

Mid-term evaluation of the RDP Lower Saxony/Bremen

Summary

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The mid-term evaluation of the Rural Development Programme for Lower Saxony and Bremen 2007 to 2013 – *PROFIL* – 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 *PROFIL*

PROFIL is designed to provide continuity of the previous programme PROLAND. A few measures are no longer offered, but smaller measures have been added, especially in Axis 3. *PROFIL* targets integrated rural development in Lower Saxony and Bremen, seeking to achieve a broad impact through a comprehensive range of topics. Structurally, the programme has two special features. First, it is a joint programme with the State of Bremen and, second, in the former government district of Lüneburg, it has a phasing-out area for which the EU is providing funding assistance in the form of higher co-financing rates.

As at 31.12.2009, Lower Saxony and Bremen can avail of an implementation budget of 2.3 billion euros of public funds, of which 679 million euros is earmarked for Article 89 measures (additional national financing without EU funding). The phasing-out area is scheduled to receive about 30% of public funds from *PROFIL*. Some 54% of the funds are available to Axis 1 “Improving the competitiveness of the agricultural and forestry sector”. Axis 2 “Improving the environment and the countryside through land management” accounts for 23% of the public funds. Axis 3 “Improving the quality of life in rural areas and encouraging diversification of economic activity” accounts for 18% while LEADER makes up 4% of total funds. The best-financed EAFRD budget codes are Coastal Protection (EAFRD code 126), Agri-Environment Measures (EAFRD code 214) and Farm Investment Aid (EAFRD code 121). With allowance for Article 89 measures, it is estimated that the local authorities and public bodies can avail of than half of the public funds between 2007 and 2013. In second place come agricultural holdings, with barely 40% of public funds.

By 31.12.2009, 27% of available public funds had been disbursed under *PROFIL*, i.e. 450 million euros in total. The degree of implementation, expressed in terms of disbursed public funds, varies between the axes. There are different reasons for this, such as the extent of legacy obligations, payment dates, required lead times, as well as subdued demand on the part of potential beneficiaries.

Results of the Measure Evaluations

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

Axis 1 is dominated by three financial measures: In first place, ignoring Article 89 measures, comes Farm Investment Aid (EAFRD code 121), followed by the infrastructural measures of EAFRD code 125 and Coastal Protection/Flood Control Inland (EAFRD code 126). EAFRD code 123 is a further measure aimed at individual holdings in the food sector. Investments in human capital play a secondary financial role.

As part of Farm Investment Aid, just over 2,000 applications for assistance with a volume of 612 million euros of eligible investment volume were approved from 2007 to 2009. The measure is meeting with such high demand that there is an applications overhang. The focus of the funding was on the dairy industry and larger investments. The regional distribution of funding mirrors the scope of animal husbandry and is therefore focused in the north and west of Lower Saxony.

In addition to expert discussions, the mid-term evaluation comprised two analytical steps. First, the development of holdings funded from 2000 to 2002 was compared with that of unassisted reference holdings. Second, a theoretical costing was performed on the basis of the investment concept. The aim was to identify the importance of funding with regard to ease of financing of the supported investment and the stability of the supported holdings. The before-after comparison shows that the funded dairy farms, compared to the reference group, tended to be slightly more successful and to grow for several years following the implementation of the investments. The costing calculations show that Farm Investment Aid has a clearly positive impact on the ease of financing and stability. Examination of the long-term debt service limit, with and without funding, shows that, without subsidies, around 15% of the holdings would utilise the long-term debt service limit to more than 100 percent. For such holdings, stability is not guaranteed in the absence of funding. However, more than one-third of the holdings without funding utilise only half of the long-debt service limit term. This raises the question of their need for support.

Project selection criteria should ensure that the applications overhang is processed effectively. Funding should be restricted even further to holdings that make a significant contribution to solving the problems presented in PROFIL (milk, piglet production) and which simultaneously require funding.

Given the current favourable interest rates and the willingness of banks to grant loans, the evaluators believe that Lower Saxony and Bremen should examine whether a short-term reduction in existing capital funding would be possible.

