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EVALUATION
of the

impact of the CAP on generational renewal, local development and jobs in rural areas

{SWD(2021) 79 final}

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GLOSSARY

Term or acronym	*Meaning or definition*
CAP	Common agricultural policy
CGE	Computable general equilibrium (type of econometric model)
CMEF	Common monitoring and evaluation framework
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EIB	European Investment Bank
ENRD	European network for rural development
EU	European Union
FADN	Farm accounting data network
GAEC	Groupement Agricole d'Exploitation en Commun (Joint Farming Group)
NUTS	Nomenclature of territorial units for statistics
RDPs	Rural development programmes
SAFER	Société d'aménagement foncier et d'établissement rural (Land development and rural establishment company)
SFS	Small farmers scheme

GLOSSARY OF REFERENCED RURAL-DEVELOPMENT MEASURES

Term	***Meaning***
M01	Measure 1: Knowledge transfer and information actions
M02	Measure 2: Advisory services, farm management and farm-relief services
M04	Measure 4: Investment in physical assets
M04.1	Sub-measure 4.1: Support to improve the overall performance and sustainability of an agricultural holding
M04.2	Sub-measure 4.2: Support for the processing, marketing and/or development of agricultural products
M04.3	Sub-measure 4.3: Support for infrastructure related to the development, adaptation or modernisation of agriculture or forestry, including: (i) access to farm and forest land; (ii) land consolidation and improvement; and (iii) the supply and saving of energy and water
M04.4	Sub-measure 4.4: Support for non-productive investments linked to the provision of agri-environmental climate objectives
M06	Measure 6: Farm & business development
M06.1	Sub-measure 6.1: Business start-up aid for young farmers
M06.2	Sub-measure 6.2: Start-up aid for non-farm rural businesses
M06.3	Sub-measure 6.3: Small-farm business development
M06.4	Sub-measure 6.4: Creation and development of non-farm businesses
M06.5	Sub-measure 6.5: Small-farmers' transfer scheme
M07	Measure 7: Basic services and village renewal in rural areas
M08	Measure 8: Investments in forest areas
M10	Measure 10: Agri-environment and climate
M11	Measure 11: Organic farming
M13	Measure 13: Areas facing natural constraints
M16	Measure 16: Cooperation
M19	Measure 19: LEADER
M113	Measure 113: Early retirement (2007-2013)

1. INTRODUCTION

The age structure of European farmers is such that for every farm manager under 40 in 2016, there were three farm managers over 65. The ageing of the farming population is one of the top challenges facing rural areas in the European Union (EU). Many farms may have no successors, and farm demographics accentuate the risks of concentration in land use. In addition, the agricultural sector is increasingly in need of skilled hired labour. This labour is essential to make EU farming: (i) more sustainable; (ii) able to adapt; and (iii) able to contribute to climate action in the context of a major technological shift.

Moreover, many potential entrants to farming are deterred by what they view as the poor quality of life that farming offers[1]. This is the case for farm successors as well as hired workers. To make agriculture more attractive, policy objectives should address the social image of farming and revitalise rural areas.

In 2017, the European Court of Auditors published a special report on generational renewal (bringing young people into agriculture to replace the retiring generation) entitled *EU support to young farmers should be better targeted to foster effective generational renewal*. The report focused on the common agricultural policy's (CAP) young-farmers' measures[2]. After the publication of this report, the European Commission decided to evaluate the impact of the CAP on generational renewal, local development, and jobs in rural areas.

The **purpose** of the evaluation is to assess whether the instruments offered by the CAP are appropriate and sufficiently used to address the concerns of young farmers and the issue of generational renewal[3]. The evaluation examines all evaluation criteria, i.e. the effectiveness, efficiency, relevance, coherence and EU added value of CAP measures to support generational renewal in rural areas. The evaluation has a strong focus on farming.

On **scope**, the evaluation focuses on the following three main areas.

- CAP measures directly targeted at generational renewal in farming:
    - direct-payment support to young farmers (Chapter 5 of Title III of Regulation (EU) 1307/2013);
    - support to business start-ups for young farmers (Article 19.1 of Regulation (EU) 1305/2013 (the Rural Development Regulation));
    - early retirement of farmers (Chapter 1 of Title IV of the Council Regulation (EC) No 1698/2005).
- CAP measures with an indirect impact on generational renewal in farming:
    - other direct payments (Title III of Regulation (EU) 1307/2013);
    - cooperation (Article 35 of Regulation (EU) 1305/2013);
    - investment support (Articles 17, 21, 25, 26, 45 and 46 of Regulation (EU) 1305/2013);

1 SURE Farm research project https://www.surefarmproject.eu/wordpress/wp-content/uploads/2020/04/D3.6_Policy-brief-on-future-farm-demographics.pdf.

2 https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41529

3 'Young farmer' means a person who: (i) is no more than 40 years of age at the moment of submitting the application; (ii) possesses adequate occupational skills; and (iii) is setting up for the first time in an agricultural holding as head of that holding (Regulation (EU) No 1305/2013).

- knowledge transfer and information actions (Article 14 of Regulation (EU) 1305/2013);
  - advisory services, farm management and farm-relief services (Article 15 of Regulation (EU) 1305/2013).
- To a lesser extent, CAP measures not directed at farming but that: (i) are linked to local development, growth and jobs in rural areas; and (ii) seek to make rural areas more vital and attractive for the younger generation[4]:
  - business development in rural areas (Article 19 of Regulation (EU) 1305/2013);
  - investments (Article 17 of Regulation (EU) 1305/2013);
  - LEADER[5] (Articles 42-44 of Regulation (EU) 1305/2013);
  - basic services and village renewal in rural areas (Article 20 of Regulation (EU) 1305/2013).

The **geographical coverage** of the evaluation encompasses the EU of 28 Member States, including the UK, as it was a Member State when the evaluation was carried out (from December 2018 to November 2019)[6].

The **examination period** of the evaluation covers the period following the implementation of the 2013 CAP reform (2014-2020).

This Commission staff working document is **primarily based on the corresponding external evaluation support study**[7] but also draws selectively from additional analysis, as well as complementary data from various sources. In the subsequent chapters, any reference to analyses, interviews, findings, etc. should be interpreted as coming from the support study, unless otherwise indicated and referenced.

2. BACKGROUND TO THE INTERVENTION

The proportion of farm managers under 40 is low in most European countries (11% in 2016 in the EU), while almost a third of farm managers are aged 65 years or more. Over the last decade, the proportion of young farmers in the overall farming population declined, while that of older farmers (above 40) increased. Farm demographics have been recognised as an important driver of structural change in European agriculture.

While this reflects to a certain extent the general ageing of rural societies, it is also linked to the slow inter-generational transfer of farms. Furthermore, the oldest farmers have the smallest farms: the average size of younger farmers' farm is slightly more than 2.5 times bigger than the

[4] The analysis of some elements such as broadband and research projects is limited.

[5] The LEADER programme (an acronym in French – Liaison entre actions de développement de l'économie rurale – meaning Links between actions for the development of the rural economy) is a European Union initiative to support rural development projects initiated at the local level in order to revitalise rural areas and create jobs.

[6] For the purposes of the evaluation, which covers the period 2014-2020, the United Kingdom is considered as a member of the European Union (EU-28). To recall, the United Kingdom withdrew from the European Union as of 1 February 2020, entering a transition period until 31 December 2020, during which Union law, with a few limited exceptions, continued to be applicable to and in the United Kingdom.

[7] https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cmef/rural-areas/impact-common-agricultural-policy-generational-renewal-local-development-and-jobs-rural-areas_en

average older farmer's farm. The proportion of young farmers thus cannot be expected to grow as quickly as the proportional decline in older farmers.

Young farmers in the EU are characterised[8] by:

- a low proportion in total farm numbers, agricultural land and standard output;
- average-sized farms;
- higher levels of professional qualification than older farmers;
- below-average income levels;
- low capital stocks and levels of land ownership;
- high levels of net investment;
- below-average levels of liabilities;
- high return-on-assets ratios.

At the beginning of their farming careers, these young farmers are thus positioning their farms for the future, but they may be constrained by a lack of access to land and credit.

2.1. Description of the intervention and its objectives

The CAP's goals as enshrined in the Treaty of Rome (1957) acknowledge the challenge to support 'a fair standard of living' for farmers. The focus of market management in the first decade of the CAP (1962-1972) was predominantly on creating the conditions necessary to attract investment and promote modernisation and mechanisation in farming. This aimed at driving economies of scale and increasing labour productivity (and thus increasing the outflow of workers away from agriculture). In this context, generational renewal was not a significant focus for policy attention.

Explicit policy measures to support young farmers under the age of 40 were first introduced to the CAP in Council Directive 81/528/EEC on the modernisation of farms[9]. Conceived as aids to modernisation and productivity, the use of these measures expanded and became linked to broader rural development within regionally-targeted programmes (notably Objective 5b) in 1994-1999. Since then, with the Cork Declaration (1996) and Agenda 2000 reforms, the CAP has increased its focus on generational renewal and rural vitality.

After 2000, the CAP diversified its structure and focus with the introduction of two 'pillars'[10]. The CAP has thus offered instruments and measures of greater range and complexity. These instruments and measures are designed to promote: (i) rural economic diversification and development; and (ii) rural 'quality of life' through better services, better infrastructure, and new opportunities for employment. As part of this more comprehensive approach, generational renewal both within and beyond agriculture has been a focus of policy support in many Member States and regions.

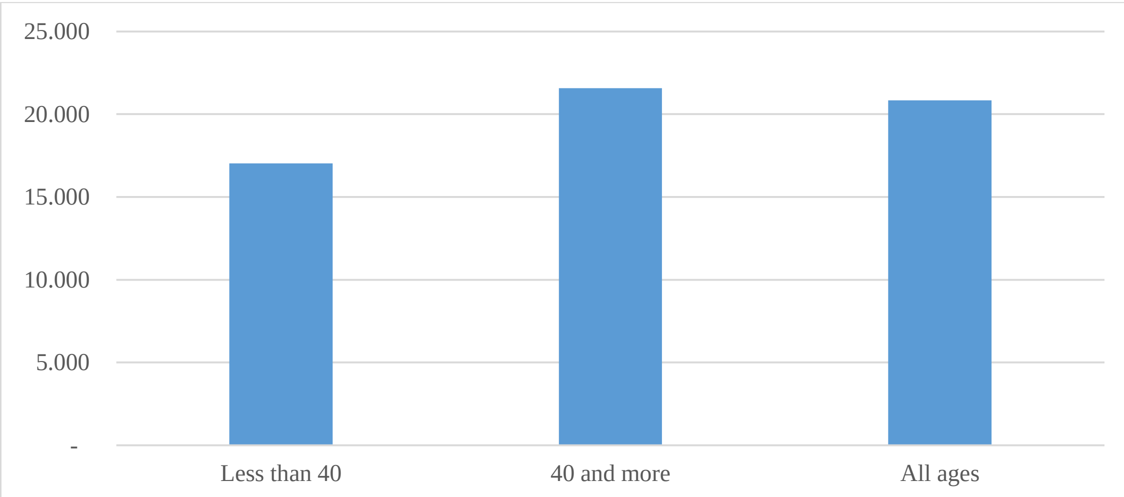
[8] European Commission, Brief No 7 *Structural change and generational renewal* (2019): https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/cap-briefs-7-structural-change_en.pdf.

[9] OJ L 197, 20.7.1981, p. 41.

[10] Pillar I covers income support through direct payments and market measures, while Pillar II encompasses rural development measures.

The **creation of an obligatory supplement for young farmers** within the direct-payments provisions **from 2015** affirmed a commitment to fostering generational renewal in agriculture. This supplement addresses the specific needs of younger farmers who have a lower income: in 2012-2016, EU farmers under 40 had on average 20% lower income than farmers aged 40 and older.

Figure 1 – Farm income by age class of farmers in EUR/annual working unit, (average 2015-2018)



Note: Farm net value added/annual working unit.
Source: DG Agriculture and Rural Development, based on Farm Accountancy Data Network.

For the payment to young farmers, national authorities must:

- set aside up to 2% of their total funding under the direct-payments envelope;
- decide on the number of hectares per farm to be supported under the young-farmers payment (up to 90 ha);
- choose a calculation method (e.g. setting the payment level at some percentage of farmers' income-support payments – up to a maximum level of 50%);
- decide whether the beneficiaries of the young-farmers payment should have appropriate skills and/or fulfil certain training requirements;
- grant the young-farmers payment for a period of 5 years after choosing the eligible young farmers.

In addition to the above, Member States that operate the basic-payment scheme with payment entitlements must also give priority to young farmers to receive basic-payment entitlements from the national/regional reserve[11].

In addition to Pillar I, rural development programmes (under Pillar II) provide additional measures to help young farmers get started. These Pillar II measures fall under Focus area 2B[12],

[11] In EU countries that implement the basic-payment scheme via entitlements, this priority is important for young farmers who: (i) do not have payment entitlements; (ii) have fewer payment entitlements than hectares of agricultural land; or (iii) have low-value payment entitlements.

[12] Pillar II support is distributed according to six priorities: (1) fostering knowledge transfer and innovation in agriculture, forestry and rural areas; (2) enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management (including Focus area 2B); (3)

designed to facilitate the entry of appropriately skilled farmers (in particular young people) into agriculture. This support can include advice or grants, loans and guarantees designed to help the development of rural businesses. Some newly introduced elements in the 2013 CAP reform are:

- **business start-up aid for young farmers** granted on the basis of a business plan (eligible for an EU contribution of up to EUR 70 000);
- a 20% higher level of support for investments in physical assets;
- an obligation for the farm-advisory services to provide specific advice to farmers setting up for the first time.

The support to **business start-ups in rural areas** (outside farming) is also analysed in this evaluation.

Between 1992 and 2013, there has been a measure in place to support the **early retirement** of farmers and farm workers. Early retirement from farming ought to: (i) help young farmers to start off in farming; or (ii) increase the average farm size. It could help provide a fair standard of living to farmers, as a reasonable complement to their pensions, giving them some incentive to transfer the land to younger generations. However, this measure was discontinued in the current programming period, as it was not suited to older farmers' specific needs. This fact led to significant differences in the implementation of this measure (it was mainly implemented in Poland). In addition, the measure was criticised (including by the European Court of Auditors) for being cost-inefficient. The early-retirement scheme was nevertheless included as a transitional measure in the programming period 2014-2020, so that farmers who applied for the scheme in the former programming periods could still get paid.

Pillar II also supports the '**human capacity building'** of farmers and non-farmers. 'Human capacity building' covers the passing on of knowledge, training, advice, cooperation and business planning to attract a new generation of business leaders into the farming sector. Aid targeted at rural business start-ups and farm diversification can offer farmers and other young people in rural areas new opportunities: (i) opportunities to increase their incomes; (ii) opportunities to provide greater value added and/or resilience to their businesses; and (iii) job opportunities for other family members or rural residents[13].

Under priority 6 (to promote social inclusion, poverty reduction and economic development in rural areas), Pillar II **investments in rural infrastructure aim to improve basic rural services** and stimulate village-level renewal (both social and economic renewal). Local initiatives (such as LEADER) also directly help to improve: (i) rural economic growth; (ii) rural job creation; and (iii) rural quality of life. Indirectly, these initiatives help to maintain rural population levels and community spirit. Help to install broadband in rural areas is also essential for generational

promoting food-chain organisation, animal welfare and risk management in agriculture; (4) promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors; (5) restoring, preserving and enhancing ecosystems related to agriculture and forestry; and (6) promoting social inclusion, poverty reduction and economic development in rural areas.

[13] Some inspiring examples can be found in this ENRD brochure https://enrd.ec.europa.eu/sites/enrd/files/enrd_publications/projects-brochure_08_youth_en_web.pdf.

renewal and rural businesses. Other measures may also be relevant in specific local or regional circumstances[14].

After the 2013 CAP reform, **financial instruments** (loans and/or guarantee funds) were made more widely available to farmers. These instruments were also used by Member States to address young farmers' difficulties in accessing finance for their investment plans. These financial instruments (on their own or combined with grants) provide an important possibility for young farmers to access funding under more attractive conditions than the financing offered by the market. The instruments are also available for working-capital finance and for land purchase. These financial instruments also have fewer eligibility restrictions and allow investments in areas such as animals and annual crops.

Joint initiatives with the European Investment Bank (EIB) have enriched the spectrum of support offered by the CAP[15] through the 'young-farmers' initiative'. This initiative brings together loans available through the European Agricultural Fund for Rural Development (EAFRD) and the expertise of the EIB for a total amount of EUR 1 billion. These loans are managed by local banks and leasing companies operating across the EU. A minimum of 10% of the amount lent to participating banks must be dedicated to farmers under 41 years old, who will benefit from competitive financing terms.

Intervention logic

The figure below illustrates a specific intervention logic for generational renewal under the CAP, showing the linkages between: (i) relevant measures; (ii) specific objectives in rural development (priorities and focus areas); and (iii) CAP strategic goals contributing to generational renewal.

Out of the three CAP goals, the goal on achieving balanced territorial development can be identified as the overarching objective for generational renewal. In addition to this overarching objective, there are also specific objectives that are relevant for achieving generational renewal: (i) maintaining a diverse agriculture across the EU; (ii) social inclusion; (iii) poverty reduction; (iv) rural economic development; (v) greater competitiveness; and (vi) ensuring farm viability. The implicit goal of these specific objectives is to retain/increase the number and share of young people in rural areas.

The most prominent, direct measures for agricultural generational renewal in farming aim to bolster the economic viability of farm holdings managed by young farmers (whether they be successors or new entrants). These direct measures include: (i) the young-farmers' supplement under Pillar I; (ii) support under Pillar II for young-farmers' business start-ups; (iii) investment support under Pillar II (with a higher rate of EU co-financing); (iv) training under Pillar II; and (v) advisory services under Pillar II. Through these interventions, the 'pull factor' of leaving the sector to enter other economic sectors within or outside rural areas should be counterbalanced.

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[14] Lack of broadband infrastructure, or its poor quality, has often been reported as an obstacle to business development, especially in rural areas where attempts have been made to redirect traditional economies towards innovative and knowledge-based businesses. See SWD(2012)44 final of 7.3.2012.

[15] See for example the AGRI-EIB Initiative for young farmers: https://www.fi-compass.eu/sites/default/files/publications/Joint_initiative_for_improving_access_to_funding_for_European_Union_Young_Farmers.pdf.
The analysis on financial instruments and access to finance is also limited, as work that is more detailed is/was already carried out as part of the EAFRD's fi-compass stream - https://www.fi-compass.eu/esif/eafrd.

The Pillar II cooperation and innovation measures (as well as investments in other rural business start-ups and other sectors such as forestry, tourism and heritage) aim to enlarge the economic base by supporting the growth and coordination of several sectors (along the agricultural value chain, but also outside of it). These interventions may lead to a more balanced and resilient sectoral mix, and may thus promote generational renewal by increasing the economic attractiveness of rural areas.

Support for basic services and infrastructure (including information and communication technologies) makes regions more attractive and improves settlement in rural areas. It also addresses generational renewal by increasing the quality of life and knowledge base, and providing employment. This increases opportunities and improves the quality of services. This in turn strengthens the basis for: (i) general economic services (a prerequisite for sufficient income and improved working conditions); and (ii) easier social ties and networks.

The impact of CAP measures on generational renewal depends critically on national or regional choices about the design and delivery of the measures at national and local level. In their rural development programmes, Member States have set targets (and accompanying indicators) for 2023, reflecting the targeted coverage of measures. These indicators will be used to monitor the progress of Member States in the implementation of the planned measures. If the CAP is not the main instrument of support, the targets might be small. For example, these smaller targets could be the number of jobs created or a certain percentage of the rural population gaining access to information communication technologies by means of the CAP.

The impacts of CAP measures also depend on how these impacts interact with the underlying context of each area, including national policy instruments and measures. For example, fiscal policies to promote or prevent easy inter-generational transfer of farmland or businesses directly affect the pace of generational renewal. Demand for land for non-farm uses and/or spatial-planning policies influence the relative attraction of inter-generational transfer. CAP instruments operate alongside the strong influence of: (i) market conditions and trends; (ii) governance and regulatory frameworks; and (iii) the shifting expectations and capabilities of people and communities.

More detail on the logic of the measures and instruments can be found in Annex 4.

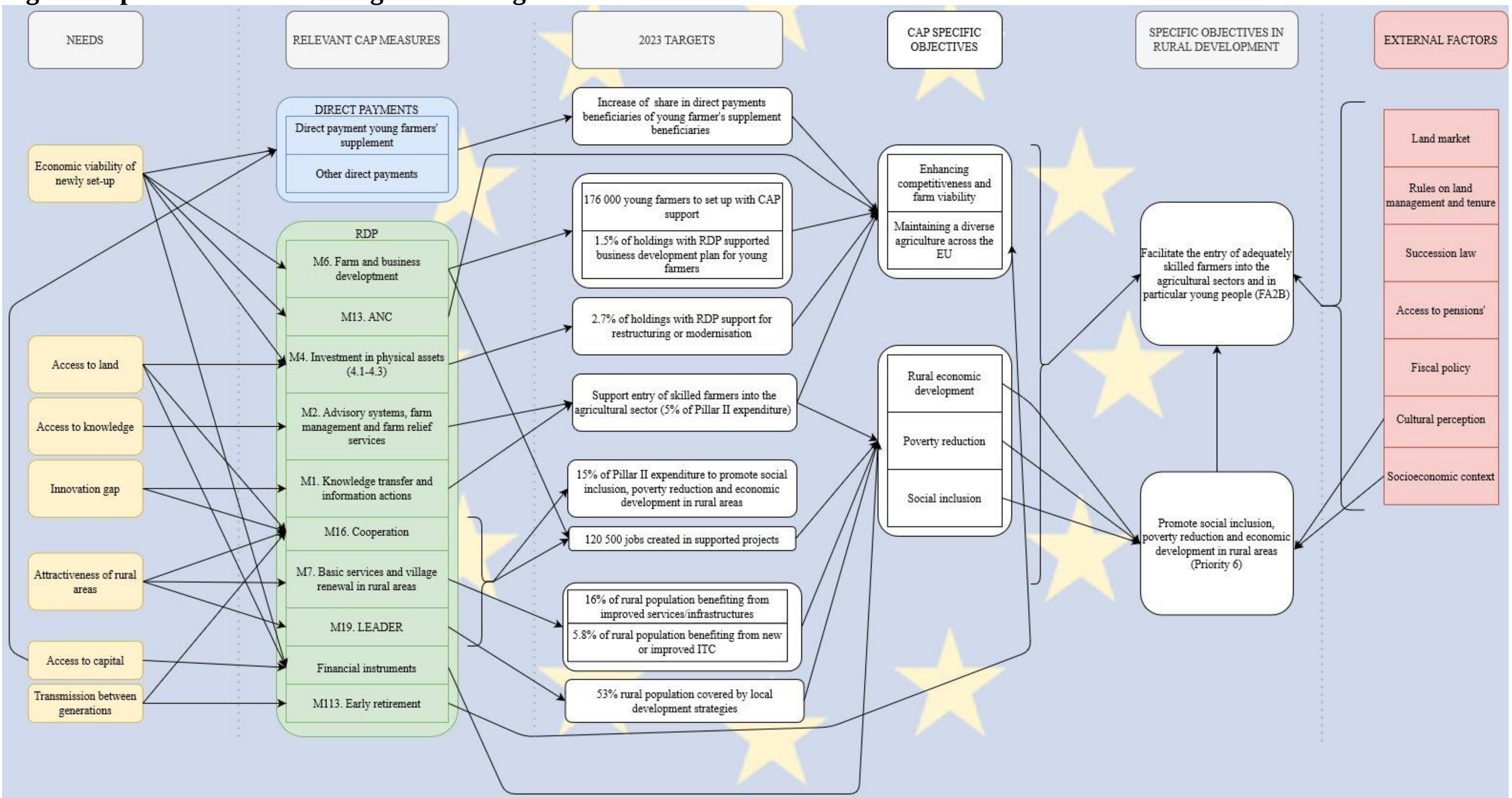
2.2. Points of comparison

To better analyse the success of the generational-renewal measures, the contractor who carried-out the support study hypothesised a counterfactual situation with no generational-renewal measures. It allowed seeing what outcomes were the result of generational-renewal measures and what outcomes would have taken place without these measures in place.

In the counterfactual situation, the farms did not receive any support for young farmers. The comparison period was the first half of the 2014-2020 programming period (between 2013 and 2016) for two Member States, France and Italy. A ‘difference-in-difference’ analysis of farms was made after matching similar farms: those receiving the young-farmer payment and those others not receiving it. The objective of this analysis was to compare the difference between the pre-generational-change and post-generational-change situations of the two groups of farms (with and without support). This comparison was carried out across several characteristics: (i) the main structural and economic characteristics; (ii) labour use; (iii) type of farming; (iv) investment intensity; and (v) economic performance.

In addition, the impact of CAP measures on generational renewal was estimated by using 'common general equilibrium' modelling work on Polish data. This modelling work was used to assess: (i) whether jobs were created or sustained directly in the agricultural sector; (ii) what scale of multiplier effects these measures had on employment in other sectors; and (iii) how these jobs contributed more broadly to the development of rural areas.

Figure 2 Specific intervention logic for CAP generational renewal



3. IMPLEMENTATION/STATE OF PLAY

1.1. CAP Pillar I

The mandatory young-farmer payment available under Pillar I gives enhanced income support to newly established young farmers during their initial setting-up period (a period of 5 years). In general, this period is characterised by greater income risk and greater need for investment.

Direct payments constitute the largest area of expenditure in the CAP (73%) amounting to EUR 41.3 billion in 2018[16]. The young-farmers' payment in the EU accounted for an average of 1.3% of this EUR 41.3 billion, below the maximum 2% ceiling. However, when looking at all direct payments received by beneficiaries of the young-farmers' payment, these represented about 8% of direct-payments expenditure. The number of beneficiaries in claim year 2018 for the young-farmers' payment was close to 464 000 young farmers, or 7.5% of direct-payment[17] applicants in the EU-28.

Details on the young-farmer payment

The young-farmer payment targets farmers of no more than 40 years of age who: (i) are setting up for the first time an agricultural holding as head of the holding; or (ii) have already set up such a holding during the 5 years preceding their first application for the young-farmer payment. The scheme is compulsory for all Member States. The payment, which is additional to other direct payments, is limited to a maximum period of 5 years.

The changes that entered into force in 2018, with the so-called Omnibus Regulation, improved the design of the young-farmer payment. These changes gave Member States the possibility to increase the level of the young-farmer payment[18]. Denmark, Spain, Estonia, France, Italy and Finland significantly increased the payment level. As a consequence, the EU average young farmers payment increased from less than EUR 1 700 per beneficiary in 2017 to almost EUR 2 000 in 2018. This led to a significant increase in the share of the young-farmers' payment in direct payments, from 0.8% in 2015 to 1.3% in 2018. This share is now closer to Member States' initial estimates. Some Member States (such as Czechia, Lithuania, Luxembourg, Finland, Hungary, Poland and Slovenia) exceeded their initial estimates – in some cases by a significant amount[19].

In addition, starting in claim year 2018, the payment for young farmers must be granted for a period of 5 years, if the young farmer applies for the payment within the 5 years

16 https://agridata.ec.europa.eu/extensions/DashboardIndicators/Financing.html?select=EU28_FLAG,1

17 Basic payment scheme/single-area payment scheme/small-farmer scheme.

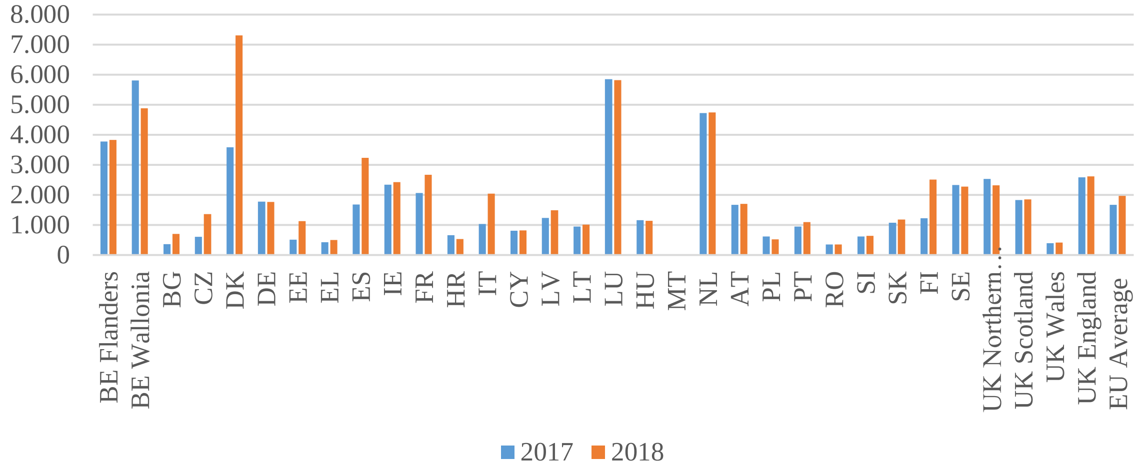
18 The calculation of the payments can be based on payment entitlements or on the number of hectares (up to a maximum fixed by the MS between 25 and 90). Since 2018, after the entry into force of the Omnibus Regulation, the fixed percentage of 25% may be increased up to 50% of the average value of: (i) entitlements held by a farmer; (ii) the basic income support; or (iii) the national average payment per hectare. Alternatively, the fixed percentage of 25% can be an annual lump-sum payment irrespective of the size of the holding, representing 25-50% of the national average payment per hectare multiplied by a figure corresponding to the average farm size of young farmers. The payment cannot be more than the total basic payment that the holding has received in any given year.

