

Mid Term Evaluation

NRW-Programm Ländlicher Raum

Plan des Landes Nordrhein-Westfalen zur Entwicklung des ländlichen Raums 2007 - 2013

Within the framework of the 7-State-Evaluation

Summary

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Mid-term evaluation of the North Rhine-Westphalian RDP

Summary

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The mid-term evaluation of the Rural Development Plan for the State of North Rhine Westphalia (NRW-RDP) 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. 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 NRW

The Rural Development Programme for NRW is primarily focused on the agricultural sector. Axes 3 and LEADER are only receiving minimum financial support. The programme design is characterised by a high backlog of legacy obligations (totalling 28% of public funding volume).

As per 31.12.2009, the RDP-NRW has a budget of 922 million euros. Of this amount, 23 million euros is earmarked for Article 89 measures¹. Best funded, with 57 % of public funds, is Axis 2 “Improving the environment and the countryside through land management”. Axis 1 “Improving the competitiveness of agriculture and forestry” accounts for 26% of the funding volume. Some 16% of public funds are earmarked for Axis 3 “Improving the quality of life in rural areas and encouraging diversification of economic activity” and Axis 4 “LEADER”.

The best-financed EAFRD codes are the Agri-Environment Measures (EAFRD code 214), Farm Investment Aid (EAFRD code 121) and the Compensatory Allowance (EAFRD code 211/212). The additional funding arising from the Health Check (HC) and the European Recovery Plan (ERP) flowed into these measures too, either directly or indirectly through transfers. Dairy Cattle Grazing (EAFRD code 215) was introduced as an animal welfare measure in the wake of the HC.

The main beneficiaries of the RDP-NRW are agricultural holdings, which are earmarked for some 70 % of public funds.

By 31.12.2009, the RDP-NRW had disbursed 34% of scheduled public funds (excluding Article 89 measures).

Results of the Measure Evaluations

Axis 1 “Improving the competitiveness of the agricultural and forestry sector”

The strongest financial measure offered by North Rhine-Westphalia under Axis 1 is Farm Investment Aid (EAFRD code 121), which is primarily aimed at investments in animal husbandry. A key objective of the funding is to improve the competitiveness of farms and the agricultural sector as a whole in North Rhine-Westphalia. In total, 1072 applications for funding from an eligible investment volume of 289.5 million euros were made from 2007 to 2009. The average subsidy awarded was about 55,400 euros. The funded investment volume has thus increased significantly relative to the last funding period and exceeds the budget plans of the original RDP.

A comparison of Farm Investment Aid-funded dairy farms with structurally similar test holdings shows that the funded holdings have developed more successfully. Funded pig farms, however, were less successful than the comparable test holdings.

A cost comparison based on the investment schemes suggests that Farm Investment Aid has an identifiable positive influence on the ease of financing and stability of the holdings. Whereas, with Farm Investment Aid, only 4% of the funded holdings theoretically exceed the long-term debt service limit after the investments have been made, the figure would be up to 19% without it. This (i.e. without Farm Investment Aid) would be particularly true for the larger investments (>300,000 euros) and investments in dairy farming. However, more than one-third (37%) of the funded cases would utilise 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.

In the short term, given the very low cost of capital in the market currently, the scope for reducing capital funding should be exploited.

Support should in the future be limited more to those holdings which make a substantial contribution to solving the problems presented in the RDP (milk, piglet production) and simultaneously need funding to secure the financing of the planned investment. More efficiency in the granting of funds should be created by taking greater account of the need for support and the use of project selection criteria that are systematically aligned with the funding objectives.

In the long term, investment support should be limited to the provision of indemnity bonds such as that afforded by the “Bürgschaftsbank Nordrhein-Westfalen”, to guarantee the financing of fundamentally profitable investments where collateral is lacking.

To increase the competitiveness of companies in the food industry and thus to secure sales or revenue increases at the producer level, investments are being made in Processing and Marketing Opportunities for Agricultural Products (EAFRD Code 123-A). Innovations aimed at tapping into new market opportunities are supported by the measure Cooperation in the Development of New Products, Processes and Technologies in the Agriculture and Food Industry (EAFRD Code 124). Uptake of both measures is below expectations. The investments to date led to the introduction of new technologies in the companies, but not to innovations.

Capital subsidies which distort competition in the area of processing and marketing support should cease. A guarantee scheme could guarantee the financing of fundamentally profitable investments where collateral is lacking. For the purpose of further developing value-adding chains, innovations, and improving marketing opportunities, the relevant actors should be better motivated to participate in important communications and network processes, such as the cluster “Ernährung.NRW.”.

