

Mid Term Evaluation

EPLR Mecklenburg-Vorpommern

Entwicklungsplan für den Ländlichen Raum 2007 – 2013

Within the framework of the 7-State-Evaluation

Summary

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Mid-term evaluation of the RDP Mecklenburg-Western Pomerania

Summary

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The mid-term evaluation of the Rural Development Plan for the State of Mecklenburg-Western Pomerania (RDP-MV) is part of a multi-state evaluation. The participating Federal States are Hesse, North Rhine-Westphalia, Lower Saxony and Bremen, Hamburg, Schleswig-Holstein and Mecklenburg-Western Pomerania. This funding period is the first time that Mecklenburg-Vorpommern has participated in the multi-state evaluation; the other Federal States have been cooperating already since the mid-term evaluation of the programmes in accordance with EC 1257/1999. The evaluation was performed by the Institute of Rural Studies, the Institute of Farm Economics and the Institute of Forest Based Sector Economics at the Johann Heinrich von Thünen-Institute (vTI), and entera, a consulting company.

Overview of the Rural Development Programme for MV

The objectives of the Rural Development Plan for Mecklenburg-Vorpommern are:

- Boost the economic strength of rural areas and the labour market,
- Conservation and development of natural resources,
- Improvement in the quality of rural life
- Increase the self-development potential of the regions.

The objectives of the State of Mecklenburg-Western Pomerania are thus structurally aligned with the EAFRD, which has four axes. Three axes deal with thematic support areas. The fourth Axis comprises LEADER, a methodological approach to funding. By setting up a joint managing authority and a joint monitoring committee for the structural fund and the EAFRD, Mecklenburg-Western Pomerania has formed an institutional link with the preceding period.

The Rural Development Programme for the State of Mecklenburg-Western Pomerania lies at the heart of funding in the agricultural and allied sector. It has at its disposal a total of 3.8 billion euros (EU funds and public, national co-financing). In addition there are 15 million euros in public funds for Article 89 measures.¹ Best funded is EAFRD Axis 3: Nearly half of funds are earmarked for these measures and LEADER. Some 28% of scheduled public funds are available for Axis 2 “Improving the environment and the countryside through land management.” Axis 1 “Improving the competitiveness of the agricultural and forestry sector” therefore accounts for about one-fifth of public funds.

¹ Measures which match the programme substantively, but are financed purely nationally.

The best-financed measures are Land Consolidation and Rural Infrastructure (EAFRD code 125) in Axis 1, the Agri-Environment Measures (EAFRD code 214) in Axis 2 and the measures for Conservation and Upgrading the Rural Heritage in Axis 3 (EAFRD code 323).

The additional funds provided under the Health Check (HC) and the European Economic Recovery Plan (EERP) are being used to support the restructuring of the dairy sector (44 % of additional funds), with a good 26% going to each of biodiversity and water conservation, and 3.2% to climate change.

The main beneficiaries of the RDP MV are municipal administrative bodies which will receive around 40% of the public funds, and agricultural holdings with roughly one-third of funds, and private households.

Around 24 % of scheduled funds (including diversification support for sugar) was disbursed during the first three years of the RDP-MV. Thus, Mecklenburg-Western Pomerania has a relatively high implementation rate as regards the overall programme.

Results of the Measure Evaluations

Axis 1 "Improving the competitiveness of agriculture and forestry"

The Vocational Training and Information Measure (EAFRD code 111) in Axis 1 targets rural labour markets and improvements in the skills and abilities of employees, especially women. The outflow of some 372,000 euros of public funds from 2007 to 2009 is running behind plan: only about 8% of the funds set aside for the EAFRD funding period was disbursed, as the measure was still being financed from EAGFL/A as of Q3 2008. State or EU funding enabled the programme of courses to be extended and the enrolment fees to be reduced, which had a very positive effect on the decision to participate. Some 84 upskilling events involving 1640 participants (22% of them women) took place.

The key measure of Axis 1 is Farm Investment Aid (EAFRD code 121). Farm Investment Aid pursues a number of objectives, especially improvements in the competitiveness of the agricultural sector. A further objective is to extend agricultural aspects that add a great deal of value (animal welfare, especially milk production, and other work-intensive sectors). The focus of the funding was on the dairy industry and on large investments (average eligible investment volume of 326,000 euros); the average subsidy awarded to holdings was 93,000 euros. The funded investment volume for 2007 to 2009 increased significantly compared to the last funding period.