In the long term, as part of the joint task to improve the agricultural structure and coastal protection, consideration should be given to whether capital grant funding in its current breadth is needed at all. The evaluators believe that a guarantee scheme which provides for a partial takeover of loan defaults by State agencies would be a viable alternative in the future for safeguarding the financing of profitable investments where there is a lack of collateral.

Investments in new construction and improvements to existing flood protection facilities and appropriate preparatory work are being funded under Measure 126. To date, projects have been funded in the non-phasing-out area only. From 2007 to 2009 a total of 152 projects were funded, of which only a small proportion was co-financed by the EAFRD. The measures help to safeguard agricultural land, human settlements, and assets in rural areas in the long term. This applies equally to the coastal protection measures that were funded in Lower Saxony and Bremen.

Funding is still needed, not least because of the rising demands necessitated by climate change.

Three measures are being offered as part of the infrastructural measures of EAFRD code 125. Investment measures were funded in a total of 265 land consolidation processes. Land consolidation helps to significantly boost the physical potential of the managed areas by enlarging agricultural land parcels, increasing the parcel length, shortening farm-field distance and improving the rural infrastructure. Model calculations show that, on average, this saves costs of around 25 euros per hectare, albeit with significant variations among the participating holdings. Land consolidation has impacts that extend beyond those on agricultural structures and holdings. It helps to reduce land-use conflicts. Positive environmental impacts arise through the enrichment of the countryside, for example, with linear biotope structures. By separating agricultural and non-agricultural traffic in villages, land consolidation helps to improve the quality of the village. About 500 km of paths have been developed and strengthened as part of rural infrastructure measures. The impact of each path on the competitiveness of farms cannot be determined. Overall, though, a functional network of paths is very important for the profitability of agriculture. Infrastructure not only has purely agricultural functions, but reflects the multiple roles of paths in agricultural landscapes to a great extent. Thus, 25% of the developed paths are designated cycle paths with tourism and recreational value. As part of Forestry Infrastructure, the third sub-measure, about 13 km of new paths were built and about 150 km developed or repaired. Private forests in Lower Saxony, especially, are under-utilised. Path construction can help to ensure that wood resources are mobilized by opening up the forests ensuring year-round navigability.

Funding should be continued for all infrastructural measures; it is recommended that, as regards rural infrastructure, funding rates should be more highly differentiated to reflect the financial strength of the communities and greater involvement of residents, as is practised in different landowners associations.

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

Axis 2 provides a wide range of measures for agricultural and forestry holdings. 2009 saw the addition of new measures, namely the Compensatory Allowance in Disadvantaged Areas (EAFRD code 212), as well as Assistance for Non-Productive Investments (EAFRD code 216) and sub-measures in Agri-Environment Measures (AEMs) (EAFRD code 214). The AEMs have the greatest financial weighting by far, and are followed by the forestry measures of Axis 2.

The AEMs have three components, the Lower Saxony and Bremen AE programme (NAU/BAU, 214-A), Groundwater-Conserving Land Management (GSL, 214-B) and the Nature Conservation Cooperation Programme (KoopNat, 214-C). Key changes from the previous period are the so-called modular system whereby the NAU/BAU provides the funding, onto which further funding from the two other modules can be tacked. In addition, KoopNat provides for a transaction cost subsidy per commitment undertaken. Also new are two results-oriented grassland measures.

The total supported area of AEMs in 2009 was about 270,000 ha, or 10% of agricultural land in Lower Saxony and Bremen. 80% of the land is accounted for by NAU/BAU. Among the high-land-use measures are mulch/direct-sowing methods, mulch plant methods, organic farming and catch cropping. Contractual nature conservation measures account for slightly less than 40,000 ha.

Six AEMs on around 80,000 ha target biodiversity. The NAU/BAU measures are assessed as having a low to medium impact on biodiversity, while the more specific measures of the KoopNat are deemed to have good to very good biodiversity impacts. The focus here is on grassland, rough grass and heather. These measures are reaching about 2% of arable land and 10% of permanent grassland. Thus, little land is being used to accomplish biodiversity objectives at State level. The very measures which are having medium to good impacts are tending to spread out locally and regionally, with the result that the impacts are not reflected in State-wide biodiversity indicators. However, good results are expected in the special conservation areas of the Natura 2000 network, but they cannot be quantified yet.

