

# One policy, many policies: the spatial allocation of first and second pillar CAP Expenditure

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**WELFARE, WEALTH AND WORK – A NEW GROWTH PATH FOR EUROPE**

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# OUTLINE

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- 1. Introduction**
- 2. CAP expenditure at NUTS 3 level: data and sources**
- 3. Spatial allocation of CAP funds**
- 4. One policy, many territorial policies**
- 5. Concluding remarks**

# 1. Introduction

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## **Common Agricultural Policy (CAP)**

- ✓ The most important EU Policy;
- ✓ Ongoing transformations, over time;
- ✓ Not homogeneous allocation throughout the EU space:
  - Cross-country differences;
  - Socio-economic and other territorial peculiarities (e.g., agricultural activities or the general degree of rurality at local level);
  - From a single policy to many territorial policies: CAP comprises several measures (agricultural market interventions, rural and environmental measures...) with opposite underlying objectives. Each expenditure typology is expected to be allocated according to a different territorial pattern.

*Aim of the paper:* new evidence on spatial allocation of CAP expenditures by Pillar and measure. Focus on territorial imbalances throughout EU-27.

## 2. CAP expenditure at NUTS 3 level:

### a general description

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Since the reform of Agenda 2000, CAP has comprised two Pillars:

➤ **Pillar One (EAGF)** supports agricultural activities and farmers incomes:

1. Direct Payments (DP)
2. Market Intervention (MI) measures

➤ **Pillar Two (EAFRD)** mostly supports rural development and other environmental objectives. In 2007-2013, three thematic axes:

- i) Axis 1: improving competitiveness of agricultural and forestry sectors;
- ii) Axis 2: improving environment and the countryside;
- iii) Axis 3: promoting quality of life in rural areas (diversification of rural economy).

Although Member States/Regions are requested to spread EAFRD resources among each thematic axis, allocation is uneven at national / sub-national level.

## 2. CAP expenditure at NUTS 3 level:

source and intensity indices

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Data source: CAP real *ex-post* expenditures (EAGF and EAFRD) collected by European Commission - DG Agriculture

Years: 2007 to 2011

Territorial level of the analysis: EU-27 NUTS 3 regions (1288 NUTS 3 regions under study)

Expenditure Intensity Index: CAP expenditure per hectare of utilised agricultural area (€/UAA)

Issues & caveats:

- Variations within NUTS classifications (NUTS 2003 vs. NUTS 2006)
- Some “artificially” high values are observed (e.g., city regions): 30 observations have been excluded from the analysis



Final dataset: 1258 obs.

# 3. Spatial allocation of CAP funds

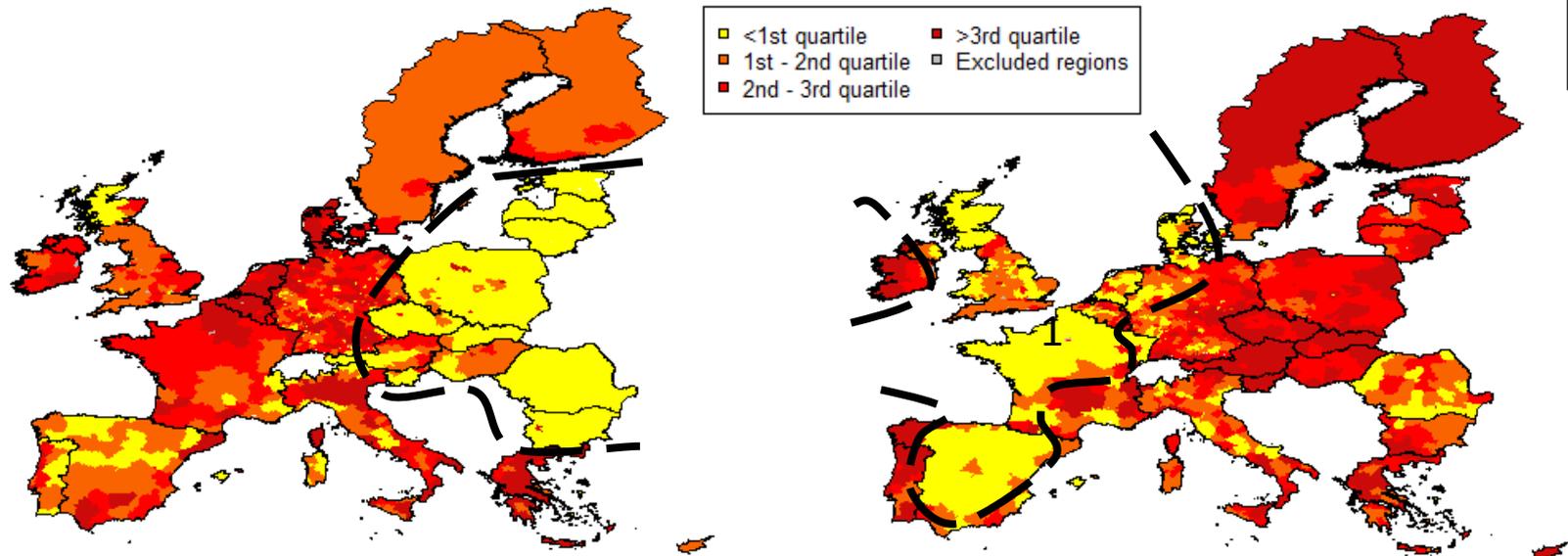
➤ Large differences between EAGF and EAFRD expenditures.

