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Swedish Board of Agriculture
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Points for discussion on seminar the 14th of March

Short introduction
The Swedish Board of Agriculture (SBA) is responsible for the ongoing evaluation in Sweden. For Mid term and Expost evaluation external institutions are contracted. One big task for SBA is to provide figures for Mid term and Ex post evaluators. Despite good recourses we have faced a lot of difficulties when we try to fulfill CMEFs demands of background information for answering the indicators.

Areas which we will focus upon in this paper
The Swedish RDP very much focus on axis 2 and agri environmental issues. However we see that the evaluation problems connected to axis 2 are special for each MS and depend on what type of landscape you want to preserve, the intensity of farming etc. We will therefore not discuss axis 2 problems in this paper.

When it comes to support to enterprises and projects within axis 1 and 3 we see more similarities between us and other MS[1] and we will concentrate our discussion to these areas. What we see as one complicated issue is to find good basic data for estimating deadweight effect for the impact indicators. Some of the problems here also spill over to the result indicators.

We will limit this short paper to technical aspects. Today we see a problem that CMEF is designed on the assumption that MS have access to data which in practise not exist. To built up new data collection system takes a lot of efforts and is sometimes not even possible. We see as important that the ”new” CMEF should be more realistic on this point.

[1] We have exchanged experiences with UK and Italy (study trips) and have also have had discussion with Estonia and Latvia.

Points for discussions

1. Result and impact indicators for GVA and job creation - data problems for enterprises

Recommendation from RurEval/COM
RurEval/COM recommends that we shall follow up each enterprise or a sample of enterprises over time. We shall register how the economy and the labor situation changes over time until the supported investment has reached full effect. The figures delivered to COM shall reflect the real outcome with no influences from predictions.

Comments
The job and GVA result indicators are closely linked to corresponding impact indicators. For the latter indicators it is not enough to just register gross effects. From the gross figures it is necessary to extract what is a direct effect of the supported investment and what is an effect of other influences. An example of other influences is changes in market prices for inputs or outputs which an individual holding can not influence.

Problems
There is a wide spread between different types of beneficiaries. From small investments in cottages (to rent for tourists) to mechanic companies investing in high tech equipment. Farmers are the most important type of beneficiaries when it comes to total investments and number of holdings. Within this population there is a big spread ranging from small complementary investments in a certain type of equipment to building of animal houses for tenth of millions Sw crowns. The purpose of the investment could differ from pure profitability to improvement in better labor environment.

To follow up all enterprises in the way RurEval/COM stipulates is in practice not possible. It is also very cost consuming not to say impossible to collect enough data on a sample basis. The big variety in the population makes it necessary to stratify a sample in so many ways that the number of observations become high.

We have made some follow up studies for 121 objects (Modernasation) in the way we understand that RurEval/COM wants to have it. Our experience so far tell us that the cost of each item exceed the cost for the corresponding data collection for a holding in FADN which in real terms mean something above 1000 € per observation (holding) and year. To make a satisfactory study we should need a budget almost as big as the whole FADN budget in Sweden. Considering all other data that we shall collect for evaluation purposes we see this as an unrealistic way of using recourses.

What can be done
We see it as necessary to use a simplified way of collecting relevant data. The information from the application form must be the basic document. It is important to design the application form in a way which fulfill the demands both from an evaluation point of view and from an adminsitratative point of view. In Sweden we have recently implemented a form for application which persons applying for investment support shall use. The form shall fulfill both types of demands.

From the basic information in the application form it shall be possible to calculate GVA, number of jobs etc. The estimations made this way do not give the exact figures of what we are looking for but lead us to reasonable good estimations.

2. Deadweight problems connected to supports to enterprises

Recommendation from RurEval/COM

Rureval has produced guidelines for how to calculate deadweight. Most of these guidelines stipulate that you should find a control group to the population of beneficiaries. With different statistical methods you shall compare the control group with the beneficiaries.

Comments

The question of control groups is one of the trickiest parts in the evaluation process. In order to come forward here we in Sweden have had a lot of discussions with Rureval and also asked the International Business School in Jönköping (IHH) for help in investigating how RurEval/COMs guidelines could be implemented in Sweden. The crucial point is 1) to identify a control group from the available data sources held by our Statistical Office and 2) to find relevant information for each unit in the control group.