19 Even though Czechia's expenditure on young farmers under the Pillar I young-farmer payment remains at less than 0.5% of direct-payments expenditure.

following his/her first setting-up. In practical terms, this means that the number of years elapsed between the first setting up and the first application for the young-farmer payment will no longer be deducted.

These improvements partly explain the increase of about 13% in the number of beneficiaries since 2017[20].

Figure 3 – Average young-farmers' payment in 2018 compared to 2017 (EUR per beneficiary)



Source: DG Agriculture and Rural Development, based on the Audit database.

In claim year 2018, the beneficiaries under the young-farmer payment scheme as a share of total beneficiaries within that country was the highest in Czechia (17.2%), followed by the Netherlands (16.5%), Austria (12.3%) and Germany (12.2%). It shows an upward trend in almost all Member States and is above 6% in most Member States. By contrast, the share of beneficiaries of the young-farmers' payment was below 3% in Cyprus, Spain, Malta and Portugal.

The possibility for young farmers to receive payment entitlements from the reserve

Member States, which apply the basic payment scheme with payment entitlements, are obliged to allocate payment entitlements from the national/regional reserve to young farmers and to farmers starting their agricultural activity (so-called new entrants). In 2018, around 40 000 farmers entered the basic payment scheme via the reserve (representing nearly 1.2% of all beneficiaries of the basic payment scheme), of which close to 18 700 were young farmers.

In 2018, the highest shares of young farmers among the farmers 'entering' the basic payment scheme via the reserve were from Belgium (96%), Ireland (91%), Malta (84%), Luxembourg (77%) and Spain (71%).

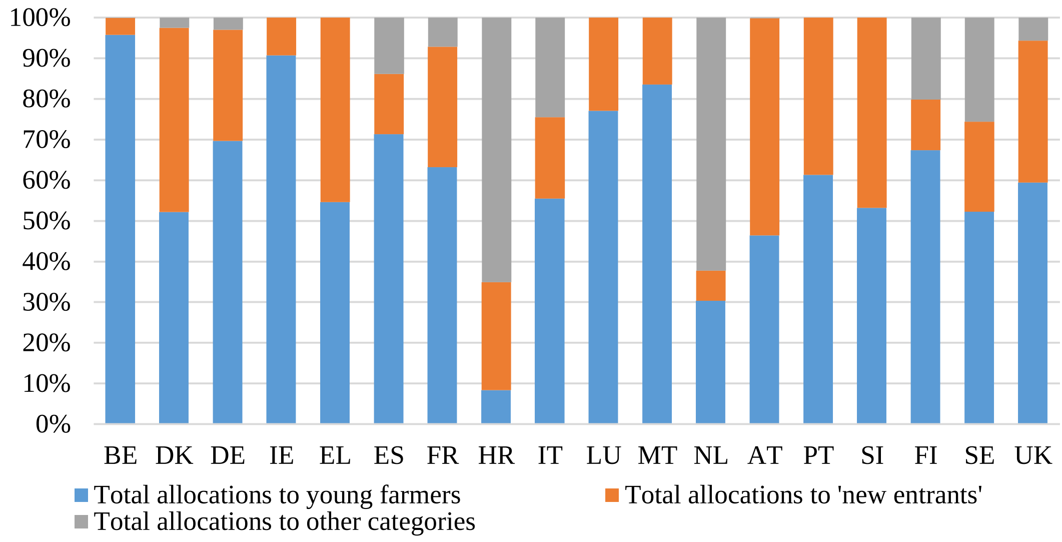
Taking into account all allocations from the reserve, the share of allocations in claim year 2018 (as a proportion of EU level allocation) consisted of 54% young farmers, 25% 'new entrants'[21] and 11% from the other categories of farmers[22].

[20] https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/summary-report-implementation-direct-payements-claim-2018.pdf

[21] Non-young farmers starting their agricultural activity.

[22] To prevent the 'risk of land abandonment' and address 'specific disadvantage' (defined pursuant to Article 30(7)(a) and 30(7)(b) of Regulation (EU) No 1307/2013), or to linearly increase the value of all payment entitlements (pursuant to Article 30(7)(e)).

Figure 4 – Share of allocations from the reserve for the different categories of farmers, 2018



Source: DG Agriculture and Rural Development, based on Member States' notifications[23].

3.1. CAP Pillar II

Under Pillar II, support for business start-ups helps young farmers to set up and structurally adjust their holdings by providing cash flow and financial security during the first 5 years of farming. The support is conditional on correctly implementing a business plan and meeting minimum requirements in training and skill acquisition.

From the rural development envelope of EUR 100 billion for 2014-2020, 7% is allocated under Focus area 2B to facilitate generational renewal and the entry of appropriately skilled farmers to the agricultural sector. This expenditure is allocated as follows: (i) EUR 5.4 billion for **installation grants** (sub-measure 6.1)[24]; (ii) EUR 1.2 billion for investments; (iii) EUR 185 million for training, information and advisory services; and (iv) EUR 18 million for cooperation. In addition, more than EUR 1.4 billion is programmed for start-up aid for non-farm rural businesses (sub-measure 6.2) and for small-farm business development (sub-measure 6.3).

For the programming period 2014-2020, the Commission plans to support 176 000 young farmers with a start-up grant[25]. Installation grants have been introduced in 75% of rural-development programmes. By the end of 2019, more than 127 000 young farmers (or 72% of the above-mentioned target) had already benefited from this support. This represents close to 1% of all EU agricultural holdings in 2016. Moreover, about 30% of the supported young farmers were women.

At the beginning of the programming period, Member States set targets for the percentage of agricultural holdings with supported business development plans/investments for young farmers. This target was 1.5% for the EU-28 in 2023. It was around 7% in France and Luxembourg, but less than 1% in Romania, the UK, Latvia,

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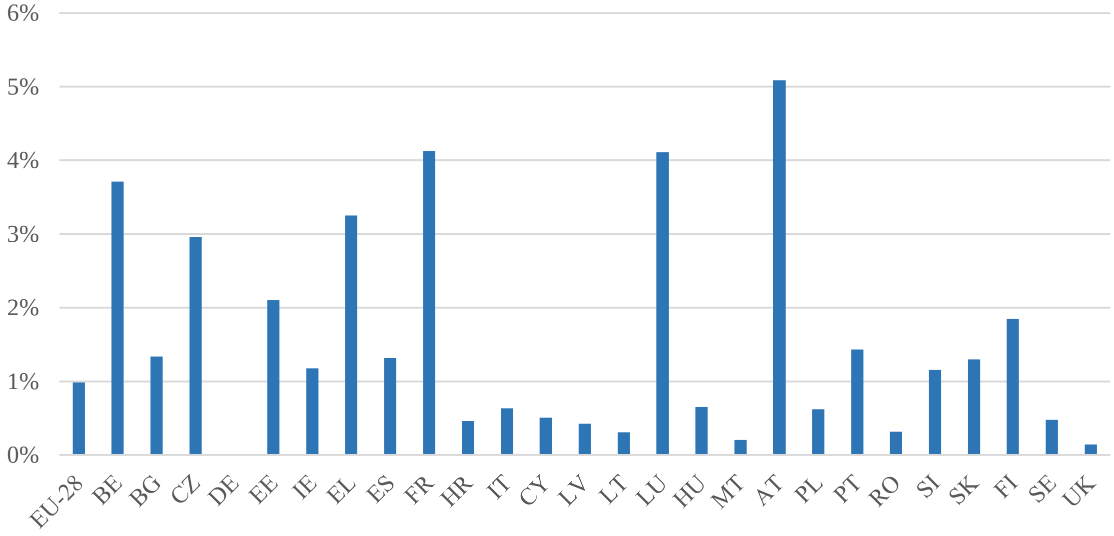
[23] https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/summary-report-implementation-direct-payements-claim-2018.pdf

[24] The total planned EAFRD amount for 2014-2020 for Measure 6 on 'farm and business development' is EUR 6.62 billion, including business start-up support outside farming.

[25] Around 1.5% of the number of EU holdings in 2010, used as a reference for the establishment of this target by most Member States.

Croatia, Hungary, Bulgaria, Malta, Lithuania and Sweden. On implementation, there was also great variation in the percentage of agricultural holdings with supported business development plans/investments for young farmers (Focus area 2B). In 2018, this percentage reached 1% for the EU-28 and varied from above 5% in Austria to 4% in France and Luxembourg, and to less than 1% in most Member States.

Figure 5 – Percentage of agricultural holdings with supported business development plan/investments for young farmers (Focus area 2B), 2018



Note: CMEF Pillar II result indicator R.03, calculated using the number of holdings in 2016. Cumulative indicator, covering 2014-2018.
Source: DG Agriculture and Rural Development, CAP indicators data explorer[26].

The maximum amount paid for the young-farmers' installation grant varies between countries. For example, it is EUR 17 000 in Greece but reaches the maximum of EUR 70 000 in Malta, Finland, most regions in Spain and five regions in Italy[27]. Within Member States, the level of support can also vary according to the geographical location of farms (such as in Italy, where mountain areas receive more support), the type of farm (in Greece), the type of beneficiaries, and the value of the farm's output (in Romania).

More than 900 000 farmers benefited from **early retirement** in the EU in the 2007-2013 programming period. This early retirement cost EUR 2.6 billion[28]. More than 60% of the beneficiaries of the early-retirement scheme were located in Poland, followed by Lithuania (14%), Spain and Greece (8% each). The measure was discontinued in the current programming period. However, early retirement was included as a transitional measure, with a small budget (EUR 504 million for the period 2014-2020). This transitional measure was implemented in twelve Member States in the programming period 2014-2020[29.] Between 2015 and 2019, EUR 0.41 billion was granted to almost 280 000 beneficiaries.

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26 https://agridata.ec.europa.eu/extensions/DashboardIndicators/DataExplorer.html?select=EU28_FLAG,1

27 ENRD, 'Business start-up aid for young farmers': https://enrd.ec.europa.eu/publications/business-start-aid-young-farmers_en.

28 Implementation figures for 2007-2016, with budget from the 2007-2013 programming period. For the programming period 2007-2013, Member States were allowed to make expenditure until the end of 2015. This implies that the last quarter of 2015 is declared as expenditure for financial year 2016.

29 Cyprus, Czechia, Greece, Hungary, Ireland, Italy, Lithuania, Latvia, Poland, Portugal, Slovenia and Spain.

4. METHOD

4.1. Short description of methodology

The methodology developed by the external contractor for the evaluation support study[30] builds on five main parts, as set out below.

EU-level informed opinion - literature review, EU-level interviews, key stakeholder interviews, and an online survey of Member-State administrations via European Network for Rural Development (ENRD) contact points.

EU-level data analysis - exploring relations between context, inputs and impacts. This analysis covered planned expenditure for 2014-2020, and completed expenditure for 2015-2016. It also covered completed expenditure for 2017 provided these data were available. The analysis included: (i) maps of key variables; (ii) correlation analyses; (iii) econometric multi-criteria analysis (MCA). The latter included the generation of two rural typologies at Nomenclature of Territorial Units for Statistics (NUTS) 3 level (these typologies had an impact on case-study selection, and on the identification and estimation of certain impacts) and the classification of regions by clusters.

Case studies - case-based detailed analysis of: (i) causal effects; (ii) delivery approaches and their impacts; (iii) efficiency; and (iv) added value. The case studies covered seven contrasting Member States (France, Belgium-Flanders, Italy, Estonia, Hungary, Poland and Ireland). The case studies analysed material at national, regional and local levels. This included: (i) secondary sources (previous evaluations and research); (ii) interviews with policy officers, experts, stakeholders and beneficiaries; (iii) primary data on delivery and beneficiary impacts; and (iv) examples of good practice in policy design/delivery, innovation and coordination.

Additional, **focused quantitative analyses**. This included: (i) a counterfactual analysis of data from the Farm Accounting Data Network to assess the impact of aid to young farmers on farm performance (focusing on France and Italy and covering 2013-2015); and (ii) computable general equilibrium (CGE) modelling to examine the impact of generational-renewal expenditure on rural employment in Poland.

Triangulation via: (i) comparative analysis of case-study findings; (ii) EU-level evidence and modelling results; and (iii) validation in seven workshops at national level, and three workshops at EU level (these workshops involved stakeholders and policy officials – two of the workshops were hosted by the ENRD).

Further description of the methodology is provided in Annex 3. To clarify the wide range of evidence sources used in this process, and to demonstrate the principle of triangulation (using multiple sources to avoid bias), the table at the end of Annex 3 summarises how sources contributed to evaluation questions.

No specific public consultation was carried out. The public consultation of reference for this evaluation is the public consultation on the future of the CAP[31].

[30] Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas, European Commission (2019): https://op.europa.eu/en/publication-detail/-/publication/4bd0b0a2-0503-11ea-8c1f-01aa75ed71a1.

[31] 'Modernising and simplifying the CAP', public consultation held from 2.2.2017 to 2.5.2017: https://ec.europa.eu/info/consultations/modernising-and-simplifying-common-agricultural-policy.

4.2. Limitations and robustness of findings

On the robustness of analysis and solidity of findings, the underlying analysis had some limitations, such as the uneven level of detail of the different instruments in the various questions. In the modelling exercise, the effects of Pillar I and Pillar II on support to young farmers could not be well separated. This was because the sample of young farmers granted the relevant support in the FADN was too small to create two separate groups. Moreover, the recording of support to young farmers was sometimes grouped with other support. In addition, interviewees had difficulties distinguishing between the effects of the young-farmer support and of the overall CAP direct payments.

The analysis of generational renewal in rural areas (outside farming) is mainly qualitative, given the complexity of the question and the smaller role of the CAP outside farming.

The difficulty in identifying a clear causal link between the application of the relevant measures and the impacts concerned is a further issue. In particular, this difficulty is due to the significant influence of non-CAP factors on generational renewal.

With such a broad scope and such a wide range of measures to be evaluated within the timeframe of the evaluation, the analysis needed to focus on a limited number of Member States and regions. Moreover, the answers of stakeholders interviewed at EU level were sometimes coloured heavily by the situation in their home countries. This makes it more difficult to extrapolate the results and the drafting of conclusions for the whole EU.

There were also data limitations for the analytical work carried out by the contractor in 2018-2019. Although data were generally available, both at EU level and at national level, sometimes they were not sufficiently precise or timely. For example, financial data for the programming period 2014-2020 mainly refer to planning and not to implementation (due to the time lag between planning and implementation). In addition, in the analysis of EU-level data, some difficulties and challenges arose largely because the data were either: (i) less comprehensive than originally thought; or (ii) less precisely specified or geographically differentiated than necessary to carry out the comparative and correlation analyses. Moreover, some of the quantitative analysis focused on a very small number of Member States (France and Italy for the FADN analysis and Poland for the CGE modelling). This needs to be considered when extrapolating the results to the EU as a whole.

To address some of these shortcomings, additional analysis and data were used to prepare this report, such as the latest information on the implementation of the policy and a recent brief on generational renewal[32]. In addition, this report refers to the reports of the European Economic and Social Committee (EESC) and of the European Parliament on generational renewal. Finally, the World Bank study on the CAP was also used to complement the analysis.

[32] 'CAP specific objectives… explained – brief No 7 - Structural change and generational renewal'. (11/2019): https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/cap-briefs-7-structural-change_en.pdf.

5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS

The evaluation questions are structured following the five evaluation criteria: effectiveness, efficiency, relevance, coherence and EU added value. Chapters 5.1 to 5.5 focus on the impact of the CAP on generational renewal in the farming sector by looking at each of these criteria in turn. The effect of the CAP outside farming is presented in Chapter 5.6.

5.1. Effectiveness

The evaluation criterion on effectiveness shows to what extent the set objectives were achieved, how they were linked to the specific intervention, and whether there were any unexpected or unintended effects. The effectiveness analysis therefore considered how successful the CAP interventions have been in achieving or advancing generational renewal.

Effectiveness questions 3, 2 and 1 (see Figure 23) are presented in this order to present firstly the effectiveness of young-farmer measures, secondly the effect of innovation measures on generational renewal, and thirdly the effectiveness of the CAP as a whole on the number of new farmers. The last two questions (4 and 5) address the environment in which young farmers operate, i.e. local development and the attractiveness of rural areas.

5.1.1. Impact of CAP measures on increasing the number of young farmers employed in agriculture

Question 3. To what extent have the CAP measures/instruments related to young farmers been effective in promoting generational renewal?

This evaluation question sought to investigate whether the young-farmers' measures of Pillars I and II resulted in more young farmers and their greater economic performance.

Two correlation analyses were performed to evaluate the effectiveness of: (i) the Pillar I young-farmers' supplement (2015-2016 data); and (ii) the Pillar II expenditure planned under Focus area 2B (entry of skilled farmers into the agricultural sector) for 2014-2020 on changes in the number of young farm managers (2013-2016 data). These analyses demonstrate a very weak, negative correlation between this aid and the change in the number of young farm managers. Finally, a third analysis focusing on early-retirement aid for 2007-2013 shows no significant correlations between this aid and the number of young farm managers. The conclusion is that these relationships, if they exist, are dependent on context and should be explored with other methods.

Thus, another exploratory method was applied, a multi-criteria analysis, which took into account the significant inter-regional differences at NUTS 3 level. In this analysis, five different types of regions were identified according to: (i) the level of CAP expenditure (payment indicator[33]); (ii) the level of infrastructure; and (iii) the level of employment. The effects of the CAP vary significantly in these clusters. The young-farmers' payments taken together imply the highest potential increase in the **number of young farmers** in less developed areas with many small farmers as set out in the five points below.

[33] A composite indicator combining population, education and spending for the CAP young-farmers' supplement and programming for Focus area 2B.

1. In sparsely populated, less developed areas with many small farms[34], an increase of 1% in the payments indicator would cause a potential increase of 2.2% in the number of young farmers.
2. In non-agricultural, developed regions with a small number of large farms and low CAP expenditure[35], an increase of 1% in the payments indicator would cause a potential increase of 1.2% in the number of young farmers.
3. In developed rural areas where other sectors dwarf the impact of agriculture, with few and large farms[36] an increase of 1% in the payments indicator would cause a potential increase of 1% in the number of young farmers.
4. In developing regions with rapid agricultural restructuring/abandonment[37], an increase of 1% in the payments indicator would cause a potential increase of 0.5% in the number of young farmers.
5. In agricultural regions with large farms, high CAP expenditure, and an ageing farm population[38], the result was not statistically significant.

Taking all regions together, the multi-criteria analysis suggests that the CAP young-farmers' measures have a mostly positive impact on the number of young farmers. However, the magnitude of the impact reflects **significant regional differences** that depend on the different structural characteristics of farming in various regions. On the (weak) effect of generational-renewal measures on rural employment as a whole, see Chapters 5.1.3 and 5.6.

Aid to young farmers and the value of this aid should not be assessed in isolation from **wider socioeconomic conditions in rural areas**. Even the best young farmer packages will be ineffective, if farming cannot offer a sufficient standard of living and quality of life to attract younger people.

In more prosperous agricultural areas, aid to young farmers enables generational renewal. This occurs when the amount of aid offered and the conditions of the offer are significant in relation to: (i) the size of the farm business; (ii) land values; and (iii) knowledge provision. However, there are also examples where the aid is either too small or too costly to access.

In addition, rural areas that lack basic infrastructure and services will struggle to keep young people even if the returns to farming are broadly comparable to those of other sectors. If national economies are buoyant and unemployment low, then rural exodus will be favoured wherever city living offers young people a better quality of life. Conversely, when economies are in recession and unemployment is high, returning to the family farm can appear an attractive alternative to subsisting on welfare benefits or short-term and low-paid employment in a city.

This conclusion was supported by analysis of the case studies, which could also identify some differences between the impacts of Pillar I support and Pillar II support.

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[34] This includes: (i) Greece, Croatia and Portugal; (ii) large parts of Italy and Spain; and (iii) some areas in France and northern Bulgaria.

[35] This includes: (i) some regions in Germany and Austria; and (ii) parts of Sweden and Finland.

[36] This includes: (i) some areas in Belgium and Germany; (ii) the largest part of the UK; (iii) large parts of Finland and Sweden; and (iv) western France, northern Italy and Austria.

[37] This includes: (i) the largest parts of Bulgaria, Romania, Czechia, Hungary, Slovenia and Slovakia; (ii) northwest Poland, Latvia, Lithuania and Estonia; and (iii) some regions in Portugal and north-east Spain.

[38] This includes: (i) Ireland, Denmark and Cyprus; (ii) large parts of France, Spain and Poland; (iii) areas in northern Italy and the UK; and (iv) some regions in Czechia, Slovakia and Finland.

Among the interviewed stakeholders in case studies, opinions differed about the extent of the impact of the **Pillar I young-farmers' supplement**. There were also considerable differences in the support level (in the case studies, the highest was in Flanders with on average EUR 3 700 per beneficiary and the lowest was in Poland with around EUR 600 per beneficiary). The young-farmers' supplement helped to **increase the income** of these beneficiaries by EUR 540 million in 2018, a 73% increase in the total young-farmers' top-up compared to 2015[39].

Stakeholders in the farming sector said that direct payments should be used to stabilise income, and in some Member States (Poland) to buy land. In Italy, the perceived effectiveness of direct payments was linked to farm size. Young farmers with small farms and diversification strategies and/or high-quality food-production strategies do not perceive direct payments as necessary for their survival or for the success of their strategy. Conversely, young farmers with medium-to-large farms and specialisation strategies see direct payments and other forms of area payment as a sort of safety net in an environment of unstable prices and risks associated with climate change. Most farmers are aware of the other impacts of direct payments. For example, direct payments might contribute to increase land prices and therefore make it harder for new entrants to access land or for those who would like to buy land to enlarge a farm.

Pillar II measures targeted at young farmers were perceived by case-study interviewees from the farming sector to be effective in supporting generational renewal in Belgium (Flanders), Poland, Italy and to a certain degree in Ireland and Hungary.

In addition, many stakeholders from the public and private sectors have a broadly positive opinion of the CAP young-farmers' support from both Pillars. These stakeholders feel that the support makes a difference and helps to ensure **viable succession or start-ups** of farms.

Moreover, in Ireland, Estonia, Belgium (Flanders) and Poland, farmers reported that the young-farmers' support had only a small influence on the decision to take over a family farm. However, they reported that this support acts as an impetus to make the change because it offers the possibility to **improve farm performance**.

An analysis of farm-level data for 2013-2016 from the Farm Accounting Data Network was conducted to assess the impact of the installation grant on farm performance. This analysis suggests that, in comparison to farms that do not receive this aid, farms with the installation grant in Italy and France showed **stronger economic performance** (as seen in improvements to the scale of operations, better survival, and more resilient business strategies). For example, in France, young farmers who received installation grants increased their economic size and farm capital faster after the generational change. This in itself does not guarantee generational renewal, but it can be seen as a potentially influential factor.

Figure 6 – Changes in farm performance pre- and post-generational change - French FADN sample.

	With young-farmers' support	Without young-farmers' support
Increase of economic size by	9%	3%
Increase of total output by	5%	4%
Increase of farm capital by	8%	2%
Decrease of rented land by	10%	7%

Source: Evaluation support study.

39 https://ec.europa.eu/info/sites/info/files/agri_aar_2019_en.pdf

The Pillar II young-farmer aid mostly supports farm succession within families. This poses the challenge of assessing the additionality of the funding, because children may be motivated to inherit from their parents with or without additional support, implying a degree of deadweight.

Interviewees in the case-study analysis also concluded that implementing **packages of integrated measures** was an effective tool to promote generational renewal in a coordinated way. This coordination involves linking advice, training and financial support with national and regional policies, such as tax policy or institutional policy.

Where measures are offered in a **coordinated package with supporting advice** to prepare business plans for the investment start-up aid, they lead to an increase in knowledge and confidence (see examples in Question 2). Conversely, there are examples where low additionality was identified in delivery systems that lacked sufficient advisory and technical-assessment support (Poland, Estonia). The characteristics of young farmers and their business aspirations play a strong role in some mountain regions (e.g. in two Italian case studies), where innovative strategies for diversification or high-quality products are creating sustainable and viable farms.

Many of these supplements to start-up aid could be CAP-funded. In the case studies, it was also possible to identify a **mixture of CAP and non-CAP factors** working together to make measures more effective (notably in France, Italy, Hungary, Ireland and, to a lesser extent, in Poland). It is indeed possible to design young-farmer packages that ensure appropriate and significant additionality. This can be achieved by: (i) tailoring aid rates and delivery processes to local conditions; (ii) using a range of measures in a coordinated way; and (iii) coordinating measures closely with non-CAP policies and institutional arrangements. Support for young farmers in the case studies was most effective, when the CAP measures were designed to work alongside other legislative and fiscal arrangements, with support from specific institutions and processes at the local level.

<u>Question 2. To what extent have the relevant CAP measures/instruments focusing on generational renewal contributed to fostering innovation and inter-generational knowledge transfer?</u>

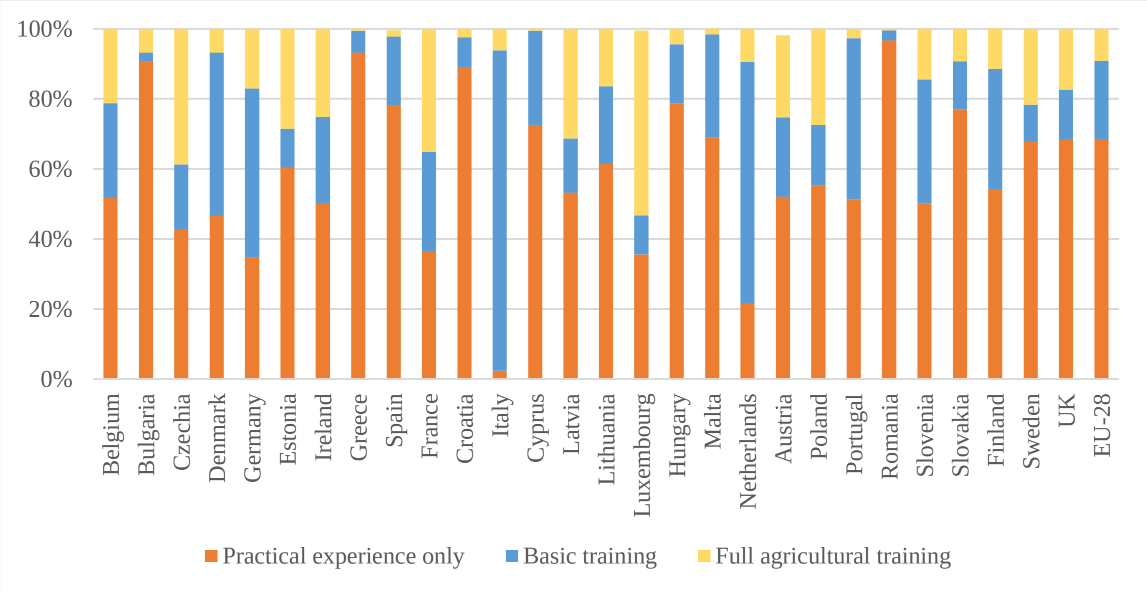
This evaluation question seeks to investigate the extent to which the CAP funding and measures focusing on generational renewal assist in knowledge transfer and innovation.

Actions relevant to this question can include: (i) encouraging farmers to develop technical and business knowledge and skills; (ii) improving the level of knowledge and skills among farmers; (iii) promoting farmer-to-farmer innovation by sharing and exchanging information; (iv) assisting business coordination; and (v) networking between farmers or along supply chains.

Keeping up-to-date with the level of knowledge necessary to run a modern farm business is essential for all farmers. It is even more important for younger farmers, who are best positioned to foster the innovation and resource efficiency needed to achieve EU objectives for environmental sustainability and climate action. In addition, the loss of valuable skills and knowledge as older and more experienced farmers leave the sector is a cause for concern. Although the qualifications of young farm managers (under 35) have increased over time, in 2016, only 43% of them had more than practical experience, out of which only 22% had received full agricultural training. Nevertheless, this is significantly above the average for all EU farmers, of whom only 32% have more than practical experience, out of which 9% had received full agricultural training.

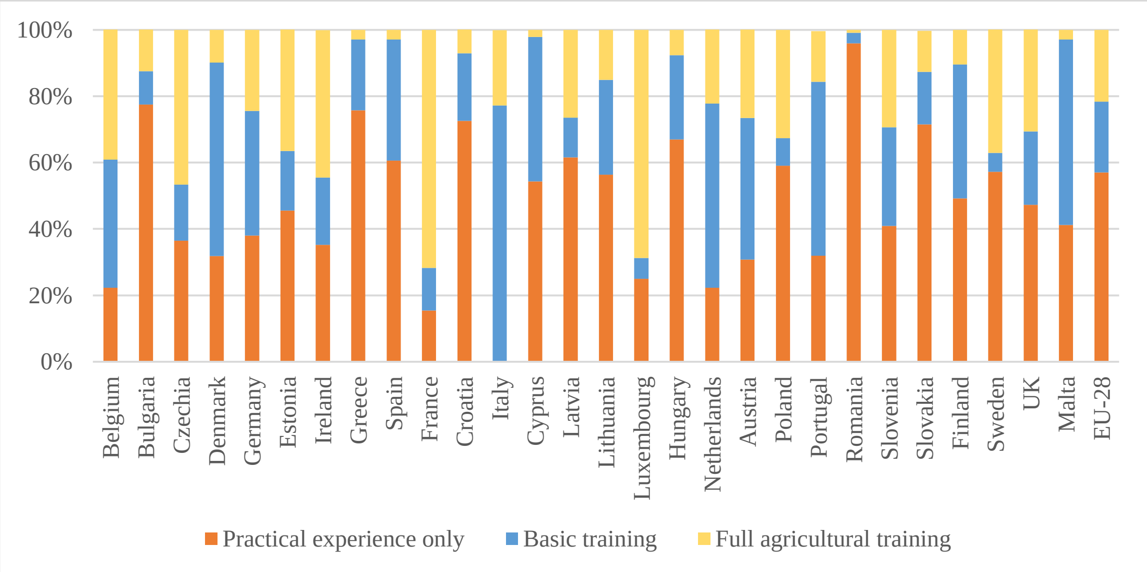
Across the EU, there are many differences in the level of training attained by farm managers. For example, there are very few young farm managers with more than practical experience in Romania. By contrast, more than 90% of young farmers have at least a basic formal qualification in Italy and France.

