of the guidelines). Therefore, the national ex-post evaluation reports only cover the period between 1994 and 1998. Agra CEAS asked its SCs examine in their interviews whether any change in the impact of the schemes can be reported for the last year of the implementation period.

#### **4.1.2.2. National ex-post evaluations conducted by the sub-contractors for this meta-evaluation**

The SCs were guided by the Commission's evaluation questions and our guidelines on addressing data gaps and on structure.

The first set of guidelines for Stage I briefed the SCs on how to conduct the quality assessment of the national reports and how to give suggestions to fill data gaps (see Appendix 4). Together with these guidelines, Agra CEAS sent a grid with all evaluation questions from the Terms of Reference<sup>15</sup>. Using this grid, the SCs indicated for each question, whether it was answered completely, partially or not at all in the national reports, and added their ideas on how to obtain in Stage II an answer to those questions not or insufficiently addressed.

The second set of guidelines for Stage II (see Appendix 5) focused on the following points:

- The structure of the final report;
- The importance of describing the socio-economic context of the programme;
- The importance of outlining the implementation arrangements of the different schemes and of describing the uptake;
- The need to develop explanatory variables in order to explain the uptake and the effectiveness of the measures across and within regions;

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<sup>14</sup> Document VI/12004/00 Final, available at [http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm).

<sup>15</sup> The evaluation questions in the Terms of Reference for the meta-evaluation of Regulation 950/97 at the EU level are the same as those contained in the 'Guidelines for the evaluation of measures under Regulation 950/97' for the national evaluations in STAR document VI/7676/98/, available at [http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm).

- How to address the Evaluation Questions and how to structure the answers in the final report;
- How to fill data gaps;
- The need to review the programme's impact in Objective 1 and 6 regions; and,
- The timetable for the evaluation exercise.

To draw up their evaluations at a Member State level, the SCs supplemented the national ex-post evaluations by discussions with implementing authorities and other relevant organisations such as farmers' unions and agricultural chambers as well as with academic and other experts, where this was necessary in order to address issues not adequately covered in the reports. Efforts were made to obtain a comprehensive and objective picture reflecting the opinion of all relevant stakeholders. In addition, programming documents, other relevant reports, national and regional statistics, etc. were analysed where available and to the extent the limited time available for this work allowed this to take place. Precise lists of data sources used and interview partners per MS are found in Appendix 2.

In the Netherlands and the UK, where no national evaluation reports were available, Agra CEAS' team focused on collecting data on the implementation and design of schemes. The evaluation questions were also addressed as far as this was possible given the absence of a full ex-post evaluation.

#### 4.1.3. Meta-evaluation methodology

Agra CEAS used a grid to synthesise the information contained in the SCs' reports. This grid which was structured by evaluation question and contained the answer to the respective question for each Member State. The answers provided were divided into the following four types of evidence with the strongest weighting being given to evidence of a quantified nature. This is based on the view that results verified by quantitative data must be considered as more reliable and valuable evidence than, for example, the view of a single administration official expressed many years after the programme has been completed:

1. **conceptual evidence:** assertion based on 'logic' constructed by evaluation partners in the Member States, e.g. investment in animal housing will improve animal welfare;
2. **quantitative evidence:** quantified measure of impact, e.g. measuring increases in farm income by comparing accounting data for a group of beneficiaries and a suitable control group;
3. **qualitative evidence:** surveys of a group of beneficiaries, taking into account the methodology used (robustness of sample, time period, type of survey); and,
4. **anecdotal evidence:** opinions of single administrative officials, experts or beneficiaries, provided through interviews carried out by our partners in the Member States, as well as semi-structured interviews as distinct from structured surveys.

An example of such a grid for a single evaluation question is found in Appendix 7.

On the basis of relevant socio-economic and farm structure data at national and regional level (see Section 5), the evaluation team of Agra CEAS and Dr Xavier Poux constructed a typology of the agricultural situation, which is presented in Section 5.3.

Analysing the synthesis evaluation grids for each evaluation question, the evaluation team identified the impacts of the different measures and of the programme as a whole at the EU level. In the judgement phase, these results were linked to the socio-economic context to establish the extent to which the measures met their stated objectives, and were combined with the devised typology of regions. Finally, recommendations resulting from the analysis were developed.

#### **4.2. Constraints**

An ex-post evaluation is defined in the MEANS collection as being an evaluation that recapitulates and judges an intervention when it is over. The aim is to account for the use of resources, consider the achievement of expected effects (effectiveness) and of unexpected effects (utility) and the efficiency of the intervention. An ex-post evaluation should explain the factors determining both success and failure and should consider the sustainability of results and impacts. It should also attempt to draw conclusions that can be generalised to other interventions.

In order for an ex-post evaluation to be effective time must have been allowed for impacts to materialise. This usually means a gap of two or three years following the implementation of the intervention. In order to analyse impacts, ex-post evaluations are likely to involve field surveys of one form or another and may need to take place over long periods of time.

The extent to which the ex-post evaluations carried out in relation to Regulation 950/97 meet the above criteria is varied. The evaluations only covered the period 1994 to 1998. Therefore, the stakeholders interviewed in this meta-evaluation were asked whether any change in the impact of the schemes could be reported for the last year of the implementation period. Ex-post evaluations were not undertaken in some Member States or were delivered to the researchers very late into the meta-evaluation thereby reducing their use. This meta-evaluation was therefore hampered to some extent by a lack of material on which it must be based and also by the differing qualities of the material that was available. It should also be pointed out that the methodologies employed in the national ex-post evaluations were not identical and used different indicators to discuss issues. This did not facilitate drawing the material together for the meta-evaluation.

As explained in Section 4.1.3, where national ex-post evaluations were not available, the gap was filled through interviews with implementing authorities, farmers' unions and other relevant organisations and reviews of statistics, programming documents, etc. Whilst this

was a useful exercise, there were two related constraints which hampered our investigation. The first was the unwillingness of a national administration to provide access to relevant officials which clearly reduced our ability to obtain the required information. The second was the elapsed time since the end of the Regulation 950/97 implementation period. Many officials who had been responsible for the implementation of Regulation 950/97 are no longer in post and where they were, their recollection of the scheme was not as complete as it would have been some years ago.

The extent to which the measures under Regulation 950/97 were implemented with a future evaluation in mind is not entirely clear. The monitoring systems which were in place appear to have primarily been used for financial control purposes rather than to start the measurement of specific impacts of the measures. It seems certain that the evaluation questions against which we are seeking to evaluate the Regulation are retrospective (i.e. came after the implementation of the Regulation) and are therefore unlikely to be easily addressed in terms of assessment of performance against available indicators.

It was expected *a priori* that a consistent database at the EU level would be available allowing comparison of the implementation of Regulation 950/97 by Member State in terms of the number of beneficiaries, money disbursed, etc. This was not in fact the case, partly due to the fact that the programmes had not been closed by July 2003. The difficulty in trying to obtain this essential information from individual Member States represented a constraint on the project.

The implementation of Regulation 950/97 within Objective 1 areas posed a problem for both the meta-evaluation and the national evaluations. Regulation 950/97 was subsumed within Objective 1 Operational Programmes and was a relatively small component of a large group of measures relating not only to agriculture and rural development, but also to industry, infrastructure, etc. As a result ex-post evaluations do not consider Regulation 950/97 measures outside this framework. Further, where Member State implementing authorities were contacted in the absence of national ex-post evaluations they could only comment to a limited extent on Regulation 950/97 within Objective 1 regions for the same reason.

Finally there are two issues which must be considered: causality and deadweight. These are common problems when carrying out evaluations and are by no means limited to this research.

- Ascribing **causality** for impacts to Regulation 950/97 is very difficult. This is partly due to the presence of significant confounding factors ranging from the existence of other policies (some of which were national predecessors to Regulation 950/97 and some of which were run in parallel) to external shocks, markets and general economic development and partly due to the type of evidence presented in the national ex-post

evaluations. In many cases comparisons were made between beneficiaries and the average national situation which demonstrated a better result for those participating in a Regulation 950/97 scheme (i.e. higher farm income, greater efficiency, etc.). However, a better result for beneficiaries does not necessarily mean that this was caused by a measure under Regulation 950/97. In some cases it was found that those successfully applying for funding under, for example, the Farm Investment Scheme, were those producers with larger farms and higher income in the first place (see Section 6.2). It is therefore not surprising to find that this group outperformed national averages. Caution is also required where evidence appears to suggest causality. Some beneficiary surveys demonstrate that a proportion of respondents believe a 950/97 measure has had a positive impact. Although the beneficiary is implying causality, this is not considered in all cases to constitute objective proof (a beneficiary may for example consider an environmental benefit to have been achieved but this might not in fact be the case when measured scientifically).

- **Deadweight** may occur in all three main schemes under Regulation 950/97. Where causality can be assigned to measures under Regulation 950/97, it should be considered that the impact may have resulted even without the scheme and whether the scheme is actually responsible for the impact is therefore a moot point.





## 5. Socio-economic context

This chapter presents the socio-economic context prevailing in the EU during the 1994 to 1999 programming period. Before providing some detailed background data, it should be noted that just before the start of the implementation period in 1992 the adoption of the MacSharry reforms marked a major shift in the management of the Common Agricultural Policy (CAP) by moving support in some major sectors away from market price support towards support of farm incomes via direct payments. This reform introduced substantial support price cuts and, combined with the adoption of the Uruguay Round Agreement on Agriculture (URAA), created a degree of uncertainty about the future direction of policy amongst farmers.

Later during the period of implementation the sector as a whole was further affected by external shocks related to food safety most notably that arising as a result of BSE in the mid 1990s. In terms of the sectors downstream from agriculture the late 1980s and early 1990s in particular were characterised by a rapid increase in concentration in the food and processing sector as companies sought to take advantage and survive in the increasingly competitive market brought about in part by the EU's Internal Market programme which had largely been completed in 1993. Further downstream farmers were also faced with increasing concentration at the retail level which continued throughout the period.

At the same time the 1990s were characterised by increasing consumer interest and concern about food safety, animal welfare, rural development and more generally the environmental impacts of agricultural policy. While the intensity and focus of these concerns varied from country to country, taken together with the factors indicated above, they meant that the agricultural sector was facing a series of new challenges which Regulation 950/97 to a greater or lesser extent was used to address.

### 5.1. General economic context

Table 5.1 presents growth in GDP. The key points to note are that whilst growth in the EU-15 was, with the exception of 1996, fairly constant, there was considerable variation between Member States. Ireland stands out for its generally high growth rate, whilst Italy's growth rate was generally low.

**Table 5.1: Growth rate of GDP at constant prices (1995=100), 1994-1999 (% change on previous year)**

	1994	1995	1996	1997	1998	1999
BE	3.2	2.4	1.2	3.6	2.0	3.2
DK	5.5	2.8	2.5	3.0	2.5	2.6
DE	2.3	1.7	0.8	1.4	2.0	2.0
ELL	2.0	2.1	2.4	3.6	3.4	3.6
ES	2.4	2.8	2.4	4.0	4.3	4.2
FR	2.1	1.7	1.1	1.9	3.4	3.2
IRE	5.8	9.9	8.1	10.9	8.8	11.1
IT	2.2	2.9	1.1	2.0	1.8	1.7
L	3.8	1.3	3.7	7.7	7.5	6.0
NL	2.6	3.0	3.0	3.8	4.3	4.0
OST	2.6	1.6	2.0	1.6	3.9	2.7
PT	1.0	4.3	3.5	4.0	4.6	3.8
SUO	4.0	4.1	3.9	6.4	4.9	3.4
SVE	4.2	4.0	1.3	2.4	3.6	4.6
UK	4.7	2.9	2.6	3.4	2.9	2.4
<b>EU-15</b>	<b>2.8</b>	<b>2.4</b>	<b>1.6</b>	<b>2.5</b>	<b>2.9</b>	<b>2.8</b>

Source: EUROSTAT.

Table 5.2 presents the unemployment rate between 1994 and 1999. Whilst unemployment in the EU-15 was generally around 10%, it is worth noting that in some Member States unemployment was considerably higher (e.g. Spain and Finland), and in some considerably lower (e.g. Luxembourg and Austria). Other Member States witnessed declining unemployment over the period, most notably Ireland.

Combining GDP growth (Table 5.1) and unemployment (Table 5.2) it is possible to indicate which countries were best placed to take advantage of the general economic conditions to facilitate restructuring in the agricultural sector. For example, in Ireland with high GDP growth and declining unemployment there are likely to have been good opportunities for agricultural workers in other sectors of the economy (although we recognise that this is a simplification since job opportunities may only be available to individuals with specialist skills). This is also likely to have been the case in countries such as Luxembourg and the Netherlands. In countries such as Germany and Italy, relatively poor GDP growth and high and/or rising unemployment are not likely to have created general economic conditions which would facilitate agricultural restructuring.

**Table 5.2: Total unemployment rate - unemployed persons as a share of the total active population, 1994-1999 (%)**

	1994	1995	1996	1997	1998	1999
BE	9.8	9.7	9.5	9.2	9.3	8.6
DK	7.7	6.7	6.3	5.2	4.9	4.8
DE	8.2	8.0	8.7	9.7	9.1	8.4
ELL	8.9	9.2	9.6	9.8	10.9	11.8
ES	19.8	18.8	18.1	17.0	15.2	12.8
FR	11.8	11.3	11.9	11.8	11.4	10.7
IRE	14.3	12.3	11.7	9.9	7.5	5.6
IT	11.0	11.5	11.5	11.6	11.7	11.3
L	3.2	2.9	2.9	2.7	2.7	2.4
NL	6.8	6.6	6.0	4.9	3.8	3.2
OST	3.8	3.9	4.4	4.4	4.5	3.9
PT	6.9	7.3	7.3	6.8	5.1	4.5
SUO	16.6	15.4	14.6	12.7	11.4	10.2
SVE	9.4	8.8	9.6	9.9	8.2	6.7
UK	9.3	8.5	8.0	6.9	6.2	5.9
<b>EU-15</b>	<b>10.5</b>	<b>10.1</b>	<b>10.2</b>	<b>10.0</b>	<b>9.4</b>	<b>8.7</b>

Source: EUROSTAT.

Table 5.3 presents short-term interest rates over the programming period. This is of particular relevance to the Farm Investment and Young Farmers Schemes as interest rate subsidies may be less attractive to farmers when they come with conditions in periods of generally low interest rates.

As Table 5.3 shows, interest rates in the EU-15 were fairly low and decreased over the period as Member States made preparations for Economic and Monetary Union. There were, however, exceptions to the generally low rates, most strikingly in the case of Greece. France and the Netherlands experienced lower interest rates than the EU-15 average and this is likely to have made interest rate subsidies in these countries particularly unattractive. It should be borne in mind that it is not only interest rates which impact on farmer borrowing, but also the availability of credit to what are often small businesses with limited collateral with which to secure the loan.

**Table 5.3: Short-term interest rates: day-to-day money rates, 1994-1999 (%)**

	1994	1995	1996	1997	1998	1999 (1)
BE	5.5	4.6	3.2	3.4	3.5	:
DK	5.8	6.0	3.9	3.5	4.1	3.1
DE	5.4	4.5	3.3	3.2	3.4	:
ELL	23.7	15.8	13.3	12.9	12.6	10.4
ES	7.8	9.0	7.7	5.5	4.3	:
FR	5.7	6.4	3.7	3.2	3.3	:
IRE	5.3	5.6	5.2	6.1	5.8	:
IT	8.2	10.1	9.1	7.0	5.2	:
L	:	:	:	:	:	:
NL	5.1	4.2	2.9	3.1	3.2	:
OST	5.0	4.4	3.2	3.3	3.3	:
PT	10.9	8.9	7.4	5.8	4.3	:
SUO	4.4	5.3	3.6	2.9	3.2	:
SVE	7.4	8.5	6.3	4.2	4.2	3.1
UK	5.0	6.3	5.9	6.5	7.2	5.3
<b>EU-15</b>	<b>6.3</b>	<b>6.5</b>	<b>5.1</b>	<b>4.7</b>	<b>4.5</b>	<b>3.3</b>

(1) Due to the adoption of the Euro in 11 Member States in 1999 (Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland), the interest rate was the same for all countries participating in the single currency in 1999 (fixed by the European Central Bank).

Source: EUROSTAT.

## 5.2. Agricultural context

Table 5.4 shows Utilised Agricultural Area (UAA), the number of holdings and, based on this, the average size of holdings between 1995 and 2000 (no consistent data is available for the years 1994 and 1999). Key points to note are that consolidation appears to have taken place with the average size of holdings increasing over the period as both UAA and total number of holdings declined (the latter more than the former). There were exceptions to this in some countries with UAA increasing in Belgium, Greece, Spain, Ireland, Italy and Luxembourg and the number of holdings increasing in Greece and Spain. However, the average size of holdings only declined in Greece and the UK.

**Table 5.4: Utilised Agricultural Area (UAA), number of holdings and UAA/holding, 1995 and 2000**

	UAA (‘000 ha)		Number of holdings (‘000 holdings)		UAA/holding (ha)	
	1995	2000	1995	2000	1995	2000
BE	1,366	1,396	71	62	18.8	22.6
DK	2,715	2,666	69	58	39.6	45.7
DE	17,344	17,067	567	472	30.3	36.3
ELL	3,465	3,901	774	814	4.5	4.4
ES	25,092	25,425	1,278	1,287	19.7	20.3
FR	30,277	29,865	735	664	38.5	42.0
IRE	4,325	4,418 (2)	153	142	28.2	31.4
IT	14,685	15,401 (2)	2,482	2,152	5.9	6.1
L	127	135	3	3	39.9	45.4
NL	1,981	1,976	113	102	17.7	20.0
OST	3,449	3,399	222	200	15.4	17.0
PT	3,981	3,881	451	416	8.7	9.3
SUO	2,605 (1)	2,211	101	81	21.7	27.3
SVE	3,438 (1)	2,980	89	81	34.4	37.7
UK	15,852	15,722	235	233	70.1	67.7
<b>EU-15</b>	<b>130,702</b>	<b>130,443</b>	<b>7,341</b>	<b>6,766</b>	<b>17.5</b>	<b>18.7</b>

(1) 1994

(2) 1999

Source: EUROSTAT and European Commission (Directorate-General for Agriculture).

Gross value added in agriculture is presented in Table 5.5 for the programming period. The key point to note is that France, Italy, Spain and Denmark make the largest contributions to total EU value added. Gross value added fluctuated from year to year, but increased most significantly over the period in Spain, France and Italy. In contrast, gross value added declined in Austria, Finland, Belgium and Sweden.

Table 5.5: Gross value-added at market prices in agriculture, 1994-1999

	At market prices (million EUR)						Index (1990=100)				Index at basic prices (1995=100)			
	1994	1995	1996	1997	1998	1999 <sup>1</sup>	1994	1995	1996	1997	1996	1997	1998	1999
BE	2,971	2607	2,361	2,341	2,145	2,697	113.8	120.5	117.5	115.9	94.4	103.1	108.9	115.9
DK	3,099	3,386	3,330	3,306	2,719	3,143	103.6	98.9	101.1	103.2	100.4	100.2	104.5	102.6
DE	14,098	14,380	14,816	14,985	14,712	17,062	105.8	103.8	111.8	111.3	105.8	105.8	108.9	113.2
ELL	6,436	6,200	6,468	6,256	6,209	8,405	117.7	123.7	116.6	119.4	96.7	98.1	101.3	105.7
ES	11,608	12,768	16,083	15,443	15,063	21,947	92.5	84.2	105.4	102.5	140.6	147.9	165.0	152.1
FR	22,596	23,350	23,627	23,365	23,188	31,338	97.0	101.6	108.1	107.8	105.6	107.1	109.4	113.7
IRE	2,339	2,354	2,257	2,228	2,038	2,496	90.4	92.6	96.4	99.6	:	106.6	107.2	101.7
IT	23,228	22,472	25,872	25,216	25,915	28,881	108.6	110.4	112.8	112.1	101.7	102.9	104.6	111.3
L	104	113	100	95	98	122	98.4	100.7	104.0	96.7	109.1	:	138.8	143.9
NL	8,938	8,821	8,641	8,242	8,452	8,459	112.5	109.1	108.1	100.8	98.0	92.7	101.2	107.7
OST	3,462	1,876	1,802	1,703	1,725	2,304	:	91.9	90.4	93.7	:	101.2	107.4	116.2
PT	1,522	1,697	2,697	2,157	1,838	3,396	110.9	89.1	97.9	92.9	:	94.8	97.2	118.5
SUO	1,393	1,059	761	754	628	1,103	97.5	83.1	82.8	90.8	105.2	112.6	95.3	99.5
SVE	1,574	709	1,050	879	846	1,443	84.3	85.6	88.9	96.3	106.8	116.2	111.3	110.2
UK	7,915	8,598	7,622	7,518	6,080	10,898	99.8	94.5	97.4	100.9	99.5	99.1	103.1	106.7
<b>EU-15</b>	<b>111,474</b>	<b>110,390</b>	<b>117,485</b>	<b>114,487</b>	<b>111,655</b>	<b>143,695</b>	<b>105.2<sup>2</sup></b>	<b>101.6</b>	<b>107.2</b>	<b>106.8</b>	<b>:</b>	<b>:</b>	<b>113.9</b>	<b>116.4</b>

Notes:

<sup>1</sup> At basic prices<sup>2</sup> EU-12

Source: EUROSTAT.

Table 5.6 and Figure 5.1 show the share of persons employed in the agriculture, forestry and fisheries sector as a proportion of the total number of employed persons in 1997. For each Member State, the 5 regions with the highest share of people employed in these sectors are shown. The information is presented at the NUTS level 2<sup>16</sup> (in Denmark and Luxembourg, the Member State level corresponds to both NUTS 1 and NUTS 2), with the exception of Ireland, where data on employment per sector is only available at NUTS level 1 (i.e. the national level).

Figure 5.1 shows that in 9 Member States, even in the regions with the highest share of employment in the sectors of agriculture, forestry and fisheries, on average only some 10% of employment is related to these sectors. The figures related directly to agriculture alone are lower, since Table 5.6 and Figure 5.1 present the share of employment in agriculture as well as forestry and fisheries which may have greater weight in some regions. Thus, for example, on the Finnish island of Åland, the proportion of 20% of employment indicated probably primarily relates to fisheries. It should also be noted that by 2001 the comparable figures for the share of 'agricultural' employment were generally even lower.

Greece is the obvious exception, with the five most rural regions in terms of employment in agriculture showing a proportion of close to 40% of persons working in agriculture, forestry and fisheries.

Due to the limited weight of farmers in rural communities (in terms of employment), it follows that objectives such as "maintaining a viable agricultural community and thus helping develop the social fabric of rural areas" (Article 1c Regulation 950/97) may only be partially achieved through a (rural development) policy measure only targeting the farming population. While we fully recognise that looking at employment alone is insufficient since the agricultural enterprise may support a range of other activities, by giving aid exclusively to farmers Regulation 950/97 only directly reaches a relatively small proportion of the economic actors in rural areas. This does not mean that the Regulation does not make sense, but that objectives relating to the rural community as a whole are less likely to be achieved.

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<sup>16</sup> The nomenclature of territorial units for statistics (NUTS) subdivides the 15 countries of the European Union into 78 NUTS level 1 territorial units, 210 NUTS level 2 territorial units and 1093 NUTS level 3 territorial units. The NUTS level 2 territorial units comprise the autonomous regions in Spain, French regions and overseas departments (DOM), the Belgian and Dutch provinces, the Italian regions, the Austrian Länder, the German 'Regierungsbezirke' (primary administrative sub-division of a Land) etc.

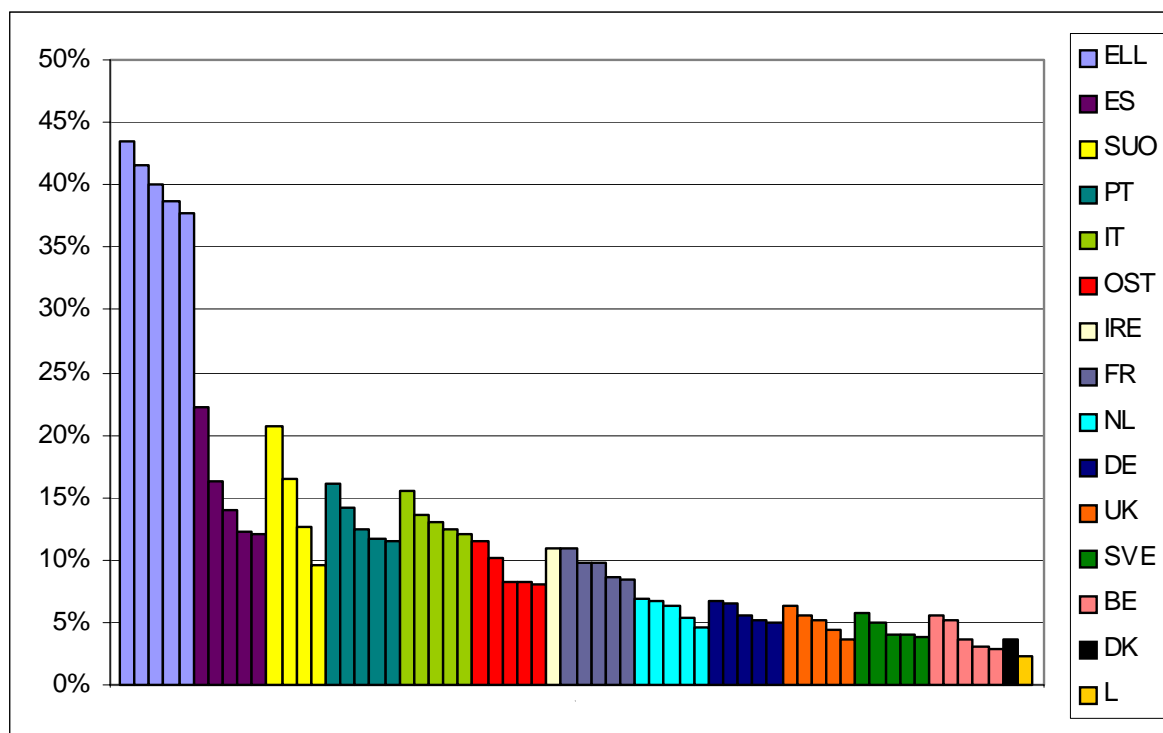
**Table 5.6: EU Regions with the highest share of persons employed in the sectors of agriculture, forestry and fisheries (1997)**

Member State	Region (NUTS 2)	Share of people employed in the sectors of agriculture, forestry and fisheries
ELL	Peloponnisos	43.4%
	Dytiki Ellada	41.5%
	Anatoliki	40.0%
	Makedonia, Thraki	
	Thessalia	38.6%
ES	Kriti	37.8%
	Galicia	22.2%
	Extremadura	16.3%
	Castilla y León	14.0%
	Andalucia	12.4%
SUO	Castilla-la Mancha	12.1%
	Åland	20.7%
	Väli-Suomi	16.5%
PT	Itä-Suomi	12.6%
	Pohjois-Suomi	9.6%
	Açores (PT)	16.0%
	Alentejo	14.2%
	Madeira (PT)	12.5%
IT	Algarve	11.8%
	Norte	11.6%
	Molise	15.5%
	Basilicata	13.7%
	Calabria	13.1%
OST	Sardegna	12.5%
	Sicilia	12.0%
	Niederoesterreich	11.5%
	Steiermark	10.1%
	Oberoesterreich	8.2%
	Burgenland	8.2%
	Kärnten	8.0%

IRE	Ireland	10.9%
FR	Poitou-Charentes	10.9%
	Auvergne	9.8%
	Limousin	9.8%
	Bretagne	8.7%
	Midi-Pyrénées	8.4%
NL	Zeeland	6.9%
	Flevoland	6.7%
	Drenthe	6.2%
	Friesland	5.3%
	Gelderland	4.7%
DE	Niederbayern	6.8%
	Mecklenburg-Vorpommern	6.5%
UK	Weser-Ems	5.6%
	Brandenburg	5.3%
	Lüneburg	5.0%
	Cumbria	6.3%
	Lincolnshire	5.6%
SVE	Northern Ireland	5.2%
	North Yorkshire	4.5%
	East Anglia	3.5%
BE	Småland med öarna	5.7%
	Mellersta Norrland	4.9%
	Östra Mellansverige	4.0%
	Sydsverige	4.0%
	Norra Mellansverige	3.9%
DK	Luxembourg (B)	5.6%
	West-Vlaanderen	5.1%
	Namur	3.6%
	Limburg (B)	3.0%
L	Oost-Vlaanderen	2.8%
	Denmark	3.7%
	Luxembourg	2.4%

Source: Eurostat.





**Figure 5.1: EU regions with the highest share of persons employed in the sectors of agriculture, forestry and fisheries (1997)**

Source: Eurostat.

### 5.3. Typology of the agricultural situation

In order to provide a structuring device for the analysis Agra CEAS has sought to develop a representative and useful typology of agricultural and rural situations in the EU, based on structural indicators (physical and economic farm size and type of production).

In order to develop such a typology the question arises as to whether this should be established at a regional or national level. In certain Member States, especially in large and geographically diverse countries such as Germany and France, there is a wide variety of agricultural situations, and therefore a priori it seems more appropriate to develop a typology at regional level. This is presented below.

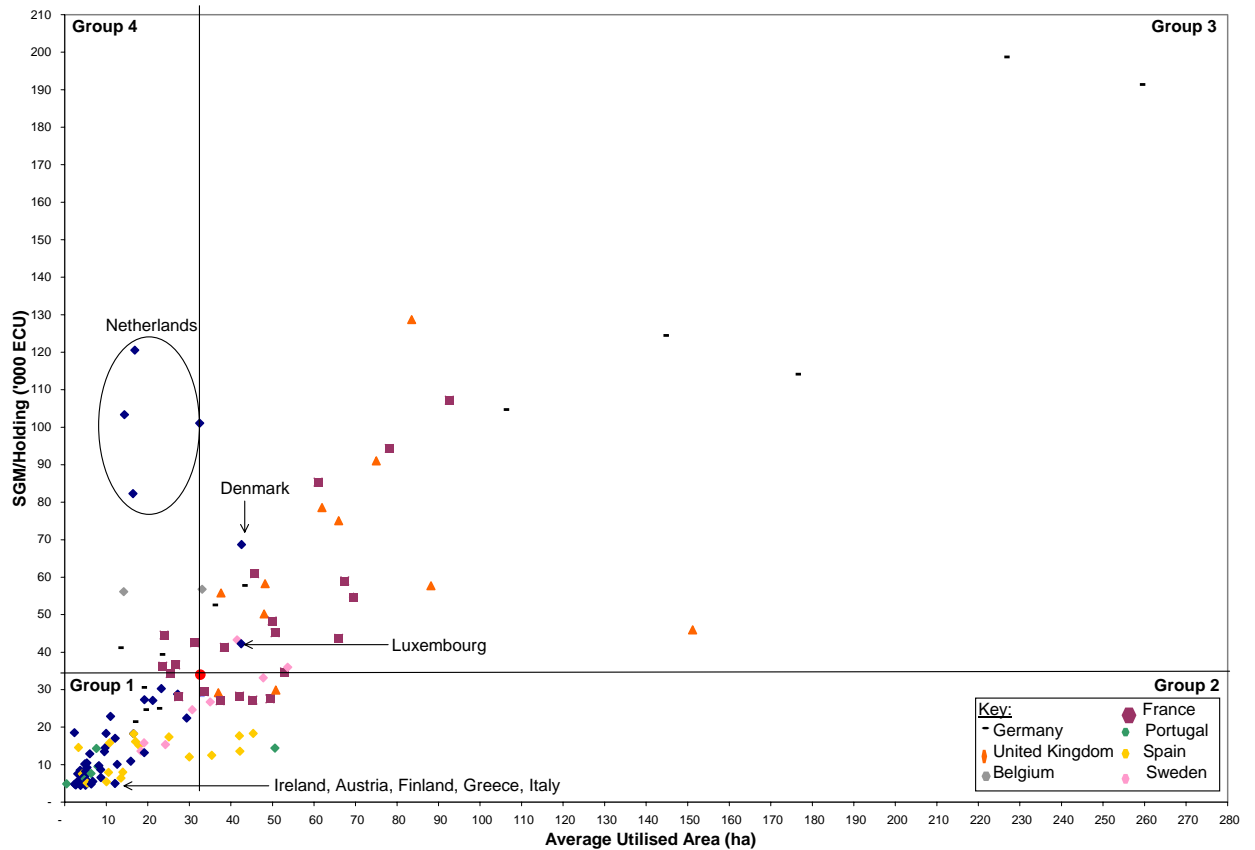
In this context, however, it should be noted that in the first instance during the period under review EU agricultural and rural development policy was generally implemented nationally in most Member States (with some exceptions including Germany, Italy, Spain and Belgium, where responsibility lies with the regions). In addition, in order to use such a typology for the analysis and judgment of the impacts of the schemes and their efficiency and effectiveness, it is necessary that data and information used in the evaluation is available at the same geographical level as the typology. However, this meta-evaluation is mainly based on national evaluation reports, and information at regional level was not available in a

systematic way. (It could indeed be worth considering whether it might be useful to collect monitoring data also at the regional level and to produce evaluation reports for the main rural regions in order to enable a more regionally differentiated analysis.) This means many comments must ultimately be framed with reference to Member States rather than specific regions within them.

Figure 5.2 shows the distribution of regions (at NUTS level 1 and 2) within the EU according to the average size of the farm in hectares and the average economic productivity, measured by the standard gross margin (SGM). Data are drawn from the 1997 Farm Structures Survey.

The EU-15 average Standard Gross Margin (in ECU) and EU-15 average farm size (Utilised Agricultural Area in hectares) is situated at the intersection of the horizontal and vertical lines. Those regions to the left and below the EU average, i.e. with smaller SGMs and UAAs than the EU average are characterised as Type I regions. Those with above average UAAs, but below average SGMs are Type II, those with higher than average SGMs and UAA are Type III and those with higher than average SGMs but smaller than average UAA are Type IV.

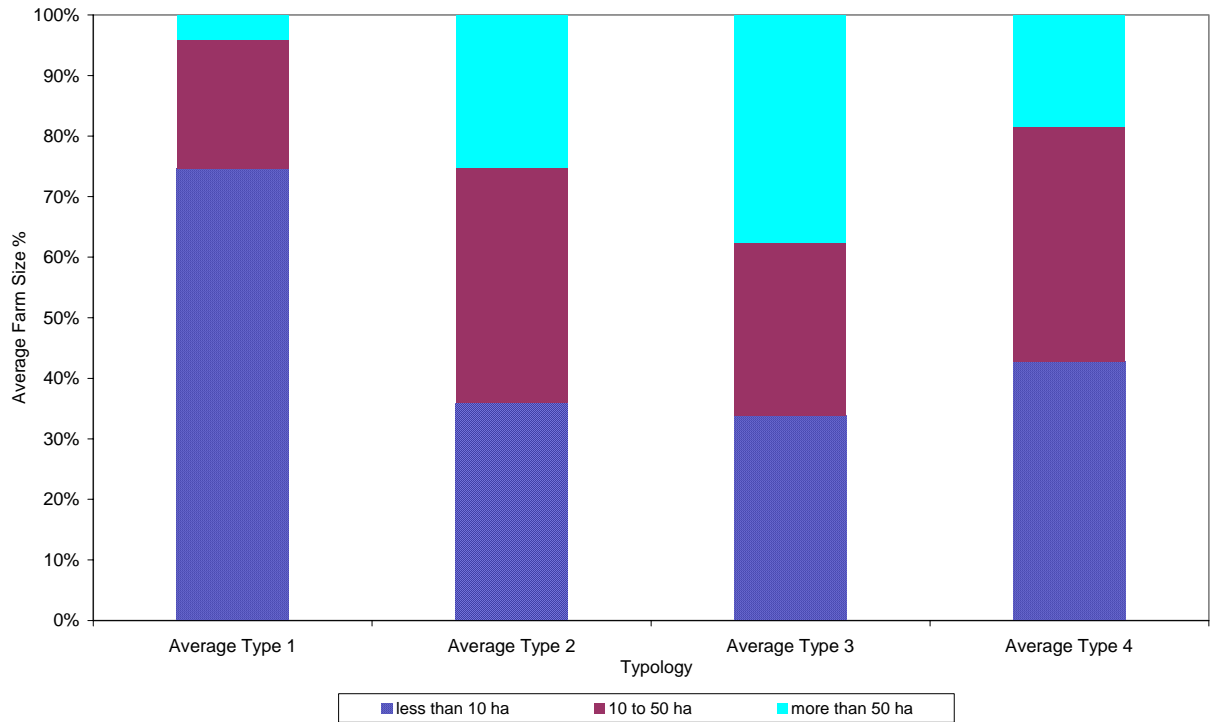
Whilst all regions within some Member States fall exclusively into one category (for example, Ireland, Austria, Finland, Greece, Italy, the Netherlands, Denmark and Luxembourg), other Member States have regions which are come under different categories (this is especially notable for Germany and France where regions fall into Type I, II and III categories).



**Figure 5.2: Typology by economic and physical size**

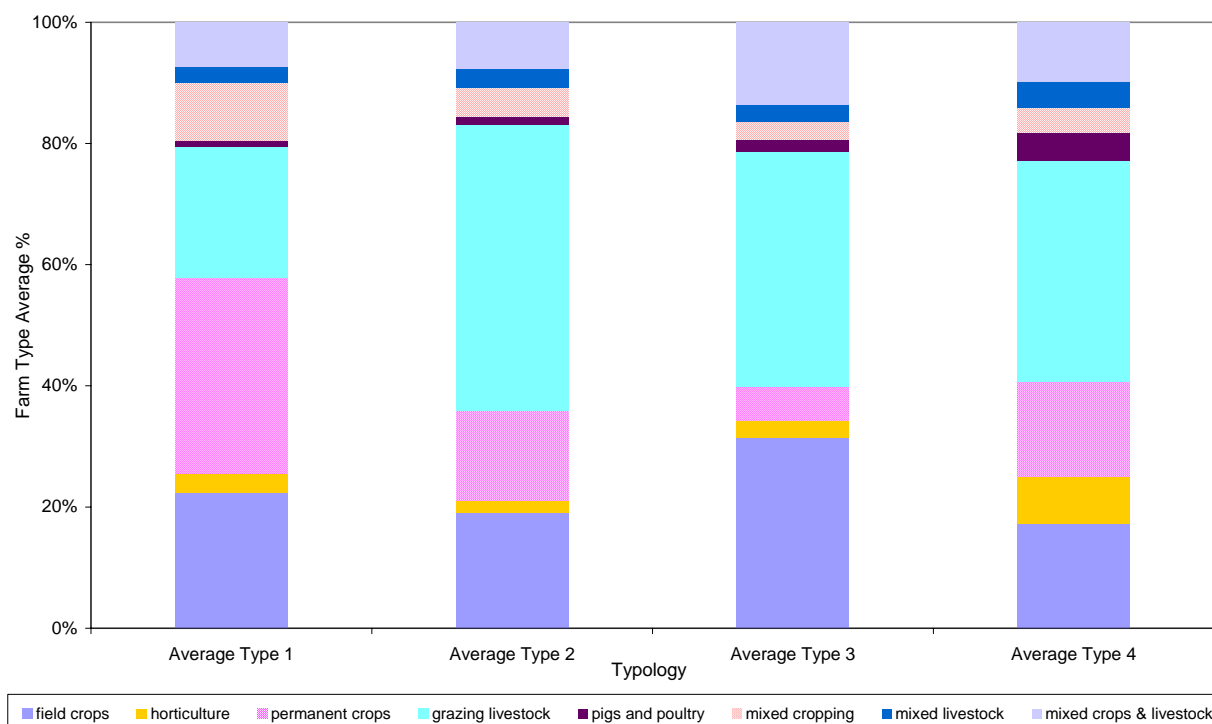
Source: EUROSTAT (1997 Farm Structure Survey).