Infrastructure measures are offered in both the agricultural and the forestry sector. As part of Land Consolidation (EAFRD Code 125-A), investment-related measures were funded in 63 land consolidation processes. The processes comprise 74,000 ha, of which around 45,300 ha is agricultural land. Some 24,000 property owners are participating in the processes. Apart from the impact on agricultural structures, which are reflected, inter alia, by an increase in the size of land parcels or a shortening of the farm-field distance, Land Consolidation uses land management to meet the goals of nature conservation, and countryside and water development.

Of the forestry measures available under the first Axis, so far only the Forestry Infrastructure (EAFRD Code 125-B) has been implemented. The current funding regulations for Supporting the Increase in Added Value of Forestry Products (EAFRD Code 123-B) only came into force in July 2010. Forest Infrastructure helps to make forests navigable all year round and therefore facilitates the use of timber. The lowering of skidding costs helps to boost the competitiveness of holdings. Uptake is still below expectations due to the effects of the storm “Kyrill” at the beginning of the funding period.

Support for land consolidation and forestry infrastructure should be continued to the extent necessary in the future.

Investments in human capital rank lowest on the budget. Participation in training programmes (EAFRD code 111) and the utilisation of consultancy services (EAFRD Code 114) increase the chances of the holdings to an extent depending on their own situation to resolve their own operational problems/challenges more quickly. The greatest impacts can be found in the areas of farm management, animal health and plant protection. However, uptake of the measures still lags far behind the objectives. The build-up of farm

management services under EAFRD code 115 in the current funding period is only being financed until existing commitments terminate.

To improve utilisation, the number of training institutions needs to be increased and the conditions of eligibility and programme of courses or advisory services optimised. Furthermore, the advantages and successes of advanced training//consultation need to be communicated more widely as a means of increasing willingness to participate.

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

Agri-environment measures are a key focus of the RDP for North Rhine-Westphalia. The Agri-Environment Measures (AEMs) (EAFRD code 214) are composed of four modules: Market-and Site-Adapted Land Management (MSL), the Planting of Riparian Buffer Strips, Support for Endangered Breeds of Domestic Animals and the Contractual Nature Conservation Measures. The majority of available AEMs pursue several resource conservation goals. The total supported area in 2009 was around 172,800 ha. This represents 11.5 % of the agricultural land of North Rhine-Westphalia. At 146,000 ha, MSL is funding the greatest amount of land. Of the MSL measures, grassland extensification is the largest measure by land area, followed by organic farming and diversified crop rotation. Riparian buffer strips covering 3,100 ha were supported in 2009. Some 5193 animals belonging to 247 farmers are being funded under the measure Support for Endangered Breeds of Domestic Animals. Contractual nature conservation is being funded over a total of around 23,500 hectares. The dominant measure here by area is grassland extensification. Some significant declines were recorded compared with the scope of funding for 2007. The reasons are amended eligibility requirements in combination with lower premiums compared to the last funding period. Since 2009, the year of application, acceptance has increased again, one of the reasons being a rise in premiums.

Almost all AEMs have moderate to very positive biodiversity impacts. Measures aimed at biodiversity reach a total of 11.5 % of land in North Rhine-Westphalia (6% arable land, 26% permanent grassland). Thus, with regard to State-wide biodiversity objectives, AEMs are only deployed on a small area of arable land. In contrast, in the special conservation areas of the Natura 2000 network, particularly in grasslands, good impacts are expected, but are not quantifiable. A positive contribution to the conservation and improvement of water quality is provided on about 9% of agricultural land. It stems mainly from a reduction in nitrogen balances. Of the three AEMs having integrated climate protection objectives, Organic Farming and the Full-Scale Grassland Extensification are contributing to combating climate change by reducing emissions of nitrous oxide. First estimates show impacts to be on average 36 kt CO₂ equivalents.

The positive impacts of organic farming on species and communities on land parcels should be optimised by additional, optional contractual modules.

The goal-setting and funding territory of grassland extensification should be checked for their impact on water conservation. The funding guidelines for the integrated objective of biodiversity protection need to be clarified.

The impact of riparian buffer strips should be verified as part of WFD monitoring by measurements taken in water bodies.

From the viewpoint of water conservation, it is necessary to focus the water conservation effects of the EAFRD funding programme more on the demand outlined in the WFD schedule of measures.

The current level of funding is not sufficient to effect a marked improvement in the biodiversity on agricultural land outside protect areas. Besides the necessary conservation efforts in the conservation areas dominated by grassland, effective AEMs need to concentrate more on arable countryside.