Figure 7 – Agricultural training of farm managers, 2016



Source: DG Agriculture and Rural Development, based on Eurostat.

Figure 8 – Agricultural training of young farm managers (under 35), 2016



Source: DG Agriculture and Rural Development, based on Eurostat.

Of the total planned resources allocated to agricultural generational renewal in Pillar II, only a small proportion was targeted directly at knowledge transfer and information actions (1% of the total EAFRD amount in the financing plan for 2014-2020). It is therefore likely that the impact of this spending on knowledge exchange will be very small, especially compared to other EU and national funding for these services.

A literature review on training, mentoring, and innovation reveals that finance, information technologies and business skills are key areas where more support for knowledge exchange is needed. Innovation and entrepreneurship are already supported by rural development measures. However, networking and informal peer support can be as important as formal training.

In the public consultation, respondents said that the best way for the CAP to encourage innovation (Question 30) would be first to ‘support the engagement of farmers in innovative projects’ (28% of farmers, 25% of other citizens and 28% of organisations selected this option). Respondents said that the second-best option was to ‘support knowledge exchange through better access to advisory services, networking among farmers and demonstration farms (20% of farmers, 21% of other citizens and 20% of organisations selected this). The third-best option according to respondents was to ‘provide better access to finance/investment’. In addition, the EU-level interviews suggest that training programmes that promote new skills by supporting business planning and investment are key. Moreover, interviewees also said that they had a positive perception of LEADER’s role in supporting innovation.

The analysis shows a clear and positive link between generational-renewal measures and increased inter-generational knowledge exchange in specific circumstances. Those circumstances are when training and advice are provided to young farmers and new rural entrepreneurs because it is a condition of accessing capital grants, start-up aid, and/or the Pillar I young-farmers’ supplement. For example, in Ireland a ‘green certificate’[40] is necessary to access Pillar I and II support schemes; in France, a minimum qualification is required to access the start-up aid; and young farmers in Poland need to learn management in their business planning.

Secondary sources and interviewed farmers also emphasise the added value of delivering advice and business planning in a coherent process throughout the installation period. This was identified as important in 4 of the 7 case-study countries (Ireland, Italy, France and Hungary), and it was recommended for the future period by stakeholders in 2 more (Estonia and Poland). In the EU online survey of Member-State administrations, an integrated approach was also mentioned as relevant in 2 other Member States (UK and Croatia).

5.1.2. Impact of all the CAP measures on generational renewal in agriculture

<u>Question 1. To what extent have all CAP measures/instruments had an effect on fostering generational renewal in rural areas?</u>

This question seeks to investigate whether all CAP measures provide additionality in generational renewal. This was assessed in comparison with the achievements of Member-State policies. It is necessary to see whether there is cumulative evidence to support the claims that: (i) generational renewal is a key focus of the CAP; and (ii) generational renewal is indirectly promoted by the support for local development and quality of life in rural areas.

Overall labour input in EU agriculture (a rough measure of the number of people working in agriculture) was **9.1 million full-time equivalents in 2019**. This number has been falling in recent years, although the decline now seems to be levelling off (the decline was 3.8% per year in 2005-2011 but reduced to a decline of only 1.4% per year in 2011-2019). However, this decline is overestimated, because of changes in survey thresholds (mostly between 2007 and 2010) that excluded some farms (e.g. those below 1 ha in Poland) from the statistics. The decrease in farm labour was greater in those Member States that joined the EU in or after 2004 (EU-N13) than in the older Member States (EU-15)[41], especially over the period 2005-2011. This reflects structural changes

[40] Training for non-agricultural award holders interested in farming.
[41] The decrease in the EU-N13 was 3% per year in 2007-2016 and in the EU-15 it was 2% per year for the same period.

after accession to the EU. The greatest reductions in the number of farm workers took place in Bulgaria (throughout the period), and in Slovakia, Romania, Estonia and Latvia (in particular between 2005-2011). By contrast, in the Member States that joined the EU before 2004, farm labour increased between 2013 and 2016 and then stagnated, although the number of holdings continues to fall.

From 2007 to 2016, the **total number of farms** in the EU decreased significantly, from close to 14 million in 2007 to almost 10.5 million in 2016.

Figure 9 – Number of persons employed in agriculture (million)

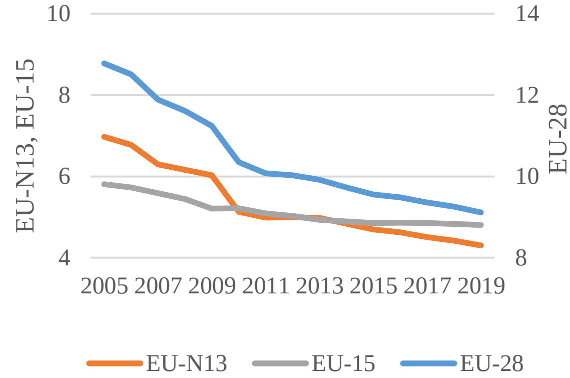
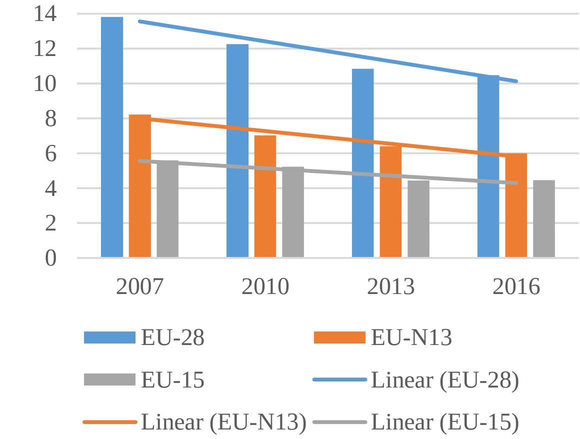


Figure 10 – Number of farms in the EU (million)



Note: in full-time equivalents, break in time series in 2010.
EU-15: EU Member States before the accession of 10 candidate countries on 1 May 2004, EU-N13: Member States which joined the EU after 1 May 2004.
Source: DG Agriculture and Rural Development, based on Eurostat data.

In the light of the combination of evidence from the MCA and the case studies, it appears that the CAP is not the most significant factor influencing the number of young farmers across the EU as a whole. Nevertheless, there are specific regions or countries where the CAP's influence is felt more strongly than elsewhere. In policy terms, changes in the number of young farmers over time within a territory can be considered as a proxy indicator for generational renewal in agriculture in that territory. The contractor, who carried-out the study supporting this evaluation, analysed the pattern of change in the share of young farmers within the total population of farmers in 2003-2016. This analysis highlighted the significant impact of **wider economic conditions** on the relative attractiveness of farming for young people in many Member States. The share of young farmers increased during the global recession (2007-2010). In the Member States and regions with relatively low levels of economic development and relatively uncompetitive secondary and tertiary sectors, young people were more likely to return to their parents' farms to try to make a living from the land, at least until the economy recovered and job prospects elsewhere improved again.

There are also some areas where **restructuring** in agriculture resulted in a decline in agricultural-sector jobs regardless of wider economic conditions. These areas experienced a declining share of young farmers as young people chose alternative careers. However, within this group there were also some places that saw a resurgence of popularity in farming among young people in very recent years (e.g. Germany).

More precisely, the cluster-specific regressions conducted by the contractor identified five clusters according to economic development and policy expenditure with a differentiated impact of generational-renewal measures. These five clusters are set out in the bullet points below. In this analysis, the payment indicator included all direct payments and not only the direct-payment support to young farmers, as well as the programmed spending under Pillar II measures falling under Focus area 2B, designed to facilitate generational renewal.

- Non-agricultural developed regions with low CAP expenditure: In these regions, the number of young farmers increased with higher infrastructure development, greater direct-payment and support under Focus area 2B expenditure, and the number of large farms. The employment rate in rural areas did not play a role. Without change (higher CAP payments, more infrastructure or employment), the number of young farmers would have decreased.

- Agricultural developing regions with rapid agricultural abandonment: In these regions, the analysis shows lower correlations between generational renewal and the factors studied (infrastructure, employment, CAP support, number of large farms). The number of young farmers increased slightly in these regions with greater expenditure on basic services and direct payments. The level of infrastructure or employment rate had no impact on the number of young farmers.

- Sparsely populated developing areas with many small farms: In these areas, the number of young farmers increased with the level of direct payments and support under Focus area 2B, as well as with expenditure on knowledge transfer. The level of infrastructure or employment rate had no impact on the number of young farmers.

- Agricultural regions with large farms, high CAP expenditure and an ageing farm population: In these regions, the number of young farmers decreased significantly with infrastructure level and the employment rate. However, the number of young farmers increased if expenditure on knowledge and basic services went up. In addition, the level of direct payments and support under Focus area 2B had no impact on the number of young farmers.

- Developed rural areas where other sectors hinder the impact of agriculture: In these areas, the number of young farmers increased when direct payments and expenditure under Focus area 2B increased. However, the number of young farmers decreased if employment figures in all sectors together went up. Infrastructure had no impact on the number of young farmers. Without support, the number of young farmers will decrease[42].

This analysis shows that direct payments have a stronger positive role on the number of young farmers than the support given to basic services, infrastructure development, and knowledge transfer. Direct payments play the most significant positive role in sparsely populated developing areas with many small farms (cluster 3). It is also in these areas that the effect of knowledge support is significantly positive.

The specific modelling exercise on Poland confirmed the positive impact of Pillar I CAP support on job creation in the agricultural sector. It indicates that without complementary young-farmer support (Pillar I), the number of jobs in agriculture would be 0.62% lower. The effect of Pillar II measures under Focus area 2B is less significant, adding only 0.17% more jobs in agriculture than would otherwise be the case.

[42] Young farmers will not set up in rural areas with a decreasing population. This makes these areas less and less attractive.

Figure 11 – Impact of CAP measures on the number of young farmers – correlation analysis by cluster

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Infrastructure	0.81***	-0.44	0.23	-4.96***	0.18
Payment indicator[43]	1.07***	0.41***	1.91***	0.63	0.74***
Employment	0.10	-0.34	0.24	-1.86***	-0.66***
Support to basic services and village renewal in rural areas (Measure 7)	2.43	0.70***	0.72	0.61***	0.009
Support to knowledge transfer and information actions (Measure 1)	-0.08	0.09	1.32**	0.70***	0.16***
Number of farms over 50 hectares	2.56**	0.01	1.99*	-0.55	0.79***
Constant	-2.98**	-0.53	-0.37	0.90	-0.29***

Note: Indicates statistical significance at *** 1%, ** 5%, *10% level. A positive figure means positive correlation; a negative figure means negative correlation.
Source: Evaluation support study.

Case studies showed that decoupled payments in Pillar I have a positive impact on the overall development of the agricultural sector. However, these case studies also showed that, at a regional or sub-regional level, decoupled payments provide some disincentives to generational renewal, slowing inter-generational farm transfer. This slowing effect was also suggested in the World Bank report[44]. This is because some older farmers use the payments as income support beyond what would be a usual retirement age to compensate for low pensions.

Older farmers may be disincentivised to transfer their farms to younger people if their access to income and a reasonable quality of life depends on continuing to receive CAP support under Pillar I. However, case studies showed the effectiveness of initiatives using ‘soft’ approaches, including awareness-raising, advice, and planning for successful handover. Moreover, some Member States used institutional mechanisms and fiscal incentives to: (i) encourage changes in land ownership; and (ii) ease the process of inter-generational transfer for older, as well as younger, generations. Examples of these mechanisms and incentives include: (i) creating farm partnerships; (ii) incentivising share-farming and other collective business models; (iii) providing help with retirement income planning and tax breaks for the gradual transfer of assets; and (iv) using land banks or creating new non-profit organisations to consolidate and re-let landholdings to new entrants.

Nevertheless, Pillar I support is only one of many factors explaining the **inactive land market**. The share of land for sale every year is low[45], and national legislation plays a key role in this. This is because Member States have control over inheritance laws; restrictions on access to land; transaction costs (which are often very high); and taxes.

43 A composite indicator combining population, education and spending for all direct payments and programming for Focus area 2B. The direct-payment expenditure reached EUR 41 billion in 2018 while the programming for Focus area 2B is around EUR 1 billion annually. This payment indicator measures thus mainly the effect of direct payments.

44 http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf

45 http://www.boerengroep.nl/wp-content/uploads/2016/04/LAND-RUSH.-2016.-The-sell-out-of-European-Farmland.pdf. According to this source, it is 8% for European land for food crops.

The conclusions of the effectiveness questions on the impact of the CAP measures targeting young farmers and in general are as follows.

1. Funding for generational renewal from the CAP makes a difference to the performance of farm businesses, their resilience, and the secure transfer of farms from the older to the younger generation.
2. By contrast, the positive effect of the CAP in fostering the number of young farmers varies from effective to only weakly effective between different Member States and territories.
3. The measures most relevant for generational renewal vary between countries and territories within countries, reflecting the different barriers and opportunities for generational renewal in each situation.
4. Differences in the magnitude of impact are determined by a combination of: (i) the underlying socioeconomic and cultural context; (ii) the selection of CAP instruments; (iii) the design of CAP measures; and (iv) the manner of implementation.
5. The best evidence of a sustained and positive impact between the CAP and generational renewal is in Member States in which a variety of measures and instruments is used in a complementary way. This means combining: (i) funding and investment aid for business start-ups; (ii) advice and training; and (iii) incentives for collaborative institutional and/or fiscal arrangements easing inter-generational transfer.
6. CAP generational measures have some ability to promote rural vitality in marginal territories suffering from: (i) economic and demographic decline; (ii) poor rural infrastructure and services; (iii) low levels of rural economic diversification; and (iv) little value added in agriculture and forestry. In these circumstances, CAP measures are particularly effective when delivered with supporting advice, mentoring and reviews.

5.1.3. Impact of the CAP measures relevant for generational renewal on: (i) the attractiveness of rural areas; and (ii) jobs in rural areas

<u>Question 4. To what extent have the CAP measures/instruments relevant for generational renewal contributed (directly and indirectly) to improving the development of rural areas in: (i) infrastructure and services; (ii) local governance/capacities; and (iii) social capital?</u>

To enable local development and agricultural jobs in rural areas, it is particularly important to close the gap between rural and urban areas in infrastructure, services, local governance and social capital. Access to broadband internet is an example of the continuing inequality between some rural and urban areas in Europe. This inequality limits the possibilities for young farmers to settle in rural areas, make a living, and improve social capital in the EU.

Interviewees from the farming sector suggested that CAP incentives can act as a driver for young people to become farmers. However, they note that this decision is much more complex than a simple economic calculation: even if farming opportunities exist, decisions to live in rural areas are influenced by considerations of the future welfare of the farmer's household. Some experts and stakeholder representatives said that the most significant factors influencing this decision are **labour opportunities** for other household members (spouses) and the presence of schools for children. In addition, particularly in remote areas, social services (such as medical care) were judged expensive and occasionally non-existent, because there is a limited and excessively dispersed market for them. Interviewees also mentioned that poor infrastructure was a negative driver. However, they said that infrastructure development may be supported by a wide range of policies, including some CAP measures. Interviewees said that municipalities in remote areas have benefited from investment initiatives under LEADER.

Case-study evidence showed the multiplier impacts of CAP generational-renewal spending on the development of rural areas. The level of support going into rural areas from CAP generational-renewal measures seems particularly important in rural areas in need of **local development** (Ireland, France, Italy). In these areas, the multiplier effect of this funding could be essential for: (i) sustaining (in the case of Ireland) or developing local services; and (ii) economic diversification (in the case of Italy and France). However, in these situations, other funding (CAP Pillar I aid, aid for areas facing natural constraints, and other EU funding from regional and social policy) could also be equally or more important.

The case studies revealed that LEADER is seen as having a dual role in generational renewal and wider rural development. In all case studies, LEADER was identified as a measure that helps to **improve quality of life in rural areas**. However, LEADER's primary focus is on developing entire rural communities/areas and not on fostering generational renewal itself. Based on the case studies, LEADER-type development based on local planning, supplementary earning opportunities, diversification, and support for cooperation was seen as effective in a number of countries (Hungary, Estonia, Ireland, Belgium, Italy and France). Local government has directly benefited from LEADER assistance to improve infrastructure in some cases, and LEADER is known to help build social capital. Where LEADER projects and initiatives explicitly target young people and are therefore directly relevant to generational renewal, there is evidence from the case studies that these measures promote social capital, infrastructure, and local governance (in Hungary, Estonia, France and Ireland).

Slightly more than one quarter of the EU population living in rural areas was exposed to the **risk of poverty** or social exclusion in 2016[46]. The risk was highest in rural Bulgaria and Romania (at 54% and 52% of the rural populations, respectively). Also, more than one third of the rural populations of Greece, Lithuania, Latvia, Spain and Croatia faced the risk of poverty or social exclusion in 2016. A 2017 World Bank study[47] argues that agriculture and the CAP contribute significantly to the **eradication of poverty** in rural areas, 'but that role differs depending on where the country finds itself along the process of structural transformation'. Pillar I decoupled payments and Pillar II payments show a different link to poverty reduction over time, as set out below.

1. For regions with high levels of economic development, Pillar II is the only payment associated with regions in which poverty declined.
2. For regions with low levels of economic development, both Pillar I decoupled payments and Pillar II payments are associated with regions that achieve greater reductions in poverty. However, in regions with low levels of economic development, the magnitude of the correlation for Pillar II is considerably lower than in the regions with high levels of economic development. This suggests a

[46] Source: *Living conditions in Europe 2018 edition*, Eurostat statistical book, European Union, 2018. https://ec.europa.eu/eurostat/documents/3217494/9079352/KS-DZ-18-001-EN-N.pdf/884f6fec-2450-430a-b68d-f12c3012f4d0.

[47] World Bank (2017), *Thinking CAP - supporting agricultural jobs and incomes in the EU*, Regular economic report 4, Washington DC, International Bank for Reconstruction and Development, The World Bank. http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf.

need to improve the basic conditions of quality of life in rural areas, which would improve the returns on the investments made.

The possibility of implementing the European innovation partnership (EIP) for agricultural productivity and sustainability (EIP-AGRI) was a novelty in the 2014-2020 rural development programmes, and was taken up by 26 Member States. The main objective of EIP-AGRI is to promote agricultural innovation that is more resource efficient, productive, climate friendly, and in harmony with the essential natural resources on which farming depends. This objective is partly achieved by bottom-up ‘operational group’ projects. Depending on their theme, these group projects can also contribute indirectly to boosting generational renewal, especially when they involve young farmers. In general, all operational groups help to build **social capital** as they contribute to creating networks of people around different topics to improve and disseminate knowledge.

On the strengthening of social capital in rural areas, it is also worth mentioning the most relevant EIP networking activities. These include: (i) the focus group on new entrants into farming[48]; (ii) the seminar on new skills for digital farming; and (iii) the workshop on innovative solutions for small agricultural and forestry holdings. The focus group dealt with existing or potential solutions to address the challenges faced by newcomers. The seminar helped farmers and farm advisers to develop the skills they need to face the digital transition in agriculture. And the workshop promoted networking among people and projects dealing with innovation and the adoption of new technologies in small farms.

Case studies showed that generational-renewal measures can also promote social capital and governance benefits via collective actions and institutional change. This was the case in Poland, where generational-renewal measures fostered informal cooperation, and led to an increase in social capital. In particular, generational-renewal measures helped to encourage networking among farmers and between farmers and advisers. In Italy, France, Ireland and Hungary, support for young farmers was found to have stimulated cooperation, networking and partnerships among farmers. Other evidence from case studies and national workshops supports this view, and there is also some similar evidence from the literature.

Question 5. To what extent have the CAP measures/instruments relevant for generational renewal impacted directly and indirectly on the maintenance/creation of jobs in rural areas?

Agriculture represents less than 5% of employment in the EU. In Romania, it still employs more than 25% of the population, but in other Member States such as Luxembourg it employs less than 1%. It is a challenge nowadays to encourage young farmers to embrace agriculture as a future career to reverse the damaging demographic trends in agriculture. Encouraging young farmers to enter the agricultural sector, as either a manager or an ordinary employee, can contribute to job creation, greater sustainability and increased efficiency in the EU agricultural sector.

This evaluation question assesses: (i) how many jobs are sustained or created directly by CAP generational-renewal funds; (ii) what the likely scale of multiplier effects is from CAP generational-renewal funding on employment in other sectors; and (iii) how the jobs created contribute to the development of rural areas more broadly.

[48] https://ec.europa.eu/eip/agriculture/en/publications/eip-agri-focus-group-new-entrants-final-report

Figure 12 – Predicted employment impacts of CAP generational-renewal expenditure in Poland, 2014-2020

National employment	Upstream or downstream	Pillar I young farmers: % change from baseline	Pillar II Focus area 2B: % change from baseline
Primary sector	NA	0.62	0.17
Food sector	Downstream	0.13	0.19
Construction	Upstream	0.01	0.02
Trade	Downstream	0.01	0.02
Tourism (Hotel & Restaurants)	Downstream	0.02	0.04
Education	Upstream	0.05	0.08
Public administration	Upstream	0.06	0.09
Other	NA	-0.07	-0.02

Note: The baseline depicts a situation without CAP support.
Source: Evaluation support study.

The CGE modelling work on the Polish economy indicates that support for young farmers under both Pillar I and Pillar II of the CAP creates **employment** in the regional economy in **Poland**. While the overall number of jobs created by each pillar was similar over the programming period 2014-2020, the composition of the employment differed by CAP instrument. The Pillar I supplement for young farmers played a significant role in the primary sector mainly due to its much greater scale, creating 0.62% more jobs compared to the baseline situation without this supplement. The effect in the food sector is smaller but still significant (+0.13% compared to baseline). In the rest of the economy, the role of Pillar I support on jobs is very small, except for public administration (+0.06%). In Poland, the effect of the support under the Pillar II Focus area 2B is smaller than Pillar I in the primary sector (+0.17% jobs). However, the effect of this Pillar II support in the food sector is significant (+0.19% jobs compared to baseline). Pillar II support also has positive effects on education and public administration. However, these are rough estimates for Poland, indicating the general magnitude of impacts, and it cannot be assumed that all these new jobs would be in rural areas.

For rural employment overall, these impacts are small in comparison to wider economic drivers and trends. Polish interviewees from the farming sector also observed that the situation in the labour market in rural areas had reversed compared to 10 years earlier. The interviewees said that there used to be many young people unemployed in rural areas but that now there was almost no unemployment and that employment levels in rural areas were similar to those in urban areas. This creates an important ‘pull’ factor for young farmers.

For **Italy**, case-study findings show some employment effects on beneficiaries of the young-farmers’ package in 2007-2013 (Pillar I and II), as set out in the bullet points below.

In Sicily, farm employment increased by about 1.5 workers per year on average in each farm. This increase was mostly made up of permanent employees (73%), followed by seasonal workers (11%) and family labour (16%).

In one third of new farms in Marche, young farmers started working full-time after the generational change. Before the generational change, they were under-employed. In the other two thirds of new farms, there was no relevant change in employment status (full-time or part-time) after the generational change.

In **France**, the decline in agricultural employment expressed in annual working units between 2007 and 2016 was less marked than the EU average, or in most neighbouring countries. The ex-post evaluation[49] of the French rural development programmes showed that the pattern of declining employment in agriculture slowed markedly after 2010. It is difficult to isolate the role of the rural development programmes in influencing this change (wider economic conditions had a significant influence). However, a dedicated study[50] attempted to do this, and found a positive correlation between support for knowledge exchange/training, agri-environmental measures and diversification on the one hand and levels of employment in agriculture on the other. But this study did not examine support for young farmers specifically. The ex-post evaluation also made an interesting finding about mountain areas that were sustained through considerable CAP support via: (i) aid for areas facing natural constraints; (ii) aid and higher rates of support for investments and the setting up of new farms; and (iii) generational-renewal measures. In these mountain areas, the levels of farm employment were less likely to have fallen than in other regions of France.

In **Hungary**, the most successful CAP measures for retaining the workforce and expanding employment in rural areas were those that supported greater labour intensity and that were implemented alongside greater capital investment.

In **Ireland**, the case study reported that 7 000 new farmers had set up so far during the current programming period. However, the case study did not say what the figure would have been in the absence of CAP support, or how many older farmers retired as these new farms were set up. In Ireland, the impact of generational-renewal measures on employment is likely to be greater when they target labour-intensive forms of agriculture rather than farm succession in capital-intensive sectors where opportunities to expand labour use are limited.

The MCA indicated that CAP spending has a positive impact on the number of young farmers in most rural areas across the EU. The **greatest positive impacts** are on farms in **marginal areas** with scope for economic development. By contrast, the aid might not generate much employment impact in farms located in: (i) areas where the wider economy is depressed or undeveloped; or (ii) completely different and economically buoyant regions where agriculture is capital-intensive.

The case-study evidence shows that the impact of generational-renewal measures on employment is likely to be greater when these measures **target labour-intensive forms of agriculture rather than** farm succession in **capital-intensive sectors** where opportunities to expand labour use are limited. The case study also shows a link between diversified businesses and value-adding business development: generational-renewal aid that helps farmers to re-think their business strategies and have confidence to move into higher value markets are more likely to generate businesses that create new rural jobs. Encouraging farmers to re-think their business strategies in this way also depends on the quality of supporting advice and mentoring. This is because this advice and mentoring needs to give farmers the entrepreneurial confidence to move into new markets or develop supply chains.

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[49] See *Evaluation ex-post du PDRH 2007-2013*, rapport final tome 2, pp.319-332 (création d'emplois) et pp.202-212 (renouvellement des générations) https://www.reseaurural.fr/centre-de-ressources/documents/rapport-final-de-levaluation-ex-post-du-pdrh-2007-2013.

[50] 'Evaluation of the impact of rural development measures on farm labour use: a spatial approach', 2014, Y. Desjeux, P. Dupraz, L. Latruffe, E. Maigne, E. Cahusac,

CAP measures mainly target the **maintenance or protection of farming jobs** rather than the creation of new farming jobs. The case-study evidence shows that generational-renewal measures help to maintain agricultural jobs, particularly in marginal areas. It is also important that support be delivered in a targeted way with advice and training to improve the **quality of those jobs** and the performance of supported businesses. In particular, the World Bank report *Thinking CAP*[51] said that the CAP supported the creation of better (i.e. more remunerative) jobs for the workers who remained behind in agriculture, while it reduced poverty in agricultural areas.

5.2. Efficiency

The evaluation criterion on efficiency aims to show whether the effects (benefits) were achieved at a reasonable cost. This criterion firstly assesses the measures that directly promote generational renewal (Question 6), and secondly assesses the measures that indirectly promote generational renewal (Question 7). It also looks at any possible reduction in administrative burden created by the measures.

5.2.1. Administrative efficiency of the measures to foster generational renewal and quality of life in rural areas

Question 6. To what extent have the relevant CAP measures/instruments been efficient in directly fostering generational renewal?

This evaluation question assesses the estimated administrative costs of delivering support for generational renewal. It also evaluates: (i) how implementation costs vary across Member States/regions: (ii) which measures are most expensive and why; and (iii) whether there are ways to reduce these costs without reducing outcomes.

Interviews and online surveys showed that rural development programmes in some Member States changed significantly from one period to the next. This may cause uncertainty and give rise to additional costs. Another important issue raised by interviewees and respondents in the farming sector was that generational-renewal measures usually address young people that are already interested in these measures and informed about them. However, many young people could avail of funding opportunities but are not able to find out about them.

Efficiency has been measured in **costs** and **time** to complete business start-ups and related investments linked to the business plan. Efficiency varies considerably between: (i) different countries; (ii) different measures that are delivered individually or in packages; and (iii) different delivery approaches and actors within these processes.

Case studies have assessed the costs of delivering support for generational renewal. These costs have been calculated on the basis of: (i) the working time spent in preparing, approving and providing payments for an average application; and (ii) the average salaries of administrative-technical personnel involved in processing applications in some Member States.

For example, the delivery cost of support to Italian young farmers is reasonably low (between EUR 5 000 and 5 500 per application in Marche and Sicily). It is especially low considering that the support package always includes at least two measures (sometimes three) and that these delivery costs represent about 2% of the total public expenditure

[51] http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf

activated by the package in the two regions considered. But there are other Member States where delivery costs are higher. In some regions, a higher cost (such as above EUR 7 000 per application in the French Loire region for Measure 6 on 'Farm and business development') is partly explained by the longer time devoted to advising young farmers on how to prepare the application. This increases the share of delivery costs in total expenditure, but this seems necessary to reach as many farmers as possible and to prepare viable projects. In Haute-Loire, the costs are lower (EUR 4 000 per application). In both French regions, the costs are also lower for investment support (sub-measure 4.1), at between EUR 1 000 and EUR 2 500 per application.

Delivery costs do not include private costs (costs borne exclusively by the applicant), which have been estimated separately in some countries. Private costs strongly depend on the complexity of the application and the size of the investment. In general, the cost of filling in applications has not been expensive in recent times, as it is fully digitalised in most case-study countries. For the installation grant (paid to young farmers setting up their farms for the first time), private costs were estimated at between EUR 375 and 500 per application in Poland, between EUR 400 and 1 000 in Estonia, and around EUR 2 000 in Hungary. In Ireland, the estimated private costs (including the private costs of investment support) vary between EUR 375 and 1 175 depending on the complexity of the application.

Efficiency in **combining different instruments** to promote generational change is more evident in France and Italy. France combines rural-development instruments and national policies to support the preparation of installation-grant applications. Italy mixes different instruments and simplifies the application process for the potential beneficiary in a 'one-stop-shop' approach.

