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## **UNDERSTANDING THE ROLE OF THE COMMON AGRICULTURAL POLICY IN ACHIEVING SUSTAINABILITY AND RURAL DEVELOPMENT GOALS**

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### **ABSTRACT**

In view of the forthcoming Common Agricultural Policy (CAP) reform, it is important to add information on the results of the current CAP in relation to the objectives it tried to achieve so far. The paper endeavors to understand whether in Italy the CAP has reached the stated societal and environmental goals, with emphasis on sustainability and rural development. In order to achieve such aim, we built a set of descriptive statistics using the data set which reports information on the beneficiaries of CAP payments, in accordance with the transparency rules set by Regulation (EU) No 908/2014. The results indicate that CAP interventions in Italy have not been able to achieve all the objectives set by the Ciolos reform for correcting the weaknesses of the previous CAP. First, we found that neither the correction of the excesses of aid to large beneficiaries nor the aid redistribution towards the weaker farmers have been achieved, due to the strong asymmetry in the distribution of direct aid. Second, we found that environmental objectives, received scarce resources. Third, our results also showed the inability of the CAP in supporting small traditional farmers and maintaining a living and healthy economic and social fabric in the rural areas of the country. These results are interesting as regards the debate on the new CAP, which seems not able to overcome the old CAP shortcomings in terms of sustainability and rural development.

**Keywords:** *Common Agricultural Policy, Sustainability, Rural Development.*

### **INTRODUCTION**

Over the years, the CAP has undergone important changes in order to be tuned with the new institutional, economic and societal contexts. The Ciolos reform (Swinnen, 2015), which shaped the policies that were carried out from 2015 to 2021, was defined by the EU as a “partnership between agriculture and society, and between Europe and its farmers” with the following objectives (European Commission, 2021): agricultural productivity, ensuring a stable supply of affordable food; safeguard European Union farmers to make a reasonable living;

help tackle climate change and the sustainable management of natural resources; maintain rural areas and landscapes across the EU; keep the rural economy alive by promoting jobs in farming industries and associated sectors and fighting poverty. While the new focus of Ciolos reform on societal and environmental goals increased the acceptance of the high CAP costs on the part of European citizens, it is not clear how much these new goals were actually reached (Pe'èr *et al.*, 2020). The common monitoring and evaluation framework appointed to assess the performance of the CAP and also independent studies (IPES-Food, 2019; Walls *et al.*, 2016) have shown that there is scant evidence that the CAP has contributed to increasing the sustainability of EU agriculture. Many doubts have also been casted on the positive social outcomes, due to the unfairness in the distribution of farmers' income support and the persisting poverty in many low developed rural areas (European Commission, 2018a; Garrone *et al.*, 2019; Quiroga *et al.*, 2017). In view of the forthcoming CAP reform, it is important to add information on the results of the current CAP in relation to the objectives it would have liked to achieve. The goal of this paper is to understand whether in Italy CAP funds reached farmers, territories and agricultural sectors in a way which is consistent with the stated CAP objectives. Stemming from the information on CAP beneficiaries available on the EU website, statistical indicators were built to assess the achievements with respect to the main CAP goals.

### **MATERIALS AND METHODS**

The aim of our analysis is to tentatively exploring whether the implementation of the Ciolos reform in Italy has been able to reach its three main goals: 1) Correcting the unequal distribution of farm income support; 2) addressing the environmental issues; 3) increasing resources for rural development (balanced territorial development).

In order to achieve such aim, we built a set of descriptive statistics using the data set which reports information on the beneficiaries of CAP payments, in accordance with the transparency rules set by Regulation (EU) No 908/2014. This information is published, all on one website, by the EU countries themselves from the 31 May of the year after the payments were made and is publicly available for two years after its publication. For funding from the European agricultural fund for rural development (EAFRD), the amounts published include both the money received from the EU funds and from the EU countries. Available information in the data set include: the name of the beneficiary; the municipality where the beneficiary is resident or is registered; the type of company; the breakdown of the amounts of payments for each individual measure received by each beneficiary in the financial year; details of the measures financed by the funds, including the nature and the objective of each measure. Used data refer to Italy and to the financial year 2017. For each of the three aforementioned investigated objectives the following indicators were used.