Problems

IHH is not yet ready with their study but preliminary results show that there are big difficulties for an implementation of RurEval/COMs guideline in Sweden. The main problems concern identification of control groups from existing data sources. If it should turn out that it is impossible to find such control groups there is no chance in implementing RurEvals/COMs guidelines. The DiD-method and other methods which demand control groups can not be used.

What can be done

The deadweight problem is to a great deal connected to the question “would the investment have been made even without the support”. A simple question to the beneficiary like “would you have made the investment without the support” is an easy way to deal with this problem but it is not sufficient. Instead one could discuss if the profitability criteria could be used as a base considering following aspects.

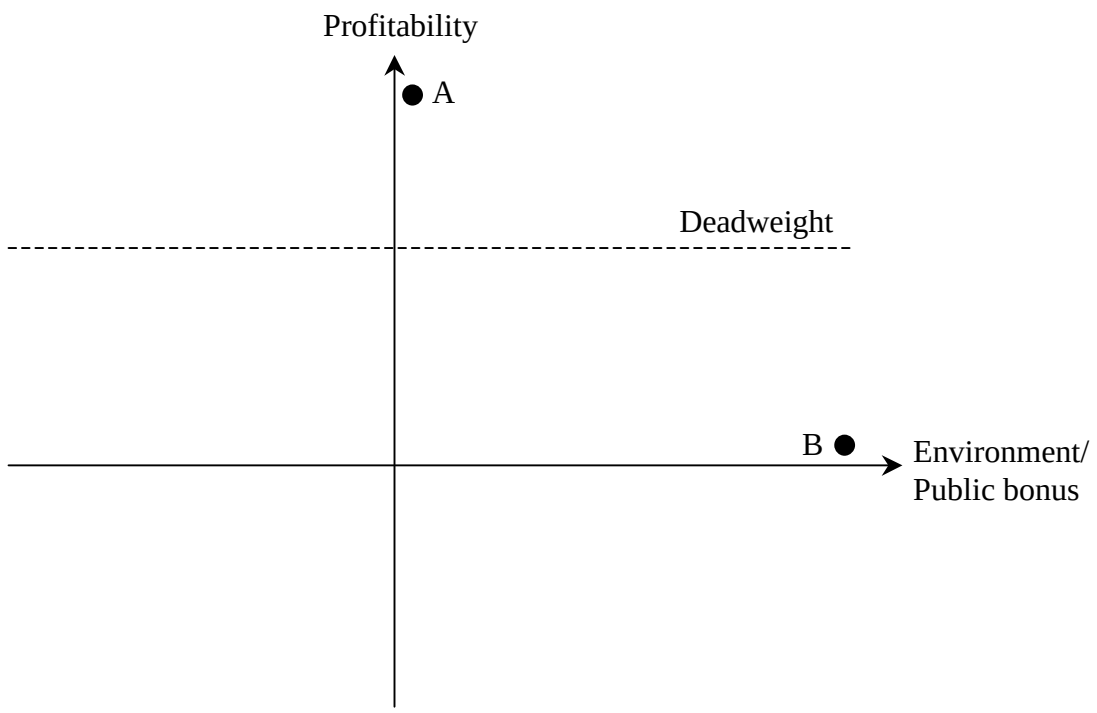
- if an investment is very profitable it ought to be carried out anyway (deadweight 100%).
- if an investment has so low profitability that it more or less ruin the enterprise it could also mean 100% deadweight because the enterprise could collapse
- if an investment is on the borderline of being profitable the support could be a good injection and even make the investment possible (in an ideal situation deadweight 0%)

In Sweden we use Pay off calculations to asses how profitable an investment is. Short pay off period indicates good profitability and the corresponding investment should have been carried out even without support. When the pay off time gets longer it passes a point where it is not absolutely clear that the investment would have been carried out without the support. The support could here play an important role because 1) it makes the investment more profitable (shorten the pay off period) and 2) it could open up for credits from credit institutions which otherwise would not have been possible to get. Many banks are positive to give loans to investments that get support.

On our study tour to England we learned that the authorities responsible for investment support made some sort of assessment in about the same way as described above. If an investment turned out to be “too profitable” it was rejected with the motive that it would have been carried out anyway. The aim was to pick out farmers and other entrepreneurs who made investments where the profitability were on the borderline for being acceptable and at the same time were of public interest.