	Pillar One expenditure (€ / UAA)	Pillar Two expenditure (€ / UAA)
Mean	1,540.48	303.65
Sd.	1,967.47	460.08

➤ Uneven spatial allocation of CAP expenditure intensity at NUTS 3 level.

*Pillar One expenditure intensity per hectare of UAA (2007-2011 values)*

*Pillar Two expenditure intensity per hectare of UAA (2007-2011 values)*



A substitution effect between CAP pillars?

# 3. Spatial allocation of CAP funds:

a synthetic representation (i)

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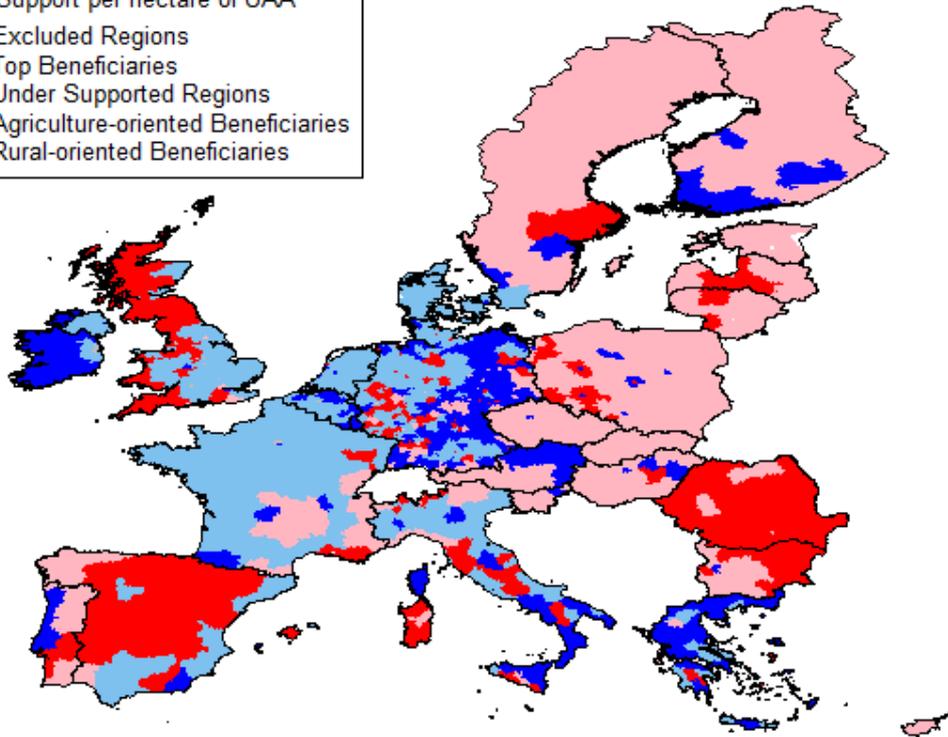
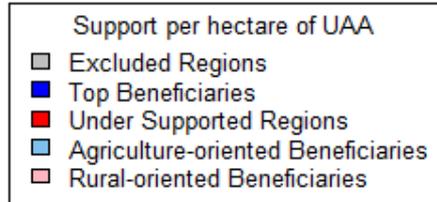
An alternative way to look at territorial imbalances: identifying NUTS 3 regions where both Pillar One and Pillar Two support per hectare of UAA is above (below) the EU-27 average value.

