

**Subsidy programs in rural Denmark:
To whom and for which purpose?**

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March 2007

Danish Institute of Rural Research and Development

Working Paper

No. 01/2007

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Editor: Gunnar Lind Haase Svendsen

Danish Institute of Rural Research and Development (IFUL)
IFUL WORKING PAPER 1/07

ISBN 978-87-91304-17-0

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Abstract

This paper examines the three most important rural development support programs in Denmark in the period 2001-2005: The Rural Community Development Fund (RCDF), Article 33 (part of the European Rural Development Program 2000-2006) and LEADER+. The overall purpose of these programs is to promote development in Danish rural areas. Based on quantitative data, the paper seeks to answer three questions: 1) Who received money, how much and how often? 2) To which purposes was economic support given? 3) How was the amount of money geographically distributed? By thus mapping important trends within rural subsidy policies in Denmark, the paper invites to cross-national comparisons that can contribute to enhance best-practice based strategies within this field.

Keywords: Financial Support, Rural Areas, Denmark.

JEL classification: H20, R11, R58

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Foreword

The Danish Institute of Rural Research and Development (IFUL) directs a particular focus on rural living conditions, business development, and political and economic frameworks. This includes various kinds of financial support schemes. We have found it relevant to highlight how these schemes are utilized and spent. Who are the grant takers? For which purposes have people applied for funding? And how is the geographical distribution? For this reason we have chosen to revise and update a study carried out by the authors of this publication and translate the results¹. The answers will both give factual information about rural support measures for a non-Danish audience and will hopefully also stimulate international comparisons.

In connection with the new EU Rural Development Program 2007-13, much attention is being paid to possibilities of funding and how to create local development. Subsidies are only one of many developmental factors and must be seen in close relation to regional conditions at large, e.g. competence level and proximity to urban centers. Other ongoing research at the institute and in many western countries seeks to shed further light on developmental factors in a rural context, as the OECD defined

¹ The extended, published study: Lise Thomsen & Hanne W. Tanvig (2006), Landdistriktsstøtten på Danmarkskortet. Skriftserie 13/06, CFUL, Esbjerg.

growth drivers (innovation, entrepreneurship, ICT, human capital) do not give a full answer.

Esbjerg, March 2007

Flemming Just, Head of Institute, Professor

1. Introduction

Often rural development policy is being measured by funding for rural development purposes. This initial study addresses the following three main questions:

- *Who* received money?
- To which *purposes* was financial support given?
- How was the amount of money *geographically distributed*?

We seek to answer these questions, in a quantitative mapping and analysis of the three most important rural development programs in Denmark: The Rural Community Development Fund (*Landdistriktspuljen*), the so-called Article 33 program, and the pilot program LEADER+. The Article 33 and LEADER+ programs were partly funded by the EU Rural Development Program 2000-2006, whereas The Rural Community Development Fund solely was financed by the Danish state.

The overall purpose of all three programs has been to promote development initiatives in Danish rural areas.

The first program, The Rural Community Development Fund, ran in the period 2001-2005. It included 909 projects supported by 13.8 mill. €. The second one, the Article 33 program, ran in 2001-2004. It included 413 projects supported by 20 mill. €. Finally, the LEADER+ program ran from 2001-2004 and included 279 projects supported by 7.2 mill. €. This means that, in total, we have analyzed 1601 projects, which have been financially supported by 41 mill. €.

In order to allow for analysis and comparison, all these projects were categorized in three separate databases. In the first database, they were categorized according to type of project holder. In the second one, according to the purpose of the project. And in the third, according to where each project was situated in the country.

Concerning *type of project holder*, data allowed for a grouping into 3 main categories: Private persons/associations, Local businesses, Public institutions. Concerning *purpose of project*, data allowed for a categorization into 5 groups: Business-related activity, Developing activity, Culture-related activity, Infrastructure, and Mixed. And, finally, what concerns *geographical distribution*, data made possible a division into 3 categories: Peripheral areas, Commuting areas to medium-sized towns and cities, and Commuting areas to large cities.

Apart from this, we obtained data on how much money each project received, and related this information to both type of grant taker, purpose, and distribution in space.

The paper is structured thusly:

First, Section 2 answers the question: Who received financial support, and how much? In relation to this, Section 3 addresses the question: To which purposes was support given? Section 4 maps: How was support distributed geographically? Section 5 further investigates who the project holders were, including how many times project holders have received grants. Finally, Section 6 concludes.

Again, it should be stressed that the objective of the paper is *not* to make an effect evaluation of the purpose and effect of the programs. Instead, it presents results from a quantitative mapping of types of grants, receivers and geographical distribution, in order to identify overall patterns and trends.

