



**Independent Evaluation Service of the Rural Development Programme
2014-2020 of the Campania Region in accordance with the European
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**Thematic evaluation 2020: The effects of innovative
investments in the main agricultural supply chains in
Campania and the new needs that emerged as a result of the
COVID-19 health emergency and the role of the RDP 2014-
2020**

NON-TECHNICAL SYNTHESIS



Fondo europeo agricolo
per lo sviluppo rurale:
*l'Europa investe
nelle zone rurali*



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Introduction

The following Thematic Evaluation Report (hereafter TER) analyzes the effects of innovative investments in the main agricultural supply chains in Campania and the new needs that emerged as a result of the COVID-19 health emergency and the role of the RDP 2014-2020.

The Evaluator delved into the different needs expressed by the main supply chains that characterize the regional agricultural production, considering innovative interventions in a broad sense. Therefore, including those that affect product types and quality, production and transformation, as well as organizational/commercial.

The effects of the COVID-19 health emergency have already caused, and plausibly will continue to cause in the short-to-medium term, significant changes in the intervention needs (requirements) underlying the specific objectives and strategy of the 2014-2020 RDP and thus its requirements for relevance. Changes that plausibly also affect the "demand" for innovation (expressed or latent) by the regional agricultural production system. The latter must be taken into account for a more complete assessment of the effectiveness of current/realized interventions, and for a possible adjustment of current and future policies.

This pivotal theme for rural development has been addressed in the Campania region through the activation of Measure **4.1.1 "Type 4.1.1: Support for investments in agricultural enterprises" and, "Type 4.2.1: Processing, marketing and development of agricultural products in agro-industrial enterprises"**.

Hence, the analysis proposed and developed by the Evaluator were as follows:

- a) analysis of the innovative investments introduced through the RDP measures (Calls 4.1.1 and 4.2.1). This aims at identifying, describing and characterizing/classifying the innovations introduced thanks to the investments made;
- b) analysis of the strategy of the RDP for the innovation of the agricultural and agri-food sectors in the Campania Region, with particular reference to the measures dedicated to innovation;
- c) analysis of the main results and effects that investments have determined/are determining in physical and quantitative terms, but also in terms of expectations - achieved or disregarded - by the beneficiaries;
- d) analysis of the demand for innovation in the post-COVID19 situation in the main agricultural sectors. With respect to the original design of the research - that is, with respect to what was established in the TO - it was considered useful to include as a topic of analysis, the impact of the economic crisis triggered by the pandemic from COVID-19 which affected, among others, the agricultural sector of the Campania region from the first quarter of 2020. Moreover, the theme represents a cross-cutting issue with other surveys conducted by the Independent Evaluator for the Campania Region.

Rationale and objectives

The research aimed to:

- a) **verify the fallout in terms of innovation** created thanks to business investments co-financed by the RDP in the main agricultural production sectors in Campania, with particular attention to those activated thanks to Measures 4.1.1 and 4.2.1;
- b) identify, analyze and describe the changes in the framework of **the priority needs for innovation** (product, process, organizational) following the COVID-19 health emergency in the agricultural and agri-food regional sectors. These changes that may have emerged from the analysis, according to their characteristics and intensity, have led to the formulation of proposals for changes to the descriptions of the current FB 01 and 02 and/or the possible inclusion of new Needs. In both cases, the elements of the SWOT analysis related to the new or modified needs are updated;
- c) take into account the objectives of the RDP and the results of the previous analysis (on the new needs), **assess the relevance and effectiveness of the innovations introduced** in the agricultural production system through investments in farms and agro-industrial enterprises supported by Measures 4.1.1 and 4.2.1 of the RDP 2014-2020 of the Campania Region.

Materials and methods

For the preparation of this report, different methodological approaches were applied throughout the analysis. This mix of methods aimed at reconstructing the contextual and programming framework of the policy that is the object of this investigation. In this sense, it is important to stress that it was necessary to add some reflections on the impact of COVID-19 as an external and unexpected element that has significantly affected the agricultural reality of Campania.