Four groups are detected:

1. High-High cases: both pillars' support intensity above EU-27 average  ***top beneficiaries***
2. Low-Low cases: both pillars' support intensity below EU-27 average  ***under supported regions***
3. High-Low cases: Pillar One's support intensity above EU-27 average; Pillar Two's support intensity below it  ***agriculture-oriented beneficiaries***
4. Low-High cases: Pillar One's support intensity below EU-27 average; Pillar Two's support intensity above it  ***rural-oriented beneficiaries***

# 3. Spatial allocation of CAP funds: a synthetic representation (ii)

## Pillar One and Pillar Two support (€/UAA)



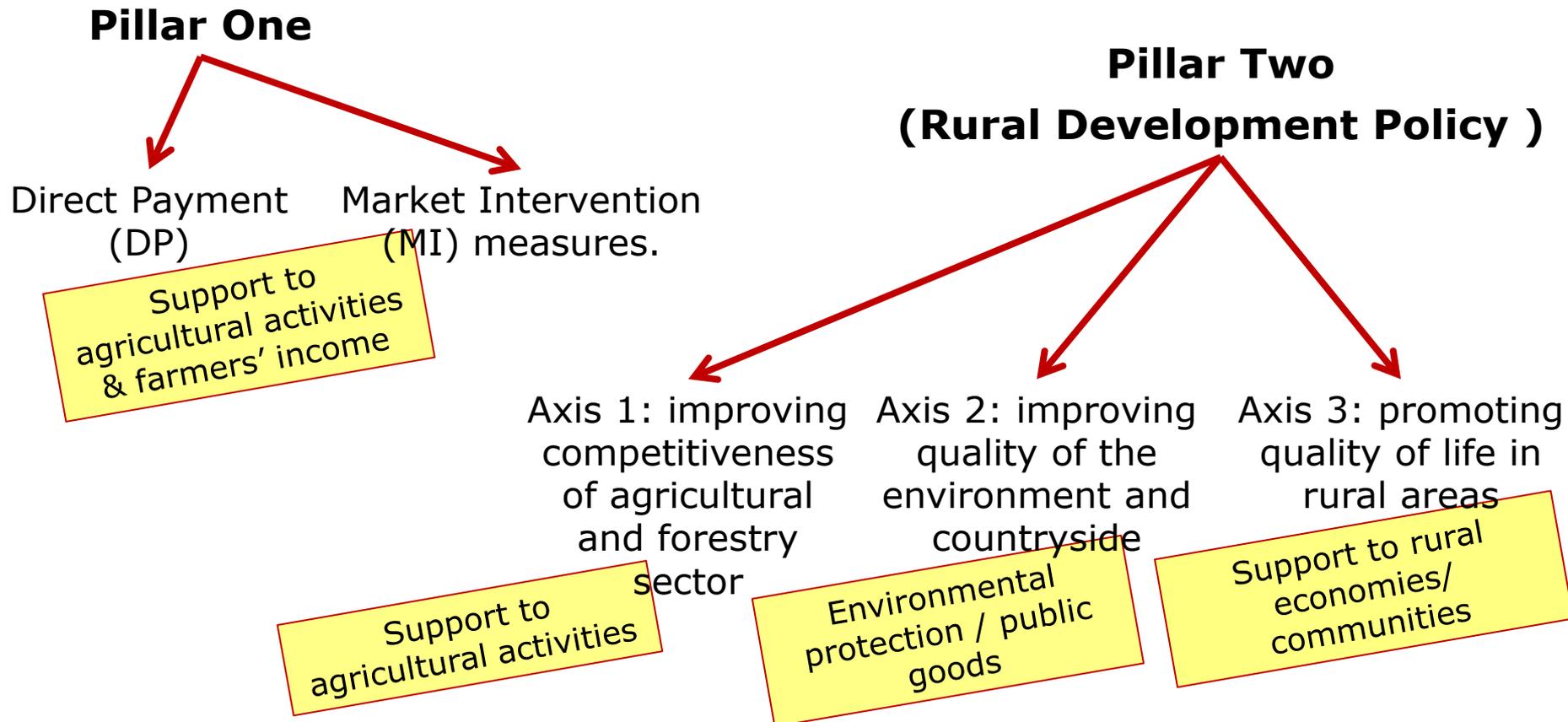
*A substitution effect?*