Figure 5.3 presents regions within the EU by farm size for these four groups and Figure 5.4 considers regional farm types by the same groups. Combining this analysis with the correlation between economic and physical size it is possible to propose four basic typologies.



**Figure 5.3: Average size structures by typology groups**

Source: EUROSTAT (1997 Farm Structure Survey).



**Figure 5.4: Average proportion of farming types by typology**

Source: EUROSTAT (1997 Farm Structure Survey).

### Type I regions:

In such regions both Utilised Agricultural Area (UAA) and Standard Gross Margin (SGM) are lower than the EU-15 average (Figure 5.2). Correlated to this is a low percentage of large farms (Figure 5.3). The farm type analysis shows a large share of permanent crops and mixed cropping and a relatively low percentage of livestock farms (Figure 5.4). Farm investment in many regions in this category, which will tend to be LFA and Objective 1, will largely be focused on improvements to farm structures (i.e. farm enlargement and amalgamation) and a likely economic intensification. The high percentage of older farmers in some regions in this grouping is likely to lead to significant restructuring. It should be stressed that there is a difference between intensified areas in these countries (e.g. coastal areas and irrigated plains) and mountainous, dry or remote areas with extensive farming in a range of difficult environments. Such regions would predominantly be found in the Mediterranean Member States and Portugal.

**Type II  
regions:**

This grouping consists of farms with a relatively low SGM, but a higher than average UAA (Figure 5.2). Many regions within this category are in areas with relatively low agricultural productivity in the context of the EU. Farms are predominantly medium to small in size, although with enough large farms to boost the average (Figure 5.3). Grazing livestock is a particularly important sector (Figure 5.4). The share of LFA is significant. Structural development will probably not focus on intensification in the majority of cases, but probably more on improving structures with regard to a relatively low proportion of added-value products. Restructuring will probably happen because of an ageing farming population. Such regions would predominantly be found in Sweden, Ireland, Austria and Finland.

**Type III  
regions:**

These regions have relatively large farms with relatively high SGMs in areas having highly productive agricultural systems (Figure 5.2). This type represents regions within some of the major agricultural countries of Northern Europe including the eastern regions of Germany eastern England and northern France. The farms are productive as a result of their intensity and large size. Most production is CAP supported (Figure 5.4).

**Type IV  
regions:**

These are characterised by having intensified farms in areas with highly productive agricultural systems. Although the average size of farms is small (approximately 20 hectares), economic productivity is high and related to the important share of non-CAP supported horticulture pigs and poultry (Figure 5.2 and Figure 5.4). Qualitative and environmental issues are central in this group. Typically such farms would be found in the Netherlands and Belgium.

## 6. Farm Investment Scheme

### 6.1. Design and implementation

#### 6.1.1. Scheme design

##### 6.1.1.1. Focus

In broad terms there are two types of scheme focus. It is important to point out that the labels used are not intended to imply a pejorative judgement on the validity of the approach:

- **'Traditional' focus** where the intention of the investments is essentially to speed up the existing investment processes. This tends to concentrate on structural reform and increased economic intensity through mechanisation and irrigation. This focus was generally in evidence for Member States with a predominance of Type I regions with, for example, Greece supporting investments into mechanical equipment, irrigation facilities and greenhouses and almost half of investments in Portugal being in machinery. There was greater variety in Spain and Italy with regional differences, however, they generally conformed to this pattern. Some Member States with a predominance of Type III regions followed a 'traditional' approach, including Germany and France.
- **'Innovative' focus** where investments were not geared towards structural consolidation, but concentrated on 'newer' issues such as the environment and animal welfare, perhaps arising in some cases from problems caused by previously successful economic intensification. To this can be added diversification and improvements in product quality. In essence this type of investment constitutes a divergence from the 'traditional' investment path. With the exception of Austria, Member States which predominantly have Type II regions sought direct animal welfare improvements (Sweden), whilst others focused on livestock facility investments with possible positive indirect environmental/animal welfare effects (Finland) and after 1995 Ireland used the measure to focus specifically on one sector which it was considered needed improving (horticulture). In the UK, grants were made available for a range of investments of benefit to conservation and the environment. The Netherlands (with a predominance of Type IV regions) also took an 'innovative' approach.

The history of the scheme in Member States is important in this context. Where Member States had run national policies prior to Regulation 950/97 there was a tendency to favour a 'traditional' approach, effectively a continuation of previous structural policy (for example, countries with a predominance of Type I regions such as Greece and Spain).

Some Member States with a predominance of Type II regions continued or adjusted existing national schemes. Some of these Member States took a 'traditional' approach (for example, Austria) whilst some (for example, Sweden and Ireland) had a more 'innovative' approach to scheme focus reflecting more closely their own national priorities.

#### 6.1.1.2. Targeting

The fact that Member States were free to add their own selection criteria allowed the scheme to be targeted according to national priorities if this is what Member States wished to do. As a general rule, the so-called 'traditional' investment approach tended to be less targeted through additional national eligibility criteria.

This was generally the case for Member States with a predominance of Type I regions, although Spain, which could be considered to fall into this category, did introduce a set of project selection criteria in 1998 which would have facilitated a degree of targeting and Portugal required beneficiaries to remain in agriculture for a five year period suggesting that a longer-term impact on the sector was sought.

The Member States with a predominance of Type II regions that acceded to the EU in 1995 added their own national eligibility criteria to address their own particular issues and therefore tightened the targeting of the scheme. Austria added a level of spouse income above which investment aid would not be granted in recognition of the importance of household rather than just farmer non-agricultural income and stipulated that beneficiaries must be covered under farmer insurance. Finland specified that the applicant must live on or in the immediate vicinity of the farm to reduce the likelihood of absentee forestry owners receiving assistance. Sweden only granted aid for fixed equipment, i.e. livestock buildings and not machinery, to ensure that the 'innovative' focus on animal welfare was more likely to occur. In contrast, Ireland and Germany did not add additional eligibility criteria.

As with Member States with a predominance of Type II regions, some Member States with a predominance of Type III regions added additional eligibility criteria. Denmark only permitted assistance for investment in livestock facilities<sup>17</sup> to match the focus of the scheme whilst France insisted that income per labour unit had to be below the regional average and that farm income could not exceed 120% of the regional average after implementation of the Material Improvement Plan, thus ensuring that the assistance was targeted towards the more inefficient farmers.

Member States with a predominance of Type IV regions had additional eligibility criteria with Belgium introducing a minimum level of investment and requiring greater occupational skills and more stringent accounting practices, thus targeting support towards more significant projects carried out by the most competent

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<sup>17</sup> On reopening of the scheme in 1999.



farmers. The Netherlands facilitated greater targeting through a competitive tendering process.

With some exceptions (e.g. Austria) those Member States with a 'traditional' focus tended to have less targeting on particular sectors as they sought to generally improve economic intensity across the whole sector. In keeping with the demands of a more 'innovative' focus, these Member States tended to also introduce additional targeting. It does not necessarily follow that additional targeting leads to greater effectiveness as effectiveness is heavily influenced by other aspects of implementation. However, greater targeting through the use of additional national criteria establishes a framework within which it is at least possible to achieve a high degree of effectiveness in terms of meeting tightly defined objectives.

It is also possible to categorise Member States according to whether any targeting was structural or thematic (e.g. improving animal welfare, focusing on one sector). As might be expected, a 'traditional' focus tended to target structural improvements, if the scheme was targeted at all, whilst an 'innovative' focus was usually targeted thematically (whether directly, e.g. Ireland or more indirectly, e.g. Sweden).

#### **6.1.1.3. Administrative arrangements**

Based on the focus and targeting of the schemes it follows that traditional administrative arrangements, whilst adequate for 'traditional' and less targeted schemes, probably will not have facilitated 'innovative' and more targeted approaches.

Whilst the scheme was, in most cases, operated through the national agricultural department of central government, a regional approach was taken in France, Italy, Spain and Germany (through the Länder), and, to a certain extent, in Sweden. As pointed out by implementation officials in some of the latter countries, this improved the information flow to potential beneficiaries. Additional organisations were involved in several Member States (for example, the Netherlands, Finland and to some extent France) and this is also likely to have facilitated a greater degree of targeting.

As might be expected from the above, centralised administrative arrangements (with some limited regional input) were common amongst countries having predominantly Type I regions, with an administrative structure likely to facilitate a greater degree of targeting and more likely to support an 'innovative' focus found in some Member States with a predominance of Type II, III and IV regions.

#### **6.1.1.4. Amount and form of aid**

Table 6.1 presents the EU contribution to investments made under the Farm Investment Scheme for the years 1994 to 1996. No data is available for the last three years of the implementation period at the time of writing this report. The

largest contributions were made in Germany and France with the smallest in the UK, the Netherlands and Luxembourg.

**Table 6.1: EU contribution to Farm Investment Scheme 1994-1996 (€million)**

	EU expenditure in 1994 (€million)	EU expenditure in 1995 (€million)	EU expenditure in 1996 (€million)
BE	26.1	34.7	45.9
DK	33.4	31.9	n.a.
DE	141.6	278.7	283.4
ELL	35.4	34.9	40.1
ES	120.7	140.2	89.9
FR	167.3	227.8	232.7
IRE	28.5	2.6	2.1
IT	33.0	95.2	n.a.
L	n.a.	4.8	9.6
NL	6.2	1.4	1.2
OST	-	n.a.	28.7
PT	27.7	39.2	28.2
SUO	-	n.a.	n.a.
SVE	-	not impl. <sup>4</sup>	n.a.
UK	6.7	15.6	1.0

Source: The Agricultural Situation in the European Union 1996, 1997 and 1998 Report.

Four main forms of aid were used across the EU:

- capital grants;
- interest rate subsidies;
- deferred repayments; and,
- loan guarantees.

There was great variety in the form of aid used and no particular patterns are in evidence other than that the most common form of aid was capital grant in terms of available options across Member States. This may be in part a reflection on interest rates at the time which were generally fairly low as the EU prepared for monetary union. A subsidised interest rate in the context of already low interest rates would not be particularly attractive and may have resulted in a relatively low scheme up-take.

#### 6.1.1.5. Input

The only consistent (at the EU level) available data concerning expenditure is from 1996 (Table 6.2). Whilst this may not be representative of the programming period, it nonetheless provides an indication of financial input and allows comparisons to be made between Member States. Table 6.2 builds on this to calculate EU contribution per main occupation farmer in 1996<sup>18</sup>.

<sup>18</sup> The numbers for main occupation farmers are drawn from 1997.

The table shows that by far the largest contribution per main occupation farmer was in Luxembourg with the total EU spend being equivalent to €2,405 for each main occupation farmer.

**Table 6.2: EU contribution in € (1996) per main occupation farmer (1997)**

	EU contribution in € (1996) per main occupation farmer
BE	450
DK	-
DE	273
ELL	52
ES	85
FR	226
IRE	14
IT	-
L	2,405
NL	5
OST	113
PT	48
SUO	0
SVE	0
UK	2
<b>EU-15</b>	<b>103</b>

Source: The Agricultural Situation in the European Union 1998 Report and EUROSTAT.

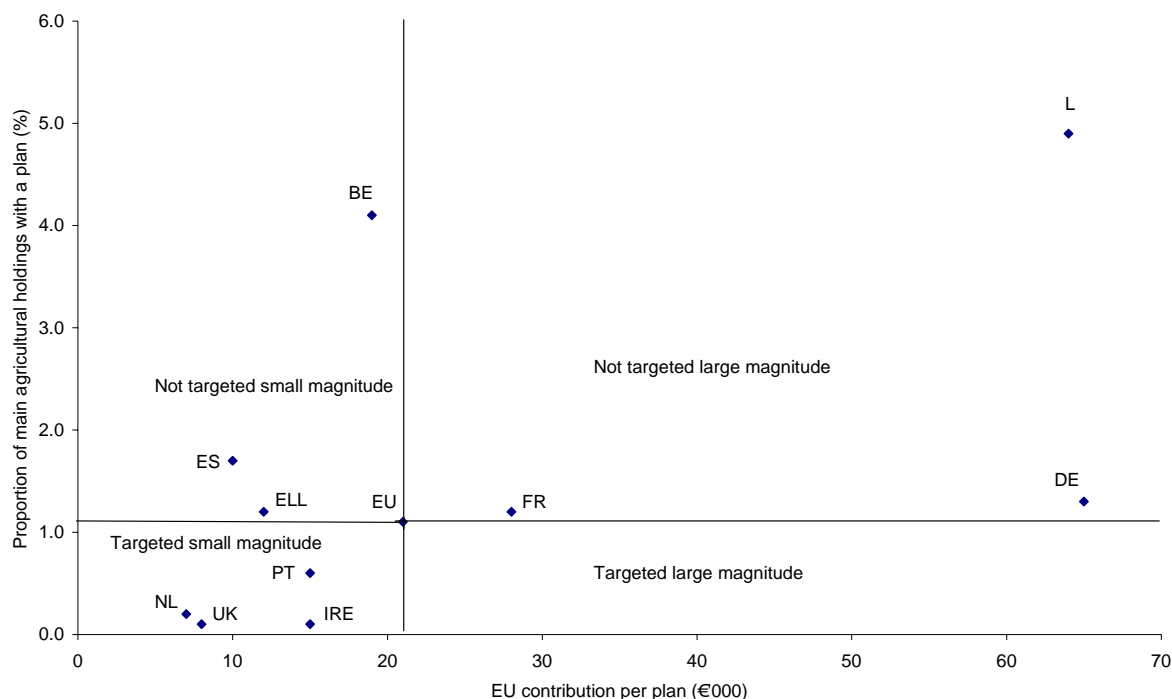
Table 6.3 presents the EU contribution per plan and the number of plans as a proportion of main agricultural holdings. This shows that the scale of investment was largest per plan in Luxembourg and Germany (Luxembourg is a special case given the very small number of farmers) and smallest in the Netherlands, the UK and Spain. Luxembourg, Belgium and Denmark had the widest coverage in terms of the proportion of holdings receiving support, whilst the Netherlands, the UK and Ireland the reached the smallest proportion of holdings.

**Table 6.3: EU contribution per plan and plans per main agricultural holdings (1994 to 1996)**

	EU contribution/plan			Proportion of main agricultural holdings with plans (%)		
	1994	1995	1996	1994	1995	1996
BE	€23,000	€24,000	€19,000	1.9	2.4	4.1
DK	€23,000	€23,000	n.a.	2.5	2.4	2.6
DE	€38,000	€60,000	€65,000	1.1	1.4	1.3
ELL	€14,000	€13,000	€12,000	0.9	1.0	1.2
ES	€9,000	€11,000	€10,000	2.3	2.3	1.7
FR	€22,000	€25,000	€28,000	1.1	1.3	1.2
IRE	€11,000	€19,000	€15,000	2.4	0.1	0.1
IT	€17,000	€22,000	n.a.	0.2	0.5	n.a.
L	n.a.	€68,000	€64,000	n.a.	2.3	4.9
NL	€7,000	€6,000	€7,000	0.8	0.2	0.2
OST	-	n.a.	0	n.a.	n.a.	0
PT	€12,000	€14,000	€15,000	0.8	0.9	0.6
SUO	-	n.a.	0	n.a.	n.a.	0
SVE	-	n.a.	0	n.a.	n.a.	0
UK	€10,000	€9,000	€8,000	0.4	1.1	0.1
EU-15	€17,000	€22,000	€21,000	1.1	1.2	1.1

Source: The Agricultural Situation in the European Union 1996, 1997 and 1998 Report.

Figure 6.1 uses the information in Table 6.3 to illustrate scheme targeting and magnitude of support for the year 1996. It shows that no Member State implemented a targeted scheme with large investments. Although the scheme appeared targeted (or at least restricted) in the UK, Ireland, the Netherlands and Portugal, the investments per beneficiary were lower than the EU average. In Greece, Spain and especially Belgium a small proportion of beneficiaries received a relatively high degree of support. France, and especially Germany and Luxembourg spent more than average per beneficiary and Luxembourg in particular made this support available to a relatively high proportion of its total farmers.



**Figure 6.1: Degree of targeting and magnitude of support in 1996**

Source: The Agricultural Situation in the European Union 1998 Report and EUROSTAT.

Table 6.4 presents total eligible investments under the scheme in 1996 and gross fixed capital formation. This demonstrates that in most Member States investments made under the scheme accounted for a relatively small proportion of total investments. However, there were some exceptions with investments supported by the scheme accounting for more than half of total investments in Luxembourg and almost a quarter in Belgium. It should be stressed that first, the figures for 1996, whilst the only consistent ones available, may not be representative of the whole programming period, and second, that the EU contribution to eligible investments was only a portion of the total investment made.

**Table 6.4: Total investments made under the scheme and gross fixed capital formation (1996)**

	Eligible investment (€million)	Gross fixed capital formation (€million)	Share of eligible investment in total gross fixed capital formation (%)
BE	140	571	24.4%
DK	113 <sup>1</sup>	930	12.2%
DE	945	7,428	12.7%
ELL	40	641	6.3%
ES	276	2,479	11.1%
FR	853	7,254	11.8%
IRE	9	520	1.7%
IT	253 <sup>1</sup>	6,996	3.6%
L	22	38	58.3%
NL	9	2,254	0.4%
OST	205	1,256	16.3%
PT	88	707	12.5%
SUO	-	743	-
SVE	-	683	-
UK	4	2,319	0.2%
<b>EU-15</b>	<b>2,955</b>	<b>34,818</b>	<b>8.5%</b>

Note: <sup>1</sup> 1995.

Source: The Agricultural Situation in the European Union 1997 and 1998 Reports.

### 6.1.2. Uptake

A distinction can be drawn between those countries with a 'traditional' focus and those with an 'innovative' approach in terms of sectoral focus. In the former case sectoral focus was generally determined by the structure of agriculture in the Member State, for example, in Member States with a predominance of Type I regions where there was little targeting this was often the fruit and vegetable sector (with some exceptions, for example, the dairy sector in the Atlantic regions of Spain and in Italy where dairy was also an important beneficiary of investment). Where there was a greater degree of targeting (generally the Member States with a more 'innovative' focus, Member States with a predominance of Type II regions in particular, the sector receiving most assistance was determined by the theme of the approach. Where this was environmental or animal welfare (for example, the Netherlands, Denmark, Finland and Sweden) the sectoral focus tended to fall on livestock. In Ireland by contrast the sectoral focus was on horticulture and specifically on under glass/plastic production.

Table 6.3 shows that uptake (at least in 1994, 1995 and 1996) ranged from an average of 0.4% of main occupational farmers in the Netherlands to 3.6% in Luxembourg and 2.8% in Belgium with an EU average of 1.1%. With the possible exception of Luxembourg and Belgium, it is clear that the scheme is not likely to have had a major impact at the sector level given this relatively low uptake.

### 6.1.3. Output

The type of investment assisted was essentially a function of focus and targeting. Investments with a 'traditional' focus in Member States with a predominance of Type I regions concentrated assistance on projects improving mechanisation, use of greenhouses and irrigation, i.e. projects designed to generally improve economic intensity (for example, Greece and Portugal and to a lesser extent, Italy and Spain). Investments in Member States with a predominance of Type II and Type III regions tended to support improvements in buildings. In the case of Ireland and Austria this was part of a more general drive to increase efficiency, whilst in Sweden and Finland these investments were made with environmental and animal welfare improvements in mind. The rationale in France was dependent to some extent on the region, with animal welfare improvements an indirect impact in more intensive areas and general modernisation the aim in more marginal regions. Member States with a predominance of Type IV regions focused attention away from investments in land (Belgium) and generally supported projects designed to save energy, improve working conditions and product quality (the Netherlands).

### 6.1.4. Conclusions on scheme implementation

The four typologies were devised in Section 2 and these have been used throughout Section 6.1 to structure the discussion. A summary of scheme design and implementation by typologies is presented below.

#### Type I:

Generally 'traditional' in focus and a continuation of previous structural policies. Not particularly targeted and centrally administrated. Relatively small investments in machinery, irrigation and other improvements to economic intensity in the fruit and vegetable and dairy sectors.

#### Type II:

A mix of 'traditional' and 'innovative' focus, depending to some extent on whether the scheme continued previous structural policies ('traditional') or not ('innovative'). Some targeting where the focus was more 'innovative' and in these cases some involvement of other organisations in administrative arrangements. A mix of large and small investments tending to support building modernisation in the livestock sectors.

#### Type III:

Sometimes 'traditonal', sometimes 'innovative' in focus, and sometimes, although not always, representing a change in direction from previous schemes. However, there was limited targeting and limited use of decentraised administrative arrangements. A mix of large and small investments, generally focused on buildings and facilities in the livestock sector.

#### Type IV:

While in Belgium, most investments were not directly focused on 'innovative' issues such as environment protection and animal welfare, the approach taken in the Netherlands was 'innovative' marking a change in pre-existing policy.

Well targeted approach with some attempt to decentralise the administrative arrangements. Generally small investments in particularly intensive sectors.

## 6.2. Scheme effects

The scheme effects are presented in form of answers to the evaluation questions outlined in the Terms of Reference for this study and in the Commission guidelines for ex-post evaluation to the national authorities (see Appendix 1). The numbering corresponds to the numbering used in the Commission guidelines.

### **B.1 To what extent have the investments helped assure the continued viability of the holding?**

Sound investments should help ensure viability, although of course, unsound ones may not. The use of MIPs should help to minimise the number of occasions where investments are not sensible in the medium to long-term. Viability can be improved through boosting net income levels and also by reducing or spreading risk. The impact of investments on these factors will therefore also have bearing on viability (see below).

There is limited quantitative evidence to support the view that the investment made a contribution to continued viability (Denmark from accounting studies showing that efficiency and income are higher amongst supported holdings and Greece where 37% of supported holdings used the investment to re-orientate their production).

There is also a considerable amount of qualitative evidence (in particular from Finland (90% of the 13% of beneficiaries who received support to aid a small business claimed that viability had improved), Sweden (70% of surveyed beneficiaries claimed prospects had improved) and Spain (between 80% and 100% of surveyed beneficiaries, depending on the sector, reported an increase in viability under the scheme)).

The evidence above is backed by anecdotal evidence (most notably from France, where experts stated that farms supported under the scheme have a low failure rate and the UK where the implementing authority explained that the scheme improved farm resources).

However, there are two important issues: first, causality: there is the suggestion from Denmark that more viable farms tended to successfully apply for support under Regulation 950/97. This suggests that general viability may be a function of those farms applying rather than actually resulting from the investments made (this point was also made in France). Second, deadweight: the scheme assisted investments and it is unclear as to whether these investments would have been made in any case in the absence of the support. It seems likely that this was the case for at least some proportion of investments (for example, the Netherlands where in many cases support was sought in connection with existing plans rather



than being the driving force behind new plans being drawn up). This seems especially likely if it is accepted that farmers that are especially competition-orientated tended to attract support and if these farmers were also those most likely to proactively make investments. This was felt to be the case in Denmark where supported holdings were more efficient and had higher incomes than control groups and it was felt that this did not result from scheme participation, but in fact predisposed this group to apply for support.

The scheme is likely to have contributed to continuing economic viability in Member States with a predominance of Type I regions where investments tended to be 'traditional', i.e. focused towards a general increase in intensity. This is also likely for several countries which predominantly have Type II and Type III regions. Where investments tended to be more 'innovative' in, for example, animal welfare and the environment, they are less likely to have contributed to continued economic viability as this would not have been an objective of the national scheme (although it remains an objective of the EU Regulation). However, given increasing consumer demand for production that goes beyond good agricultural practice in some regions of the EU it could be argued that investments in animal welfare and the environment do make a contribution to continued viability, although this is beyond the scope of this evaluation question. This is especially likely to be the case in Member States with a predominance of Type IV regions. However, the extent to which there was causality and the degree of deadweight remain unknown.

#### **B.1.1 To what extent have the investments produced re-deployment of production and diversification of activities?**

Where investments were aimed at producing diversification it is reasonable to assume that diversification would have resulted. However, from the evidence available to us this was by no means a widespread use of the scheme and other uses to which the scheme was directed, for example, where there was a particular sectoral focus as in Denmark and Sweden where the livestock industry was targeted, are likely to have worked against this objective. From an economically rational point of view, investments should be made in those enterprises which are the most profitable and this will tend to result in specialisation rather than diversification.

There is limited quantitative evidence suggesting a re-deployment of production and a diversification of activities (Greece where 37% of beneficiaries re-deployed production and Portugal where between 1% and 21% of supported farms, depending on the sector, were classified differently post-investment suggesting re-deployment of production).

This is balanced by slightly more quantitative evidence suggesting specialisation and supporting the conceptual analysis above (Denmark, through economic modelling, Spain where just 0.32% of the total invested between 1994 and 1998

was directed at diversification and Luxembourg where analysis of MIPs shows that specialisation rather than diversification was a main aim) and qualitative evidence from Belgium (just 2.8% of applications were related to the re-deployment of resources).

Anecdotal evidence also suggests specialisation through investment in enlargement of existing enterprises and upgrading of buildings (France and Italy) and reinforces this finding. It should be stressed that this is not a failure of the scheme, rather an indication that diversification was simply not an important scheme aim in most cases (France, Italy Finland and the UK). Sweden reported that most of the assistance granted went to larger, more specialised farms and it may be the case that there are also funding biases contributing to this finding.

From the evidence available to us it does not appear that the scheme generally contributed to a re-deployment of resources and diversification in any of the four identified Types of regions. However, this was in large part because Member States had deliberately not implemented the scheme in such a way as to deliver this result. Where the scheme was more oriented to this outcome, diversification and re-deployment of resources did result.

### **B.1.2 To what extent have the investments improved the income of beneficiary farmers?**

Conceptually it is expected that the scheme improved the income of beneficiary farmers, at least in the short-term. Investments are made only if they are judged to make sound business sense and ultimately this is very likely to mean a positive impact on net farm income. Of course, this depends on the nature of the investment and some, in facilities such as livestock housing, may not actually have an impact on net farm income.

There is quantitative evidence from five Member States suggesting that income amongst beneficiaries was either higher or improved compared to non-beneficiaries or national averages (Belgium: 76% of beneficiaries showed a more favourable income evolution compared to reference groups, Denmark: a marginal positive impact on income was shown through economic modelling, Greece: an average increase in income of 17.7% per MWU and an increase of 58.6% in Agricultural Family income compared to a 36.7% increase for non-supported farms, Italy: comparison of profitability between holdings making investments and those not making investments and Finland: comparison of FADN data between beneficiaries and non-beneficiaries). The evidence was less clear cut in Luxembourg where improvements in income were seen in the medium-term, but not necessarily in the short-term.

This evidence is supported in qualitative and anecdotal terms in a number of cases (including where there was also quantitative evidence). However, there was an exception. Although quantitative evidence from France suggests that farm income

increased amongst beneficiaries, the gap in income with respect to non-beneficiaries actually narrowed suggesting a weakening of the relative position. Qualitative evidence from France supports this as more than half of beneficiaries surveyed reported no impact on income whilst farm sizes increased resulting in lower incomes per unit of land.

France aside, generally it appears reasonably certain that farm incomes improved for most beneficiaries compared to non-beneficiaries (in France incomes improved for beneficiaries and non-beneficiaries, as did costs for beneficiaries, which led to an increase in productivity for beneficiaries, but a decline in efficiency relative to non-beneficiaries). This is especially likely to be the case in Member States which predominantly have Type I regions where investments were generally used to increase intensity. Where investments were more 'innovative' it is possible that income would not have increased, for example, investments in animal welfare and environmental improvements in some Member States with a predominance of Type II regions. However, given that in the near future, the receipt of direct payments will probably be linked to the obligation to comply with standards on environmental protection and animal welfare ("cross-compliance" under the Mid-Term Review of the CAP), it could be argued that investments in animal welfare and the environment do make a contribution to improving farm income in the long run. However, the caveats listed above also apply here: it is not possible to assign causality to the scheme because investments may have been made by more proactive or larger farmers amongst whom improvements in income might be expected (for example Portugal and Denmark). Deadweight may also be in evidence weakening the link between the scheme itself and any improvements in income.

### **B.1.3 To what extent have the investments actually realised been conducive to the aims of the holding as expressed in the MIP?**

As long as MIPs were implemented as planned, and as long as investments were consistent with the MIPs in the first place, it is expected that the investments made would have been conducive to the aims of the holdings. Quantitative evidence in Germany suggests that three-quarters of targeted net return was realised and it is recognised that this was against the background of BSE and a generally depressed agricultural situation implying that without these external considerations a greater percentage success would have been achieved. There is also quantitative evidence from accounting data in Luxembourg that suggests that production capacity predicted in the MIPs was 'usually' met.

This quantitative evidence was supported by qualitative evidence from Belgium (a survey showed that more beneficiaries met each objective than had anticipated doing so in their MIPs suggesting that not only did MIPs help to achieve the aims of the holdings, they also helped achieve additional and unintended goals), Finland (the success rate in terms of meeting financial objectives varied between 60% and 100% depending on the indicator) and anecdotal evidence from Luxembourg

(experts assessed that the MIPs helped to achieve holding objectives in around two thirds of cases) and Sweden (experts stated that it was likely that investments had contributed to MIP aims). The Swedish evidence is considered particularly strong because investments in animal welfare and environmental improvements (an important use of the scheme in Sweden) had to be independently assessed prior to release of final funds.

Without a system of post-investment checking it is impossible to be certain that MIPs were implemented as planned or that investments supported the aims of the MIP (although it is certainly hoped that investments were consistent with aims laid out in MIPs). However, it seems likely that investments did support the aims of the MIPs and this is likely to be the case for all four identified Types.

## **B.2 What is the impact of the investment scheme on the environment?**

Where investments are made with particular environmental aims, and where these are subsequently carried out, it is expected that the scheme has resulted in a positive environmental impact. In some Member States (the UK, Denmark, Austria, Finland and Sweden) scheme requirements to obtain approval for investments with environmental authorities are likely to have made a positive impact (or at least no negative impact) almost certain.

Given the difficulties in assessing environmental impact it is not surprising that there is little quantitative evidence. Whilst a fifth of investments in Greece related to improving irrigation (albeit only in 5% of cases did the investment in irrigation exceed half the total investment), an environmental improvement is only predicated on the link between poorly operated irrigation systems and negative environmental consequences. Whilst more than a quarter of investments in Spain were classified as 'green' there is no indication of actual environmental impact. Similarly, although the Finnish target of 10% of investments to relate to environmental improvements was more than doubled in practice, this does not mean that environmental improvements followed (although it is expected that at least some did). Qualitative evidence from Belgium and Germany was of a similar nature, i.e. given that investments were made with environmental objectives then some positive environmental impact was made.

With few exceptions anecdotal evidence suggests that some positive environmental impacts resulted from the investments (again the issue of deadweight should be considered). Most of this evidence relates to the fact that as some investments had environmental objectives, then some positive impact is likely to have taken place. Clearly this rationale is most acceptable where environmental objectives accounted for significant investments or investments had positive environmental side effects (for example, Greece, Spain, Italy and Finland).

In some Member States expert opinion was split on environmental impact with some believing impact was positive and some negative. In France the point was

made that positive environmental impacts were expected from investments in more extensive areas and negative impacts in more intensive areas. At least some negative impacts were also expected in Greece and Spain as a result of investments to increase economic intensity mainly through mechanisation and irrigation.

Environmental impact is clearly dependent on the type of investment made. Where investments were 'traditional' in nature and likely to result in increased intensity or specialisation it is unlikely that they had direct positive environmental impacts (with the possible exception of irrigation investments). Investments in Member States which predominantly have Type I regions are therefore not likely to have generally offered environmental benefits. However, where investments required approval from environmental authorities or where checks for environmental impact were made prior to the release of final funds, it is considered that the likelihood of negative impact was significantly reduced. This is likely to have been the case in Member States with a predominance of Type IV regions and to varying degrees in Member States with a predominance of Type II and III regions as well (although these Member States are also likely to have witnessed some negative environmental impacts).

#### **B.2.1 To what extent has the investment scheme influenced pollution from farms?**

As with environmental impact, the degree to which investments influenced pollution from farms will depend on the objectives of investments and the extent to which environmental authorities had to approve plans with likely environmental consequences. Also in common with environmental impact, evidence is sparse. Finland was the only Member State with quantitative evidence in terms of improvements in manure storage capacity (an increase from between 0.91-1.02 to 1.05-1.12 in terms of years of storage for liquid manure and an increase from between 0.78-0.81 to 1.05-1.11 for dry manure) and even this requires the assumption that this increased capacity reduces pollution incidences in order to conclude that there has been a positive influence on pollution from farms.

Improvement of slurry storage facilities was a common investment objective and there are two examples of qualitative evidence to suggest that improvements in facilities and capacity were made (Belgium, where 66% of beneficiaries invested in waste storage capacity and Germany, although in this case only 1% of holdings applying for support were intending to improve slurry storage facilities).

Five Member States reported anecdotal evidence to suggest that there had been a positive impact on pollution resulting from investments (Denmark, because some investments were related to improvements in slurry storage, Spain, from the rationalisation of irrigation usage, France, through better manure management, the UK, from waste handling grants and Sweden, manure storage). However, Greece, Spain and France reported that investments resulting in increased intensity

are likely to have at least increased the risk of a negative impact on pollution, if not actually increased pollution incidences.

As with the environmental impact, the degree to which the investments had a positive impact on pollution from farms depends mainly on the type of investments being made and whether reducing pollution was a particular objective of the scheme as implemented nationally. A positive impact was most likely in Member States which predominantly have Type II, III and IV regions and least likely in Member States with a predominance of Type I regions. The same caveat relating to deadweight also applies. It is not possible to draw an overall conclusion at the scheme level in terms of impact on pollution from farms other than to say impact was variable.

### **B.2.2 To what extent has the investment scheme influenced the safeguarding of the environment and preservation of the countryside?**

In common with questions on environmental impact and impact on pollution (see above), quantitative evidence relating to impact is scarce. However, around a fifth of farms receiving investment aid in Sweden stated environmental protection as a main goal.

Anecdotal evidence from France suggested that helping to maintain farming in marginal areas would contribute to safeguarding the environment (see Section 8.2 for further consideration of this issue under the LFA Scheme) and it was suggested in the UK that support for investments in boundary features such as dry stone walls and hedges would have contributed to safeguarding the appearance of the countryside. Finally, the consensus amongst national evaluators in Sweden was that the scheme had contributed a great deal to safeguarding the environment and preserving the countryside.

Some Member States with a predominance of Type I regions suggested that where investments increased intensity there might be a negative impact in terms of safeguarding the countryside (for example, Greece and Spain, mainly through increased mechanisation and irrigation).

It is not possible to provide a scheme level assessment of impact in terms of safeguarding the countryside, other than to conclude that impact was mixed as the impact depends very much on the orientation of the scheme at the national level. As a general guide, countries which predominantly have Type I regions are less likely to have witnessed a positive contribution and countries with a predominance of Type II, III and IV regions most likely to have noted an impact in terms of safeguarding the environment and preserving the countryside.

**B.2.3 To what extent have the environmental aspects of the specific sector limitations influenced these effects?**

There is no quantitative evidence to suggest any impact from specific sector limitations. A survey of the extension service in Germany suggested that specific sector limitations had only a limited impact on the environment. However, anecdotal evidence in Luxembourg suggests that excluding the pig sector from support prevented the scheme from assisting expansion in the sector and this is likely to have resulted in a lower risk of pollution from slurry. A similar point was made in the UK in relation to the pig and dairy sectors. However, these examples aside it does not appear that sector specific limitations were considered to have had a significant impact.

That said, where the nature of investment was 'traditional' it is likely that these limitations did at least help to prevent the risk of any negative environmental impacts. This is especially likely to have been the case in Member States with a predominance of Type I regions. Where the focus of investment was more 'innovative', it may be the case that the specific sector limitations prevented producers from making investments which might have resulted in a reduction in negative environmental and/or pollution impacts (for example, in certain countries which predominantly have Type IV regions and to a lesser extent in certain countries with a predominance of Type II and Type III regions).

**B.3 To what extent have the investments contributed to a better use of production factors for a more rational production and improved efficiency at holdings?**

There is no reason to suppose that investments will prompt a more rational use of production factors as this should be what a profit maximising farmer is doing in any case. However, investments may allow for greater efficiency through the addition of extra resources and may allow alterations to the factors of production which in turn may allow a higher profit to be achieved, for example by replacing labour input with capital in the form of machinery.

There is quantitative evidence in Belgium (61% of beneficiaries showed a more favourable evolution of productivity in terms of the ration of outputs to inputs and in terms of revenue per unit of labour than a reference group), Denmark (economic modelling results suggested that beneficiaries made more efficiency gains than non-beneficiaries), Germany (measures of efficiency of production factors, efficiency of work power, income from family labour, income per hectare and rentability of work power and capital all had better results for supported holdings, although this may be a feature of holdings applying for support rather than the result of the support) and Luxembourg (factor productivity is higher in beneficiary farms than non-beneficiary farms) to suggest that investments resulted in greater efficiency.



However, quantitative evidence from Greece (total output divided by operating expenses and improvements in output per MWU) and France (in terms of efficiency per unit of land, there was no difference in efficiency in terms of labour efficiency) suggested that beneficiary holdings were less efficient than the norm. Qualitative evidence from Spain (beneficiaries estimated an improvement in efficiency of between 8% and 50% in terms of gross margin per unit of labour), Finland (70% of beneficiaries reported efficiency improvements in terms of machine capacity, 85% in terms of own labour use, 40% in terms of use of arable land) and Sweden (the most important motives in scheme participation were modernisation and improved efficiency) supports increased efficiency on beneficiary holdings as does anecdotal evidence from Portugal (70% of funds were used to improve buildings or substitute labour with machinery), the UK (implementing authority statement), Austria (case studies suggest an increase in labour efficiency) and the Netherlands (benefits are likely following an aim to increase economies of scale).

