

Evaluation of EU Sapard and Rural Development Measures: Case Study of Latvia

Slovak Agricultural University-Nitra
November 29, 2005

William H. Meyers
Professor of Agricultural Economics
Food and Agricultural Policy Research Institute
University of Missouri-Columbia

Acknowledgements

- Dr Daina Saktiņa, senior author of “EU and National Support Programs in Latvia: Targeting the Disadvantaged”
- World Bank initiative
- Ministry of Agriculture support
- Latvian Agriculture Advisory and Training Centre
- Rural Support Service
- Mortgage Bank, CSB, RDF, SLS, SRS and others

Objectives...

- to provide insights into the nature of financing constraints in rural areas in Latvia
- to provide recommendations to the Government of Latvia for implementation of programmes in the new financial perspective 2007 – 2013.
- to improve access for disadvantaged regions and entities to programmes in the future

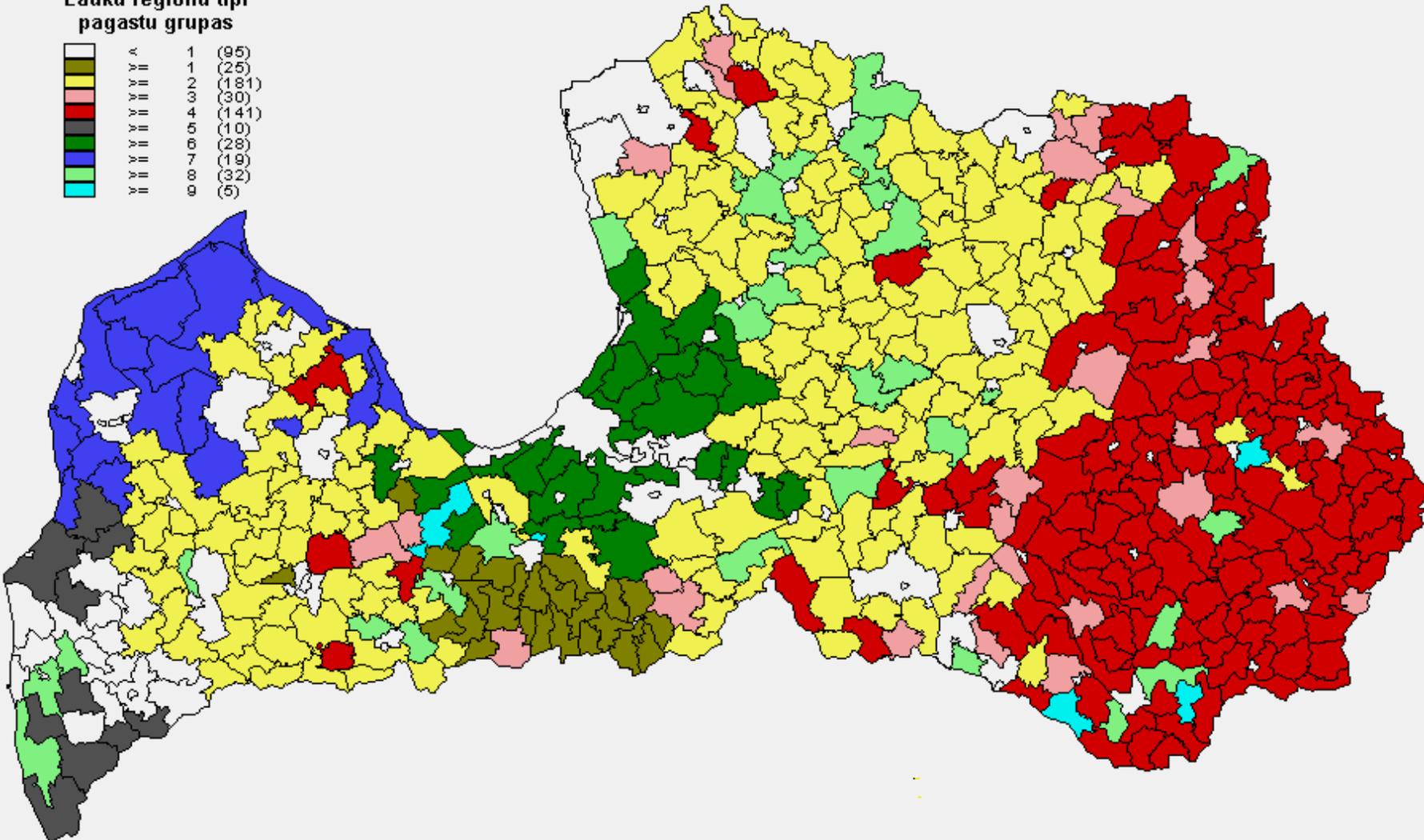
Outline

- Background on situation in rural area of Latvia
- Analysis of national rural support programmes
- Analysis of new EU rural development policy
- Some results on opinion of rural society
- Conclusions and Recommendations

Territory of Latvia- different rural (2000)

Lauku reģionu tipi pagastu grupas

■	1	(95)
■	1	(25)
■	2	(181)
■	3	(30)
■	4	(141)
■	5	(10)
■	6	(28)
■	7	(19)
■	8	(32)
■	9	(5)

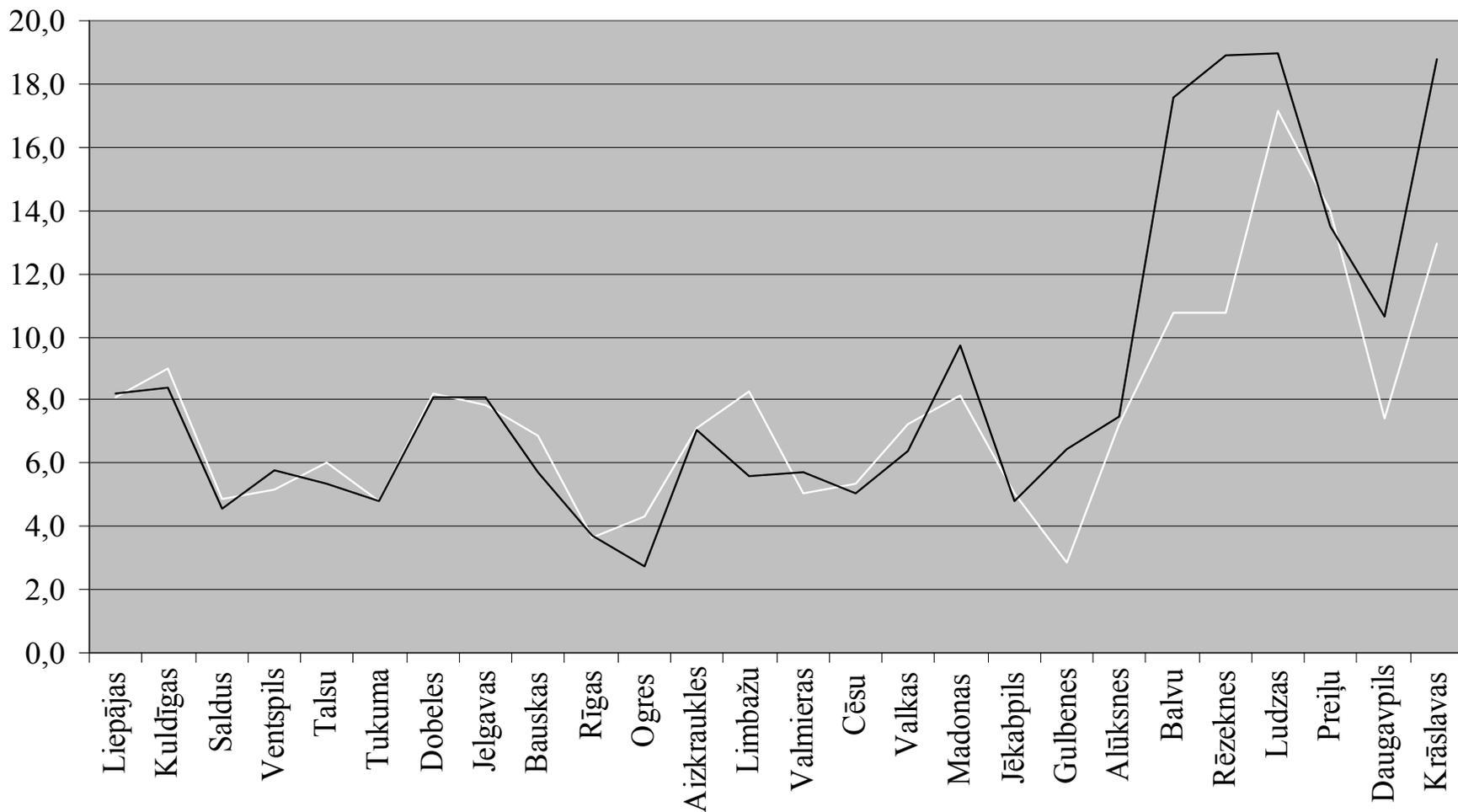


•Code in map	•# of parishes	•Regions	•Code in map	•# of parishes	•Regions
•1	•95	Urban territories (including towns with 1 thousand) that were not evaluated and parishes with limited statistical data	•5	•10	•Liepāja region (defined thanks to lack of data for investigation must be more investigated)
•1	•25	•Agricultural regions	•6	•28	•High developed region near Rīga
•2	•181	•Average rural territory	•7	•19	•Very densely populated Ventspils region
•3	•30	•Problematic territories	•8	•32	•Parishes affected by urbanization
•4	•141	•Regions that are lagging behind in development	•9	•5	•Parishes with a specific situation

