

## *Summary*

# The Rural Development Programme – from farming aid to rural development? (RiR 2013:13)



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## The Rural Development Programme – from farming aid to rural development?

The National Audit Office has assessed whether the Government and relevant government agencies have efficiently worked to meet the objectives of the Rural Development Programme.

The overall conclusion of the National Audit Office is that there are many opportunities for improving the attainment of objectives. The objectives have to a minor degree influenced the allocation of resources, planning and implementation of the programme. Furthermore, there is a lack of feedback of results and impact from implementation of the programme. The result has been that the programme has had difficulties using the allocated resources to contribute to certain objectives regarding employment and the environment. Another important conclusion is that the changing of the programme from farming aid to rural development has been slow. Only a small amount of funds have been allocated for measures outside of the agricultural sector and the process of reaching out to various target groups outside of the agricultural sector has not been highly prioritised by the county administrative boards.

### Audit background

In a seven year period between 2007 and 2013, the Rural Development Programme had a total budget of around SEK 36 billion. The programme is an EU initiative with half of the financing being done with EU funds and the rest from the national budget. A new Rural Development Programme for the 2014–2020 period is expected to be introduced in 2014 and the National Audit Office's audit may provide information that is useful when designing and implementing the new programme.

*Motive:* Sweden is seeing a development where people are increasingly concentrated to the major urban regions. Rural unemployment is higher than in urban areas and the distances to services in rural areas are increasing. The number of farmers is also in decline. The biodiversity of agricultural areas is also decreasing.

The Rural Development Programme is one of the State's most important tools for sustainable community development in rural areas. But for the programme to contribute to positive development in accordance with the EU and the Government's intentions, it must be focused and



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implemented correctly. Previous follow-ups and evaluations of the programme indicate that it is not meeting its goals for employment and the environment.

*Aim:* The audit has aimed to determine the reasons for the difficulties in meeting the objectives of the Rural Development Programme. The audit focused on the Government's allocation of programme funds, the Government and Board of Agriculture's governance, the Ministry for Rural Affairs and Board of Agriculture's coordination with other ministries and government agencies, and the county administrative boards' work to reach out with the financial resources to potential target groups. This focus was selected because clear problem indications in these areas were identified in the pre-study to the assessment.

*Delimitations:* The audit did not include the 'Leader dimension', a method for delegating the administration of development measures to a local level and which includes a relatively small portion of the programme. Neither has it included the forestry-related development measures administered by the Swedish Forest Agency or the measures administered by the Sami Parliament.

*Implementation:* The assessment is based on document studies, analysis of statistics from the Board of Agriculture and interviews with civil servants at ministries, government agencies and county administrative boards, and with various actors that are affected by the programme.

## Audit findings

### *Objectives and needs have not been sufficiently influential in resource allocation*

The audit has shown that the Rural Development Programme's objectives and the identified needs of the rural areas have not been sufficiently influential in the allocation of the programme's resources. This entails a risk of the programme's resources not being allocated in accordance with the European Council

Regulation's provisions, which state that the Rural Development Programme shall be designed based on the rural areas' strong and weak points, the objectives of the programme and a strategy for utilising strong points or addressing weak points. The Government has not analysed which initiatives included in the programme are most effective in attaining the programme's objectives regarding entrepreneurship, growth and employment, which could have constituted important data for the allocation.

The Government's allocation of resources has prioritised the agricultural sector. A large proportion of the resources, 71 per cent, has been allocated to measures for better environment and management of land where the agricultural sector is almost the sole target group. Around 15 per



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cent has been allocated to measures to improve the agricultural sector's competitiveness. Measures for general development of rural areas have received a smaller proportion of the budget, 8 per cent. Measures to devolve the handling of resources locally have received 7 per cent of the budget.

The fact that a large part of the budget is allocated to measures for a better environment is in accordance with the explicit prioritisation that "environmental measures should carry more weight in the programme". However, it is noted in the assessment that the environmental measures are often characterised by general area-based funding which limits the ability to control the allocation of resources to where they have the greatest environmental impact. As the environmental measures are currently designed, they tie up large parts of the overall programme resources. Some of the environmental measures also have significant 'dead weight losses'<sup>1</sup> and the subsidies to cultivated grasslands may even have negative environmental impact. Other environmental measures such as grants to pastures and meadows may have room for improvement but still have mainly positive effects for the environment in agricultural areas.

Overall, the National Audit Office believes that the large area-based grants are a blunt instrument in actively contributing to environmental objectives and that the current model is contributing to difficulties in reaching the environmental objectives relevant to the Rural Development Programme. A more effective alternative can be measures where support to farmers is, to a greater degree, based on the environmental benefits achieved by the measures.