2. Who received financial support?

As mentioned, grant takers can be grouped into the three following categories:

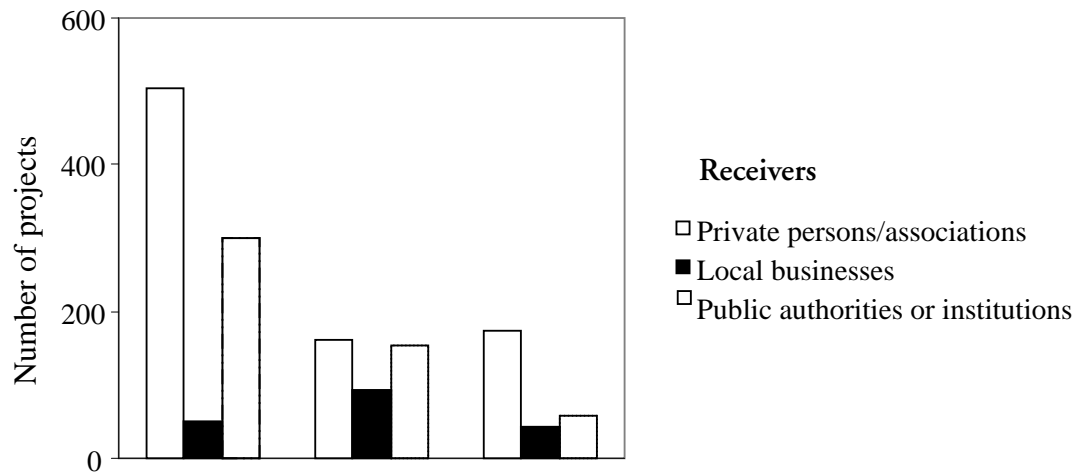
- Private persons/local or national associations, sports clubs etc.
- Local businesses
- Public authorities or institutions (municipalities, public schools, public kindergartens, associations solely established by a public authority, public boards etc.).

In 1537 out of the total number of 1601 funded projects, we find information about the receiver of the grant, i.e. the project holder. *Who*, then, received money?

Figure 1 shows that, within each program, the largest group of project holders consists of ‘private persons/associations’. Note also that ‘local businesses’ are the smallest group of project holders in all three programs.

The difference between the two categories ‘private persons/associations’ and ‘local businesses’ is particularly striking in The Rural Community Development Fund and least evident in the Article 33 program.

Figure 1. Receivers of financial support. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).



This difference can largely be explained by the varying definitions of who could apply for these programs. For example, if a business wanted to apply for financial support from The Rural Community Development Fund, the project had to be of general interest to the public. E.g., in the guidelines to this program, a project which aims to promote inclusive labor markets is mentioned as an example of a business project. Such concerns evidently have limited the number of business applicants and, hence, the number of supported business projects.

In contrast, in the application guidelines of the Article 33 program it was explicitly stated that farmers – who in this analysis are categorized as local businesses – could apply for grants if

projects dealt with diversification of economic activities. For such obvious reasons more farmers applied for, and received, grants from this particular program.

It is also interesting to know who received *how much*. In this respect, Figure 2 shows that the picture somewhat changes when we turn from the question of which type of project holders received how many projects, to which type of project holders received the largest grants.

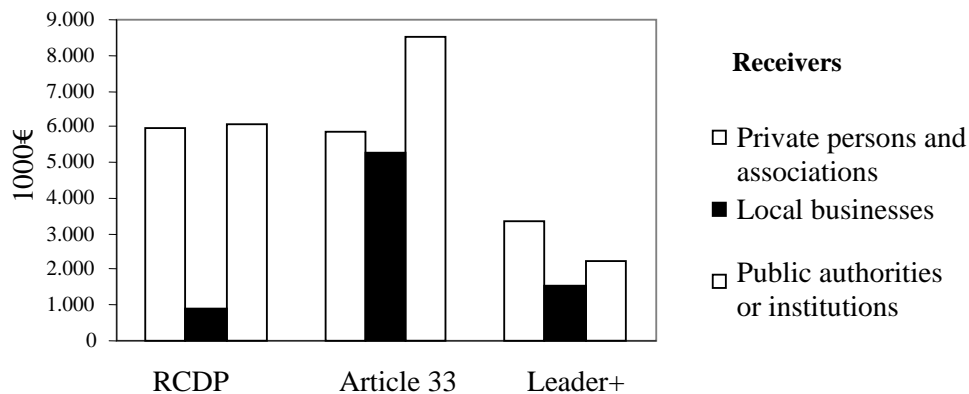
As can be seen in the figure, the Article 33 program allocated the largest sum to public authorities or institutions. The LEADER+ program, however, gave most to private persons and associations. And in The Rural Community Development Fund, the two categories received equal amounts. Finally, it is interesting to see that, in all three programs, local businesses are under-represented. This both in respect to numbers of granted projects (Table 1) and the total amount of financial support (Figure 2).