Water conservation measures are having positive impacts both through reducing nitrogen balance excesses and through reducing nutrient and pollutant inputs due to erosion and runoff into surface waters. Some 12.5 % of agricultural land is reached by the measures. It should still be noted that areas with particularly high nitrogen excesses are more difficult

to reach with AEMs. Compared to the previous period, however, there has been an increase in the effective supported areas.

AEMs also benefit soil conservation, climate protection and enrichment of the countryside.

Basically, the size of the area targeted by measures having biodiversity impacts needs to be increased, if the national biodiversity objectives are to be achieved in agricultural areas outside protected areas as well. The existing measures should be optimised by rendering the requirements more specific. Targeted advertising of measures suffering from acceptance problems is needed, and should include the use of the Training Measure (EAFRD code 331-B). Where appropriate, the level of premiums needs to be adjusted. As for organic farming, which covers a large area, optional nature conservation modules could be tacked on.

The water conservation measures, which are a major objective of AEMs in Lower Saxony and Bremen, should be focused even more on needs identified during the creation of the WFD schedule of measures for ground and surface waters. To this end, the entire range of support offered by the two ministries should be provided under one strategic umbrella. Individual water conservation measures need to be put to the test. There are measures which, although they benefit water conservation, it can be presumed that the funded form of management is the type of agricultural practice already engaged in by many farmers. Other measures could be more closely aligned to the target territories. In some cases, too, the level of the premium is too low to achieve the desired level of acceptance.

The forestry support measures of Axis 2 are broad in their sweep, but uptake here is extremely varied. Ameliorative Liming and Forest Conversion (EAFRD code 227) are well accepted, while Precommercial Thinning and First Afforestation (EAFRD codes 221/223) have a low level of implementation. Forest-Environment Measures (EAFRD code 225) had not been implemented, and so far, just one project has been approved under EAFRD code 226 (Restoring Forestry Potential).

The First Afforestation measure is making a positive contribution to the creation of ecologically sustainable forest systems. However, uptake under the current eligibility and framework conditions is too low for the objectives of woodland expansion to be obtained even remotely. EAFRD code 227 measures also contribute to the conservation of ecologically sustainable forest systems by stabilising the stands. Forest Conversion increases the proportion of deciduous trees, while Ameliorative Liming counteracts further acidification of forest soils.

In its present configuration, continuation of First Afforestation is not recommended. The other measures should be continued. Precommercial Thinning is a measure which mainly focuses on economic goals and should no longer be offered under Axis 2. Uptake of the funding measures is contingent upon advice and support for forest owners by the rangers on site; consequently, the scheme needs to be backed up by means of appropriate staffing.

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

Two large blocks of measures need to be distinguished in Axis 3 and Axis 4. First, there are the measures aimed at developing rural areas by improving socio-economic aspects, infrastructure and quality of life. These measures are being implemented in part on the basis of integrated rural development schemes, especially in LEADER. Then there are the measures aimed at nature and water conservation.

The Axis 3 measures of integrated rural development (ZILE) are being implemented partly as individual measures and partly as integrated development strategies. That part of Axis 3 ZILE measures that primarily serves the implementation of integrated development strategies (particularly EAFRD codes 313 and 321), is being evaluated jointly with Axis 4. The impact analysis is not about the individual measures themselves, but primarily about the interaction of the projects and measures in the regions. The remaining ZILE measures, implemented primarily as individual measures (EAFRD codes 311, 322, 323-D), are being subjected to a measures-related evaluation.

In Lower Saxony, two different approaches to integrated rural regional development are being pursued. Besides 32 Leader regions, there are 18 integrated rural development regions (ILE regions), in which, again on the basis of integrated development strategies, regional management for supporting implementation is being funded (EAFRD code 341). This means that almost the entire rural area is covered by regional development schemes. Most of the Lower Saxony LEADER and ILE regions have successfully established the necessary organisational structures. While in the Leader regions around half of the actors in the steering committees belong to the private sector, communal representatives dominate in the ILE regions. Tourism is a key topic of the regions. In addition, a wide range of other topics reflecting regional needs and challenges is being processed.