Interviews and case studies show other examples of efficiency and inefficiency in the design and implementation of generational renewal measures under the CAP. In summary, Pillar I support for young farmers is comparatively cheap to deliver. Pillar II aid is perceived by some beneficiaries as relatively simple and easy to access, but it can also be associated with slow processes and relatively high implementation costs. The key factors for administrative efficiency in the delivery of aid include:

- the ratio of applicants to available funds (a high ratio can easily swamp the delivery system and lead to long delays);
- the quality of information (including transparent selection and eligibility processes), advice and support available to applicants to ensure that their plans and applications are of high quality (to reduce delays and repeat requests for more information);
- the level of skills, resourcing and coordination of relevant personnel within the public administration to: (i) facilitate swift and robust appraisal of applications (to enable funding to be offered to the cases offering best additionality); and (ii) smooth the process of associated permissions or checks;
- the ease of operation, continuity, and quality of communications between beneficiaries and administrative/advisory personnel (to encourage trust and efficiency in transactions).

Targeting aid rates – or using selection criteria – appear to be efficient ways to direct policy instruments towards certain issues. There is evidence that adjusting rates of aid in different areas can focus public expenditure on the most fragile areas (mountainous and remote areas).

Efficiency appears to be strongly conditioned by **institutional organisation** at Member State and regional level. Every delivery model must be analysed taking into account any external conditions that hamper the type of delivery undertaken. This is key to any evaluation: the different approaches cannot be assessed only in terms of costs and time; many more factors might play a role.

Most of the policy instruments under examination are less efficient for young **entrepreneurs coming from outside the traditional family-farm setting**, and for those without experience in the agricultural sector. Preparing an application and securing aid takes longer and requires more effort for this group than it does for farm successors. This is because there is an important role played by knowledge transfer from older farmers to younger farmers within a family.

In conclusion, **no significant inefficiency problems were found**. The administrative costs of applying for and processing applications can be considered to be reasonably in line with the size and complexity of the projects. This is especially the case if the projects are implemented under the form of a package of measures.

Question 7. To what extent have all CAP measures/instruments been efficient in fostering generational renewal indirectly, by improving the quality of life in rural areas?

The analysis of this evaluation question is based on the evidence gathered in other evaluation questions. This evidence suggests that generational-renewal measures have a positive, small, indirect impact on quality of life for farmers. A focus on generational renewal without a balancing investment in wider rural development is a restrictive and insufficient approach. It therefore seems clear that, to maximise the potential for generational-renewal measures to enhance quality of life, it is important to see them as only one component of a broader mixture of essential interventions.

Rural-development aid, in complement to other EU policies such as the regional and cohesion funds, that promotes rural economic diversification, added-value, better services, and better infrastructure (including broadband) is potentially vital to improving the broader economic climate, particularly in remote areas. Within the rural development programmes, the share of funding devoted to economic diversification, job creation and rural services (including broadband, transport and social/community activities) is relatively small (around 15%). However, from the interviews and secondary evidence reviewed, this expenditure brings value at local level and indirectly promotes generational renewal. For example, in Member States that fund the development of **broadband** access with EAFRD, there is a direct link between the funded operations and the impact achieved: in Lithuania, next-generation-access (NGA) broadband in rural areas increased from 15.6% to 28.7% between 2015 and 2019, while in Sweden it went up from 13.9% to 40.9%.

In addition, several case studies showed that the significant expenditure on agri-environment-climate measures and on support for areas facing natural constraints had an indirect but important effect on generational renewal. This aid does not have a direct impact on rural quality of life understood more broadly. However, it helps significantly to **keep farmers** in the business by meeting their income needs, particularly in economically marginal areas. This is seen as important by interviewees for maintaining communities and cultural value in these places.

Without Pillar I support, modelling exercises showed that many farms would be unviable and that agricultural employment would decline. But studies reached different conclusions about the effects of this on rural quality of life. Some studies suggested that this could lead to a decline in the quality of rural life associated with further rural depopulation. Other studies suggested it could release resources from agriculture which could stimulate other kinds of rural added value or economic activity, adding to rural quality of life. To add to this complexity, the diversity of situations of rural change described in the case studies means that the balance of positive and negative impacts of direct payments on rural quality of life depends critically on wider socioeconomic conditions and on other economic and social policies. These conditions and policies vary considerably between countries and regions.

The EAFRD accounted for only 23% of European Structural and Investment Funds (ESIF) spending in the 2014-2020 period. The execution rate of EAFRD (60%) is the highest, together with the Youth Employment Initiative.

5.2.2. Administrative burden

Question 8. What is the administrative burden of the relevant CAP measures/instruments linked to generational renewal: (i) at the level of the beneficiaries; (ii) at the level of Member-State administrations; and (iii) at EU level?

Efficiency is also affected by administrative burden. This question seeks to ascertain: (i) to what extent accessing and delivering generational-renewal measures is felt as a heavy administrative burden on applicants and delivery bodies; and (ii) whether there is scope to reduce this burden. It also asks at which policy level the burdens arise, so that remedial actions can be targeted appropriately.

Evidence from the case studies shows that **time** requirements differ across programmes and depend on three broad categories of factors: (i) the requirements of the rural development programme (designed by Member States); (ii) the role of institutions and the private sector; and (iii) general socioeconomic factors. Inefficiency arises due to inadequate support to farmers when they are preparing their applications. This is a specific problem in Poland and Belgium (Flanders), where case studies highlighted incomplete applications and the delays they cause in the approval process. More complex projects usually require more time, both in the assessment and implementing phases. This is because business plans often cover: (i) new buildings or the restructuring of already existing buildings (Poland, Hungary and, Ireland); (ii) more innovative investments (Sicily and Marche); or (iii) the diversification of farm activities (Hungary).

According to interviewees from the farming sector, few people can apply to a rural-development scheme without **help** and this **implies a cost**. For example, the application processes for Measures 6 (farm and business development) and 4 (investment in physical assets) can be complicated for applicants. These processes may therefore require skills beyond applicants' knowledge and expertise. Furthermore, advice is not always relevant or accessible. In countries where the government provides an advisory service, it is easier for interested young farmers to apply for funding. Provision of private advisory services may vary. For example, in remote areas, private advisory services may be non-existent because there is a limited market for them. Other issues arise from the perceived relationship of applicants to Member-State authorities. Interviewees from the farming sector reported that, in some Member States, young farmers wanting to access Pillar II measures have become frustrated with the amount of detail they must provide and the strict checks on applications. Some of the referred interviewees concluded that with less administrative burden – or more help from effective advisory services – farmers could better concentrate on effective and innovative entrepreneurship.

Literature reviews show mixed findings on the impact of bureaucracy. Some found excessive administration and strict requirements to be a barrier to farmers accessing support. Other studies reported cases where the administrative requirements – specifically, the requirement to submit a business plan – were found to be positive. This is because these requirements discouraged less entrepreneurial farmers, and taught new skills to those who persevered. Some studies found that farmers were only able to complete the paperwork with mentoring support. This support could be costly if not provided by government schemes, but it had a positive outcome by teaching new skills.

The evaluator in charge of the support study sent a questionnaire to public officials working in bodies managing rural development to evaluate data on the time it took to deliver development aid across the EU. The results of the questionnaire compared **delivery times** in Poland, France (Loire) and Italy (Marche and Sicily). These results show that the preparation of applications in the Loire took longer than in other countries. This was due to the specific accompanying programme of supporting advice/training and planning. Italian application packages also take longer than average to approve and complete (especially in Marche). In the specific case of Marche, these longer times are due to the increasing difficulties faced by farms in: (i) covering investment costs with their own money during the transition period before the new production is set up; and (ii) finding credit support from banks. The administrative capacity of regional/local offices plays a crucial role in delivery time in Hungary and Italy. This capacity depends on the number of people involved and the ratio between technical officials and applications submitted. Delays in getting funds from paying agencies were emphasised by case studies from Belgium, Hungary and Italy. In particular, delays are linked to the procedure set up by the paying agency to check payment claims.

Changes in implementing rules (between calls, from one programming period to the next, or even within the same programming period) often affect the speed of preparation/submission of applications by potential beneficiaries.

The application process for these measures may also be made more burdensome for applicants by **poor policy design or inadequate resourcing at national or local levels**. This can lead to a lack of administrative personnel to make appropriate checks and take decisions. Proper interpretation of legal and other requirements (such as planning permissions) can also delay the process and increase the perceived administrative burden by interviewees and applicants in the farming sector. In addition, the need to comply with the selection criteria of individual measures, and the practice of financial allocation by individual measures, unnecessarily increases the complexity of selecting packages of measures and managing financial resources within the package.

The **delivery costs** (i.e. the costs of management and checks) for the whole CAP budget borne by **Member States** are estimated at 3.5% of CAP expenditure[52]. This is significantly less for direct payments (2.1%) than for rural development (5.4%). This level is very reasonable and the CAP is cost-effective. For **beneficiaries**, delivery costs related to rural-development measures were estimated in 2011 at 4.7% of total public expenditure (including national co-financing)[53].

5.3. Coherence

The evaluation criterion on coherence aims at demonstrating: (i) whether the intervention contradicts other interventions with similar objectives; and (ii) whether the intervention works well together with other EU interventions. The coherence analysis assesses the

[52] https://ec.europa.eu/info/publications/annual-activity-report-2019-agriculture-and-rural-development_en

[53] SWD(2018)318final – Impact assessment - https://eur-lex.europa.eu/resource.html?uri=cellar:c1206abb-65a0-11e8-ab9c-01aa75ed71a1.0001.02/DOC_3&format=PDF.

‘internal’ coherence (how the different components of the interventions interact with each other) and ‘external coherence’ (how the different components of the interventions interact with other interventions at EU, Member States or international level). This chapter also assesses the influence of external factors on CAP measures.

5.3.1. Coherence of relevant CAP measures linked to generational renewal with each other

9. To what extent are the relevant CAP measures/instruments linked to generational renewal in rural areas coherent with each other?

This evaluation question evaluates: (i) to what extent the different measures work together to support generational renewal in rural areas; (ii) how effective integrated approaches/projects (combining different measures) are in supporting young farmers and/or entrepreneurs; and (iii) whether there is good local coordination at the point of delivery of the generational-renewal measures.

The extent to which measures/instruments linked to generational renewal are coherent with each other varies across the case studies. The delivery models vary, but in general, measures are considered to be mutually supportive with a high degree of synergies. Delivery models range from single measures of support (Belgium (Flanders), Estonia, Poland and Ireland) to complex integrated packages[54] (Italy, Hungary and France). In Belgium (Flanders), Poland, Estonia and Ireland, no coordinated packages of measures are offered, although the managing authorities and beneficiaries have identified synergies between the measures proposed.

The main parts of the integrated packages analysed in the case studies are set out in the points below[55].

1. In Italy, the so-called young-farmers’ package builds on the integrated use of start-up aid with measures on business plans, farm diversification and other investments from the rural-development-programmes (RDP) menu. The direct-payment support to young farmers is not part of the package.
2. In Hungary, the young-farmer thematic sub-programme supports the start-up and development of farms by enhancing knowledge, developing practical skills, and offering consulting and mentoring.
3. In France, complementarity between measures is particularly strong for the livestock sectors and in areas facing natural constraints. This is because of: (i) the elimination of the age limit for support in areas facing natural constraints; (ii) the revaluation of income-support entitlements in disadvantaged areas; and (iii) the lowering of minimum density thresholds.

There are also a few interesting examples of coherence in Member States that do not implement integrated packages. These examples are set out below.

1. In Ireland, young-farmer schemes under Pillars I and II of the CAP are mutually supportive. These schemes include: (i) Pillar I young-farmers’ support; (ii) the national reserve[56]; (iii) the top-up investment aid; and (iv) legal advice through the

[54] Integrated packages are packages that include several measures tailored to one objective (e.g. young farmers). The main benefit of this approach is that it is a single entry point for young farmers to benefit from all the support they are entitled to, thus reducing administrative burden.

[55] See also Annex 6.

[56] More information on the Irish national reserve is provided here: https://www.gov.ie/en/service/a53f86-national-reserve-young-farmer-category/.

cooperation measure. These four measures operate together to create registered farm partnerships.

2. In Estonia, young farmers receive a higher level of financial support in Measures 6 (farm and business development) and 4 (investment). Estonia was the first Member State to launch EAFRD financial instruments for young farmers during the 2014-2020 programming period. The objective of the financial instruments is to improve access to credit for micro, small and medium-sized agricultural and rural enterprises.
3. In Poland, young interviewees underlined how the coherence of the country's three measures for young farmers helped to encourage them in their decision to run farm businesses. One young interviewee explained that he was encouraged to take over a farm when his father took early retirement, and that the young farmer had himself benefited from start-up-support and the income-support supplement.

Across the examined case studies, the various Pillar I and Pillar II generational-renewal measures were found coherent with each other. Nevertheless, some case-study reports showed more coherence than others. In general, while serving different purposes[57], the two Pillars support each other by having a common goal of supporting generational renewal. The coherence is especially strong where integrated packages or multi-measure approaches are designed and implemented. In addition, young-farmer supplements under Pillar I are being modified in some countries to improve coherence with modernisation programmes.

However, as reflected in the European Parliament study, in some local situations[58] Pillar I payments can limit land availability by keeping older farmers in business. These payments can therefore make it more difficult for Pillar II measures to be implemented to the greatest effect, particularly for new entrants in agriculture that do not inherit land.

In addition, the World Bank report argues:

CAP subsidies drive up the price of land, making it more difficult for potential new farmers, including the young and the poor, to enter agriculture and for existing farms to expand through renting or purchasing land. Land prices, of course, depend on many factors, other than CAP subsidies (coupled or decoupled): land-market regulations, commodity prices, infrastructure provision, interest rates, urbanisation, taxation, etc."

5.3.2. Coherence of relevant CAP measures with other EU policies

Question 10. To what extent are the relevant CAP measures/instruments linked to generational renewal coherent with other EU policies and actions?

The CAP intervention needs to be coherent with other EU interventions on generational renewal, local development, and employment in rural areas.

This evaluation question therefore evaluates to what extent the CAP measures of the EAFRD are coherent with other funds within the Common Strategic Framework (CSF): (i) the European Regional Development Fund (ERDF); (ii) the European Social Fund (ESF); and (iii) in coastal areas, the European Maritime and Fisheries Fund (EMFF). More particularly, this question evaluates whether: (i) these measures contradict or duplicate other CAP funding and goals; and (ii) there is good local, regional and national coordination between CAP generational-renewal measures and other EU policy measures.

[57] Pillar I measures aim to provide direct income support to beneficiaries, whereas Pillar II measures aim to improve the development of rural areas.

[58] As reflected in the European Parliament study as well.

The EAFRD represents around 23% of the CSF funds. By Member States, Poland gets the most funding from the CSF budget, followed by Italy. Luxembourg and Malta get the least funding from the CSF budget. In addition to the EAFRD (which finances rural development), there is the European Agricultural Guarantee Fund (EAGF), which finances direct payments, including the supplement to young farmers.

Case-study interviewees perceived there to be limited coherence between the relevant CAP measures on generational renewal and other EU or national policies. There are some national-level strategies (e.g. in Ireland) where: (i) clear links are drawn between EU and national-level policies; and (ii) support is targeted at rural areas. These national-level strategies lead to a perception of coherent delivery. However, there is little evidence of any integrated delivery or interaction between CAP measures on generational renewal and other EU or national policies.

Through the new CSF, there is a requirement for the planning of rural development programmes to coordinate closely with Member States' programming of the other EU CSF funds. This has encouraged a more disciplined and strategic approach to the coordination and complementarity of funding than existed previously. However, much still depends on the quality of communication processes at Member-State level. Coordination at Member-State level and the drafting of a common strategic document at EU level (partnership agreement) help to reduce conflict and overlap between the main funds of the CSF and EAFRD.

There is also coherence with research funding. On EU research, there are relevant projects running under the Horizon 2020 programme for EU research, which examine the challenges of generational renewal in Europe's rural areas and provide possible solutions to these challenges. The evaluation has not found direct evidence of these studies working in a coherent way with CAP funding. Nevertheless, these studies are able to increase understanding of the challenges of generational renewal in these contexts and ways to overcome these challenges.

The Commission is currently running several research projects on generational renewal in farming. One of these is a thematic network on new entrants into farming called NEWBIE[59] (a coordination and support action with a budget of EUR 2 million). These projects look at 'entry models' and 'business models' of new entrants (both 'successors' who have inherited farms and people who enter with no family background) and at their needs for support. The aim of the project is to produce tools and knowledge to facilitate entry into farming. The NEWBIE project is based on 90 case studies in nine countries, all illustrated through a storytelling video gallery[60] that can inspire other newcomers. The analysis of the NEWBIE case studies highlighted a lack of knowledge and data on new entrants to farming in the nine countries analysed. This analysis also revealed that access to land, finance, markets, knowledge and appropriate advice (especially on the formulation of business plans) were the main barriers to entering the sector.

After NEWBIE, two research and innovation actions (costing EUR 6 million each), RURALIZATION[61] and POLIRURAL[62], started in May and June 2019, respectively. Both projects analyse the drivers and trends affecting rural demography and conduct foresight activities (results in 2021). RURALIZATION is working on an inventory of

[59] CORDIS factsheet: https://cordis.europa.eu/project/rcn/212394/factsheet/en.
Project website: http://www.newbie-academy.eu/.

[60] http://www.newbie-academy.eu/word-map/

[61] CORDIS factsheet: https://cordis.europa.eu/project/id/817642 - Project website: https://ruralization.eu/.

[62] CORDIS factsheet: https://cordis.europa.eu/project/id/818496 - Project website: https://polirural.eu/.

'futures dreams' by the youth. It is also: (i) studying promising practices enabling rural newcomers, new entrants to farming, and farm successors to settle in rural areas; and (ii) analysing rules, policies and actions that can improve access to land. The RURALIZATION team has published 10 country factsheets providing an overview of the situation for newcomers to rural areas and farming[63]. In addition to the challenges identified in NEWBIE, the RURALIZATION team highlights difficulties for newcomers in integrating into rural communities. POLIRURAL has developed a participatory vision of rural attractiveness alongside data analysis and modelling tools[64]. The three projects were inspired by the focus group on new entrants into farming[65] conducted by the EIP-AGRI[66].

There is also coherence with the EIB. In April 2019, then-Commissioner for Agriculture Phil Hogan and the EIB Vice-President Andrew McDowell launched an initiative on young farmers jointly run by the European Commission and the EIB. The initiative aims to bring together all forms of EAFRD support and the financial firepower and expertise of the EIB group. The main building blocks of the initiative are:

- a new EIB lending envelope of EUR 1 billion for farmers, channelled through specialised intermediary banks, and with a dedicated component for young farmers with several preferential conditions;
- continued use of EAFRD grants for young farmers and start-ups, which may also be used as interest-rate subsidies or for technical assistance;
- EIB advisory support through fi-compass, or on a bilateral basis, to EAFRD managing authorities.

Managing authorities might also benefit from the expertise of the European Investment Fund (EIF) in managing EAFRD-backed financial instruments to secure additional funding and expertise from specialised financial intermediaries[67].

5.3.3. Influence of external factors

11. To what extent are the CAP measures on generational renewal influenced positively or negatively by external factors?

14. What are the external factors that affect the CAP policies on generational renewal?

External factors may help or hinder the policy measures. For generational renewal, these external factors play a major role and can directly act as entry barriers for newcomers in agriculture.

Firstly, on **access to land,** institutional arrangements (e.g. tax regimes, rules on land management, rules on tenure, inheritance laws) economic factors (e.g. land availability and prices), and socio-cultural factors (e.g. retirement support and access to pensions/housing for older farmers) can play a major role in reducing land availability and affordability. Secondly, on **access to knowledge**, the provision of advice depends on the national institutional situation (for example, if there are institutions in the country that

63 https://ruralization.eu/2020/12/15/facilitating-rural-newcomers-new-entrants-into-farming-and-successors-eu-countries-conceptualization/

64 https://polirural.eu/resources/reports/

65 https://ec.europa.eu/eip/agriculture/en/focus-groups/new-entrants-farming-lessons-foster-innovation-and

66 https://ec.europa.eu/eip/agriculture/en/publications/eip-agri-focus-group-new-entrants-final-report

67 Source: EIB (fi-compass): https://www.fi-compass.eu/news/2019/05/eur-1-billion-europes-next-generation-farmers.

can provide advice to young farmers). Thirdly, on **access to credit,** economic factors make it financially risky to provide young farmers that are just starting their businesses with many loans. Finally, the **attractiveness of rural areas** is determined much more by external factors (job opportunities, poverty, access to broadband, health and school services) than by the CAP or any other EU policy.

Many of these aspects are decided by the Member States themselves, and there is therefore a large variety of situations in the EU.

Access to land, credit and knowledge are discussed in detail in Chapter 5.4 on relevance.

External factors that prevent generational renewal in agriculture and rural areas also include: (i) lack of succession planning; (ii) tax incentives and financial penalties for the early transfer of property; (iii) cultural perceptions about the importance of keeping land in the family; (iv) fears of retirement, primarily due to inadequate safety nets for pensioners; and (v) young people's negative perceptions of agricultural work or rural quality of life. The barriers created are often region-specific, and they are linked to the presence or absence of opportunities in each area for farm and non-farm employment.

Related national policies cover issues such as: (i) land inheritance; (ii) taxation of land; (iii) transfers of property and business assets; and (iv) requirements to rent land. According to evidence from the case studies, in Member States that take a coherent approach to generational renewal, these national policies generally work in parallel with, and complementary to, CAP generational-renewal support.

These **positive examples** include the comprehensive approaches detailed in the case studies in France and Italy on access to land (e.g. the *Societés d'Aménagement Foncier et d'Établissement Rural* – SAFER - in France). Another positive example is the high degree of coherence in both countries between young-farmer payments and national policies on: (i) land mobility or access; (ii) advice and training; and (iii) institutional options for farm transfer between generations. In addition, there is more limited – but still significant – help in promoting generational-renewal measures in: (i) Flanders (social support and training); (ii) Ireland (the Land Mobility Service and the management of the mandatory national reserve for the basic-payment scheme); (iii) Hungary (help provided through national and local governance); and (iv) Poland's land laws. However, there are also examples where complementarity is lacking, and some national policies hinder the effectiveness of CAP policies. This is the case with inheritance tax in Hungary, for example.

On schemes that support land transfer, some interviewees from the farming sector declared that Germany's *Höfeordnung* was a helpful instrument in enabling farm succession. Others cited the UK's: (i) inheritance-tax-relief schemes; (ii) shorter-term farm-business tenancies; (iii) large private/public partnerships offering starter tenancies; and (iv) farming partnerships between parents and younger farmers to allow gradual transfer of assets.

Strong **cultural norms and traditions** can either help or significantly hinder effective generational renewal as promoted via the CAP. Tackling these norms and traditions may require interventions that go far beyond the realm of the CAP. Member States have used advice programmes, mentoring and other information events designed to change people's preconceptions about: (i) farming as a career; or (ii) the challenges of living far away from a big city. These activities have had mixed results.

EU-level interviewees discussed **rural disadvantage** and its causes. In remote areas, many said that roads are hardly maintained and local public transport can be very expensive, if it exists at all. Rural areas that have received significant public or private investment in infrastructure, housing and services will tend to be much more attractive to young people.

Spatial-planning policies are also directly relevant to the development and diversification of farms in ways that are commonly associated with generational-renewal plans. In general, these policies are not a problem. However, they are a frequent cause of delayed processes when farmers and others apply for investment or start-up aid, but the funding is conditional on them having already obtained prior planning consent.

In some respects, the limits to what can be achieved for generational renewal with the CAP are mostly limits of funding. However, the instruments under Pillar II of the CAP have expanded. These instruments now include measures with institutional capabilities – notably Measure 16 on cooperation. These measures mean that it is now increasingly possible to integrate CAP measures into stronger and more supportive institutional frameworks to promote generational renewal. These frameworks can be built in a variety of different historical, cultural and legislative contexts.

The key to successful interaction between CAP measures and non-CAP measures is the intelligent design of generational-renewal measures in full knowledge of the impacts and influence of the other instruments and initiatives. This requires good analytical capability and continuous monitoring and evaluation.

5.4. Relevance

The relevance analysis looks at the relationship between the needs and problems in society and the objective of the generational-renewal intervention. The analysis focuses on: (i) the main entry barriers to farming; (ii) the ability of the CAP to lower these barriers; and (iii) the relevance of the CAP in creating/maintaining jobs in agriculture. Chapter 5.6 addresses jobs outside the agricultural sector.

5.4.1. The CAP’s success in addressing the main entry barriers for young farmers

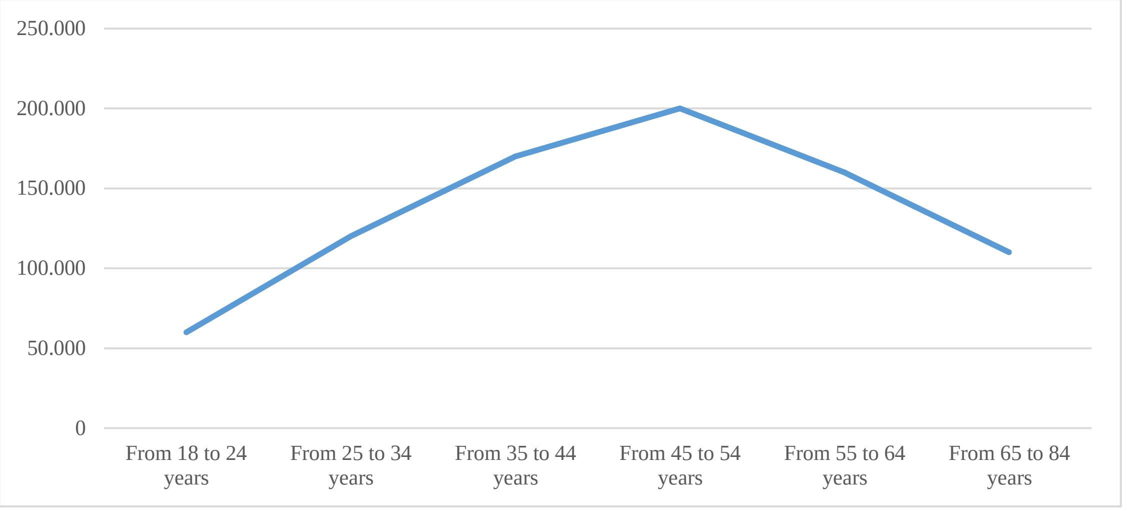
Question 12. To what extent have the CAP measures/instruments focusing on generational renewal been relevant in enabling generational renewal in agriculture? Do they correspond to the needs identified, in particular enabling access to: a) land? b) capital? c) knowledge?

This evaluation question assesses whether CAP measures enabling generational renewal in agriculture improve access to land, capital and knowledge.

The public consultation demonstrated that the main barriers to becoming a farmer (Question 8) are: ‘low profitability’ (cited by 23% of respondents), ‘high prices of land’ (cited by 17%), ‘administrative requirements’ (cited by 13%), and ‘a lack of available land’ (cited by 14%). In addition, according to the farmers questioned, the CAP should better help young farmers or other young rural entrepreneurs (Question 29) by ‘supporting business start-ups’ (18% agreed), followed by ‘incentivising the transfer of farms and providing more support for investments’ (17% agreed).

On average in the EU, the **capital per farm** is close to EUR 200 000 for farmers aged 45 to 54. The youngest farmers (below 24) start with average farm capital of EUR 50 000 and they invest heavily when they get started.

Figure 13 – EU average farm capital per farm in EUR by age class of farmers (average 2012-2016).



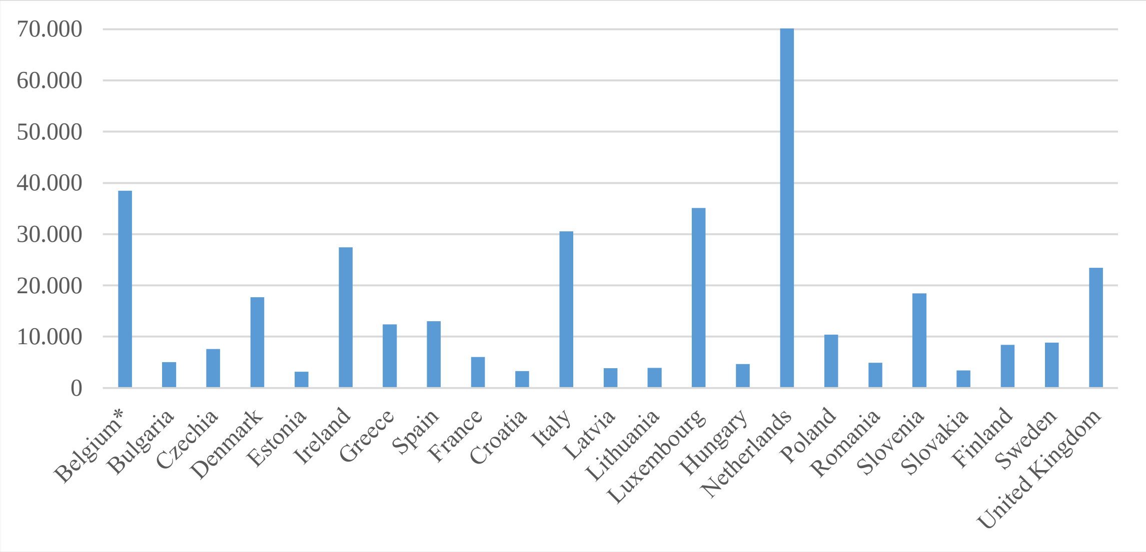
Source: DG Agriculture and Rural Development, based on FADN 'CAP-specific objectives… explained' – brief No 7 - Structural change and generational renewal'.