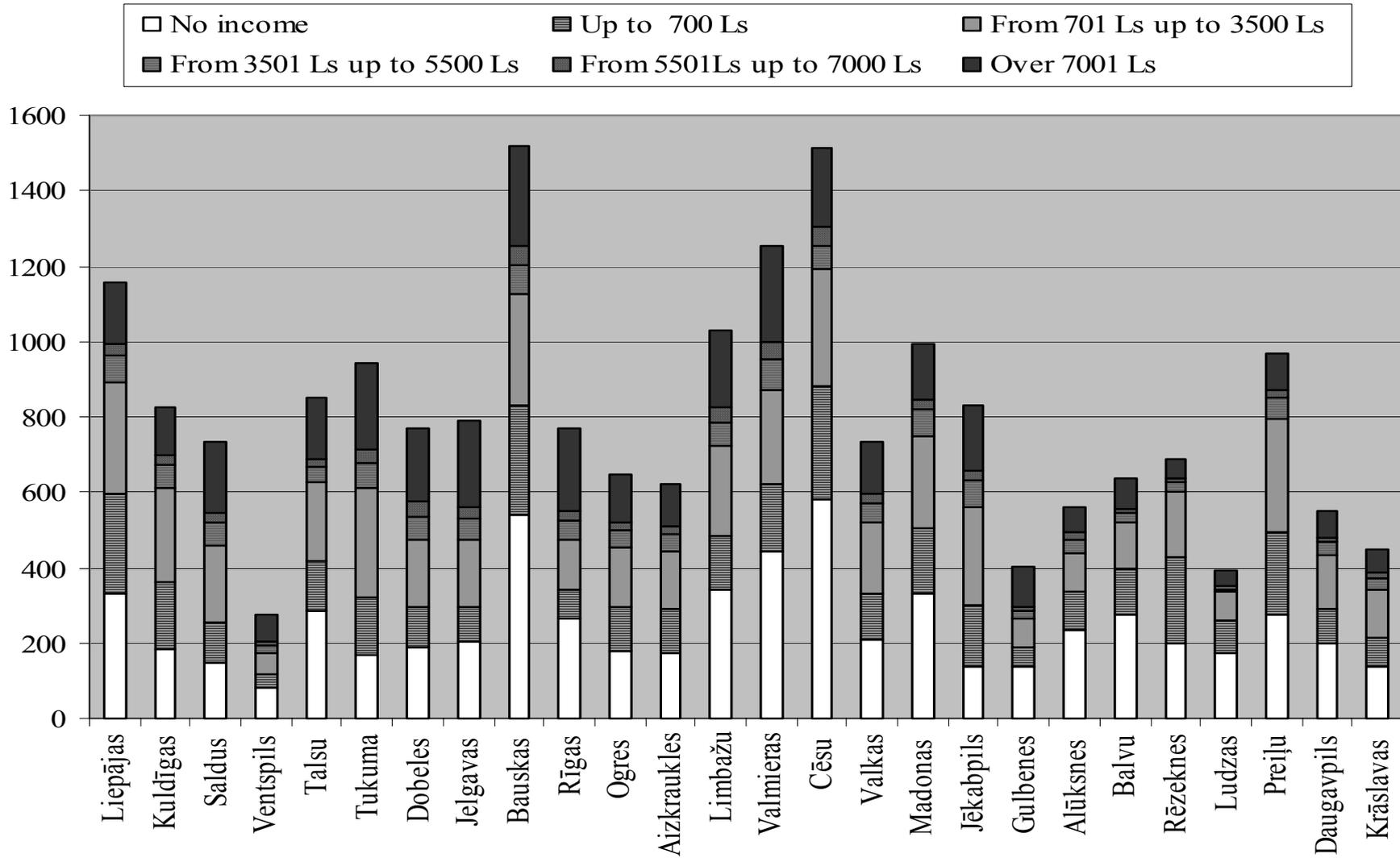
Level of Unemployment, 1 Jan 2005

Unemployment rate in cities (%)

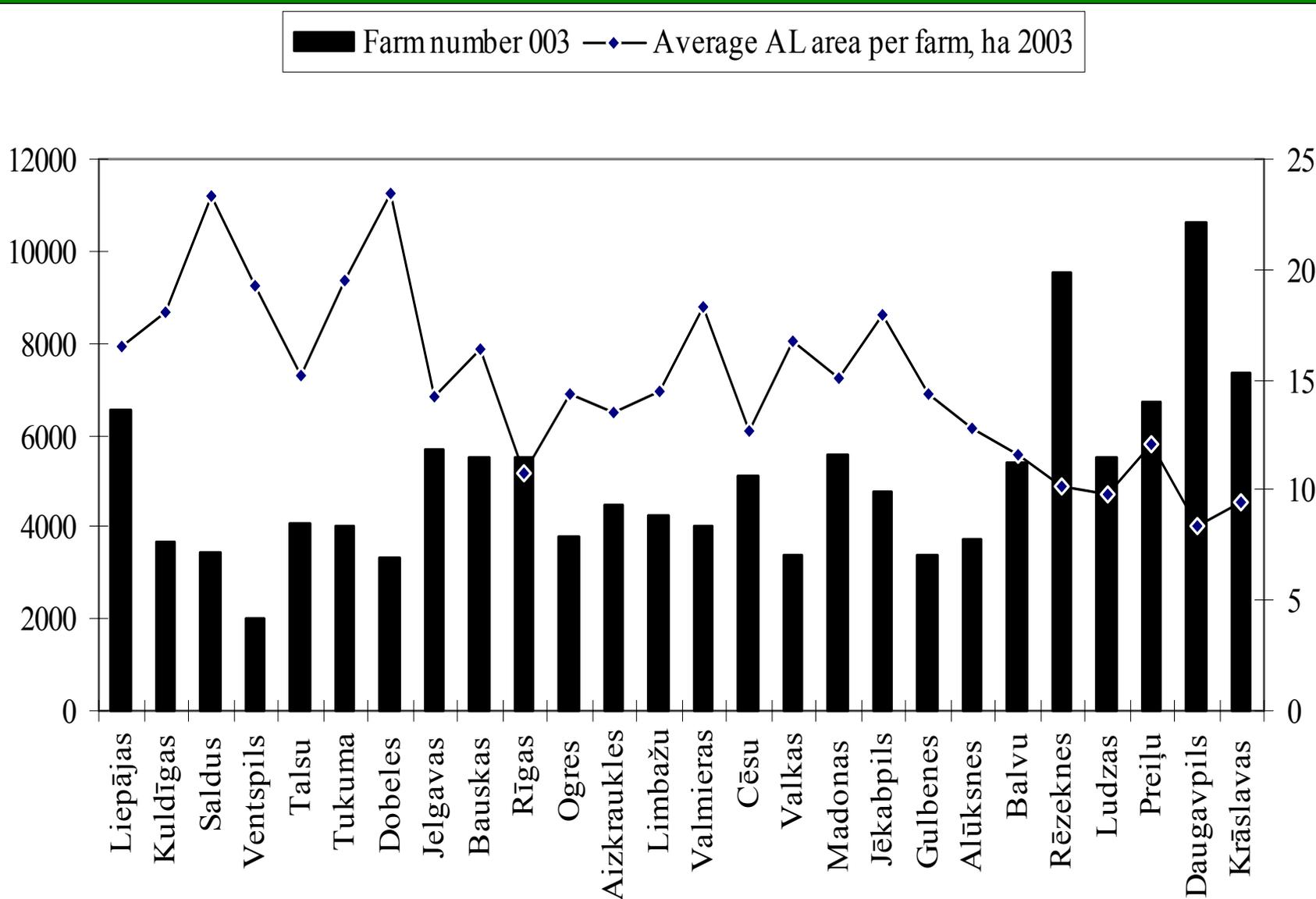
— Unemployment rate in rural area (%)