Investments mostly targeted rationalization and, to a lesser extent, growth. While the investment schemes aimed to create several jobs through investment in livestock growth,

the funded dairy farms are generally seeking to reduce their workforce by means of rationalization.

A cost comparison based on the investment schemes suggests that Farm Investment Aid in many cases had an identifiable positive influence on the financing and stability of numerous holdings due to the sheer size of the investments. Whereas with Farm Investment Aid, around 12% of the funded holdings theoretically exceed the long-term debt service limit after the investments have been made, the figure would be 23% without it. This (i.e. without Farm Investment Aid) would be particularly common in the case of large investments (> 500,000 euros) and in the case of investments by individual holdings in dairy cattle farming. Nearly one-quarter (23%) of the funded cases would utilize less than 50% of the long-term debt service limit in the absence of funding; consequently financing should be possible in these cases without funding, too. This is comparatively frequently the case for smaller investments and for cash crop farms.

Analyses of holdings cannot serve to determine whether farm growth funded with Farm Investment Aid would lead to greater sectoral competitiveness. Such an assessment is possible on the basis of sectoral studies, which are scheduled as part of the ongoing evaluation.

Support should in the future be limited more to those holdings which make a substantial contribution to solving the problems presented in the RDP-MV (increase in added value in agriculture) and which also require funding. The need for funding must be checked against the applicants' incomes and the financing ability with regard to the planned investments, instead of against the equity ratio, as at present.

Given the current favourable interest rates and the willingness of banks to grant loans to agricultural enterprises, existing capital funding should be reduced. A guarantee scheme should continue to be offered to ensure the financing of fundamentally profitable investments where collateral is lacking.

For evaluation purposes, once the investments have been completed, the funded holdings will have to provide adequate, high-quality data (primarily the annual financial statements of funded enterprises) in the future.

Further investment support for individual agricultural holdings is provided to holdings engaged in processing and marketing (EAFRD code 123). Given the great significance of the nutrition sector, which is the most important branch of industry in Mecklenburg-Western Pomerania, funding is directed at increasing added value in the processing and marketing of agricultural produce and improving competitiveness, along with further growth in the nutrition sector. So far, a total of 38 investment projects with a total investment volume of nearly 88 million euros (18 million euros of public funding) have been approved. Some 50% of the planned allocation of funding was implemented. The data show that the investments are accompanied by the introduction of new technologies in the

enterprises, but not by innovations. The change in gross value added and labour productivity cannot be assessed.

Funding as part of the EAFRD should not be restricted to investment subsidies, but rather should directly tackle research and development projects and improvements in technology transfer.

One starting point, especially with regard to the further development of value-adding chains and improved marketing possibilities, could be to motivate the relevant actors to participate in important communications and network processes.

Of particular importance for rural development are innovations intended to be funded under the measure for Cooperation in the Development of New Products, Processes and Technologies in the Agriculture and Food Sector, and in Forestry (EAFRD Code 124). No assessment can be made, as there has been no funding case to date.

The Infrastructure Measures of EAFRD Code 125 are long established. Apart from the impact on agricultural structures, which are reflected *inter alia* by enlargement of land parcels or greater due process, land consolidation helps to solve land-use conflicts by providing land for the purposes of nature conservation, and the development of the countryside and water management. The Land Consolidation and Rural Infrastructure measures can result in an improvement in the quality of residential locations. In connection with the Village Renewal Measure, they also offer potential for enabling participation and fostering commitment to integrated development.

Land consolidation process should be continued to the extent necessary. The further centralization of administrative structures is considered problematic as implementation of the processes requires the presence of the processing agent.