	No. of regions	Share (%) out of total UAA
Top beneficiaries	288	13.24
Agriculture-oriented beneficiaries	402	31.81
Rural-oriented beneficiaries	286	24.91
Under supported regions	282	30.02
Excluded regions	30	0.03
<b>Total</b>	<b>1288</b>	<b>100.00</b>

# 4. One policy, many territorial policies:

## Disentangling CAP expenditures

The analysis of the spatial allocation of CAP expenditure can be pushed further. Expenditure can be classified according to different typologies:



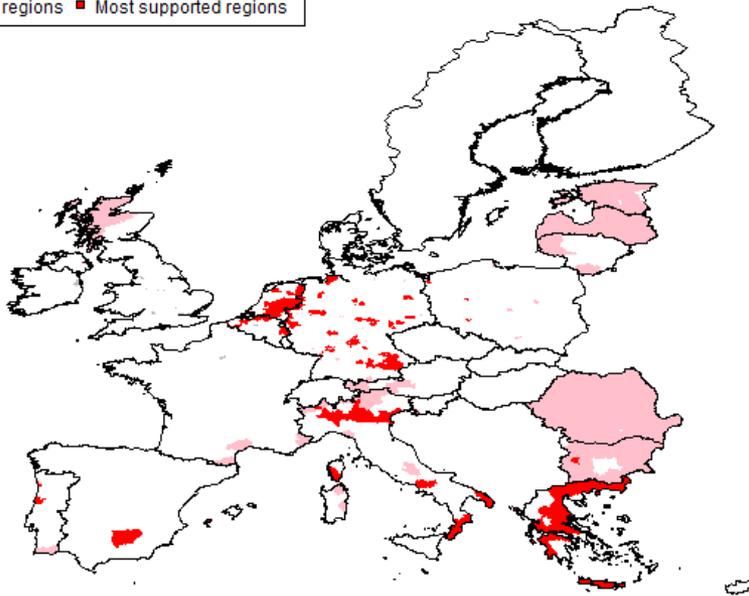
# 4. One policy, many territorial policies:

## Direct Payments & Market intervention

Least supported (<1<sup>st</sup> decile) and most supported (>9<sup>th</sup> decile) regions per hectare of UAA

