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

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A European research consortium is working on the analytical foundations for a new socio-ecological growth model
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

**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

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

**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.

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

<table>
<thead>
<tr>
<th>Pillar One expenditure intensity per hectare of UAA (2007-2011 values)</th>
<th>Pillar Two expenditure intensity per hectare of UAA (2007-2011 values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1,540.48</td>
</tr>
<tr>
<td>Sd.</td>
<td>1,967.47</td>
</tr>
</tbody>
</table>

A substitution effect between CAP pillars?
3. Spatial allocation of CAP funds: a synthetic representation (i)

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

2. Low-Low cases: both pillars’ support intensity below EU-27 average

3. High-Low cases: Pillar One’s support intensity above EU-27 average; Pillar Two’s support intensity below it

4. Low-High cases: Pillar One’s support intensity below EU-27 average; Pillar Two’s support intensity above it
3. Spatial allocation of CAP funds: a synthetic representation (ii)

Pillar One and Pillar Two support (€/UAA)

<table>
<thead>
<tr>
<th>No. of regions</th>
<th>Share (%) out of total UAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top beneficiaries</td>
<td>288</td>
</tr>
<tr>
<td>Agriculture-oriented beneficiaries</td>
<td>402</td>
</tr>
<tr>
<td>Rural-oriented beneficiaries</td>
<td>286</td>
</tr>
<tr>
<td>Under supported regions</td>
<td>282</td>
</tr>
<tr>
<td>Excluded regions</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>1288</td>
</tr>
</tbody>
</table>

A substitution effect?
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:

**Pillar One**
- Direct Payment (DP)
- Market Intervention (MI) measures.

**Support to agricultural activities & farmers’ income**

**Pillar Two**
- Pillar Two (Rural Development Policy)

**Axis 1:** improving competitiveness of agricultural and forestry sector
- Support to agricultural activities

**Axis 2:** improving quality of the environment and countryside
- Environmental protection / public goods

**Axis 3:** promoting quality of life in rural areas
- Support to rural economies/communities
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**

<table>
<thead>
<tr>
<th>Region Type</th>
<th>DP</th>
<th>MI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least supported regions</td>
<td>14.02</td>
<td>11.10</td>
</tr>
<tr>
<td>Most supported regions</td>
<td>4.96</td>
<td>8.41</td>
</tr>
</tbody>
</table>

**Market Intervention measures**
4. One policy, many territorial policies: RDP’s Axes

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

**RDP Axis 1**

- Least supported regions: 6.31
- Most supported regions: 9.30

**RDP Axis 2**

- Least supported regions: 13.24
- Most supported regions: 7.05

**RDP Axis 3**

- Least supported regions: 12.39
- Most supported regions: 4.13

Share out of total UAA
4. One policy, many territorial policies: another synthetic representation

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 < 1st decile (5 typologies)

Number of times regions fall > 9th decile (5 typologies)
5. Concluding remarks

- 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.
Thanks for your attention

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