Axis 2 “Improving the environment and the countryside through land management”

The objective of the Compensatory Allowance (EAFRD code 212) is to maintain land use in naturally disadvantaged areas. The funding is intended to compensate the income disadvantage of holdings in disadvantaged areas relative to holdings in non-disadvantaged areas. Compensatory allowances have been available for grassland in disadvantaged areas of Mecklenburg-Western Pomerania since 1992, but arable land is excluded from the support. From 2007 to 2009, some 1,100 holdings and 120,000 hectares of grassland (equivalent to approx. 17% of the agricultural area in the disadvantaged area) per year are supported with the Compensatory Allowance. In the financial year 2008/09, the fund can compensate around 6.5% of the income disadvantage of the average funded holding, relative to holdings outside the disadvantaged area. The Compensatory Allowance in its present configuration has only minimal environmental effects.

Compensatory Allowance needs to be targeted more at the specific natural disadvantages. Where available funding is cut, state-wide funding and uniform reductions in the level of funding should be replaced by a redistribution of funds to the neediest regions. This will ensure that the funding goes to holdings and land in greatest need of funding.

Agri-Environment Measures (EAFRD code 214) consists of five sub-measures: Conservation of Grassland 214a, Integrated Fruit and Vegetable Farming 214b, Organic Farming Methods 214c, Erosion-Reducing Field Cropping and Farming Methods 214d, and Flowering Areas as Forage Areas for Bees 214e. The majority of the AEMs offered pursue several resource conservation goals. The total supported area in 2009 was 154.78 ha. This represents 11.55 % of agricultural land in Mecklenburg-Western Pomerania. At 88,474 ha, organic farming is the largest sub-measure in terms of land; furthermore, organic farms also receive payments in relation to 11,539 ha of grassland managed in accordance with the principles of nature conservation. Thus, organic farms constitute 7.3 % of funded agricultural land. Extensification on individual sites accounts for about 34,000 ha. The area of land supported by other sub-measures is much smaller, but remained relatively constant or declined slightly compared to the reference year 2006. The number of holdings (360) receiving funding for flowering areas and flowering strips for bees is high relative to the supported area (647 ha), because the goal is to distribute funding as widely as possible. Overall, participation rates for the AEM are only satisfactory when measured against the objectives.

Almost all AEMs have moderate to very positive impact on biodiversity, except for the sub-measure Integrated Production, which has a low impact on it. Grassland-oriented measures are reaching more than 35%, and thus a high proportion, of permanent grassland in Mecklenburg-Western Pomerania, but only 4.4 % of arable land and 21.5 % of Natura 2000 sites. AEMs with positive impacts on water quality have been implemented on around 11 % of agricultural land. This is primarily land given over to organic farming. Impacts are in the form of a reduction in nitrogen balances and in substance inputs into surface waters via erosion and runoff. Organic farming also makes a substantial

contribution to soil conservation. Impacts can also be expected in climate protection and conservation and development of the countryside.

The objectives of the AEMs, like all indicators, should be checked for consistency, particularly with regard to transparent evaluation. This means also that the administrative body concerned should provide clearly defined reduction targets for the AEMs. In addition, robust impact monitoring must be established for an informed assessment of the biodiversity impacts. To assess the biodiversity effects of AEMs on agricultural land outside protect areas, a country-specific field-bird index has to be developed.

Overall, the number and extent of measures on arable land should increase significantly to achieve biodiversity targets and synergies of water and soil conservation-oriented measures.

To achieve the objectives of the Water Framework Directive remains a great need to reduce nutrient inputs from agriculture is seen. In the short term, the aim is to increase the acceptance of highly effective measures (e.g. organic farming).

To make the impact of the erosion-reducing arable fodder crops more useful for water conservation, augmentation of the territory with the priority areas as per the Water Framework Directive should be reviewed or, where resources are limited, consideration should be given to limiting funding to these areas.

At the time of reporting, no figures were available concerning funding of sound environmental methods of animal welfare for cattle (EAFRD code 215) as approved under the 2nd amendment.

Forestry support (EAFRD codes 225, 226, 227) in Mecklenburg-Western Pomerania goes toward forest environment measures, forest fire prevention measures, the natural forest management along young stand management and the long-term conversion of pure needle stands into mixed stands. Physical attainment of these goals varies significantly from measure to measure. The forest-environment measures are fundamentally suitable for helping the implementation of Natura 2000 in the forest and the promotion of biodiversity. However, the real contribution to achieving the objective is rather low because of the low uptake.