For the first objective, we used as main indicator the distribution of payments to farmers by payment category; using Lorenz curves, we tested whether the rule 80-20 (80% of beneficiaries receiving 20% of payment amounts) applies.

In order to assess the achievement of environmental goals, we investigated the payments made for those measures (hereafter environmental measures) which, within the PAC second pillar (i.e. structural aids), are aimed at reaching the two priorities devoted to environmental issues. According to the EC working paper “Elements of strategic programming for the period 2014-2020” (European Commission, 2012), we considered the following environmental measures (M): M8, investments in forest area development and viability of forests; M10, Agri-environment-climate; M11, Organic farming; M13, Payments in Areas facing Natural or other specific Constraints (ANCs); M12, Natura 2000 and Water Framework Directive payments; M15, Forest environment and forest conservation. With respect to the goals of increasing resources for rural development (balanced territorial development), we considered payments for the following measures which, according to the already quoted EC working paper (European Commission, 2012), are aimed at reaching priority 6 (promoting social inclusion, poverty reduction and economic development in rural areas): M6, Farm and business development; M7, Basic services and village renewal in rural areas; M19, LEADER.

## **RESULTS AND DISCUSSION**

Reports on the distribution of direct payments to farmers, periodically published by the European Commission, show that payments tend to be uneven with about 80% of the farmers receiving 20% of the direct payments, which means that the remaining 20% receives the considerable share of 80% (European Commission, 2018b). Therefore, the distribution follows the “power law” that was used by Pareto as a simple rough indicator for measuring wealth inequalities within societies. For the financial year 2017 our data confirm the 80-20 power law as shown in figure 1, that draws the cumulative share of beneficiaries against the cumulative share of paid amounts for the direct payments aids (section *a*, reg. 1307/2013) and rural development program aid (section *b*, reg. 1305/2013). In both graphics data for the five groups of Italian regions (North-East, North-West, Center, South, Islands) are shown. Even with some differences in their slope all the curves indicate an uneven aid distribution with 70% to 85% of beneficiaries receiving around 20% of total amounts.

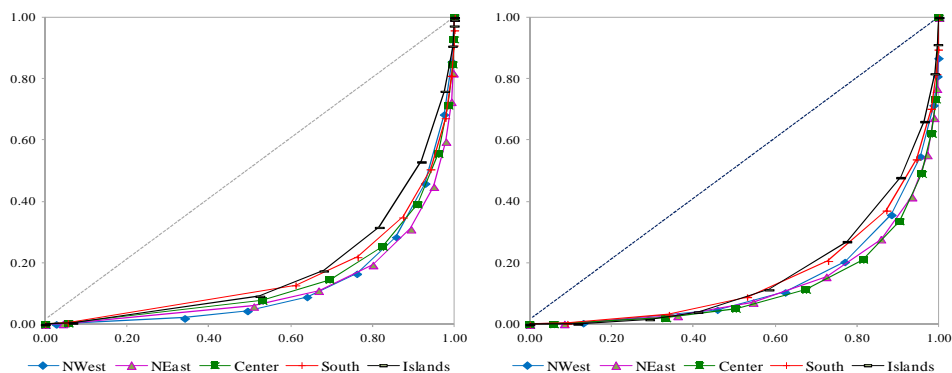


Figure 1. Lorenz Curve for Direct Payments (section *a*, on the left) and RD Programs (section *b*, on the right).