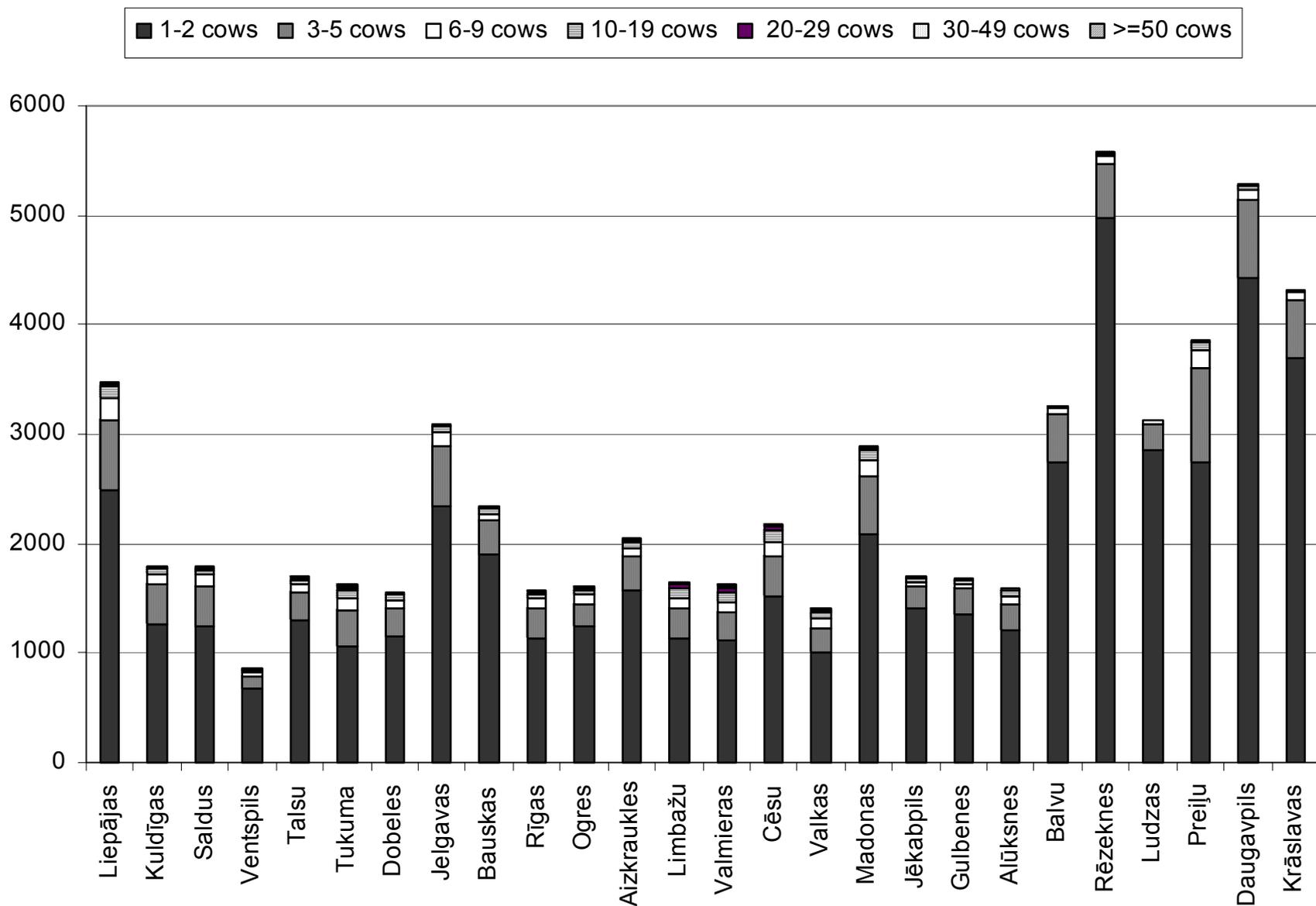
Enterprises in 2003 with 50% or more from agr.



Farms...



Farms.....

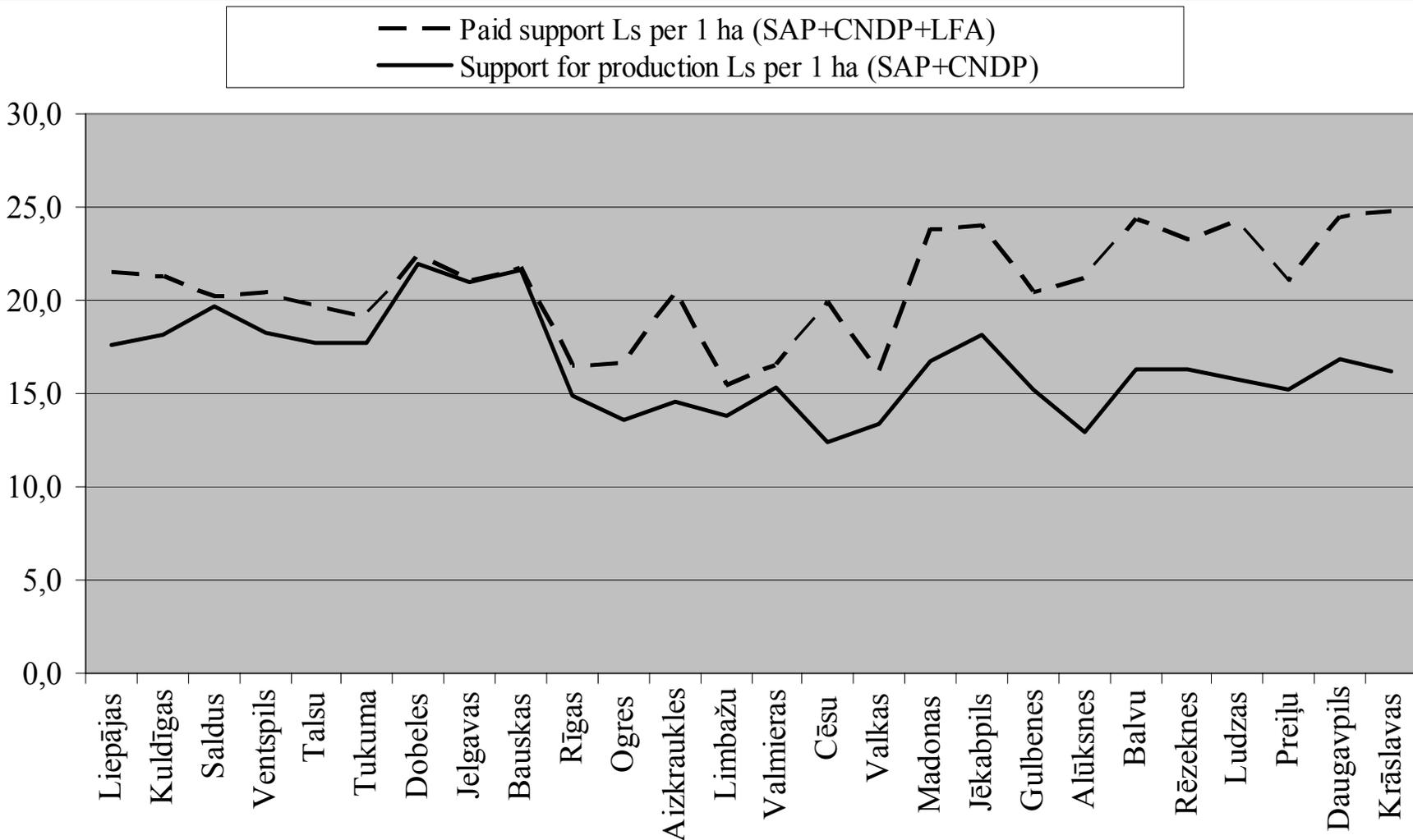


Rural development support in Latvia 2000-2005

- Overview
- State subsidies for agricultural development
- Long-term Agricultural Investment Credit Programme (LAICP)
- Credit Programme for Agricultural Land Purchase (CPALP)
- Programme for Development of Non-Agricultural Entrepreneurship (PDNAE)
- SAPARD
- SME credit programme (CPSME)
- Rural development measures under SPD and RDP

	•Program	Analysed years of implementation of the program	Total amount of financing in the projects (mil LVL)	The amount of support payments (mil LVL)
	Long term credit programs for development of agriculture	2,5	9,1	
	Land purchase programs	2,5	5,3	
	Program for developing non-agricultural entrepreneurship	0,3	4,7	1,8
	SAPARD	4	153,0	77,0
	SMEs crediting program	5	20,0	
	Rural development measures under SPD	0,5	161,4	69,6
	State subsidies for agricultural development (before co-financed programs), 2000-2004	5	119,4	119,4
	Rural development measures under RDP 2004-2006 (1 st year)	1	32,7	32,7
	Direct payments for production*	1	38,9	38,9
	Total		544,5	339,4
	Credit guarantees for	7	39,3	