The survey report conducted by the European Commission in 2018 (fi-compass report[68]) indicated that **access to finance**, especially bank loans, was critical for 12% of all farmers using banks for investment. Access to finance was critical for 10% of farmers using banks for working capital. Access to finance was particularly difficult in Greece (where more than half of farms experienced difficulties in accessing finance in 2017), Estonia, Hungary, Lithuania, Bulgaria and Portugal. For farms in Poland, Sweden, Italy and Austria, access to finance was less problematic than for the rest of the EU. Farms run by young farmers are less successful in obtaining finance across all types of financial product. More than a quarter (27%) of all applications submitted by young farmers in the EU are rejected by banks compared to a much lower rate of 9% rejection for older farmers. Banks refuse financing due to: (i) the high risk associated with the business and the young farmer himself or herself (in 60% of all cases); (ii) the lack of collateral (24%); or inadequate business plans (18% of all cases). There are quite significant differences between Member States in their refusal of finance to young farmers.

There is great variation in arable **land prices** between – and in some cases within – Member States. On average, arable land prices are the highest in the Netherlands, where they are above EUR 70 000/ha, while the lowest prices are found in Estonia, Latvia and Lithuania (below EUR 3 000/ha). This variation can also be seen in rental prices for land. Land rental prices are the highest on average in the Netherlands, at around EUR 800/ha with a wide distribution (from more than EUR 1 500/ha to more than EUR 600/ha). The lowest rent prices can be found in Latvia (less than EUR 100/ha).

[68] DG AGRI fi-compass (2018) Survey report on financial needs and access to finance for EU agricultural enterprises: https://www.fi-compass.eu/sites/default/files/publications/Survey_on_financial_needs_and_access_to_finance_of_EU_agricultural_enterprises_0.pdf.

Figure 14 – Arable land prices in the EU, 2018 (EUR per hectare)



Note: * For Belgium, the value corresponds to 2014 as it is the most recent value available.
Source: DG Agriculture and Rural Development, based on Eurostat, Agricultural land prices.

A new entrant to farming will often take over an existing farm, since most suitable land is already in use. Land may be difficult to find for this new entrant if it is not inherited. The higher proportion of rented land among young farmers indicates their desire to increase the size of their farming operation.

A European Parliament study[69] stated that '**access to land** is the major barrier for young farmers and new entrants. Dealing with this problem requires re-evaluation of the direct-payment scheme and creating incentives for older farmers to pass their farms on to younger generations[70]'.

The CAP also has an impact on **the ease of buying and selling land**. On this issue, the European Council of Young Farmers (CEJA) reported in its 2013 *Recommendations for enhancing youth employment in agriculture for a more sustainable Europe* that access to land and access to credit were the main barriers faced by young people attempting to enter the agricultural sector. On access to land, CEJA therefore recommends promoting new models of collaboration between generations. These models could include: (i) partnership; (ii) share-farming; (iii) long-term leasing and other contractual arrangements; and (iv) promoting the concept of retirement planning.

On **inheritance**, some interviewees from the farming sector declared that inheritance was the main way young farmers have access to land (Sweden, Greece, Ireland, Latvia, Malta, Slovenia, Finland and Lithuania). Other interviewees from the farming sector said that the inheritance tax in their countries was very high (Finland, Greece, Ireland, the Netherlands and Belgium), while interviewees from other countries said that tax relief was available for land transfer (Czechia, Ireland and Sweden). Some interviewees said that inheritance laws were complicated (UK, Sweden, Austria and Malta) while others said that inheritance was facilitated through legislation (Lithuania, Germany and Latvia).

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69 European Parliament (EP): Study 'Research for AGRI Committee – Young farmers – Policy implementation after the 2013 CAP reform', DG for internal policies, policy department B – Structural and cohesion policies, (2017): http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf.

70 This would mean that, in some cases, direct payments do not work consistently with Pillar II support for setting up new farms.

On the **availability of land** to purchase or lease, some interviewees from the farming sector declared that there was a shortage of available land (Ireland and Slovakia). Others added that land for purchase or lease was scarce and expensive (Sweden, Italy, Czechia and Greece). Farmland is sometimes extremely fragmented due to inheritance traditions which mean it is shared by multiple heirs (a problem cited by interviewees from Spain, Greece and Italy). By contrast, in Denmark respondents declared that land was a free market and not a specific source of concern. Others added that land needed to be bought from siblings or parents (Sweden, Austria and Finland) and that this requires capital. Other interviewees said that banks did not give loans for purchasing or leasing land (Sweden). Other interviewees said that available fertile land was too costly to buy or lease for most farmers (Ireland).

On **skills**, most respondents to the public consultation from organisations said the CAP should improve its contribution to rural areas (Question 28) in 'fostering innovation through knowledge transfer, advice and vocational training'. Individual members of the public said the CAP should better help young farmers or other young rural entrepreneurs (Question 29) by 'supporting knowledge transfer, advice and vocational training' (20% agreed) followed by 'supporting business start-ups' (19% agreed) and 'supporting new forms of cooperation' (16% agreed).

The case studies demonstrated that there are agricultural colleges in most Member States. The increase in knowledge among young farmers makes it possible for them to access young-farmer support under Pillar I and Pillar II investment aid at a higher support rate.

The staff working document on the findings of the evaluations of European Structural and Investment Funds programmes[71] states that: 'the quantification of secondary contributions (…) helped showing the cross-cutting contribution of measures related to knowledge transfer (e.g. training, farm-advisory services, pilot projects) towards other rural-development-programme focus areas', such as generational renewal.

The 2019 EESC report also said that it would be beneficial for generational renewal to invest more in **soft measures** (education and social conditions). Although some Member States have provided education and training facilities for young farmers, there is evidence that funding for education and training needs to be increased. The report added that 'coordinated implementation of communication and guidance programmes is important' and that 'the entrepreneurial skills development programmes could make an important contribution to the start-up and successful functioning of autonomous agricultural enterprises'. Finally, the report considered that the strategic plans of the future CAP should include a section on education in the agricultural schools to promote the positive contribution of agriculture to the broader economy.

The European Parliament study released in 2017 also stressed that 'new forms of support should be taken into account, accentuating innovative ways of sharing knowledge and targeted support for specific farm businesses, focusing on particular scales and forms of agriculture'.

Access to land, capital and knowledge are indeed key factors in ensuring successful generational renewal in EU agriculture. However, these factors vary considerably in importance across the EU, and play a different role in each Member State and area. This means that the best mechanisms for improving access to land capital and knowledge will also be different in every area. As a simple example, we can consider the contrasting

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[71] SWD(2019) 445 final: https://ec.europa.eu/regional_policy/en/information/publications/evaluations/2019/synthesis-of-the-findings-of-the-evaluations-of-european-structural-and-investment-funds-programmes.

cases of: (i) highly productive and capital-intensive agricultural systems and sectors; versus (ii) economically marginal, remote, low-intensity agriculture in rural areas with few other economic activities. In the first case, the barriers to accessing land will include high prices from competition by established businesses and perhaps competition from non-farm uses. The second situation may also lead to high land prices, but for a different reason. In the second case, older farmers may retain land as security even though their earnings are low, because they have few alternatives. In the first case, access to capital may not be an issue in principle, but the young farmer's need for capital to buy out the existing farm (even from a parent) can be a challenge until the younger generation has amassed enough assets against which to generate a bank loan. In the second case, capital needs may not be high, but renovating a semi-abandoned holding will nonetheless require some investment and the young farmers will probably lack the proof of viability or asset value that may be demanded by banks to borrow. On knowledge, the first case may not find this to be an issue for a successor, whereas in the second case it is a major challenge to be able to develop new business models that can innovate and enhance farm profitability.

Overall, CAP generational-renewal measures appear to play only a modest role in enabling: (i) land to change ownership easily; and (ii) young farmers to gain access to land. The CAP provides financial support to young farmers, and direct payments represent a guarantee that makes banks more inclined to grant access to credit. However, the availability of credit alone does not free up the land market (as shown from the case-study experiences of Poland, Estonia and Ireland). The effectiveness of the CAP measures is enhanced if they are combined with appropriate national policies that support land transfers, such as: (i) the Irish service to promote land transfer; (ii) favourable attitudes among agricultural banks; (iii) interest-free loan facilities; or (iv) credit associations that reduce the cost of borrowing in favour of young farmers. In these situations, it is a combination of factors that provides a secure route to accessing land and capital: (i) a national effort; (ii) CAP funding for start-ups; (iii) investments; (iv) advice; (v) training; and/or (vi) cooperation.

The Member States with the longest history of supporting generational renewal in agriculture through the CAP also tend to be those that have developed the most versatile and multi-faceted approaches to facilitating access to land and capital through national policies, institutions and legislation. For example, France has made access to land easier via the SAFER[72] land agencies and institutional options for gradual land transfer such as GAECs[73]. In Italy, the two case-study areas had interesting local examples of how agencies and legal entities can facilitate access to land for young farmers and new entrants when supported by national policies (see evaluation Question 12). Training and advice for young farmers funded by the CAP can also help young farmers to explore their options for accessing land. In addition, they can help them to become more proficient in planning carefully so that they choose wisely between options such as purchasing or leasing, and partnerships or share-farming arrangements.

Other interviewees added that EU rural-development grants to support farm businesses helped to incentivise land transfers (Greece). Some declared that tax relief for farmers to lease land over long periods was also helpful (Ireland). And other interviewees added that public land was available for lease to young farmers (Czechia).

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[72] SAFER is *Société d´aménagement foncier et d´établissement rural* or the Land Development and Rural Establishment Company.

[73] GAEC is *Groupement Agricole d'Exploitation en Commun* or Joint Farming Group.

There is also a need to consider mechanisms to **help older farmers to release land** by providing them with: (i) options for the gradual transfer of assets; and (ii) ways to increase their retirement income or quality of life, possibly by exploring possibilities under social policy. Some case-study evidence (Ireland and France) showed that the former CAP early-retirement measure had not been appropriately designed to fit the specific needs and concerns of older farmers. This was because it required the older farmer to completely cease farming activities and involvement in the farm.

The World Bank report acknowledged that the 'CAP does (…) provide an important social safety net for existing landowners, including the elderly'. Older farmers may be unwilling to sell land, and in several case studies (Ireland, Hungary, France and Italy) beneficiaries and some government officials stated that farmers use direct payments as a form of income support in retirement. This increases older farmers' reluctance to make the land available to younger farmers (although share-farming might provide such an opportunity). In more market-oriented economies (like Denmark, the UK, or Belgium-Flanders) where land comes more easily onto the market, land is still expensive and requires access to significant resources for anyone who needs to rent or buy it (most likely for non-family entrants to farming).

In its report[74], the EESC recommended that the Member States create a specific legal framework for farm transfers, saying that 'Member States should incentivise generational renewal by minimising the costs and taxation associated with the inter-generational transfer of farms'.

On relevance, the following conclusions can be drawn about CAP support for generational renewal.

1. The support provides **funding to assist with general costs** for young farmers setting up their farms for the first time (Pillar I supplement and installation grant). It also provides investment and basic income support in the early years of a young farmer's activity. But this support will often be insufficient on its own to address the barriers described in this study. This is because either those barriers are non-financial (e.g. where very little land is available on the market) or the support on its own does not unlock **access to the capital** that may be needed for young farmers to start out in farming.
2. CAP generational-renewal measures that involve financial support play only a modest role in enabling young farmers to gain **access to land**. By contrast, in some regions this financial support contributes to increasing **land prices** although it is not the only factor affecting land prices, especially in the most productive areas or in areas where competition for non-agricultural use is very high.
3. The CAP tends to slow down **land release by older farmers**, providing them income support in retirement, in the absence of adequate pension systems.
4. The most effective types of support are those that promote cooperation, innovation, training, advice, and **access to knowledge**. The cooperation measure can be used to create new forms of incorporated business that facilitate inter-generational transfer (as in Ireland with its farm-partnership scheme). Support for innovation, training and advice can also help to: (i) raise farmers' awareness and confidence to manage land transfers effectively; and (ii) prepare the young farmer for a successful start in business. It is also essential to develop basic services such as

[74] EESC: Information report *Evaluation of the impact of the CAP on generational renewal*, NAT/766 – EESC-2019-02014-00-00-RI-TRA (EN), Section for Agriculture, Rural development and the Environment, (2019): https://www.eesc.europa.eu/en/our-work/opinions-information-reports/information-reports/evaluation-impact-cap-generational-renewal.

broadband. These are essential tools that allow young farmers to access knowledge and information. However, these tools are not sufficient on their own to guarantee farmers access to knowledge.

5. Support that promotes rural economic diversification and added value may not appear directly relevant to the needs of young farmers. Nonetheless, it may be important in **improving broader economic conditions**. The availability of nearby off-farm work for young farmers and their spouses may make it easier for them to accumulate the savings needed to access bank loans and investment aids.

To summarise, we can conclude that the CAP measures for generational renewal are relevant and necessary if their selection and eligibility criteria are suitably tailored to local conditions. However, these measures are not sufficient on their own. There is therefore value in using a variety of approaches, including financial support and legal, fiscal and institutional measures (e.g. financial guarantees, such as those newly promoted by the European Commission-EIB initiative of April 2019[75]).

5.4.2. Relevance of the CAP in maintaining/creating jobs in agriculture

Question 13. To what extent have the CAP measures/instruments focusing on generational renewal been relevant in fostering rural development by maintaining/creating jobs?

This evaluation question builds on the evidence from evaluation Question 5, which sought to assess the extent to which CAP measures had impacted directly or indirectly on the maintenance or creation of jobs in rural areas.

The data analysis[76] demonstrates that young-farmers' payments under Pillar I and investment support under Focus area 2B of Pillar II have helped to maintain and create jobs in rural areas. This was investigated through the correlation analysis described in the evaluation support study. It was also assessed by analysing changes from 2013 to 2016 in the labour force directly employed by farm managers aged under 35, across predominantly rural and intermediate regions.

In both cases, the negative (though small) value of the correlation coefficient indicates that CAP measures/instruments focusing on generational renewal tend to be directed at regions where the number of agricultural jobs offered to young farm managers is decreasing. Therefore, it is possible that the CAP measures are indeed targeted at maintaining and creating agricultural job opportunities in areas where they are fast declining. Case studies provide evidence for the relevance of a variety of Pillar II measures in directly supporting new business start-ups and farm diversification.

In addition, the SURE-Farm research project highlights that CAP measures target mainly ownership and farm succession, although there is also a need to attract young non-owner workers to be hired on farms.

Nevertheless, the impact of the generational renewal measures on employment levels in farming is generally seen positive by interviewees in rural areas. By way of contrast with

[75] https://www.fi-compass.eu/sites/default/files/publications/Joint_initiative_for_improving_access_to_funding_for_European_Union_Young_Farmers.pdf

[76] Based on a combination of correlation, MCA, FADN analysis, and a Polish common-general-equilibrium model.

these positive opinions, it is likely that CAP-induced employment changes will be relatively modest at macro level[77] although with significant impact at local level.

The World Bank report confirms these findings. It said:

Supported by the CAP, the successful transformers have turned agriculture into a key sector for good jobs in rural areas. And the incomplete transformers[78] can use a well-targeted and coordinated CAP to reduce poverty and start creating better jobs for farmers…As labour moved out of agriculture, the CAP supported the creation of reasonably remunerative jobs for the workers who remained behind in agriculture, while poverty in agricultural areas was reduced. It is in this sense that agriculture and the CAP mattered for inclusive growth in the EU.

5.5. EU added value

The evaluation criterion on EU added value aims to demonstrate the additional value resulting from EU activities, compared to what could be achieved by Member States acting alone at national and/or regional levels. The greater the EU added value, the more likely that Member-State action alone would have been insufficient. The analysis focuses on the CAP measures that have a direct impact on generational renewal.

Question 17. What is the EU added value of the respective CAP measures/instruments studied in their contribution to generational renewal?

This question builds on the evidence from Question 1 on the impact of the whole CAP on generational renewal and Question 7 on the efficiency of CAP measures in indirectly fostering generational renewal by promoting quality of life in rural areas.

Stakeholders at EU level (from interested parties and Member-State administrations) and beneficiaries interviewed in the case studies agree that funding for generational renewal from the CAP makes a difference at **local level** and makes an important and valued contribution.

EU data analysis using multivariate and econometric methods provides some evidence that the combined impact of CAP generational-renewal measures on the **number of young farmers** is positive. Nevertheless, this impact varies according to national and local socioeconomic conditions. DG AGRI conducted a detailed examination of how these measures and instruments are applied within the case-study countries via national, regional and local implementation strategies. This examination showed that, to a large degree, these measures and instruments are valued and effective. They can also be efficient and coherent with other policies and have a low degree of overlap. The FADN counterfactual analysis provides evidence of the additionality of CAP young-farmers' support in Italy and France. This counterfactual analysis demonstrated how financial assistance with start-up and investment aid led to improvements in the **business**

[77] The low impact is not only a question of external factors, it is also linked to the low weight of agricultural employment in total employment figures.

[78] The countries named incomplete transformers in the report are those where agriculture takes place in the poorest regions, with CAP support targeting these regions. Pillar I decoupled funds reach the poorest regions. As expected, there are several new Member States in this category (Romania, Bulgaria, Latvia and Slovenia).

For the successful structural transformers, the CAP no longer targets the poorer regions in the country. CAP support is consistent with countries where poverty and agriculture are no longer associated with each other. These are the successful transformers: they have a CAP policy that is consistent with this success.

performance of beneficiary farms that were greater than those of similar farms which did not receive this aid. While this does not demonstrate generational renewal, it is an important factor in increasing farmers' **confidence** in generational renewal and the positive impacts that should flow from it. The evaluation also found evidence of the added value of LEADER as a mechanism for generational renewal for **new entrants** to farming. LEADER operates only at a small scale, but it has a high impact in comparison to the resources it provides. In addition, all case studies discuss and support the view that there would be little generational renewal within agriculture without CAP funding.

However, it is also clear that **national policies and provisions** play a key complementary role. The EU added value of CAP generational-renewal measures is greatly increased in situations where the national, regional and local governments create institutional and fiscal measures to support generational renewal in agriculture and rural areas. This includes measures such as: (i) make it easier to **change ownership of land;** and (ii) ease the process of **inter-generational transfer** for both the older and younger generation.

A concern remains over the more limited ability of CAP generational-renewal measures to promote **rural vitality in local areas** that lack investment in broader rural infrastructure, services, and economic diversification. In these areas of broad socioeconomic decline and/or vulnerability, the EU added value of CAP generational-renewal funding is constrained.

Quantitative and qualitative evidence suggests that EU added value is greater in those Member States and regions where the problem of generational renewal is well-understood by national and local policy makers. This supports the case for an **integrated approach** to tackling the problem, using in a coherent way: (i) CAP and non-CAP instruments; (ii) institutions; and (iii) broader legislative and fiscal provisions. Furthermore, the evaluation has found evidence that the scope for this kind of approach is greater than has been realised in many areas. The existing menu of Pillar II measures (including Measure 16 on cooperation; Measure 7 on basic services; Measure 19 on LEADER; financial instruments; and EIP-AGRI) can be used in more creative ways to achieve precisely this sort of coordinated approach. There may also be opportunities to bring direct payments into such an approach.

Finally, significant obstacles to successful generational renewal remain in many Member States. In particular, these obstacles involve access to land and how to transfer farms from older to younger farmers, including new entrants. Many policies that could tackle these obstacles remain under the control of national and local governments, limiting the EU's added value.

5.6. Non-agricultural generational renewal in rural areas

The first five chapters have so far provided an overview of the impact of generational renewal in agriculture. This section will analyse the non-agricultural aspects of generational renewal.

The employment rate in rural areas continues to increase despite the decline in the number of people employed in agriculture. The employment rate reached 69% of the working-age population (aged 15 to 64) in 2019[79] and the gap with urban areas disappeared in 2017.

Even though agriculture is gradually accounting for a lower share of overall employment, around 10.5 million farms still provide work for roughly 20.5 million[80] people (full and part-time jobs) in the EU-28. Together with food processing, food retail and food services, agriculture is part of a sector supporting about 44 million jobs[81] in the EU (see Figure 15).

Figure 15 – Jobs in rural areas

Source: DG Agriculture and Rural Development, based on Eurostat data, JRC, nova-Institut, and industry.

Although support for non-farm generational renewal is not currently a major focus of the CAP, this support can still help generational renewal in rural areas thanks to Pillar II measures (in complement to other EU policies such as the regional and cohesion funds). However, its impact is likely to be low, due to a low level of budget in many rural development programmes dedicated to 'wider rural development' beyond the farm sector.

By comparison to 2007-2013, the 2014-2020 rural development programmes generally offer much smaller **allocations of funds** towards Measure 7 on 'Basic services and village renewal', but increased funding to LEADER. Total public funding between both periods is similar. The Pillar II amount spent on broader rural development is modest compared to spending on other priorities. And of the amount spent on broader rural development, the proportion that explicitly targets generational renewal appears to be very small (according to indications from the case studies). Nevertheless, the CAP or any other EU policy measure to support generational renewal cannot change the situation much on its own.

[79] CMEF context indicator C.5 https://agridata.ec.europa.eu/extensions/DashboardIndicators/DataExplorer.html?select=EU28_FLAG,1

[80] Corresponding to 9.1 million annual work units, source: Eurostat Farm Structure Survey 2016.

[81] DG Agriculture and Rural Development calculations based on Eurostat data for 2016 and 2017 (agriculture, food industry and retail food services).

In their rural development programmes, Member States set **targets** for a number of social aspects beyond farming. These targets relate to the rural population covered with LEADER strategies, job creation, and the development of improved infrastructure and services (including information and communication technology).

The targets cover: (i) local development, notably via LEADER (Focus area 6B); (ii) economic diversification; (iii) the development of small and medium-sized enterprises; and (iv) job creation (Focus area 6A).

A valuable **local** contribution made by LEADER is highlighted in several case studies. Member States must spend a minimum of 5% of Pillar II on LEADER. In 2014-2020, 11% of total planned rural-development public expenditure was allocated to Focus area 6B. Member States also set a target to cover more than 50% of the rural population with local-development strategies by 2023. This target has already been achieved. Only 3% of public expenditure was allocated to job creation under Focus area 6A.

On **job creation**, EU targets are relatively small (120 500 jobs in total by 2023) and progress towards the target is slow. This is partly because Member States only notify the jobs created once projects are completed. However, the multi-criteria analysis showed a higher impact from job-creation measures (see below).

Broadband is available to 98% of Europeans and 80% of European homes can access fast broadband (at least 30 Mbps)[82]. However, in rural areas, less than 60% of households have access to fast broadband. In 2017, the Commission launched an action plan for rural broadband. This contained a coordinated set of actions with concrete deadlines to ensure that the specific difficulties in rolling out broadband in rural areas were addressed, thus helping to overcome the rural-urban digital gap. Few Member States rely on EAFRD support to develop rural access to broadband, hence the low target value at EU level (16% of rural population covered by improved information and communication technology supported with the CAP). Nevertheless, where countries make use of EAFRD support, there is a direct link between the funded operations and their impact. For example, this has been the case in Sweden and Lithuania. In Lithuania, next-generation-access (NGA) to broadband in rural areas increased from 15.6% to 28.7% between 2015 and 2019, while in Sweden it increased from 13.9% to 40.9%. There are several other examples of broadband projects that have been made possible by contributions from the EAFRD[83]. However, these are long-term investments and progress to target is often slow.

[82] European Commission, Digital Scoreboard https://ec.europa.eu/digital-singlemarket/digital-scoreboard.

[83] See the Digital Single Market page of Europa https://ec.europa.eu/digital-singlemarket/en/projects/75980/3608.

Figure 16 – Progress towards social targets by 2018

Target indicator	Target	Progress to target
T21: Percentage of rural population covered by local-development strategies (Focus area 6B)	53%	113%
T20: Jobs created in supported projects (Focus area 6A)	76 430	14%
T23: Jobs created in supported projects (LEADER) (Focus area 6B)	44 110	30%
T22: Percentage of rural population benefiting from improved services/infrastructure (Focus area 6B)	16%	83%
T24: Percentage of rural population benefiting from new or improved services/infrastructure (ICT) (Focus area 6C)	5.8%	17%

Note: Data are notified by Member States when projects are completed. For long-term investments such as for ICT, progress to target is slow.
Source: DG Agriculture and Rural Development, *Annual Implementation Report 2020*.

The online survey and EU interviews showed that **living in rural areas is neither attractive nor easy** for young people. Many Member States reported a tendency for young people, and educated people in particular, to leave rural areas for urban areas (Greece, Spain, Ireland and Slovakia) and leave the Member State to seek employment in other countries (Ireland, Greece and the UK). The reasons given for this included a lack of infrastructure and the remoteness/distance of rural areas from cities, leading to population declines in these areas (Czechia, Spain, Austria, Slovakia, Greece, Slovenia and Ireland). Some respondents reported a lack of social and educational infrastructure such as schools, health services, road maintenance, efficient transport and jobs (Greece, Slovenia, Finland, Ireland, Slovakia and Romania). Other respondents mentioned the high cost of land or a particularly high cost of living or housing in rural areas compared to urban areas (Denmark, Spain and the UK). National and EU workshops confirmed some of these points. For example, respondents from Estonia said that basic infrastructure (accessible roads, electricity, broadband connections, etc.) and services (kindergartens, schools, medical care, ways to spend free time, etc.) were lacking or of poor quality in the Estonian countryside.

By contrast, young people are **interested in living in rural areas** due to having children (Finland), the economic crisis (Greece and Italy), the affordability of housing (Greece) or changes in career paths (UK). And many young people said they would return to rural areas if they could find employment there (Finland). However, young people may be prevented from returning to the countryside by high taxation and/or a lack of land to farm (Greece). In Denmark, a change in the law on property ownership has made it easier for young people to return to rural areas as farmers. And in the UK, rural growth with a high concentration of agri-food producers in some regions has facilitated the in-migration of 'newcomers' to the area. Rural tourism was mentioned as an alternative employment possibility for remote rural areas (Greece and Croatia).

There is also quantitative and qualitative evidence that CAP measures not directly linked to generational renewal can foster and strengthen non-farm generational renewal in rural areas. This can be achieved by improving **rural quality of life**, e.g. by supporting rural service provision, infrastructure, and rural economic diversification. In addition, the different stakeholders interviewed (farmers, national authorities, etc.) said that the CAP plays an important role by indirectly supporting social capital, rural infrastructure and services, mainly in the most marginal and remote rural areas. This is principally due to the relative scarcity of other economic activities and thus the financial significance of CAP aid from both Pillars in stimulating the rural economy and society. However, a full investigation of these mechanisms was beyond the scope of this evaluation. The best evidence of sustained and positive impact is in Member States that use a variety of measures and instruments in a complementary way, alongside broader support for rural services, infrastructure and quality of life.

CAP measures/instruments that focus on generational renewal helped to foster **innovation** and inter-generational knowledge transfer. They therefore helped to further develop rural areas. These measures and instruments helped the development of non-agricultural jobs, economic growth, mentoring of local businesses, and innovation. However, the impact of CAP spending on knowledge exchange and innovation at EU level is expected to be very modest. This is because of the small budget it receives, especially when compared to other sources of EU and national funding for these services.

LEADER is a CAP mechanism that has promoted innovation by: (i) offering support to non-conventional new entrants to farming; and (ii) funding rural training and information actions. This has improved knowledge exchange among young people and those starting new rural businesses. In two Member States (Spain and Ireland), stakeholders said that LEADER had a positive effect on generational renewal through its integrated delivery of training/advice and non-agricultural investment aid. Several case-study country workshops suggested that a greater focus within the CAP on support for new entrants and non-farming entrepreneurial skills could improve levels of rural innovation. This could in turn promote greater resilience among rural workers.

On the **maintenance/creation of jobs in rural areas**, such as in tourism, construction, food sectors etc., the multi-criteria analysis suggests that the impact of CAP young-farmers' measures is weak but mostly positive. The CAP's impact in this area varies due to differences among regions, in particular differences in economic development. The indirect effect of CAP generational-renewal measures on local economies and rural employment is most evident in the most remote and marginal rural areas. However, these impacts are likely to be much less significant than: (i) the impacts of other measures under Pillar II, which directly target rural areas; or (ii) the indirect impacts of direct payments and aid for areas facing natural constraints, both of which provide more significant general support to maintain farming in these areas. Not surprisingly, the multiplier effect of CAP measures is the highest in the **food sector** (see Figure 12).

Quantitative analytical methods were also used to examine the impact of the support to young farmers for generational renewal on the **wider rural economy**. A CGE modelling exercise for the Polish economy was carried out to examine the regional impact of CAP support for young farmers at NUTS 2 level. This modelling exercise also suggests a positive relationship between both the Pillar I and Pillar II support for young farmers on the one hand and regional growth and employment on the other. This positive relationship holds for the country as a whole and for most NUTS 2 regions, with the exception of those regions in which a relatively small proportion of the rural population works in agriculture. The modelling work indicates that, in relation to the baseline situation, CAP expenditure helps to create more jobs, not only in the agricultural sector but also in other sectors such as food, construction, retail, tourism, education, public administration etc.

The evaluation found little evidence on whether the non-farm jobs promoted with CAP funding were sustainable, although stakeholders and policy makers generally agree on this point.

To conclude, for **non-farm employment**, there is great variation between Member States. Some Member States reported an increase in young people employed in rural areas as a result of CAP spending, while others reported a decline despite CAP funds. Trends in rural employment are strongly influenced by EU-wide market and economic phenomena, which CAP resources can only change to a very small extent. Broadly speaking, rural employment strongly depends on national legislation and the economic climate in general. Rural employment can be promoted by EU funds including the CAP, when funding is focused on facilities for young people in rural areas and direct support for new business start-ups and farm diversification. The impact of those interventions may be locally significant. LEADER is an important instrument in promoting rural employment among young people.