The impact of the scheme on efficiency is largely related to the nature of the investments made and where the intention was to improve efficiency (i.e. a 'traditional' focus in evidence in Member States which predominantly have Type I regions) it is reasonably certain that this was indeed the outcome. However, some 'innovative' investments with animal welfare and/or environmental objectives could well result in a less optimal allocation of production factors and this will not have helped to improve economic efficiency. This is likely to have been the case in some countries with a predominance of Type II, III and IV regions, although not all. It should be mentioned that in some cases the type of holding attracting funding tended to be larger and more efficient and therefore it is not possible to be certain about causality when evidence suggests that beneficiary holdings are more efficient than non-beneficiary holdings. It should also be recalled that it is considered likely that there is a degree of deadweight associated with the scheme in that at least some investments would have been made in the absence of support. Some increases in efficiency, even if resulting from the investments made, may still have occurred in the absence of the scheme.

In countries which predominantly have Type I regions, where increased efficiency was a scheme objective, it is likely that some improvements in efficiency have resulted. However, this is balanced by examples from Member States with a predominance of Type II, III and IV regions where environmental and animal welfare objectives were important and in these cases the scheme is not likely to have contributed to an increase in economic efficiency or to more economically rational production.

#### **B.4 To what extent have the investments improved the quality of farm products, e.g., by enabling compliance with community or other labelling schemes?**

Unless investments were specifically targeted at improving product quality, then it is unlikely that quality improvements would have resulted directly, although it is



not inconceivable that there may have been indirect improvements in product quality, especially in the livestock sector where investments may have resulted in improvements to hygiene.

There is little quantitative evidence to suggest improvements in quality although 17% of investments made in 1994 in Greece were intended to improve quality: whether they achieved this objective or not is unknown. There is little qualitative evidence to suggest an improvement in product quality with only Belgium and Finland offering evidence of quality increases according to farmer perception through survey work. There are six examples of anecdotal evidence suggesting a direct or indirect improvements in quality, although this represents fairly weak evidence, not least given the difficulty in assessing changes in quality levels. A review of applications in Denmark and anecdotal evidence from Greece suggests that applicants to the scheme aimed at continuing their existing quality levels and no more. However, anecdotal evidence from France suggests that the scheme may have strengthened the AOC (Appellation d'Origine Contrôlée) quality sector with regard to cheese and wine.

In summary it is unlikely that the scheme had any significant direct impact on quality in countries which predominantly have Type I regions (the intention of some beneficiaries in Greece notwithstanding). Even where quality improvements were sought (for example in some Member States with a predominance of Type II and Type IV regions) it is difficult to assess whether the improvements sought were actually attained.

#### **B.5 To what extent have the investments contributed to stabilising markets by redeploying production and improvement of quality?**

Given the scale of the scheme in comparison to other means of support in the agricultural sector, namely the instruments of the CAP, it is very unlikely that any significant stabilisation of markets would have resulted from the investments made. In fact, quantitative evidence from Greece (15% of supported holdings re-orientated production into sectors in surplus) and France (44% of beneficiaries had more surplus products after the scheme and 51% noted no difference) suggests that beneficiaries tended, if anything, to re-deploy production into surplus areas. This makes intuitive sense because, at least in part, sectors in surplus are driven that way through policy signals within the CAP. Investments, if made rationally, would tend to be made in areas with the greatest potential returns and sectors in surplus would not be in surplus if they offered low returns. In a fully functioning free market production should adjust according to demand, however the CAP ensures that this is not always the case.

There is no qualitative evidence either to suggest that investments contributed to stabilisation of markets or that they contributed to instability. Anecdotal evidence is mixed with some Member States suggesting a negligible contribution to market stabilisation because of the small scale of the scheme (for example, Belgium,

Luxembourg and the UK) and France suggesting an adverse impact as production in surplus areas was increased. Again, this impact is likely to have been negligible due to the scale of the scheme. Anecdotal evidence in the UK suggests that the sector specific limits in the pig and dairy sector are likely to have mitigated against a further destabilisation of these markets. Once again though, the scale of the scheme suggests that this impact would have been minimal.

The main finding in relation to this point is that the scheme was of insufficient scale to make any kind of impact, although in so far as an impact was noticeable, it is very unlikely that the scheme made a positive contribution to the stabilisation of markets. In general it is expected that investments in countries with a predominance of Type I regions would have led to specialisation and therefore would not have helped to stabilise markets. Whilst more 'innovative' investments may not have contributed to market instability, they are unlikely to have helped to improve the situation either.

#### **B.6 To what extent have the investments improved health and welfare?**

A priori it is very unlikely that the scheme had any significant impact on health and welfare. There is no quantitative evidence to support a direct impact, although 20% of supported projects in Germany cited an improvement in working conditions as an objective (as did 17% of Greek projects in 1994) and, if this objective was met, there may have been indirect positive impacts on health and welfare. However, 60% of beneficiaries in Finland felt that industrial safety had improved as a result of the scheme and 90% of beneficiaries reported an increase in job satisfaction. Anecdotal evidence in the UK and Denmark suggests that improvements in working conditions may have taken place, especially in relation to improvements in waste handling facilities.

It is unlikely that the scheme brought significant tangible improvements in health and welfare. However, some benefits may have occurred in countries which predominantly have Type II and Type III regions in particular.

##### **B.6.1 To what extent have the investments improved the working conditions at farms?**

There is little conceptual evidence to suggest that the scheme should have directly improved working conditions although it is probable that working conditions would have improved indirectly through, for example, measures aimed at improving waste storage facilities. Having said that, farmers are unlikely to devise MIPs which result in deteriorations in their working conditions. There is no quantitative evidence to suggest an improvement in working conditions, although 17% of supported projects in Greece in 1994 and 20% of investments in Germany had improving working conditions as an objective. To what extent this objective was met is unknown. However, more than half of beneficiaries in France reported a reduction in the length of the working day as a result of the scheme and half of the beneficiaries in Finland stated that their working conditions had improved

significantly as a result of the scheme with the other half stating that conditions had improved to some degree. Anecdotal evidence from many Member States (for example Belgium, Denmark, France, Luxembourg and the UK) suggests an improvement in working conditions.

It is very difficult to quantify changes in working conditions and largely as a result it is not possible to conclude that the scheme improved working conditions for beneficiaries across the EU, although a positive impact may have been noted in Member States with a predominance of Type III regions. However, it is extremely unlikely that a deterioration in working conditions would have resulted from supported investments and at worst the scheme was therefore neutral in this regard.

#### **B.6.2 To what extent have the investments contributed to the improvement of animal welfare and hygiene?**

Where the scheme was used to support investments designed to improve animal welfare (generally in countries with a predominance of Type II and III regions and to a lesser extent countries which predominantly have Type IV regions with an 'innovative' investment focus) it is very likely that a positive contribution was made. However, there is no quantitative evidence to suggest that animal welfare and hygiene improvements were made (this is partly the result of difficulty in establishing meaningful indicators). Qualitative evidence from Belgium and Finland is suggestive of an improvement in animal welfare (observed by 42% of beneficiaries in the former case and 99% of beneficiaries in the latter) and also in hygiene (23% of Belgian, 97% of Finnish beneficiaries). Anecdotal evidence from experts, stakeholders and implementing authorities in ten Member States suggests that indirect improvements in animal welfare and hygiene may have resulted from investments in livestock housing. It was also noted that it was a specific intention of the scheme to make improvements in this area in Denmark, Germany and Austria.

Despite the lack of solid evidence it seems likely that the scheme did contribute to the improvement of animal welfare and hygiene where this was a targeted theme, although this took place indirectly and its magnitude is impossible to gauge.

#### **B.7 To what extent have the specific sector limitations helped in avoiding market distortions?**

Given the scale of the scheme any sector specific limitations are unlikely to have any significant impact on market distortions. There is no quantitative evidence to suggest any positive impact, although economic modelling in Denmark suggests a limited impact in the other direction, i.e. the scheme contributed to market distortions. There is no qualitative evidence in either direction in relation to this issue and no anecdotal evidence either, except that a reorganisation of the Danish scheme is thought to have avoided future distortions as a result of the scheme and

that in the UK the specific sector limitations in the pig and dairy sectors would at least have prevented market distortions in these sectors becoming worse.

There is no evidence that the specific sector limitations had any impact on market distortions, either in terms of avoiding them or in mitigating them.

### **B.8 To what extent have the investments relating to diversification of activities helped maintaining employment?**

In theory any investment that assists in diversification is likely to support employment to some degree whether in terms of creating new jobs or maintaining existing ones. However, this is likely to be overshadowed by those investments made under the scheme to increase efficiency which imply a reduction in the need for labour. Quantitative evidence from Denmark suggests a very marginal positive impact on employment and more substantial impacts were noted in Portugal (55% of supported projects showed an increase of 19% in Annual Work Units following investments) and particularly in Greece (family employment increased by 38% from 1.35 to 1.86 units, employment per holding increased by 36.5% from 1.67 to 2.28 units).

There is no qualitative evidence to address this issue, but anecdotal evidence implies that in the UK at least the scheme helped to safeguard employment at a difficult time (the BSE crisis). However, other anecdotal evidence is mixed with experts in Belgium and France suggesting that some supported projects would have helped to maintain employment whereas others (specifically those supporting an increase in mechanisation) would have led to a decrease in employment.

Again, the focus of the supported investments will have a significant impact and whilst investments in diversification may have supported employment, the overall impact of the scheme is likely to have reduced the need for labour (especially in Member States which predominantly have Type I regions where mechanisation was an important aim).

### **6.3. Judgement**

The impact of the Farm Investment Scheme is very much dependent on the way in which it was implemented at the national level. This essentially means the way in which the scheme was focused, the degree to which it was targeted and the way in which it was administered. As a result of this, it is very difficult to arrive at one overarching judgement applicable across the EU because to all intents and purposes there is more than one Farm Investment Scheme. However, splitting the EU into the four typologies does provide a framework within which it is possible to provide a judgement on the scheme.

In countries with a predominance of Type I regions (small farms with low intensity and a high proportion of permanent crops) the scheme was essentially used to increase intensity and generally help to advance the pace of structural change

along the path on which it had already been developing. These countries typically had a small physical and economic size and sought consolidation and economic intensification. These issues could be potentially addressed by the Farm Investment Scheme which went some way towards overcoming the inability of farmers in these countries to invest given the generally low level of profitability. As such the scheme can certainly be considered to be relevant in these countries.

Countries which predominantly have Type II regions generally have relatively small farms in areas with relatively low agricultural productivity and a high proportion of farms with grazing livestock. In these regions the Farm Investment Scheme was often used to encourage structural development in terms of adding value to products and addressing issues such as animal welfare. The Farm Investment Scheme was relevant to these aims, as it was to Member States with a predominance of Type IV regions which are characterised by small, but nonetheless intensive farms in areas having highly productive agricultural systems and which partly took a traditional implementation approach and partly used the scheme to address environmental concerns. Countries with a predominance of Type III regions have generally large farms in important agricultural areas. The Farm Investment Scheme was probably least relevant for this group of countries (although it is likely to have been relevant for some regions or sectors of Member States with a predominance of Type III regions).

The generally high degree of relevance is probably related to the fact that Regulation 950/97 was in place in one form or another in most Member States prior to the EU legislation. Therefore, the scheme embraces a wide range of objectives (some of which may not be fully in harmony with each other, e.g. reducing production costs and improving hygiene conditions or preserving and improving the natural environment) to ensure it encapsulates the focus of the existing schemes. This has the advantage that it effectively allows Member States to flexibly choose which items on the 'menu' i.e. which objectives, they wish to prioritise. It has the potential drawback that since Member States are free to in effect choose what objectives they wish to give particular weight to, there may be a lack of coherence for the EU as a whole in that, historically at least, pursuing structural improvements may not be fully compatible with environmental objectives. Ideally even if the Member State/regions focus is on improving efficiency on farms, the environmental objective of the Regulation should act as a restrictive factor to ensure that an increase in efficiency does not take place at the expense of the environment. This cannot, however be demonstrated conclusively for this programming period.

The impact of the scheme is likely to have been mitigated by a number of constraining factors.

In some countries e.g. Austria, Spain and Italy, land consolidation was hampered by the workings of the land market and the relationship between producers and the marketing chain which did not exert pressure to consolidate (Greece).

Diversification into non-agricultural activities was considered a process more associated with rural development schemes such as LEADER, and the Farm Investment Scheme in Portugal and was not widely used for this purpose as a result.

In Member States with a predominance of Type II regions, delays in releasing funds are likely to have reduced scheme effectiveness (Austria), whilst the low funding threshold for eligibility resulted in a lot of small and fairly insignificant projects being supported reducing potential impact in terms of structural consolidation in Finland.

Some Member States including Belgium and France, noted that effectiveness was reduced by low prevailing interest rates in the 1990s. This made investing more attractive in general and therefore reduced the incentive to be bound by the terms of the scheme. A conflict of objectives was noted in Luxembourg between investments intending to increase efficiency and those with environmental goals. At the sector level these goals may well have worked against one another. This was also the experience in Denmark where the scheme was interrupted to restart with animal welfare improvement rather than structural intensification the central objective.

Where the scheme was used less to support increases in economic intensity, effectiveness is likely to have been compromised to a degree because farmers were unlikely to want to make investments that did not offer good economic returns. Investments with direct or indirect environmental and animal welfare objectives will also have had to offer some economic advantage to the farmer to make investments worthwhile and this could potentially cause conflict.

Finally, the limited financial weight of the scheme made it less likely that it could be effective in terms of instigating significant structural change at the sector level, although it is considered to have been effective at an individual holding level especially in Member States which predominantly have Type I and Type III regions. The proportion of gross fixed capital formation accounted for by the scheme was 8.5% in the EU-15 in 1996, although this did vary by Member State. The effectiveness of the scheme at the sector level is therefore questionable and this applies across all typological groups.

The efficiency of the scheme appears to have been reduced through a lack of targeting which, whilst spreading the money over a relatively large number of beneficiaries (at least in some Member States), did not provide very significant amounts of aid to individual producers. This reduced producers' scope to make significant change (an average EU contribution of €7,000 was made in the UK in 1996 and €8,000 in the Netherlands, the average contribution in the EU as a whole was €21,000).



Efficiency in Germany was hampered to some extent by the capitalisation of the assistance provided under the scheme into land rent values. As with effectiveness, the scheme was considered to be efficient at the micro-economic level, i.e. with respect to individual beneficiaries, but possibly not at the macro-economic or sector level. This comment is also likely to apply in many other Member States across a range of typologies.

Any supported investments that moved structural change along its development path are highly likely to be sustainable once the intervention has finished. Sustainability is made more likely by the requirement to draw up a Material Improvement Plan. This moving along the development curve resulted from more 'traditional' investments with the objective of improving economic efficiency and is associated with countries which predominantly have Type I regions and a limited number of countries with a predominance of Type II and III regions.

Sustainability is harder to assess where investments attempted to change the direction of structural development from increased intensity to improvements in quality and other more 'innovative' themes such as environmental improvement and increases in animal welfare. This was generally the case predominantly in some countries which predominantly have Type II, III and IV regions. However, as with Member States with a predominance of Type I regions, the requirement to produce Material Improvement Plans is likely to have increased the likelihood of sustainability. Also, where investments were in fixed facilities, which was often the case where environmental and animal welfare objectives were in evidence, it is likely that these facilities will remain for some time thus making the investments sustainable.

#### **6.4. Recommendations**

As has been set out in the Section 2.1 setting out the intervention logic for the scheme's evolution the nature of the policymaking process has meant that the Farm Investment Scheme was focused on a wide range of objectives. This effectively allows Member States to choose which items on the 'menu' i.e. which objectives, they wish to pursue.

We would recommend that, if the measure is continued in its present form, in order to ensure that the multiple objectives of the Regulation are being fully met more explicit cross-compliance conditions (with respect to environment, animal welfare etc.) are attached to aid recipients in future. We note that this forms a part of the condition for the receipt of direct payments under the recently agreed Mid-Term Review of the CAP.

Before implementing the scheme, each Member State or region first has to consider whether it should primarily be used to address economic, social or environmental goals although we recognise that these are not necessarily exclusive of one another (e.g. investment programmes in 'green' technologies may serve both economic and

environmental goals). It would nevertheless seem sensible to concentrate the focus on economic efficiency on the grounds that environmental goals may be addressed more directly through other schemes. An economic focus would have the additional benefit of providing some indirect social benefits in terms of contributing to maintaining farm viability and employment.

This may mean that the scheme would be most beneficial if applied to areas of the EU with structural problems, predominantly Member States with a predominance of Type I and Type II regions. However, this would most likely be opposed by other Member States and therefore might not be politically feasible.

Of course, a greater level of targeting would result in the exclusion of some potential beneficiaries. The degree of targeting necessary depends on the national objectives of the scheme and these are influenced by political considerations as well as administrative feasibility.

In terms of the form of assistance offered, during periods of low interest rates it might be appropriate to channel more support farms through capital grants as interest rate subsidies tend to be of little benefit in such times. This would also make the scheme more accessible for smaller farm businesses where access to loans may not be straightforward.



## 7. Young Farmers Scheme

The farm structure typologies developed in Section 5.3 and used in Section 6.1 on the Farm Investment Scheme are not considered relevant for the Setting up Aid for young farmers. The scheme was not targeted beyond farmer age, and few Member States used additional national eligibility criteria. In general, all main occupation farmers under the age of 40, with adequate occupational skills and on a farm requiring a volume of work of at least one MWU were supported.

### 7.1. Design and implementation

The Setting up Aid for young farmers was implemented in most Member States with the exception of the UK, where it was considered that there was no justification for the scheme (most young farmers inherit with very low costs being incurred). No start up premia were granted in the Netherlands, although young farmers were able to obtain Additional Investment support. The scheme has a long history of implementation in most Member States, often pre-dating accession to the EU (e.g. Spain, Finland and Austria).

Table 7.1 shows the weight of the YF Scheme in the preliminary EU budget for Regulation 950/97 for regions outside Objectives 1 and 6. According to this table, the Setting up Aid for young farmers accounted for approximately half of the total budget for Regulation 950/97 in Belgium and France. The scheme accounted for no more than 10% of the total in the UK, the Netherlands, Finland and Sweden.

**Table 7.1: Preliminary budget for EU contribution to the YF Scheme for the period 1994-1999 (as planned in 1995), for regions outside Objectives 1 and 6**

	YF Scheme budget contribution (€million)	EU-	Proportion of YF Scheme budget in budget for whole Regulation 950/97 (EU-contribution) <sup>1</sup>
BE (outside Obj. 1)		78.62	56%
DK		34.89	35%
DE (outside Obj. 1)		126.60	15%
ES (outside Obj. 1)		84.20	41%
FR (outside Obj. 1)		797.69	54%
IT (outside Obj. 1)		91.27	18%
L		10.10	27%
NL (outside Obj. 1)		2.54	3%
OST (outside Obj. 1)		23.38	8%
SUO (outside Obj. 6)		6.44	10%
SVE (outside Obj. 6)		1.08	1%

Note:

<sup>1</sup> The minor schemes are not included in this total.

Source: Annual Report on Structural Funds 1995.

Table 7.2, showing EU expenditure for the YF Scheme as a share of total expenditure for the three main schemes under Regulation 950/97 in the years

1994, 1995 and 1996 in all regions including Objectives 1 and 6, presents a slightly different picture. Taking all expenditure into account (including Objectives 1 and 6), the highest budgetary share was spent on the YF Scheme in Belgium (36% in average over the three years), followed by France (34%). The budgetary share for the YF Scheme was lowest in the Netherlands, where only the Additional Investment Aid was granted (1%), followed by Ireland and Germany (3%).

**Table 7.2: EU expenditure for the Setting up Aid for young farmers in 1994, 1995 and 1996**

	Share of EU expenditure for YF Scheme <sup>1</sup> as of total expenditure for Reg. 950/97 <sup>2</sup>			EU expenditure for YF Scheme (€1,000)		
	1994	1995	1996	1994	1995	1996
BE	37%	39%	33%	20,417	27,913	27,389
DK	19%	22%	n.a.	7,798	9,023	n.a.
DE	5%	3%	2%	30,342	28,156	19,535
ELL	4%	5%	13%	5,745	7,713	22,053
ES	18%	25%	34%	46,028	70,188	83,987
FR	31%	29%	41%	212,309	226,317	235,637
IRE	3%	3%	4%	6,720	5,290	6,013
IT	23%	n.a.	n.a.	12,522	n.a.	n.a.
L	n.a.	11%	10%	n.a.	2,110	2,366
NL	2%	1%	<1%	149	40	21
OST	-	n.a.	7%	-	n.a.	15,219
PT	21%	16%	18%	16,834	19,857	15,652
SUO	-	n.a.	n.a.	-	n.a.	n.a.
SVE	-	n.a.	n.a.	-	n.a.	n.a.
UK	Not implemented					

Note:

<sup>1</sup> Additional Investment Aid only includes the amount paid in excess of the normal investment aid.

<sup>2</sup> The 'total budget under Regulation 950/97' does not take into account the minor schemes.

Source: Based on the Agricultural Situation in the European Union 1996, 1997 and 1998 Report.

### 7.1.1. Scheme design

#### 7.1.1.1. Focus

Organic farmers in Denmark were favoured under the scheme and received higher payments than conventional farmers. As explained in Section 7.1.1.3, in some Member States, including Greece and France, the level of aid was higher for young farmers setting up in LFAs or mountainous areas. In Sweden, the amount paid varied with the size of the holding and the proportion of the farmer's own capital for the investment. The sectors targeted for support are discussed in Section 7.1.2.

Additional national eligibility criteria, going beyond the EU criteria in order to favour better managed and larger farms, were introduced in several countries. These criteria included an obligation to keep accounts, the requirement of a certain amount of own capital to ensure the viability of the holding and the requirement to invest a certain amount of capital in the holding.

### **7.1.1.2. Administrative arrangements**

Administrative arrangements are discussed by evaluation question in Section 10.1.2.

### **7.1.1.3. Amount and form of aid**

In most countries, aid under the Setting up Scheme for young farmers was granted both in the form of a capital grant and an interest subsidy on loans. Some Member States placed an emphasis on the interest rate subsidies (including Belgium and France). Interest rate subsidies are more attractive if the prevailing interest rate is high. Interest rates in the EU over the programming period were fairly low in the run up to Economic and Monetary Union (see Section 5.1) and this may have decreased the effectiveness of the scheme where interest rate subsidies were the favoured means of offering support. Also, interest rate subsidies are more advantageous for larger loans and hence favour larger farms. This may have resulted in a high degree of deadweight as larger farms are probably more likely to make investments without the need for support. Aid in the form of a capital grant may be more suitable for smaller farmers.

Most countries also offered Additional Investment Aid to young farmers under a MIP. In Portugal, the amount of the Start-up Premium was higher for farmers also applying for this Additional Investment Aid.

Several Member States graded the amount of aid according to a range of criteria (in some cases some combination):

- the type of area with higher aid levels for LFAs and mountainous areas;
- the work volume required on the farm;
- the size of holdings; and,
- the farmer's own capital for investment.

### **7.1.1.4. Input**

Table 7.3 shows the average amount of aid per beneficiary spent in 1996 for the Start-up Premium and the Additional Investment Aid. The average level of the Start-up Premium was highest in Belgium and France, while the level of the Additional Investment Aid was highest in Greece, followed by Germany and Luxembourg.

**Table 7.3: Average amount of aid per beneficiary in 1996**

	Start-up Premium (€1,000)	Additional Investment (Art. 11) (€1,000)	Aid
BE	27		28
DK	n.a.		n.a.
DE	6		75
ELL	7		90
ES	13		21
FR	26		29
IRE	5		29
IT	n.a.		n.a.
L	17		72
NL	Not implemented		n.a.
OST	5		7
PT	15		21
SUO	n.a.		n.a.
SVE	19		n.a.
UK	Not implemented		

Source: The Agricultural Situation in the European Union 1998 Report.

The level of grant increased during the programming period in Greece. In Italian non-Objective 1 regions, the share of the budget for the whole programme actually spent for the Young Farmers Scheme was considerably higher than originally foreseen as a result of a higher than anticipated uptake. The share of old farmers is high in Italy (see Table 7.7) and many retired during the programming period leaving their holdings to young people entering the sector.

### 7.1.2. Uptake

Table 7.4 presents the uptake of the YF Scheme in the years 1994 to 1996 as this is the only consistent data available. It should be noted that these numbers cannot be extrapolated over the whole programming period. Some countries experienced difficulties in initiating the measure which resulted in an increase in uptake later in the programming period in Greece and Spain and in a peak in uptake in 1996 in Finland. Applications exceeded expectation in Greece, Italy and Spain. This was explained by the simplicity of the scheme, the high levels of aid available, and an increase in the Setting up Premium during the programming period in Greece.

**Table 7.4: Average number of beneficiaries or aids approved in the years 1994, 1995 and 1996**

	Start-up Premium (Article 10)			Additional Investment Aid (Article 11)		
	1994	1995	1996	1994	1995	1996
BE	844	628	931	368	510	616
DK	438	514	545	420	394	419
DE	5,145	3,845	2,399	629	594	680
ELL	705	1,085	1,691	251	371	415
ES	4,713	5,621	5,914	2,643	2,774	2,065
FR	7,245	7,787	8,677	2,277	2,710	2,718
IRE	357	884	1,167	290	32	31
IT	2,213	1,711	n.a.	467	565	n.a.
L	n.a.	72	67	n.a.	41	68
NL	Not implemented			94	26	12
OST	-	n.a.	1,671	-	n.a.	1,393
PT	1,059	1,190	806	1,025	1,273	916
SUO	-	n.a.	n.a.	-	n.a.	n.a.
SVE	-	114	176	-	N.a.	n.a.
UK	Not implemented					

Source: The Agricultural Situation in the European Union 1996, 1997 and 1998 Report.

Table 7.5 shows the main sectors supported by the YF Scheme. Most beneficiaries across the EU were dairy farmers. However, in the southern Member States, horticulture and arable crops played an important role.

**Table 7.5: Main sector supported by the Setting up Aid for young farmers**

	Main sector supported
BE	n.a.
DK	Livestock, particularly pigs
DE	Dairy
ELL	Arable crops, followed by sheep
ES	Arable crops (Continental Spain), horticulture (Mediterranean regions), fruit trees (Catalonia), livestock and dairy (Atlantic regions)
FR	Dairy
IRE	Dairy
IT	Dairy, horticulture and arable crops
L	Dairy
NL	No Start-up Premium implemented, no data available on Additional Investment Aid
OST	Cash crops
PT	Horticulture
SUO	Dairy
SVE	Dairy, followed by livestock
UK	Not implemented

Source: Agra CEAS Consulting.

In most Member States the average size of beneficiary holdings is higher than the national average (see Table 7.6). This indicates that the scheme contributed to

the development of efficient and productive agricultural structures by favouring larger farms (see Section 7.1.3).

**Table 7.6: Average size of holdings supported by the YF Scheme and national averages (1995)**

	Average size of holdings supported by the YF Scheme	National average size (ha)
BE	n.a.	18.8
DK	size category 20-50 ha dominant	39.6
DE	outside Obj.1: 56.1 ha, inside Obj.1: 170 ha	30.3
ELL	<10 ha	4.5
ES	30.83 ha	19.7
FR	45 ha	38.5
IRE	39.9 ha (during 1994-96)	28.2
IT	outside Obj.1: 16.2 ha	5.9
L	n.a.	39.9
NL	No Start-up Premium implemented, no data available on Additional Investment Aid	
OST	>= 50 ha	15.4
PT	20.85 ha (only taking into account beneficiaries of Additional Investment Aid)	8.7
SUO	n.a.	21.7
SVE	size category 20-100 ha dominant	34.4
UK	Not implemented	

Source: The Agricultural Situation in the European Union 1997 Report and Agra CEAS Consulting.

### 7.1.3. Output

There is no indication that the type of investment assisted under the Additional Investment Aid Scheme for young farmers would have differed from the type of investments made under the normal Farm Investment Scheme (see Section 6.1.3).

## 7.2. Scheme effects

This section addresses all the evaluation questions drawn up by the European Commission for the ex-post evaluation of measures under Regulation 950/97 relating to the Young Farmers Scheme. The numbering corresponds to the numbering used in the Commission guidelines for ex-post evaluation to the national authorities (see Appendix 1).

### C.1 To what extent has the aid facilitated the setting up of young farmers?

By definition, the setting up aid for young farmers facilitated their setting up. Aid is given in form of financial support (single premium or interest subsidy on loans), which facilitated the setting up of beneficiaries by cushioning the financial burden in the economically sensitive setting up phase. A more quantitative discussion of the scheme's mitigation of the setting up by covering parts of the setting up costs is presented in the following paragraph.

In this context, it is recommended to conduct comparative case studies in the farmwork of Member State evaluations in future, in order to be able to isolate effects of the scheme from external impacts.

**C.1.1 To what extent has the setting up aid covered the costs arising from setting up?**

The extent to which the aid covered the costs related to setting up is likely to vary by sector (setting up costs are higher in more capital intensive sectors such as horticulture), farm size (as a result of scheme design the relative impact of the support was generally higher for small farms than for larger ones) and geographical location (land prices differ regionally). The cost of setting up was very likely to have been lower where farms were passed within a family from one generation to the next than for genuine newcomers to the sector. The extent to which the Setting up Aid covered the setting up costs also heavily depends on how these costs are defined (i.e. total value of loan, total value of loan plus interest, average capital per holding, costs of take-over plus costs of capital, etc.). Given the above, no quantitative data can be used to answer this question.

However, it is unlikely that many young farmers setting up depended substantially on the support given the important influence of other factors on the costs of setting up such as quota and premium availability, land prices, interest rates, market trends, etc..

**C.1.2 To what extent has the setting up aid contributed to the earlier transfer of holdings (to relatives versus non-relatives)?**

Conceptually the scheme should have resulted in an earlier transfer of holdings. This is because family holdings dominate farm ownership structure in the EU and it is relatively unimportant in this context who the formal head of holding is. The scheme would effectively offer additional rent for the retiring farmer and thus provide an incentive for earlier transfer. However, this was only demonstrated quantitatively in one region. There is anecdotal evidence for earlier transfer in a further four Member States. However, this was balanced by stakeholder interviews in two Member States which concluded that there had been no earlier transfer of holdings as a result of the scheme. Some countries with a high share of small family holdings and relatively weak control mechanisms noted that there was a risk of fraud in terms of 'fake transfers'.

On balance, it appears that the scheme did result in a slightly earlier transfer of farms, but mainly within the family.

**C.1.3 How significant was the synergy with the Early Retirement Scheme (Regulation 2079/92) in achieving such earlier transfer?**

The Early Retirement Scheme (ERS) was not implemented in some countries including Italy, Luxembourg and Sweden. Where it was implemented, four Member States consider that there was no synergistic effect. Three of these provide quantitative evidence showing a very low percentage of beneficiaries of the ERS transferring their holdings to beneficiaries of the Young Farmers Scheme (Belgium, Denmark, Spain), and one country providing anecdotal evidence (Germany). Some stakeholders not suggesting synergistic effects argued that the beneficiaries of the

ERS usually held small and marginal farms that have been excluded from the market due to their low level of competitiveness, and which were therefore not attractive for young farmers to take over.

In contrast to the above a considerable synergistic effect is considered probable in four Member States (on a quantitative basis in Finland and based on the opinion of interviewees in Greece, Ireland and France).

#### **C.1.4 To what extent has the aid influenced the number of young farmers of either sex setting up?**

This question can be addressed in two ways: impact of the scheme on the total number of farmers setting up; and, impact of the scheme on the gender distribution among young farmers.

There is no data quantifying the number of young farmers that decided to set up because of the existence of the aid scheme. To answer question C.1.4, we can therefore only look at the change in the share of young farmers between the beginning and the end of the programming period. However, it is not possible to assign causality for any changes to the scheme and, as outlined below, many other factors influenced the decision of young farmers to set up.

Table 7.7 and Figure 7.1 compare the distribution of individual holders by age in 1993 and 1999/2000. There were virtually no changes in the proportions for the EU-12. The proportion of holders under 45 increased in seven Member States over the period with the highest increase occurring in Belgium and Spain. In France, Italy, the Netherlands, Portugal and the UK the share of farm holders under 45 decreased, with the largest fall in France. The age distribution of farm holders in Sweden, Finland and Austria is more weighted towards younger farmers.

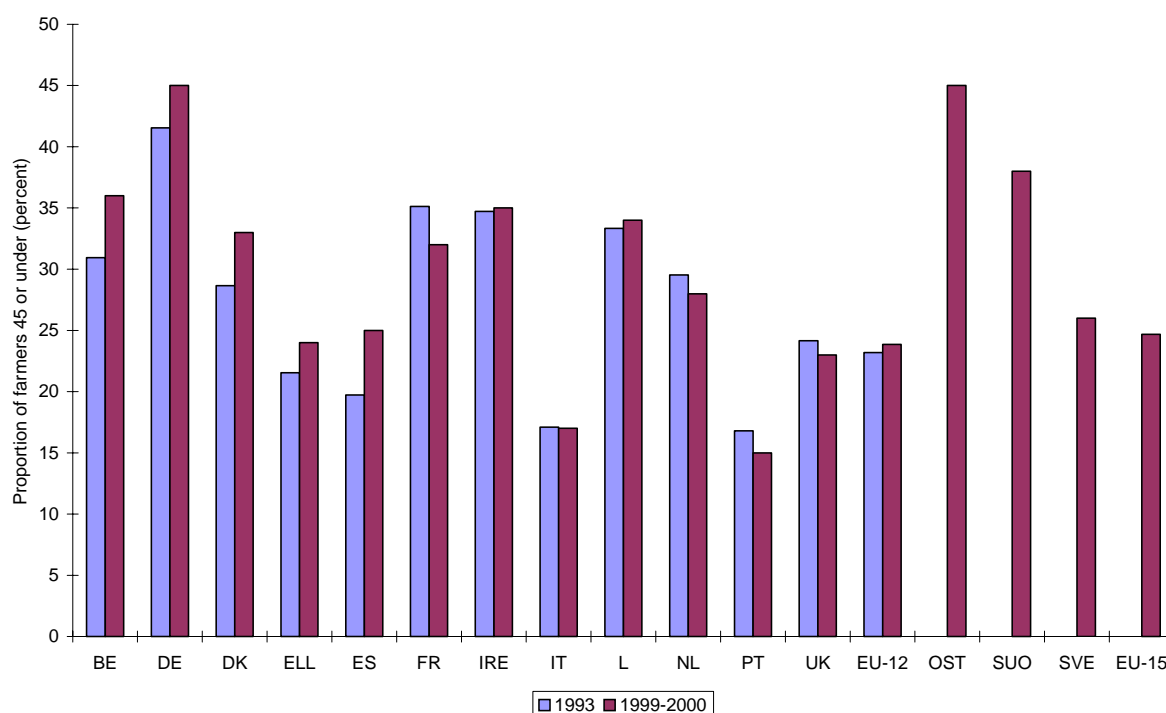
This does not mean that the scheme did not increase the number of young farmers. Table 7.7 and Figure 7.1 show *relative* figures, and do not reflect the decrease in the total number of agricultural holdings between 1993 and 1999/2000. In addition, it might also be the case that without the scheme, the decrease in the share of young farmers would have been higher, and that the scheme reduced this relative decline in numbers.



**Table 7.7: Distribution of individual holders by age (%) in 1993 and 1999/2000**

	<45		45-54		>54	
	1993	1999/2000	1993	1999/2000	1993	1999/2000
BE	31	36	21	23	49	41
DE	42	45	24	26	34	28
DK	29	33	24	25	47	42
ELL	22	24	21	20	57	56
ES	20	25	22	22	58	53
FR	35	32	23	30	42	38
IRE	35	35	22	26	43	40
IT	17	17	20	20	63	62
L	33	34	23	26	43	40
NL	30	28	26	25	44	46
PT	17	15	21	20	63	65
UK	24	23	28	26	48	52
EU-12	23	24	22	22	55	54
OST	n.a.	45	n.a.	26	n.a.	29
SUO	n.a.	38	n.a.	36	n.a.	25
SVE	n.a.	26	n.a.	28	n.a.	46
EU-15	n.a.	25	n.a.	23	n.a.	52

Source: EUROSTAT (Farm Structure Surveys 1993 and 1999/2000).

**Figure 7.1: Proportion of farmers under 45**

Source: EUROSTAT (Farm Structure Surveys 1993 and 1999/2000).

Conceptually it is not likely that the scheme had any impact on the gender ratio of young farmers setting up because there was no differentiation by gender. This argument is supported by quantitative and anecdotal evidence from some

countries. That said, there might have been a tendency among female farmers to set up part-time and part-time farmers were only eligible under certain conditions. If this was indeed the case, the scheme would have put female farmers at a disadvantage. The proportion of female beneficiaries in Belgium and Sweden was lower than the proportion of female farmers in the total number of farmers setting up suggesting that they tended not to apply for the scheme to the same extent as men.

**C.1.5 To what extent have other elements of the business environment contributed to the decision to set up (for example the market situation and national measures such as inheritance tax)?**

Farming is as much a lifestyle as an occupation and the decision to enter the sector is very unlikely to be made solely on the basis of the availability of a financial subsidy. Conceptually at least, many other elements in the business environment will influence the decision to set up and this was supported by evidence from beneficiary surveys and stakeholder interviews. It was also judged to be correct by sub-contractors representing all Member States and is supported by surveys with beneficiaries from some Member States including Denmark, Sweden and Ireland, in which a majority of the recipients stated that they would have set up anyway. The exception is France where a survey found that only one-third of farmers said they would have set up without the aid. Examples of other important explanatory variables influencing the decision to set up as a farmer include, *inter alia*, the following:

- national inheritance laws (e.g. in Germany, Greece, Austria and Luxembourg);
- traditional social structures in the agricultural sector (e.g. hand-over of farm to the oldest son) (e.g. in Germany);
- unemployment rate;
- general economic climate such as level of interest rates or taxation (e.g. in Denmark, Greece and Finland);
- income within farming in comparison to other sectors (e.g. in Belgium);
- land prices;
- market trends and price developments in the agricultural sector (e.g. in Belgium and Finland)
- uncertainty in the farming sector induced by new spatial restrictions, new environmental regulations demanding high investment and often resulting in increased production costs (e.g. in Belgium);
- outlook for agriculture as a whole, impact of the reform of the CAP in 1992, GATT Uruguay Round negotiations on agricultural products, food scares (BSE etc.) (e.g. in Belgium and Spain);
- attitude to farming as an occupation; and,
- regional infrastructure (health system, education, transport, communication or other public services etc.) (e.g. in Spain).