Moreover, the spread of the second wave of the COVID-19 virus - starting from October 2020 - made it impossible to carry out the original setting of field research activities and in-depth analysis with privileged witnesses and direct meetings (face-to-face interviews with beneficiaries, in-depth case study and organization of Focus Groups). This led the evaluator to find alternative solutions that were just as effective.

In particular, in order to conduct in-depth interviews with the beneficiaries selected as the "factual" and "counterfactual" groups, the evaluator decided to proceed with an initial telephone contact with the interlocutor. Once the time for the interview was scheduled, the interview outline (attached) was sent. This allowed the beneficiaries to collect some administrative data related to the intervention and to socialize with the themes that would be addressed during the interview.

The five Focus Groups were carried out remotely by inviting the selected experts to participate on the Microsoft Teams platform made available by the evaluator.

The activities carried out and the initial results achieved are described below.

The secondary data were collected from the AGEA DB relating to structural measures and from the Sistema di Monitoraggio Agricolo Regionale (SISMAR) - data as of 31/12/2020. These data represent the background on which the informational database of the projects financed by TI 4.1.1 and TI 4.2.1 was constructed. The analysis of both DBs has allowed to cross important detailed information on the interventions financed crystallizing the state of the art of the interventions actually implemented and concluded, i.e. paid "to balance". The same path was followed to build the counterfactual sample: the regional contact person identified the list of applications from companies benefiting from the former Measure 121 that did not participate in other interventions funded by 4.1.1 in 2014-2020. For each sample group, a counterfactual farm was identified, for a total of six counterfactual farms.

Once the framework of the interventions was obtained (493 projects concluded for TI 4.1.1 and 29 projects concluded for TI 4.2.1, as of 31/12/2019), the methodology included 28 direct surveys for intervention 4.1.1 and 10 for intervention 4.2.1. The projects had to be concluded by 31/12/2019. This because it is thought that it is possible to have a feeling of the first results in terms of improvement of the economic, social and environmental performance of the beneficiary farms. The identification of the sample followed a logic of proportionality and stratification of projects broken down by province and ETO.

The direct surveys, carried out by telephone interview, aimed at gathering information on the following main aspects:

- ▶ **motivations/purposes** of the project proposed and then implemented;
- ▶ judgment on the **innovativeness** of the investments made;
- ▶ **effects** that the investment has determined/is determining in organizational, economic, etc. terms, differentiating between pre-health emergency, current or post-health emergency situations;
- ▶ **investment needs** and in particular innovations in the short to medium term;
- ▶ the situation in the **health emergency phase** and the **needs** for improvement and innovation in the short to medium term.

The survey of primary data was, therefore, carried out through in-depth interviews using CATI methodology on the basis of 2 different questionnaires used as a basic outline.

As an in-depth study, two case studies were also identified that can be assimilated to "*best practices*": the evaluator considered that the main investments made by the selected farms have brought about managerial and/or production **innovations** that are particularly relevant.

The evaluation process provided a final moment of sharing where the emerged results (analysis of monitoring data and direct investigations) were discussed together with experts from both the scientific and economic world of agriculture and rural Campania. Specifically, the organization of five Focus Groups, carried out in the months of December 2020 and January 2021, allowed for a thoughtful and holistic interpretation of the results collected during the study.

The report shows the territorial distribution of the interventions settled as of 31/12/2019 financed by the two calls of TI 4.1.1 and 4.2.1. The proposed mapping uses the number of beneficiaries per municipality and the size of the resources admitted to funding.

The provincial managers and managers of the measure have contributed substantially to the realization of the interviews, providing direct contacts of the beneficiaries (or of the technicians of reference), anticipating, in most cases, the telephone call of the evaluator to emphasize the start of the research activities.

Main conclusions and recommendations regarding the next programming period

Innovations introduced in the enterprises through the investments

Lack of definitions and methods for identifying innovative interventions adequately shared among sector operators and they are not made explicit in the program.