Trends

When we sum up projects and categorize them according to type of receiver, we see that ‘private persons/associations’ are holders of the large majority of projects, namely 54% (see Fig-

ure 3). ‘Public authorities or institutions’ call for 34%, and ‘local businesses’ only for 12%.

Figure 2. Receivers of financial support. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).

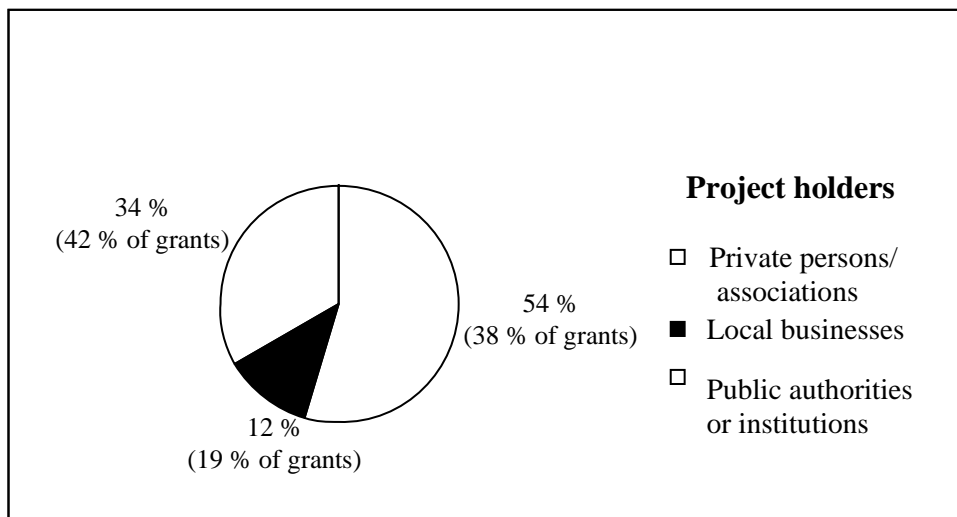


However, although Figures 1 and 2 show that ‘local businesses’ are under-represented in terms of number of project holders as well as the amount of financial support (as already mentioned), Figure 3 shows that ‘local businesses’ are in fact allocated a *greater* share of the total amount of funding than the share of projects.

Hence, we see that ‘local businesses’ are project holder in 12% of the total projects, but are allocated 19% of the total financial support. Also the group of ‘public authorities or institutions’ is allocated a higher percentage of financial support (42%) than

the percentage of projects call for (34%). This naturally implies that the third group of project holders, ‘private persons/associations’, are allocated a significantly *lower* percentage of money (38%) than the percentage of projects calls for (54%). Such variance *cannot* be explained by the abovementioned differences in the application guidelines of the three programs.

Figure 3. Funded projects (%), in relation to project holder and financial support. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).



3. To which purposes was financial support given?

Below are listed five categories, into which projects can be divided according to the purpose of the project:

- Business or industry-related activity

- Cross-disciplinary developing activity
- Cultural and leisure time activity
- Infrastructure and construction work
- Overlap between the above categories

In 1488 out of 1601 projects, it was possible to get information about the purpose of the project.

The two categories ‘Business or industry-related activity’ and ‘Cross-disciplinary developing activity’ may seem difficult to differentiate. ‘Business or industry-related activity’ covers an activity, which clearly acts as a booster for local business or industry development, by aiming to maintain or increase the number of jobs in the area. ‘Cross-disciplinary developing activity’ relates to projects with less specific development goals, whether it be improving overall conditions for businesses and industry, developing local strategies and policies, or similar activities.

Figure 4 maps distribution of projects according to purpose. It shows that projects purposed to enhance ‘cultural and leisure time activity’ constitutes 45%, ‘Cross-disciplinary developing activity’ 29%, and the three remaining groups roughly 10% each of the total number of projects.

The last three categories are represented by approximately the same amount of projects: ‘Infrastructure and construction work’. An overlap between the categories and ‘Business or industry-related activity’ covers 11, 7 and 8%, respectively, of the total amount of projects, see Figure 4.

Figure 4. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004), in relation to project purpose.