Influence of LFA payment on area payment per ha



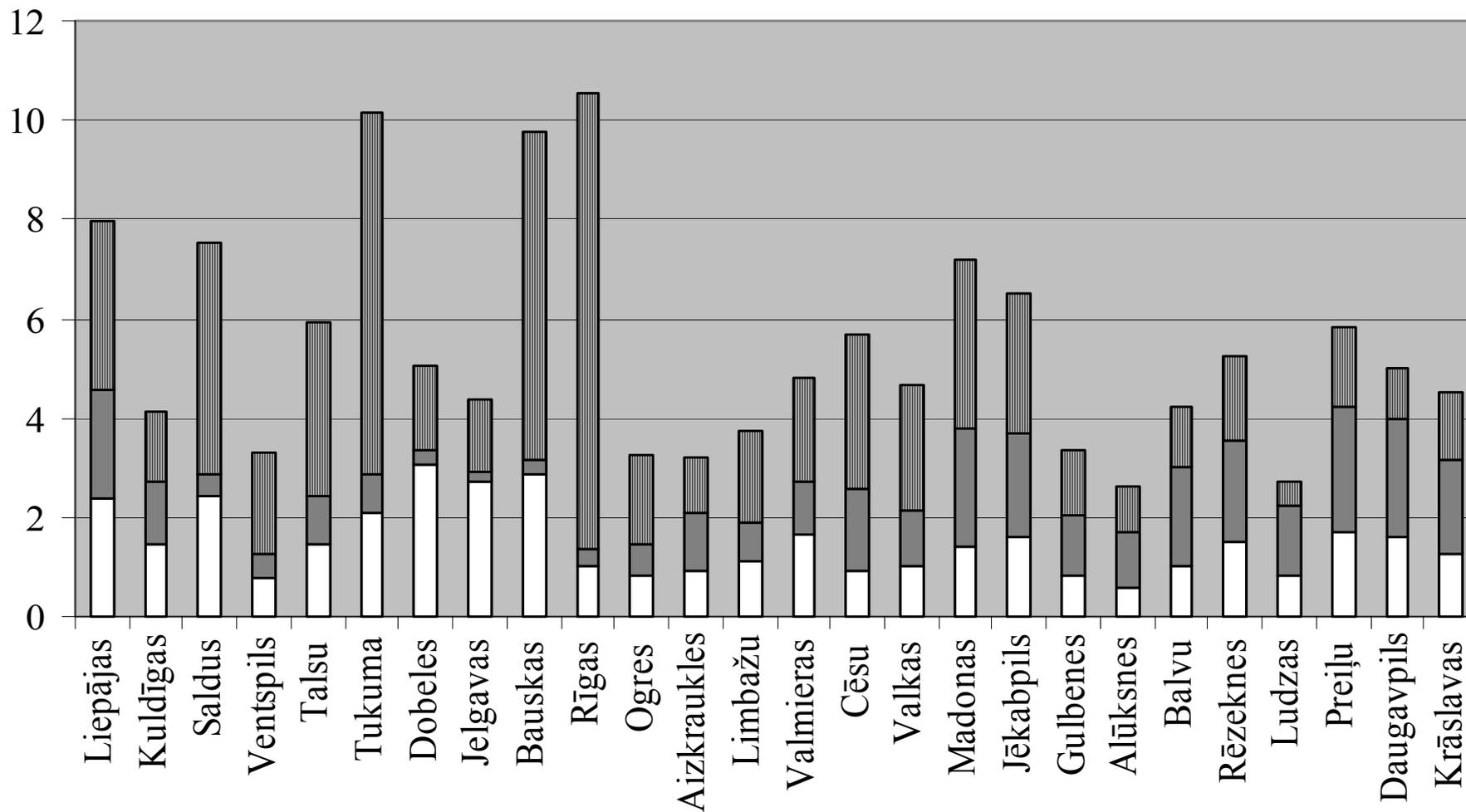
Amount of Compensation Payments by District in 2004