The objective of the Compensatory Allowance (EAFRD code 211/212), which ranks second in terms of financing, 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. The Compensatory Allowance has been offered in North Rhine-Westphalia for 30 years. Each year from 2007 to 2009, about 142,000 hectares of grassland in about 6,000 establishments were supported, of which 5300 ha, or 240 holdings were in mountain areas. In the mountain areas, the average level of funding was 103 euros/ha, whereas it was 66-72 euro/ha in the remaining disadvantaged area. The income disadvantages relative to the non-disadvantaged holdings were thus compensated to 78%. In the mountain areas, there is significant over-compensation. The Compensatory Allowance has little environmental impact because the management requirements imposed barely exceed the cross-compliance requirements.

Greater differentiation of the Compensatory Allowance is needed in the future and it should focus on land on which the maintenance of agricultural activity is at risk but which it is vital to preserve for environmental or societal reasons.

Payments under Natura 2000 (EAFRD code 213) are financially compensating regulatory management requirements in Natura 2000 areas and coherence areas. Management requirements that go beyond minimal use of the cross-compliance standard do not exist. A good 33,300 ha of grassland is being funded in 2009. This means that nearly 90% of the stated objective is being achieved. In addition to existing conservation requirements, the following funding requirements exist: Ban on grassland ploughing, waiver of additional drainage measures, obligation to take breeding birds and eggs into account.

Given the fact that almost all Natura 2000 sites were safeguarded by nature conservation regulations with territorial management requirements, and thus all relevant impacts are achieved via the regulatory activities, it is advisable to formulate the objective maintenance of grassland management more precisely and/or to design the measure such that it can make a direct contribution to this.

The sub-measures of Forest Conversion and Ameliorative Liming (EAFRD code 227) make a positive contribution to the conservation of ecologically sustainable forestry systems by stabilising the stands. The conservation measures also offered under EAFRD code 227 and Natura 2000 Forestry Funding (EAFRD code 224) can contribute little to their associated objectives due to the low up-take. One reason for the generally low up-take of forestry support measures is the effects of the storm “Kyrill” in January 2007. Demand is expected to return to plan in the further course of the programme’s lifetime. Much higher demand is not expected for the nature conservation measures and Natura 2000 funding in the future.

The sub-measures of Forest Conversion and Ameliorative Liming should be funded by the State of North Rhine-Westphalia in future, too. If the objectives for the implementation of Natura 2000 in forests are to be attained as part of the RDP-NRW, the corresponding measures need to be made more attractive. This concerns the level of funding, and how the administrative procedures are organised.

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

North Rhine-Westphalia offers under Axis 3 a focused range of measures, with a big emphasis on Village Renewal (EAFRD code 322) and the Conservation and Upgrading of the Rural Heritage (EAFRD code 323). There are also funding opportunities available under EAFRD codes 311, 313 and 321.

The targeted implementation of Axis 3 measures for integrated rural development (EAFRD code 313, 321, 322) is to be supported by regional development schemes such as Integrated Rural Development Schemes or Area-Based Integrated Development Schemes under LEADER. In North Rhine-Westphalia, such schemes were available for a total of 34 regions in 2009. 74% of EAFRD funds of all Axis 3 and 4 integrated rural development measures were used to implement these regional development schemes. As throughout the State, the focus here was on Village Renewal.

The necessary organisational structures have now been successfully established and participatory committees set up within the eleven² selected LEADER regions. In the regional structures, private actors have slightly greater representation than their public counterparts. The thematic focal points are on tourism, settlement and rural development and culture. The low level of implementation is largely due to the late start-up phase of the processes.

The impacts of the measures for integrated rural development (including land consolidation) are helping to improve living conditions in the communities. The measures are particularly impacting the areas of increasing the attractiveness of rural areas and improving social life. North Rhine-Westphalia is pursuing a strategy of linking village development with the competition “Our village has a future”, which enjoys a high status in the State.

As for the methodological approach of LEADER, initial positive effects are being seen in the areas of networking and participation of actors, mobilization of endogenous development potential, capacity expansion and integrated approaches. However, it is not really possible at this stage of the evaluation to make pronouncements about the socio-economic impacts and impacts of Axes 1 and 2.

Regional development processes require a coordinating and supporting authority to oversee adequate implementation of the created schemes. Otherwise, projects and motivations of the actor involved fade away, as was partly the case in the regions covered by integrated rural development measures. This should be given greater consideration in future participatory processes.

For the next funding period, the EU Commission should try to design its funding policy for integrated rural development more consistently, so that the implementation provisions also provide necessary leeway to meet the needs of the regions.