The CAP funds non-agricultural generational renewal – principally via the Pillar II Measure 7 on 'Basic services and village renewal' and Measure 19 on LEADER. In 2014-2020, these measures support – and are **coherent** with – other non-CAP EU funding and measures, particularly: (i) the ERDF; (ii) the ESF; and (iii) in coastal areas, the EMFF. This is most evident in Member States where different policies are delivered together by sub-regional delivery bodies or similar arrangements (e.g. local-development companies in Ireland or local integrated approaches in some regions of Italy). Elsewhere, interviewees considered that non-CAP EU funds do not focus a great deal on matters relevant to rural generational renewal.

On the coherence of CAP generational renewal measures with EU research funding, there are currently two research projects running on generational renewal in rural areas (for details see Chapter 5.3.2):

- RURALIZATION[84] (a research and innovation action with a budget of EUR 6 million): This project analyses the rural conditions and policies affecting rural areas to propose new directions for rural policy.
- PoliRURAL[85] (a research and innovation action with a budget of EUR 6 million): This project is similar to RURALIZATION with slightly different activities.

Case studies provide evidence for the **relevance** of a variety of Pillar II measures in maintaining or creating jobs through support for improvements in infrastructure, services, and quality of life. Many of these case studies involve job creation as part of broader economic development, and the cumulative implication is that these impacts can be locally significant. However, the impacts are hard to estimate robustly due to the many other influences that intervene and that are often much stronger. These intervening influences include: (i) policies on employment and the wider economy (e.g. national growth plans, public spending cuts); and (ii) market trends and conditions.

The **EU added value** of these measures that could not be achieved by Member States acting alone at national/regional level is demonstrated in the analysis. However, there are some limits due to areas of national competence. The evaluation found evidence of the added value of LEADER as a mechanism for generational renewal beyond the farm sector. Key to this role appears to be the local knowledge of local action groups in identifying the barriers to – and opportunities for – generational renewal and enhanced rural viability. The relative flexibility of LEADER also makes it possible to tailor the support to the specific circumstances and potential of each beneficiary and project.

[84] CORDIS factsheet: https://cordis.europa.eu/project/rcn/223213/factsheet/en
Project website: https://www.ruralization.eu/.

[85] CORDIS factsheet: https://cordis.europa.eu/project/rcn/223230/factsheet/en.
Project website: https://polirural.eu/.

6. CONCLUSIONS

The evaluation examined the relevance, coherence, effectiveness, efficiency and EU added value of the different CAP measures and instruments affecting generational renewal in rural areas. The evaluation focused on the farming sector and generational renewal in rural areas (outside farming). The role of the CAP is less significant outside the realm of farming, and this role was addressed in a dedicated chapter.

In this evaluation, generational renewal was examined: (i) in the various forms of support for young farmers available under Pillars I and II of the CAP; but also (ii) in the other support measures that make rural areas more attractive for people to work and live. The evaluation covers the period following the implementation of the 2013 CAP reform, notably from 2015 onwards.

This assessment was difficult because the CAP is not the most significant factor influencing generational renewal, local development and job creation in the EU. Many entry barriers to the agricultural sector, such as access to land, are determined by national law. In addition, generational renewal (both in farming and in other sectors) is significantly affected by external factors such as socioeconomic conditions in rural areas.

The evaluation faced several challenges and constraints due to the limited availability of detailed and homogenous data, the narrow observation period, and the limited geographical coverage of certain analyses. In addition, the analysis could not always distinguish well between the effects of the young-farmers' direct-payment supplement, the installation grant, and other investment support. However, combining multiple qualitative and quantitative analyses, the evaluation draws relevant conclusions.

Measures covered

The evaluation covers a series of CAP instruments and measures that have direct and indirect impacts on generational renewal.

For Pillar I, particular attention was given to the young-farmer supplement, and the role of direct payments in general. For Pillar II, the evaluation focused on the impact of business start-up aid for young farmers and investment support. The supporting measures related to knowledge, advice and cooperation were also analysed, as were measures targeting the improvement of quality of life in rural areas, such as support to investments in basic services and infrastructure. The evaluation also covered CAP measures promoting generational renewal in rural areas whenever this goal was explicit in targeting or selection-eligibility criteria (such as in start-up aid for non-farm rural businesses, the LEADER programme, and others).

Generational renewal in the farming sector

Effectiveness

Overall labour input in EU agriculture, at **9.1 million full-time equivalents in 2019**, has been falling, although it now seems to be levelling off (from -3.8% per year in 2005-2011 to -1.4% per year in 2011-2019). Farm demographics are a major challenge for farm succession. Attracting young people to agriculture is also key for securing the skilled hired labour needed to operate modern technologies.

The impact of CAP generational-renewal measures on **the number of young farmers** is mostly positive although sometimes modest, with significant variation across regions and systems. The most significant effect is in sparsely populated, less developed areas with many small farms. In regions with large farms, high CAP expenditure, and an ageing farm population, the effect of CAP generational-renewal measures on the number of young farmers is very small. Support for young farmers enables generational renewal when the amount of aid offered and the conditions of the offer are significant. The impact on employment is likely to be higher where the support targets labour-intensive forms of agriculture rather than simply supporting farm succession in capital-intensive sectors.

The level of support going into rural areas from the CAP generational-renewal measures appears to be particularly important in those rural areas in need of **local development**, where it can promote rural vitality. However, the impact of CAP generational-renewal measures is weak when it is dwarfed by negative influences including socio-cultural factors and wider economic disincentives to farm or live in rural areas. Therefore, the value of any support (included other EU policies) should not be assessed in isolation from wider socioeconomic conditions in rural areas.

Lower uptake of CAP generational-renewal measures is found in cases where sufficient **advice** is lacking, due to the complexity of completing applications. This is especially a problem with rural-development support. It also partly explains why these measures are not best suited to newcomers to agriculture.

CAP generational-renewal measures make a difference to the **performance** of farm businesses, their resilience, and the secure transfer of farms from an older to a younger generation. In the EU, the direct-payment supplement to young farmers helped to increase the income of farmers receiving the supplement by EUR 540 million in 2018. In France, young farmers who received the support for young farmers (including investment support at a higher rate) increased their economic size and farm capital faster after the generational change than those that did not receive the young-farmer support. Rather than encouraging farm succession, these measures are more likely to increase the **socioeconomic sustainability** of farm businesses after young farmers have set up operations.

On the overall impact of the CAP on the number of young farmers, **wider economic conditions** greatly affect the relative attraction of farming for young people in many Member States. The share of young farmers increased during the global recession (2007-2010). During this time, young people returned to their parents' farms to try to make a living from the land, at least until the economy recovered and job prospects elsewhere improved again. There are also some areas where **restructuring** in agriculture resulted in a loss of labour in the agricultural sector regardless of wider economic conditions.

The greatest positive impact of the CAP on jobs was in marginal areas with scope for economic development. By contrast, for farms located where the wider economy is depressed or undeveloped (as well as for farms in completely different and economically buoyant regions where agriculture is capital-intensive) the aid might not generate much employment.

However, at a regional or sub-regional level there is evidence that income support may slow **inter-generational farm transfer**. This is because some older farmers use the payments as income support beyond what would be a usual retirement age to compensate for low pensions. Nevertheless, Pillar I support is only one of many factors explaining the **inactive land market**. The share of land on sale every year is low. National laws play a key role in this, because Member States decide on inheritance laws, restrictions on access to land, transaction costs (often very high) and taxes.

Although the **training** level of young farm managers increased over time, in 2016 only 43% of young farm managers had more than practical experience. The analysis shows that the link between generational-renewal measures and increased inter-generational knowledge exchange is clear and positive in a specific situation. That situation is when training and advice are provided to young farmers and new rural entrepreneurs as a condition of accessing capital grants, start-up aid and/or Pillar I young-farmer supplement.

CAP measures mainly contribute to the maintenance or protection of farming jobs rather than their creation, especially in marginal areas. This is particularly the case for support for young farmers. But it is also the case with direct payments in general and with the support given to areas facing natural constraints. However, the evidence also shows that the CAP supported better jobs for farm workers.

Efficiency

Generational-renewal measures are generally efficient. Their costs can be considered reasonably in line with the size and complexity of the projects, especially if the projects are implemented as a package of measures. The direct payment for young farmers is comparatively cheap to deliver. Pillar II aid is perceived by some beneficiaries as being relatively simple and easy to access, but this aid can also be associated with slow processes and relatively high implementation costs. Most of the policy instruments examined proved to be less efficient for young **entrepreneurs coming from outside the family farm** and from outside the agricultural sector: preparing an application and securing aid takes longer and requires more effort for this group than for farm successors.

The best evidence of the sustained and positive impact of CAP support is in Member States in which a variety of measures and instruments is used in a complementary way. This means mixing: (i) funding and investment aids for business start-ups; (ii) advice and training; and (iii) tax incentives and collaborative institutional incentives to ease inter-generational transfer. It is also very important that the support be targeted to local conditions.

Coherence

The extent to which measures/instruments linked to generational renewal are coherent with each other varies across the EU. The delivery models vary, but in general, measures are considered to be mutually supportive with a high degree of synergy. This coherence is best demonstrated in integrated packages, such as in France, Italy and Hungary.

Direct payments can limit land availability (by keeping older farmers at work) and drive up land prices (by reducing the supply and by capitalising of part of the payments into land prices). This can make it more difficult for rural-development measures to be implemented to the greatest effect, particularly for new entrants to agriculture that do not inherit land. However, many other factors also affect the land market, such as land-market regulations, interest rates or urbanisation.

Through the new CSF, it is a requirement for rural-development planning to coordinate closely with Member-State programming of other EU funds under the CSF. Conflict and overlap between the main funds of the CSF and EAFRD are now being reduced thanks to coordination at Member-State level and the existence of a common strategic document at EU level (partnership agreement).

There is also strong coherence with the EIB, through the joint European Commission-EIB initiative on young farmers. This initiative aims to bring together all forms of rural-development support and the financial firepower and expertise of the EIB group.

Relevance and added value

Access to land and capital is one of the main barriers to entry to the farming sector. To remedy this, generational-renewal and CAP support provides funding to assist with: (i) the general costs following set-up; and (ii) early-years investment support. However, this support will often be insufficient on its own to address these barriers because CAP funding cannot address the wider issues that prevent the good functioning of land and credit markets. In addition, in some regions, direct payments slow inter-generational farm transfer, because older farmers use these payments to compensate for low pensions. Nevertheless, Pillar I support is only one of many factors explaining the inactive land market. Facilitating improved access to land and capital may require changes to improve the coherence of legal, social and fiscal policies in the Member States with CAP generational-renewal goals.

The generational-renewal measures are relevant to address employment levels because they can have a significant impact at **local** level. However, induced employment changes will be relatively modest at macro level. Similarly, the relatively small share of the CAP budget dedicated to improving services and infrastructure, in complement to other EU policies such as the regional and cohesion funds, might be relevant for quality of life in some rural areas.

CAP generational-renewal measures bring considerable **EU added value** in situations where national, regional and local governments make institutional and fiscal provisions to support generational renewal on farms and in rural areas. This can be achieved particularly by focusing on creating mechanisms and resources to: (i) increase **the ease of buying and selling land;** and (ii) ease the process of **inter-generational transfer** for older and younger generations.

Generational renewal in rural areas (outside the farming sector)

The **employment** rate in rural areas continues to increase despite the decline in the number of people working in agriculture. In addition, the gap in the employment rate between rural areas and urban areas disappeared in 2017. Even though agriculture gradually accounts for a lower share of overall employment, around 10.5 million farms still provide work for roughly 20.5 million people (full and part-time jobs) in the EU-28. Together with food processing, food retail and food services, agriculture makes up a sector supporting about 44 million jobs in the EU. The impact of generational-renewal measures is particularly significant in food processing.

Rural-development aid, in complement to other EU policies such as the regional and cohesion funds, that promotes rural economic diversification, added-value, better services, and better infrastructure (including broadband) is potentially vital to improving the broader economic climate, particularly in remote areas. Within the rural development programmes, the share of measures devoted to economic diversification, job creation and rural services (including broadband, transport, and social and community activities) is relatively small (around 15%). However, this expenditure brings value at local level and indirectly promotes generational renewal, for example, in Member States that fund the development of **broadband** access with EAFRD funding (Sweden, Lithuania).

Quantitative and qualitative evidence shows that CAP measures not directly linked to generational renewal can foster and strengthen non-farm generational renewal by improving **rural quality of life** (e.g. by supporting rural service provision, infrastructure and rural economic diversification through programmes like LEADER). In addition, the different stakeholders interviewed (farmers, national authorities, etc.) said that the CAP plays an important role in indirectly supporting social capital and rural infrastructure and services, mainly in the most marginal and remote rural areas. This is principally due to the relative scarcity of other economic activities, and thus the greater financial significance of CAP aid from both Pillars in stimulating rural economies. However, a full investigation of these mechanisms was beyond the scope of this evaluation. The best evidence of sustained and positive impact is in Member States that use a variety of measures and instruments in a complementary way, alongside broader support for rural services, infrastructure and quality of life. Finally, analysis by the World Bank has proven that agriculture and the CAP contribute significantly to the **eradication of poverty** in rural areas. Slightly more than one quarter of the EU population living in rural areas was exposed to the **risk of poverty** or social exclusion in 2016.

Lessons learned

A **strategic approach** for generational renewal for Pillar I and Pillar II is lacking in most Member States.

Developing integrated approaches would make it possible to increase the delivery of CAP generational-renewal measures. This could be achieved by using multiple CAP and non-CAP instruments, institutions and broader legislative and fiscal provisions in a coherent way.

There is considerable scope for Member States to learn from **good practices** in other Member States. The scope is great to learn about: (i) more creative application of measures to enable institutional and social innovations; and (ii) the types of non-CAP policy development that can assist generational renewal.

Older farmers remaining at work and on farms into later age is an issue for which national policies, such as pension schemes, are partly responsible.

Access to **knowledge** and advice is still insufficient.

CAP generational-renewal measures are not well adapted to support the entry of **young farm managers with no family background in farming to the farming sector**.

ANNEX 1: PROCEDURAL INFORMATION

2. LEAD DG, DECIDE PLANNING/CWP REFERENCES

Lead DG: Directorate-General Agriculture and Rural Development (DG AGRI).

Decide planning: PLAN/2017/2311.

1. ORGANISATION AND TIMING

This evaluation was included in the DG AGRI evaluation plan. It followed the 'better regulation' guidelines for evaluations. The evaluation work was carried out through an external study, which was contracted through a service request under a framework contract. The evaluation was conducted in conformity with the DG AGRI procedure for organising and managing policy evaluations carried out by external contractors. The work was supervised under the technical and contractual management of AGRI unit C.4 in charge of monitoring and evaluation.

An inter-service steering group (ISG) was set up by the Commission on 31 January 2018, with the mandate to: (i) provide information; (ii) prepare the terms of reference; (ii) monitor the work of the external study team; (iii) discuss and give advice on the approval of the final report; and (iv) comment on the draft evaluation staff working document (SWD).

The ISG was composed of the Secretariat-General of the Commission and DGs AGRI, ESTAT, GROW, JRC and RTD. The ISG started its meetings on 5 February 2018 and held eight meetings.

The evaluation roadmap was published on 9 February 2018. It set out the context, scope and aim of the exercise. The roadmap presented the questions to be addressed under the five criteria of effectiveness, efficiency, relevance, coherence and EU added value. The roadmap also set out some causal-analysis questions. During the feedback period on the roadmap, two contributions were received. These did not require changing the approach towards the evaluation.

The evaluation support study carried out by the external contractor started on 25 September 2018 and finished on 25 August 2019. This external support study, together with the outcome of the public consultation, provided the basis for this SWD.

3. EXCEPTIONS TO THE 'BETTER REGULATION' GUIDELINES

No specific public consultation was carried out. The public consultation of reference for this evaluation is the public consultation on the future of the CAP[86].

4. CONSULTATION OF THE REGULATORY SCRUTINY BOARD

The Regulatory Scrutiny Board (RSB) scrutinised this evaluation SWD in a meeting held on 25 March 2020. The opinion of the board was negative. The report was therefore substantially revised to address the board's comments. In addition, the data on CAP implementation was updated and the analysis was supplemented with additional references. The rich detail of the case studies is also now better depicted. The causal analysis was integrated in the assessment of the five evaluation criteria.

[86] 'Modernising and simplifying the CAP' public consultation held from 2 February 2017 to 2 May 2017: https://ec.europa.eu/info/consultations/modernising-and-simplifying-common-agricultural-policy.

Figure 17 – Revisions made following the RSB's comments

Shortcomings identified by the RSB	Revisions made
(1) The report does not explain clearly the place that the measures for young farmers occupy in the overall CAP.	The report now explains more clearly the place occupied by the measures for young farmers in the overall CAP. More detail was added on the intervention logic, pointing at the role of external factors on generational renewal. The difficulty of analysing the contribution of the CAP to generational renewal in rural areas (outside farming) is better acknowledged, and the analysis (on generational renewal in farming and outside farming) was clearly distinguished from this. The shortcomings in the analysis are better explained, in particular the difficulty of disentangling the effects of the different Pillars and instruments.
(2) The report does not adequately describe synergies and trade-offs between income-support and modernisation measures.	The positive role of the CAP (and direct payments in particular) in increasing young farmers' access to credit (and thus also their access to land) is clarified. At the same time, the adverse effects of direct payments used by older farmers to compensate for low pensions (thus keeping these older farmers at work on their farms until much later in life) is better explained. In addition, more detail was added on the CAP and land prices.
(3) The report does not sufficiently analyse the EU added value of the measures evaluated.	In the redrafted chapter, limitations to the EU value added of the generational-renewal measures are better explained. This redrafted chapter makes clear that many policies that could tackle entry barriers to young farmers remain of national and local competence.
(4) The conclusions are not sufficiently nuanced on the observed effectiveness of the different measures.	The role given to external factors in the analysis is strengthened. The conclusions on the role of the CAP are more nuanced and put into greater context, especially on: (i) access to land; (ii) access to credit; and (iii) generational renewal outside agriculture.

Source: DG Agriculture and Rural Development.

5. EVIDENCE, SOURCES AND QUALITY

The evaluation support study required relevant data and information to be gathered from EU, national, and local levels. The overall approach therefore combines three main sources and types of evidence.

1. EU-level data and information gathering, review and analysis

Early, qualitative information to generate an enhanced programme theory and intervention logic from literature review. This included key EU stakeholder interviews, and an online survey targeted at national administrations' ENRD contacts. The other consultations are presented in Annex 2.

Quantitative analysis of EU indicators (mainly context) and available CAP expenditure data at NUTS 3 level.

A multivariate MCA to enable the identification of composite indicators for types of NUTS 3 regions. This included principal-components analysis followed by regression analysis to estimate the impact of these indicators on the number of young farmers.

2. Case studies in selected Member States

The **case studies** were chosen: (i) to cover the range of territorial types identified in the cluster analysis; (ii) to ensure a good balance of older and newer Member States; and (iii) to ensure broad geographical and socio-political spread. Case studies use two or three levels of analysis as set out in the next two bullet points.

- **National or national-and-regional-level analysis** – This involved: (i) initial context analysis; (ii) collection of information on national policies and non-policy generational-renewal influences; (iii) institutional mapping and business-process reviews covering the delivery efficiency of all young farmers and selected generational-renewal measures; (iv) key stakeholder interviews; (v) literature review/document analysis; and (vi) a final workshop to validate the impact of generational-renewal measures.
- **Local-level analysis** – This was used on: (i) secondary evidence and interviews of an illustrative range of beneficiaries in each local area; (ii) interviews of local delivery agents; (iii) validation of national-level case-study findings; and (iv) description and analysis of good-practice examples.

3. Quantitative analysis of farm-level and regional-level CAP impacts

- **Matched farm-based estimation of the impact of young-farmers' measures on farm-business performance and structural change**. This made use of data from the FADN panel in a longitudinal counterfactual analysis in two Member States with sufficiently large-scale and long-established use of these measures – Italy and France.
- **Discussion and extrapolation of the estimated impacts of generational-renewal measures on rural employment**. This involved referring to detailed CGE modelling undertaken in Poland. The typology of areas developed from this modelling was then used to consider its implications at EU level.

Comparative analysis of case studies tested the relevance of initial intervention logics and the claimed, suggested or predicted outcomes from EU-level analyses.

ANNEX 2: STAKEHOLDER CONSULTATION

The consultation strategy made it possible to collect additional information and views collected from the relevant stakeholders.

A wide range of consultation methods and activities were planned and carried out by the external evaluator and the Commission. The figure below presents a matrix of how relevant identified stakeholders were consulted via different consultation activities.

Figure 17 – Consultation activities

identified stakeholders vs consultation activities	Citizens	Farmer & farmers' organisations	Organisations				
			NGOs, platforms, networks	Private enterprises	Trade, business & professional organisations	Research, academia & consultancy	Public authorities
Surveys		√	√	√	√	√	√
Interviews		√	√	√	√	√	√
Civil Dialogue group		√	√	√	√		
Public consultation							

Note: No specific public consultation for this evaluation was conducted.
Source: DG AGRI's own compilation.

Consultation activities carried out by the external evaluator

The following targeted consultation activities were carried out by the external evaluator: case studies/workshops, surveys, focus groups, and interviews. The following categories of stakeholders were reached:

- citizens
- farmers and farmers' organisations, including young-farmers' organisations
- NGOs and other relevant civil-society organisations
- experts (e.g. from business organisations)
- academia
- public authorities in EU Member States
- paying agencies
- bodies that deliver farm-advisory services.

Consultation activities carried out by the Commission

DG Agriculture and Rural Development consulted the stakeholders as described in the three bullet points below.

- Firstly, a series of workshops was organised at the margins of Expo Milano (2015). At one of these workshops, more than 100 young farmers from young-farmers' organisations were invited and divided around 10 tables to discuss the CAP. Measures for young farmers were assessed by this group as positive.
- Secondly, the contractors, the evaluation officer, and several members of the European Commission ISG took part in two ENRD workshops on generational renewal. One workshop was held in Brussels (Belgium) on 10 December 2018 and was attended mainly by national and regional administrations. Another was held in Athlone (Ireland) on 22 February 2019, and was co-chaired by both the ENRD and the member of the civil-dialogue groups representing young farmers[87].
- Thirdly, the report is also based on the reports published by the European Court of Auditors (ECA), EESC, European Parliament, and World Bank, where civil-dialogue groups were also consulted.

The Commission asked the Expert Group on Monitoring and Evaluating the CAP to provide information on possible relevant activities at Member-State level, especially if Member States had set up arrangements for collecting baseline data and for monitoring and evaluating CAP measures.

In addition, on 13 March 2019, the Commission organised an internal workshop with rural-development units from DG AGRI in order to get some input about the subjects tackled in the evaluation. This workshop confirmed the outcomes of the case studies, pointing at: (i) the benefits of common strategies when already in place for Pillar I and II measures; and (ii) the problems of the main entry barriers raised in the public consultation.

In addition, the monitoring and evaluation unit at DG AGRI was also responsible for a European pilot project 'Exchange programmes for young farmers' (2015). The outcome of the project included a survey on the needs of young farmers that could complement the consultation strategy.

Public consultation

No specific public consultation for this evaluation was conducted because the public consultation on the future of the CAP[88] already provided a lot of input on the topics of generational renewal and young farmers in Europe.

The public consultation on modernising and simplifying the CAP was launched on 2 February 2017 and closed on 2 May 2017. Its aim was to gather the views of public authorities, stakeholders and the European public on the future of the CAP. According to the summary of results from this public consultation, more than 63 000 answers were received.

Open questions

The 2017 public consultation on the CAP included some open questions relevant to generational renewal. On the main CAP objectives, the following issues were highlighted in the consultation:

- viable food production: markets, payments, subsidies, and the role and powers of actors in the food chain;

[87] CEJA was the member of the civil-dialogue groups representing young farmers.

[88] Summary of the results of the public consultation 'Modernising and Simplifying the CAP' (revised 06/09): https://ec.europa.eu/agriculture/sites/agriculture/files/consultations/cap-modernising/summary-public-consul.pdf.

- climate change: environment, pollution, climate change, and the lack of attention given to sustainability;
- forestry: sustainable farming practices, agro-forestry systems, family forestry, research & forestry;
- **generational renewal: employment, new entrance, young farmers, start-ups, local products, and quality of life in rural areas.**

One particular aspect was highlighted in the position papers that was relevant to generational renewal: ensuring a fair standard of living.

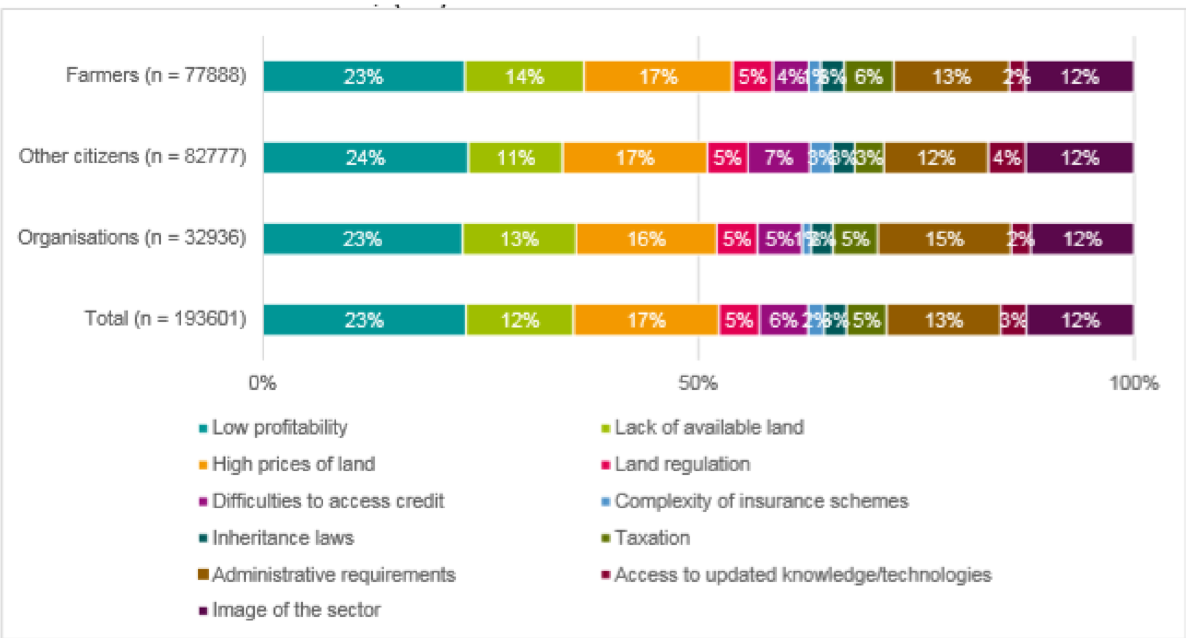
Closed questions

Some of the closed questions were highly relevant in this framework. They are set out below.

-What are the main barriers to becoming a farmer? (Q8)[89]

Main observations: There was very little difference between the answers to this question provided by farmers, other citizens, and organisations. The option most frequently selected was 'low profitability' (chosen by 23%), followed by 'high prices of land' (17%), 'administrative requirements' (13%) and a 'lack of available land' (14%).

Figure 18 – Main barriers to becoming a farmer (%)



Source: Summary of the results of the public consultation.

[89] Respondents were asked to select up to 5 choices from among 11 options: 1. Low profitability; 2. Lack of available land; 3. High prices of land; 4. Land regulation; 5. Difficulties in accessing credit; 6. Complexity of insurance schemes; 7. Inheritance laws; 8. Taxation; 9. Administrative requirements; 10. Lack of access to updated knowledge/technologies; and 11. Image of the sector.

-Where should the CAP improve its contribution for rural areas? (Q28)[90]

Farmers and other citizens had different opinions on this issue.

For farmers who participated in the consultation, the first choice selected was: 'Creating and maintaining jobs in rural areas, including in primary agricultural production' (chosen by 13% of farmers). This was followed by 'Fostering the economic viability of agriculture throughout the EU, avoiding concentration of production and people in certain areas' (12%) and 'Taking care of local know-how and products in line with the EU's diversity and providing the basis for quality EU products' (11%).

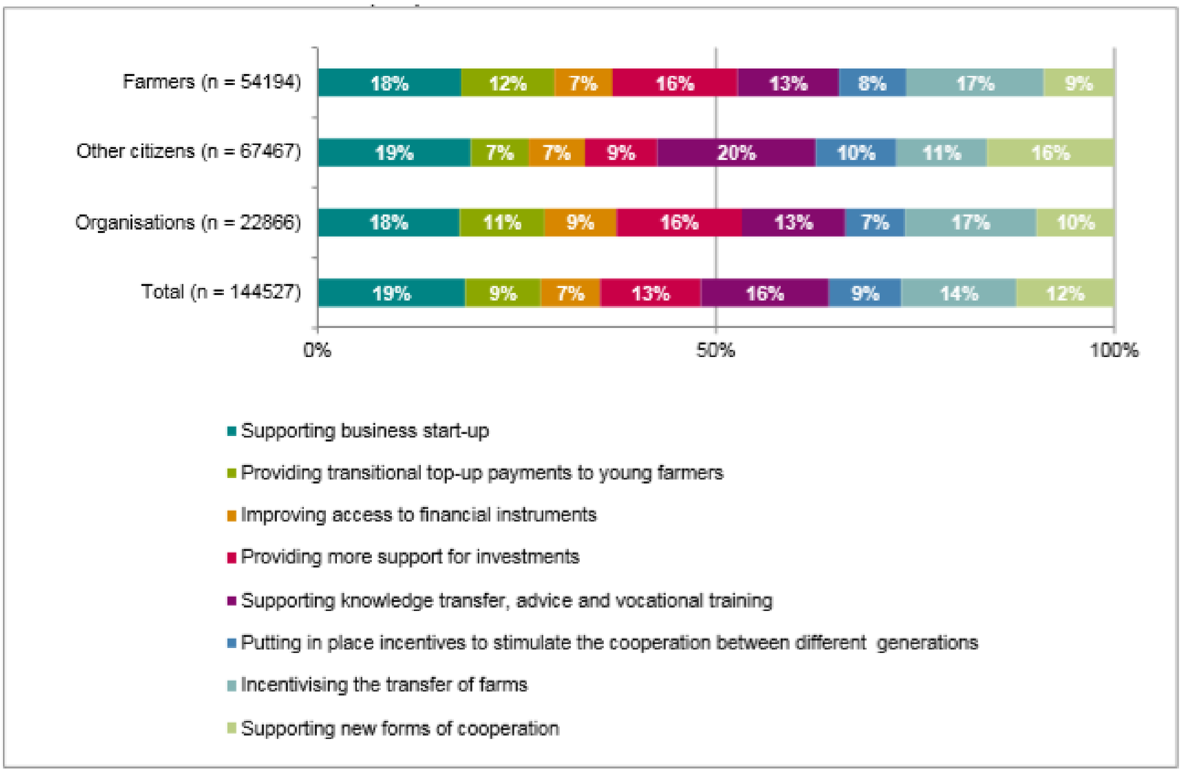
For other citizens who participated in the consultation, the first option selected was: 'Taking care of local know-how and products in line with the EU's diversity and providing the basis for quality EU products' (chosen by 16% of other citizens). This was followed by 'Enhancing the interplay between local production and local markets' (15%) and 'Addressing local needs by supporting the provision of local infrastructure/services (e.g. health care, child care, transport)' (11%).