Mill. Ls

□ Direct payments*

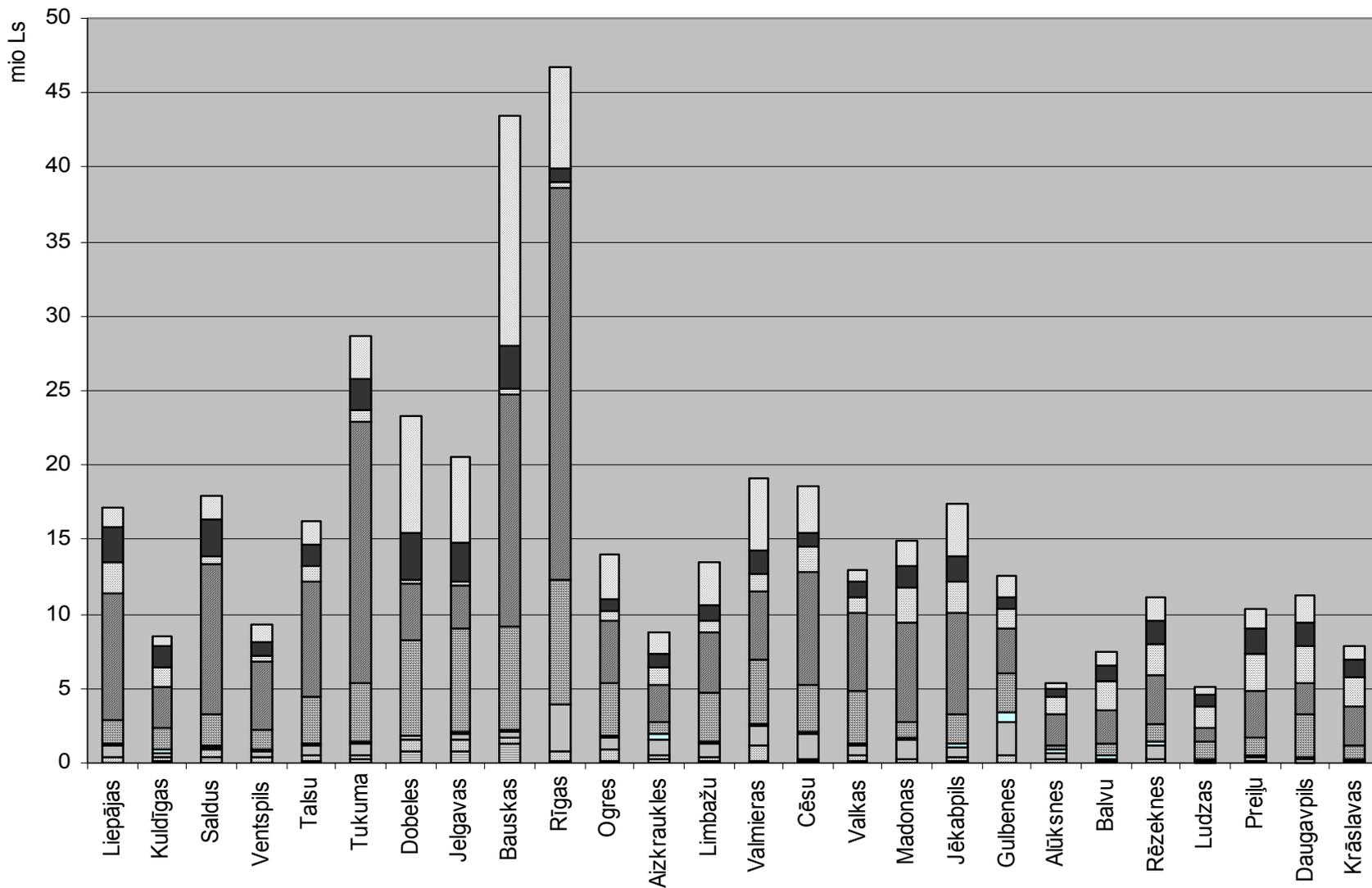
■ RDP measures

▨ SPD measures

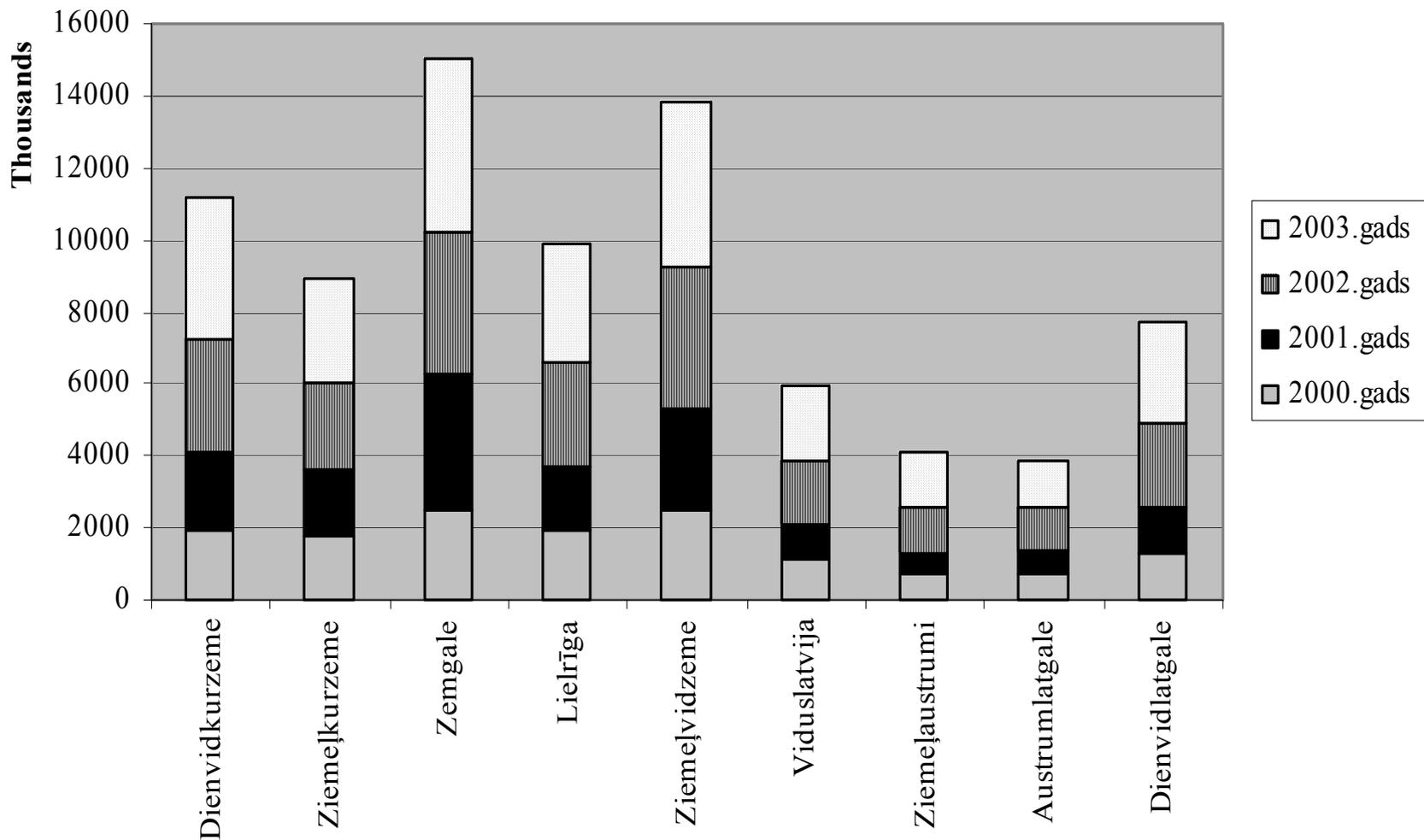


Total value of program financing 2000-2005

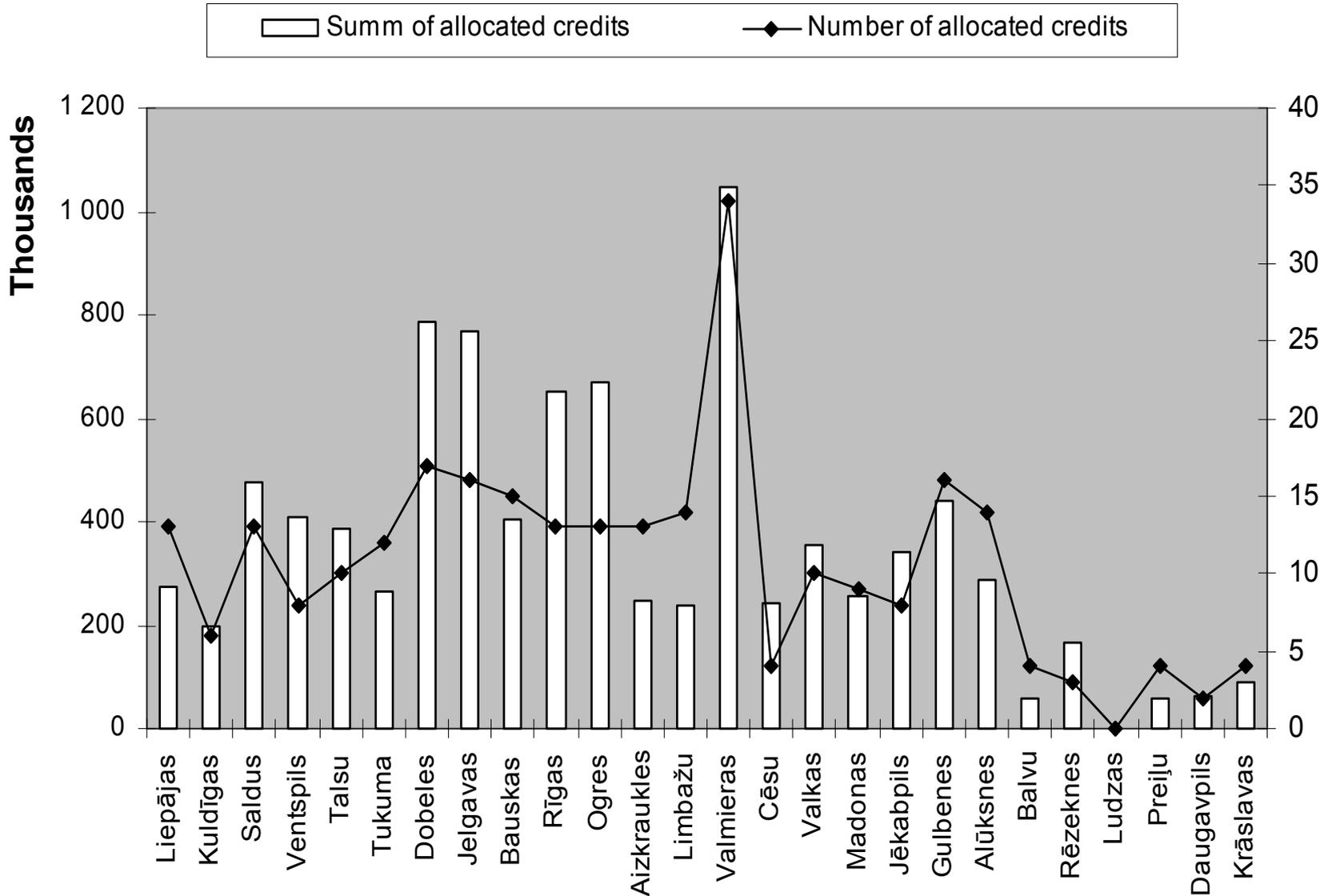
CPALP
 LAICP
 CP SME
 PDNAE
 SAPARD
 SPD
 RDP
 Direct payments
 Other programmes (RDF)