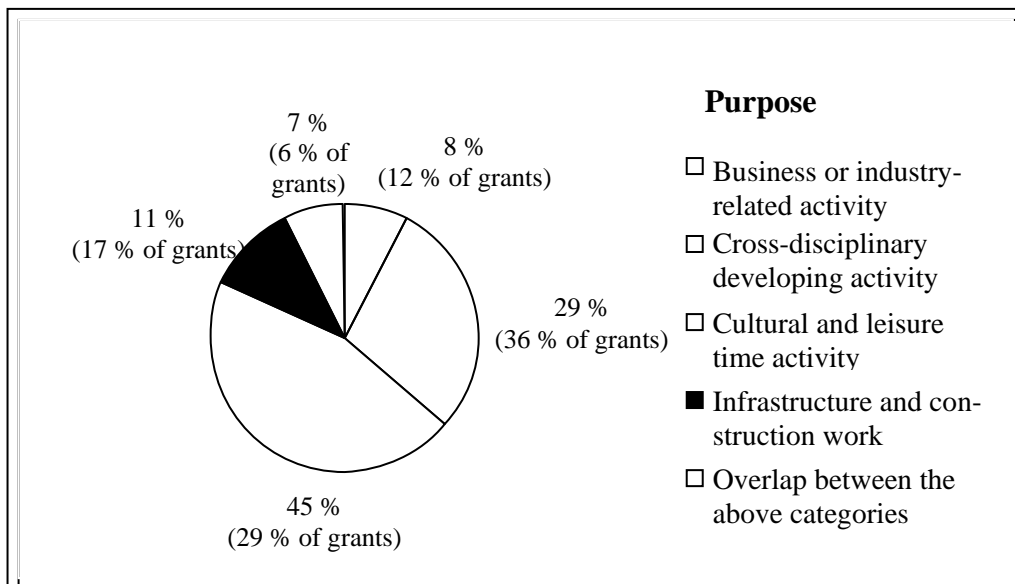
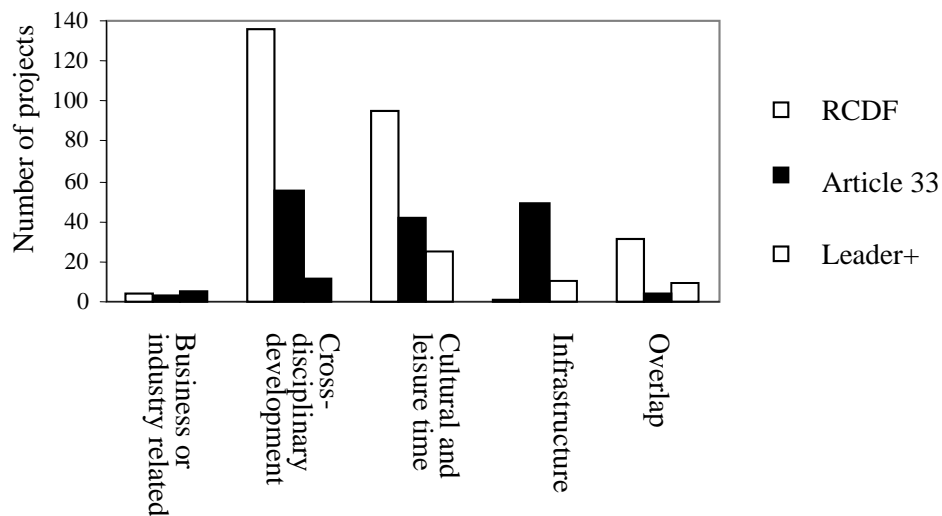


Figure 4 also shows that, when the percentage of supported projects within each category is compared to the percentage of the financial support within the category, ‘Cultural and leisure time activity’ is granted significantly *less* financial support per project than projects in the other categories.

It is also interesting to look at the relation between purpose of project and type of project holder. Figure 5 shows that *public authorities or institutions* have preferred projects aimed to promote cross-disciplinary developing activities or cultural and leisure time activities. Figure 6 shows that this tendency is even more pronounced among *private persons/associations*. For the majority of the supported projects, the objectives of the projects are related to cultural and leisure time activities.

Figure 5. Projects with public authorities or institutions as project holders, categorized according to purpose. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).



Not surprisingly, the large majority of projects held by local businesses are within the categories ‘Business or industry-

related activity’ and ‘Cross disciplinary developing activity’, cf. Figure 7.

Figure 6. Projects with private persons or associations as project holders, categorized according to purpose. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).