Continuation of the forestry environment measures is recommended. To achieve the desired objectives, however, the measure needs to be made much more attractive. This concerns the level of funding rates, and how the administrative procedures are organised. Ways should be sought of simplifying the EU-imposed administration and checking system in light of declining acceptance.

Axis 3 “Improving the quality of life in rural areas and encouraging diversification of economic activity” and Axis 4 LEADER

In Mecklenburg-Western Pomerania, integrated rural development is funded via the individual measures of Axis 3 and via LEADER in Axis 4. The measures for integrated rural development under Axis 3 included mainly village renewal projects funded via the EAFRD as well as from national funds via the joint task “Improvement in Agricultural Structures and Coastal Protection” (GAK). All other measures have a much smaller scale of implementation. In particular, the implementation of sub-measures 313d-g promoting tourism, and grid connections to exploit regionally produced energy (EAFRD code 321b-c) was very slow.

With 13 LEADER regions, the entire rural area of Mecklenburg-Western Pomerania is included. Private-sector actors somewhat outnumber public-sector actors in the regional structures. The thematic focal points are development of tourism, settlement and rural development and cultural promotion. In the period under review, projects implemented as part of Axis 3 measures went according to plan, but few or no projects were implemented under Axes 1 and 2. Cooperation and communication in the implementation structures were predominantly positive.

The bulk of funding in village renewal projects in Mecklenburg-Western Pomerania is aimed at enhancing the appearance and improving the attractiveness of rural areas. Social infrastructure benefits particularly from measure 321c-a Service Institutions in Rural Areas, with projects in schools and kindergartens, and village renewal projects with the establishment of communal buildings. The area of demographic change needs to be expanded in the project implementation. Direct economic impacts are most likely to come from funded activities promoting tourism under the EAFRD code 313; and the number of projects has been manageable so far.

Not least given dwindling finances and a concentration of resources, it is necessary for the funding of Village Renewal to set priorities and formulate objectives clearly.

Improvements in funding arrangements should include finding simpler procedures for small projects. Harmonization with the ERDF should take place. The sanctioning and monitoring conditions arising from land measures should be repealed and be replaced by more adequate framework conditions.

Given corresponding improvements, it would make sense to further strengthen the funding of integrated rural development, since future challenges in rural areas (including those due to demographic change) will necessitate a greater level of support for integrated rural development.

So far, 29 funding cases have been approved under the measure Diversification into Non-Agricultural Activities (code 311); half of these concern biogas plants and associated

silos; furthermore, projects concerning direct marketing and farm holidays are receiving funding, while investments in horse stabling services and “other services” play a subordinate role. In view of the short time interval between the funded investment and the small number of funding cases, an impact analysis at the time of the mid-term evaluation is not yet possible.

The focus of the measure Business Creation and Development in Rural Areas (EAFRD code 312) is on long-term employment. A total of 29 projects have been completed: 11 new companies, two corporate expansions, as well as 16 extensions to existing micro-enterprises. A further 50 applications for funding were approved.

From 2007 to 2009, Mecklenburg-Western Pomerania funded 84 wastewater projects with a total of 28.8 million euros of public funds under the sub-measure Public Wastewater Systems (EAFRD Code 321a). Implementation is proceeding with no apparent problems and is generating normal administrative expenses. The public wastewater projects contribute to conservation of water and natural resources in sparsely populated areas. The EAFRD funding can create a long-term, needs-based wastewater infrastructure.

Sub-measure Funding for Small Wastewater Treatment Plants (EAFRD Code 321b) is having a corresponding impact on groundwater conservation. Mecklenburg-Western Pomerania responded to the slow uptake by temporarily increasing funding rates. Implementation is satisfactory. The measure is helping to improve the waste management infrastructure in the communities.

Funding of Sports Complexes (321c-c), a new sub-measure adopted in the RDP-MV fits in well with the EAFRD in terms of objectives and impacts. Broad segments of the population are benefiting here either directly as part of their sporting commitments or indirectly because renovation and modernization measures are at least generating additional income and employment. With 21 projects completed, the level of implementation is too low to enable the impact to be assessed for the mid-term evaluation.

The measure Conserving and Upgrading of the Natural Heritage (EAFRD code 323) is being implemented in the form of six sub-measures.