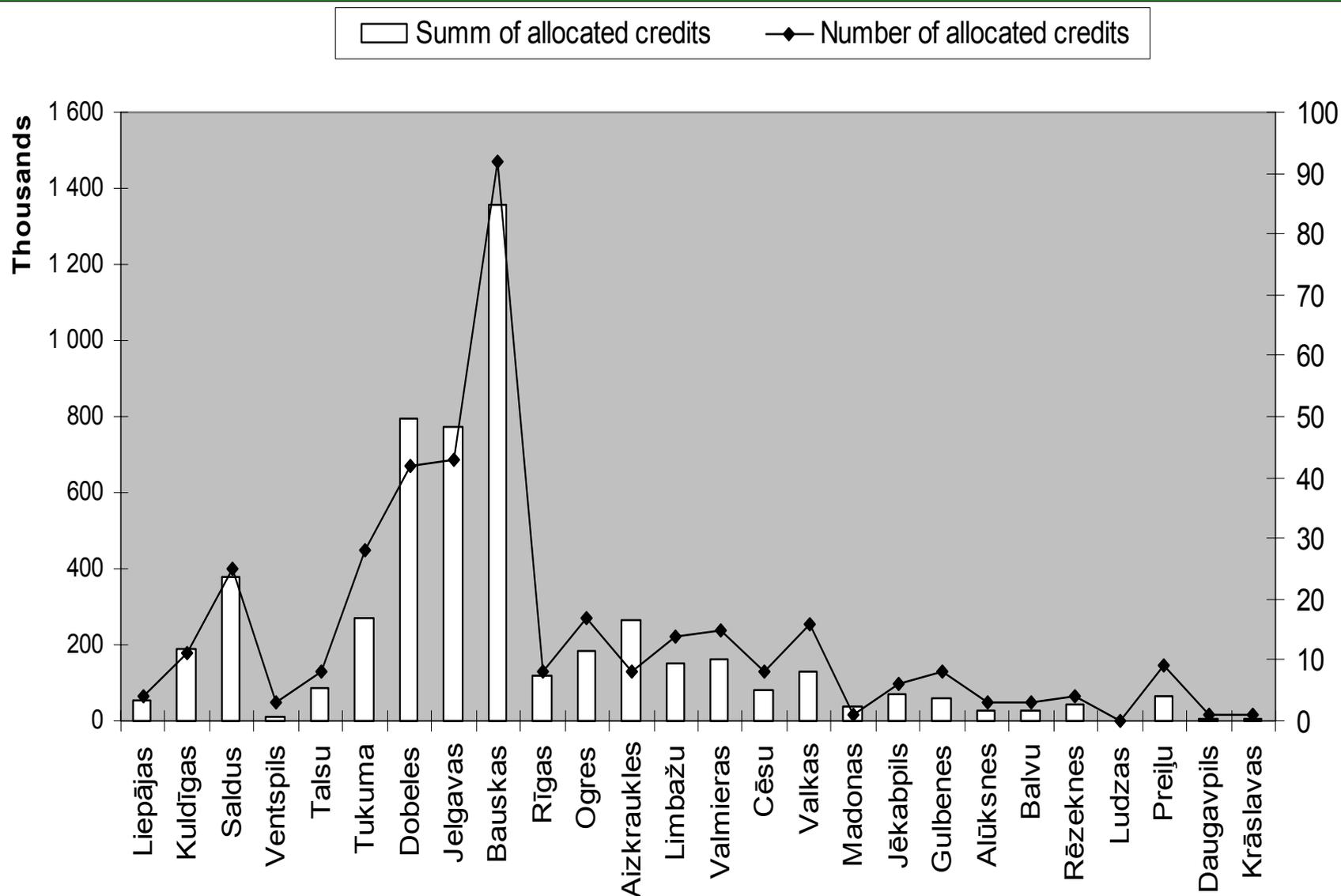
State subsidies for agr. development



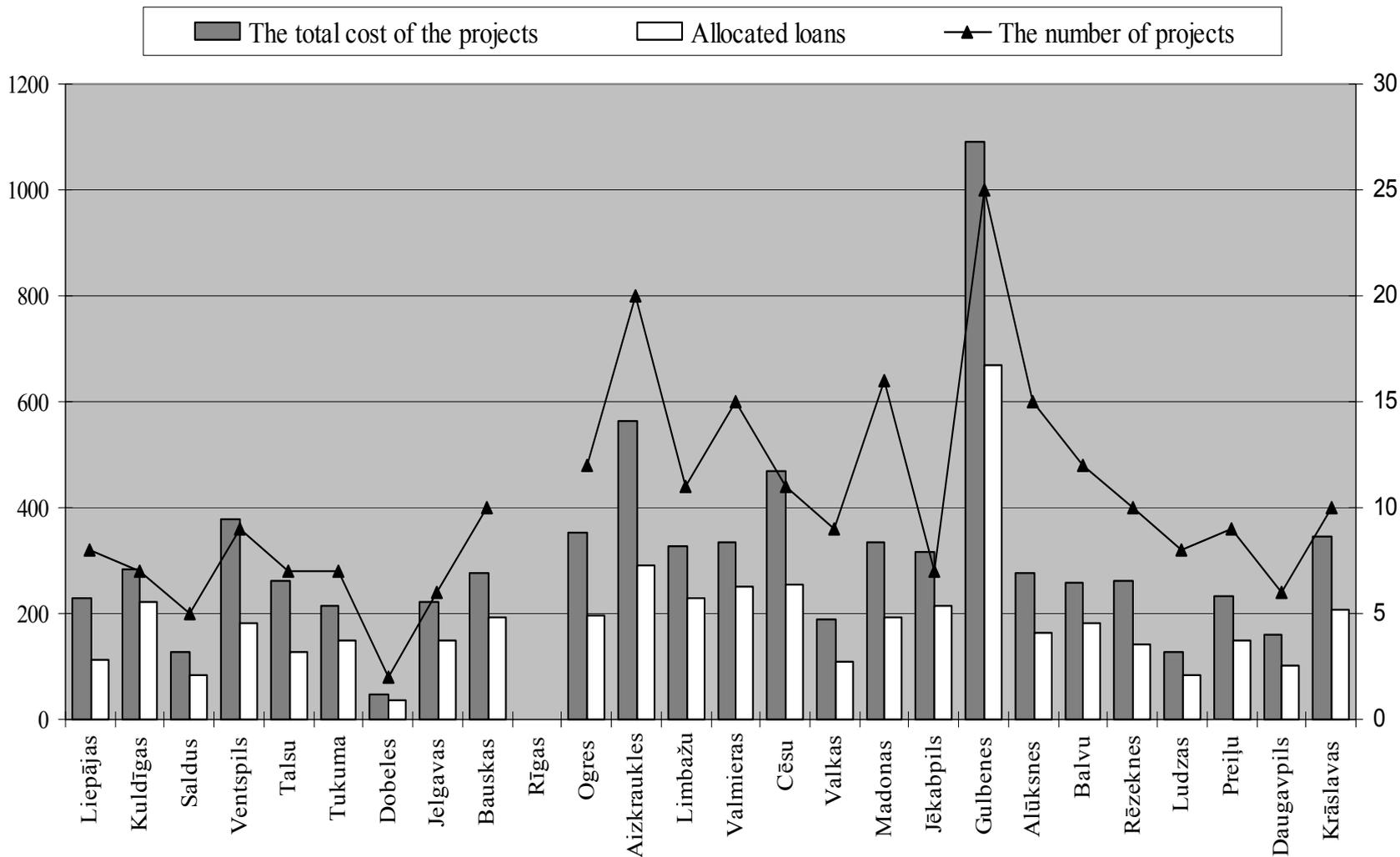
Long-term Agricultural Investment Credit program



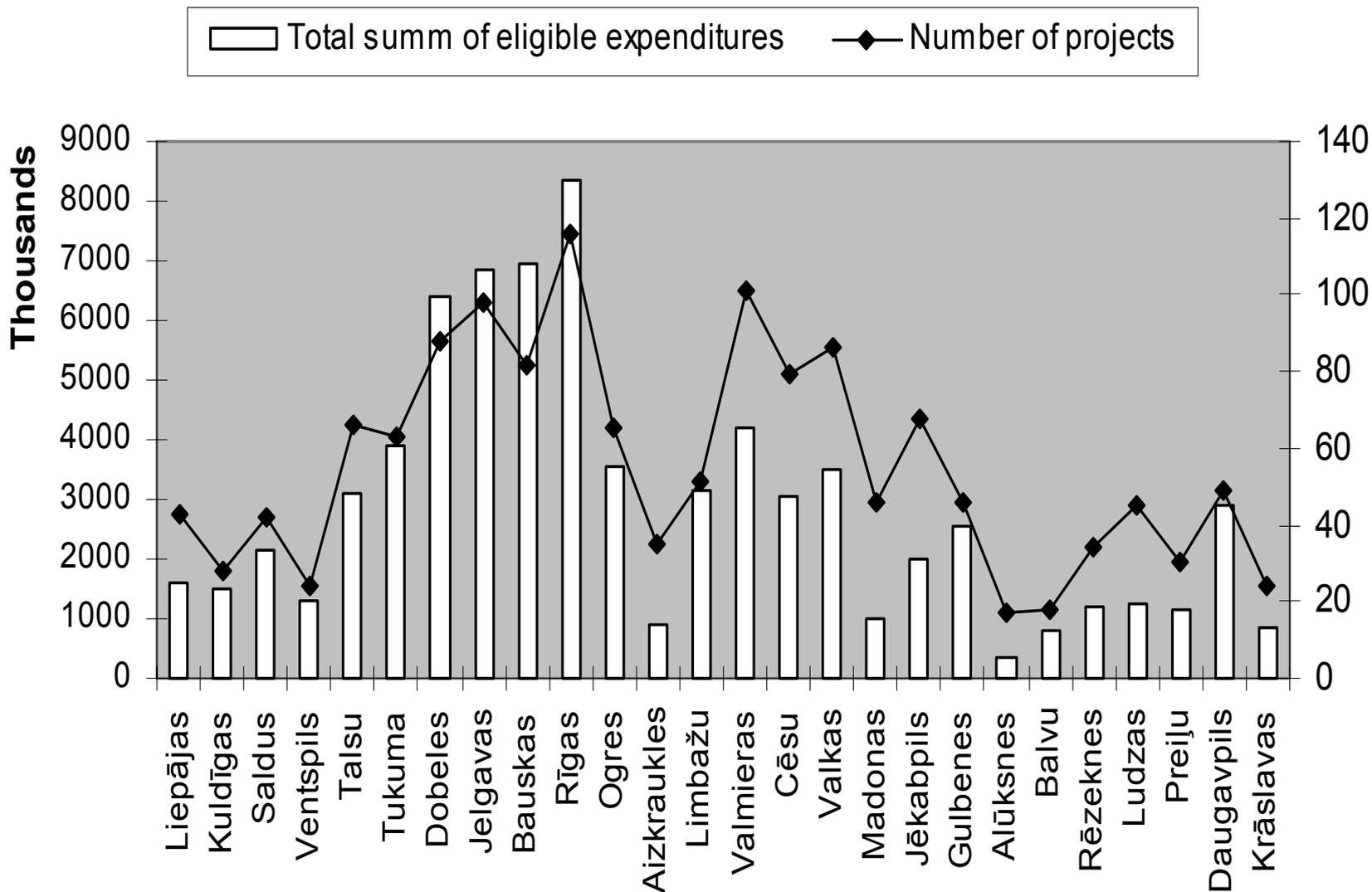
Credit programme for Agricultural land purchase