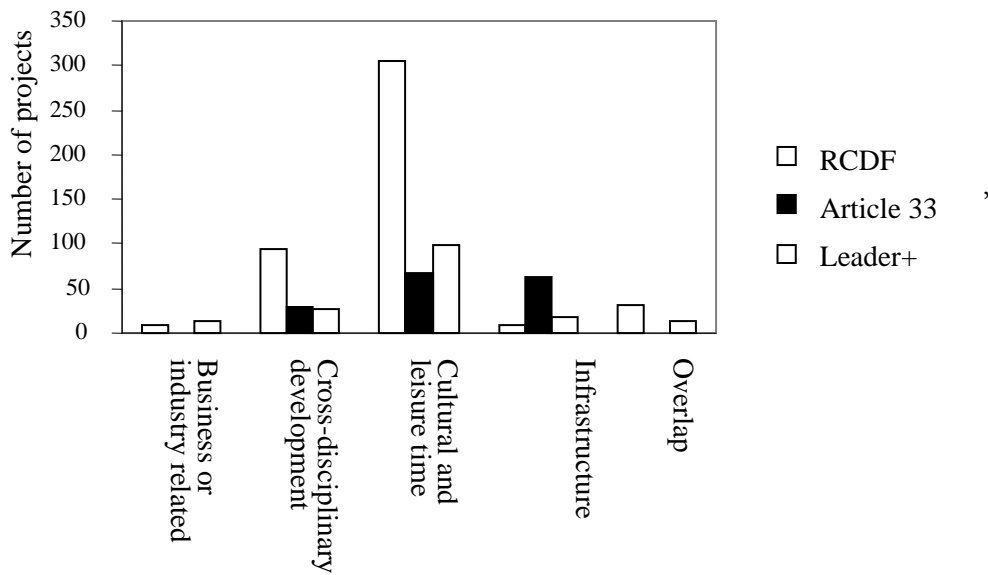
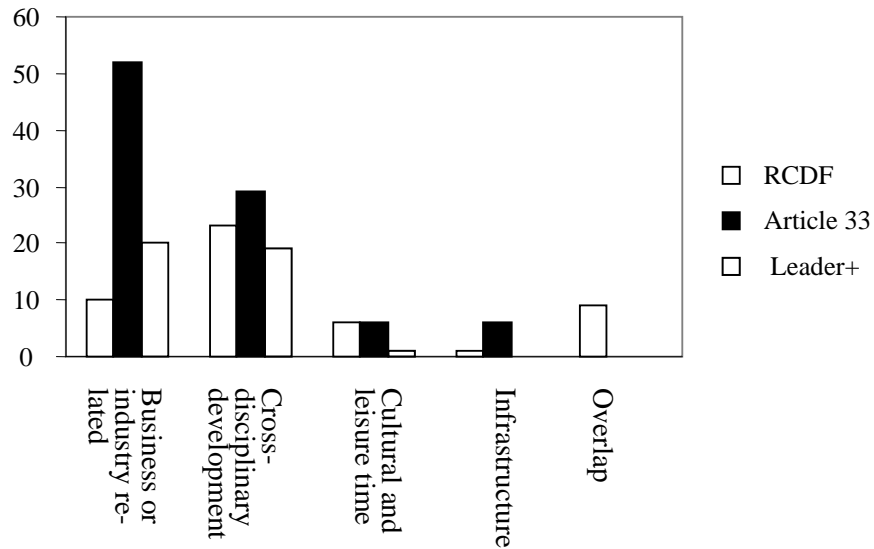


Figure 7. Projects with local businesses as project holders, categorized according to purpose. The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).



4. How was financial support distributed geographically?

Persons from almost any part of Denmark could apply for grants in The Rural Community Development Fund and Article 33.² Right from the start, the LEADER+ program was more place specific and can only come into use in 12 specific geographical regions, see Appendix 1.³

² Although it should be mentioned that, in the case of Article 33, the project had to take place outside towns with more than 3,000 inhabitants.

³ This section presents data at municipality level from 2001, i.e. the first program year in the three Danish programs. We specifically focus on the allocation of support in relation to the weakest rural districts in Denmark.

In order to account for geographical distribution, it is convenient to divide Denmark into various types of districts (Danish Ministry of the Environment, 2003⁴). Hence, in the following we will operate with three types:

- Districts including towns with less than 20,000 inhabitants, also termed '*peripheral areas*'
- Districts including medium-sized towns/cities with 20,000 - 100,000 inhabitants
- Districts including towns/cities with more than 100,000 inhabitants

Out of the total number of 1601 projects, we were able to detect geographical origin of 1593 projects. The holders of the projects 2001-2004/5 are spread out on 221 municipalities out of a total of 276 municipalities. This means that, in this period, 80% of the Danish municipalities have housed a project holder from The Rural Community Development Fund, Article 33 or LEADER+.

In the large majority of municipalities, there have been 1-5 projects. In 30 municipalities, there have been 16-30 projects. And in a single municipality there have been as many as 47 projects, see Figure 8.