Prevalence of investments (mainly in machinery and equipment) that focus on process innovations, compared to investments for product innovations. The former with results (already perceived) of increased environmental and economic sustainability. Both aspects are increasingly interdependent and useful for farms' competitiveness in the markets. Less frequent are the innovations that have determined the diversification of production and/or relative marketing channels, even less those for diversification of income sources and for the development of networks between companies.

Constraints or limits of the modes/procedures of implementation of the program have not favored the presentation, the financing and the realization of interventions (projects) of investment strongly innovative. Indeed, no investment was able to improve the various technical-managerial aspects of the enterprise (combining material and immaterial investments) or to favor the introduction of new technologies (ex. Precision agriculture or Agriculture/processing 4.0).

Recommendations:

- Provide a clear and shared definition of "innovative interventions". Make clear the criteria for their identification, possibly differentiated by production systems.
- Apply the requirement of "innovation" horizontally to all interventions, not only within some specific measures.
- Adopt coordinated implementation methods/procedures to favor the presentation and realization of comprehensive and internally coherent business or territorial/sector development projects, capable of integrating tangible and structural investments with "intangible" actions of training, consulting and technical/scientific assistance/guidance.
- As part of the "process" innovations, support the development and dissemination of Precision Agriculture and Agriculture 4.0, in conjunction with the activities of the Regional Observatory (referred to R.L. n.15/2018).

Relationship between research and businesses, dissemination of innovation

Following single experiences of collaboration and exchange (Measure 16) judged very positive, an overall sporadic relationship emerges, linked only to funding opportunities and to the settlement of specific problems, without achieving adequate consistency and continuity.

Very low capacity of systematic diffusion of innovation created in the regional productive network. Poor ability to translate positive "models" into starting points of virtuous innovative processes.

Recommendations:

- Ensure consistency and reinforce Measure 16, giving priority to projects with activities and/or territorial information "infrastructures" able to promote the diffusion of innovative services in production systems towards companies.
- Define clear and comprehensive regional strategies for innovation, declined by sectors and related territories of reference. Direct research and experimentation activities to support these strategies.

Priority innovation needs for the future ("post-emergency")

The needs pointed out by the companies contacted concern innovations that can improve the channels/methods of commercialization and the qualitative-quantitative characteristics of company production, according to the evolution of agri-food demand already underway or expected.

Looking to the future, more space is given by entrepreneurs to (increasingly necessary) innovations aimed at identifying new products (and related added services) and consequent new marketing channels.

Still minor but increasing importance is assigned to the innovations for the creation or the strengthening of networks/relationships between enterprises and other actors, for the professionalization and the training of the entrepreneur and of the business staff.

The needs for innovation, however, are different and specific according to the different sectors, related territories and the level of competitiveness and technology of enterprises.

The present and future effectiveness of interventions aimed at business innovation is also influenced by the coherence and efficiency of the ways in which the support interventions programmed for this purpose are implemented. In particular, the procedures/criteria adopted for the phases of definition, presentation and evaluation of projects and, above all, by the time required for their completion are key determinants. Above all, the latter, when too long, determine both an increase in the technical and financial burdens on businesses and a progressive loss of effectiveness of the interventions due to the evolution of markets and technological progress.

Recommendations:

- Strengthen the creation and dissemination of innovations aimed at the differentiation of products and services and the consequent marketing channels.
- Strengthen training and updating to support innovations.
- Use more flexible and/or more differentiated/modulated implementation methods/procedures in light of the diversity of the territorial and productive contexts in which companies operate and therefore of the objectives and needs for innovation; it

is proposed to evaluate the hypothesis of Calls for Proposals and therefore to differentiated selection criteria for areas and/or productive systems.

- Create the organizational and procedural conditions for an effective coordination between the implementation of (different) interventions of the RDP that potentially contribute jointly to innovation.
- Create the conditions for a substantial simplification and speeding up of procedures and rules for interventions, with particular attention to the time required for the response to funding applications. Condition to ensure innovation requirements of the investments and their adequate effectiveness in relation to the programmed objectives.