Lessons from the evaluation
of the Austrian Rural Development Programme

Karl M. Ortner
Contents

Background information
- Rural areas in Austria
- Austrian RDP 2007-2013

Indicators in CMEF

Changes vs effects

Effects of M121
- Gross, incentive, net effects

Conclusions
- Evaluation of M121
- Effects
- Objectives
Land cover in Austria, 2006

Corine Landcover 2006

- buildings
- arable
- mixed
- grassland
- permanent crops
Cattle in Austria, 2010
Budget RD 07-13

Improving the environment and the countryside 72.7%

Improving the competitiveness of the agricultural and forestry sector 13.3%

Leader 5.9%

Technical assistance 2.0%

Quality of life in rural areas and diversification of the rural economy 6.1%

Axis 2

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Indicators

59 Baseline indicators:
  23 context related
  36 target related

... Targets

... Inputs (payments)

83 Output indicators (participants, ha, LU, ...)

16 Result indicators

7 Impact indicators

... Additional indicators
Evaluation guidelines:

“This indicator measures the increase in gross value added (GVA) of agricultural, food or forestry holdings/enterprises that are supported.

Important is that we measure the gross effect. This means that it can be possible that a change in GVA over different years can also be explained by other factors than the received support.”

“Collection method/good practice: Collect per supported holding the costs and revenues …”
Common impact indicators

IV. COMMON IMPACT INDICATORS

<table>
<thead>
<tr>
<th>Axis</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic growth</td>
</tr>
<tr>
<td>2</td>
<td>Employment creation</td>
</tr>
<tr>
<td>3</td>
<td>Labour productivity</td>
</tr>
<tr>
<td>4</td>
<td>Reversing biodiversity decline</td>
</tr>
<tr>
<td>5</td>
<td>Maintenance of high nature value farmland and forestry</td>
</tr>
<tr>
<td>6</td>
<td>Improvement in water quality</td>
</tr>
<tr>
<td>7</td>
<td>Contribution to combating climate change</td>
</tr>
<tr>
<td>?</td>
<td>Quality of life</td>
</tr>
</tbody>
</table>
Gross effect

effect = difference of changes

Indicator $x$

$X_T$

$X_N$

$X_0$

t_0

t_1

time

Karl Ortner, BA für Agrarwirtschaft, Kazimierz Dolny, 19.6.2012
**Gross effects** per holding (of M121) on **Gross value added** (during the utilisation period of the investment)

- **GVA**, nominal: 7,860 €
- Labour cost: €7,860

![Graph showing the effect on GVA](image)

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Gross effects per holding (of M121) on

Returns to Capital, at base value (interest rate = 2 %)

returns to capital = gross value added (GVA) – labour cost
### Effects of measure M121

<table>
<thead>
<tr>
<th>On average per holding (€)</th>
<th>€</th>
<th>farm level without support</th>
</tr>
</thead>
<tbody>
<tr>
<td>GVA nominal</td>
<td>134.000</td>
<td></td>
</tr>
<tr>
<td><strong>GVA real (2 %)</strong></td>
<td>111.000</td>
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<tr>
<td>labour costs real</td>
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<tr>
<td>returns to capital real (benefit)</td>
<td>108.000</td>
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<tr>
<td>investment</td>
<td>52.000</td>
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<tr>
<td>of which government</td>
<td>11.000</td>
<td></td>
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<tr>
<td>farm manager</td>
<td>41.000</td>
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<tr>
<td>of which because of support</td>
<td>11.000</td>
<td>30.000</td>
</tr>
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Benefit-Cost Analysis of investment support

**Effects** of measure M121

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</tr>
<tr>
<td><strong>benefit / cost</strong></td>
<td>2,1</td>
<td>2,6</td>
<td>2,1</td>
<td>4,1</td>
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Conclusions: Investment support

**M121** – Modernisation of agricultural holdings

- most important measure after agri-environmental payments and compensatory allowance
- **increases Gross Value Added** but (almost) **not employment**
- Benefit-Cost-Ratio = 2,1
  - Investments overall are **productive**
- Benefit-Support-Ratio = 4,1
  - Support is highly **productive**
- Who benefits?
  - Beneficiaries investments become more **profitable**
  - supply increases
    - prices decrease
    - consumers benefit (globally)
Conclusions: Effects

**effects** are not changes

**efficiency** depends on **net effects**

**effects** depend on

- **theory**, model, parameters (**assumptions** and/or econometric estimates)
- **deadweight** (incentive)
  - profitability (market forces, weather, ...)
- **time** scale
  - transitory, annual, lifetime, infinite (multipliers), dynamic?
- **domain** (target group, region, sectors, markets, environment, ...)
  - dislocation, substitution
- **objectives** (indicators to quantify progress)

**objectives** of government intervention

- **public goods** (infrastructure, environment, quality of life, ...)
- **distribution** (personal, temporal, regional, sectoral, ...)
- correcting market failures