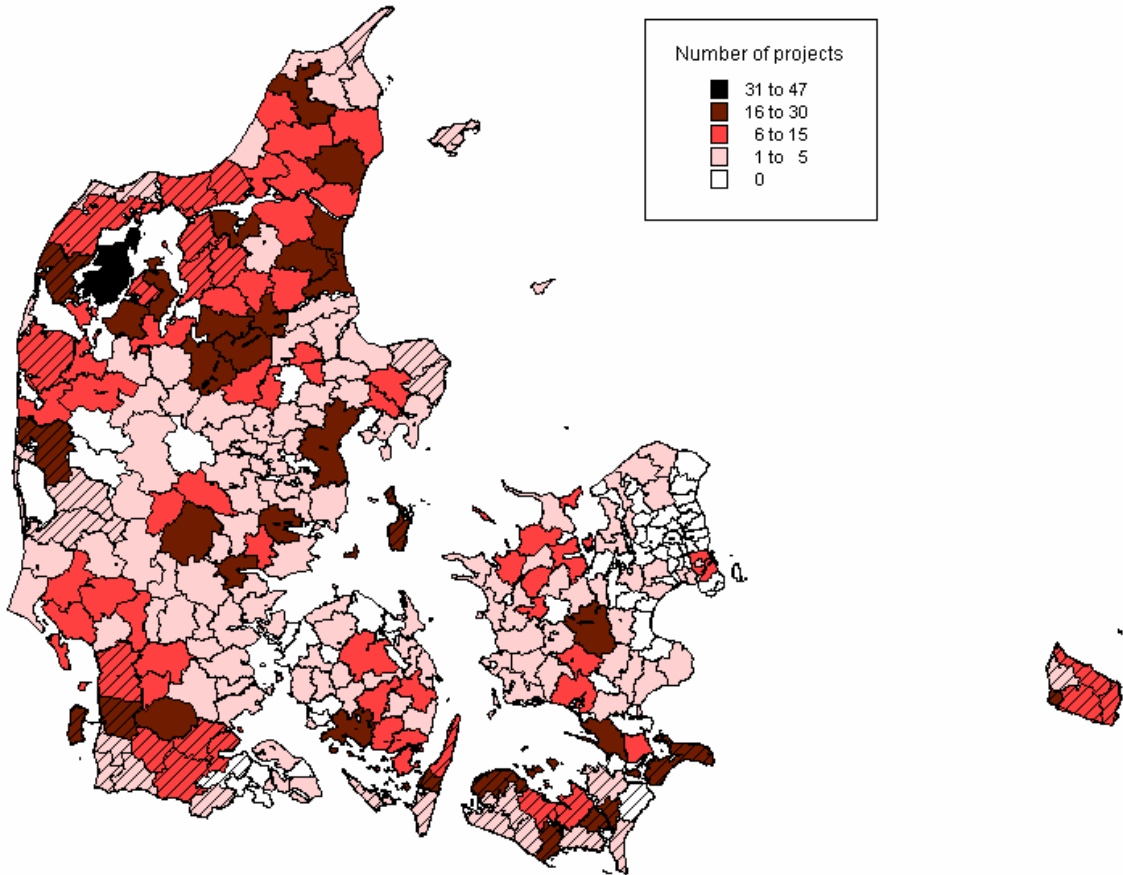
⁴ Danish Ministry of the Environment (2003): *Et Danmark i balance. Hvad skal der gøres?* [A Denmark in balance: How do we get that?] Landsplanredegørelse. Landsplanafdelingen, Copenhagen.

Note that Figure 8 shows the geography of financially supported projects in relation to *peripheral areas*, defined by The Danish Ministry of the Environment as districts including towns with less than 20,000 inhabitants (Danish Ministry of the Environment, 2003). In the figure, peripheral areas are illustrated as hatched areas.

From the figure can be seen that project holders are relatively evenly distributed throughout the country, except from municipalities in and around the capital of Copenhagen, in the north-east of the island Zealand (to the right). However, it may appear strange that some projects have addresses in inner Copenhagen. This is due to the physical address of a larger public institution or national association running a project in a rural area elsewhere.

