

SUPPORT FOR FARM CONSTRUCTION AND MACHINERY PURCHASES

The state provides support for farm construction and machinery purchases in order to promote structural development in the agricultural sector and thus farm income. Problems involving the allocation of support came to light in an earlier audit concerning structural development. On the basis of observations made during the follow-up of that audit, the State Audit Office decided to evaluate the efficiency and effectiveness of support for farm construction and machinery purchases and the functioning of the monitoring system.

The audit revealed inefficiency particularly in the allocation of support for grain driers. Approximately a third of support goes to suppliers in the form of higher prices. A small portion of support for production buildings also goes to suppliers. Here the price effects are marginal, however.

The effectiveness of support for farm construction was evaluated indirectly by estimating the impact of construction on farm income. Panel data at the municipal level was used for this purpose. The analysis indicated that farm construction did not have an impact on farm income. This may be because investments have increased farms' production costs more than their total earnings.

The audit indicated that the monitoring of farm construction projects has depended too much on municipal building inspectors. Monitoring practices have varied considerably from one municipality to another and in some cases have not conformed with what is generally approved in the construction field.

The actual costs of projects receiving support are not monitored systematically. Receipts are checked in projects which are financed partly with EU funds, but not in projects conducted with national support. Most of the projects receiving support fall into the latter category.

On the basis of the audit, the State Audit Office believes that the state's regional administration should assume greater responsibility for monitoring farm construction projects receiving support. All support should be paid on the basis of actual construction costs. The unit costs approved by the ministry are a good tool in granting support, but they should pay more attention to regional variations in construction costs. The Ministry of Agriculture and Forestry should also evaluate the effectiveness of support.