-How can the CAP better help young farmers or other young rural entrepreneurs? (Q29)

Main observations: The option most frequently selected by farmers and by other citizens differed: **For farmers who participated in the consultation, the first choice selected was 'Supporting business start-up' (chosen by 18% of farmers), followed by 'Incentivising the transfer of farms' (chosen by 17%) and 'Providing more support for investments' (also chosen by 17%).** For other citizens who participated in the consultation, the first option selected was **'Supporting knowledge transfer, advice and vocational training' (chosen by 20% of other citizens) followed by 'Supporting business start-ups' (chosen by 19%) and 'Supporting new forms of cooperation' (chosen by 16%).** 'Improving access to financial instruments' came last for all types of respondents (chosen by 7% of farmers and other citizens, and by 9% of organisations). For consultation respondents from organisations, the answers varied according to the type and sector of the organisation. For consultation respondents from trade, business or professional associations, the first choice selected was 'Supporting new forms of cooperation' (19%).

[90] Respondents were asked to select up to 5 choices from among 12 options: 1. Fostering innovation through knowledge transfer, advice and vocational training; 2. Taking care of local know-how and products in line with the EU's diversity and providing the basis for quality EU products; 3. Addressing local needs by supporting the provision of local infrastructure/services (e.g. healthcare, child care, transport); 4. Fostering the economic viability of agriculture throughout the EU, avoiding concentration of production and people in certain areas; 5. Enhancing the interplay between local production and local markets; 6. Enhancing quality of life and social inclusion of rural inhabitants; 7. Strengthening governance and local development through bottom-up initiatives such as LEADER; 8. Fostering rural tourism and recreation, including through the provision of landscape benefits, cultural values and traditional local food; 9. Creating and maintaining jobs in rural areas, including in primary agricultural production; 10. Providing connectivity and digital solutions; 11. Contributing to societal and cultural capital for rural areas to stay vital living spaces and to establishing mutually beneficial rural-urban linkages; 12. Helping SMEs to create jobs in rural areas.

Figure 19 – How can the CAP better help young farmers or other young rural entrepreneurs? (%)



Source: Summary of the results of the public consultation.

-What would be the best way to encourage innovation? (Q30)[91]

Main observations: **'Support the engagement of farmers in innovative projects' was the most frequently selected option among farmers (chosen by 28% of them),** other citizens (25%) and organisations (28%). **'Support knowledge exchange through better access to advisory services, networking among farmers and demonstration farms'** was the second most frequently selected option for farmers (20%), other citizens (21%) and organisations (20%). For farmers (16%) and organisations (17%), the third most frequently selected choice was '**Provide better access to finance/investment'**. For other citizens, the third most frequently selected choice was **'Improve the technical competence and impartiality of advisory services' (19%).**

[91] Respondents were asked to select up to 3 choices from among 6 options: 1. Support the engagement of farmers in innovative projects; 2. Address the knowledge gap among farmers; 3. Support knowledge exchange through better access to advisory services, networking among farmers and demonstration farms; 4. Improve the technical competence and impartiality of advisory services; 5. Develop IT infrastructure for knowledge exchange; 6. Provide better access to finance/investment.

ANNEX 3: METHODS AND ANALYTICAL MODELS

The box below describes: (i) the analytical models; and (ii) the methods for quantitative and qualitative evaluation. Information from different sources was triangulated, ensuring that the answers to the evaluation questions were based on solid, cross-checked evidence. The right-hand column of the box gives details on the information sources.

EU-level informed opinion	Information from relevant policy and scientific literature, e.g. (i) Court of Auditors special report(s); (ii) European Parliament report(s) (e.g. on the professional status of rural women in the EU); and (iii) relevant completed or on-going studies on CAP reform and CAP impacts (e.g. World Bank report *Thinking CAP*).
EU-level data analysis	Commission figures on planned and executed CAP expenditure by regulation and measure, for all available years in the 2014-2020 period, at the lowest possible scale (NUTS 2 or NUTS 3), as well as output and result indicators for this expenditure from the Common Monitoring and Evaluation Framework (CMEF).
Additional, focused, quantitative analyses	Statistical-context information collected by the Commission including: (i) the Farm Structure Survey; and (ii) FADN data at comparable scale to the expenditure data (NUTS 2 or 3). This included relevant context indicators included in the CAP 2014-2020 CMEF and rural-development indicator set.
Case-based detailed analysis of causal effects	Data and information on CAP design, delivery and impact (including examples of good practice) at national/regional and local levels via case studies. These case studies were chosen to represent the key axes of variation among the EU-28.
Case-study findings	Other targeted consultation responses including: (i) 7 national and 3 EU stakeholder and policy-maker workshops; (ii) expert and stakeholder interviews at case-study and EU level; and (iii) interviews at case-study level with managing authorities/delivery agencies and beneficiaries.

The methodology used a mixed-method, triangulated approach with five main elements as set out in the bullet points below.

– EU-level informed opinion: literature review, selected key stakeholder interviews, and an online survey of Member-State administrations via the ENRD contact points.

– EU-level data analysis: exploring the relations between context, inputs and impacts, including: (i) maps of key variables; (ii) correlation analyses; and (iii) econometric MCA. This analysis generated two rural typologies at NUTS 3 level. These analysis of these typologies influenced case-study selection and helped to identify and estimate certain impacts.

– Case-based detailed analysis of: (i) causal effects; (ii) delivery approaches and their impacts; (iii) efficiency; and (iv) added value. This analysis covered case studies of seven contrasting Member States (France, Belgium-Flanders, Italy, Estonia, Hungary, Poland and Ireland).

– Additional, focused quantitative analyses. This included: (i) counterfactual analysis of FADN panel data in France and Italy to assess the impact of support for young farmers on farm performance; and (ii) CGE modelling to examine the impact of generational-renewal expenditure on rural employment, based on Poland but considering its wider EU relevance.

– Triangulation via comparative analysis of: (i) case-study findings; (ii) EU-level evidence; and (iii) EU-level modelling results. This analysis was validated in 7 workshops at national level, and 3 workshops at EU level, involving stakeholders and policy officials (2 of the EU-level workshops were hosted by the ENRD).

Case studies analysed material at national, regional and local NUTS-3 levels. This included: (i) secondary sources (previous evaluations, research); (ii) interviews with policy officers, experts, stakeholders and beneficiaries; (iii) primary data on delivery and beneficiary impacts; and (iv) examples of good practice in policy design/delivery, innovation and coordination.

Sources and methods were assembled in a logical, hierarchical and temporal framework (see figure below). Careful sequencing of steps enabled feedback in some stages so that tools applied later on were informed by the findings of earlier phases. As indicated in the figure, a 'toolkit' of methods and analytical tools were applied together in ways that optimised the range and types of evidence informing the evaluation (effectiveness, efficiency, etc.).

Justification for case studies and case-study selection

The particular value of territorial case studies is their ability to consider systemic relationships between CAP and non-CAP influences on generational renewal in specific contexts. This gives them greater explanatory power than more generalised analysis. In the evaluation support study, case studies were used to: (i) provide in-depth knowledge about the implementation choices of different Member States; (ii) make a detailed assessment of efficiency and administrative burdens; and (iii) gain robust understanding of the intervention logic and causal relations linking policy instruments (individually and in combination) to results and impacts.

Case studies included observation and analysis at national, regional (for countries where rural-development programmes are regional), and local (sub-regional) levels. In countries with a single, national, rural-development programme, there were two levels: national and local. In countries with regional rural-development programmes, the regional level is relevant because decisions on measures for young farmers and measures relevant to generational renewal are taken by regional administrations.

Member States were selected for case studies on the basis of:

1. a balanced distribution between new/old EU Member States and regional or national RDPs;
2. a broad range of relevant measures for young farmers and generational renewal within CAP implementation, with a specific need to include one territory applying a Pillar II sub-programme for young farmers (Hungary);
3. the ability to: (i) cover all relevant clusters of NUTS 3 areas; and (iii) 'weight' the coverage to give more sub-regional cases representing the most common types than those representing more rare types;
4. the known presence or absence of: (i) specific national policies for generational renewal; and (ii) contrasting legal and fiscal approaches to land and property ownership, tenure and inheritance;
5. overall study resources and need for sufficient time to conduct case studies thoroughly.

Figure 20 – Selection and characterisation of case studies

Member State	Clusters covered	Regional/single RDP	Range of generational-renewal measures	National policies	Inheritance/transfer rules
France	1, 3, 5	Regional	Broad	Many, institutional	Equal shares
Italy	3, 10, 5, 1	Regional	Broad	National, institutional	Hybrid
Belgium	8, 2 (Flanders)	Regional	Narrow	Unknown	Single inheritor if agreed
Ireland	1	Single	Narrow	A variety of new pilots	Hybrid – case-law claims
Poland	4, 7	Single	Broad	Unknown	Hybrid
Estonia	6, 4	Single	Narrow	Unknown	Single inheritor OR hybrid
Hungary	2, 3	Single: sole MS with a dedicated young-farmers' sub-programme	Broad	Many – national and more local	(reduced) Equal shares

Source: Evaluation support study.

This resulted in the selection of seven Member States: France, Italy, Belgium-Flanders, Ireland, Poland, Estonia, and Hungary.

Principles of validation and triangulation

Triangulation recognises that the broad mix of data and analytical techniques applied will generate varied and potentially conflicting insights into policy performance. This mix therefore requires calibration and cross checking to understand better: (i) why results differ; and (ii) how these results can be brought into a consistent diagnosis and narrative on the operation and impacts of policy. Triangulation involved identifying and minimising overall bias in findings by taking evidence from a wide range of sources, which were expected to have contrasting biases. This meant that the impact of bias on results could be better identified, thus informing a balanced interpretation of findings. A high level of triangulation was built into the full study design, ensuring that all evaluation answers combined a range of data and information in the judgement.

EU literature review

The literature review aimed to summarise and synthesise key conclusions of studies and analyses on issues and topics directly relevant for the evaluation.

Key sources of insight came from: (i) pre-existing evaluation studies commissioned by the Commission and the European Parliament in recent years; and (ii) the many evaluation studies made at Member-State and regional level responding to the requirements of CAP legislation. There is also a growing scientific literature examining various aspects of these themes and measures in different regional contexts. Searches used a variety of international library/science databases and search engines. They also used targeted web-searches of key websites such as europa.eu, and coe.int (the Council of Europe). Materials reviewed covered both scientific literature published in international peer-reviewed publications in the past 10 years and policy documents. These policy documents included reports from EU bodies (the Commission's Directorates-General, the European Parliament, the European Court of Auditors, the

Committees, the ENRD and EIP-AGRI) and other notable European stakeholders. International documents used for this evaluation came from bodies such as the Organisation for Economic Cooperation and Development and the World Bank.

EU-level survey of Member-State administrations

A short online survey was designed to seek information and views from across the whole EU. The survey covered key factors influencing generational renewal in rural areas, both in agriculture and beyond. It was circulated to the named ENRD contacts in each Member-State administration that were identified as leads for the national rural networks.

Focused quantitative analyses

These analyses included: (i) a counterfactual analysis of the FADN data to assess the impact of Pillar II installation grants on farm performance focusing on France and Italy and covering 2013-2015; and (ii) CGE modelling to examine the impact of generational-renewal expenditure on rural employment in Poland.

EU-level data analysis

The analysis has various parts as set out in the bullet points below.

- It included a commentary on the availability of EU-level data; a commentary on the use of this data; and a general overview of the situation across the Member States.
- There was clustering of NUTS 3 areas and a correlation analysis looking for patterns potentially linking CAP expenditure to proxy indicators of relative need for generational-renewal interventions.
- MCA and regression analysis were carried out to identify potential EU-wide causal relationships between territorial characteristics and generational-renewal targeting.

Context data were sourced from Eurostat and European Commission datasets. Most general rural data were available at NUTS 3 level. Some agri-sector and specific socioeconomic data were only available at NUTS 2 level. NUTS 3 was the preferred level of analysis because it makes it possible to distinguish between areas according to their degree of rurality – into ‘urban’, ‘intermediate’ and ‘rural’ territories.

Expenditure data from three different source files were used:

i. Pillar I and Pillar II claimed and determined financial data for 2015 and 2016 at NUTS 3 level;

ii. Pillar II public-expenditure data based on output indicators for 2015, 2016 and 2017 at rural-development-programme level;

iii. Pillar II planned expenditure data over the 2014-2020 programming period, by year, by whole measure, and separately by focus area, (i.e. not by sub-measure) at rural-development-programme level.

The use of correlation analysis applied to EU-wide expenditure and context datasets aims to contribute to the evidence base for answering the evaluation questions. Visual representation of the distribution of European regions (in maps and charts) and the computed correlation values depict potential relationships between input indicators (i.e. Pillar I and Pillar II expenditure data) and context/impact indicators (i.e. data representing drivers of – or trends in – generational renewal).

The evaluation also used a range of impact indicators related to generational renewal. The main impact indicator was the number (or change in the number) of farms managed by farmers under 35. This analysis aimed to provide quantified measures linking policy interventions to possible indicators of impact. This analysis explored the context and input differences between NUTS 3 regions and the impact of certain context and input indicators on the number of young farmers in these regions. In policy terms, changes in the number of young farmers over time within a territory can be considered as a proxy indicator for generational renewal in agriculture in that territory. However, the relevance of this proxy indicator varies with context.

The multivariate criteria analysis was conducted in three steps as set out below.

Step 1. Principal-component analysis

The evaluation support study used three composite indicators that correlate with context, impact and input.

- An infrastructure indicator: Broadband, governance quality, multimodal accessibility, net migration, decline in unemployment.
- A payments indicator: Population, tertiary education, support for young farmers under Pillar 1, support under Pillar II Area 2B.
- An employment indicator: Gross value added/c from tertiary, reducing gross value added/c from secondary sector.

Figure 21 – Principal-component analysis

Indicator	CI1: infrastructure	CI2: payments	CI3: employment
Broadband access	**0.868**		
Quality of governance	**0.861**		
GDP/capita (log)	**0.823**		
Multimodal access	**0.798**		
Net migration	**0.764**		
Unemployment Rate	**-0.704**		
GVA/c primary			
Population		**0.918**	
Tertiary Education		**0.897**	
Pillar 1, young farmers		**0.578**	
P2_Area_2B		**0.562**	
GVA/c secondary			**-0.969**
GVA/c tertiary			**0.967**

Note: CI stands for composite indicators. Source: Evaluation support study.

Step 2. Cluster analysis

The evaluation conducted a cluster analysis where the EU area was divided into several categories:

i. Non-agricultural developed regions with low CAP expenditure;
ii. Agricultural developing regions with rapid agricultural abandonment;
iii. Sparsely populated developing areas with many small farms;
iv. Agricultural regions with large farms, high CAP expenditure, and an ageing farm population;
v. Developed rural areas where other sectors dwarf the impact of agriculture.

Step 3. Cluster-specific regressions

The evaluation also conducted cluster-specific regressions to identify the impact of indicators, measures, and the number of large farms on the number of young farmers in each cluster.

Figure 22 – Evaluation questions and main evidence sources used to answer them

Criterion	Evaluation question	Indicator analysis	Online survey and key EU interviews	Literature review	Quantitative analyses	Case-study evidence *
Effectiveness	**1.** To what extent have all CAP measures/instruments had an effect on fostering generational renewal in rural areas?	Y	Y	Y	FADN, MCA, CGE, i.e. all	Y
	2. To what extent have the relevant CAP measures/instruments focusing on generational renewal contributed to fostering innovation and inter-generational knowledge transfer?	Y	Y	Y		Y
	3. To what extent have the CAP measures/instruments related to young farmers been effective in promoting generational renewal?	Y	Y		All	Y
	4. To what extent have the CAP measures/instruments relevant for generational renewal contributed (directly and indirectly) to improving the development of rural areas in: (i) infrastructure and services; (ii) local governance/capacities; and (iii) social capital?	Y	Y	Y	MCA	Y
	5. To what extent have the CAP measures/instruments relevant for generational renewal impacted directly and indirectly on the maintenance/creation of jobs in rural areas?	Y	Y		All	Y
Efficiency	**6.** To what extent have the relevant CAP measures/instruments been efficient in directly fostering generational renewal?		Y			Y
	7. To what extent have all CAP measures/instruments been efficient in fostering generational renewal indirectly, by improving the quality of life in rural areas?	Y	Y	Y	All	Y
	8. What is the administrative burden of the relevant CAP measures/instruments linked to generational renewal: (i) at the level of the beneficiaries; (ii) at the level of Member-State administrations; and (iii) at EU level?		Y	Y		Y

* includes national/regional and local interviews, secondary data review and analysis, national stakeholder workshop; Y=yes. Source: Evaluation support study.

Criterion	Evaluation question	Indicator analysis	Online survey and key EU interviews	Literature review	Quantitative analyses	Case-study evidence *
Coherence	**9.** To what extent are the relevant CAP measures/instruments linked to generational renewal in rural areas coherent with each other?	Y				Y
	10. To what extent are the relevant CAP measures/instruments linked to generational renewal coherent with other EU policies and actions?	Y				Y
	11. To what extent are the CAP measures on generational renewal influenced positively or negatively by external factors?	Y	Y	Y		Y
Relevance	**12.** To what extent have the CAP measures/instruments focusing on generational renewal been relevant in enabling generational renewal in agriculture? Do they correspond to the needs identified, in particular enabling access to: a) land? b) capital? c) knowledge?	Y	Y	Y		Y
	13. To what extent have the CAP measures/instruments focusing on generational renewal helped foster rural development by maintaining/creating jobs?	Y	Y		CGE	Y
EU added value	**17.** What is the EU added value of the respective CAP measures/instruments studied in their contribution to generational renewal?	Y	Y	Y	All	Y
Causal analysis	**14.** What are the external factors that affect the CAP policies on generational renewal?	Y	Y	Y		Y
	15. How have the relevant CAP measures contributed to enhancing sustainable employment in rural areas, especially activities in up- and downstream sectors related to agriculture?	Y	Y		FADN, CGE	Y
	16. What was the impact of the relevant CAP measures/instruments on the issue of changing land ownership and land management: (i) on direct beneficiaries; and (ii) on other stakeholders?	Y	Y	Y		Y

* includes national/regional and local interviews; secondary data review and analysis; and a national stakeholder workshop; Y=yes. Source: Evaluation support study. The analysis of the causal analysis is integrated in the five main criteria (efficiency, effectiveness, coherence, relevance, EU added value).

ANNEX 4: CURRENT INTERVENTION LOGIC FOR INSTRUMENTS AND MEASURES AFFECTING GENERATIONAL RENEWAL

Figure 23 – Current CAP: logic for instruments and measures affecting generational renewal (GR)

Regulation	Measures with potential GR impacts	Measures/Sub-measures	Focus areas	Direct GR impacts (agricultural/wider rural)	Indirect GR impacts
1307/2013(Direct Payments – DP)	Coupled support (direct payments - basic payments) to increase/maintain income ANCs[92] Young-farmer supplement to direct payments Small-farmers' scheme (SFS)	CAP Pillar I direct payments Title III, Chapter 5. Payment for young farmers	Non-Applicable	The specific additional funding to young farmers, which gives an income boost to this group relative to others in their first years of operation.	Apart from the young-farmers' payment, all other direct-payment measures listed in column 2 increase the relative financial return from agriculture compared to other options. This may help to retain younger generations (or keep older farmers in business). The small-farmers' scheme supports the viability of very small holdings, which may help young people stay in rural areas.
1305/2013 (Rural development-RD)	Direct targeted measures for young farmers in rural development. This includes the specific measure in Article 19(6) but also higher rates of aid for measures concerned with certain investments under Article 17(3) compared to	6.1. Business start-up aid for young farmers 4.1. Investments in agricultural holdings 4.2. Investments in processing/marketing or product development Sub-programmes targeted at young farmers (only Hungary has a specific programme like	Mainly Priority 2, Focus Area 2B: generational renewal	6.1 offers direct aid for generational renewal in farming & increased viability for young farmers. Investment measures may offer enhanced rates to young farmers which improve performance. Sub-programmes may offer	These measures may help to create a climate in which there are more business and job opportunities for young people in rural areas more generally. This may indirectly encourage broader non-farm generational renewal.

[92] Areas facing natural constraint can be supported by Pillars I and II, although few MS choose the option to support under Pillar I.

Regulation	Measures with potential GR impacts	Measures/Sub-measures	Focus areas	Direct GR impacts (agricultural/wider rural)	Indirect GR impacts
	the aid rates available to older farmers using these investment aids.	this)		targeted support to young farmers.	
1305/2013 (Rural development-RD)	Farm and business development (Article 19) 19(a) Business start-up aid for non-agricultural activities in rural areas 19(c) Annual payments or one-off payments for farmers eligible for the small-farmers' scheme Article 20(c) – Broadband infrastructure	6.2. start-up aid for non-farm rural businesses 6.3. small-farm business development 6.4. creation and development of non-farm businesses 6.5. small-farmers' transfer scheme M7.3: Broadband	Priority 2 (Focus Area: 2A: Restructu-ring and 2B: Generational renewal.) Priority 3 (Focus Area 3A: Better integrating producers in food chain) Priority 5 (Focus Area 5C: Renew-ables) Priority 6 (Focus Area 6A: Diversi-fication). Focus Area 6c Information and Communication Technologies	May offer direct support for generational renewal. May promote rural vitality & non-farm generational renewal either by direct investment in these businesses or by providing essential business infrastructure (broadband). The small-farmers' support scheme may directly assist generational renewal in agriculture where it promotes transfers to younger farmers.	Some aid under these measures may be more generally focused on business diversification, in which case there may be no direct impact on generational renewal. Instead, there may be indirect impacts, for example via job creation which offers opportunities to younger and older people alike.
1305/2013 (Rural development-RD)	Cooperation for economic enhancement and innovation (Article 35)	16. Cooperation 9. setting up producer organisations (Art.27)	Measure 16 contributes to all Priorities. Measure 9 contributes to Priority 3 Focus Area 3A: Integrating producers in food chains		Help for: collaborative action; learning; and innovation/successful adjustment to new market or environmental conditions. This indirectly increases the attraction or resilience of farm futures.

Regulation	Measures with potential GR impacts	Measures/Sub-measures	Focus areas	Direct GR impacts (agricultural/wider rural)	Indirect GR impacts
1305/2013 (Rural development-RD)	Other investments: Art. 17 (3). Investment in physical assets; Art. 21. Investment in forest area development; Art. 25. Investments in improving resilience; Art. 26. Investments in forestry technologies.	4.1 – 4.3. Investments in physical assets (agricultural holdings, processing and marketing/product development, modern infrastructure) 8.1, 8.2, 8.6. Forest investments (afforestation, agro-forestry and forest-product valorisation)	Contributes to priorities 2, 3, 4 & 5. Priorities 4 and 5 (Focus Area 5C: renew-able energy and 5E: Carbon) and 6 (Focus Area 6A: Diver-sification)	Some rural-development programmes incorporate these measures targeted in ways which directly promote generational renewal in rural areas. This helps young people or newcomers to rural areas to set up in business, develop new enterprises, access job opportunities, etc.	Most of these measures in rural-development programmes will indirectly promote rural vitality by making rural areas more active and generating growth and jobs, thus improving quality of life.
1305/2013 (Rural development-RD)	Knowledge transfer and information actions (Article 14)	1.1. training and skills; 1.2. demonstra-tions and infor-mation actions 1.3. exchanges and visits	Contributes to Priorities 1 (Focus Areas 1A: Fostering innovation and 1C: Training), 2, 3, 4, 5 & 6.	Where specific to young farmers or new businesses, it can directly promote successful inter-generational transfer.	Help for all farmers (via: (i) technical and management knowledge; (ii) collaboration; and (iii) innovation) may indirectly help generational renewal.
1305/2013 (Rural development-RD) 1306/2013 (Horizontal Regulation)	Advisory services, farm management and farm-relief services (Art. 15)	2.1. Advisory services 2.3. Setting up of advisory services	Measure 2 contributes to Priority 1 Focus Area 1A: Fostering innovation		Help for all farmers, including young farmers, to increase their capabilities for success.
1305/2013 (Rural development-RD)	Support for agri-environment-climate, AECM, and areas facing natural constraint (Articles 28 and 32)	10.1 Agri-environment-climate commitments 13.1-13.3 Areas facing natural constraint	Mainly priority 4 (Focus Areas 4.1 Biodiversity, 4.2 water management, and 4.3 soil erosion and management)		Measures may play a particular role supplementing farm incomes in marginal areas, indirectly supporting farm viability, and helping to retain young people in the area.
1305/2013 (Rural development-RD)	Basic services and village renewal in rural areas (Article 14) LEADER/CLLD (Art 42: Leader).	7. Basic services – all types (except broadband, already covered above). 19. LEADER –	Contribute to Priority 6 – (Focus Areas 6.1 diversifi-cation, job creation and small and medium-	Some rural-development programmes incorporate these measures targeted in ways which directly promote	Most of these measures will indirectly promote rural vitality by making rural areas more active, generating

Regulation	Measures with potential GR impacts	Measures/Sub-measures	Focus areas	Direct GR impacts (agricultural/wider rural)	Indirect GR impacts
		all types.	sized enterprises and 6.2 local development).	generational renewal. This helps young people or newcomers to rural areas to set up businesses or find jobs.	growth and jobs, thus improving quality of life.
1698/2005	Early-retirement measures (Title IV, Chapter 1, Art. 23)	113. Early retirement	Not relevant – no focus areas in 2007-2013 rural-development programmes	May aid generational renewal by helping retirees to transfer land to new farmers. However, transfers to neighbours creating larger farms may work for or against GR.	
1308/2013 (Common market organisation)	Quality policy	Section 2 – designation and promotion of quality products (protected designation of origin, protected geographical indication etc.)	Not relevant, no focus areas in this Regulation		For both these types of action, help for collaboration, product differentiation and better business performance may indirectly increase the attraction of farm futures.
1305/2013 (Rural development-RD)	Quality measure Article 16 (4)	3.1 new participation in quality schemes 3.2. information and promotion	Priority 3 (Focus Areas 3A: Better integration into food chains)		

Source: Evaluation support study.

ANNEX 5: VIEWS FROM OTHER INSTITUTIONS

Summaries of recent input from other institutions on generational renewal and young farmers, as set out in the bullet points below.

- ECA: Special report no 10, *EU support to young farmers should be better targeted to foster effective generational renewal* (2017)[93].
- European Parliament study: *Research for AGRI Committee – Young farmers – Policy implementation after the 2013 CAP reform*, DG for internal policies, policy department B – Structural and cohesion policies, (2017)[94].
- EESC information report: *Evaluation of the impact of the CAP on generational renewal*, NAT/766 – EESC-2019-02014-00-00-RI-TRA (EN), Section for Agriculture, Rural development and the Environment, (2019)[95].
- European Parliament Report: *Professional status of rural women in the EU*[96].
- World Bank report, *Thinking CAP*[97].

European Court of Auditors (ECA): *Special report no 10, EU support to young farmers should be better targeted to foster effective generational renewal* (2017)

The special report examined the role of the EU in supporting young farmers and fostering generational renewal. The audit was carried out at the Commission and in the four Member States with the most spending on young farmers: France, Spain, Poland and Italy. The audit aimed to answer the following question: 'Is EU support to young farmers well designed to contribute effectively to improved generational renewal?'

In the ECA special report, it is acknowledged that the number of farmers in the EU has fallen rapidly in the last decade, dropping from 14.5 million farmers in 2005 to 10.7 million farmers in 2013. The number of young farmers (under 44 years old) fell from 3.3 million in 2005 to 2.3 million in 2013. As the number of farmers decreased across all age groups, the percentage of young farmers in the farming population remained relatively stable, at just above 20%. However, there are significant differences between Member States.

The ECA special report details how the EU allocated EUR 9.6 billion in specific aid to young farmers in 2007-2020 to improve the competitiveness of agricultural holdings and generational renewal in agriculture. Including co-financing from Member States under

93 European Court of Auditors: Special report no 10 *EU support to young farmers should be better targeted to foster effective generational renewal* (2017): https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41529.

94 European Parliament (EP) study: *Research for AGRI Committee – Young farmers – Policy implementation after the 2013 CAP reform*, DG for Internal Policies, policy department B – Structural and cohesion policies, (2017): http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf.