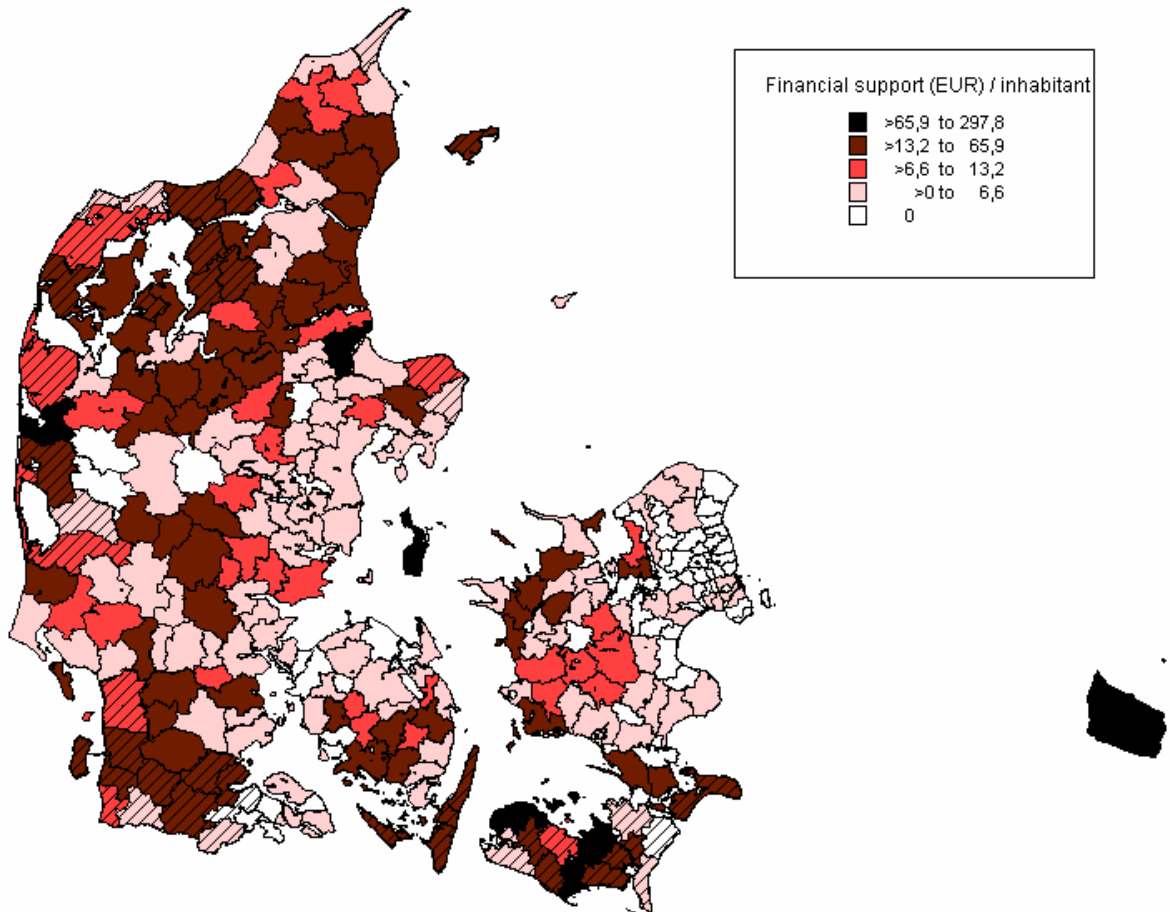
We wanted to test the hypothesis that the number of projects increases in line with degree of rurality. Apart from Copenhagen and the surrounding municipalities mentioned above, the data show no clear correlation. Rather, there is a tendency that if a town houses numerous projects, this is due to the existence of a large public authority or a LEADER+ group management office in the municipality.

Figure 8. Supported projects under The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004) in relation to municipal borders.



In respect to financial support per inhabitant, peripheral rural areas are slightly better represented, cf. Figure 9. Note that the number of inhabitants is estimated as an average in the period 2001-2004. Out of 11 municipalities in the top category as regards financial support per inhabitant, 9 are defined as peripheral areas.

Figure 9. Financial support per inhabitant in Danish municipalities (1000 €). The Rural Community Development Fund (2001-2005), Article 33 and LEADER+ (2001-2004).



Note: Peripheral areas illustrated as hatched areas.

Table 1. Financial support in relation to type of area¹. The Rural Community Development Fund, Article 33 and LEADER+.

Type of area ²	Number of projects	Total financial support (€)	Inhabitants	Financial support per inhabitant (€)
Districts including less than 20,000 inhabitants (<i>peripheral areas</i>)	492	12,726,719	478,554	27
Districts including medium size towns/cities with 20,000 - 100,000 inhabitants	778	19,645,344	1,911,643	10
Districts including large towns/cities with more than 100,000 inhabitants	323	7,645,734	2,901,556	3

¹ Source: Danish Ministry of the Environment, 2003.

² All include the town/city concerned.

5. Who were the project holders?

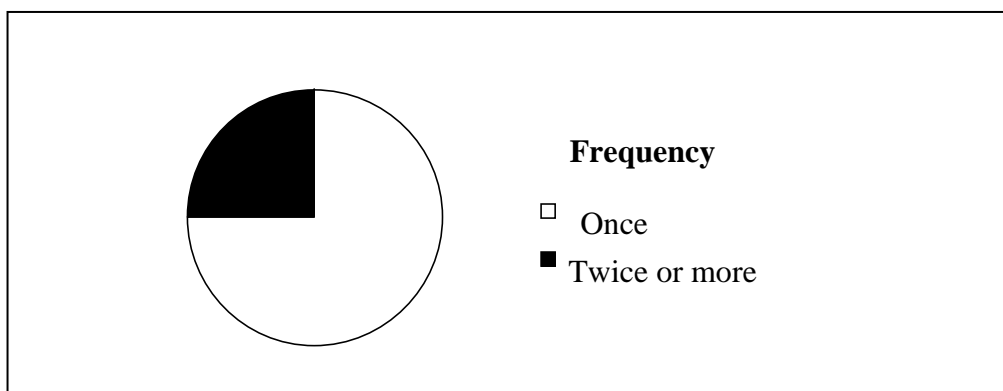
Among fund raisers, it is generally believed that making a good application is a workmanship that can be taught and takes prac-

tice – and, not least, that good workmanship *pays*. We therefore hypothesized that the geographical distribution of grants might simply be explained by the presence, or absence, of energetic and skilled fundraisers in particular parts of the country.