With respect to the environmental measures in Italy in the financial year 2017 (see table 1), only three measures, M10, M11 and M13 received significant aid amounts. M10 (Agri-environment-climate) and M11 (Organic farming) received about 327 and 329 million euros respectively, accounting together for 40% of all rural development payments (RDPs); M13 (ANCs) received about 330 million (20.2%). The other three measures M8, M12 and M15 received respectively only 4.25%, 0.03% and 0.15% of all RDPs. While M13 accounts for considerable resources, it cannot be deemed to directly provide incentives for a more environment friendly agriculture. Although it is classified as an environmental measure, it mainly helps reach goals of social sustainability, by maintaining activities and population in disadvantaged areas. M10 and M11 therefore represent the only instruments of the CAP for achieving environment goals, but only the measure M11 has been widely recognized as being able to achieve significant environmental goals (Adewale *et al.*, 2018; Meemken, Qaim, 2018; Cristache *et al.*, 2018). In Italy, as shown in table 2, recipients of M10 were concentrated in more developed regions (mostly in northern Italy), where there were about 41,773 recipients for M10 and only 15,326 for M11. On the contrary recipients of M11 were prevalent in less developed regions (all in the southern Italy), where there were 19,483 beneficiaries for M11 and 10,599 for M10. Overall, in Italy, the average aid per farm was much higher for M11 (8,827) than for M10 (5,790). These results indicate that organic agriculture seems to be used by southern regions for improving their economic results. Instead, it is not widely used to genuinely reach a more sustainable agriculture, especially in the rich northern regions where, moreover, the more polluting intensive agriculture is concentrated. With respect to the goals of rural development, in 2017 (see table 1) for rural development policies were spent in Italy 1,630 million euros, which amounts to about 27% of the 2017 total CAP expenditure (the remaining expenditure is made up of 62% by direct payments and 10% by Common Market Organizations - CMOs and other payments).

Table 1. Italy - 2017. CAP beneficiaries and financial support.

CAP Measures	Beneficia	Financial Supports			SD
	number	Total	Mean	%	
		million euros	euros		
<b>DIRECT PAYMENTS*</b>	<b>838,134</b>	<b>3,751</b>	<b>100</b>	<b>4,475</b>	<b>17,454</b>
Small farmers scheme+	291,118	173.5	4.6	596	288
Basic payment +	551,046	2,095.9	55.9	3,803	11,811
Greening +	548,087	1,044.2	27.8	1,905	6,015
Young farmers +	27,878	32.6	0.9	1,169	2,565
Voluntary coupled support ++	310,954	405.0	10.8	1,303	7,060
<b>CMO*</b>	<b>20,555</b>	<b>640</b>	<b>100</b>	<b>31,148</b>	<b>376,328</b>
<b>RURAL DEVELOPMENT** (a)</b>	<b>219,220</b>	<b>1,630</b>	<b>100</b>	<b>7,436</b>	<b>37,865</b>
M1 - Knowledge transfer and information actions	239	10.4	0.6	43,723	182,013
M2 - Advisory services, farm management and farm relief services	311	0.4	0.0	1,225	364
M3 - Quality schemes for agricultural products and foodstuffs	1,013	7.6	0.5	7,467	40,879
M4 - Investments in physical assets	4,088	276.9	16.9	67,745	173,071
M5 - Restoring agricultural production potential /prevention	100	3.3	0.2	33,392	40,462
M6 - Supporting farm and business development	2,264	86.1	5.3	38,019	47,206
M7 - Basic services and village reveal in rural areas	165	9.5	0.6	57,766	109,882
M8 - Investments in forest area and viability of forests	11,506	70.4	4.3	6,115	89,224
M10 - Agri-environment-climate	56,439	326.8	20.0	5,790	15,110
M11 - Organic farming	37,273	329.0	20.1	8,827	14,028
M12 - Natura 2000 and WFD payments	228	0.6	0.0	2,578	5,517
M13 - Payments of areas facing natural and other specific constraints	124,181	330.4	20.2	2,661	4,012
M14 - Animal welfare	10,656	49.4	3.0	4,631	8,077
M15 - Forest-environmental /climate services /foret conservation	79	2.3	0.1	29,273	63,573
M16 - Cooperation	84	7.4	0.5	88,197	137,501
M17 - Risk management	35,268	90.3	5.5	2,561	6,622
M19 - Leader	576	21.7	1.3	37,739	78,529
M20 - Technical assistance in Member States	23	7.5	0.5	326,742	656,810

Legend: \*European EAGF financial support. \*\*National and European EAFRD financial support. +Decoupled direct aids. ++Coupled direct aids. (a) Measure 9 - No payments were made during the this administrative year. Measure 18 - It was not planned.