95 EESC, information report *Evaluation of the impact of the CAP on generational renewal*, NAT/766 – EESC-2019-02014-00-00-RI-TRA (EN), Section for Agriculture, Rural development and the Environment, (2019): https://www.eesc.europa.eu/en/our-work/opinions-information-reports/information-reports/evaluation-impact-cap-generational-renewal.

96 http://www.europarl.europa.eu/RegData/etudes/STUD/2019/608868/IPOL_STU(2019)608868_EN.pdf

97 http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf

the Pillar II setting-up measure, total public support amounted to EUR 18.3 billion. Almost 200 000 young farmers received EU aid for setting up in the 2007-2013 period.

The overall conclusion of the report is that EU support for young farmers should be better targeted to foster effective generational renewal. The ECA recommended that Commission and the Member States:

(a) improve the intervention logic by strengthening the needs assessment and setting objectives that reflect the overall objective of fostering generational renewal;

(b) improve the targeting of measures through better project-selection systems and use of business plans;

(c) improve the monitoring and evaluation framework by drawing on best practices developed by Member States in their monitoring systems and evaluation reports.

European Parliament study *Research for AGRI Committee – Young farmers – Policy implementation after the 2013 CAP reform*, DG for internal policies, policy department B – Structural and cohesion policies, (2017)[98]

This European Parliament study acknowledges that generational renewal in agriculture has acquired an important place in public and political discourse. Phil Hogan, former EU Commissioner for Agriculture and Rural Development, discussed on 25 January 2017 his efforts to 'mainstream' the issue of generational renewal in the upcoming debate about the future CAP (i.e. include generational renewal in all aspects of the debate). He argued this was necessary because 'bringing generational renewal fully into the policy mainstream cannot happen without the support system of a strong and targeted rural-development policy'.

The study shows that between 2007 and 2013 more than 126 000 young farmers received financial aid towards the initial setting up of their farms, for an overall sum of EUR 3.65 billion. In the current programming period, Member States have notified the Commission that they will spend a total of EUR 2.6 billion on direct top-up payments to young farmers, and support almost 180 000 young farmers with installation aid. Even though EU assistance has been available to young farmers for more than three decades, the 'young-farmer problem' seems to remain. This is due to both the complexity of the problem and the limited effectiveness of policy mechanisms in dealing with it.

The main purpose of the European Parliament study was to provide Members of the European Parliament (particularly members of the Committee on Agriculture and Rural Development) with reliable data and up-to-date evidence on the state of implementation of the current CAP support given to young farmers.

The study is structured in four chapters: Chapter 1 provides an overview of findings related to young farmers in agriculture and the policy tools that are currently being implemented. Chapter 2 presents the different implementation styles of young-farmers' tools by Member States. The next section, Chapter 3: (i) presents information on the impacts of the implemented policy tools; (ii) gives an overview of the barriers and opportunities for new entrants to agriculture; and (iii) discusses how the implemented measures help newcomers to overcome these barriers. Chapter 4 concludes the findings

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98 European Parliament (EP) study: *Research for AGRI Committee – Young farmers – Policy implementation after the 2013 CAP reform*, DG for internal policies, policy department B – Structural and cohesion policies, (2017): http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf.

of the study, and on this basis gives political recommendations to increase the effectiveness of the young-farmers' political mechanism.

Based on the secondary analysis and case-study research, some policy recommendations have been formulated. They are set out in the bullet points below.

- It is recommended that the support for young farmers should continue, and the maximum level of funding be increased beyond 2% of the overall CAP budget.
- Access to land is the major barrier for young farmers and new entrants. Dealing with this problem requires re-evaluation of the direct-payment scheme and incentives for older farmers to pass their farms on to younger generations[99].
- There are many innovative initiatives that have been successful in supporting new entrants to the agricultural sector. It is recommended that these initiatives be supported.
- It is recommended to focus on reducing additional barriers to young farmers, such as difficulties accessing capital, a lack of business skills, and insufficient succession plans.
- Support for young farmers and new entrants should be differentiated. It is recommended to re-consider the age limit for financial support.
- New forms of support should be taken into account, accentuating: (i) innovative ways of sharing knowledge; and (ii) targeted support for specific farm businesses that focuses on particular scales and forms of agriculture.

EESC information report *Evaluation of the impact of the CAP on generational renewal*, NAT/766 – EESC-2019-02014-00-00-RI-TRA (EN), Section for Agriculture, Rural development and the Environment, (2019)[100]

This information report takes a broader perspective, looking beyond the young-farmers' payment under Pillar I of the CAP and the measures for young farmers under Pillar II of the CAP. It also analyses how rural areas can be made more attractive. In addition, it takes into account coherence with other EU policies and actions, given that Member States have unique competencies in areas affecting generational renewal in agriculture, such as regulations, taxation, inheritance law or territorial planning. There is also a need to assess the impact of national policies, schemes and other relevant obstacles to generational renewal in agriculture.

The EESC contribution is based on consultations with civil-society organisations and national authorities to understand how they experienced and observed the impact of the CAP on generational renewal.

The findings from the EESC's analysis of the feedback received from the fact-finding missions, questionnaire and other materials have led to the following conclusions and recommendations, set out in the bullet points below.

- The EESC highlights the importance of the CAP and a properly functioning single market to sustain viable farming and attract young farmers into the sector.

[99] This would mean that, in some cases, direct payments do not work consistently with Pillar II support for setting-up.

[100] EESC, *Evaluation of the impact of the CAP on generational renewal*, NAT/766 – EESC-2019-02014-00-00-RI-TRA (EN), Section for Agriculture, Rural development and the Environment, (2019): https://www.eesc.europa.eu/en/our-work/opinions-information-reports/information-reports/evaluation-impact-cap-generational-renewal.

- It is essential that there is an adequate CAP budget in the 2021-2027 period to meet the funding requirements for meaningful support for generational renewal. To this end, a minimum of 2% of the CAP budget (Pillar I and II) should be allocated to support young farmers. To offer young farmers in all Member States equal prospects for development, greater efforts should be made to raise the level of direct payments for young farmers in those Member States where direct payments are significantly lower than the EU average.
- To support generational renewal in agriculture, the various CAP measures need to be better integrated and implemented in a more coordinated way. This will support young farmers in the different stages of developing their holdings.
- The EESC is in favour of raising the ceiling for start-up aid for young farmers. However, before this start-up aid is granted, there is a need for in-depth advice for farmers on drawing up a realistic business plan and planning activities. The duration of the young-farmers' top-up payment in CAP Pillar I should be increased from 5 years to 7 years. The EESC strongly supports the minimum 25% top-up payment to young farmers in CAP Pillar I.
- The current CAP measures supporting young farmers and new entrants through the national reserve and the young-farmers' scheme are essential in any future reform of the CAP.
- To maintain an adequate national reserve on an annual basis for young farmers, Member States should have the option of applying a clawback to sales and leases of holdings, taking into account the specificities of national legislation.
- The EESC supports the higher level of structural investment aid in CAP Pillar II available in most Member States for young trained farmers. It also recommends that this be paid for 7 years instead of 5 years as it is currently.
- The EESC recommends the option of a pre-retirement scheme in Member States as part of CAP Pillar II. It recommends to the Member States that they create a specific legal framework for farm transfers.
- The EESC recommends a minimum 25% top-up on environmental payments in Pillar II to young farmers to increase participation.
- As a CAP Pillar II measure, providing low-cost loans and finance for young farmers should be a priority. The development of a new type of CAP financing arrangement with minimum bureaucracy should be considered. This could provide a bigger funding framework for a young person taking up or receiving a holding[101].
- Partnerships have an essential role to play in generational renewal and should be incentivised through CAP Pillar II support and domestic taxation measures. Member States should incentivise generational renewal by minimising the costs and taxation associated with the inter-generational transfer of farms.
- CAP Pillar II should ensure access to methods for the transfer of practical knowledge. The EESC considers that it would be beneficial to invest more in 'soft' measures (education, social conditions) to achieve this. Although some Member States have set up education and training facilities for young farmers (for example, Kildalton College in Ireland), there is evidence of the need to

[101] This argument is well developed in the European Commission's recent activities on financial instruments under the EAFRD and with the support of the technical assistance programme fi-compass: https://www.fi-compass.eu/esif/eafrd.

increase funding in education and training. Coordinated implementation of communication and guidance programmes is important.

- Young women should be encouraged to: (i) take on the responsibility of management in agriculture; (ii) settle in rural areas; and (iii) play a full and active role in the agricultural sector through the promotion of female ownership, networks of female young farmers, etc. Programmes to develop entrepreneurial skills could greatly help the start-up and successful functioning of autonomous agricultural enterprises.
- The EESC supports the concept of strengthening the definition of an 'active' farmer.
- The EESC believes that the CAP strategic plans should include education in schools to promote the positive contribution of agriculture to the broader economy. Special focus should be paid to young farmers operating in areas with natural constraints. Their essential role should be better reflected in CAP Pillar II.

World Bank report *Thinking CAP*[102]

Some messages from the World Bank report relevant for this staff working document are set out below.

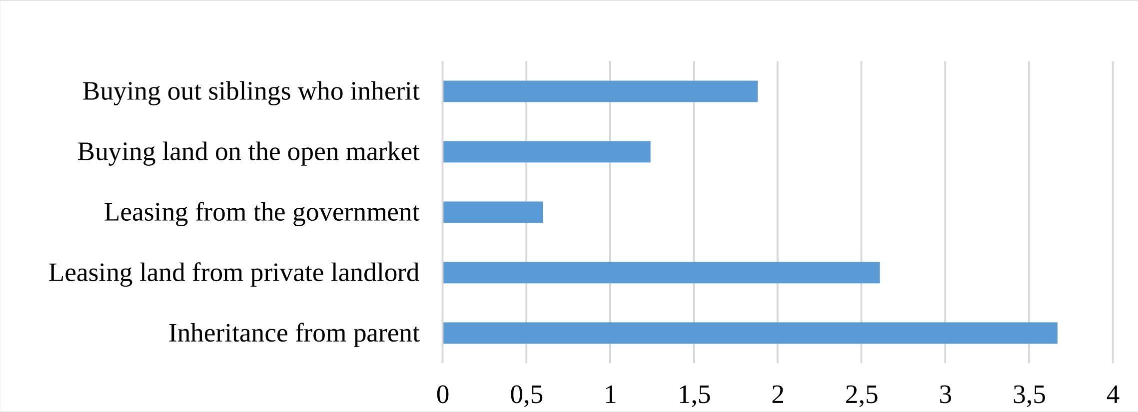
- CAP subsidies drive up the price of land. This makes it more difficult: (i) for potential new farmers, including the young and the poor, to enter agriculture; and (ii) for existing farms to expand through renting or purchasing land.
- However, the CAP does provide an important social safety net for existing landowners, including the elderly.
- The CAP reaches far and wide: it can be a powerful instrument of structural transformation.
- The sheer reach of the program means that even marginal improvements will have far-reaching effects on shared prosperity and poverty reduction in the EU.
- Supported by the CAP, the successful 'transformers' have turned agriculture into a key sector for good jobs in rural areas. And the incomplete transformers can use a well-targeted and coordinated CAP to reduce poverty and start creating better jobs for farmers.
- As labour moved out of agriculture, the CAP supported the creation of reasonably remunerative jobs for the workers who remained behind, while poverty in agricultural areas was reduced. It is in this sense that agriculture and the CAP mattered for inclusive growth in the EU.

[102] World Bank (2017), *Thinking CAP - Supporting agricultural jobs and incomes in the EU*. Regular economic report 4, Washington DC, International Bank for Reconstruction and Development. The World Bank. http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf

ANNEX 6: SOME MEMBER-STATE MEASURES ON GENERATIONAL RENEWAL

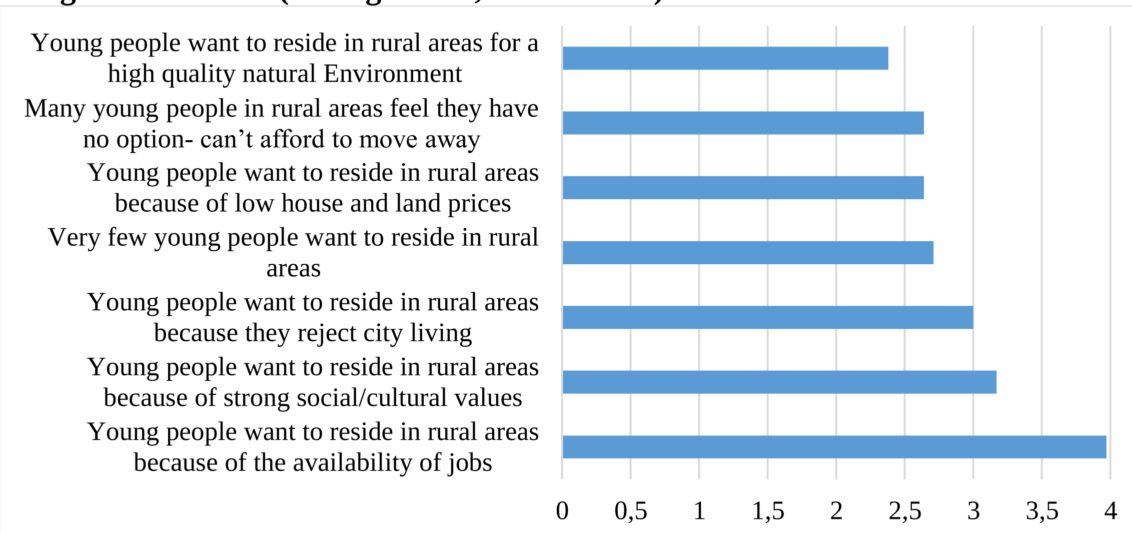
The contractor in charge of the support study conducted a survey of Member-State administrations. Between 1 and almost 40 responses were received per Member State. In total, responses were received from 24 Member States. The survey provided information about issues such as respondents' views on the most common entry routes into farming and what were young people's strongest motivations for living in rural areas.

Figure 24 Online survey: respondents' views on the most common entry routes into farming (scored out of 5, average scores)



Source: Evaluation support study.

Figure 25 - EU online survey: views about young people's strongest motivations for living in rural areas (average score, maximum 5)



Source: Evaluation support study.

The lack of services in rural areas was universally considered the most significant barrier to generational renewal, with entrepreneurial opportunities rated as the second most significant barrier.

In addition, the online survey mentioned specific policies that helped generational renewal in some Member States (see below).

Figure 26 - Specific policies helping generational renewal in each Member State

Czechia (CZ)	Regional: Buying land for building houses by villages and selling these houses below cost. Support for kindergardens and schools.
Greece (EL)	Policy at municipality level/Producer groups (translated).
Spain (ES)	A subsidy for rural unemployed people (translated). Europe is developing the 'smart villages' project. For many residents of rural areas, this is an opportunity for them and their children to live in the place they want.
Austria (AT)	Programmes like LEADER raise awareness about opportunities and enhanced initiatives to live in rural regions.
Slovenia (SI)	Municipal management and improvements in infrastructure probably also play a role.
Sweden (SE)	Newly established rural policy (approved in Parliament 2018).
UK	New legislation requires central and local government to give due regard to rural circumstances when devising, reviewing and implementing policies and the delivery of programmes/services. Outside this, rural areas have been supported by various local programmes (e.g. on tackling rural poverty & social isolation in Northern Ireland; village regeneration; economic programmes targeting rural youth; and lottery-funded programmes that specifically target children, young people, and supporting communities).

Source: Evaluation support study, based on the online survey.

Survey answers provide useful information on the context for generational renewal in each Member State, and how this context relates to other indicators. The information suggests that in farming, underlying profitability has an important influence on generational renewal but that other factors may also play a role. More broadly, quality of life and business infrastructure (such as good broadband and services) emerge as significant influences on non-agricultural rural generational renewal. In this context, a number of national and regional policies are relevant in supporting or hindering effective generational renewal in rural areas.

The evaluation focused on six Member States to show a variety of situations at European level.

Estonia and Belgium (Flanders)

Effectiveness and efficiency	Aid system helpful but not very joined up or connected to needs. There is no real 'package' unless the farmer puts it together themselves. Online application in both countries reportedly very efficient.
Impacts	Beneficiaries feel Pillar II aids make a positive difference, especially for successors. LEADER may help rural quality of life but is not specifically focused on generational renewal. Rural areas in Flanders are buoyant and non-agricultural: CAP funding is insignificant for rural development. Pillar I young-farmer supplement is insignificant. Other national factors create barriers to new entrants (planning, high leasing costs, land use rules). Concerns focus more on the viability/attractiveness of farming.

France and Italy[103]

Effectiveness and efficiency	Aid system is effective[104]: it meets the financial needs of young farmers. France: a complex new system and requirements entail high administrative costs and uncertainties on final audit. Italy: factors of inefficiency in all rural-development-programme measures. In particular, there are: (i) complex selection criteria for investment measures (4.1 on 'Support to improve the overall performance and sustainability of an agricultural holding'); (ii) problems with financial guarantees; (iii) inadequate staffing; and (iv) long delays in some administrations. Acceptable cost of young-farmers' package (c.7-8% of total), lower than private consultancy.
Pillar II measures are globally coherent and work in a package with national/regional tailored measures	LEADER complements young-farmer aid; helping new entrants and non-farm-business start-ups. Pillar I young-farmer supplement shows coherence with Pillar II. In France, Pillar I aid does not encourage older farmers to release land. The problem is access to land and therefore land transfer. Aid for land purchase benefits sellers and not young farmers.

Poland and Hungary

Efficiency	Aid meets the financial needs of young farmers at installation, but not all young farmers receive this aid. Long delays in payments due to insufficient administrative capacity. Hungary cited the risk of errors as a big disincentive to applicants.
Pillar II measures are coherent but other factors hinder generational renewal	In Poland, beneficiaries combine start-up aid and rural-development-programme investment aid. Pillar I young-farmer aid is mostly spent on inputs, even land purchase. In Hungary, investments and start-up aids should be combined with training and advice, but those measures have not yet been launched. LEADER and national schemes complement young-farmer aid; helping new entrants, non-farm-business start-ups, quality of life and wider non-agricultural generational renewal. Some national laws hinder young-farmer generational renewal in Poland. The inheritance law in Hungary is very complex and potentially negative for generational renewal. The wider economic downturn has negatively affected access to credit and rural labour in Hungary.

Ireland

Effectiveness	Pillar II measures work in a package with national/regional tailored measures. However, they require matching capital and promote 'traditional' business models, rather than innovation. **a)** LEADER does not work alongside young-farmer aid. There is a continuing need for more non-farm rural economic development in many areas. Poor

[103] In Italy, applications to sub-measure 4.4 for non-productive investments of young farmers and collectives frequently receive priority for funding. Only one region, IT-Basilicata, mentions that it funds non-productive investments of young farmers and collectives at a higher rate. Source: ENRD, *RDP analysis: Support to environment & climate change. M04: Investment in physical assets*: https://enrd.ec.europa.eu/sites/enrd/files/rdp_analysis_m04.pdf.

[104] The report on 'good practice in policy design and delivery' in France suggests that a varied package of support measures helps generational renewal.

	broadband is a major obstacle. **b)** EiP-Agri initiatives promote innovation and knowledge exchange, but not specifically generational renewal. 500 new farm partnerships were set up under Measure 16. The national scheme to promote changes in land ownership is helping to encourage transfers[105]. Pillar I young-farmers' supplement made effective via national-reserve allocations with higher payment rates. Changes to Pillar I aid do not encourage old farmers to release land. There are strong cultural barriers to releasing land, no alternatives to selling, and therefore very low rates of transfer. This explains why the former early-retirement scheme failed. The lack of young people wanting to farm is an issue in many sectors. Farming is seen as giving a low quality of life with low incomes. Case studies confirmed that, to ensure the attractiveness of the agricultural sector and of rural life, public support (including EU support) should not only provide support directly to young people but also invest in developing basic services in rural areas. This is also essential for generational renewal in the agricultural sector Making agricultural and rural activity viable in the long term would also require innovative solutions that can be supported by EU and national interventions.

National schemes and national legislation relevant for generational renewal in agriculture or in rural areas more broadly

There is a variety of national schemes and national legislation relevant for generational renewal. Some examples are summarised below.

Belgium – Flanders	The shortage of young farmers willing and able to take over agricultural businesses in Flanders is addressed via a **combination of measures, ranging from agricultural land-transfer laws, to stakeholder initiatives**. Some banks promote outreach initiatives, in which the institution and older farmers attempt to organise potential **succession plans**. **Agricultural land is commonly held via agricultural leases ('pacht'),** which are leased for nine-year intervals. Leased land can be held for up to 99 years. After every interval, the lessee can opt out of the lease.
Ireland	**Tax schemes/incentives** There are three core tax-relief schemes: • 100% stamp-duty relief for young farmers (max. age 35) for change of ownership; • 100% tax relief on the increase in value of a herd over the first 4 years of production (capped at EUR 70 000); • Tax credit on farm-succession partnerships up to EUR 5 000 per year for 5 years. However, the older farmer must transfer at least 80% of the farm within 10 years. **Succession farm-partnership scheme** The 2016 national budget introduced a new initiative to assist succession, referred to as the Succession Farm Partnership Scheme. This scheme provides a structure through which farmers and successors can enter into a partnership with an appropriate profit-sharing agreement, on the understanding that the farm would eventually be transferred to the successor at the end of a

[105] A three-year 'Land mobility service' pilot programme established by Macra na Feirme – the Irish rural youth organisation – operated successfully in 2014-2016. The programme created 282 'arrangements' across 25 000 acres of agricultural land (2017). The aim of the pilot was to develop and test what kinds of support services were required to increase access to land through collaborative farming arrangements. The three key functions of the service were: (i) to create awareness and provide information to land owners and those seeking land; (ii) to deliver collaborative arrangements acceptable to both parties in the agreement; and (iii) to provide support for the operation of the agreement.

	specified period, not exceeding 10 years. **National reserve** The national reserve, which was launched in 2015, makes it possible to allocate entitlements on a permanent basis. Allocation is undertaken in conjunction with an agricultural advisory committee. The EU regulations underpinning the operation of the national reserve provide for priority access to the mandatory categories of 'young farmer' and 'new entrant to farming'. The Reserve is a maximum of 3% of the Irish direct payment envelope (EUR 24 million) per year. **Rural-regeneration fund** As part of Project Ireland 2040, the Irish government has committed to providing an additional EUR 1 billion for a new rural-regeneration and development fund over the period 2019-2027. The fund will provide investment to support rural renewal for suitable projects in towns and villages with a population of less than 10 000 and their outlying areas. It is administered by the Department of Rural and Community Development. Initial funding of EUR 315 million is being allocated to the fund on a phased basis over the period 2019-2022. **Growth-loan scheme** The upcoming growth-loan scheme makes up to EUR 300 million of loans available for a term of 8-10 years. The scheme is being developed by the Department of Business, Enterprise and Innovation and the Department of Agriculture, Food and the Marine (DAFM) in partnership with the Department of Finance, the Strategic Banking Corporation of Ireland and the EIF.
Estonia	There are very few national schemes targeted at generational renewal. One of the national schemes mentioned by interviewed farmers was **farm-relief services.** These are not targeted at young farmers, but some farmers considered it to be an important factor when making the decision to start farming, especially for animal husbandry. There are also some regional/national programmes helping to keep young people in rural areas or attract them to return/move to rural areas. Some examples are in the bullet points below. - In 2015, Estonia launched the support scheme **Youth to Setomaa** to help improve living conditions (general construction works, electricity, water, sewage and heating systems etc.) for people aged 21-40. - Another programme financed from the State budget is the **low-density area programme** administered by Enterprise Estonia. This programme helps families in sparsely populated areas to build roads to their households, make new wells, and install sewage systems. This programme has an indirect influence on keeping young people in rural areas. - Many **rural municipalities** use different **measures to help to slow down migration** from rural areas.
Hungary	**Land policy for family-sized farms.** The law on land use in Hungary helps encourage medium-sized agricultural farms and the stable operation and further development of small farms. **Pre-emption rights ensure that family farms are the beneficiaries on the land market, and their numbers and ownership of land are growing.** Land use is being concentrated in family farms, and **the income outflow from agriculture is decreasing.** There are synergies between the CAP measures to promote the generational renewal of the sector and the parallel launch of national aid. As part of the 'Land to Farmers' programme, nearly 30 000 farmers bought 200 000 hectares of State land in 2016. **National rural-development strategy** The national rural-development strategy was developed between 2010 and 2011, and adopted by the government in March 2012. It aims at the integrated development of rural areas, including: (i) the preservation of landscape and natural values; (ii) the sustainable use of resources; (iii) the development of rural settlements; (iv) the improvement of the quality of life of people living in the countryside (by providing employment, accessible services and education facilities, with an emphasis on improving the quality of agriculture and the food economy); and (v) the significant enhancement of Hungary's market positions in agricultural

	products. **Farmstead-development programme** The farmstead-development programme, aims at developing farmstead infrastructure. It also supports the procurement of a farmstead's the first breeding stock or breeding animals, and the processing of farm products. **Hungarian Association of Young Farmers service and information system for farmers** The Hungarian Association of Young Farmers (AGRYA) **service and information system for farmers** seeks to stimulate the entrepreneurial activity of young people and develop communication activities about agriculture aimed at the general public.
Italy	**Mechanisms to stimulate changes in land ownership and access to land by young farmers** In 2014, Italy approved a decree (named *terre vive* or 'living lands') to make public land available for young farmers in two separate ways: (i) selling state-owned land through public and transparent calls; and (ii) renting state-owned land with priority to young farmers for at least 15 years. Young farmers also became beneficiaries of a State contribution covering the difference between the market interest rate on loans to buy land and the subsided rate. Another form of support is implemented at national level through the '**land bank'.** The land bank stores publicly-owned lands (owned by the State, regions and public institutions) and private lands (deriving from land given back to the land agency by insolvent farmers). **Rural-development start-up aid** A third form of support is quite similar to the start-up aid outlined in the Rural Development Regulation. This third form of support was conceived to complement incentives for generational change within the family farm as offered by policy instruments under the rural-development programme. It is a sort of top-up aid, but adheres to the following specific rules: (i) the support is provided through a long-term loan (up to 15 years) at 0% interest; (ii) in southern regions, farmers can mix a capital grant covering up to 35% of the eligible expenditure and a loan at 0% to cover up to 60% of the eligible expenditure; (iii) the selection is based on a business plan; and (iv) the maximum investment is EUR 1.5 million. **Fiscal incentives** Finally, a series of **fiscal incentives** were introduced under the initiative for: (i) any farmers (not only young famers) to rent land (the incentive gives a subsidy of 19% of the cost of renting land); or (ii) farmers willing to hire young workers on a permanent contract basis or for a contract of at least 3 years (State contributions of 33% of gross salary).
Poland	**National scheme – the Solecki Fund** The Solecki Fund was established by national law, enacted in 2009. It is dedicated to rural areas. The Solecki Fund law gives communes the possibility to separate some money from the local commune budget and spend it on projects selected only by local inhabitants of auxiliary commune units (*solectwo*). That part of the commune budget is called the Solecki Fund. The idea was to empower village residents. **National Union of Rural Youth** The National Union of Rural Youth has a long history (it was established in 1928). It supports young farmers through various projects, such as an Olympics for young agricultural producers and scientific cooperation with agricultural universities. **National law on retirement** The national law on retirement interacts with the early-retirement scheme under the rural development programme. Thanks to the 2007-2013 rural-development programme's early-retirement scheme, farmers could go on pension at age 50. And now, under the general Polish Pension Law, farmers have the same pension age as other workers. For women it is now 60 and for men 65. **Social programme 'Family 500+'** Interviewees mentioned that the 'Family 500+' social programme is granted to low-income

	families, and is very popular among farmers (especially young farmers) as they have usually more children and lower incomes than people living in cities.

Specific rural-development sub-programme for young farmers - Hungary

Hungary used the possibility offered in rural development funding to implement a **specific sub-programme for young farmers**. The programme's purpose was: (i) to support business start-ups; (ii) to promote farm development; (iii) to increase the knowledge base; (iv) to develop practical skills; and (v) to give targeted consulting and monitoring help to people launching a new farm.

Sub-programmes under the programme included start-up support and other types of support based on this start-up support, all of which are available for recipients of start-up grants. In some cases, young farmers who had been active for not longer than 5 years can also benefit from these sub-programmes.

Budget was secured for: (i) agricultural-economics training and preparatory training; (ii) demonstration farm programmes; (iii) professional study tours and exchange programmes; (iv) individual consultancy; (v) group consultancy; (vi) further training of consultants; (vii) development of the livestock sector; (viii) development of the horticultural sector; and (ix) development of the agricultural water-management sector.

Greater aid intensity (+10%) was granted to help: (i) develop the livestock sector and horticultural sector; (ii) make investments in small grain storage and dryers; (iii) develop agricultural water management; (iv) make investments in innovative projects; and (v) develop agricultural production.

The programme gave extra scores during evaluation to proposed projects that: (i) had a connection to quality systems; (ii) promoted transition to organic farming; (iii) maintained organic farming; (iv) supported animal welfare during the restructuring of the dairy sector; and (v) implemented innovative projects.

Beyond economic start-up capital support, the multilateral approach of the programme still requires access to development opportunities to help Hungarian farmers to improve competitiveness. It is also essential for young farmers to diversify, create more jobs, and promote alternative income-earning activities within and outside agriculture.

One of the most relevant categories in the target groups of Measure 1 in Hungary ('Knowledge transfer and information actions') is the young-farmers' category because Measure 1 is linked to thematic sub-programmes on short supply chains and young farmers[106].

[106] European Network for Rural Development, *RDP analysis: Support to environment & climate change. M01 & M02 Knowledge transfer & Advisory services*: https://enrd.ec.europa.eu/sites/enrd/files/rdp_analysis_m01-02.pdf.