All the *PROFIL* measures can be used in LEADER. The most frequently implemented to date are tourism projects, followed by village renewal projects. In addition to the Axis 3 measures of the ZILE directive, there has also been uptake of measures 121 (Farm Investment Aid), 125-B (Infrastructure), 126-A (Flood Protection in Inland Areas), 323-A (Nature and Countryside) and 323-B (River Development).

Problems in administrative implementation stem primarily from the requirements of the management and control system and financial engineering. As the funding opportunities are limited to the investing field, there is a lack of options for project implementation, particularly for the regional development processes. With regard to LEADER, the funding requirements for projects, particularly in terms of co-financing of EU funds, pose a significant problem. The actors fail to understand why the regulations concerning investment funding differ from those concerning structural funds.

A study of the impacts of the methodology reveals a predominantly positive picture, both in LEADER and (in part, to a lesser extent) in the ILE regions, with regard to improvements in rural governance, mobilization of endogenous potential, the integration of all kinds of themes and policy areas and capacity building in the regions. Implementation of cooperative projects has grown considerably in importance since the last funding period.

In the short term, i.e. in this funding period, the range of funding, especially in Leader, but also the ILE regions, should be expanded as far as possible, and the scope for simplifying implementation and control rules should be reviewed.

In the future, the EU should align its implementing regulations with the requirements of integrated rural development, which by its very nature generates very heterogeneous projects.

ZILE measures focus on the measure Village Renewal. This is one of the most extensive financial measures within *PROFIL*. Village renewal projects at local level are aimed at improving the attractiveness of the villages and the quality of living. By far the most important aspect of implementation was the conservation and development of (and former) agricultural and forestry buildings used for agriculture. In second place comes the measure Cultural Heritage. Projects funded under Axis 3 are chiefly aimed at conservation, design and improvement of structures which are listed, historic or typical of the countryside. In Bremen, a total of three projects were implemented under EAFRD code 322 from 2007 to 2009. They all concerned the maintenance and design (of former) agricultural and forestry buildings and entailed renovations of (thatched) roofs and truss gables. The main impacts of village renewal projects lie in upgrading the appearance of the villages and thus increasing the attractiveness of rural areas, participation in the rural population and activation of social life. The results of the village study suggest that this is all the more successful, the more active village life was prior to the start of village renewal.

Demographic change should feature more prominently in village renewal projects in general, and particularly in heavily affected regions. In this area, networking of community development with regional development processes would benefit from being strengthened. The State could support this by providing information and awareness-raising measures aimed at the various actors in the regions and villages.

EAFRD code 323 offers three sub-measures aimed at nature and water conservation. In addition, EAFRD code 331 funds Training for Nature Conservation Measures. Sub-measure 323-A Development of Nature and the Countryside represents the main financial instrument for implementing Natura 2000 in addition to the Nature Conservation Cooperation Programme (KoopNat). Focal points lie in land purchase, in species and biotope conservation measures and the implementation of major nature conservation projects. In Bremen, it is particularly planning and stock-taking in Natura 2000 areas which are supported. 323-B funds riverine development in the sense of the WFD. The key points here lie in the elimination of cross-structures and in the natural transformation of river and flood plains. The uptake of the measure is suffering from financial constraints on the part of the local authorities and consumer associations, and organisational problems with coordination among the various administrative agencies involved. Furthermore, monitoring measures to protect the water bodies are being funded in the form of a water conservation advisory service in water catchment areas. A survey conducted among farmers shows a strengthening of environmental awareness among participating farmers and a greater willingness to participate in voluntary agreements on groundwater conservation. Targeted advice and training of potential applicants for conservation-related incentives are being offered under 331-B. The commissioned advisory institutions serve as the contact partners for the farmers and are helping to increase uptake of individual agri-environment measures. The trainers can also help to dissipate existing confrontational attitudes between agriculture and nature conservation.