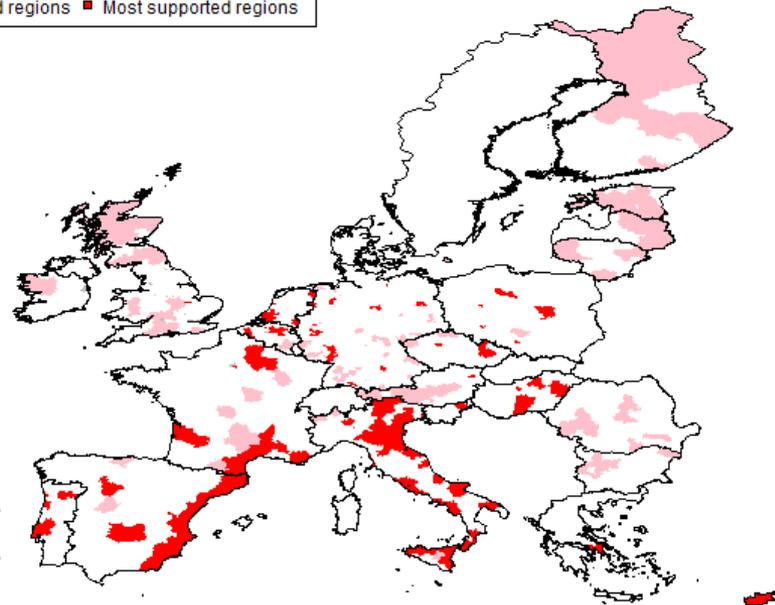
### *Direct Payments*

▫ Least supported regions ■ Most supported regions



### *Market Intervention measures*

▫ Least supported regions ■ Most supported regions



Share out of total UAA

	DP	MI
Least supported regions	14.02	11.10
Most supported regions	4.96	8.41

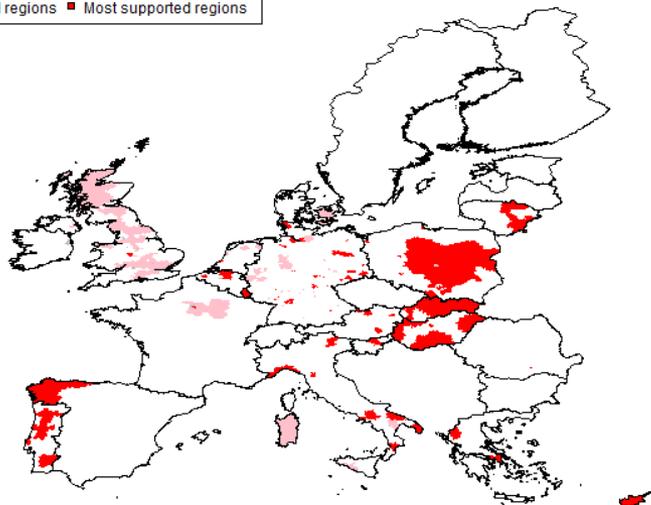
# 4. One policy, many territorial policies:

## RDP's Axes

Least supported (<1<sup>st</sup> decile) and most supported (>9<sup>th</sup> decile) regions per hectare of UAA

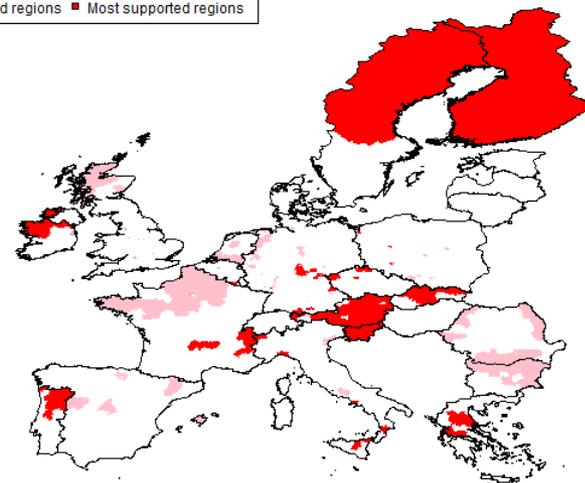
### RDP Axis 1

Least supported regions Most supported regions



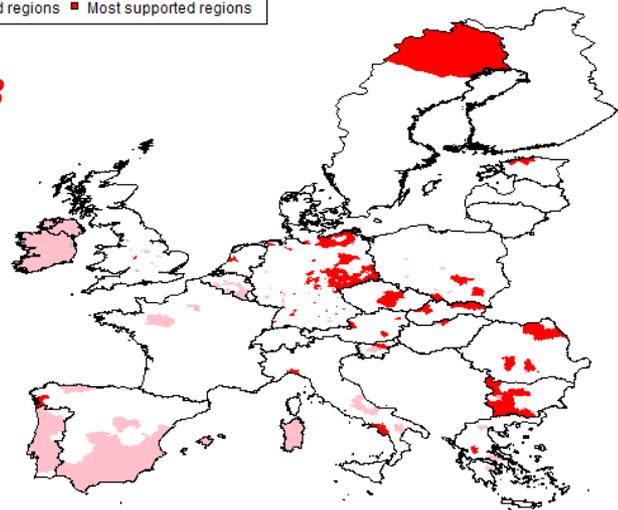
### RDP Axis 2

Least supported regions Most supported regions



Least supported regions Most supported regions

### RDP Axis 3



## Share out of total UAA

	Axis 1	Axis 2	Axis 3
Least supported regions	6.31	13.24	12.39
Most supported regions	9.30	7.05	4.13