The National Audit Office also notes that the Government has allocated twice the resources for company development in the agricultural sector as it has to measures to develop the overall economy of rural areas, despite the agricultural sector's potential to increase employment in Sweden being seen as limited, though grants to the sector probably help retain jobs. The National Audit Office furthermore notes that the Government has allocated the smallest share possible of the budget to measures for rural development as the allocation is very close to the EU's minimum limits. At the same time, the audit has shown that there is a belief that land-based industries and especially farming is of great importance and constitute an 'infrastructure' for the rural economy and environment. However, the National Audit Office believes that it cannot currently be determined if this is the case or not. The overall assessment of the National Audit Office is therefore that there is a risk that the allocation limits the programme's ability to contribute to increased employment, especially as there is a lack of analyses regarding which measures are effective in promoting entrepreneurship, growth and employment in rural areas.

#### *Insufficient transparency in the allocation process*

The audit shows that the process for allocating resources in the programme has not been transparent. Analyses and data that form the foundation of how measures in the programme are to



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contribute to the objectives are largely non-existent. The Government has not shown what the chosen allocation is based on.

During the audit, many interviewees also voiced suspicions that vested interests are given too much influence in the allocation process. The National Audit Office has not been able to investigate the basis for these beliefs in great detail, but notes that the agricultural industry's organisations have well-established forms of influencing the design of the Rural Development Programme, while other interest groups lack the same level of organisation when it comes to rural matters. Combined with a complex grants structure and the fact that the process has not been transparent, this entails a risk of the agricultural sector's interests having a major influence in the design of the programme.

*The implementation of the programme is not sufficiently based on the programme objectives*

Out of the total of SEK 36 billion that the programme includes, half is financed by the EU and half by the Swedish State. The county administrative boards are the most crucial actors in ensuring that the programme is implemented efficiently and in accordance with the objectives. They also play an important role on a regional level in focusing the programme based on regional conditions. It is therefore natural that the county administrative boards have a great degree of freedom in adapting the programme to the varying regional conditions. However, the audit has shown that it is unclear how the objectives are to be applied. The Government does not provide an overall specification of what the European and national objectives for the programme are and whether the objectives shall constitute assessment criteria when making decisions.

The assessment also shows that in many matters of principle there is a lack of guidance. An example of this is how measures in the programme are to contribute to the Rural Development Programme's overall objective of sustainable development. During the audit it has been noted that several county administrative boards consider that it is unclear how the objective is to be applied in the administration. On a theoretical level, all dimensions of the sustainability concept shall be met: environmental, financial and social sustainability. But it is not clear to administrators and decision-makers on the county administrative boards how applications are to concretely contribute to the objective. This has for example given rise to various interpretations regarding whether all dimensions of the sustainability concept are to be included as grounds for assessment of grant applications, or if only some of the dimensions should be included. This in turn means that there is a risk of the sustainability objective not permeating the whole programme.

Other matters of principle where no specification exists: the issue of which sectors in the agricultural industry may be given grants; whether companies with their own region as a market can receive grants; what size grants may be given when it comes to investments; and whether



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companies in already well-developed tourism areas can be given grants for tourism initiatives. This risks leading to national objectives in the programme not having sufficient impact, and to inefficiencies when each county administrative board has to investigate and interpret the same type of questions.

The county administrative boards must have the scope of action to enable them to carry out their work effectively and in accordance with the programme's intentions regarding, for example, regional adaptation. However, the assessment shows that in many ways the Board of Agriculture has fairly detailed control of how the county administrative boards carry out their work when it comes to administrative formalities and procedures, while it is unclear what rules apply to important matters of principle. This indicates that the drawing of boundaries is unclear between what scope of action the county administrative boards have and what role the Board of Agriculture has as managing government agency for the Rural Development Programme.

#### *Silos in the programme*

The assessment shows that 'national horizontal prioritisations' such as equality, integration and climate have not made an impact on the programme, despite a clear awareness of these matters existing among the responsible government agencies. This is also confirmed in the Board of Agriculture's survey of the Rural Development Programme's effects on diversity. The National Audit Office's assessment is therefore that the horizontal prioritisations are not working as tools for ensuring that the programme contributes to, for example, increased equality, integration and attainment of climate objectives. A comparison can be made with the Government's initiatives concerning, for example, Matlandet [Sweden – the culinary nation], biogas and broadband. Resources have been earmarked for these initiatives as part of the Rural Development Programme. This shows that there is the potential for a more active steering of the programme towards prioritised issues.