In line with their various objectives (nature conservation, water protection, care of the countryside, Natura 2000) they are helping the development of Natura 2000 sites, contributing to water conservation, and contributing to climate protection by reducing greenhouse gases.

The measure is aimed particularly at major State-wide projects concerning nature conservation and water management. The level of implementation so far has been low. Few private support structures have developed so far.

Hence, the introduction of measures to strengthen institutional structures outside of governmental nature conservation is recommended. The support areas “experience nature” and “environmental education” should be strengthened.

A radical simplification of administrative and monitoring processes is required, so that, through clear guidelines and agreements with paying agencies and certifying bodies, the States have reliable framework conditions for all participants.

The regulations for sub-measure 323f Palaces and Parks were established at a late date, which is why uptake of this new measure was low. In the years 2007 to 2009, only one LEADER project was implemented, funded from Axis 4. Early commencement of measures was approved for nine State-owned properties.

Some 118 projects and ten LEADER projects were completed under the measure Conservation of Cultural Monuments (323g). As for the RDP/MV's newly adopted support for rural cultural monuments, there were difficulties initially with EAFRD-compliant administrative implementation. The selection procedure is targeting the historic value preserving cultural monuments and its special importance to regional identity.

Results of the Programme Evaluation

Programme impacts

At the programme level, key themes for further analysis were drawn up for six spheres of action. A model-based analysis was commissioned for income and employment effects. An input-output model identified economic employment effects of around 1,400 jobs, or 0.19 % of the workforce in Mecklenburg-Western Pomerania. The growth in gross value added is 190 million euros. The 0.25 % increase of gross value added and employment in each rural district is significantly higher than the State average. The economic effects shown here are in line with those identified in other analyses, such as the effects of the 2009/2010 economic programmes. No conclusions of a steering nature can be made in respect of a programme with structural impacts. In biodiversity and water conservation, the results match those obtained so far for the AEMs. Although further beneficial and deleterious measures were identified, their effects could not be quantified. In the next few years, Mecklenburg-Western Pomerania will produce its own module reports on the key themes of “dynamics in the agricultural sector” and “quality of life”. Climate protection is benefiting from the measures AEM 214, Bog Protection 323d, as well as the measures 311 (Diversification) and 123b (Adding Value in Forestry) through the production and use of renewable energies. The impact of the RDP-MV in renewable energies is negligible because the Renewable Energies Act sets a much stronger tone.

It is recommended that EAFRD funding of renewable energies be dispensed with entirely in the future since, in this highly subsidised sector in Germany, the incentives of the Renewable Energies Act and other Federal programmes have already set a very dynamic development in motion.

Programme implementation

At programme level, the focus of the evaluation activities at the time of the mid-term evaluation lay on matters of implementation. In particular, the compatibility of the objectives and instruments for the implementation of the Rural Development Programme on both the parts of the EU and Mecklenburg-Western Pomerania were analysed.

In the canon for implementation of the objectives simplification, reliability of the use of funds, targeted use of funds and governance, it is reliability which takes clear precedence. The legal framework – not to put too fine a point on it – is therefore of less benefit to the needs of rural development, but rather is highly aligned with a strong commitment to maintenance of the unqualified declaration of assurance by the European Court of Auditors, whose requirements are considered by experts to be barely fulfillable. As a result, the creation of paying-agency compliance leads to strong standardization pressure which poses an obstacle to small and very specific or diverse funding measures and LEADER, and tends to promote more “traditional mainstream activities”.

The State strategy and funding optimisation have played an important role in the design of the programme in Mecklenburg-Western Pomerania. As a result, the EAFRD Programme has a much broader base than in other Federal States and offers a completely different funding spectrum from the EAFRD. However, no consideration has been given to the fact that the broad programme comes at the price of steadily rising implementation costs, which the State can compensate only in part with technical assistance. In addition, the programme is therefore not inherently more integrated. Vertical implementation structures predominate.

To encourage activation funding, it is necessary to dissipate the culture of distrust within European service departments which currently dominates the implementation provisions. This essentially includes a need to modify the checking and sanction mechanisms and to abolish the 3% deviation clause for EAFRD investment.

If for State reasons, it is intended for many new measures to be integrated into an EAFRD programme, the new participants must be provided with much greater support. Administrative agreements alone are not sufficient if implementation does not follow.