Some stakeholders assessed some of these other factors as being considerably more important than the existence of the aid scheme for setting up.

Some Member States used additional national measures such as the granting of additional milk quota or special premia rights to support young farmers setting up (e.g. Luxembourg). This was perceived by both beneficiaries and administration officials as a more important incentive for young men or women to set up as farmers, especially the granting of additional milk quota.

This result is in no way surprising. It was not expected that young farmers would decide to set up only on the basis of the aid scheme. The objective was to facilitate the installation of those persons that had decided to set up (for a number of reasons), and to ensure the sustainability of their holdings in the long run by providing financial support in the sensitive setting up phase (see recital number 19 in the preamble of Regulation 950/97). It is therefore recommended to rephrase this evaluation question in future evaluations and to ask whether young farmers would have set up in another (less sustainable) way without the aid under the YF Scheme.

As was pointed out by sub-contractors representing eleven Member States (as well as by interview partners in Sweden) the scheme had an important symbolic social and political value in terms of demonstrating support for young agricultural entrepreneurs.

#### **C.1.6 To what extent has the existence of the aid scheme increased the costs of setting up by increasing the amounts required by the former farmer?**

In most countries, as a result of traditional social structures, a very high proportion of farm transfers took place within the family. Conceptually this makes it less probable that the existence of the aid scheme increased the amounts required by the former farmer for the transfer of the holding itself. However, experts consider that part of the aid was shifted to landowners. As mentioned above, possible deadweight supports the opinion of some experts that the aid partly functions as a retirement payment for the exiting farmer.

#### **C.2 To what extent has the setting up of young farmers actually achieved or contributed to maintaining viable rural communities?**

The impact of the scheme on the viability of rural areas is limited. This is mainly due to the fact that agriculture is but one of several key sectors in the rural economy, and farmers do not represent the major proportion of the rural population (see Section 5.2, Table 5.6 and Figure 5.1). However, (young) farmers do considerably benefit rural communities in terms of landscape management.

As discussed above, the impact of the scheme on the decision to set up as a farmer is generally perceived as being rather limited. From this it follows that the scheme does not contribute to any great extent to increasing the number of young farmers

in rural areas. By the same token the scheme is not likely to counterbalance rural out migration (this was not an aim of the scheme). The impact on the age structure of rural communities is probably also limited since the scheme could not stop the overall decrease in the number of young farmers (see Section 7.3).

Despite this, interviewed experts from 5 Member States believed that the scheme has, to a limited extent, had a positive multiplier effect on the local economy by increasing demand for a range of farm input products. This impact is, however, particularly small in countries or regions where the farm structure is small, as for example in Greece. Some interviewed experts considered that the scheme had indirect local effects in encouraging others to invest in the region. Assuming that the scheme contributes to the development of productive and efficient agricultural structures (see above), this is also likely to have had a positive effect on the viability of rural communities.

On the basis of interviews with relevant stakeholders in several countries, it can be concluded that as long as eligibility criteria do not favour farmers aiming to develop alternative activities on farms (e.g. agro-tourism), there is no particular contribution to the viability of rural communities. However, regardless of this support measure, young farmers are generally more open to alternative activities on farms than the average farmer and there may have therefore been an indirect impact.

#### **C.2.1 To what extent has the setting up contributed to safeguarding employment?**

By definition the scheme will have at least maintained employment in agriculture in rural communities. The impact of the Young Farmers Scheme on employment is likely to have only been limited since agriculture does not play an important role in the rural economy as discussed above. The scheme's impact in terms of maintaining employment is reinforced by the fact that in many rural areas it is difficult to find jobs outside the agricultural sector: this is especially the case in Objective 1 and 6 areas. This enhances the importance of the Young Farmers Scheme for employment in rural communities.

#### **C.2.2 To what extent has the setting up contributed the development of productive and efficient agricultural structures?**

To be eligible for the scheme farmers had to have 'adequate' occupational qualifications which were defined by the Member States. Conceptually a stipulation of high occupational qualifications should contribute to the development of productive and efficient agricultural structures.

The Young Farmers Scheme forces beneficiaries to plan their business in the medium and long-term (to be eligible for the Additional Investment Scheme, farmers had to draw up a MIP, and in some countries such as France, the applicant for the start-up aid had to submit a 'preliminary study for setting up' in order to be

eligible). This is likely to have had a positive impact on the viability of farms and on the sustainability of the measure.

The average size of beneficiaries holdings is higher than the national average in Germany, Spain, France, Ireland, Italy, Austria and Portugal (see Table 7.6). This implies that these farms are likely to be more efficient than smaller units. Also, some interviewed experts consider beneficiaries of the Young Farmers Scheme to be generally dynamic, willing to invest and managing more productive and profitable farms with a lower decrease in workforce than is generally the case.

Finally, it should be noted that increasing efficiency is a general development in agriculture and as such it is difficult to confidently assign causality to the scheme.

### **C.2.3 To what extent do assisted young farmers succeed in remaining as heads of holding?**

Due to the lack of relevant monitoring data, it is not possible to answer this question on a quantitative basis.

Where Additional Investment Aid was provided it is conceptually likely that the scheme did help young farmers to remain as head of the holding on the grounds that investments are generally likely to improve viability. Interviews with administration officials and farmers' unions, as well as beneficiary surveys in two Member States, supported this argument.

Several Member States (including Germany and Finland) stipulated that scheme beneficiaries continued farming or that they used the buildings constructed and machinery purchased with the help of the Additional Investment Aid for a certain period of time after receiving the aid. This will have clearly helped to ensure that beneficiaries maintain the farming activity.

### **C.3 To what extent has the Additional Investment Aid (Article 11 of Regulation 950/97) facilitated the structural adjustment of holdings after the first installation?**

It is unlikely that the existence of the Additional Investment Aid alone would have been of sufficient significance to influence structural adjustment. Structural adjustments are likely to be influenced to a greater extent by other factors such as the general economic climate (level of interest rates or taxation), income within farming, land prices, market trends and price developments in the agricultural sector, reforms of the CAP, food scares, etc..

### **A.1 To what extent has the Regulation produced significant impacts (positive or negative) in addition to the immediate effects on the beneficiary holdings?**

The Young Farmers Scheme, at least the Additional Investment Aid, forced its applicants to plan their business in the medium and long-term. This fact is likely to have had a positive impact on the viability of farms and rural communities.

In the new Member States, the scheme, together with other support schemes under the CAP, helped to improve the image of the CAP and to counteract the doubts and concerns of farmers relating to the new agricultural policy at the EU level.

### 7.3. Judgement

In 1997, 55% of holders of agricultural holdings in the EU were 55 or older (52% in 2000), and 28% were older than 65 (29% in 2000). Only 8% of holders were younger than 35 (8% in 2000). This underlines the relevance of the aid for the setting up of young farmers. In addition, it is becoming increasingly difficult to attract young people into the agricultural sector for a variety of reasons. This suggests that some support scheme to help facilitate entry is useful and relevant.

Young farmers' agricultural holdings are generally larger compared to other age groups (in 2000, the average UAA of a farm managed by a holder under the age of 35 amounted to 20.4 ha, while it is of 20.9 ha for holders between 35 and 44 years old and decreases to 18 ha for holders of 45 to 54 years and to 10.5 ha for holders older than 55). If one assumes such holdings will tend to be more efficient since they may achieve better economies of scale this would also tend to validate the intervention.

In order to assess the effectiveness<sup>19</sup> of the aid scheme, the objectives have to be taken into consideration. Recital number 19 in the preamble of Regulation 950/97 states that "...the grant of specific benefits to young farmers may facilitate not only their installation but also the structural adjustment of the holding after their first installation". This implies that the scheme did not aim to essentially influence the decision of young persons to set up as farmers, but to facilitate the setting up and to ensure the economic viability of the holdings of those young farmers that have decided to set up for a number of reasons.

Aid to young farmers under Regulation 950/97 represented an element of financial security during the sensitive setting up phase. The aid at this point in time contributed to ensuring economic/financial viability of the beneficiaries' holdings and thereby made a clear albeit limited contribution to their sustainability. This particularly holds for the Additional Investment Aid under which farmers were obliged to draw up a Material Improvement Plan and thereby to plan their business carefully and for the long-term.

As pointed out by sub-contractors representing eleven Member States (as well as by interview partners in Sweden), the scheme had an important symbolic social and political value in terms of demonstrating support for young agricultural entrepreneurs.

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<sup>19</sup> Effectiveness is the fact that expected effects have been obtained and that objectives have been achieved (see MEANS collection on evaluating socio-economic programmes, Volume 6, European Commission, Luxembourg 1999).

The YF Scheme did act as one incentive among others to set up. However, it was not the main factor influencing the decision to set up as farmers. Other factors such as national laws of inheritance, interest rates and taxation, traditional social structures of handing over the farm to the oldest son, and the granting of additional milk quota to young farmers in some Member States were considered to be more significant by interviewed stakeholders from most countries and by sub-contractors representing all Member States.

The above suggests that there was a significant potential for deadweight in terms of influencing the young farmers' decision to set up. In four Member States (France, Sweden, Ireland and Denmark), it was estimated that a majority of beneficiaries would have set up without the aid granted under the Young Farmers Scheme.

The trend in the age distribution of farm holders between 1993 and 1999/2000 is shown in Table 7.7 and Figure 7.1 in Section 7.2. At the EU-12 level there was virtually no change in farmer age structure. However, a positive trend in the number of farm heads under the age of 45 was observed in seven Member States, with the highest increase occurring in Belgium and Spain (+5%). A decrease in the number of farm holders under 45 occurred in France, Italy, the Netherlands, Portugal and the UK, with the highest fall occurring in France.

This does not mean that the scheme did not increase the number of young farmers. It might have been the case that the scheme slowed down the decline in the proportion of young farmers in the farming population as a whole. On the basis of the figures presented, it is not possible to define the driving forces for the observations made. In addition, the figures are relative and do not take into account the decline in number of holdings over the period in consideration.

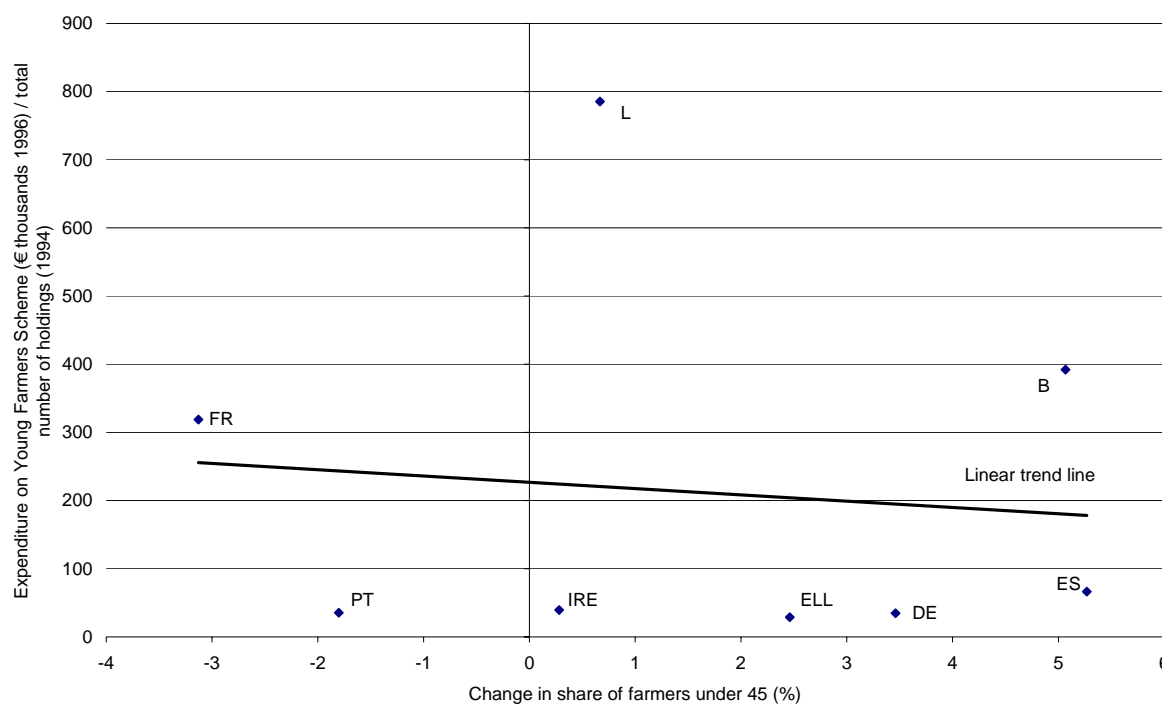
Conceptually at least, the scheme therefore helped to facilitate the entry of young farmers.

Figure 7.2 shows the relationship between the expenditure on the Young Farmers Scheme per total holdings (1996) and the change in the share of farmers under 45 between 1993 and 1999/2000 in all Member States for which data are available. This shows that there is no positive correlation<sup>20</sup> between expenditure and change in farmer age structure (the  $R^2$  is 0.0108 meaning that 1% of the variation in age structure is explained by expenditure on the scheme). It is particularly interesting to note France, where expenditure per holding was fairly high and there was a reduction in farmers under 45 over the period, and Luxembourg where the highest expenditure per holding was noted and where there was virtually no change in the proportion of farmers under 45. In contrast, there was very low expenditure per holding in Greece, but the highest increase in the proportion of farmers under 45. It should be stressed, however, that the expenditure data is only from 1996 and that this may not be representative of the period. As mentioned above, uptake,

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<sup>20</sup> There is a very small negative correlation, but given the  $R^2$  this is insignificant.

and therefore also expenditure, varied considerably during the programming period in some EU countries. It should also be recalled that a decrease in the share of young farmers does not prove that the scheme did not increase the number of young people in the agricultural sector (see previous paragraphs). The explanatory power of the graph is therefore limited.



**Figure 7.2: Expenditure on Young Farmers Scheme (1996)/total holdings versus change in share of farmers under 45**

Source: The Agricultural Situation in the European Union 1998 Report and EUROSTAT.

There is no evidence to suggest that the scheme was particularly helpful for young farmers seeking to enter the sector without an agricultural family background. This is despite this being the group facing most problems setting up. In fact, in Austria, new entrants from a farming background were specifically targeted and whilst this might meet political objectives, it does not facilitate entry to the sector for those coming from outside agriculture.

According to interviewed stakeholders, for the farming population in the three new Member States (Austria, Finland and Sweden), the existence of the Young Farmers Scheme, together with other support schemes under the CAP was an important positive signal, serving to decrease scepticism about the future of the farming sector within the EU.

As discussed in Section 10.1.1, the Young Farmers Scheme's contribution to the overall objectives of Regulation 950/97 is relevant mainly in the case of the objective to improving the efficiency of farms. The aims relating to the whole society or to the macro-economic level, i.e. to contribute to maintaining viable



rural communities (see Section 7.2), safeguarding of the environment and the preservation of the countryside, as well as to restoring the balance between production and market capacity were less likely to have been achieved by the Young Farmers Scheme.

The scheme may well have been effective in increasing the viability of farms thus ensuring that they remain in production. This also suggests that the measure is likely to be sustainable. Sustainability is further ensured by additional national eligibility criteria where this requires beneficiaries to continue farming or to continue using supported buildings and machinery for a specified period of time.

As with the Farm Investment Scheme, Additional Investment Aid to young farmers was granted on the basis of a Material Improvement Plan (MIP). The obligation to draw up such a plan forced the farmer to plan his business carefully and for the long-term which also had a positive effect on the viability of the farm and the sustainability of the measure. In some countries, e.g. France, the applicant had to submit a 'preliminary study for setting up' in order to be eligible for the start-up aid and again, this is likely to have further facilitated sustainability.

#### **7.4. Recommendations**

Given the small proportion of young farmers in the EU in the overall farming population, the increasing difficulty of attracting young people into the agricultural sector and the fact that due to their relatively larger size (and corresponding economies of scale) young farmers' holdings tend to be more efficient, there is a political need and therefore a justification for a support scheme to young farmers. However, this should be well targeted in order to assist those that need it most and also to increase effectiveness. In most countries the available funds were spread over a large number of beneficiaries and therefore resulted in relatively low payments per beneficiary. Whilst this meets the political objective of being seen to be providing support, it lessens the actual impact. However, since individual Member States all have their own peculiarities with regard to inheritance laws continuing flexibility in implementing this Community instrument is recommended.

The following recommendations could be taken into account when revising the targeting of the Young Farmers Scheme:

- Either differentiating the amount of available aid to a certain group of people or regions that need it most, or targeting them specifically would reduce the deadweight in the scheme and increase its effectiveness. Currently "newcomers" to the agricultural sector, i.e. young farmers whose parents are not likely to pass on an agricultural holding are not targeted specifically by the Young Farmers Scheme. However, these young farmers often face the greatest difficulties in entering the sector (e.g. in France, entering farming is

approximately three times more expensive for non-farming individuals than it is for farmers' children<sup>21</sup>).

Consideration could also be given to the idea that the scheme be focused on young farmers who start in alternative sectors, or to those who focus on alternative activities (see last bullet point in this list). Then the scheme would support risk capital towards innovative agricultural development, rather than being a standard subsidy that nearly every farmer starting in the business receives.

Of course, a greater level of targeting would result in the exclusion of some potential beneficiaries, which in turn might raise the problem of justification. In addition, in some countries including Belgium, the share of "newcomers" is very low and therefore the scheme would not achieve critical mass any more. In Portugal also the number of beneficiaries was relatively small, so that it would not make sense to tighten the criteria and thereby further reduce the number of beneficiaries.

- Depending on whether the objective of the scheme is economic in seeking to achieve structural change in terms of increased efficiency or social/environmental in terms of keeping producers on the land it would be possible to alter the main occupation criteria to either attract more or less part-time applicants (this was in fact done under Regulation 1257/99, see Section 2.4).
- Sub-contractors representing all Member States agree that existing training schemes should be reviewed to see if they are meeting the needs of young farmers.
- Availability of quota and premium rights are considered to be the main obstacle to sector entry. Attaching grants of quota and premia to the scheme could help remove this obstacle which applies especially to those seeking to enter from outside the sector. In this context it is recommended to analyse sectoral differences in the setting up rates in order to investigate whether young farmers prefer to set up in sectors where there are no quotas (e.g. horticulture).
- It would be possible to increase the scheme's contribution to the macro objectives 'viable rural communities', 'environment protection' and 'restored balance between production and market capacity'. This could be done by targeting the scheme towards farmers using environmentally friendly production methods or making environmentally friendly investments. Preference could also be given to farmers setting up in alternative production sectors such as energy crops or to those who focus on alternative activities such as direct marketing or agro-tourism. An orientation towards more 'innovative' farming would be desirable. We note that compliance with certain environmental standards is now required (see Section 2). However, experts from two Member States fear that this would reduce it's the scheme's effectiveness. They believe that the above-mentioned objectives could be

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<sup>21</sup> Commission publication "Young farmers and the problems of succession in European Agriculture", COM/96/0398.

achieved in a better and more efficient and effective way by other ad-hoc schemes. Experts from Finland also noted that such an approach would not be appropriate in remote agricultural areas.

The integration of the Young Farmers Scheme into the framework of the Rural Development Programmes is likely to enhance scheme effectiveness and simplify administrative procedures. This should allow a more appropriate targeting of the Young Farmers Scheme through the definition of eligibility criteria taking into account sectoral and territorial needs on the basis of sectoral and territorial planning under the Rural Development Plans.

The question future evaluations should address is not whether the scheme encouraged the setting up (since a large variety of other factors influenced the young persons in their decision to set up), but whether it made a qualitative difference in the way the farm was set up (i.e. contributed to the sustainability of the enterprise).

In order to be able to isolate the impacts of the Young Farmers Scheme from other external effects, it is recommended to conduct comparative case studies between beneficiaries and non-beneficiaries in the framework of Member State evaluations.



## 8. Less Favoured Area Scheme

### 8.1. Implementation and scheme design

To enable continuation of farming in areas where production conditions were more difficult i.e. 'Less Favoured Areas' in the mid 1970s the Community introduced a territorial dimension to policy enabling agricultural holdings in such areas to benefit from direct aids and specific measures. The definition of such areas and the criteria for their establishment and demarcation were originally set out in EC Directive 75/268 which was subsequently integrated into Regulation 950/97. Since the introduction of Directive 75/268 the delimitation of such areas has been undertaken and revised by more than 32 implementing Directives. It should be noted that there has always been significant political pressure from Member States to increase the area which can be designated as less favoured within their territories. Thus between 1975 and 1995 the percentage of Community UAA thus designated rose in average from 36% to 55%. Although this increase is in part due to successive enlargements of the Community, as was noted in a recent Court of Auditors report on the issue<sup>22</sup> it is also due to the fact that the area so designated in a number of Member States has risen without there being an evident corresponding change in the level of disadvantage.

The proportion of each country's UAA designated as LFA also varies considerably from Member State to Member State with the Netherlands only designating very limited areas with specific handicaps, Belgium (Flanders) not designating any of its territory in this fashion, Denmark only designating a very small proportion of its territory in 1998 and 1999 and Luxembourg having 98% of its territory thus designated. The type and structure of farming supported thus varies both in scope and in line with the type and structure of farming across the EU with countries such as the UK, Ireland, Belgium tending to have the focus of production outside the intensive arable zones on extensive livestock and in southern Member States the tendency will be to support extensive livestock as well as a higher proportion of general and permanent crops. The picture in the middle of the implementation period (1996) is presented in the table below.

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<sup>22</sup> Op.cit.

**Table 8.1: EU Utilised Agricultural Area (UAA) in LFAs (1996)**

	'000 hectares					as a % of total UAA			
	Moun- tain areas	Simple LFA areas	Specific handi- caps	Total LFA	Total UAA '1990'	Moun- tain areas	Simple LFA areas	Specific handi- caps	Total LFA
	Art. 3.3.	Art. 3.4	Art. 3.5			Art. 3.3	Art. 3.4	Art. 3.5	
BE	---	273	---	273	1,357	---	20%	---	20%
DK	---	---	---	0	2,770	---	---	---	0%
DE	336	7,987	199	8,522	17,012	2%	47%	1%	50%
ELL	3,914	964	402	5,280	6,408	61%	15%	6%	82%
ES	7,503	11,343	700	19,546	26,330	28%	43%	3%	74%
FR (excl. DOM)	5,197	7,794	729	13,720	29,834	17%	26%	2%	46%
FR DOM	87	15	75	177	177	49%	8%	42%	100%
IRE	---	3,456	12	3,468	4,892	---	71%	0.2%	71%
IT	5,218	3,405	218	8,841	16,496	32%	21%	1%	54%
L	---	122	3	124	127	---	96%	2%	98%
NL	---	---	111	111	2,011	---	---	6%	6%
PT	1,227	2,056	150	3,433	3,998	31%	51%	4%	86%
UK	---	8,341	1	8,342	18,658	---	45%	0.004%	45%
<b>Total EUR 12</b>	<b>23,482</b>	<b>45,756</b>	<b>2,599</b>	<b>71,836</b>	<b>130,070</b>	<b>18%</b>	<b>35%</b>	<b>2%</b>	<b>55%</b>
OST	2,047	208	164	2,419	3,524	58%	6%	5%	69%
SOU	1,407	536	220	2,164	2,549	55%	21%	9%	85%
SVE	526	1,011	333	1,869	3,634	14%	28%	9%	51%
<b>Total EUR 15</b>	<b>27,462</b>	<b>47,511</b>	<b>3,316</b>	<b>78,288</b>	<b>139,777</b>	<b>20%</b>	<b>34%</b>	<b>2%</b>	<b>56%</b>
In % of total LFA	35%	61%	4%	100%					

Source: Annual Report on Structural Funds 1997.

LFAs cover three types of area:

- mountain and hill areas (approximately 20% of total UAA) where altitude and slopes reduce the scope for mechanisation and limit the growing season;
- 'simple' LFAs (approximately 34% of total UAA) with poor soils and low agricultural incomes; and,
- areas with specific handicaps (approximately 2% of total UAA) e.g. periodic flooding where agricultural activity needs to be continued in order to maintain the countryside.

The objectives of the Regulation were:

- **economic:** to offset the impact of permanent natural handicap on production costs;
- **social:** to combat large scale depopulation of farming and rural areas, leading to land abandonment; and,
- **environmental:** to protect and maintain the countryside and rural environment.

### 8.1.1. Scheme design

The legislation relating to compensatory allowances allows Member States considerable leeway in the implementation of the scheme in line with their differing agricultural structures, financing possibilities and priorities. There is

limited evidence for some differentiation according to a range of criteria as follows:

**Beneficiaries ages:** a number of Member States reinforced the EU requirement that a farmer must continue farming for at least five years by introducing specific criteria to exclude older farmers from the payments e.g. Finland (age ceiling of 65), Sweden (no aid for farmers with a state pension).

**Type of beneficiary:** some countries restricted the payments to full-time farmers (e.g. Portugal, France) permanently resident in or near the farm (France, Finland) and defined how much of the area of the beneficiaries holding had to be within the LFA (e.g. 80% of UAA in France, over 40% in Belgium (Wallonia)).

**Size of units:** some countries introduced ceilings on the number of animals/size of holding eligible to receive payments (e.g. the maximum area eligible in Portugal was 20 hectares and the number of animals ceiling was 50).

**Stocking density:** tighter ceilings were imposed on the maximum number of animals per hectare of land (e.g. in the UK the maximum number of ewes/ha in severely disadvantaged and disadvantaged areas was set at 6 and 9 ewes per forage hectare respectively). Combined with maximum amounts per hectare this meant there was de facto an overall ceiling on the stocking density for which subsidy could be claimed. The UK legislation regarding Hill Livestock Compensatory allowances also allowed for payments to be withheld in cases of overgrazing and a voluntary Code of Good Upland Management was published in 1992.

**Payment rates:** there is some evidence that some Member States (e.g. France, Finland) fully took up the option of focusing higher levels of support on severely disadvantaged areas as compared with others (Greece, Portugal) which appear to have focused support fairly evenly across the different types of LFA.

The overall picture which emerges is, however, one in which in most Member States the design of the schemes remained largely as it had traditionally been with few innovations and little targeting beyond that predetermined by the definition of the level of handicap.

### 8.1.2. Uptake

The table below presents the available data on scheme uptake and expenditure for the year 1997. These data which are taken from the middle of the implementation period provide a representation of uptake for a particular year rather than the whole period since complete and consistent data across all States for the whole period was not forthcoming. In most Member States the number of beneficiaries represents a significant proportion of the total number of holdings in the agricultural sector and in particular of the number of holdings in the livestock (cattle and sheep) sectors to which this scheme mainly relates. This will of course

depend on the share of UAA in LFAs and the proportion of livestock holdings within these zones, but to provide an indication by way of example, in 1995 there were 174,000 cattle farms in Portugal and aid was paid out to just under 100,000 holdings. Similarly in Spain there were 221,000 holdings with cattle and aid was paid to 185,000 holdings. The exceptions are of course those countries where the scheme was only applied to a limited share of the Member States' territory as in Denmark, Netherlands and to a lesser extent in France where in 1995 a number equivalent to just under 40% of the number of cattle holders would have been covered.

**Table 8.2 Allowances paid, number of holdings and number of livestock units on which compensatory allowances were paid, EU-15, 1997**

	Allowances paid (million ECU)	Number of holdings	Number of LU ( <sup>'</sup> 000)
BE	8.185	6,154	97
DK	Not applied	Not applied	Not applied
DE	391.109	172,146	2,587
ELL	98.684	166,939	1,247
ES	70.261	170,024	1,407
FR	328.719	122,955	4,101
IRE	167.999	125,569	2,074
IT	41.150	28,621	n.a.
L	13.908	2,265	47
NL	4.770	4,220	45
OST	177.629	97,967	1,062
PT	54.809	149,928	852
SUO	271.298	70,186	261
SVE	68.490	24,101	517
UK	154.595	56,129	2,996
<b>EU-15 average</b>	<b>1, 851. 607</b>	<b>1, 839, 078</b>	<b>-</b>

Notes:

<sup>1</sup> For Italy the expenditure figure is based on expenditure for period as a whole in non-Objective 1 regions divided by the number of years. The number of beneficiaires has been calculated in the same manner.

Source: The Agricultural Situation in the European Union 1999 Report and Agra CEAS Consulting Ltd. estimates.

As will be evident below, there is considerable variation in the average levels of expenditure per holding and per livestock unit reflecting different payment rates/prevalence of severely disadvantaged areas across the range of Member States. Broadly speaking it is evident that the levels of payment were on average much lower in the southern Member States (Greece, Spain, Portugal and Italy) than in the northern Member States. As was also noted in the Court of Auditors report cited above the variation in payment levels between adjacent Member States where one can assume that the levels of disadvantage are similar suggests that compensation may not adequately reflect the level of handicap incurred.



**Table 8.3: Average compensatory allowance per holding and per livestock unit, by Member State, 1994-97**

	Average allowance per holding (ECU)				Average allowance per livestock unit (ECU)			
	1994	1995	1996	1997	1994	1995	1996	1997
BE	1,329	1,367	1,391	1,330	85	87	88	84
DK	-	-	-	-	-	n.a.	n.a.	55
DE	2,163	2,210	2,312	2,272	93	106	108	97
ELL	616	589	606	591	43	64	62	60
ES	454	409	426	413	38	32	31	30
FR	2,238	2,403	868	2,673	75	76	26	79
IRE	1,575	1,583	1,355	1,338	88	85	70	81
IT	252	342	n.a.	-	17	27	n.a.	-
L	4,437	4,76	4,985	6,141	47	123	126	140
NL	1,000	869	1,310	1,130	104	65	131	107
OST	-	1,836	1,883	1,813	n.a.	159	120	116
PT	350	641	562	366	62	65	68	25
SUO	-	3,714	860	3,865	n.a.	174	138	168
SVE	-	2,611	2,810	2,842	n.a.	101	106	107
UK	2,419	2,347	2,745	2,754	47	21	52	52
<b>EU-15 average</b>	<b>1,263</b>	<b>1,543</b>	<b>1,289</b>	<b>1,549</b>	<b>61</b>	<b>62</b>	<b>68</b>	<b>74</b>

Notes:

<sup>1</sup> Denmark average allowance per LU represents average for 1998 and 1999

Source: The Agricultural Situation in the European Union 1996, 1997, 1998 and 1999 Report and Agra CEAS Consulting Ltd. estimates.

### 8.1.3. Implementation

As has been indicated above the scheme for compensatory allowances has been in operation in most parts of the EU since the mid-1970s or from the dates of accession. As such the implementation procedures in each Member State were well established. Given that similar area based payment systems were also in operation in the newly acceding Member States the application and payment systems used were not particularly new or difficult to implement. There were no reported difficulties in terms of implementation, except perhaps after the launch of the scheme in Denmark in 1998 where the comment was made that there was some concern that not all beneficiaries were fully aware of the details of the application procedure rapidly enough but this is probably inevitable when a new scheme is being launched. A further point in relation to implementation was made for Finland where it was pointed out that due to the timing of payments at the end of the year many farmers were forced to use short-term credits at times of high financing requirements (especially during the summer). In Spain farmers considered the paperwork/bureaucracy excessive for what was a relatively low payment. In Sweden some delays were reported at the start of the programme, but these were overcome relatively speedily.

## 8.2. Scheme effects

The scheme effects are presented in form of answers to the evaluation questions outlined in the Terms of Reference for this study and in the Commission guidelines for ex-post evaluation to the national authorities (see Appendix 1). The numbering corresponds to the numbering used in the Commission guidelines.

### Farm income

*D.1.1 To what extent have the allowances contributed to the farm income by offsetting the natural handicaps in terms of high production costs and low production potential?*

The view of the scheme effects on farm incomes and the extent to which the scheme successfully offset the natural disadvantages is very variable across the Member States.

In some Member States, there is strong quantitative evidence that indicates that the contribution of the compensatory payments to farm incomes is minimal. In Belgium for all holdings in the sample for the 1999 national evaluation the allowances represented only 3.3% of farm income, in Denmark the sums involved cover 3% of average gross earnings, in Spain 2.45%, in Greece the allowances contribute an estimated 5.1% to incomes of crop production holdings and 14.1% to livestock production holdings. In Luxembourg it was estimated that on 93% of beneficiary holdings the allowances contributed more than 10% of the agricultural income of the farming family and a similar figure was quoted for Sweden. In Germany it was estimated that between 10-16 % of farm income in LFAs was derived from the allowances. More anecdotal evidence suggests that in Italy and Spain the low average contribution per beneficiary amounted to €1,122 and between €300-400 respectively and this was seen as a relatively insignificant contribution to income.

By contrast, in other Member States, LFA compensatory payments contributed a significant amount to income. In Ireland it was estimated that headage payments contributed up to 28% of family farm income for cattle rearing farms, 24% for enterprises concerned mainly with sheep and 18% for enterprises with cattle and other enterprises. It was also noted that it represented a higher proportion of income for older (and generally lower income) farmers than younger ones. Similarly in France such payments account for 40% of income on sheep farms and 30% of income in beef farms in mountainous areas (20% and 17% respectively in 'simple' LFAs). In Finland as a result of falling farm incomes generally the share of income represented by the allowances rose from an average of 22.5% in 1995 to 25.8% in 1997. Less quantified evidence indicating the significance of such payments is available from Germany where two-thirds of farm advisors regarded the payments as significant in terms of offsetting natural disadvantage.

Evidence of strong regional variation in the income effect is available from Portugal (where on average allowances contribute 7.5% of income but this ranges from 2% in Ribatejo and Oeste to 28% in Tras-os-Montes) and by farm size in Portugal and Ireland (an average of 25% of income on farms under 10 ha compared with only 10% on farms over 50 ha). In the UK there was also considerable variation between regions with Hill Livestock Compensatory Allowances contributing an estimated 14% of net farm income in Northern Ireland, between 9% and 16% in Scotland (survey) and between 12% and 35% in England. Similarly in Austria it was estimated that on average 14% (but up to 31% depending on handicap category) of income came from the allowances in mountain areas but only 6% in other LFAs. This suggests that in some regions with severe disadvantage and low production potential allowances have made a significant contribution to offsetting the natural handicaps. It should be noted, however, that in almost all countries it was noted that compensatory allowances contributed relatively less than the range of other direct supports available to the livestock sector.

In terms of measuring the degree to which the allowances compensate fully/over-compensate for the higher costs/lower production potential in specific countries/regions the evidence is limited due to the fact that most national evaluations do not provide a full cost comparison between LFAs and non-LFAs. Where such evidence exists it suggests that the compensatory effect is variable and that there may be over-compensation. Thus in Greece it was noted that for livestock producers when LFA payments are added to farm income in LFAs this results in incomes which are on average 1.7% above those in non LFAs i.e. suggesting an over-compensation. Similarly in the UK the fact that the 1997 survey of farms in England receiving LFA payments indicated that 6% of these farms had conditions similar to those outside LFAs in lowland regions and only 3% corresponded to what could be described as 'severe disadvantage' reinforces this point. Conversely on crop production farms the payments only partially offset the difference in income differences between LFAs and non-LFAs since the inclusion of the allowance still results in farm incomes on cropping farms in LFAs 19% below those in non-LFAs. For Ireland it was noted that 'headage payments do not play a consistent role in closing the gap between family farm income per ha of the farm families in LFAs and those in non-LFAs'. Thus with only minor exceptions family farm income in LFAs was found to remain below that of comparable farms in non-LFAs and the difference covered by headage varied significantly according to farm size i.e. in farms of under 10ha some 95% of the difference in income was covered and on large farms over 50 ha between approximately 18% and 25% was covered.

In conclusion the judgement must be that the compensatory allowances contribute to a significant but not precisely measurable compensation for the higher costs/lower incomes experienced in LFAs. The degree to which this occurs varies from country to country, by region within countries, according to the type of enterprise farmers are involved in and by size of farm. It should be noted, however that in most countries other supports as well as market returns

contributed a far higher share of income than the compensatory allowances themselves. Their contribution to the objective of offsetting natural handicaps must therefore be seen in this context.

A final point in this context is that it needs to be noted that because of the partially political nature of the definition of LFAs, the absence of consistent and uniform criteria for defining and updating the definition of LFAs and the flat rate nature of the payments there may well have been an element of under-compensation in the most severely disadvantaged areas and an element of over-compensation in areas where the disadvantage compared to non-LFAs was minimal or non-existent. Apart from the evidence cited for Greece and the UK above there is little evidence available which would allow a quantification of these effects but the results we suggest that more detailed research on this point would find more substantive evidence.

### **Added value**

*D.1.2.1 To what extent have the allowances contributed to farm income by creating added value at the holdings in addition to the immediate effect as income transfer and cost compensation by providing working capital and enabling investments on the holdings?*

The evidence available to answer this question is extremely limited since almost no evaluations appear to have provided evidence of any sort on this issue. The economic evaluation of the scheme in Scotland pointed out that by ensuring a certain stable and consistent income on farms the effect of the payments is to reduce risk and thus make farms more suitable for consideration as collateral for long term loans and this point would appear to be generalisable across the EU. More specifically, it was pointed out that for those farms in Scotland with high levels of outstanding debt the removal of the allowances would have jeopardised the viability of such farms and this again seems a point which could apply across the EU. In Belgium it was noted that farmers in LFAs could apply for investment in addition to compensatory allowances and this will clearly have facilitated the investment process. More generally it can be stated that in countries such as Finland and in particular regions where such allowances account for a high percentage of farmers' incomes (see above) the payments would constitute a significant addition to the farmers' working capital and thus facilitate investment on the holdings.

## Employment

*D.1.2.2 To what extent have the allowances contributed to farm income by creating added value at the holdings in addition to their immediate effect as income transfer and cost compensation by maintaining or creating employment for agricultural workers on the holdings?*

While there is limited evidence available to respond to this question it should be noted as a general point that due to the nature of the holdings in LFAs (generally below the average size for the country as a whole) there will be a generally lower level of outside employment on such farms to start with. This having been said, it was noted in Germany that due to relatively limited alternative employment opportunities in the LFAs family farm members are often 'employed' on the farm and thus do not contribute to the unemployment statistics. In Germany the only real job creation was found to have been on specialised horticultural holdings in the new Länder but the extent of this and the degree to which it can be attributed directly to the compensatory allowances is not clear. Looking at more general evidence in France it appears that the reduction of employment in LFAs over the 1988-1997 period of 30% mirrors the overall decline in employment in the sector as a whole. While this result is inconclusive it may be the case that employment in LFAs might have fallen faster had the payments not been available. In Luxembourg there was a strong view amongst farmers' organisations and Chambers of Agriculture that without the compensatory allowances many holdings would no longer be viable and the farmers would be looking for an alternative occupation i.e. employment has been maintained in the sector rather than new employment opportunities created. Similar views were expressed in relation to Finland. In Scotland it was noted that up to 1998 LFA livestock farms had retained labour more successfully than non-LFA livestock farms. This was attributed to the continuation of the Hill Livestock Compensatory Allowance (HLCA) Scheme amongst others as well as increased stock numbers per labour unit, an increase in the use of family labour and in the use of outside contractors.