Programme for Development of Non-Agricultural Entrepreneurship

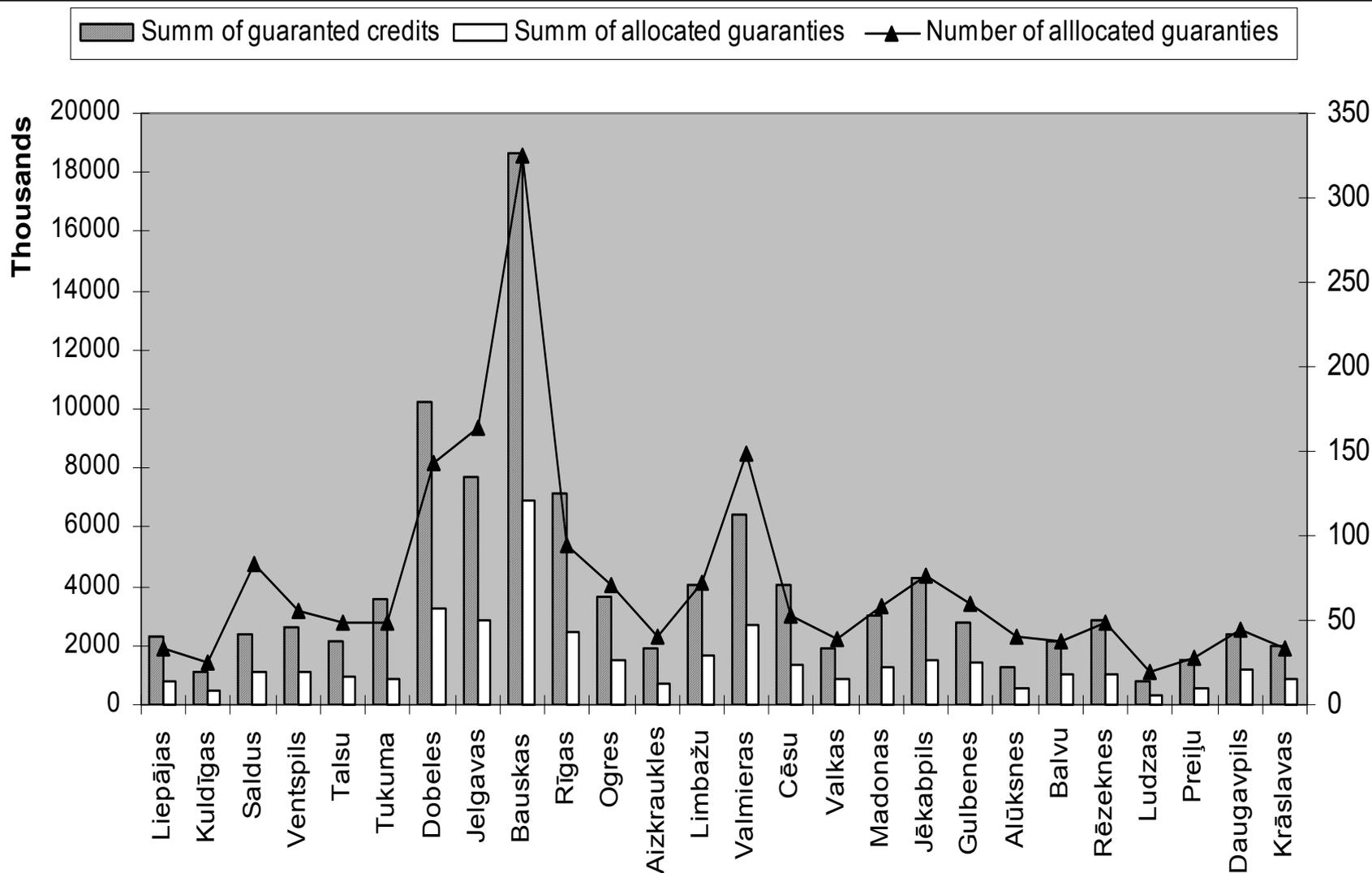


SAPARD

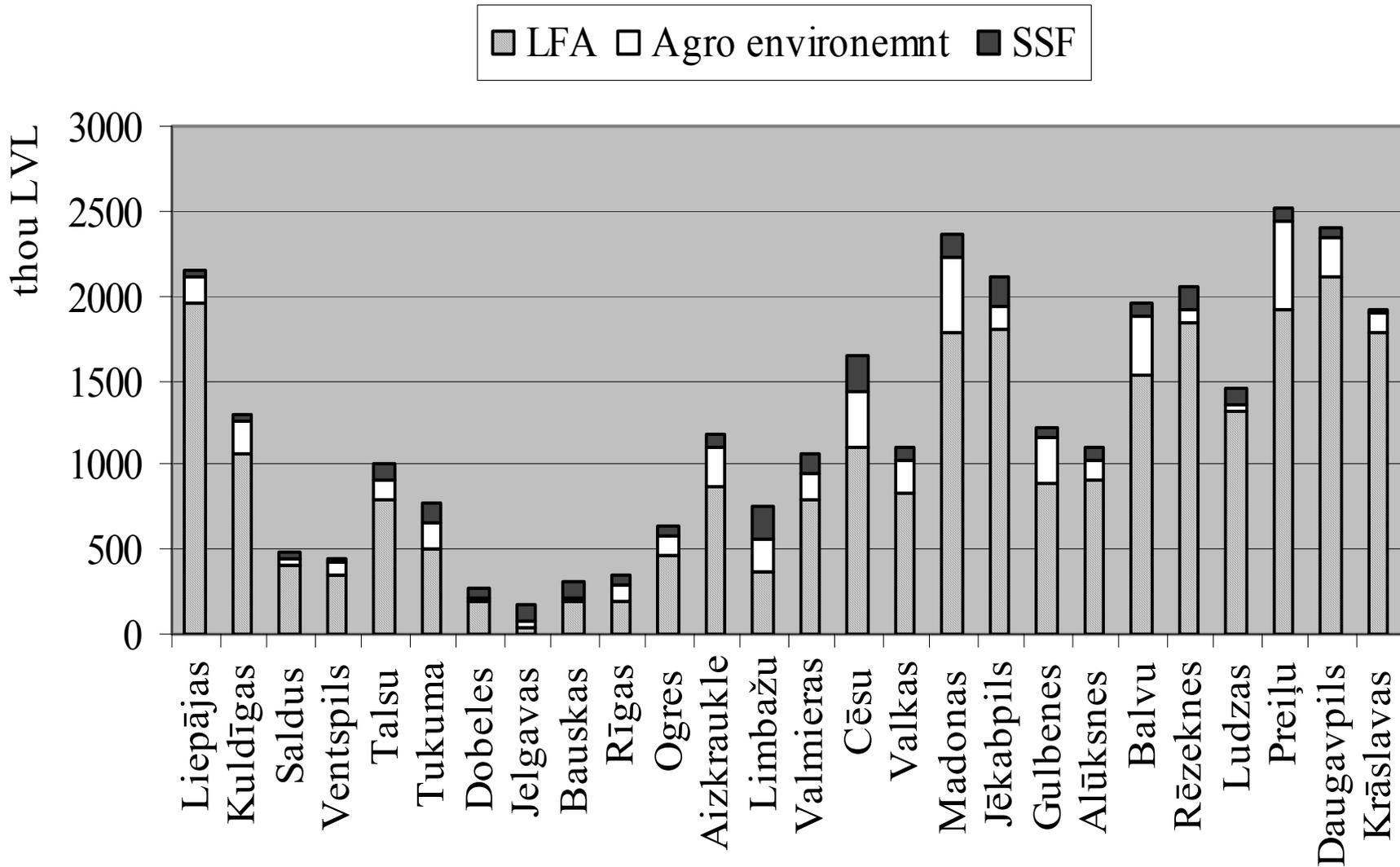


SAPARD support measures	Proportion of approved projects, %	Proportion of eligible costs in contracts, %		Proportion of public financing as eligible costs in each project
		Actual	Planned	
Modernization of agricultural technology, machinery and buildings	45,6	33,5	34,4	50 %
Afforestation of agricultural areas	15,5	3,15	2,2	50 %
Processing and marketing development for agricultural and fishery products	5,8	27,2	32,5	50 %
Diversification of rural economy by facilitating alternative sources of income	24,3	24,8	25,4	50 %
Improvement of overall rural infrastructure	8,3	6,3	5,4	50 %
Technical assistance and training	0,4	1,5	0,1	100 %
Total	1812	216 mil EUR (or 151 mil LVL; exchange rate 1,4)	153 mil LVL	-