To provide an answer, we analyzed the total number of projects in the period 2001-2004/5 to see whether the *same* applicant appeared in more projects and, if so, in how many projects.⁵

Based on project holders' addresses, Figure 10 shows the frequency of persons acting as project holders in one project, and persons acting as project holders in two or more projects.

Figure 10. Frequency of project holders 2001-2004/5. The Rural Community Development Program (2001-2005), Article 33 and LEADER+ (2001-2004).



⁵ Note that here we apply the postal address used by the holder of the project. In some cases, this address is not identical with the place where financial support actually was used, which causes a minor uncertainty in the data.

Out of 1601 projects, there was sufficient data on project holders' addresses in 1579 projects. Out of these, an address occurred twice or more in 227 cases. In total, there were 891 different project holder addresses implying that 25% of these have been project holder more than once, see Figure 10.⁶

The project holder addresses that appear more than once have been further investigated in relation to the earlier mentioned types of project holders: 'Private persons/associations', 'Local businesses' and 'Public authorities or institutions'. Concerning the total amount of receivers of financial support, the grouping is far from alike, see Table 2.

Table 2 shows that, compared to the total number of grant takers, there is a clear over-representation of receivers of support twice or more among the group of 'public authorities or institutions', while 'private persons/associations' and 'local businesses' are under-represented. This indicates that, more than anyone else, employees in public institutions have mastered the workmanship of writing good applications and obtain grants, that is, highly professionalized fundraising.

⁶ During the whole period 2001-2004/5, the appearance of a project holder's address more than once could possibly be ascribed to the fact that all three programs are seen together, in contrast to what would be the case if we analyzed the programs separately. Evidently, strategies are orientated towards applying for grants in *many* programs rather than solely applying for financial support from one program. This tendency may be further reinforced by the circumstance that grants from the national Rural Area Program could be used as co-financing to grants obtained from the other two programs.

Table 2. Project holders in relation to total number of projects with identifiable receivers (n=1537) and projects with identifiable receivers of support twice or more (n=560). The Rural Community Development Program (2001-2005), Article 33 and LEADER+ (2001-2004).

	Total number of receivers (%)	Receivers of support twice or more (%)
Private persons/associations	54	47
Local businesses	12	8
Public authorities or institutions	34	45

6. Conclusion

The aim of this paper was to map and analyze the three most important rural development support programs in Denmark in the period 2001-2005: The Rural Community Development Program, Article 33 and LEADER+. These programs, which include 1601 projects funded by 41 million €, have the overall purpose of promoting development in Danish rural areas.

By thus mapping important trends within rural subsidy policies in Denmark, the paper invites to cross-national comparisons

that can contribute to enhance best-practice based strategies within this field.

Based on statistical data, the paper tried to provide answers to three main questions: 1) Who received money, how much and how often? 2) To which purposes was economic support given? 3) How was the amount of money geographically distributed?

Concerning the question *Who received money?*, project holders were categorized as either ‘private persons/associations’, ‘local businesses’ or ‘public authorities or institutions’. The data revealed that the majority of project holders falls into the category ‘private person/association’, while ‘local businesses’ are clearly under-represented. What concerns how much each of these groups received during the program period, it was shown that the group of ‘local businesses’ was allocated the smallest sum of grants, although this group was allocated the largest financial share according to number of projects. On the other hand, the group of ‘private persons/associations’, which holds the large majority of projects, was allocated the smallest financial share according to number of projects. It was also shown that 25% of project holders in the three programs obtained more than one grant. In particular, public employees showed to be skilled fund raisers.

Concerning the question *To which purposes was support given?*, projects were grouped as initiatives aiming to promote one of 5 activities: 'Business or industry-related', 'Cross-disciplinary developing', 'Cultural and leisure time', 'Infrastructure and construction', 'Overlap'. It appeared that cultural and leisure time activity projects constituted the major part (45%), although they were only financed by near 30% of the total sum. Specifically what regards the project holder group consisting of 'public authorities or institutions', this group showed a special interest for projects aimed to promote cross-disciplinary developing activity and cultural and leisure time activity. 'Private persons/associations' mainly sought to stimulate cultural and leisure time activity, whereas local businesses were orientated towards business or industry-related activity and cross-disciplinary activity.

Finally, in connection with the question *How was money geographically distributed?*, projects were divided into three geographical zones according to type of commuting area (peripheral, belonging to smaller towns/cities, or to large cities). Here we saw a fairly even distribution, as 80% of the Danish municipalities house at least one project holder. However, it is the commuting zone belonging to medium size towns/cities that houses the largest number of projects and is allocated the largest cake of financial support. However, if we choose to look at

obtained grants per capita, peripheral areas are allocated a significantly more financial support than the other two areas.

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Appendix I: The Danish LEADER+-areas (2000-2006)