Village development increasingly has to adjust to demographic change. This aspect should be factored into Village Renewal to a greater extent, especially in the heavily affected regions.

Diversification (EAFRD code 311) is intended to boost the viability of farms through the creation of alternative sources of income and thus to help maintain employment in rural areas. This is done through investment funding in the form of subsidies, the provision of wage subsidies and the funding of advisory and training expenses. The focus of funding from 2007 to 2009 was on boarding horses on farms, followed by direct marketing and tourism.

From the perspective of the evaluation, investment funding is not expedient where access to loans is no obstacle to investment. Where access to debt capital is a barrier to investment, guarantees are an appropriate instrument for tackling this problem. The other funding instruments offered by North Rhine-Westphalia are fundamentally suitable for dismantling barriers to farm investments. Their effectiveness is being examined as part of further evaluation activities.

Of fundamental importance to the implementation of measure 323 are sustainable protection and development of Natura 2000 habitats and species. From 2007 to 2009, 87% of funds went directly to Natura 2000 sites or areas populated by species listed in Annexes II and IV of the Directive 92/43/EEC, including coherence areas.

In the future, exemplary impact monitoring should be performed on selected future projects. To enhance the acceptance of the measure, the management and control procedure of the EU Commission should be greatly simplified.

Results of the Programme Evaluation

Programme impacts

At the programme level, key themes for further analysis were drawn up for six spheres of action. For income and employment effects, a model-based analysis has been commissioned. Using an input-output model, economic effects on employment have been identified on around 3,000 jobs, representing 0.04 % of the workforce in North Rhine-Westphalia. The growth in gross value added is 504 million euros. In the regard, NRW is benefiting from the EAFRD of the other Federal States. The effects are distributed differently from region to region, and part of the generated demand is effective not in rural areas, but rather in urban areas. In biodiversity, water conservation and climate conservation, the results match those obtained so far for the AEMs. Although further beneficial and deleterious measures were identified, their effects could not yet be quantified. In the next few years, North Rhine-Westphalia will produce its own module reports on the key themes of “dynamics in the agricultural sector” and “quality of life”.

Programme implementation

At programme level, the focus of the evaluation activities for the mid-term evaluation lay on matters of implementation. In particular, the compatibility of European and NRW objectives and instruments for the implementation of the RDP-NRW were analysed. In the canon for implementation of the objectives of simplification, reliability of the use of funds, and governance, it is reliability which takes clear precedence. The legal framework is of less benefit to the needs of rural development, but rather is more concerned with maintenance of the unqualified declaration of assurance by the European Court of Auditors. As a result, the creation of paying-agency compliance leads to strong

standardisation pressure which poses an obstacle to specific and small funding measures, and tends to promote more “traditional mainstream measures”.

The area-based measures of the NRW programme, accounting for over two thirds of the financial volume implemented to date, are less affected by these developments. Overall, the area of rural development is feeling the brunt much more. Its status within the NRW programme is based more on the EU’s determination to provide minimum funding for the axes and less on considerations of strategic importance for the State. The implementation of key measures is also hampered by the implemented administrative and control system and the implementation structures need to “re-align” themselves with the structural reforms, some of which are still in progress.

The reform of administrative structures in North Rhine-Westphalia was accompanied by overall staff and site cuts. Personnel bottlenecks now exist in all programme-related administrative entities. The appointed monitoring committee (MC) in NRW is organised on the speaker principle and heavily aligned with agricultural issues. The economic and social partners are satisfied with the information and briefing provided by the MC, but seek a greater degree of participation.

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 monitoring and sanction mechanisms and to abolish the 3% deviation clause for EAFRD investment, to streamline the reporting obligations, to greatly simplify procedures for changing programmes, and to promote the principle of “single audits” for controlling.

The Federal Government should play its coordinating role more prominently in order to reduce inefficiencies in the Federal States.

In NRW, staff shortages in the agencies involved should be eliminated or avoided in order that the publicity and steering, coordination, exchange and approval processes needed for the success of the measures can be implemented.

The overall very strong agricultural composition of the Monitoring Committee should be reconsidered. In particular, a representative of the LEADER regions should be included. This latter step would be a good way to better interlink the three thematic axes of the programme and to introduce more rural aspects into the committee.

For greater integration of EU funds into NRW, there should be a strengthening of informal exchange with other administrative authorities, in particular the ERDF, and mutual participation in the monitoring committees. This also applies to a cross-fund discussion of the evaluation results, e.g. in terms of regional impacts and specific topics such as tourism.