In conclusion it can therefore be stated that the available evidence suggests that the allowances (in conjunction with other support measures) helped to stabilise employment in LFAs but appear unlikely in themselves to have provided a stimulus to the creation of employment and particularly employment outside agriculture.

## Prevention of land abandonment/depopulation

*D.2 To what extent have compensatory allowances helped in maintaining farming that otherwise would have been abandoned in LFAs?*

*D.2.1 To what extent have compensatory allowances helped to maintain the farming population in the area?*

The quantitative evidence available on this issue is limited but what evidence there tends to generally support the view obtained from interviews (Germany, Belgium, France, Luxembourg, UK, Austria) that while not preventing a decline in the farming population and number of holdings in LFAs and in agriculture generally (see Table 5.4), without the measure the rate of decline in the farm population would have been higher than was the case. In Finland a survey of beneficiaries found that 39% of respondent stated they would have ceased production without the payments, 17% said they would have left their land fallow, 13% indicated they would have put their land into permanent set-aside and 21% would have re-afforested the land. In Sweden it was noted that the relative faster rate of decline in the number of farms in LFAs compared to non-LFA farms had slowed down since the introduction of the scheme although there are no detailed statistics available to back up this assertion. In Germany 42% of farm advisors believed that the scheme had helped to stem the decline in farm numbers although a significant proportion also pointed out that this was in part due to the presence of other schemes e.g. farm investment. An exception to this picture is provided in Greece where an econometric analysis undertaken with respect to the impact of the removal of the scheme found that the scheme had no significant statistical impact on the decision of producers to maintain or increase the size of his holding. Similarly in Portugal and Spain LFA payments are considered to be too low to have a significant impact on the decision relating to whether or not to stay in agriculture. These results are not surprising given that Portugal, Greece and Spain have the lowest average payments per holding/LU in the EU (see table above). In Luxembourg it was specifically stated that maintenance of the farming population is not considered an objective of national agricultural policy and the impact of the scheme in this respect was seen as marginal.

In summary it can be stated that the allowances are generally considered to have had a positive effect in maintaining holdings that might otherwise have given up but that the degree to which this would have occurred depends on the relative weight of the intervention in terms of farm income and profitability. In most areas this was considered to be relatively limited. Thus the effect would have been strongest in Finland and in particular regions where the relative weight of the intervention was highest. It should, however, be noted that the decision to abandon farming is the result of the interplay of a wide range of factors including most importantly the availability of other supports, the market outlook, the age of the farmer, the employment opportunities outside agriculture, the location of the holding, quality of life, the scope for diversification etc. and in most cases it is thus misleading to attribute causality to this scheme alone.

#### *D.2.2 To what extent has land abandonment been prevented?*

As is shown in Table 5.4 above across the EU as a whole between 1994 and 1999 UAA fell from 140,553 ha to 135,825 ha or some 3.4 % with the sharpest declines occurring in Austria, Finland, Spain and increases occurring in Belgium, Greece, UK,

Ireland and Italy. While there is no quantitative evidence on this point the general view of respondents interviewed was that the scheme had very little impact on this process although prima facie it should have slowed the process where it was occurring. This point is reinforced when one considers that in most regions of the EU agriculture plays a relatively minor role in terms of regional employment (see Table 5.6) and thus it would be unrealistic to expect the scheme to play a major role in this process which will again be influenced by a wide range of other factors including the scope for alternative employment/alternative enterprises, quality of life etc.. In this context it is interesting to note that two of the Member States with the highest rates of decline in UAA had amongst the highest proportions of farm income accounted for by the scheme. Even where there was evidence to suggest that scheme removal would have resulted in a reduction in small and medium sized farms (Scotland 1997 Economic Evaluation), this observation was accompanied by the indication that many larger farmers were wishing to expand i.e. there would be no increase in the rate of land abandonment.

### **Maintaining viable rural communities**

#### *D.2.3 To what extent has the presence of farmers and their income helped maintaining viable agricultural communities?*

The question as posed presupposes that agriculture plays a central role in the rural economy which is not necessarily the case. Thus for example in France farmers are estimated to represent only 20% of labour units in rural areas (45 at the national level) and therefore trends in population in LFAs do not necessarily reflect agricultural trends. To exemplify this further between 1982 and 1983 every mountain region in France, except the Massif Central, has shown an increase or at least a stabilisation in terms of its rural population and paradoxically the regions with the highest rate of decline in agricultural population (Southern and Northern Alps) have shown the highest increases in rural population. This merely underscores the point that there are many other factors influencing the rural economy other than the agricultural activity (tourism, proximity to markets etc.).

This having been said, the evaluation report for Wales did indicate that without compensatory allowances there would have been more need to increase productivity by increasing farm size and that HLCAs had slowed down this trend thus maintaining farm numbers and contributing to the maintenance of viable rural communities. Similarly in Finland it was noted that 30,000 jobs had disappeared from agriculture between 1994 and 1997 and that compensatory allowances were necessary to keep the remaining farmers on the land and thus maintain rural communities. In Northern Ireland also it was noted that HLCAs contribute to maintaining the income of 17,000 farming families (58% of all active farmers) and that by keeping these on the land the viability of marginal rural areas was being maintained. In conclusion therefore we can state that depending on the relative weight of the intervention and the role of farmers in the rural economy there will



have been an unquantified but positive impact on the maintenance of rural communities.

## **Environment**

*D.3 To what extent have compensatory allowances contributed to safeguarding the environment and preservation of the countryside?*

*D.3.1 What are the key aspect of the environment and countryside in need of safeguarding/conservation and to what extent have compensatory allowances influenced this?*

*D.3.2 Which farming systems predominate in the LFA and to what extent do they contribute to maintaining the countryside?*

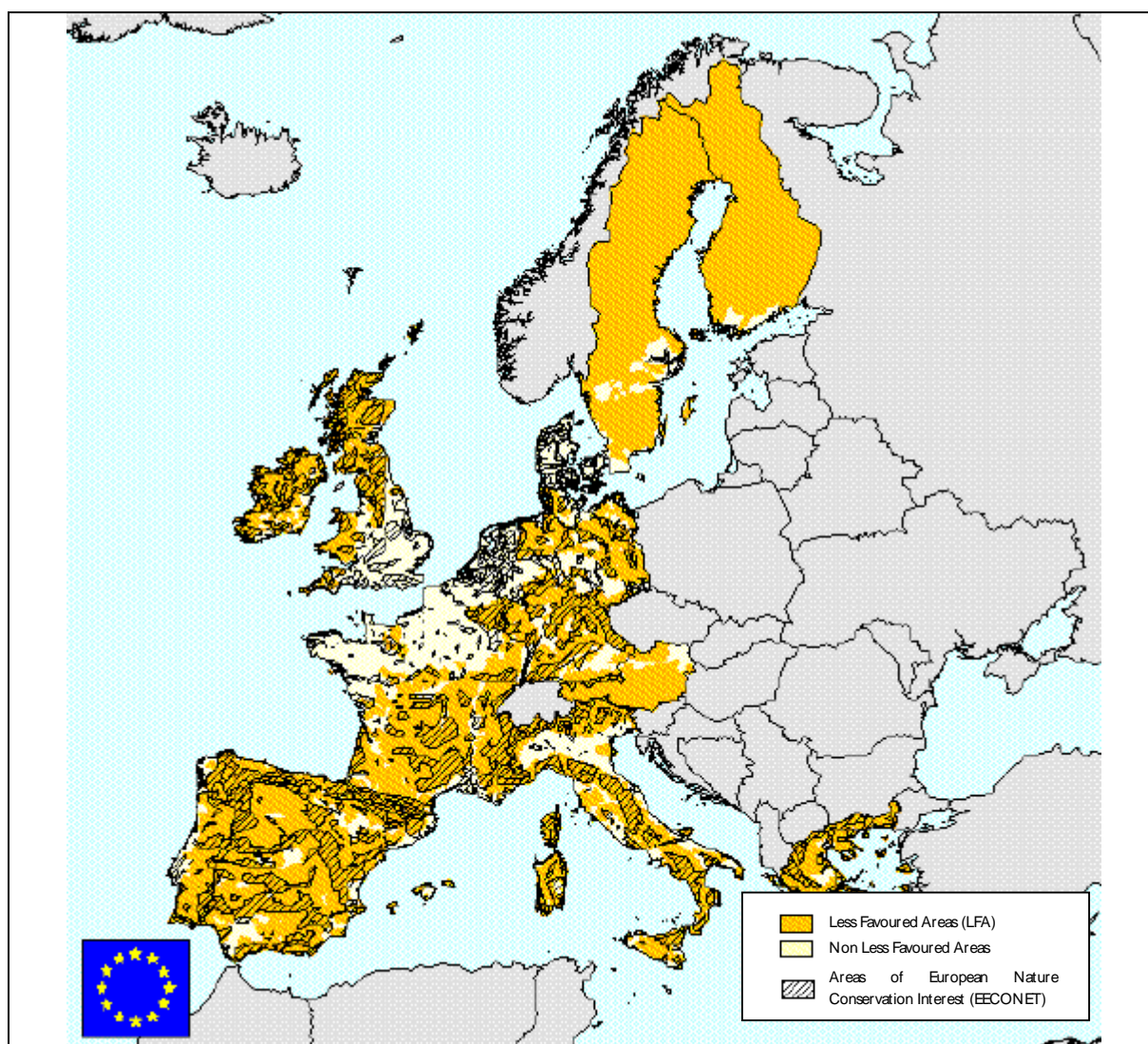
*D.4 To what extent has the limitation of 1.4 livestock units been conducive to environmental protection?*

The evidence available on this issue from the evaluation reports is extremely limited since there was no quantification of any kind relating to the scheme's impact on the environment. Taking experts' views in the majority of countries suggests that to the extent the adverse consequences of land abandonment have been avoided there will have been a benefit in terms of the preservation of countryside appearance and the avoidance of degradation associated with such abandonment (especially on steep slopes in mountain regions). Specifically for France it was noted that to the extent the scheme contributed to the maintenance of fodder area in LFAs (which have been stable as opposed to a decline seen outside LFAs) the scheme has maintained typical landscapes which would otherwise have been lost. Looking more generally at the positive or adverse effects of the scheme on the environment, it was noted by interviewees that it was difficult to distinguish between the effects of this scheme and schemes specifically focused on agri-environmental concerns and in many cases where the weight of the scheme was marginal (see above) the impact on this issue would also have been marginal. In the case of farmer organisations interviewed the contribution of the scheme to meeting these objectives was generally considered to be high. However, no particular supporting evidence to support this point was provided except in Sweden where two-thirds of farmers surveyed considered the impact of this scheme was to have ensured production methods remained more extensive than they otherwise would have been. In Sweden it was also noted by experts that the scheme had contributed to maintaining a more open farmed landscape and preventing afforestation.

In this context it is worth noting that LFAs are particularly rich in what are termed 'High Nature Value' features and farming systems. The extent of this is evident from a map of such features developed by EECNET (based on an exercise



undertaken by the University of Wageningen in the context of the Corine Land cover exercise) which is reproduced below (Figure 8.1). This indicates a strong degree of overlap of such features with LFAs. This evidence is to an extent confirmed by the evaluation studies which indicate that the majority of LFA holdings are livestock (mainly beef, sheep and dairy) and fodder producing while outside LFAs the focus is on arable cropping. In addition, it was noted that LFA farms tend to have higher amounts of grassland, tend to be smaller and farmed less intensively.



**Figure 8.1: Less favoured areas (LFAs) and areas of European nature conservation interest (EECONET) in the EU**

Source: EECONET.

High nature value systems include:

- Livestock farming on semi natural grassland, lowland wet grassland, moorland and heaths, mountain pastures, wooded agripastoral land and Mediterranean scrub

- Dairy cattle in some regions such as mountain pastures and coastal marshes
- Extensive arable crops, predominantly low yield, particularly in the Mediterranean regions
- Certain permanent crops, especially tree crops such as evergreen oaks, traditional orchards and olive trees

It is noted that these farming systems have a high nature conservation value because of their role in maintaining endangered or rare species and habitats (flower rich meadows, mixed grazing and cultivation of steppes and associated bird populations). At the same time incomes from such systems tend to be low compared to more intensive production systems and frequently production is at the margin. Declines in profitability tend to result in a reduction in sustainable and relatively labour grazing systems and the potential loss of features such as terracing, stock proof walls as a result of under-management. Thus to the extent that the allowances assist the maintenance of such farming systems it must be seen as making a positive contribution to the above objectives.

Conversely there has been criticism in the literature of the fact that the scheme's existence over many years in a large number of Member States has, along with other CAP instruments, encouraged an unnecessary intensification and expansion in the volumes of livestock production with adverse consequences for air pollution (methane emissions), soil quality, water resources and water quality (noted as a particular problem on the Danish islands), biodiversity and semi-natural habitats. To an extent the potential for such effects should have been reduced by the introduction of the restriction on payments of the allowance to no more than 1.4 LU/ha but this is not equivalent to an effective stocking density limit and it was noted that in fact this stocking density is exceeded (e.g. in Belgium) although in Italy stocking densities are said to have fallen. In other countries e.g. Luxembourg it was noted that stocking densities were already at this level at the start of the scheme or indeed below it (Sweden). The only country where an effective stocking limit has been introduced (although the evidence is incomplete) is the UK (see scheme design section above) but even here (Scotland) it was noted that this would of itself not be sufficient to prevent overgrazing since this could also be influenced by factors such as the existence of other herbivores, management practices (burning, shepherding), supplement feeding, occurrence of drought etc.

In view of the absence of data in the national evaluation reports on this subject an assessment of the impacts either way on this subject must be seen as speculative and do not allow a firm conclusion on the issue to be reached. What can be noted at this point is, however, that the scheme as such provides no particularly positive signals in relation to environmental and landscape management and therefore does

not in itself encourage particular kinds of beneficial management i.e. it is not targeting such actions directly and the effects may thus operate in either direction.

*D.5 To what extent have other Community measures (setting up of young farmers, joint investment scheme in Less Favoured Areas, accompanying measures, rural development measures in objective 1 and 5b areas) reinforced or reduced the impact of the compensatory allowance?*

In most Member States there is little evidence of a quantitative nature with which to respond to this question and indeed it is not clear from the question what kind of impact is being referred to. The evidence which is available on incomes indicates that, as one would a priori expect, that the existence of other Community measures has reinforced the impact of the scheme in terms of income contribution. For Germany, for example, it was noted as is indicated above that between 10-16% of farm income in LFAs is derived from the allowances and this combined with other Community measures equated to between €35-130 per ha/year. This in turn is equal to up to 40% of farm incomes in LFAs. Anecdotal evidence from other countries where the weight of the scheme in terms of income is relatively high reinforces this point. Specifically in Greece it was noted that 79% of MIPs financed were on enterprises located in LFAs and this will have reinforced the effects of the compensatory allowances in terms of maintaining farmers in these regions. In Luxembourg the farmers' unions indicated they saw the scheme as the basis for all others.

*D.6 To what extent have joint investments (particularly for fodder production, land improvement and equipment for pasture and hill grazing) contributed to preserving the countryside and rationalising holdings?*

The only country on which there is evidence with regard to the issue of the value of joint investments is Germany. For this country it was pointed out that joint investments have the effect of rationalising holdings but do not contribute to the preservation of the countryside. Beyond this it was noted that the ceiling on such investments was much higher (4X) than on single investments but no evidence on impact is available.

*D.7 To what extent have the specific sector exclusions influenced the implementation of the LFA Scheme (uptake, effectiveness and market effects)?*

The limited evidence available on this point suggests that for some regions the sector exclusions have had an impact on uptake. Thus in Germany it was noted that while uptake of the scheme is generally high (70-90% of area in LFAs) in Nordrhein-Westphalen the programme excluded all market crops and therefore only fodder production land came under the scheme. This in turn reduced uptake in this region to some 50% of area. It was noted that the relatively low contribution of the scheme to income meant that there was no incentive to alter

the production pattern to enable participation in the scheme. In Luxembourg in 1994 64.7 % of total LU were supported and in 1999 the figure was 62.1%. Clearly the sector exclusions excluded the balance of animals (e.g. pigs).

*D.8 To what extent has modulation of the compensatory allowances (Regulation 950/97, Art.19, 1c) influenced the impact of the scheme in terms of effectiveness and efficiency?*

The extremely limited commentary on this point suggests that modulation had no discernible effect in terms of scheme effectiveness and efficiency (or that there was limited awareness of the implications of this question). This having been said, it was noted in Finland that flat rate payments per LU/ha do not adequately reflect the differences in natural disadvantage and that scaling of such payments would be more effective. This point was reinforced by research for the 1997 evaluation in England which showed that only 3% of farms in the sample conformed to the profile of a severely disadvantaged hill farm and a further 6% had conditions similar to lowland farms. The majority of farms lay between these two extremes and thus the view was taken that better targeting would have been beneficial.

*D.9 To what extent have national criteria improved the effectiveness and efficiency of the scheme and reduced deadweight?*

Given that very few Member States have defined specific criteria in relation to this scheme (e.g. age limits) it is clear that there has been no significant reduction in potential deadweight. Where such criteria have been introduced there has been no quantitative assessment of deadweight but in a number of Member States it was noted that the flat rate nature of the payments means that they cannot be adequately targeted to avoid under-compensation for the most severely disadvantaged farms and over-compensation for farms within LFAs which share the characteristics of non-LFA farms.

*D.10 To what extent have the compensatory allowances influenced rent and capital values of holdings?*

Given that compensatory allowances are in effect a payment entitlement it is a priori evident that they will have tended to raise rents and capital values. There is no quantified evidence on which to confirm this assumption but the limited interview evidence available suggests that rental values on supported holdings are higher than those on holdings without support. The 1998 evaluation for Wales expressed this point in another way by pointing out that given there is competition for a product with an inelastic supply i.e. agricultural land, hill land prices were likely to have been greater with HLCAs than without them. For tenants (in Wales and elsewhere) the consequence of the allowance would have been likely to have been higher rents but as owner occupiers predominate in the Welsh LFA this issue did not arise.

### 8.3. Judgement

As has been indicated above the scheme has been in operation across most of the EU for many years and thus there were very few innovative features to the design and implementation of the scheme which were largely approached along a traditional and well tested manner. Apart from minor implementation difficulties which were associated with the introduction of the scheme in some Member States (Denmark, Sweden) or with general administrative problems unrelated to the scheme (Italy, Portugal) there is no evidence that the scheme implementation caused difficulties or limited uptake and effectiveness.

The LFA Scheme as a whole is clearly relevant to the objective of compensating for the effect of natural disadvantage on production costs.

While it is also clear that it is relevant to the objective of preventing a decline in the farming population in such areas, it is less clear that it is fully relevant to preventing the depopulation of such disadvantaged rural areas since overall population growth or decline is driven by a range of factors other than the farming activity itself.

More generally, it is not clear whether the scheme of itself is fully relevant to the objective of protecting and maintaining the countryside and rural environment since it is not specifically targeted at this objective. This having been said, as is indicated above, it clearly plays an indirect role in maintaining traditional farming systems in areas of high nature value. Conversely it should be noted that over the long period it has been in operation the scheme has been criticised from an environmental perspective in that it is considered to have led to overstocking and overgrazing in certain areas. The scheme, while imposing a ceiling on the stocking density in terms of the number of animals which would receive support, did not actually impose a ceiling in terms of stocking densities actually allowed. This means that with the exception of those countries where a stocking density ceiling was imposed (UK) this effect could have continued, although no detailed studies of this have been undertaken in relation to the scheme. In this context it should be noted that the move to a partially decoupled area based payment system as has occurred under Agenda 2000 and the move to largely decoupled single farm payments under the Mid-Term Review should address this particular issue.

On the major issue of how effectively it meets the objective of cost compensation the conclusion here depends on the weight of the scheme in different countries and regions and the proportion of income loss compensated for. As is shown above this varies greatly from country to country and between regions within countries. Generally one can conclude that the scheme offset a significant but not precisely measurable proportion of the disadvantage incurred in a large number of Member States although this will generally have been lower in Mediterranean Member States where more weight was given to other structural objectives than in northern



Member States. The degree to which increased costs have been compensated for cannot, however, be quantified with any precision.

In this context it needs to be noted that because of the partially political nature of the definition of LFAs, the absence of consistent and uniform criteria for defining and updating the definition of LFAs and the flat rate nature of the payments there may well have been an element of under-compensation in the most severely disadvantaged areas and an element of over-compensation in areas where the disadvantage compared to non-LFAs was minimal or non-existent. Apart from the evidence cited for Greece and the UK above there is little evidence available which would allow a quantification of these effects but the results suggest that more detailed research on this point would find more substantive evidence.

On the issue of efficiency while it seems clear that implementation took place without an excessive burden being imposed on public authorities or beneficiaries, it needs to be noted that because of the partially political nature of the definition of LFAs, the absence of clear and consistent criteria for defining and adjusting the definition of LFAs and the flat rate nature of the payments there may well have been an element of under-compensation in the most severely disadvantaged areas (due to poor definition of these areas) and an element of over-compensation in areas where the disadvantage compared to non-LFAs (or other Member States) was minimal or non-existent. Again there is little evidence available in the national authorities' evaluation reports which would allow a quantification of these effects (and further research on this point would be helpful), but as has been indicated in Section 2.1 outlining the intervention logic for the schemes this aspect of the policy has been criticised since at least the late 1980s and has again been the subject of criticism in the recent Court of Auditors report cited above.

Clearly the effects of a non-programme based scheme which is designed simply to deliver an income benefit based on area/livestock units lasts only as long as the funding is maintained since withdrawal of the funding will in effect discontinue the benefit. This having been said, to the extent that the scheme enabled investment this may have indirectly contributed to the long-run viability of the sector in these regions. In terms of utility it must be questioned whether a scheme which is primarily focused on disadvantaged areas/farmers, and is thus likely to have slowed the process of structural change in these regions, is of benefit to the economy as a whole. The delivery of public goods concerning the countryside and the environment would seem to be an indirect and not necessarily given result of the intervention and do not in themselves provide a justification for the scheme.

#### **8.4. Recommendations**

As has been indicated above, the objectives of the scheme represent a mixture of economic, social and environmental objectives. As the above analysis has shown, without a more targeted approach to each of these objectives they are not necessarily achievable simultaneously with the single instrument of a compensatory

allowance in areas which have to an extent been defined by political rather than fully objective criteria. There would thus be a case (as has been argued by some evaluators) to be made to allow better targeting of the measure by harmonising the criteria for defining LFAs and updating their classification on a consistent basis so as to ensure that payments are aligned more closely with natural and other handicaps thus avoiding the risk of possible over- and under-compensation. However, the Rural Development Regulation 1257/99 seeks to address this issue through its explicit call to avoid over-compensation and the provision that Member States may reduce the minimum payment to avoid the risk of over-compensation.

There is also a case to be made for cross-compliance thus ensuring that the payments are conditional on adherence to good farming practice and environmental protection requirements. Under the June 2003 Mid-Term Review reforms this has in fact been introduced by requiring that the farmer must 'apply usual good farming practices compatible with the need to safeguard the environment and maintain the countryside, in particular by sustainable farming'. More generally, however, we would argue that if provision of public goods in terms of landscape maintenance, maintaining the social fabric of the countryside and environmental protection are sought, these cannot be obtained without the potential for considerable deadweight through what is in effect a payment (in Northern Europe at least) which is largely based on the number of animals held by farmers. We note that the introduction of area rather than headage payments under Regulation 1257/99 and the further extensive decoupling of payments which has been introduced by the June 2003 Mid-Term Review reforms will go some way to addressing this deadweight issue. More generally, in order to deliver specific public goods in terms of landscape appearance, biodiversity, etc. it would seem more appropriate to fund this via positive payments for actions delivering such goods rather than via a general support scheme such as LFAs. This has been partially addressed under the new Rural Development Plans by allowing differentiation of payments between €25/ha and €200/ha (or more under certain conditions).

Finally we would note that if the aim is to prevent depopulation of rural areas this measure works from the dubious assumption that payments in relation to an agricultural activity will go some way to achieving this objective. The assumption is weak because the weight of the agricultural activity is relatively low throughout most of the regions of the EU and there are many other variables which 'explain' population shifts. If therefore the aim is to stimulate the rural economy (and maintain the social fabric) in rural areas more generally this objective must be met by a range of different structural measures influencing all actors in the countryside (such as the LEADER programme). In this sense the significant decoupling of market related payments under Agenda 2000 and the Mid-Term Review reforms will potentially allow funds to flow into different sectors of the rural economy.





## 9. Minor schemes

### 9.1. Overall implementation

The minor schemes were only implemented in a few Member States, and to a much lesser extent than the major schemes both in terms of expenditure and uptake. Minor schemes may have been offered in more Member States, but they are not included due to the lack of interest and uptake.

There were several reasons for Member States not to have implemented the minor schemes. In some countries, similar measures were already in existence, generally managed by public agricultural authorities (such as agricultural chambers) or farmers' associations and subsidised nationally (e.g. in Austria). In others, the activities supported under the minor schemes were offered by private enterprises and there was a reluctance to disrupt the market (e.g. farm relief services and farm management services in Sweden). Where similar measures were already running at the national level with low budgets and few beneficiaries, some Member States preferred to continue with the status quo and to pay the subsidies out of national funds instead of making the considerable administrative effort to obtain co-financing from the EU. Also, some Member States preferred to maintain existing national eligibility criteria rather than adopt those stipulated by the EU.

Some Member States considered that they already had enough producer groups in place (partially supported under Regulation 952/97 on producer groups and associations thereof, for example in Ireland) and therefore did not wish to utilise the Setting up Aid for Groups. Other countries, such as Sweden, did not have a tradition of co-operative farming and did not wish to begin one.

There was little requirement for the Accounting Scheme in some countries where a high proportion of farmers already kept accounts (e.g. Sweden). However, the scheme was very relevant in other countries, for example Portugal, where in 1999, only 12% of farmers kept (at least simplified) accounts.

In some countries the adoption of the minor schemes was foreseen in the initial programme, but these were not implemented in practice (e.g. Greece). This was due to both a lack of interest among beneficiaries and to administrative shortcomings, which, in the case of Greece, led to insufficient scheme promotion.

In Italy (outside Objective 1 regions), the implementation of minor schemes was most important in the regions of Veneto and Marche, where they absorbed 3.9% and 4.1% respectively of the available national funds. In Spain, the minor schemes absorbed 5.0% of the total public expenditure under Regulation 950/97.

## **9.2. Aid for Introduction of Accounting Practices**

### **9.2.1. Implementation of the Aid for Introduction of Accounting Practices**

This scheme was only implemented to any real extent in:

- Belgium;
- Finland (although the scheme only started in 1998);
- Germany (in some regions);
- Italy (in some regions and to a limited extent);
- Portugal (grouped together with some other schemes); and,
- Spain (albeit to a very limited extent).

Support in Belgium was mainly granted to accounting firms (except if the farm holder kept the accounts himself), and this should therefore be viewed as an indirect support measure.

The Finnish scheme only started in 1998. There were strict national eligibility criteria, going beyond those defined at the EU level, while the amount of aid per beneficiary was relatively low (FIM 8,696/beneficiary in 1998, approximately €1,460). The combination of these factors resulted in low initial uptake, with many participants also leaving the scheme during the implementation phase.

Aid for the Introduction of Accounting Practices was the most widely implemented minor scheme in Spain. However, the scheme was closed in several regions in the last years of the programming period due to a lack of applications. According to administration officials farmers considered the eligibility criteria and other requirements linked to the scheme too restrictive and there was insufficient appreciation of possible positive impacts from the introduction of accounting practices on their holdings.

### **9.2.2. Direct and indirect effects of the Aid for Introduction of Accounting Practices**

The use beneficiaries made of this scheme was only addressed in Belgium (Flanders). There was some use of the results for the redeployment of production and some in order to improve productivity and efficiency. The scheme was only used to a limited extent to increase income.

Beneficiaries in Flanders, as well as experts from other Member States, consider that the main effect of the scheme was to provide a better insight into revenues and expenditures at the level of the agricultural holding. In Belgium, some farm managers' groups arranged meetings to compare financial results, i.e. benchmarking. This process might have contributed to an improvement in efficiency.

There is conceptual evidence in Portugal that the scheme helped considerably to spread the practice of keeping farm accounts throughout the country. More than a third (36%) of all farmers keeping accounts in 1999 were beneficiaries of the Setting up Aid for Accounting Practices. In some regions, this proportion was considerably higher (90% in Tras-o-Montes and 65% in Entre Douro e Minho).

### **9.2.3. Judgement on the Aid for Introduction of Accounting Practices**

The relevance of this measure seems clear because accounts are a basis for a professional management of agricultural holdings. Despite this (and despite the scheme), only a small proportion of farmers were keeping accounts in 1999 (e.g. 12% in Portugal in 1999, 40% in Belgium).

Beneficiaries and administration officials from several Member States consider that the main effect of the scheme was providing better insight into revenues and expenditures for individual agricultural holdings. This is considered essential for successful modern farm management. The introduction of accounting as a selection criteria for participation in the FI Scheme is likely to have indirectly contributed to a better use of production factors.

### **9.2.4. Recommendations on the Aid for Introduction of Accounting Practices**

The lack of flexibility with regard to eligibility criteria was believed to have deterred at least some potential beneficiaries from applying for aid in Finland and Spain. It is therefore recommended that national eligibility criteria be relaxed to some degree.

An expansion of the Accounting Scheme is recommended in Portugal given its importance for improving the management skills of farmers. In Belgium a change in targeting for future implementation periods is recommended. The scheme should be targeted on farmers with relatively low education levels who generally have less access to scheme information. The close links between the Farm Management Services and the Accounting Schemes led to their merger in Belgium at the end of 1999. It seems sensible to merge these two schemes at the EU level. Regulation 1257/99 only refers to minor schemes (with the exception of the Training Scheme, which is referred to specifically in Article 9) by mentioning the possibility of giving support to 'setting up of farm relief services and farm management services'. In this way, Regulation 1257/99 leaves the decision on how to form/organise support for the Accounting or Farm Management Services Schemes under a Rural Development Plan to national/regional authorities.

### 9.3. Setting up Aid for Groups

#### 9.3.1. Implementation of the Setting up Aid for Groups

Although thirteen Member States expected to spend between 1% and 7% of the total Regulation 950/97 budget on this scheme outside Objective 1 regions, only seven actually implemented the scheme to any real extent:

- Belgium (implemented at the regional level, small scale);
- Finland (only started in 1999);
- Germany (in some regions);
- Ireland;
- Italy (in some regions and to a limited extent);
- Portugal (grouped together with some other schemes); and,
- Spain (in some regions and to a limited extent).

Ten groups in the arable sector were supported in Finland, with first payments starting in 1999 and five groups in the horticultural sector were granted aid, with first payments being effected in 1997. Most groups focused on co-operation on joint marketing.

The Setting up Aid for Groups was only implemented in two regions of Germany (Bavaria and Baden-Württemberg) in both of which it was focused on alpine pasture management in mountainous farming areas.

Although the scheme was implemented in Ireland it was discontinued in August 1996, due to a lack of interest (there were only a very small number of beneficiaries up to this point). Some groups already existed prior to the scheme and others were funded under Regulation 952/97 on producer groups and associations thereof.

The Setting up Aid for Groups was the most important among the minor schemes in the Italian region of Sicily. Finally, in Portugal, beneficiaries had to prove the economic feasibility of their project and continue their activity for at least 10 years in order to receive aid under the scheme.

#### 9.3.2. Direct and indirect effects of the Setting up Aid for Groups

Expert interviews in Belgium (Wallonia) and Luxembourg suggested that the scheme assisted in achieving a better use of production factors for a more rational production, since the cost of some investments were shared between several holdings, as was some of the work load. This sharing of the work load is also believed to have contributed to an improvement in living and working conditions. Administration officials and farmers' unions in Luxembourg do not think that the support scheme improved the preservation of the countryside and farming resources. Nor do they see any conceptual reason why groups of farmers should

have a more positive environmental impact than several independent holdings. Belgium (Wallonia) also mentioned that in some cases membership of a group facilitated pluriactivity with farmers able to farm part-time whilst also earning other income.

### **9.3.3. Judgement on the Setting up Aid for Groups**

This success of the scheme depends to a considerable extent on a country or region's tradition in terms of producer groups. This can be illustrated by the case of Belgium, where the Setting up Aid for Groups was offered in both Flanders and Wallonia. In Flanders, no aid was granted under this scheme during the whole programming period, while in Wallonia, the measure was considered to be successful. This can be explained by the large number of co-operatives in Wallonia, where farming is more extensive making it more favourable for farmers to make joint investments in, for example, machinery. In Flanders, farmers tend to use contractors for specific tasks instead of forming farmer groups.

The existence of the aid scheme for joint investment in fodder production in Wallonia (this measure was only offered in LFAs, and all Belgian LFAs are all located in Wallonia) and a regional aid scheme that granted aid for investment to co-operations for utilisation of agricultural material and machinery (CUMAS) resulted in synergy with the Setting up Aid for Groups in Wallonia.

### **9.3.4. Recommendations on the Setting up Aid for Groups**

This scheme could be merged with measures under Regulation 952/97 on producer groups and associations thereof. However, Regulation 1257/99, which groups measures under Regulation 950/97 as well as other measures relating to rural development, does not explicitly relate to support for the setting up of farmers' associations.

## **9.4. Setting up Aid for Farm Relief Services**

### **9.4.1. Implementation of the Setting up Aid for Farm Relief Services**

This scheme was only implemented in four countries to any real extent:

- Belgium;
- Germany (in some regions);
- Italy (in some regions and to a limited extent); and,
- Spain (in some regions and to a limited extent).

The aid scheme was also offered in Portugal, however, no aids were granted during the programming period.

Just seven associations were supported under this scheme in Belgium and as a result it was stopped in Wallonia in 1997 and in Flanders in 1998.

#### **9.4.2. Direct and indirect effects of the Setting up Aid for Farm Relief Services**

Given the low level of implementation in only a small number of Member States (no beneficiaries in Portugal and scheme abandoned in Belgium), it was not possible to investigate scheme effects.

#### **9.4.3. Judgement on the Setting up Aid for Farm Relief Services**

Family farms are predominant in most EU countries, and usually depend on a small number of workers. The gap between income from agriculture and income available in other sectors is continually increasing, whilst capital charges and workload in the agricultural sector also increase. The absence of a worker, especially at crucial times of the year, can therefore have strong detrimental impacts on the income and viability of farms. The Farm Relief Services Scheme is therefore considered to be relevant.

However, the aid for farm relief services was an aid for setting up. The uptake depends on an increase in the number of members of the relief services. In Belgium, this number failed to increase in the latter half of the 1990s with the result that expenditure under this measure sharply decreased in 1996 and stopped altogether in 1998. The impact of the measure will therefore have diminished over time.

#### **9.4.4. Recommendations on the Setting up Aid for Farm Relief Services**

As a result of the low level of implementation and the lack of interest among potential beneficiaries in several Member States it is recommended that this measure be abolished. It appears that there are already national mechanisms in place to address farm relief services. However, part of the reason for the lack of interest might result from insufficient promotion or a lack of interest in the scheme on the part of administrative authorities rather than beneficiaries.

### **9.5. Farm Management Services Scheme**

#### **9.5.1. Implementation of the Farm Management Services Scheme**

The scheme was implemented in the following five countries to any real extent:

- Belgium;
- Germany (in some regions);
- Italy (in some regions and to a limited extent);
- Portugal (grouped together with some other schemes); and,
- Spain (only in the region of Galicia).

The aid was given to the farm management institution in Belgium and was therefore an indirect aid. Only main occupation farmers in the arable and

horticulture sectors were eligible. The advice they were given by the management services included an economic analysis of the holding based on the company accounts.

In Germany, this scheme was implemented in the region of Sachsen-Anhalt and in Portugal an additional national eligibility criterion required the service to have at least 15 associated farmers.

#### **9.5.2. Direct and indirect effects of the Farm Management Services Scheme**

Around 10% of total main occupational agricultural holdings received support under this scheme in Belgium.

In Portugal, beneficiaries of both the Farm Investment and Young Farmers Scheme were obliged to keep accounts. This was the reason for some of them to apply for aid under the farm management services scheme. As a result, the scheme was generally perceived as an unnecessary obligation, and some beneficiaries did not properly take advantage of the scheme's benefits.

Given the low level of implementation and uptake, it was not possible to investigate any further scheme effects.

#### **9.5.3. Judgement on the Farm Management Services Scheme**

The effectiveness of farm management services depends heavily on the availability of reliable accounts. Conceptually, where farmers benefiting from the Farm Management Services Scheme are also keeping reliable accounts it is likely that this scheme contributed to introduce a more modern style of farm management.

#### **9.5.4. Recommendations on the Farm Management Services Scheme**

The effectiveness of this scheme depends strongly on the availability of reliable accounts and it is therefore recommended to link it to the Accounting Scheme. This has already been done in Belgium for the new programming period 2000-06. Regulation 1257/99 leaves the decision on how to form/organise support for the Accounting or Farm Management Services Schemes to the national/regional authorities in the different Member States.

Farm management services become more effective when they allow internal and external benchmarking. It would therefore be useful to introduce common indicators and uniform definitions of accounting and monitoring data in order to facilitate a better use of information.

### **9.6. Training Scheme**

#### **9.6.1. Implementation of the Training Scheme**

Although more countries had expected to implement this scheme, only six ultimately did to any real extent:

- Belgium (implemented at regional level);
- Germany (in some regions);
- Denmark;
- Italy (in some regions and to a limited extent);
- the Netherlands; and,
- Spain (in some regions and to a limited extent).

The Training Scheme had two objectives in the Belgian region of Flanders:

to facilitate the introduction of new occupational skills and improve existing skills;  
and,

to support farmers in preparing a qualitative redeployment of their production system or in introducing production methods that comply with new environmental requirements.

The Training Scheme was only implemented in the south of Germany and in Schleswig-Holstein. Courses offered under this measure only related to additional qualifications and not to basic professional education.

In Denmark, the scheme was widely implemented and with a satisfactory uptake. The aid generally covered 60% of training course fees and also had an allowance for loss of income while training. However, the total cost of training was covered for crop spraying and organic and environmentally friendly farming courses. The majority of the courses dealt with crop spraying. The remaining courses concentrated on animal farming, the use and maintenance of agricultural machinery, crop field subjects and production of vegetables.

The Training Scheme was implemented through two measures in the Netherlands (with the bulk of the budget spent on the latter):

- Improvement of skills of agricultural workers; and,
- Passive management, part of the measure Management Contracts and Nature Development.