Allocated guaranties for credits



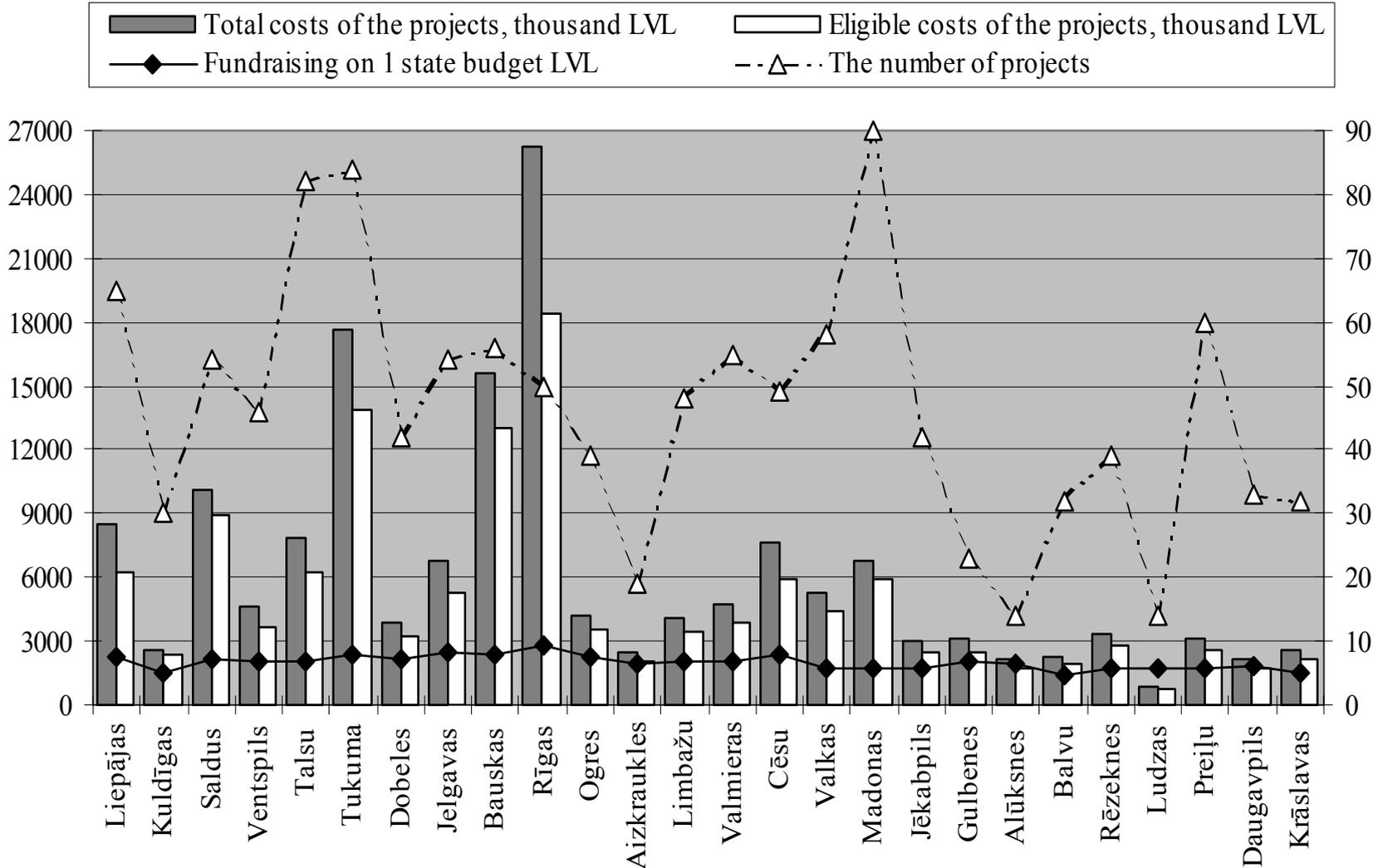
Rural development measures under RDP 2004



Single Programming Document (SPD) 4th priority's "Promotion of development of the rural areas and fishery". includes seven rural development measures:

- Investments in agricultural holdings;
- Setting- up of young farmers ;
- Improvement of the processing and marketing of agricultural products;
- Promotion of adaptation and development of the rural areas;
- Development of forestry;
- Support to local actions (LEADER+);
- Trainings.

SPD rural development measures

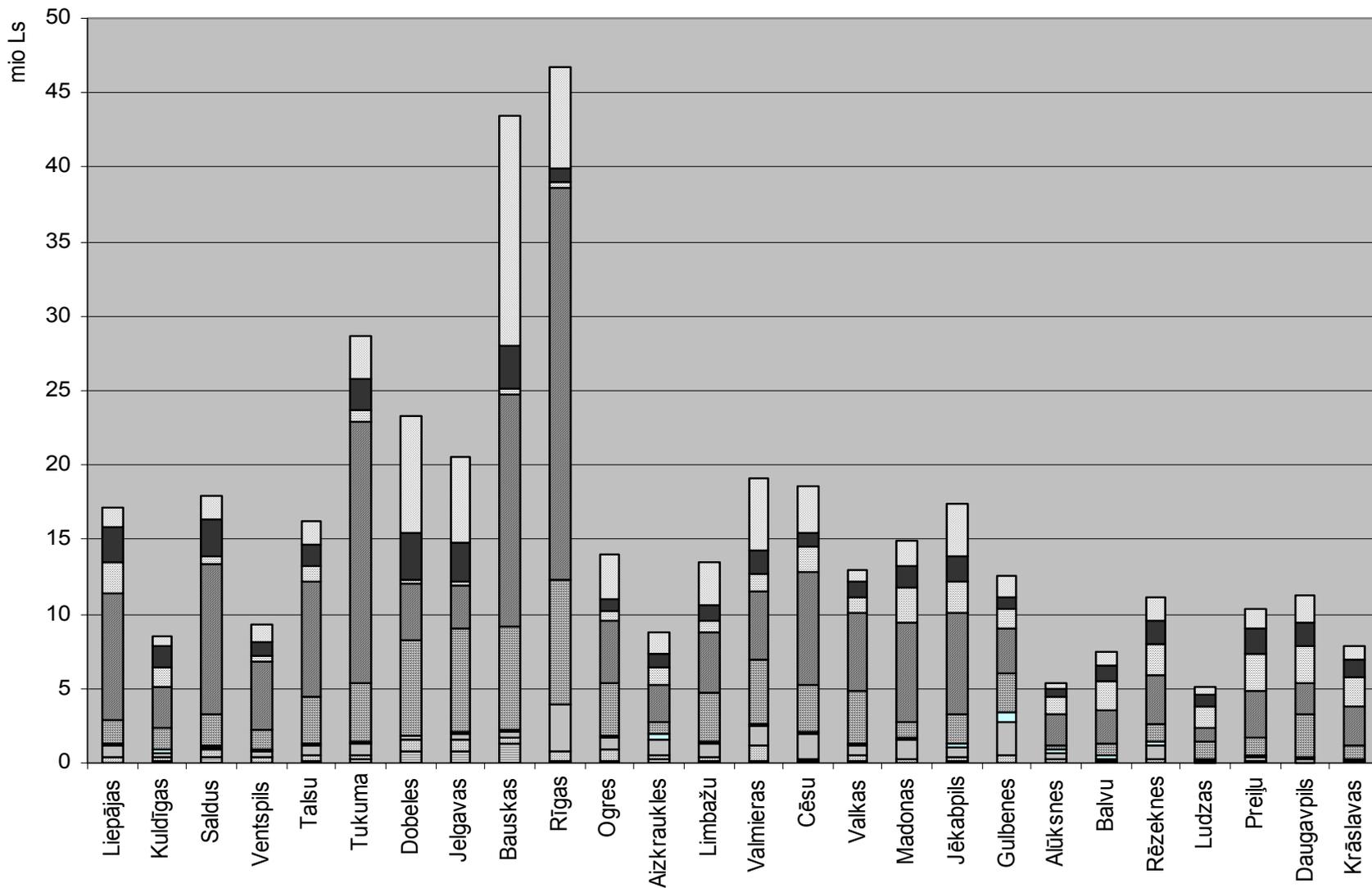


Average size of supported projects

Average size of projects	SAPARD (implemented)		SF (under implementation)		
	Number of projects	Elig. exp. thous.Ls	Number of projects	Elig.expt hous.Ls	Total costs thous Ls
1. Investments in agricultural holdings	768	60	528	82	96
2. Investments in processing industry	85	372	27	1'340	1'577
3. Investments in non agricultural business development	301	68	310	138	194

Total value of program financing 2000-2005

CPALP
 LAICP
 CP SME
 PDNAE
 SAPARD
 SPD
 RDP
 Direct payments
 Other programmes (RDF)



The key findings of the study were:

- The priorities of the Latvian rural development policy are well developed, and balanced rural development advancement is defined as the goal of policy implementation;
- Implementation of the policies did not always follow these priorities and led to increased polarization in the rural areas and increasing capital concentration in central areas of Latvia, while the growth of poverty and lack of capital in the majority of peripheral rural areas continued;
- Previously stated policy goals aiming at sustainable rural development were not realized;
- Recommendations to adjust the policies so effects would still enhance efficiency, but also be more equitable to make development more widely shared and better assisting more backward regions.

Conclusions

- First comprehensive and detailed analysis of rural support, but data still lacking
- District-level data is very revealing
- State support has often increased economic polarization
- Don't shoot the messengers, the data tells the story
- MOA is very courageous to commission this detailed study
- Better data leads to better decisions

Challenges

- Rural entrepreneurs face credit constraints and limited access to investment support
- Different implementation rules have led to different allocation patterns
- Can territorial and differentiated targeting be more equitable AND more efficient?
 - ┌ Targeting can speed up economic convergence
 - ┌ Targeting may have larger investment impact
- How can new financial framework be used most effectively to achieve policy goals?

What should be done before 2007

- To make detail analysis of current RDP measures and direct payments:
 - size of supported area
 - type of beneficiaries
 - links between SAP, CNDP, LFA
- To set up support system- more targeted to different regions, sub-sectors and groups of:
 - farmers
 - ▮ other entrepreneurs
 - ▮ landowners
 - ▮ speculators' business

What to do to change

- Cooperation between decision makers, researchers and advisors to get more clear picture on reality in different rural areas:
 - To hear needs of people
 - To react
- To keep attention on trends and to respond, if something goes wrong
- Criteria for targeting AND means for targeting

- **Items for discussion**