The interrelation between profitabilty and public interest could be illustrated in the following figure.

Figure. Interrelation between profitablity and public interrest



Point A represents a profitable investment with little positive impact on factors like environment or other things that could be of public interest. Point B represents an opposite situation with low profitability and high positive effect on the environment. Above the dotted line investments are so profitable that ordinary credit institutions give loans independent of whether or not an applicant gets support. Point A in the figure illustrates a situation where this is the case and deadweight is 100% while point B illustrates a situation where the applicant can not make the investment unless he is not able to finance the investment himself. Even in the latter case he might not carry out the investment without support.

What is illustrated in the figure is a rough model for estimating deadweight. The basic concept is that there exist credit institutions which “take care of” profitable investments independent of the support system. There is an interest for both the entrepreneur and the credit institution to make profitable investments come true. To pay out public money in this situation leads to deadweight.

The profitability criteria could be interesting as one alternative option to the complicated system with control groups described in the guidelines from RurEval/COM. It is especially interesting to discuss investments with environmental profile. Here a low profitability could be justified if the investment have positive environmental impact. A minimum condition is of course that the enterprise should not be making big losses because of the investment.

3. Problems connected to project supports (including LEADER)

General definition of project support

Project support can be given to enterprises, groups of enterprises, organisations etc, where the benefit of the activity reaches more parties than just the applicant.

In practice we have identified three main types of projects which we deal with in the Swedish RDP namely

- condition generating projects
- projects with soft values
- projects with hard values

Each of these type of project has its own set of problems. These problems are very much in line with the problems for evaluating LEADER which we give some short remarks about in the following text.

Evaluation of LEADER projects

About LEADER in Sweden it is important to know that support is not allowed to individual actors/companies within the LEADER concept. Swedish law prohibits public financing from local authorities/municipalities to individual enterprises as this could disturb competition. This leads to that LEADER projects in most cases are targeted to broader groups of citizens/companies e.g. non-profit associations, cooperatives, municipalities and final results and impacts show up in indirect ways and in wider contexts. This affects methods used for evaluation compared to when a project is limited to a single company/enterprise. In Sweden, there are 63 LEADER areas. They cover almost all of Sweden's rural areas. This means that direct comparisons of development in rural areas with and without LEADER project cannot be used as a method of evaluation. The content in LEADER projects are also not directly standardized, which makes it not realistic to search and find direct equivalents of the same kind of efforts and activities among activities that is made without any connection to the rural support. The technique of comparing twins and control groups can hardly been applied when evaluating LEADER projects.

Basic parts for evaluation efforts in Sweden are

- **Evaluation database** (There are 35 indicator lines which are compulsory to register data about for all projects and further about 45 indicator lines which are used when applicable for the single projects. By using a special statistical software (Oracle Dawa) statistics can be produced and data combined with that registered linked to the 80 indicator lines and data that already exist in the administrative system. A specific function is to determine coordinates for exact geographical location - and thus provide opportunities to monitor spatial patterns/factors that may be of interest to consider in the evaluation)
- **Statistics for each Leader area** (The boarders of all Leader area are digitalized and Statistic Sweden's databases/register can then be used to get yearly general statistics for each area. Statistics of interest are e.g. population, demography, living conditions, welfare, integration, labour, gross wages, household finances, income, housing)
- **Make use of "Working paper on Capturing impacts of Leader and of measures to improve Quality of Life in rural areas"** (4 themes (socio-culture, rural environment, rural economy, governance) and 7 impact assessment categories (social capital, cultural capital, environmental services and amenities, liveability, livelihoods, multi-level governance, local governance). Main sources of verification will be data from Evaluation database and Statistics Sweden.

Points for discussion:

1. The basic conditions for Leader projects in Sweden is that they give support in a broader context and it is not realistic to deduce/derive economic data for single enterprises. Instead use of methods based on standardized calculations is realistic and recommended. So far we have studied how this in practise could be carried out for some areas.
2. Impacts of deadweight and displacement linked to Leader projects are not so frequent. Therefore an overview assessment/judgement for each project, of the probability if there exist or not exist deadweight and displacement would be sufficient.
3. Projects oriented towards immaterial matters/soft values are very much depending of what kind of target groups they are directed to. The target group is not always easy to identify. Depth studies for a sample of Leader areas for some categories of projects (e.g. cultural activities) could be a way to overcome the problems.