#### **9.6.2. Direct and indirect effects of the Training Scheme**

Better farm management was considered to be the most important effect of this scheme in Belgium (according to a beneficiary survey). This finding was supported by conceptual evidence from Denmark. In addition, the training courses helped to disseminate new farming techniques.

It is probable that the scheme contributed to a better protection of the environment and preservation of landscapes, in particular in Belgium and Denmark. In both countries environmental issues featured prominently in the courses offered



under the measure. Half of the Danish beneficiaries attended courses on crop spraying which is directly linked to the protection of the environment.

It was not possible to assess the effects of the courses for leaders and managers of producer groups and co-operatives in Belgium (Flanders) or in Denmark, because such courses were rarely organised (there are only very few co-operatives in these countries).

The extent to which training courses increased the uptake of the YF Scheme was only addressed in Belgium. Just over 7% of the interviewed Belgium beneficiaries reported that they applied for aid under the YF Scheme as a consequence of the Training Scheme. In Denmark, it is unlikely that the Training Scheme had a significant effect on the uptake of the Setting up Aid for young farmers. The YF Scheme was already well known amongst the target beneficiaries as a result of marketing by agricultural advisors and through courses in vocational training for farmers (which are independent from the Training Scheme under Regulation 950/97).

### **9.6.3. Judgement on the Training Scheme**

It is considered that there is a high relevance and need for this scheme as occupational qualifications become increasingly important in the agricultural sector, the number of regulations (relating to the environment, etc.) increase and as farming techniques and methods become ever more sophisticated. At the same time, the administrative burden on farmers increases (CAP payments, etc.) and computers and modern communication technology become more essential for agricultural holdings.

There is conceptual evidence for a synergy effect between this measure and other measures under Regulation 950/97, as well as with many other programmes at Community or national level (particularly environmental measures). The Farm Investment and Young Farmers Scheme both require 'adequate occupational skills and competence' as an eligibility criteria.

Greater professional management is considered to be the main effect of the Training Scheme in Belgium and Denmark and it is considered probable that the scheme increased competitiveness and farm profitability. Where courses included environmental issues, as they did in Belgium, Denmark and the Netherlands, it is expected that the scheme has also contributed to safeguarding the environment and preserving landscapes.

### **9.6.4. Recommendations on the Training Scheme**

There is a belief in Denmark that this scheme could be better co-ordinated with other (Community) measures. There is a need to analyse training and to place it in a wider context in order to help the development of Danish agriculture as a 'knowledge intensive sector'.



## 10. Regulation 950/97

It is difficult to provide a guide as to the relative importance of the measures under Regulation 950/97 because consistent data across the EU-15 were not available for the last three years of the programming period at the time of writing this report. Part of the reason is that the programmes had not been closed by July 2003. We therefore can only present data from 1994, 1995 and 1996. It should be stressed that uptake and expenditure did vary throughout the programming period and therefore the figures presented in Table 10.1 to Table 10.3 and Figure 10.1 to Figure 10.3 should be treated with a degree of caution. It should also be pointed out that expenditure data relating to the minor schemes does not exist. It is, however, known that they accounted for very small proportions of the total expenditure under the Regulation (for example, 5% in Spain over the entire programming period).

As can be seen in Table 10.1 to Table 10.3 and Figure 10.1 to Figure 10.3 below, in aggregate the LFA Scheme accounted for the majority of Regulation 950/97 expenditure for the EU as a whole. The LFA Scheme's weight in EU expenditure increased between 1994 to 1996, from almost 50% to almost 60%. The Young Farmers Scheme absorbed the lowest proportion of the total funds (15% in average between 1994 and 1996). The significance of the LFA Scheme was most important in the UK with 95% in average over the three first years of the implementation period (in the UK, the Young Farmers Scheme was not implemented). It absorbed the majority of EU funds also in Ireland (in average 91%). The Farm Investment Scheme was particularly important in Denmark where it accounted for approximately 80% in both 1994 and 1995 (no figures available for 1996). 36% of the total was spent on the Young Farmers Scheme in Belgium, while in France, 34% of the total went to the Setting up Aid for young farmers.

**Table 10.1: EU expenditure for measures under Regulation 950/97 in 1994**

	FI Scheme (€million)	% of total	YF Scheme <sup>2</sup> (€million)	% of total	LFA Scheme (€million)	% of total	Regulation 950/97 <sup>1</sup> (€million)
BE	26.064	47%	20.417	37%	9.131	16%	55.612
DK	33.401	81%	7.798	19%	not impl.	0%	41.199
DE	141.580	21%	30.342	5%	500.272	74%	672.194
ELL	35.408	23%	5.745	4%	115.451	74%	156.604
ES	120.703	48%	46.028	18%	84.947	34%	251.678
FR	167.320	24%	212.309	31%	314.665	45%	694.294
IRE	28.493	14%	6.720	3%	166.312	83%	201.525
IT <sup>3</sup>	33.005	60%	12.522	23%	9.857	18%	55.384
L	n.a.	n.a.	n.a.	n.a.	11.159	n.a.	n.a.
NL	6.214	63%	0.149	2%	3.448	35%	9.811
PT	27.682	34%	16.834	21%	36.730	45%	81.246
UK	6.736	4%	not impl.	0%	147.328	96%	154.064
EU-12 <sup>4</sup>	626.606	38%	358.864	15%	1,399.300	47%	2,373.611 <sup>4</sup>

Notes:

<sup>1</sup> Minor schemes not included.<sup>2</sup> Additional Investment Aid only includes the amount paid in excess of the normal investment aid.<sup>3</sup> In Italy, only 10 out of 21 regions replied.<sup>4</sup> Excluding Luxembourg.

Source: The Agricultural Situation in the European Union 1996 Report.

**Table 10.2: EU expenditure for measures under Regulation 950/97 in 1995**

	FI Scheme (€million)	% of total	YF Scheme <sup>2</sup> (€million)	% of total	LFA Scheme (€million)	% of total	Regulation 950/97 <sup>1</sup> (€million)
BE	34.707	48%	27.913	39%	9.073	13%	71.693
DK	31.855	78%	9.023	22%	not impl.	0%	40.878
DE	278.719	34%	28.156	3%	506.022	62%	812.897
ELL	34.900	23%	7.713	5%	106.481	71%	149.094
ES	140.173	49%	70.188	25%	75.889	27%	286.250
FR	227.844	30%	226.317	29%	317.236	41%	771.397
IRE	2.554	2%	5.290	3%	146.666	95%	154.510
IT <sup>3</sup>	95.248	n.a.	n.a.	n.a.	17.085	n.a.	n.a.
L	4.810	26%	2.110	11%	11.442	62%	18.362
NL	1.425	25%	40	1%	4.215	74%	5.680
OST	n.a.	n.a.	n.a.	n.a.	179.210	n.a.	n.a.
PT	39.206	32%	19.857	16%	63.725	52%	122.788
SUO	n.a.	n.a.	n.a.	n.a.	277.629	n.a.	n.a.
SVE	not impl. <sup>4</sup>	n.a.	n.a.	n.a.	60.526	n.a.	n.a.
UK	15.608	10%	not impl.	0%	134.185	90%	149.793
EU-15 <sup>5</sup>	907.049	33%	396.607	14%	1,909.384	53%	2,583.342 <sup>5</sup>

Notes:

<sup>1</sup> Minor schemes not included.<sup>2</sup> Additional Investment Aid only includes the amount paid in excess of the normal investment aid.<sup>3</sup> In Italy, only 9 out of 21 regions replied.<sup>4</sup> The Farm Investment Scheme was only implemented in 1997 in Sweden.<sup>5</sup> Excluding Italy, Austria, Finland and Sweden.

Source: The Agricultural Situation in the European Union 1997 Report.

Table 10.3: EU expenditure for measures under Regulation 950/97 in 1996

	FI Scheme (€million)	% of total	YF Scheme <sup>2</sup> (€million)	% of total	LFA Scheme (€million)	% of total	Regulation 950/97 <sup>1</sup> (€million)
BE	45.853	56%	27.389	33%	8.580	10%	81.822
DK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DE	283.355	35%	19.535	2%	510.516	63%	813.406
ELL	40.060	24%	22.053	13%	102.628	62%	164.741
ES	89.932	36%	83.987	34%	75.839	30%	249.758
FR	232.708	40%	235.637	41%	106.736	19%	575.081
IRE	2.134	1%	6.013 <sup>3</sup>	4%	137.713	94%	145.860
IT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
L	9.619	41%	2.366	10%	11.531	49%	23.516
NL	1.185	20%	0.21	0%	4.740	79%	5.988
OST	28.227	13%	15.219	7%	181.912	81%	225.859
PT	28.728	32%	15.652	18%	44.799	51%	88.678
SUO	n.a.	n.a.	n.a.	n.a.	76.146	n.a.	n.a.
SVE	n.a. <sup>4</sup>	n.a.	n.a.	n.a.	65.702	n.a.	n.a.
UK	1.001	1%	not impl.	not impl.	154.595	99%	155.596
EU-15 <sup>5</sup>	762.802	27%	427.872	16%	1,481.437	58%	2,530.305 <sup>5</sup>

Notes:

<sup>1</sup> Minor schemes not included.<sup>2</sup> Additional Investment Aid only includes the amount paid in excess of the normal investment aid.<sup>3</sup> Additional Investment Aid is calculated assuming a 20% additional subsidy.<sup>4</sup> The Farm Investment Scheme was only implemented in 1997 in Sweden.<sup>5</sup> Excluding Denmark, Italy, Finland and Sweden.

Source: The Agricultural Situation in the European Union 1998 Report.

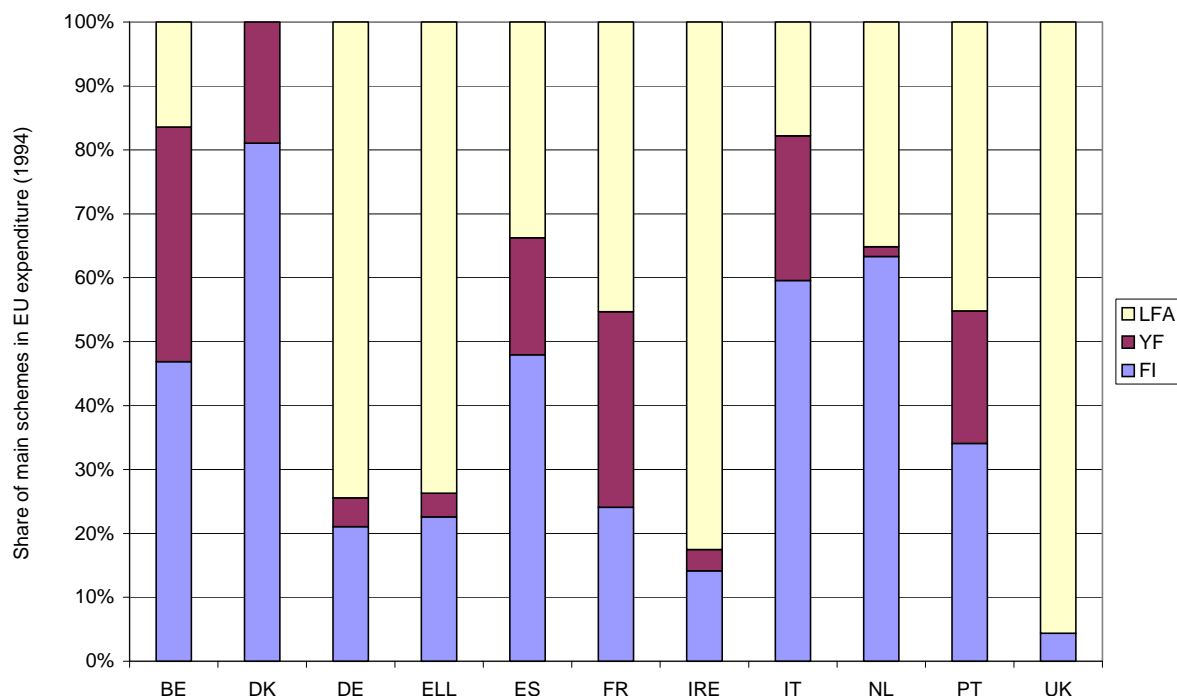
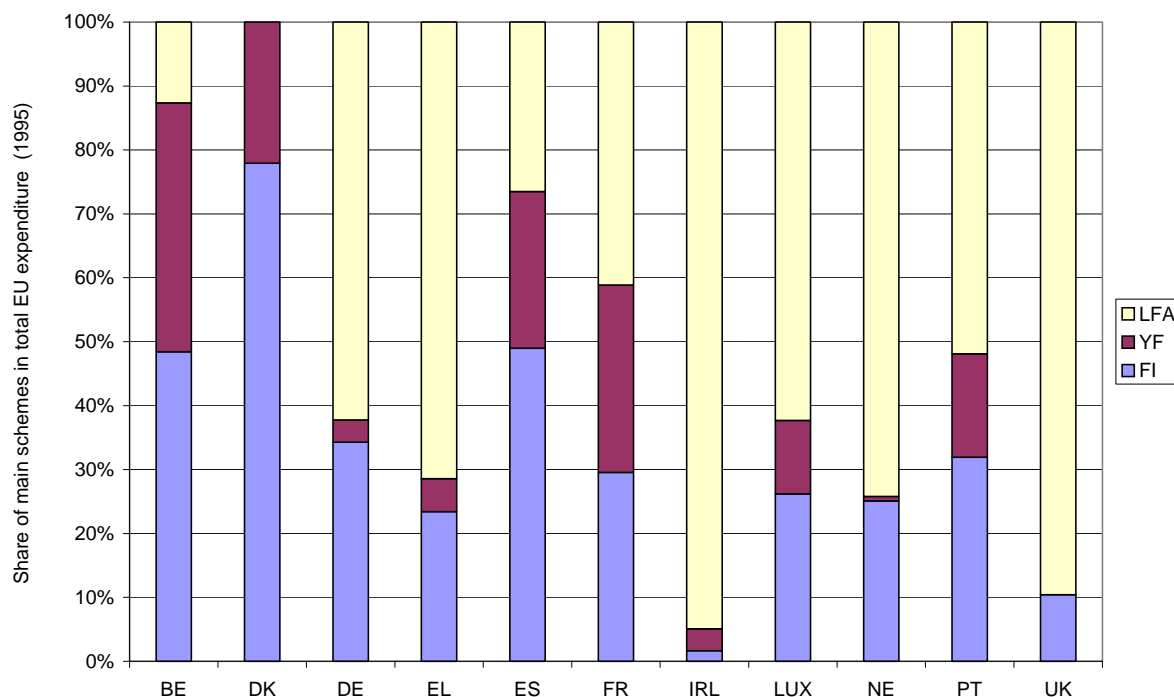


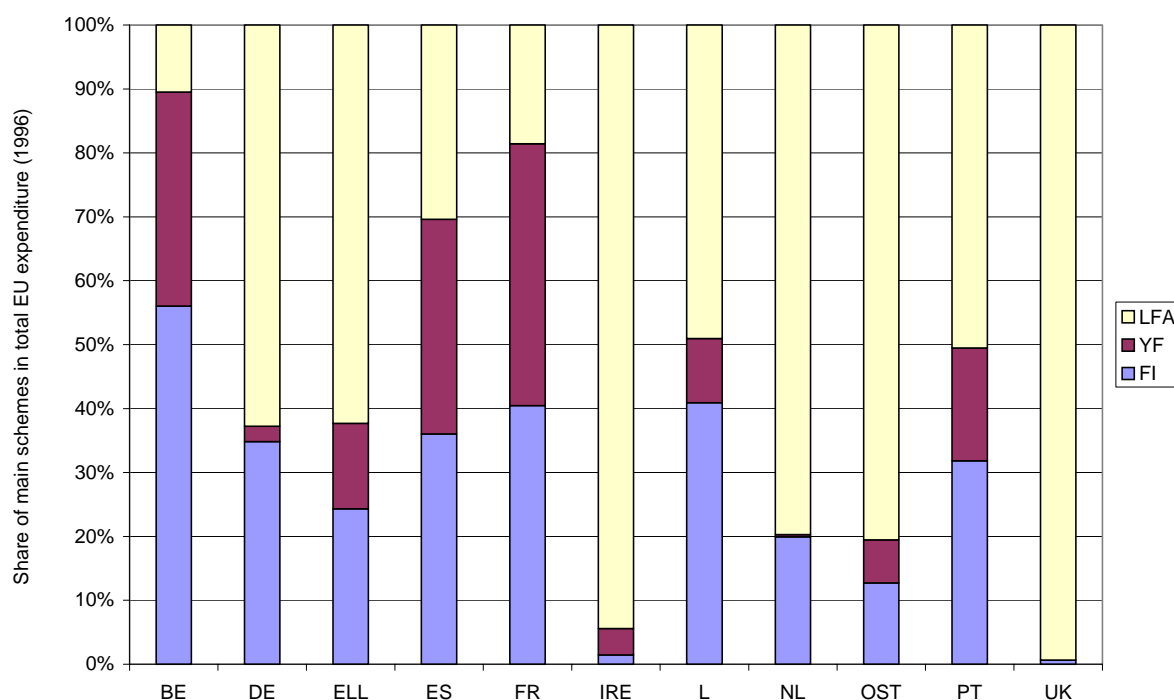
Figure 10.1: Share of three main schemes within Regulation 950/97 (1994)

Source: The Agricultural Situation in the European Union 1996 Report.



**Figure 10.2: Share of three main schemes within Regulation 950/97 (1995)**

Source: The Agricultural Situation in the European Union 1997 Report.

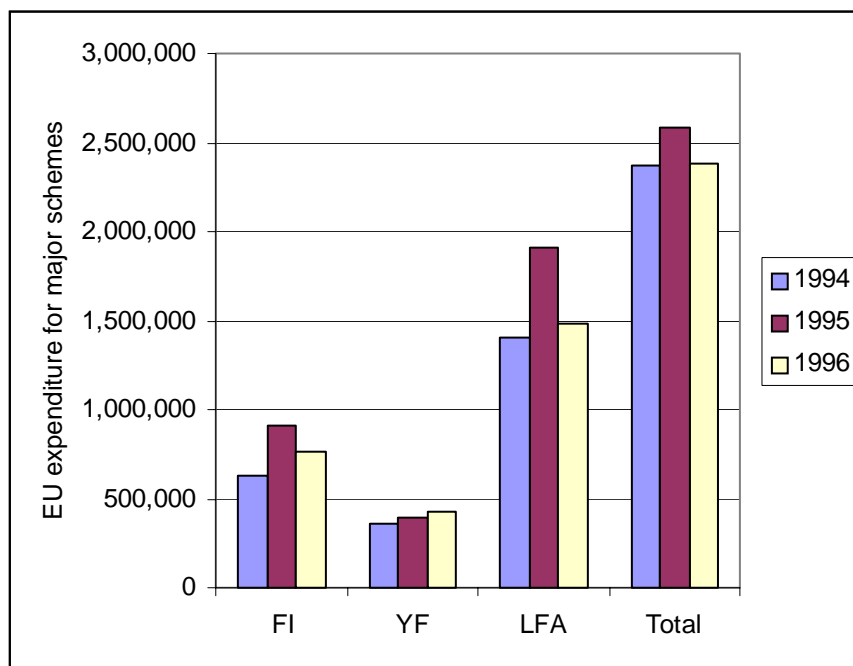


**Figure 10.3: Share of three main schemes within Regulation 950/97 (1996)**

Source: The Agricultural Situation in the European Union 1998 Report.

As shown in Figure 10.4 below, EU expenditure for the three main measures was most important in 1995 with €2,583.342. Throughout the first three years of

implementation, the LFA Scheme was most important and the YF Scheme received the smallest amount of money.



**Figure 10.4: EU expenditure for main schemes under Regulation 950/97**

Source: The Agricultural Situation in the European Union 1996, 1997 and 1998 Report.

### 10.1. Judgement

The overall EU impact of Regulation 950/97 is hard to determine given the fact that it is made up of several different measures, all of which were implemented in different ways and with additional national criteria in many Member States. It is not sufficient that each measure was in itself successful in order for the overall Regulation to also be judged a success. The measures within the Regulation must also be coherent and not conflict with one another to ensure this. In this sense the new programming approach adopted for the Rural Development Programmes under Agenda 2000 should provide a greater coherence and synergies and is therefore to be welcomed.

For the period under review, given the origins of the Regulation in a range of separate national and EU policies which were pulled together under one heading, this is, *a priori* at least, not likely. An obvious example of this is the contradiction between the aims of the Less Favoured Area Scheme and the Young Farmers' Schemes. One of the main barriers to entry to the agricultural sector is the price of land and support payments such as those under the LFA Scheme are capitalised into the land value thus increasing its price. This argument probably also applies to the Farm Investment Scheme where improvements to facilities are also likely to be capitalised.

### **10.1.1. Contribution to overall objectives of the Regulation**

#### **Contributing to restoring the balance between production and market capacity**

The Regulation is unlikely to have made a significant contribution to restoring the balance between production and market capacity and may indeed have partially contributed to maintaining imbalances. Although there were specific sector exclusions within the Farm Investment Scheme, these only had a small impact in what was, in the overall context of the CAP, a small measure. The Young Farmers Scheme is not considered to have had any impact on this issue. The LFA Scheme also cannot be considered to have had any significant impact on this issue although to the extent there was an impact it would have tended to exacerbate market imbalances. While the LFA Scheme contributed substantially to farm incomes in some countries and regions these payments were generally far less significant to farmers than the range of direct payments made under market related schemes. Nevertheless it can be argued that to the extent they contributed to the maintenance of some types of production for which the markets were in imbalance (beef in the latter half of the 1990s, and butter) the payments will have tended to exacerbate market imbalances.

#### **Improving the efficiency of farms**

The efficiency of farms is likely to have been improved through the Farm Investment Scheme, especially where this scheme was used to increase economic intensity (particularly Member States with a predominance of Type I regions) and also through the Young Farmers Scheme (on the grounds that the average farm size of beneficiaries was higher than national averages, there was a requirement to produce a plan and applicants had to have 'adequate' occupational qualifications) and some of the minor schemes (conceptually Accounting, Farm Management Services and Training Scheme). On the other hand, the relatively untargeted nature of the LFA Scheme is likely to have been viewed more as a subsidy than an incentive to increase production efficiency. On balance, therefore, whilst some aspects of the Regulation may have helped to improve efficiency, this is not likely to have made a substantial impact at the aggregate level due to the relatively low weight of the Regulation in relation to the overall level of subsidy and market returns farmers will have received. It is also possible that whilst the Regulation is likely to have increased efficiency at the micro-level, this may not have been transferred to the macro-level because the Regulation helps to maintain the viability of holdings, some of which, from the sectoral point of view, could usefully have ceased production and been consolidated into larger and more efficient farms.



### **Maintaining a viable agricultural community and helping to develop the social fabric of rural areas**

The maintenance of a viable agricultural community was probably assisted through the Regulation, most notably through the LFA and Young Farmers Schemes. The degree to which this occurred will have varied from region to region depending on the level of priority attached to this objective by the relevant authorities. We would also reiterate that a wider approach targeting sectors beyond agriculture is needed if the aim is to prevent depopulation and stimulate the rural economy as a whole. We would also note that this objective highlights the lack of coherence in the Regulation as a whole in that it is primarily a social objective, whereas the desire to increase efficiency is clearly an economic one and the two may not be fully compatible.

### **Safeguarding the environment and preserving the countryside**

As has been pointed out above, the objective of increasing efficiency may not be fully compatible with the objective of safeguarding the environment. If farmers are economically rational, they will be profit maximising and will therefore be as efficient as they can be given their resource base. Trying to introduce changes to favour the environment implies a reduction in economic efficiency, otherwise farmers would already be producing to these standards. That said, the LFA Scheme is likely to have helped to safeguard the environment because of the overlap of LFAs and areas of environmental value. Maintaining farming in these areas helps to ensure the delivery of public goods such as landscape and, through grazing, species rich grasslands which are considered preferable to scrub. While clearly such areas can be maintained through active management the LFA Scheme also ran the risk of contributing to damage from overgrazing by not ensuring that stocking density ceilings relating to all animals held were a requirement for participation in the scheme. Where the Farm Investment Scheme was used to achieve environmental goals, then it is also likely to have made a positive environmental contribution.

### **Contribution to Objective 5a (“Promoting rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy”)**

The only measures under the Regulation which are likely to have had a significant impact on the pace of structural change are the Farm Investment and Young Farmer Schemes. Whilst they both undoubtedly did accelerate change (in the case of the Farm Investment Scheme this depends on the way in which the scheme was implemented, therefore perhaps only in countries within certain typological groups, mainly Member States which predominantly have Type I regions), the weight of the Regulation within the context of the overall support provided by the CAP and market returns is likely to have been insufficient to have made a substantial difference to the overall trends in this regard.

### 10.1.2. General evaluation questions

This sub-section considers the general evaluation questions which relate to the overall Regulation.

#### **A.2 To what extent could alternative approaches have achieved the objectives of the Regulation?**

As a result of the provision for Member States to adjust the scheme to their own national priorities in terms of eligibility criteria, focus, targeting and administrative arrangements, the Farm Investment Scheme already encompassed several alternative approaches. The impact that these had is discussed throughout Section 6.1. The Young Farmers and LFA Schemes were altered less at the national level.

As outlined in Section 7.1.1.3, aid for young farmers and through the Farm Investment Scheme in the form of an interest rate subsidy on loans is only of particular value when there are high prevailing interest rates and is of greater benefit for larger investments, thus favouring large farmers. For small farmers, a capital grant is likely to be of more benefit, not least because banks may be less willing to lend to smaller, less financially secure businesses.

One of the main problems faced by young farmers is a lack of quota and premium rights. This is not addressed through the Young Farmers Scheme and administration officials, experts and representatives of farmers' unions agree that a granting of quota and additional premium would be a more effective way to facilitate the entry of young farmers. However, if such an approach were to be taken, the impact on the agricultural sector as a whole would need to be considered.

With regard to compensatory allowances in LFAs, there is no evidence to suggest that alternative approaches with respect to implementation arrangements would have delivered different outcomes.

#### **A.3.1 To what extent is the impact of the Regulation reinforced or reduced by the internal coherence between the various measures within the Regulation?**

As stated above, there is little internal coherence in the Regulation. The Farm Investment and Young Farmers Scheme are seeking to introduce structural change the former by attempting to increase efficiency and the latter by seeking to alter the age profile of the farming community. By contrast the LFA Scheme provides an income subsidy to compensate farmers for increased production costs arising from their location in disadvantaged areas and is therefore more akin to a market support measure.

However, this does not mean that there is no coherence between certain measures within the Regulation. There is certainly coherence between the Young Farmers and Farm Investment Schemes where most Member States offered Additional

Investment Aid to young farmers and this would have boosted the impact that either measure would have had.

There is coherence between the Training and Accounting Schemes and the Farm Investment Scheme in that keeping accounts and having 'adequate' occupational skills are prerequisites for the latter scheme. The Farm Management Services Scheme and the Accounting Scheme also fit well together on the grounds that properly prepared accounts are the basis for effective farm management.

On balance, whilst there is some internal coherence between certain individual measures, the coherence of the Regulation as a whole appears limited.

**A.3.2 To what extent is the impact of the Regulation reinforced or reduced by other Community measures (accompanying measures, rural development measures, market measures, deficiency payments, ...)?**

Conceptually there is some synergy between the Regulation and the agri-environment measures under Regulation 2078/92, not least where the Farm Investment Scheme was used to address environmental objectives, or where Danish organic farmers were favoured through the national eligibility criteria. This scheme was also used in countries with a predominance of Type IV regions (and to a lesser extent in some Member States which predominantly have Type II and Type III regions - for a definition of the regional typologies, see Section 5.3) to address environmental issues. The LFA Scheme also has synergy with agri-environment schemes through its contribution to the provision of public goods.

However, Regulation 950/97 may not have been the most efficient way in which to address environmental concerns given the existence of measures under Regulation 2078/92 (and elsewhere). Certainly in the UK the Farm Investment Scheme was discontinued and the type of projects supported were brought under the auspices of the Countryside Stewardship Scheme.

More generally there was a strong view expressed in some countries that the Less Favoured Areas payments underpinned or provided a base payment which other market related direct payments built up on. The extent to which this was the case clearly varied greatly from country to country and region to region and broadly this statement will have been far more relevant to the northern Member States than the southern ones.

It should also be noted that there was far greater linkage and synergy between Regulation 950 measures on farm investment and young farmers where these formed part of an Objective 1 operational programme and were used to directly complement other measures adopted within such programmes.

#### **A.4 To what extent have administrative arrangements influenced the impact of the Regulation?**

Stakeholders interviewed in most Member States were satisfied with the administrative arrangements. However, some countries found significant delays in the application procedure and payments, for example, Spain (Young Farmers and Farm Investment Schemes), Portugal (mainly the Farm Investment Scheme). In a number of Member States, the mechanisms for monitoring and control were assessed as being very weak (e.g. Greece and Italy). The countries joining the EU in 1995 stated that there had been an increase in the administrative and bureaucratic burden for both beneficiaries and administration officials. In some countries with more decentralised agricultural policy, stakeholders claimed that communication between the administrative authorities at the regional and at the national level could have been improved (e.g. Italy and Portugal).

Where Member States wished to implement a scheme with an 'innovative' focus under the Farm Investment Scheme, it was important to consider less centralised and rigid administrative arrangements. This was especially the case where a high degree of targeting was also sought. The inclusion of other organisations as partners also helped to provide a favourable administrative background for more targeted schemes (for example, the involvement of additional organisations helped to provide information on the scheme and advice in the Netherlands, Finland, Ireland and France).

The approach to delivery of the compensatory allowances in LFAs was in most cases well tried and tested and there were no suggestions from any quarter that the implementation had any effect on the achievement or otherwise of the objectives of the Regulation.

##### **A.4.1 To what extent were observed delays for approval of applications and for payments conducive to achieving the aims of the Regulation?**

Some delays (to various degrees) in application approval and payment, mainly in relation to the Farm Investment and Young Farmers Schemes, were reported in eight Member States, including Spain and Italy. The degree of delay varied and reasons for delays included:

- delayed demands from the previous programming period;
- insufficient experience and efficiency of certain regional administrations;
- a high number of applications;
- partial decentralisation of agriculture (although this also resulted in improved communication towards potential beneficiaries);
- poor relationships between the agricultural authorities at regional level and the national Ministry of Agriculture;
- insufficient electronic equipment in the administrations managing the schemes at regional and sub-regional level; and,
- insufficient computer software.

Administration officials from Austria, Finland and Sweden explained that accession to the EU resulted in delays in scheme implementation because new regulations and routines had to be introduced, staff needed training and farmers had to get used to the new forms of application for aid, etc. However, this was only a temporary effect.

#### **A.4.2 To what extent have the monitoring systems assisted the management and facilitated evaluation?**

The evaluation process was hampered considerably by the absence of an effective monitoring system, including agreed indicators, at the start of the programming period. An appropriate, functioning monitoring system is essential for any kind of assessment of a measure's impact. In three countries (Greece, Italy and the Netherlands), no proper mechanism of monitoring and control for measures under Regulation 950/97 appears to have been in place between 1994 and 1999. Interviewed stakeholders from these countries (and Portugal), suggested that a monitoring system that concentrates on impacts in addition to financial data would be useful. In Finland and Sweden, the process of monitoring and control was hindered by changes in the systems of electronic data processing.

It might be useful to review the list of indicators to be provided under a MIP under the Farm Investment Scheme, both before and after the investment is made. This would facilitate the monitoring process.

Our evaluation partners from Denmark, Spain and the Netherlands recommend that a list of both physical and financial indicators be specified before the implementation of measures in order to provide continuous information through monitoring and to facilitate the evaluation processes. This is now stipulated in Article 33 of Regulation 1257/99.

#### **A4.3 To what extent has the absence of partnerships and programming influenced the outcome of the schemes?**

Only one Member State stated that a bottom-up approach, as used in the Structural Funds, would have allowed a better targeting of the Regulation with regard to the different regional needs of the agricultural sector. Some Member States, such as Belgium, Luxembourg, Austria and Sweden, noted that there was generally good co-operation between beneficiary organisations and the public administrations. The focus and targeting of the scheme is very important in this regard with the Farm Investment Scheme. Where schemes were targeted to a high degree (e.g. Farm Investment in Ireland) and were 'innovative' in focus, for example, the Netherlands, a lack of regional or additional organisation partnerships would probably have been detrimental to scheme outcome.

The question does not particularly apply to the LFA Scheme which is effectively an area/headage based direct payment scheme.

**A.4.4 To what extent has the prescriptions of the Regulation concerning the role of agricultural associations (Regulation 950/97, Art. 15 (1) farm relief services and Art. 16 (1) farm management services) and recognised farmers' groups (R. 950/97, Art. 14) in operating some of the aid schemes been conducive to the objectives?**

There was provision for agricultural associations to play a role in farm relief services and farm management services in terms of assisting with scheme operation. However, it is unlikely that these organisations had a significant impact on the outcome of the Regulation due to the limited implementation of these schemes. Regardless of the influence of the support schemes for the setting up of producer groups, farm relief services and farm management services, agricultural associations played an important role in many countries in terms of informing potential beneficiaries of the aid schemes and preparing applications (e.g. Spain, Ireland).

**A4.5 To what extent have the administrative arrangements accommodated environmental requirements?**

In four countries and one region, there were specific environmental requirements and/or environmental authorities involved in scheme management (including Luxembourg, Sweden and the UK). Four other countries and one region reported that no environmental authorities were involved in the administrative procedure (e.g. France, Italy, Ireland and Portugal). Where environmental protection agencies were involved, the scheme is more likely to have accommodated environmental requirements. In the Farm Investment Scheme, the requirement to produce a Material Improvement Plan and the need to have this approved in some Member States, for example Luxembourg and the UK, by the statutory environmental protection authority is likely to have ensured that at worst environmental impact was neutral and at best positive. Where environmental improvements were a stated aim, e.g. the Netherlands and Sweden, the requirement to compile a plan is likely to have resulted in positive impact.

Some interviewed stakeholders, notably from Luxembourg and Sweden, drew attention to the fact that a proper consideration of environmental requirements would increase the costs for administration, monitoring, and implementation, and would enhance the administrative burden. Some expressed the opinion that environmental objectives can be achieved in a more efficient and effective way through specific environmental regulations or programmes (for example, those under Regulation 2082/92).

**A.5 To what extent have the measures been adequately targeted towards the potential beneficiaries?**

Within the context of the Farm Investment Scheme this depends to a high degree on the approach taken by the individual Member States and how broadly or narrowly the scheme was focused. In relation to all measures, targeting is mainly

achieved by choosing appropriate eligibility criteria, and the extent to which national eligibility criteria were used and what they were comprised of is discussed in Sections 6.1, 7.1 and 8.1.

The obligation to be main occupational farmer to receive aid under the Farm Investment and Young Farmers Schemes was criticised for excluding a significant amount of farmers, especially in the case of Setting up Aid for young farmers (Young Farmers Scheme in Germany, Greece, Finland, and Sweden, Farm Investment Scheme in Sweden). In France, part-time farmers were also excluded from the LFA Scheme and this was considered to have possibly reduced the adequacy of the targeting since part-time farmers also contribute to the maintenance of the population in rural areas. However, it should be noted that Member States were also able to give aid to part-time farmers under the Farm Investment and Young Farmers Schemes, provided that they derived a certain proportion of their income from on-farm activities and that they spent at least half of their working time on on-farm activities. We note that in the current Regulation on support for rural development, the requirement to undertake farming as the main occupation was abolished for all measures under ex-Regulation 950/97.

The choice of the form in which aid is given under the Farm Investment and Young Farmers Schemes (capital grants or interest subsidies on loans) may also favour certain beneficiary groups (see Section 6.1.1.4 and Section 7.1.1.3). Smaller farms may have been disadvantaged in some of the countries where aid was mainly offered through interest subsidies on loans.

Some Member States (for example, Germany and Sweden) believed that it was difficult to achieve the eligibility criteria for the Young Farmers Scheme and that this was an important reason for not applying for aid. The LFA Scheme was open to all applicants in LFAs who fulfilled the requirements of the Regulation and as such no further specific targeting was necessary. There appears to be no evidence that eligible beneficiaries were not aware of the aid and it was noted in Finland that 80% of farmers in LFAs received the aid.

#### **A5.1 and A.5.2 To what extent has the communication undertaken raised awareness, assisted uptake and improved transparency?**

As schemes under Regulation 950/97 (or similar schemes in acceding Member States) had been in operation for an extended period of time in almost all Member States the issue of communication of the scheme's requirements and benefits was not an issue of concern nor did it raise a problem. Stakeholders in nine countries consider the communication process to have been satisfactory and adequate. The exception is Portugal where some criticism arose in relation to information being difficult to access meaning that more informed farmers, generally those with larger farms, were favoured. On the other hand, Greece pointed out that the complexity of the Regulation may have been difficult for some farmers to understand. Finally, it was considered that there may have been an improved information flow to



beneficiaries where agricultural policy was administered in a decentralised manner, e.g. in Italy.

### **A5.3 To what extent and why have some eligible farmers undertaken actions similar to those prescribed in the Regulation without applying for aid?**

The assistance offered under the Farm Investment Scheme was fairly small and is unlikely to have been the decisive factor in making investments (see Table 6.4 where it is shown that eligible investments under the scheme accounted for just 8.5% at the EU level and as low as 0.2% in the UK and 0.4% in the Netherlands). The main reason for not applying for funding under the scheme is likely to have been an inability to meet the eligibility criteria.

The proportion of eligible young farmers successfully applying for the Young Farmers Scheme varies from between 4% (Austria) and 65% (Greece)<sup>23</sup>. Again it is most likely that farmers did not apply for support because they did not meet the eligibility criteria. As discussed above, it was considered difficult to achieve the eligibility criteria in some Member States and this was mentioned as an important reason for not applying. A significant amount of young farmers were not eligible because they were not main occupation farmers (see for example, Germany, Greece, Finland, France, and Sweden).

As discussed in Sections 6, 7 and 8 there is potential deadweight in the schemes. The level of support under the Farm Investment Scheme was low and many other elements of the business and social environment influenced the young farmers' decision to set up. The question to what extent and why some eligible farmers have undertaken similar actions without applying for aid is irrelevant for the LFA Scheme since this measure did not require any management action on eligible farmers' parts in order to receive the aid.