Overall, it is recommended that the range of investment measures be continued and adjustments made to details, mainly relating to implementation issues. Thus, micro measures should be funded primarily from State funds to reduce the administrative burden. Deadline rules for the application process should be abandoned in favour of ongoing approval. Systematic impact monitoring on funding measures would be beneficial. In terms of training for conservation measures, the approval period should be extended to ensure continuity of advice over a longer period of time as well.

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 have been identified on around 3,000 jobs a year, or 0.07 % of the workforce in Lower Saxony and Bremen. The growth in gross value added is 475 million euros. In the structurally weaker districts, the relative increase in the workforce of up to 0.2% is significantly higher than the national average. Analyses in the impact sphere of biodiversity allow of the preliminary conclusion that a contribution is being made to “reversing the decline of biodiversity.” In line with the strategic direction of KoopNat, the highly effective measures, concentrated on the community conservation system Natura 2000, however. The measures are having scarcely any impact on arable land, just as in the other states evaluated by us. The programme’s impact contribution to water conservation lies first in the reduction in diffuse nutrient inputs into water bodies. Second, the quality of the surface waters is to be increased. Not only are AEMs relevant to water conservation, but the measure Land Consolidation from Axis 1 and the measures of EAFRD code 323 are making positive contributions to water conservation. In climate protection, the programme’s most important contributions are to combat climate change by reducing greenhouse gas (GHG) emissions from agriculture via AEMs and by generating and maintaining carbon sinks through forestry measures. Overall, the measures are estimated to have reduced GHG emissions by 206 kt CO₂ equivalents for the year 2009. This represents a reduction contribution of 0.23 %. In the next few years, own module reports will be produced on the key themes of “dynamics in the agricultural sector” and “quality of life”.

To improve the level of goal attainment in water conservation, it is recommended that a strategy be adopted whereby all water conservation measures are aligned with the objectives of the WFD, and that the portfolios of AEM measures be reviewed. Further action areas for climate protection that offer huge potential for reducing greenhouse gas emissions and that in some cases can act synergistically with water conservation include: increasing nitrogen efficiency, using wetland soils in line with the needs of the locality and increasing retention potentials in landscape hydrology.

Programme implementation

At programme level, the focus of the evaluation activities for the mid-term evaluation lay on matters of implementation. Key features are simplicity, reliability and targeted use of the funds and the strengthening of governance. In the canon for implementation of the objectives, reliability of funds use takes precedence over other objectives. The legal framework is therefore of less benefit to the needs of rural development, but rather seeks extensively to maintain the unqualified declaration of assurance by the European Court of Auditors. As a result, the creation of paying-agency compliance is leading to strong standardi-

sation pressure which the paying agency in Lower Saxony is passing on to both the measures and LEADER. After a phase of major upheaval and personnel losses, the administration in Lower Saxony is succeeding in establishing a well-functioning implementation and procedural structure overall. The cost of implementation will increase due to increased demands on the part of the EU, however. The decentralized aspects of the implementation require a very high commitment to continuous agreement and coordination. Here, the necessary resources must be provided and in some cases set up. A major obstacle to goal-directedness and consistent use of funds for the implementation of (international) environmental requirements is a lack of cross-departmental strategy. Sectoral policy documents strongly dominate the discussion process. The impacts of the comprehensive LEADER approach (including further integrated development processes) on all other implementation objectives will be assessed at a later date.

In principle, the procedural structures should be retained and room for improvement (e.g., centralization of certain tasks) should be sounded out within the three-part structure. EU funding programmes, especially, require continuity of structures, responsibilities and personnel because of their complexity. Any changes to organisational structures should reflect this.

The staffing shortages in the implementing administrations must be addressed as a matter of urgency, so that the steering and coordination needed for the success of the measures (Koop/Nat, LEADER, ILE, etc.) can be put into effect. Integration of the NLWKN into the funding process should be improved.

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 modifications to the control and sanction systems for investment EAFRD measures and a reduction in excessive reporting requirements by all departments, which are timed with such precision that their strategic potential cannot be exploited as there is no time for reflection.