Table 2. Italy - 2017. CAP and regions' development level

CAP Measures	Regions Development Level	Benefici:		Financial Supports			
		number	million euros	Total	Mean	SD	
				%	euros	euros	
<b>DIRECT PAYMENTS*</b>	Developed Regions	344,622	2,221	59.2	6,445	25,173	
	Transition Regions	76,105	282	7.5	3,703	579,978	
	Less Developed Regions	417,383	1,248	33.3	2,989	8,460	
<b>CMO*</b>	Developed Regions	14,975	443	69.3	29,615	432,422	
	Transition Regions	1,922	35	5.4	18,147	78,301	
	Less Developed Regions	3,658	162	25.3	44,255	163,849	
<b>All Measures</b>	Developed Regions	125,876	956	58.6	7,591	45,119	
	Transition Regions	26,185	160	9.8	6,122	18,912	
	Less Developed Regions	67,159	514	31.5	7,656	26,914	
<b>M10</b>	Developed Regions	41,773	234	71.7	5,606	15,182	
	Transition Regions	4,062	24	7.4	5,946	7,158	
	Less Developed Regions	10,599	68	20.9	6,455	6,455	
<b>RURAL DEVELOPMENT**</b>	<b>M11</b>	Developed Regions	15,326	131	39.9	8,563	16,229
		Transition Regions	2,464	14	4.3	5,759	7,415
		Less Developed Regions	19,483	184	55.8	9,423	12,679
<b>M13</b>	Developed Regions	60,054	166	50.3	2,765	4,410	
	Transition Regions	20,528	51	15.5	2,491	2,208	
	Less Developed Regions	43,597	113	34.3	2,597	4,090	

Legend: \* European EAGF financial support. \*\* National and European EAFRD financial support.

This expenditure shows that there is still a long way to go to a substantial shift of funds from the first to the second pillar. This is true even if it is taken into account that part of the funds allocated to rural development are generally spent towards the end of each programming period, as they financed structural projects often lasting longer than one year. There are some differences among territories with different level of development (table 2). More developed regions and transition regions allocated to RD policies 35% and 33% respectively of their total 2017 CAP funds (respectively 2,720 and 477 million euros). In less developed regions, instead, RDPs represented only 26% of their total CAP funds (1,924 million euros). That means that RDPs do not represent a highly effective engine to boost the development of disadvantaged territories.

## CONCLUSION

The results indicate that the CAP interventions in Italy have not been able to achieve the objectives set by the Ciolos reform for correcting the weaknesses of the previous CAP. Although the study refers to a single year, it roughly reflects the structure of the expenditure of the entire programming period since many items of expenditure have a constant annual frequency. The strong asymmetry in the distribution of direct aid shows that neither the correction of the excesses of aid to

large beneficiaries nor the aid redistribution towards the weaker farmers have been achieved. With regard to environmental objectives, we found that they received scarce resources and did not help the less sustainable Italian agriculture (that is intensive agriculture in Northern Italy) to move towards better environmental models. As for rural development, it seems to still be a less important field of intervention. The main orientations for the new CAP and the related budgetary framework have been outlined, through a package of regulations, in the Commission's proposal for the multiannual financing framework (MFF) for 2021-2027. The key words found in the presentation of the new CAP are modernization (i.e. digitization), simplification and compatibility with the 10 priorities of the Commission (European Commission, 2019). The very hope for the European countryside is that the forthcoming CAP will be actually able to correct the many shortcomings of the previous one, consistently with the innovation patterns (Sodano, 2019) useful to build a more sustainable agriculture.

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