## **10.2. Recommendations**

In order to make meaningful recommendations on Regulation 950/97 it is important to bear in mind that the measures under the Regulation are now for the most part contained under the Rural Development Programme following the implementation of Agenda 2000 (Regulation (EC) 1257/99). Many changes which would have been recommendations have therefore already been made. Most notably the schemes have now:

- been linked more strongly to other rural development policies by integrating measures under Regulation 950/97 into the overarching Rural Development Plans;
- have to an extent been more strongly linked to safeguarding of the environment, animal welfare, food quality and safety. This has been achieved in the new programming period by requiring farmers to comply with

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<sup>23</sup> Data were available to allow this calculation to be made for two-thirds of Member States.



environmental, animal welfare and hygiene standards. It should, however, be noted that effectiveness of this measure of cross-compliance has still to be tested;

- introduced monitoring with reference to specific physical and financial indicators before the programmes were implemented (see Article 33 of Regulation 1257/99);
- possibly allowed more scope for Member States to favour and/or encourage diversification and innovation by supporting the most sustainable sectors and those contributing most to the viability of rural communities.

Article 40 in Regulation 1260/99 on Structural Funds stipulates that 'competent authorities of the Member States and the Commission shall assemble the appropriate resources and collect the data required to ensure that this evaluation can be carried out in the most effective manner'.

In the light of the above, it is slightly artificial to make recommendations for the future for a policy which has subsequently been changed substantially and this was reflected in the sub-contractors reports which contained very few overall recommendations of substance at the Regulation level. It is in relation to post-1999 policy that recommendations for the programming period post-2006 really ought to be made.

Bearing the above in mind, across the range of schemes we have been evaluating a large number of issues relating to design, implementation, uptake and achievement of desired effects have been raised. These can be broadly summarised as follows:

There is a general need to have a tighter definition of objectives. Regulation 950/97 appears to have been an overarching policy incorporating a range of diffuse and at times conflicting objectives with little overall internal coherence. Better focus of the schemes in terms of objectives, eligibility criteria and targeting of beneficiaries would have reduced the scope for deadweight and thus generated a higher achievement of effects at potentially lower cost. A brief review of the new Rural Development Regulation (introduction of a comprehensive programming approach) and the July 2003 Mid-Term Review of the Common Agricultural Policy (mandatory cross-compliance) suggests that much of this recommendation may now be being put into practice.



## Appendix 1: Evaluation questions for measures under Regulation 950/97

Source:

Questions A to I: Community Guidelines to the Member States for measures under Regulation 950/97 (available at:

[http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm))

Questions J: Terms of Reference for the meta-evaluation of measures under Regulation 950/97 at the EU level

Underlined text indicates priority or core questions.

### A. General questions

**A.1.** To what extent has the regulation produced significant impacts (positive or negative) in addition to the immediate effects on the beneficiary holdings?

**A.1.1** in addition to its declared objectives (quantify if possible)?

**A.1.2** outside the benefiting holdings (quantify if possible)?

- sectoral (demonstration effect vis-à-vis other farmers<sup>24</sup>, agro-industry, ... )
- rural (social fabric of rural areas, ... )

**A.2.** To what extent could alternative approaches<sup>25</sup> have achieved the objectives of the regulation and what would be the likely outcome of such approaches (in terms of effectiveness, efficiency, side effects)?

**A.3.** To what extent is the impact of the regulation reinforced or reduced by:

**A.3.1** the internal coherence between the various measures within the regulation?

**A.3.2** other Community measures (accompanying measures, rural development measures, market measures, deficiency payments, ...)?

**A.4.** To what extent have administrative arrangements influenced the impact of the regulation and its individual aid schemes?

**A.4.1** To what extent were the observed delays for approval of applications and for payments conducive to achieving the aims of the regulation?

**A.4.2** To what extent have the monitoring systems assisted the management and facilitated evaluation?

**A.4.3** To what extent has the absence of partnership and programming in sense of the structural funds influenced the outcome of the aid schemes?

**A.4.4** To what extent have the prescriptions of the regulation concerning the role of agricultural associations<sup>26</sup> and recognised farmers' groups<sup>27</sup> in operating some of the aid schemes been conducive to the objectives?

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<sup>24</sup> Especially for parts of the farm investment scheme.

<sup>25</sup> Regulatory approaches, aid for running costs versus investments, taxes, ...

**A.4.5** To what extent have the administrative arrangements accommodated environmental requirements (involvement of environmental authorities, Environmental Impact Assessment, land-use planning, ..)?

**A.5.** To what extent have the measures been adequately targeted towards the potential beneficiaries?

**A.5.1** To what extent has the communication undertaken raised the awareness of the scheme/measures and assisted the uptake of them?

**A.5.2** To what extent has the communication undertaken improved transparency (equal access, disclosure of selection criteria, ...)?

**A.5.3** To what extent and why have some eligible farmers undertaken actions similar to those prescribed in the regulation without applying for aid?

## **B. Farm Investment Scheme**

**B.1.** To what extent have the investments helped assuring the continued viability of the holding?

**B.1.1** To what extent have the investments produced redeployment of production and diversification of activities?

**B.1.2** To what extent have the investments improved the income of beneficiary farmers?

**B.1.3** To what extent have the investments actually realised been conducive to the aims of the holding as expressed in the MIP?

**B.2.** What is the impact of the investment scheme on the environment?

**B.2.1** To what extent has the investment scheme influenced pollution from farms?

**B.2.2** To what extent has the investment scheme influenced natural resources, countryside and biodiversity?

**B.2.3** To what extent have the environmental aspects of the specific sector limitations influenced these effects?

**B.3.** To what extent have the investments contributed to a better use of production factors for a more rational production and improved efficiency at holdings?

**B.4.** To what extent have the investments improved the quality of farm products, e.g., by enabling compliance with Community or other labelling schemes?

**B.5.** To what extent have the investments contributed to stabilising markets by redeploying production and improvement of quality?

**B.6.** To what extent have the investments improved health and welfare?

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<sup>26</sup> Regulation 950/97, Article 15(1) and Article 16(1)

<sup>27</sup> Regulation 950/97, Article 14

**B.6.1** To what extent have the investments improved the working conditions at farms?

**B.6.2** To what extent have the investments contributed to the improvement of animal welfare and hygiene?

**B.7.** To what extent have the specific sector limitations helped in avoiding market distortions?

**B.8.** To what extent have the investments relating to diversification of activities helped maintaining employment?

### **C. Young Farmers Scheme**

**C.1. To what extent has the aid facilitated the setting up of young farmers?**

**C.1.1** To what extent has the setting up aid covered the costs arising from setting up?

**C.1.2** To what extent has the setting up aid contributed to the earlier transfer of holdings (to relatives versus non-relatives)?

**C.1.3** How significant was the synergy with the Early Retirement Scheme (Regulation 2079/92) in achieving such earlier transfer?

**C.1.4** To what extent has the aid influenced the number of young farmers of either sex setting up?

**C.1.5** To what extent have other elements of the business environment contributed to the decision to set up (for example the market situation and national measures such as inheritance tax)?

**C.1.6** To what extent has the existence of the aid scheme increased the costs of setting up by increasing the amounts required by the former farmer?

**C.2. To what extent has the setting up of young farmers actually achieved, contributed to maintaining viable rural communities?**

**C.2.1** To what extent has the setting up contributed to safeguarding employment?

**C.2.2** To what extent has the setting up contributed the development of productive and efficient agricultural structures?

**C.2.3** To what extent do assisted young farmers succeed in remaining as heads of holding?

**C.3.** To what extent have the additional investment aid (Regulation 950/97, Article 11) facilitated the structural adjustment of holdings after the first installation?

## **D. Less Favoured Areas Scheme**

D.1. To what extent have the allowances contributed to farm income by:

D.1.1 offsetting the natural handicaps in terms of high production costs and low production potential?

D.1.2 creating added value at the holdings in addition to their immediate effect as income transfer and cost compensation:

D.1.2.1 by providing working capital and enabling investments at the holdings?

D.1.2.2 by maintaining or creating employment for agricultural workers at the holdings?

D.2. To what extent have compensatory allowances helped in maintaining farming that otherwise would have been abandoned in LFAs?

D.2.1 To what extent have compensatory allowances helped in maintaining the farming population in the area?

D.2.2 To what extent has land abandonment been prevented?

D.2.3 To what extent has the continued presence of farmers and their income helped maintaining viable agricultural communities?

D.3. To what extent have compensatory allowances contributed to safeguarding the environment and preservation of the countryside?

D.3.1 What are the key aspects of the environment and countryside in need of safeguarding/preservation and to what extent have compensatory allowances influenced this?

D.3.2 Which farming systems predominate in the LFA and to what extent do they contribute to maintaining the countryside?

D.4. To what extent has the limitation of 1.4 livestock units been conducive to environmental protection?

D.5. To what extent have other Community measures (set up of young farmers, joint investment scheme in less favoured areas, accompanying measures, rural development measures in Objective 1 and 5b areas) reinforced or reduced the impact of the compensatory allowance?

D.6. To what extent have joint investments (particularly for fodder production, land improvement and equipment for pasture and hill grazing) contributed to preserving the countryside and rationalising holdings?

D.7. To what extent have the specific sector exclusions influenced the implementation of the LFA 0scheme (take up, effectiveness and market effects)?

D.8. To what extent has modulation of the compensatory allowances influenced the impact of the scheme in terms of effectiveness and efficiency?

**D.9.** To what extent have national criteria improved the effectiveness and efficiency of the scheme and reduced dead weight?

**D.10.** To what extent have the compensatory allowances influenced rent and capital values of holdings?

### **E. Aid for introduction of accounting practices**

**E.1.** To what extent have farmers taking up accounting on the holding, used the results for:

- redeployment of production?
- improving productivity and efficiency?
- increasing income?

### **F. Setting up aid for groups**

**F.1.** To what extent did the scheme assist in achieving:

- better use of production factors for a more rational production?
- improved of living and working conditions at farms?
- improved preservation of the countryside and farming resources by introducing adequate practices and technologies?

### **G. Setting up aid for farm relief services**

**G.1.** To what extent did the scheme assist in:

- securing professional farm management (in case of disease, ... )?
- improved living and working conditions at farms?

### **H. Farm management services**

**H.1.** To what extent did the scheme assist in achieving:

- better use of production factors for a more rational production?
- improved working and living conditions at farms?
- better management, planning and appreciation of opportunities at agricultural holdings?

**H.2.** To what extent has assistance to farmers been improved in terms of intensity and pertinency?

## **I. Training Scheme**

**I.1.** To what extent has vocational training assisted in achieving:

**I.1.1** efficient and competitive structures, in particular in terms of management, production and marketing?

**I.1.2** better protection of the environment, in particular of landscapes?

**I.2.** To what extent has instruction or training of leaders and managers of producer groups and co-operatives assisted in:

- improving the processing and marketing of regional agricultural products?
- improving the economic organisation of producers?

**I.3.** To what extent did courses of further training increase the uptake of the aid scheme for setting up of young farmers?

## **J. Questions regarding general objectives of the Regulation and Objective 5a**

**J.1** What has the overall contribution of the regulation been to the four general aims in Article 1 of the regulation:

**J.1.1** Improving the efficiency of farms by developing and reorganising their structures and by promoting alternative activities?

**J.1.2** Maintaining a viable agricultural community and thus helped develop the social fabric of rural areas by ensuring a fair standard of living for farmers and by offsetting the effects of natural handicaps in less-favoured areas? (Particular attention should be paid to aspects regarding the installation and viability of young farmers and their contribution to the viability of rural areas).

**J.1.3** Safeguarding of the environment and the preservation of the countryside, including the long-term conservation of natural farming resources?

**J.1.4** Restoring the balance between production and market capacity?

**J.2** To what extent has the regulation promoted rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy (i.e., Objective 5a)?



## Appendix 2: List of data sources used and interview partners for the ex-post evaluation of Regulation 950/97 at the national level

BE:

*Data sources:*

National evaluation reports provided by the European Commission:

- Evaluation of structural measures in Flanders under Regulation 950/97 (Evaluatie van de structurele maatregelen in Vlaanderen in het kader van de Verordening nr. (EG) 950/97), outside Objective 1. Universiteit Gent, Faculteit Landbouwkundige en toegepaste biologische wetenschappen, Vakgroep Lanbouweconomie, Prof. Dr. ir J. Viaene. November 2002.
- Evaluation of structural measures in Wallonia under Regulation 950/97 (Evaluation des mesures structurelles mises en oeuvre en Région wallonne dans le cadre du Règlement n° (CE) 950/97), outside Objective 1. Mid-term evaluation report. Gembloux Faculté universitaire des sciences agronomiques, Mr. Philippe Lebailly. September 1999.
- Mid-term evaluation of the implementation of the SPD Objective 1 and the Community Initiative programmes in Hainaut (Evaluation intermédiaire de la mise en oeuvre du DOCUP Objectif N°1 et des programmes d'initiative communautaire en Hainaut), inside Objective 1. Université libre de Bruxelles, DULBEA - Centre d'Economie Régionale et de la Technologie. April 2001.

Other data sources:

- Ex ante evaluation of the Federal Plan for Rural Development 2000-2006.
- Rural Development Plan for Flanders 2000-2006.
- Rural Development Plan for Wallonia 2000-2006.
- Federal Plan for Rural Development 2000-2006.
- LEADER+ programme for Flanders.
- LEADER+ programme for Wallonia.
- Activity reports of the Directorate General for Agriculture, Wallonia.
- "Les nouvelles", a trimesterial publication of the Directorate General for Agriculture, Wallonia.
- Activity reports of Flemish Agricultural Investment Fund (VLIF).
- Activity reports of Administration of Agriculture and Horticulture, Flanders.
- Statistics from NIS, national agricultural statistics service.
- Financial data provided by the Flemish, Wallon and Federal administrations.
- Data from the annual reports of the Flemish Investment Fund for Agriculture.

*Interview partners:*

- Adriaens Camile, President of the General Farmers Syndicate (“Algemeen Boerensyndicaat”).
- Auquier Etienne, Responsable circonscription agronomique de Tournai, Administration Wallonne, Direction Générale de l’Agriculture.
- Beyers Fons, Head of the Research Unit of the Farmers Union “Boerenbond”.
- Clérin Jean-Paul, Directeur des Services Extérieurs, Administration Wallonne, Direction Générale de l’Agriculture.
- Dechangy Patrick, Représentant d’une CUMA (co-operation for utilisation of agricultural machinery/material), Farmer.
- Dumont Erik, Head of the Credit Policy Department for the Agricultural Sector, KBC Bank.
- Ernoux Henri, Responsable Service credit, Bank “Crédit Agricole”.
- Fontaine Filip, Director of “Brava cv”, farmer co-operative (horticultural sector).
- Lebailly Philippe, Professor at the “Faculté Universitaire des Sciences Agronomiques”.
- Questienne Philippe, Responsable Fond d’Investissement Agricole, Administration Wallonne, Direction Générale de l’Agriculture.
- Van Den Bremt Gilbert, Head of the Department of Agriculture Support Policy, Administration of Agriculture and Horticulture, Ministry of the Flemish Community.
- Vanschoenbeek Valere, Head of take over and service unit of the Farmers Union “Boerenbond”.

**DK:**

*Data sources:*

National evaluation reports provided by the European Commission:

- The Directorate for Food, Fisheries and Agri-business: Farm Investment Scheme: beneficiary survey (Strukturdirektoratet Forbedringsordningen: Brugerundersøgelse). PLS Consult. March 1997.
- The Directorate for Food, Fisheries and Agri-business: Farm Investment Scheme: beneficiary survey, supplementary report (Strukturdirektoratet Brugerundersøgelse af Forbedringsordningen - supplerende rapport). LS Consult. April 1997.
- Report from the Committee on the Farm Investment Scheme (Rapport fra Arbejdsgruppen vedrørende Forbedringsordningen). Internal study. May 1997.
- Report from the Committee on the Farm Investment Scheme (Rapport fra Arbejdsgruppen vedrørende yngre jordbruger-ordningen). Internal. November 1994.
- The Directorate for Food, Fisheries and Agri-business: Evaluation of the Young Farmers Scheme, tender document, revised version (Strukturdirektoratet

Evaluering af Yngre Jordbrugere ordningen Tilbud - revideret version). PLS Consult, Ms. Birthe Holst Jørgensen and Ms. Janne Sylvest. April 1999.

- The Directorate for Food, Fisheries and Agri-business: Evaluation of the Young Farmers Scheme (Strukturdirektoratet Evaluering af Etableringsordningen for Yngre Jordbrugere). PLS Consult A/S. June 1999.
- Report from the Committee on the Young Farmers Scheme (Rapport fra arbejdsgruppen vedrørende yngsse jordbruger-ordningen). Internal. August 1999.

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- Niels Gøtske, Direktoratet for Fødevareerhverv.
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- Mr Ferdinand Fasterding, Mr Klaus Klare, Mr Reiner Plankl and Mr Bernhard Forstner, Federal Research Centre for Agriculture (FAL-Braunschweig).
- Mrs Roswitha Gellrich, Federal State-Ministry for Agriculture Brandenburg.
- Mr Georg Herwarth, Federal State-Ministry for Agriculture Sachsen-Anhalt.
- Mr Egbert Thierbach, Federal State-Ministry for Agriculture Sachsen.
- Mr Wilhelm Dühning, Mrs Kerstin Fiedler, Federal State-Ministry for Agriculture Thuringen.
- Mrs Hoge, Federal State-Ministry for Agriculture Mecklenburg-Vorpommern.

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*Interview partners:*

- Mr Dimitroulakis, responsible for OP Agriculture 1994-1999, CSF Management Unit, Ministry of Agriculture.
- Mr George Emmanouel, Head of CSF III Management Unit and ex-responsible for Agricultural development measures (CSF II), Region of Thessaly.
- Mr Kassapis, Directorate for Agricultural Development, Region of Eastern Macedonia and Thrace.
- Mr Tsitlakidis (responsible for LFA allowances) and Mr Pitsiavas (responsible for MIPs), Prefecture of Region of Central Macedonia.
- Prof. Dimitris Goussios, Professor of Rural Planning, University of Thessaly.
- Mr Dimitris Lianos, Evaluator in the agricultural field.
- Mr Yiannis Tsiforos, General Director, PASEGES (Panhellenic Confederation of Unions of Agricultural Cooperatives).

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- Elena Boy, Dirección General de Desarrollo Rural, Ministerio de Agricultura, Pesca y Alimentación.
- Montserrat Cabrera Morales, Coordinadora de las formas de intervención financiadas por Feoga-O, Comunidad Autónoma de Canarias.
- Luis Collado, Dirección General de Agricultura, Gobierno de Cantabria.
- Antonio Espejo, Dirección General de Agricultura, Comunidad de Madrid.
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- Margarita Franch, Monitoring responsible of the Rural Development Program, Generalitat de Catalunya.
- Miguel Ángel de la Llave Larra, Consejería de Agricultura y Pesca, Junta de Andalucía.
- Francisco Martínez Arroyo, Dirección General de Desarrollo Rural, Ministerio de Agricultura, Pesca y Alimentación.
- José Luis Miguel, Coordinadora de Agricultores y Ganaderos, COAG.
- Pablo Millaruelo, ADRI LEADER Program, Co-operative secretary and beneficiary, Valladolid. Castilla y León.



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- Carlos Tió Saralegui, Departamento de Economía y Ciencias Sociales Agrarias, Universidad Politécnica de Madrid.
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- B.Ponthus, CGIA.
- M.Dusart, DEPSE (Direction des Exploitations, de la Politique Sociale et de l'Emploi).
- J.Racapé, MATE (Ministère de l'Aménagement du Territoire et de l'Environnement).

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- J.Schwartz, DEPSE (Direction des Exploitations, de la Politique Sociale et de l'Emploi).

Professional organisations:

- Mme Passot, CCMSA (Caisse Centrale de la Mutualité Sociale Agricole).
- M. Parmentier, CCMSA (Caisse Centrale de la Mutualité Sociale Agricole).
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- M.Rancoule, ADASEA (Association départementale pour l'Aménagement des structures des exploitations agricoles) Côtes d'Armor.
- Mme Dutoit, Pdte CRJA (Centre Régional des Jeunes Agriculteurs) Midi-Pyrénées.
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*Interview partners:*

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- Dott. Montino Franco, Responsabile Politiche strutturali, INEA (Istituto Nazionale di Economia Agraria), Roma.
- Dott. Murano Roberto, Unità di ricerca politiche strutturali, INEA, Roma.
- Dott. Manghi Dario, Direttore generale Assessorato all'agricoltura della Regione Emilia-Romagna, Bologna.
- Dott. Poggioli Giorgio, Coordinatore piani e programmi, Assessorato all'agricoltura della Regione Emilia-Romagna, Bologna.
- Dott. Prina Giancarlo, Direttore settore programmazione agricola, Regione Piemonte, Torino.

Administration officials from the Ministry of Agriculture, INEA (national institute for agricultural economics - Istituto Nazionale di Economia Agraria) and ISMEA (information service on the agri-food sector - Istituto di servizi per il mercato agricolo-alimentare):

- Dott.ssa Luchetta Maria, Ufficio strutture, Ministero dell'agricoltura, Roma.
- Dott.ssa Peronti Mara, Ministero dell'agricoltura, Roma.
- Dott. Murano Roberto, Ufficio politiche strutturali, INEA, Roma.
- Dott.ssa Savaresi Elisabetta, Valutazione politiche strutturali, ISMEA, Roma.
- Prof. Cersosimo Domenico, Università della Calabria, Cosenza, Consulente del Ministero del Tesoro (Unità di valutazione), Roma.

Authors of the various national and regional evaluation reports:

- Dott. Gatto Emilio, INEA (Osservatorio per la Calabria), Cosenza and Osservatorio per le politiche strutturali, INEA, Roma.
- Dott.ssa Pergolotti, Ufficio Piani finanziari e politiche comunitarie, Assessorato all'agricoltura della Regione Emilia-Romagna, Bologna.
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*Data sources:*

National evaluation reports provided by the European Commission:

- Ex-post evaluation of measures under Regulation 950/97 for the period 1994 - 1998 in Luxembourg (Ex post Evaluation von Massnahmen in Rahmen der Verordnung (EG) Nr. 950/97 für den Förderzeitraum 1994 bis 1998 in Luxemburg - Endbericht). Federal Research Centre of Agriculture (FAL), Braunschweig, Germany, Prof. Dr. Isermeyer. September 2001.

Other data sources:

- National statistics and other relevant reports.

*Interview partners:*

- Mr Andre Loos, administration official in charge of the implementation of the programme in 1994-1999, Ministry of Agriculture, Viticulture and Rural Development.
- Mr Marc Kreis and Mr Hoffmann, administration officials in charge of the implementation of the programme in 1994-1999, Service d'Economie Rurale (a service of the Ministry of Agriculture, dealing with administration, agricultural statistics and consulting farmers).
- Mr Robert Ley, General Secretary of the Agricultural Chamber in Luxembourg.
- Mr Lucien Haller and Mrs Josiane Willems, representing "Centrale Paysanne" (biggest Luxembourgian farmers' union).

**NL:**

*Data sources:*

National evaluation reports provided by the European Commission:

- No final national ex-post evaluation reports available.

Other data sources:

- Mid-term evaluation of the Measure Structural improvement in Cultivation under Glass in January - August 1999 (Informatie en KennisCentrum Landbouw, Tussentijdse evaluatie van de Regeling Structuurverbetering Glastuinbouw, Het effect en het proces van de regeling in 1999 (januari-augustus)).
- Evaluation of the Measure Structural improvement in Cultivation under Glass in 1997-1998 (Informatie en KennisCentrum Landbouw, Evaluatie van de Regeling Structuurverbetering Glastuinbouw, Het effect en het proces van de regeling in 1997 en 1998).
- Rural Development Programme the Netherlands 2000-2006 (Ministerie van Landbouw, Natuurbeheer en Visserij, Plattelandsontwikkelingsprogramma 2000-2006 Nederland). Ministry of Agriculture, Nature Management and Fisheries. September 2001.



- Letter on the report of the audit inspection visit of the European Commission to the Netherlands, July 2002. Ministry of Agriculture, Nature Management and Fisheries. August 2002.
- Procedural information on the RBON measure (Management Contracts and Nature Development).
- Annual report on Regulation 950/97 in the Netherlands, years 1998-1999 (Jaarverslag over de toepassing van Verordening 950/97 in Nederland, jaar 1998 en 1999).
- Official publications on the RSG measure (Structural Improvement in Cultivation Under Glass).
- Binternet LEI, statistical data 1996-2002.

*Interview partners:*

- Mr. B. Jol, Department of Agriculture of the Ministry of Agriculture, Nature Management and Fisheries (responsible for Regulation (EC) 950/97).
- Mr. J.A.F. van de Wijnboom, Department of Agriculture of the Ministry of Agriculture, Nature Management and Fisheries (during 1994-99 responsible for the RSG measure).
- Mr. B.A. Piersma, Head Division E&S, Department of Agriculture of the Ministry of Agriculture, Nature Management and Fisheries.
- Mr. J. Durenkamp, Department Financial Economic Affairs Agriculture of the Ministry of Agriculture, Nature Management and Fisheries (RA accountant).
- Mr. M.W.M. Harfterkamp, Department Financial Economic Affairs Agriculture of the Ministry of Agriculture, Nature Management and Fisheries.
- Representatives of the implementing agencies (LASER and DLG).

**OST:**

*Data sources:*

National evaluation reports provided by the European Commission:

- Evaluation of the Farm Investment Scheme (Articles 7 and 11) and the Setting up Aid (Article 10) under Regulation 950/97 (EC) in Austria (Bewertungsbericht (Evaluierung) der Massnahmen der einzelbetrieblichen Investitionsfoerderung (Art.7 und 11) und Niederlassungsbeihilfe (Art.10) der VO (EG 950/97 in Oesterreich), outside Objective 1. Bundesanstalt für Agrarwirtschaft, Wien, Mr. Hubert Janetschek. 2001.
- No mountain agriculture without compensatory payments - evaluation of the compensatory payments for LFAs and national aid (Keine Berglandwirtschaft ohne Ausgleichszulage - Evaluierung der Massnahme Ausgleichszulage in Benachteiligten Gebieten und Nationale Beihilfe (Forschungsbericht 47)), outside Objective 1. Bundesanstalt für Bergbauernfragen, Wien, Mr. Gerhard Hovorka. Juni 2001.
- Draft mid-term evaluation of the Objective 1 programme for Burgenland (Zwischenevaluation des Ziel 1-Programms Burgenland, vorläufiger Endbericht).



Österreichisches Institut für Raumplanung, Wien, Dr. Michael Ridder, and Ferdinand Lechner.

Other data sources:

- National and regional statistics and other relevant reports.

*Interview partners:*

- DI Hubert Janetschek, Bundesanstalt für Agrarwirtschaft.
- Mag. Gerhard Hovorka, Bundesanstalt für Bergbauernfragen.
- Mr Ignatz Knöbel, Federal Ministry for Agriculture and Forestry, Environment and Water Management.
- Mr Peter Kaltenegger, European Commission DG AGRI unit E.3, Horizontal RDP EC.

For Obj. 1 region "Burgenland":

- Mrs Heiderose Schmidt, European Commission DG AGRI unit E.3.
- Dr. Stockinger (EAGFL), Amt der Burgenländischen Landesregierung.

**PT:**

*Data sources:*

National evaluation reports provided by the European Commission:

- Mid-term evaluation of the CSF II (Estudo de avaliação intercalar do QCA II). 1997.

Other data sources:

- Statistical data on implementation of the FI Scheme obtained from IFADAP, the national institution responsible for the scheme's implementation and for the analysis, financing and control of the projects under the FI Scheme.
- Statistical data on implementation of the LFA Scheme obtained from the national paying agency INGA.
- Statistical data including the "Agricultural General Census 1989-99", the annual "Agricultural Statistics" and the "Agricultural Holdings' Survey" from the National Statistical Office (INE).

*Interview partners:*

- Mr José Manuel Lima Santos, President of the Ministry's Cabinet for Agricultural and Agri-Food Policy and Planning.
- Mr Tito Rosa, Manager of the Agricultural Operational Programme included in the third Community Support Framework (2000-2006).
- Mr António Moita Brites, Head of the Project Analysis Unit, IFADAP (Instituto de Financiamento e Apoio ao Desenvolvimento da Agricultura e das Pescas).
- Mr Monteiro Alves, Project Analysis Unit, IFADAP.

- Mrs Teresa Boeiro, Statistical Department, IFADAP.
- Mrs Lucília Barros, IFADAP.
- Mr Mário Barreto, IFADAP.

**SUO:**

*Data sources:*

National evaluation reports provided by the European Commission:

- Interim Assessment of the Objective 5a Measures within the Framework of Council Regulation (EC) No. 950/97 (Neuvoston Asetuksen (EY) N:O 950/97 Mukaisten Tavoite 5a-Toimenpiteiden Vaeliarvionti), outside Objective 6. Farm Investment Scheme: Agricultural Economics Research Institute, Mr. Ilkka P. Laurila; Young Farmers and LFAs: Pellervo Economics Research Center, Mr Panu Gallio. March 2000.
- Interim assesement of the objective 5a measures within the framework of council regulation (EC) No. 950/97, outside Objective 6. Agricultural Economics Research Institute, Pellervo Economic Research Institute. 2000.
- Evaluation of the Farm Investment Scheme and Young Farmers Scheme in Åland, 1997 - 1998 (Utvärdering av investerings- och startstödet till lantbruket på Åland 1997-1998). Ålands statistik- och utredningsbyrå, Statistics Åland Mr. Bjarne Lindström and Ms. Katarina Fellmann. 2000.
- Study for comparison of the Finnish and Swedish Objective 6 programmes (mid-term evaluation). European Commission, Directorate General for Regional Policy.

Other data sources:

- Capital developments of the farms having benefited from the start-up aid (Käynnistystukitilojen pääomakannan kehitys). MTT Taloustutkimuksen selvityksiä, Nr. 3/2002, Helsinki, Ala-Orvola L., Arovuori K., Sillanpää A.. 2002.
- Finnish Agriculture and Rural Industries 2001. Agricultural Economics Research Institute (MTTL), Helsinki, Laurila I., Niemi J., Ahlstedt J. (eds). 2001.
- Ex-post Evaluation of Objective 6 Programmes for the Period 1995-1999, Draft Country Report for Finland. Levón Institute, University of Vaasa, mimeo. 2002.
- Horizontal development programme for rural areas (Horisontaalinen maaseudun kehittämisohjelma), Continental Finland (excluding Åland). Ministry for Agriculture and Forestry, Helsinki, mimeo. 2002.
- Agriculture in Finland. Ministry of Agriculture and Forestry, Helsinki. 2000.
- Finnish Agriculture and Rural Industries 2002. MTT Economic Research (MTTL), Helsinki, Niemi J., Ahlstedt J. (eds). 2002.
- Statistical Yearbook of Finland, volumes 1995-2001. Statistic Finland, Helsinki.
- Additional data provided by the Information Service Centre of the Ministry of Agriculture and Forestry, Helsinki.

*Interview partners:*

- Ilkka Laurila, Research Director and Professor, MTT Agrifood Research Finland.
- Tiina Malm, Head of Environment Section, Rural and Support Policy Unit, Department of Agriculture, Ministry of Agriculture and Forestry.
- Esko Leinonen, Senior Officer, Rural and Structural Policy Unit, Department of Agriculture, Ministry of Agriculture and Forestry.
- Kari Ojala, Head of Section, Senior Officer, Rural and Structural Policy Unit, Department of Agriculture, Ministry of Agriculture and Forestry.
- Hannu Porkola, Senior Officer, Rural and Support Policy Unit, Department of Agriculture, Ministry of Agriculture and Forestry.
- Milja Keskinen, Senior Officer, Rural and Structural Policy Unit, Department of Agriculture, Ministry of Agriculture and Forestry.

**SVE:***Data sources:*

National evaluation reports provided by the European Commission:

- Halvtidsutvärdering av rådets förordning (EG) 950/97 om förbättring av jordbruksstrukturens effektivitet, outside Objective 6. Swedish University of Agriculture, Institution for Economics and Statistics, Mr. Erik Fahlbeck (LFA) and Mr. Richard Ferguson (Young farmers). April 2001.
- Bilaga A (Utvärdering av etableringsstödet till unga jordbrukare som en del i utvärderingen av förordning (EG) 950/97), outside Objective 6. Swedish Board of Agriculture, Statens Jordbrukverket, Ms. Carin Hörnsten.
- Bilaga B (Utvärdering av kompensationsbidrag som en del i utvärderingen av förordning EG 950/97), outside Objective 6. Swedish Board of Agriculture, Statens Jordbrukverket, Ms. Carin Hörnsten.
- Study for comparison of the Finnish and Swedish Obj. 6 programmes (mid-term evaluation). European Commission, Directorate General for Regional Policy.

*Other data sources:*

- Evaluation report of the FI Scheme under Regulation 950/97 (Utvärdering av jordbrukets investeringsstöd). Jordbruksverket (SJV). 1999.
- Official information from Statistics Sweden ([www.scb.se](http://www.scb.se)) and Jordbruksstatistisk årsbok.

*Interview partners:*

- Mats Fabricius, Agricultural expert at Norrbotten Agricultural Society (Hushållningssällskapet Norrbotten).
- Ann-Sofie Stark, Responsible of the agricultural allowances at Västernorrland Agricultural Society (Västernorrlands läns Hushållningssällskap).
- Tomas Ribert, Farmer, LFA-beneficiary and Economist at Halland Agricultural Society (Hushållningssällskapet Halland).

- Ola Rörborn, Farmer and ombudsman at the Federation of Swedish Farmers in Jämtland (Jämtlands Länsförbund LRF).
- Stig Pettersson, Director of Federation of Swedish Farmers in Gotland (Gotlands Länsförbund LRF).
- Torbjörn Berglund, Chief Secretary Objective 1 Norra Norrland.
- Bengt Åke Strömqvist, Chief Secretary Objective 1 Södra Norrland.
- Ewa Rabinovicz, Ass Professor, Swedish Institute for Food and Agricultural Economics.
- Ulf Renborg, Professor, Royal Swedish Academy of Forestry and Agriculture.
- Gunnar Plym Forshell, Function Leader Agricultural Unit, County Administrative Board Norrbotten.
- Kjell Steen, Director, Agricultural Unit, County Administrative Board Jämtland.
- Lars Weinman, Officer Agricultural Unit, County Administrative Board Gotland.
- Wolfgang Pichtler, Analyst, Swedish Rural Development Agency.
- Leif Medhammar, Director, Agricultural Unit, County Administrative Board Gotland.
- Tuija Hilding-Rydevik, Senior Researcher Expert EIA, Nordregio.
- Ole Reiter, Ass professor, Landscape Planning, Swedish Agricultural University.
- Dr. Erik Westholm, Institute for Future Studies.
- Dr. Vania Ceccato, Department of Urban and Regional Studies, Royal Institute of Technology.
- Karl-Ingvar Malmgren, Consultant Evaluator Swedish 5b, Ledningskonsulterna AB.
- Dr. Lars Larsson, Consultant Evaluator of Swedish LEADER, Dalarna Research Council.
- Prof. Ulf Wiberg, Evaluator of Swedish Objective 6, Umeå University.

**UK:**

*Data sources:*

National evaluation reports provided by the European Commission:

- No evaluation reports for regions outside Objective 1 available.
- Mid-Term Evaluation of the Northern Ireland Single Programme for Agriculture and Rural Development (SPARD). Environmental Resource Management (ERM), London. February 1997.
- Draft Mid-Term Evaluation of the agricultural measures of the Sub-Programme for Agriculture and Rural Development in Northern Ireland 1994-99. Environmental Resource Management (ERM), London. November 1996.
- Final Mid-Term Review of the rural development measures (4.1.8 Capacity Building and 4.1.9 Strategic Area Plans and Community Regeneration Projects) of the Sub-Programme for Agriculture and Rural Development for Northern Ireland. Coopers&Lybrand, Belfast. February 1997.

- Draft Mid-Term Review of the rural development measures (4.1.8 Capacity Building and 4.1.9 Strategic Area Plans and Community Regeneration Projects) of the Sub-Programme for Agriculture and Rural Development for Northern Ireland. Coopers&Lybrand, Belfast. November 1996.

Other data sources:

- National and regional statistics and other relevant reports.

*Interview partners:*

- Dean Thomas, Senior Executive Officer, Rural Development, Policy and Evaluation, DEFRA (Department for Environment, Food and Rural Affairs), London.
- Paul Dean, Senior Executive Officer, Corporate Strategy Unit, DEFRA, Bristol.
- Paul Titford, Higher Executive Officer, Woodland and Farm & Conservation Grant Scheme, DEFRA, Bristol.
- Karen Griffin, Executive Officer, National Wildlife Management Unit, DEFRA, Bristol (formerly responsible for Farm and Conservation Grant Scheme, Lead Region administration).
- Colin Davies, Administrative Officer, Farm & Conservation Grant Scheme Section, DEFRA, Bristol.



### Appendix 3: Summary of to what extent evaluation questions have been answered in the national evaluation reports provided by the European Commission (see Appendix 2)

With exception of Greece, Ireland and Portugal, the information underneath concerns areas outside Objective 1 and 6.

For the classification of evaluation questions, please see Appendix 1 (core questions are underlined).