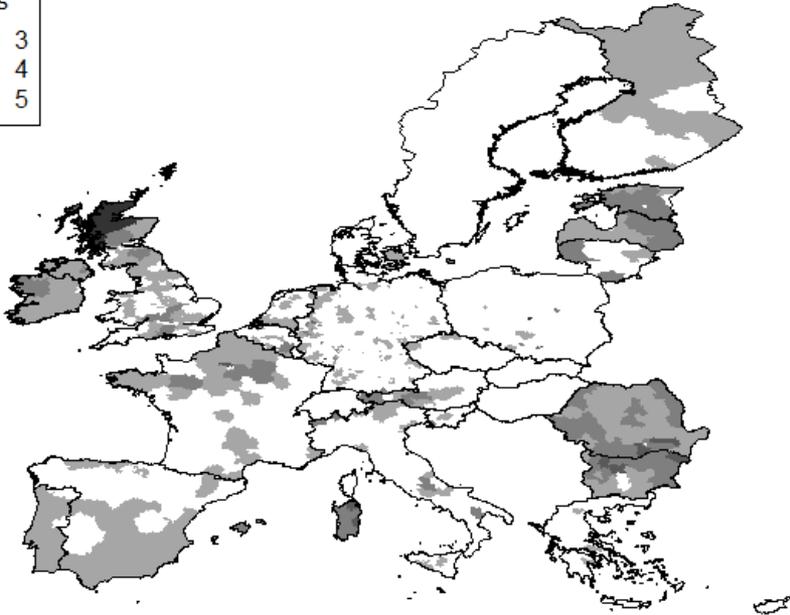
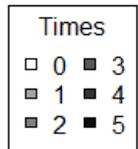
## 4. One policy, many territorial policies: another synthetic representation

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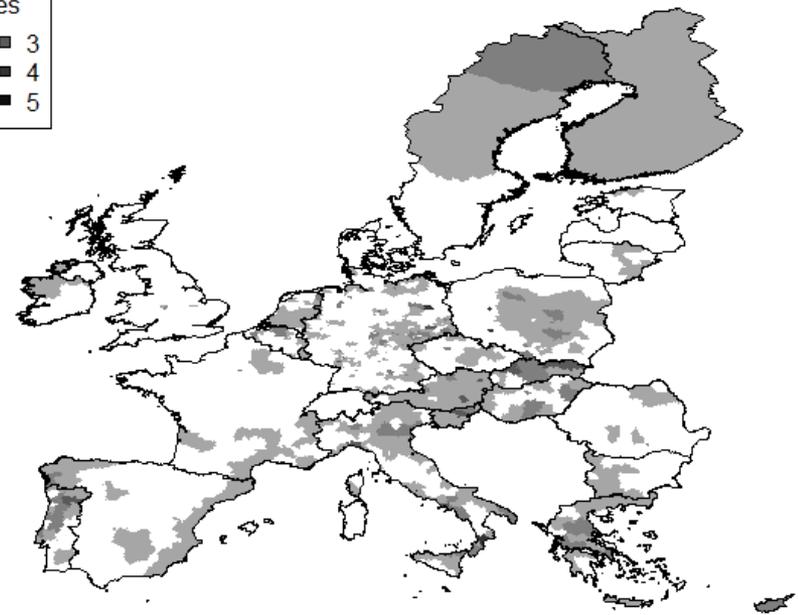
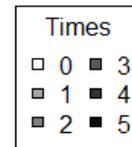
Uneven distribution of CAP expenditure intensity throughout the EU-27 space

- Many regions are under supported according to all CAP expenditure typologies
- Few regions are over-supported for more CAP expenditure typologies

*Number of times regions fall < 1<sup>st</sup> decile  
(5 typologies)*



*Number of times regions fall > 9<sup>th</sup>  
decile (5 typologies)*



## 5. Concluding remarks

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- ❑ Intensity of CAP support (€/UAA) shows significant territorial imbalances across the EU-27 space due to some major patterns:
  - ✓ Cross-country differences
  - ✓ Urban-Rural divide
  - ✓ Central vs. Peripheral regions
- ❑ Expenditure from both CAP Pillar One and Pillar Two shows territorial imbalances but for more than 50% of EU NUTS 3 regions there is a sort of substitutability between Pillars' expenditures (Eastern-Western divide).
- ❑ Disentangling CAP expenditure, it is possible to highlight even more puzzling allocations due to the different, maybe contrasting, underlying policy objectives.
- ❑ Accordingly, from a territorial perspective the major EU policy, the CAP, can be considered as the combination of a set of rather differentiated policies and measures often behaving as substitutes.

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**Thanks for your attention**

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