The assessment also shows that potential synergies between measures in the programme are not being utilised to any major extent. For example, environmental compensation is not actively used as a means of also generating new jobs. In the same way, growth and employment-creating measures are not used as means to also contribute to the environmental objectives. The fact that horizontal prioritisations are not having an impact and synergies are not being utilised is an example of the programme having a primarily vertical organisation.

#### *Lack of learning and feedback of new knowledge to the programme*

There is a significant follow-up and evaluation system within the Rural Development Programme which analyses the results and effects of the programme.



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However, the audit shows that the Government and the Board of Agriculture often fail to utilise the conclusions and recommendations for improvements that the evaluations of the programme have highlighted. This is also true for cases where support has been designed in the same way during several programme periods, and where several different evaluations have drawn similar conclusions. For example, despite major criticism from researchers, subsidies to permanent grasslands have remained unchanged for a long time.

The county administrative boards have limited access to knowledge about what effects the Rural Development Programme has on their counties. This is both due to the evaluations not generating knowledge about effects on a county level, and the Board of Agriculture not systematically reporting data by county. The lack of unified reporting by county of effects and results also means that a potential for learning between counties is lost. Better access to such knowledge would facilitate the dissemination of good examples between county administrative boards.

*Other objectives and rules have significant impact at the expense of programme objectives*

The assessment shows that there are administrative requirements and objectives that are not part of the programme but have significant impact on the programme, due to the lack of management based on the programme objectives. Such objectives and requirements are administrative rules, demands for short processing times and simplification measures for administrators and users. Furthermore, the Government is strongly encouraging government agencies to focus on measures with a predictable demand and little administration to ensure that the programme resources are utilised. It is obviously important to follow rules, shorten processing times and carry out simplification measures. But it cannot be done by abstaining from measures that are administratively harder to implement but which could effectively contribute to the programme's objectives.

*Deficient central coordination*

The Rural Development Programme crosses sector and policy boundaries and requires expertise to be acquired from various parts of governmental administration. However, the audit shows that expertise at a central level has not been fully utilised. It has been hard to assess whether the expertise has been acquired between ministries as there is no documentation of this process. But the empirical findings of the National Audit Office indicate that coordination of the programme has been more focused on preventing overlaps than acquiring expertise. No knowledge, for example, of how job-creating measures are best designed, has been acquired by the Ministry for Rural Affairs from other ministries. At government agency level, the assessment shows that the Board of Agriculture has not sufficiently utilised expertise from government agencies such as the



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Agency for Economic and Regional Growth, Growth Analysis, the Public Employment Service, the Swedish ESF Council and Vinnova regarding how the Rural Development Programme can contribute to increased growth. This is true, for example, for measures aimed at small companies, innovation, tourism and service which can help reach growth and employment objectives in rural areas.

*The county administrative boards are not reaching out to all target groups*

Statistics from the Board of Agriculture regarding the Rural Development Programme's budget utilisation and interviews with civil servants at the county administrative boards indicate that the programme has difficulties in reaching groups outside of the agricultural sector. There are also significant differences in the extent to which different county administrative boards manage to reach out. The assessment shows that an important condition for reaching new target groups beyond the agricultural sector is active marketing, which the Board of Agriculture should have assumed there was a need for and ensured that the county administrative boards prioritised. According to the National Audit Office's assessment, the fact that the programme does not fully reach potential target groups reduces the potential for attaining objectives regarding employment and quality of life in rural areas.

## Recommendations

The National Audit Office recommends that the Government and the Board of Agriculture take the following actions to improve the attainment of objectives in the Rural Development Programme during the upcoming 2014–2020 programme period.

*The Government should:*

- To a greater extent base its allocation of resources in the programme budget on identified needs and ensure that the objectives for government agencies' work with the programme are specified
- Consider changing the design of the environmental support so that it contributes more effectively to relevant environmental objectives
- Ensure that expertise from the whole of the government administration is drawn on so that important knowledge regarding how programme measures effectively attain objectives can be utilised



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- Clarify the distribution of responsibilities of the Board of Agriculture and the county administrative boards in order to improve the attainment of objectives and avoid the duplication of work
- Improve the resources for administrative and decision-making government agencies (the country administrative boards, the Swedish Forest Agency, the Sami Parliament and to a certain degree the Board of Agriculture) to reach out to the programme's potential target groups

*The Board of Agriculture should:*

- Work with the Government to clarify the government agencies' work with the programme
- Ensure that the country administrative boards, the Swedish Forest Agency and the Sami Parliament reach out to all of the programme's target groups