Member State	Percentage of answers to evaluation questions
Austria	<p>General questions (A-questions): 25 % have been fully answered, the rest has not been answered at all.</p> <p>Core questions on main schemes: 70 % have been fully answered, the rest has not been answered at all.</p> <p>Additional questions on main schemes: &lt;10 % have been fully answered, the rest has not been answered at all.</p> <p>Questions on minor schemes: only questions on training are relevant, none of them have been answered.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered.</p>
Belgium (Flanders)	<p>General questions (A-questions): 20% have been fully answered, 35% partially and 45% not at all.</p> <p>Core questions on main schemes: all questions have been fully answered, except for one, which has been partially answered.</p> <p>Additional questions on main schemes: 80% have been fully answered, 20% have been partially answered.</p> <p>Questions on minor schemes: 1 question has been fully answered, 20% partially and the rest not at all.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): no answers, except for one question, which has been partially answered.</p>
Belgium (Wallonia)	<p>General questions (A-questions): none of the questions have been answered.</p> <p>Core questions on main schemes: 55% have been fully answered, 45% partially.</p> <p>Additional questions on main schemes: none of the questions have been answered.</p> <p>Questions on minor schemes: none of the questions have been answered.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered.</p>

Denmark	<p>General questions (A-questions): &gt;50% have been fully answered, &lt;40% have not been answered at all, and the rest has been partially answered.</p> <p>Core questions on main schemes (considering the questions on LFA as irrelevant): 50% have been fully answered, 30% partially and the rest not at all.</p> <p>Additional questions on main schemes (considering the questions on LFA as irrelevant): 50% have been fully answered, 50% have been partially answered.</p> <p>Questions on minor schemes (only relevant for training scheme): none of them have been answered.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): 1 question has been fully answered, 2 not at all and 2 partially.</p>
Finland	<p>The title questions were not answered separately.</p> <p>General questions (A-questions): 40% have been fully answered, 25% have not been answered at all, and the rest has been partially answered.</p> <p>Core questions on main schemes: 65% have been fully answered, 10% have not been answered at all, and the rest has been partially answered.</p> <p>Additional questions on main schemes: 35% have been fully answered, 30% have not been answered at all, and the rest has been partially answered.</p> <p>Questions on minor schemes (only relevant for accounting practices): all questions have been fully answered.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered.</p>
France	<p>General questions (A-questions): all questions have been partially answered.</p> <p>Core questions on main schemes: all questions have been fully answered, except for one, which has been partially answered.</p> <p>Additional questions on main schemes: 40% have been fully answered, 30% have not been answered at all, and the rest has been partially answered.</p> <p>Questions on minor schemes: not relevant, since not implemented in France.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): all questions have been partially answered.</p>



Germany	<p>General questions (A-questions): 15% have been fully answered, 35% have not been answered at all, and the rest has been partially answered.</p> <p>Core questions on main schemes: 75% have been fully answered, the rest has been partially answered.</p> <p>Additional questions on main schemes: 55% have not been answered at all, the rest has been partially answered.</p> <p>Questions on minor schemes (eventually not relevant, since not implemented in Germany: further investigation needed): none of the questions have been answered.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): one question has been fully answered, one has not been answered at all and the rest has been partially answered.</p>
Greece	<p>Totally objective 1, therefore only mid-term evaluation reports of very limited utility available so far.</p> <p>Not a single evaluation question has been answered.</p>
Italy	<p>General questions (A-questions): none of the questions have been answered.</p> <p>Core questions on main schemes: 25% have been fully answered, 40% have not been answered at all, and the rest has been partially answered.</p> <p>Additional questions on main schemes: 10% have been fully answered, 90% have not been answered at all.</p> <p>Questions on minor schemes: not relevant, since not implemented in Italy.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered.</p>
Ireland	<p>General questions (A-questions): 35% have been partially answered, 65% not at all</p> <p>Core questions on main schemes: all been questions have been partially answered</p> <p>Additional questions on main schemes: 25% of questions have been partially answered, 75% not at all</p> <p>Questions on minor schemes: none of the questions have been answered</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered</p>
Luxembourg	<p>General questions (A-questions): none of the questions have been answered.</p> <p>Core questions on main schemes: all questions were fully answered, except for one, which was answered partially.</p> <p>Additional questions on main schemes: no question has been answered, except for one.</p> <p>Questions on minor schemes (only the group measure is relevant): none of the questions have been answered.</p> <p>Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered.</p>

Netherlands	No national evaluation reports available, therefore no answers to evaluation questions.
Portugal	Totally objective 1, therefore only mid-term evaluation reports of very limited utility available so far. General questions (A-questions): 55% have been partially answered, 45% have not been answered at all. Core questions on main schemes: 30% have been partially answered, 70% have not been answered at all. Additional questions on main schemes: 15% have been partially answered, 85% have not been answered at all. Questions on minor schemes: not relevant, since not implemented in Italy. Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): 3 have been partially answered, 2 have not been answered at all.
Spain	General questions (A-questions): 15% have been fully answered, 45% partially and the rest not at all. Core questions on main schemes: 70% have been fully answered, 30% have been partially answered. Additional questions on main schemes: 35% have been fully answered, 15% partially and 50% not at all. Questions on minor schemes (not relevant, since not or only marginally implemented in Spain): none of the questions have been answered. Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): all questions have been answered partially.
Sweden	General questions (A-questions): only 1 question has been answered partially, the rest has not been answered at all. Core questions on main schemes (only FI and YF are relevant): all questions have been fully answered. Additional questions on main schemes (only FI and YF are relevant): 1 question has been answered fully, 65% partially and the rest not at all. Questions on minor schemes (not relevant, since not implemented in Sweden) Questions regarding general objectives of the Regulation and Obj. 5a (J-questions): none of the questions have been answered.
UK	No national evaluation reports available, therefore no answers to evaluation questions.

## Appendix 4: Workplan Stage I for sub-contractors, established by Agra CEAS Consulting, Ex-post evaluation of Regulation 950/97, September 2002

The Commission has developed guidelines on how to do an ex-post evaluation of Regulation 950/97 at a national level. Those documents give important guidance on how to structure an evaluation study. They contain a list of evaluation questions. Some of those questions were obligatory for the national evaluators, others were optional. For us doing a synthesis on European level, all questions are obligatory and have to be tackled.

The questions should be answered according to certain judgement criteria, on the basis of indicators with target levels.

For Regulation 950/97, you can find on the web (see below) a table of criteria and indicators the Commission recommends for answering the core questions (those obligatory for the national evaluators). In order to aggregate information on EU level, the questions should have been answered using the same criteria and indicators. You can download the Commission Guidelines from the internet under the following address:

[http://europa.eu.int/comm/agriculture/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/eval/index_en.htm)

### STAGE I

- **Quality assessment of the national evaluation reports**

According to the *Guidelines of the Commission*:

Especially important: To what extent have the obligatory common evaluation questions for Regulation 950/97 been answered (see Guidelines p.12-17 underlined questions or p.18-28). To what extent have additional questions been answered / additional effects been examined?

According to the *Quality Assessment Grid of the Commission* :

Some reports have been assessed by the Commission according to the criteria listed below. We'll provide you with the assessments where available.

The grid with explanations only exists in French, so we have summarised the key points in English below. You will receive the Commission's assessment grid next week with the national reports.

- Is the *methodology* used adequate, has the choice of the methodology been justified/discussed, are the limits of the methodology explained, are the relations of cause and effect between a measure and its impacts shown?

- *Reliability of the data*: Is the data used representative, are the sources of the data identified, is the reliability of the data discussed in the report, are the constraints of the data as well as of the data collection methods explained?

- *Credibility of the results and value of the conclusions*: Do the conclusions derive logically from the analysis, is there a clear link between conclusions and analysis, are the constraints of the conclusions indicated, are the effects due to the measures isolated from the effects due to the context and the constraints?

- *Utility of the recommendations*: Do the recommendations derive logically from the conclusions? Are they impartial?

- **Suggestions for filling information gaps, alternative data sources**

Where the national evaluation reports have not covered the obligatory common evaluation questions, it will be necessary to fill the information gaps. We need before the 14<sup>th</sup> October some suggestions as how to fill these gaps (alternative data sources, extrapolating results, interview with key informants etc.)

## **STAGE II**

- **Summarise and answer all the evaluation questions** mentioned in the guidelines. Please indicate the basis for answering the evaluation questions (which criteria, indicators and data were used, what is the reliability of this data?)
- **Which of the eligible instruments under each scheme have in particular been effective and efficient** in achieving the effects corresponding to the objectives? Have they been particular effective or efficient in specific contextual situations?
- **Conclusions and recommendations**
- **Overall description and quantification of the inputs** (set of means mobilised to implement the programme: budget, staff, material, legal and organisational sources) and outputs (what the programme finances, e.g. buildings, storage equipment, tourist facilities..., instruments that have been set up, goods and services delivered by the programme). How was the aid allocated? What were the main types of beneficiaries? Which of the measures of Regulation 950/97 have been implemented?
- **Validity of data, data collection methods, analysing methods**
- **Summary for each Member State:**  
Principle actions, results, obstacles, drawbacks, conclusions, and recommendations.

## **Appendix 5: Workplan Stage II for sub-contractors, established by Agra CEAS Consulting, Ex-post evaluation of Regulation 950/97, November 2002**

### **1. Introduction**

In October 2002, Agra CEAS Consulting presented its Inception Report to the Evaluation Unit of the European Commission. During the meeting, the Commission indicated that their main interest in the ex-post evaluation was to understand whether and where the measures worked effectively or not and to analyse the reasons for their effectiveness. It underlined the importance of finding explanatory variables (socio-economic, administrative, and geographic) that can explain the performance of the schemes. This is discussed in Section 7 of the Inception Report and in Section 2.4 of this document. The main focus of the ex-post evaluation should be on the 3 main schemes: Farm investment (FI), Installation aid for young farmers (YF) and less favoured areas (LFAs). The minor schemes (aid for introduction of accounting practices, setting up aid for groups, setting up aid for farm relief services, farm management services, training scheme) should also be analysed where they have been implemented.

### **2. Structuring the ex-post evaluation**

In order to synthesise the national evaluations of Regulation 950/97 at EU level, it is important for Agra CEAS to have a common structure for all the Stage II reports. This structure is described in Appendix 1 of this document.

It explains what is required under each Section. Please follow these structure and content guidelines closely for your final report. The following sections highlight issues that merit further explanation. Please do not hesitate to contact us with any further questions.

#### **2.1. Socio-economic context**

Before addressing the evaluation questions and filling in the data gaps, you should provide an in-depth background on the socio-economic, administrative and geographical context of the implementation of the schemes. This is explained in Appendix 1 A.3 of this document. Its relation to the design and effect of the schemes is presented schematically in Appendix 3 of the Inception Report.

#### **2.2. The evaluation questions**

The basis of the ex-post evaluation should ideally be the evaluation questions of the Community Guidelines for measures under Regulation 950/97. However, the Commission is

aware that substantial gaps in the data exist. Therefore they have agreed a pragmatic strategy for dealing with these gaps.

You should concentrate on the core questions (underlined in Annex 1 of the Inception Report). However, you may also regard the questions as providing an indication of the themes that the Commission want addressed, rather than taking the questions literally every time. You should therefore identify which questions are most relevant for your country, and which can be treated superficially or neglected.

The answers to these questions should be provided in Section A.5 of your Stage II report (see Appendix 1 of this document).

You should concentrate particularly on those questions relating to schemes under Regulation 950/97 that were important in terms of uptake and spending in the respective Member State (MS). This is likely to be the three major schemes (Farm investment, Setting up of young farmers and LFAs). This underlines the importance of describing in detail the implementation arrangements of the different schemes under Regulation 950/97.

As regards the minor schemes, you should explain which ones have been implemented, what proportion of aid has been given to which schemes and any other relevant information. An assessment should be made of the schemes' impacts where possible.

It is important to recognise that the answers to the questions/themes should directly inform the judgements that you make (see Section A.6 of Appendix 1 of this document).

NOTE:

The Commission has expressed particular interest in question A.4<sup>28</sup> ("To what extent have administrative arrangements influenced the impact of the regulation and its individual aid schemes?") and in the sub-questions A.4.1 to A.4.5<sup>29</sup>.

For a certain number of questions for Regulation 950/97 it was not clear exactly what their meaning was. Agra CEAS asked the Commission for clarification (the results of this clarification are contained in Appendix 2 of this document and in Appendix 5 of the Inception Report).

Some questions relate to "specific sector exclusions" or "limitations". These are summarised in Appendix 3 of this document.

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<sup>28</sup> For the numbering of the questions, see Appendix 1 of the Inception Report, or the Community Guidelines for evaluation of measures under Regulation 950/97

<sup>29</sup> A.4.4 is only relevant for those countries where the respective minor schemes have been implemented

### 2.3. Filling the data gaps

According to the feedback from the sub-contractors (SCs) in Stage I and based on the discussions between Agra CEAS and the Commission, the methods for additional data collection are as follows:

- reviewing programme documents, applications, monitoring and progress reports
- analysing national and EU statistics in order to obtain quantitative contextual data
- (qualitative) interviews with administrative officials, representative organisations of beneficiaries (national farmers' unions etc.) and possibly with other organisation/institutions (e.g. Chambers of Agriculture, academic institutions), in order to extract information on the scheme design and its impact. An effort should be made to achieve a balanced judgement by interviewing recipients, administrators and impartial observers.

In most cases, it is not sufficient to provide merely quantitative contextual data, e.g. national accounts and agricultural indicators. This data must be complemented with interviews with relevant stakeholders of the programme.

### 2.4. Explanatory variables

You will need to develop explanatory variables to explain the effectiveness of the measures across and within regions.

In the schematic conceptual framework of the report under "socio-economic and geographical context" (see Inception Report Appendix 3), we have made suggestions for possible explanatory variables. We have also discussed the issue and given further examples of possible explanatory variables in Section 7 of Inception Report. For example, the uptake of a programme could be influenced by the type of farming practised, access to markets, the administrative arrangements and so on.

We are aware that a close interaction between the SCs and Agra CEAS will be needed to develop these explanatory variables. We would like feedback from you on this subject by the end of December 2002 in the first of your two Stage II reports. This will enable us to include your comments in our Interim Report to the Commission in mid-January.

### 2.5. Objective 1 and 6 regions

The ex-post evaluation must also include analysis of the schemes' effectiveness in Objective 1 and 6 regions. As identified by several SCs in Stage I of the evaluation, the quality of data in the Objective 1 and 6 report is often poor. The Commission has acknowledged this and again suggests a pragmatic approach.

For those countries that have only part of their territories under Objective 1 and 6 (i.e: Austria, Belgium, France, Germany, Italy, Netherlands, Spain, United Kingdom, Finland and Sweden) we suggest the following approach.

Firstly, to make an analysis of the impacts of measures outside Objective 1 and 6 regions and develop explanatory variables as discussed above in Section 2.4 (and Section 7 of the Inception Report). Depending on how the regions in and outside the Objective areas compare (for example in terms of economic development and trends, environment, type of farming etc.), one may then make hypotheses about how the measures have operated within the Objective 1 and 6 areas. One should test these hypotheses and provide an indication of whether the same explanatory variables apply both in and outside the Objective areas.

Within the Objective 1 and 6 areas there are different implementation arrangements from those outside the Objective areas. The evaluation should analyse whether this factor affects the kind of impact resulting from the schemes.

We recognise that analysis for the Objective 1 and 6 areas is feasible mostly in only a qualitative way. Additional information on Regulation 950/97 in Objective 1 and 6 regions can also be obtained by qualitative interviews with implementation authorities and beneficiaries accompanied by analysis of data.

The Inception Report (Section 5.3 and 5.4) discusses the key problems relating to the evaluation exercise in Objective 1 and 6 regions.

### **3. Timetable**

The interim report (first of the two Stage II reports) must be supplied to Agra CEAS by the end of this year. The final report (second of the two Stage II reports) is to be delivered by 14 February 2003. We estimate that these reports should on average be between 20 and 30 pages in length but recognise that in some countries there will be variations from this average.



## Appendix 1

### Structure of the Stage II reports for Regulation 950/97

#### PLEASE NOTE:

WHERE APPLICABLE, YOU SHOULD PROVIDE SEPARATE COMMENTARY UNDER THE HEADINGS BELOW BETWEEN OBJECTIVE 1 AND 6 REGIONS AND REGIONS OUTSIDE OBJECTIVE 1 AND 6.

#### **A.1 Executive summary**

No more than five pages, including a very brief presentation of the evaluation and the methods used, together with a summary of the conclusions and recommendations arising from the exercise. The conclusions should be presented as short answers to all the evaluation questions.

#### **A.2 Evaluation methodology and constraints**

##### **A.2.1 Introduction**

Brief description of the work you have undertaken for this meta-evaluation: methods for additional data collection, sources and reliability of this additionally collected data, constraints in terms of data availability, ways of synthesising information from the national evaluation reports.

##### **A.2.2 National evaluation reports**

- techniques used for data collection (programming documents, applications, questionnaires, interviews; size of samples and selection criteria used) and its constraints
- main sources of data, description of how indicators were calculated
- validity of data, possible biases and limits, strengths

For this sub-section, you can use to the general quality assessment of the national reports in Stage I, which should be complemented by more detailed verbal descriptions of the quality assessment and of the techniques and data used in the national reports.

#### **A.3 Socio-economic context**

- Characteristics of the agricultural sectors (farm structures, farm production, farmer profile etc.),
- social and economic needs justifying the intervention,
- definition of beneficiaries or target groups,

- macroeconomic factors, national policies, relevance of EU policy in the national context, etc. (see box for the socio-economic context in the conceptual framework, Appendix 3 of the Inception Report).

In particular, it will be important in this contextual analysis to identify the weight of the programme in terms of the national/regional economy being analysed and also to highlight any region/country specific developments and external shocks relating to the environment in which the programmes were taking place e.g. in the Eastern German regions the fact that the administration was being restructured and very large amounts of public money were flowing into the economy as a whole.

#### **A.4 Design of the different schemes, implementation and uptake and overall description and quantification of the inputs and outputs per scheme**

##### **A.4.1 Background**

Background to the design and implementation of the regulation. Explanation of why some aid schemes have not been implemented. Level of uptake. Budgets.

##### **A.4.2 Farm Investment Scheme**

Description of the scheme, its implementation characteristics (e.g. conditions and level of aid allocation) and uptake, administrative arrangements and targeting. These aspects are of special interest for the Commission, and therefore occupy a central position in the final report.

Overall description and quantification of the inputs<sup>30</sup> and outputs<sup>31</sup> of the scheme: appropriate breakdowns by type of beneficiary (by type of aid and by type of farmer) and zones.

##### **A.4.3 Young Farmers Scheme**

Description of the scheme, its implementation characteristics (e.g. conditions and level of aid allocation) and uptake, administrative arrangements and targeting. These aspects are of special interest for the Commission, and therefore occupy a central position in the final report.

Overall description and quantification of the inputs and outputs of the scheme: appropriate breakdowns by type of beneficiary (by type of aid and by type of farmer) and zones.

##### **A.4.4 LFA Scheme**

Description of the scheme, its implementation characteristics (e.g. conditions and level of aid allocation) and uptake, administrative arrangements and targeting. These aspects are

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<sup>30</sup> set of means mobilised to implement the programme: budget, staff, material, legal and organisational sources

<sup>31</sup> what the programme finances, e.g. buildings, storage equipment, tourist facilities..., instruments that have been set up, goods and services delivered by the programme

of special interest for the Commission, and therefore occupy a central position in the final report.

Overall description and quantification of the inputs and outputs of the scheme: appropriate breakdowns by type of beneficiary (by type of aid and by type of farmer) and zones.

#### **A.4.5 Minor schemes**

Description of the scheme, its implementation characteristics (e.g. conditions and level of aid allocation) and uptake, administrative arrangements and targeting. These aspects are of special interest for the Commission, and therefore occupy a central position in the final report.

Overall description and quantification of the inputs and outputs of the scheme: appropriate breakdowns by type of beneficiary (by type of aid and by type of farmer) and zones.

### **A.5 Direct and indirect effects measure by measure**

Please answer the evaluation questions and indicate the criteria, indicators, target level and data you have used.

#### **A.5.1 Farm Investment Scheme**

##### **A.5.1.1 Direct effects of the Farm Investment Scheme on beneficiaries**

Answers to the common evaluation questions

Fill data gaps by means of data analysis and interviews

##### **A.5.1.2 Indirect effects of the Farm Investment Scheme**

Answers to the common evaluation questions

Fill data gaps by means of data analysis and interviews

#### **A.5.2 Young Farmers Scheme**

##### **A.5.2.1 Direct effects of the setting up of young farmers on beneficiaries**

Answers to the common evaluation questions

Fill data gaps by means of data analysis and interviews

##### **A.5.2.2 Indirect effects of the setting up of young farmers**

Answers to the common evaluation questions

Fill data gaps by means of data analysis and interviews

#### **A.5.3 LFA Scheme**

##### **A.5.3.1 Direct effects of the LFA Scheme on beneficiaries**

Answers to the common evaluation questions  
Fill data gaps by means of data analysis and interviews

#### **A.5.3.2 Indirect effects of the LFA Scheme**

Answers to the common evaluation questions  
Fill data gaps by means of data analysis and interviews

**A.5.4 Minor schemes (aid for introduction of accounting practices, setting up aid for groups, setting up aid for farm relief services, farm management services, training scheme)**

#### **A.5.4.1 Direct effects of the minor schemes on beneficiaries**

Answers to the common evaluation questions  
Fill data gaps by means of data analysis and interviews

#### **A.5.4.2 Indirect effects of the minor schemes**

Answers to the common evaluation questions  
Fill data gaps by means of data analysis and interviews

### **A.6 Judgement**

#### **A.6.1 Farm Investment Scheme**

Final judgement on the impacts of the scheme in terms of its relevance, coherence, effectiveness, efficiency as well as utility and sustainability of the result and impacts. Comment on unintended effects (e.g. higher land prices, concentration of farm structures, environmental damage). Limits to the validity of the interpretations provided. Indication of what explanatory variables might explain the effectiveness and efficiency / success or failure of the scheme.

#### **A.6.2 Young Farmers Scheme**

Final judgement on the impacts of the scheme in terms of its relevance, coherence, effectiveness, efficiency as well as utility and sustainability of the result and impacts. Comment on unintended effects (e.g. higher land prices, concentration of farm structures, environmental damage). Limits to the validity of the interpretations provided. Indication of what explanatory variables might explain the effectiveness and efficiency / success or failure of the scheme.

#### **A.6.3 LFA Scheme**

Final judgement on the impacts of the scheme in terms of its relevance, coherence, effectiveness, efficiency as well as utility and sustainability of the result and impacts. Comment on unintended effects (e.g. higher land prices, concentration of farm structures, environmental damage). Limits to the validity of the interpretations provided.

Indication of what explanatory variables there might be to explain the effectiveness and efficiency / success or failure of the scheme.

#### **A.6.4 Minor schemes**

Final judgement on the impacts of the schemes in terms of their relevance, coherence, effectiveness, efficiency as well as utility and sustainability of the result and impacts. Comment on unintended effects (e.g. higher land prices, concentration of farm structures, environmental damage). Limits to the validity of the interpretations provided.

Indication of what explanatory variables there might be to explain the effectiveness and efficiency / success or failure of the schemes.

#### **A.6.5 Overall judgement**

Final judgement on the impacts of the schemes in terms of their relevance, coherence, effectiveness, efficiency as well as utility and sustainability of the result and impacts. Comment on unintended effects (e.g. higher land prices, concentration of farm structures, environmental damage). Limits to the validity of the interpretations provided.

Indication of what explanatory variables there might be to explain the effectiveness and efficiency / success or failure of the scheme.

Answer to the set of “J” questions (regarding the contribution across the schemes to the general objectives of Regulation 950/97 and to Objective 5a), according to the level and quality of implementation of the different schemes. Highlight those schemes or those situations where certain schemes contributed most to certain general objectives.

### **A.7 Recommendations**

#### **A.7.1 Farm Investment Scheme**

#### **A.7.2 Young Farmers Scheme**

#### **A.7.3 LFA Scheme**

#### **A.7.4 Minor schemes**

#### **A.7.5 Overall recommendations**

Recommendations for improvement in the delivery of the schemes.

### **A.8 Annexes**

E.g.: Inputs for each of the EU 15 states, per type of measure  
National programmes: conditions of aid allocation  
Short summaries of national programmes

## Appendix 2

### Comments on unclear evaluation questions for Regulation 950/97

At its meeting in Brussels on 18 October 2002, the Core Group discussed the meaning of a number of questions, and identified a number of questions the meaning of which needed to be clarified with the Commission. These questions were discussed at the inception meeting between Agra CEAS and the Steering Committee of DG AGRI on 30 October 2002. Overall, the Commission emphasised that the evaluators do not need to take the questions too literally and do not need to answer all of the additional ones separately, but should discuss the underlying theme of the questions instead.

#### A.1.2 (General questions)

In this context, “sectoral” refers to the impacts on agriculture, and “rural” to the impacts on rural communities including aspects other than agriculture.

#### A.2 (General questions)

Alternative approaches to funding from the EU would include sources such as bank loans.

#### A.4.3 (General questions)

“The absence of partnership and programming in the sense of the structural funds” relates to the fact that most of the measures under Regulation 950/97 had a top-down character, and only partly bottom-up.

#### B.5, B.6, B.6.1, B.6.2 (FI), C.2.2 (YF)

These questions are not seeking to assess the impact of the scheme on health and animal welfare etc. in a quantitative sense, but should highlight what proportion of the aid was given to projects aiming to improve health, animal welfare etc. Following this description, some qualitative assessment of the impact of these measures should be possible.

Terms such as “improved quality”, “animal welfare”, etc. relate to the objectives of the regulation and form part of the eligibility criteria. An abstract definition in terms of what specific outcomes would consist of does not exist.

#### B.2.3 (FI)

Relating to the production of manure: Has the production of manure increased more outside supported sectors than within?

#### C.1.6 (YF)

How does the support allocated to young farmers capitalise (e.g. raise in the price of land a young farmer wants to buy since everyone knows that he has more money due to the subsidies received)?

**D.4 (LFA)**

Compare the average number of livestock units / hectare before and after the implementation of the LFA Scheme, in order to find out whether the implementation of the scheme could have had any influence on the stocking densities (while recognising that other factors e.g. disease outbreaks etc. could also have had an impact).

**D.5 (LFA)**

Were other Community measures linked up to the LFA compensatory allowance policy or not? Did the people running the schemes envisage any synergy effects?

**D.7 (LFA)**

If the major focus of a particular LFA region's agricultural activity was to be on the sections covered by the specific sector exclusions, this would be particular disadvantageous.

**D.9 (LFA)**

In this context, the term "national criteria" relates to national implementation rules, national regulations and payment conditions (a national envelope is decided at Community level, but the key for allocation and the individual level of aid is decided at national or regional level). To deal with this question, the payment criteria for each country or region need to be described, and it should then be assessed whether this had any influence on the impact of the scheme.

Questions on the minor schemes "Setting up aid for groups" (F.1), "Setting up of farm relief services" (G.1), "Farm management services" (H.1) and "Training scheme" (I.1) should be understood in the following way:

What was the focus of the programme in terms of providing benefits for the farmers, for the farms, for the rural community in general and for consumers?

Questions B.7(FI), B.8 (FI), D.6 (LFA) can be left out.

We did not receive clarification in relation to questions C.1.2, C.3 (YF) and H.2 (farm management services). So please feel free to interpret these particular questions as you see fit!

## Appendix 3

### Specific sector exclusions or limitations for measures under Regulation 950/97

#### Farm Investment Scheme:

See Regulation 950/97,      Article 6.3: dairy (under certain conditions)  
Article 6.4: pigs (under certain conditions)  
Article 6.5: beef (under certain conditions)  
Article 6.6: egg and poultry (under certain conditions)

#### LFA Scheme:

See Regulation 950/97,      Article 19.1(a): limitation to 1.4 livestock units; dairy cows



## Appendix 4

### Abbreviations

EAGGF	European Agriculture Guidance and Guarantee Fund
DG AGRI	Directorate General Agriculture
FI	Farm investment
LFA	Less favoured area
MS	Member State
OP	Operational Programme
SC	Sub-contractor
YF	Young farmer



## Appendix 6: Letter to sub-contractors February 2003

Note: Since at the same time, Agra CEAS also conducted the ex-post evaluation of Regulation 951/97, some remarks in the following letter specifically relate to the latter regulation.



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Tuesday, 4<sup>th</sup> February 2003

Dear Colleagues,

Last Friday 31<sup>st</sup> January, we met with the Steering Committee of the European Commission for the ex-post evaluations of Regulations 950/97 and 951/97, in order to discuss the Interim Report that we had delivered to them.

The Commission has asked for some adjustments of the report. We will send you this at the same time that we submit it to the Commission next week. Please find below some specific comments.

1. The main concern of the Commission at this stage concerns the variables that explain the success/failure, effectiveness and efficiency of the schemes. The Commission concedes that one can take a pragmatic approach to the evaluation but any judgement has to be well founded. Specifically, the evaluations should formulate explanatory variables and support any conclusions with a valid reasoning citing all data sources and names and functions of the interviewees. One should make every attempt to get a broad cross-section of opinion, and therefore interview all stakeholders, beneficiaries as well as administration officials (and not for example rely on the views of farmers' unions or administrators). This applies generally to the whole evaluation exercise. Essentially, the process should be a transparent and rigorous as possible. In Section 1 below, we have proposed a series of possible variables. This is not intended to be exhaustive, but based on the literature and your preliminary finding, should provide some guidance if needed.

I apologise in advance for stating the obvious to people such as yourselves with so much experience and expertise, but I merely need to reiterate the wishes of the client at this stage.

2. When discussing the implementation arrangements, please ensure as detailed and precise description and discussion as possible. As mentioned in earlier communications this aspect of the evaluation is of particular interest to the Commission. In Section 2 below, we have provided some guidance for structuring the work, which I hope may be of some use to you.

3. If any of you are having problems accessing administration staff for interviews, please let us know. We can then inform the Evaluation Unit at the Commission and they can forward you a letter that will facilitate access.

I look forward to receiving your reports on 14<sup>th</sup> February and appreciate your cooperation in this matter.

Yours sincerely,  
Alexander Kasterine

## 1. Explanatory variables

### 1.1 Administrative context

- **Regionalisation of agricultural policy** resulted in a certain degree of inefficiency and delays in the implementation of the scheme, or can explain differences in uptake of the schemes from one region to another.
- The **high workload of the administration** (for example for Member States acceding to the EU) has meant delays in implementation of the schemes.
- **Low level of co-financing** for schemes - for example in Denmark for Regulation 950/97, low levels of national co-financing meant high fees for training courses. This may have contributed to low uptake for training scheme.

### 1.2 Economic and sector context

- **General economic climate** (e.g. does the level of interest rates affect uptake. For example low interest rates may mean the lack of need for a scheme that facilitates investment (Regulation 951 or FI Scheme under Regulation950)).
- **Economic climate for the agricultural sector** (e.g. commodity prices, competitiveness)
- **Market power of beneficiaries** (higher uptake of measures under Regulation951 by larger firms)
- **Structure of food processing sector** (re: 951) (sectoral focus; degree of concentration)
- **Level of co-operation within primary sector** (re: 951) (share of output controlled by co-operatives)
- **Characteristics of the agricultural sector**, such as farm structure, farming system, type of agricultural products, economic farm size unit, degree of diversification

### 1.3 Geographical and socio-economic context

- **LFA / non LFA**
- **Mountainous areas/ lowland areas**
- **Objective 1 / non Objective 1**
- **Age structure** (e.g. many old people in LFAs may explain low uptake of setting up scheme for young farmers) and education levels
- **Degree of rurality** (population density)
- **Structure of the rural economy** (sectors and contribution to the GDP), unemployment rate
- **Market proximity or distance** (may explain differences in the uptake of certain schemes from one region to another)

## 2. Design, implementation, uptake and input/outputs

### Scheme design:

- Objectives of the schemes
- National emphases of schemes (e.g. focus on environmental protection, enhance competitiveness etc.)
- Eligibility criteria for support
- Form of support (e.g. capital grant, interest rate subsidies or deferred repayments, loans, contribution to training course fee, etc.), level (maximum and average) and period of support
- Training scheme: focus of different courses

### Description of the implementation:

- Reasons why certain schemes have not been implemented
- Time period the schemes have been operating, eventual adjustment of programme during the programming period and reasons for that adjustment
- Administrative procedure for applying to the schemes

### Uptake:

- Number and type of beneficiaries per year, number of potential beneficiaries, regional distribution of beneficiaries
- Aim of the projects that have been supported
- Main agricultural sector that received support

### Input:

- Total financial expenditure per year (actual and planned), share of the different schemes in expenditure, average and maximum level of subsidy per beneficiary
- FI: List of major investments that received support, maximum level of subsidies per type of investment, average level of investment
- YF: Average age of young farmers setting up, type of agricultural products the young farmers produce, average size of farms of beneficiaries
- LFA: Maximum and average level of support per hectare of UAA and per livestock unit, maximum area and livestock units that are supported

## 3. Data coverage for Regulation 950/97

As you will be aware, data in national evaluation reports is limited to the 1994-98 period. The ex-post evaluation covers the period 1994-1999. In order to cater for this lack of coverage by the national reports, we would suggest that in your interviews you ask whether any event took place that would have changed the impact of the scheme during the last year of the programming period.

## Appendix 7: Synthesis grid for evaluation question C.2 relating to the YF Scheme

### C.2. To what extent has the setting up of young farmers actually achieved, contributed to maintaining viable rural communities?

	Evidence base				Overall result
	Quantitative	Qualitative	Anecdotal	Conceptual	
BE (Fland)					
BE (Wallo)				Positive effect of the scheme on maintaining agriculture as full-time activity, since this was eligibility criterion.	
DK	Increase in production after setting up is considerable, a factor that may also indirectly be positive for the maintenance of viable communities: 0-9 % increase: 20% of the YF 10-25% increase: 32% of the YF 26-50% increase: 16% of the YF 51-100% increase: 17% of the YF More than 100% increase: 16% However, the contribution of this increase to maintain viable rural communities may not be so important.			Most young farmers are already living in rural areas, and the positive impacts in terms of counteracting the increase in percentage of old people in rural areas in general can probably be neglected.	<b>Increase in production after setting up, with limited positive effect on viability of rural communities.</b> <b>Contribution in demographic terms is likely to be limited, since most YFs are already living in rural areas before setting up.</b>
DE				Limited contribution in terms of economic potential (employment, purchasing power etc.), since agriculture does not play an important role in the economy, and only 2.5 % of the employees in rural areas work in the agricultural sector. However, contribution in terms	<b>Limited, since agriculture does not play an important role in the economy and only 2.5 % of the employees in rural areas work in the agricultural sector.</b>

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				of landscape management is a lot more important than economic contribution.	
ELL	<p>Number of YFs setting up account for 8.9% of population loss in rural areas.</p> <p>Regression analysis shows that the change in total population of rural areas is not determined by the setting up of YFs.</p> <p>Without YF setting up, the rate of renewal of holdings would have been by 25% smaller.</p> <p>Nevertheless couldn't counterbalance the rural exodus. Farmers do not play an important role in the demography of rural areas.</p>			<p>YF Scheme increased number of farmers (by definition), and number of young residents in rural communities. To a limited extent, it had a positive multiplier-effect on local economy through increase in final demand (however to a limited extent since size of holdings is rather small in Greece). Nevertheless couldn't counterbalance the rural exodus. Farmers do not play an important role in the demography of rural areas.</p> <p>Positive impact on structure of demographic pyramid.</p>	<p><b>By definition, YF Scheme increased number of YFs living in rural communities. To a limited extent, positive multiplier-effect on local economy through increase in final demand (however small holdings in Greece). Nevertheless couldn't counterbalance the rural exodus. Farmers do not play an important role in the demography of rural areas. Positive impact on structure of demographic pyramid.</b></p>
ES				<p>Positive and important impact. Multiplier effect on rural economy by increasing final demand. This concerns a large portion of the rural communities in Spain. YFs set up in holdings significantly bigger than the national average. However, multi-sectoral approach needed to maintain viable rural communities. However, other external factors have bigger influence on the YF's decision to set up. YF Scheme forces its</p>	<p><b>Positive and important impact. Multiplier effect on rural economy by increasing final demand.</b></p> <p><b>YF Scheme forces its applicants to plan their business in the medium and long term, which has a very positive impact on the viability of farms and rural communities.</b></p>



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				applicants to plan their business in the medium and long term, which has a very positive impact on the viability of farms and rural communities.	
FR		Farm structure survey backs results described in the other cell (many YFs not benefiting from scheme diversified activities).	Case studies show that "alternative" setting ups (i.e. alternative production sectors or activities like agri-tourism) have not been supported under the YF Scheme (eligibility criteria too restrictive). However, these are the holdings that contribute most to the viability of rural communities, employment, and alternative activities.		<b>There was no contribution to the viability of rural communities by developing alternative activities at farms (e.g. agri-tourism).</b>
IRE	80% of YF already fully engaged on farm before taking up aid	More than half installees were engaged in investment for building/stock/new enterprises. Seen as likely to benefit wider rural economy	Expert interview: YF sends positive signal		<b>Limited but positive</b>
IT outside Obj. 1					

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IT inside Obj. 1			Objective of improving rural tourism (diversification of activities) not achieved under the axis 4 "agriculture and rural development" of the CSF Obj. 1.		There was no contribution to the viability of rural communities by developing alternative activities at farms (e.g. agri-tourism).
LUX	Context data: minor importance of farmers in both demography and economy of rural areas.		Expert/stakeholder interviews: See cell for "logic".	Proportion of residents of rural areas working in agriculture is very low in Luxembourg, plus minor economic importance of agriculture in rural areas. As a consequence, the contribution of the YF Scheme to the viability of rural communities is rather limited.	Minor importance of farmers in both demography and economy of rural areas. Therefore, impact can only be limited.
PT	The new farms created under the YF Scheme account for 1.1% of the total number of Portuguese farms in 1999. UAA of new holdings represent 2.4% of total UAA in Portugal in 1999. Ratio of number of farmers older than 60 and younger than 40 has increased from 3.46 in 1993 to 4.63 in 1999.				Due to the limited scope of the YF Scheme in terms of number of farms and share of UAA concerned, it can be assumed that its impact on rural communities is negligible. The ratio of number of farmers older than 60 and younger than 40 increased between 1993 and 1999.
OST				Since parts of the setting up aid and additional investment aid went straight into (re)construction of buildings (approximately 1.5%), it	Yes, to a very limited extent, since it is estimated that 1.5% of the setting up premium was used for investments into buildings, resulting in a

				appears that the local rural community were positively influenced (multiplier effect), however, to a very limited extent. The contribution is much lower than in the case of the FI Scheme.	multiplier effect on the rural economy.
SUO	YF Scheme could not stop the population decline in rural areas, but helped to slow it down.				YF Scheme could not stop the population decline in rural areas, but helped to slow it down.
SVE			Interviewees confirm that YF Scheme encouraged others to invest (indirect local effect).	Small scope of the scheme (approximately 1% of total farmers received aid under this scheme), but still contribution to safeguarding farming. SC believes in the symbolic value of support scheme.	Small scope of the scheme (approximately 1% of total farmers received aid under this scheme). However, SC believes in the symbolic effect of support scheme. Indirect local effects in encouraging others to invest.

- By definition, YF Scheme increased number of YFs living in rural communities and therefore has a positive impact on the structure of the demographic pyramid. Perhaps rather symbolic effect: society supports YFs (SVE).
- To a limited extent, the scheme has a positive multiplier-effect on local economy through increasing the final demand. This is however particularly small in countries or regions where the farm structure is small, as e.g. in Greece. YF Scheme has indirect local effects in encouraging others to invest.
- The impact of the YF Scheme on maintaining viable rural communities can only be limited, since agriculture does not play an important role in the rural economy, not in terms of turnover nor in terms of employment, and farmers do not represent an important proportion of the rural population.
- However, contribution of (young) farmers in terms of landscape management is a lot more important than economic contribution.
- Scheme could not counterbalance the rural exodus (ELL, SUO).
- A contribution to the viability of rural communities by developing alternative activities at farms (e.g. agri-tourism) was not evident in most cases (FR, IT).

- YF Scheme forces its applicants to plan their business in the medium and long term, which has a very positive impact on the viability of farms and rural communities (ES).
- General remark: A multi-sectoral approach is needed to maintain viable rural communities (strengthen economy as a whole and improve infrastructure and living conditions).