RDP 2014-2020 in Italy: evidence and preliminary reflections from a project-level analysis

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Rural Areas

The EU's rural areas are a core part of the EU way of life: over 80% of its territory is rural with 30.6% of the population living there. In Italy, 63.8% of municipalities are rural; 17% population living in rural areas.

The European Commission has included among its top priorities the revitalization of rural areas, which is mainly supported through the EU's rural development policy, also known as the “Second Pillar” of the CAP, in particular, the European Agricultural Fund for Rural Development.

The European Commission, with its communication of June 2021, has started ample reflection for "A long-term vision for the EU's Rural Areas - Towards stronger, connected, resilient and prosperous rural areas by 2040"

- Rural areas are active players in the EU’s green and digital transitions
- "We will cherish and preserve our rural areas and invest in their future" (President von der Leyen – July 2019)
- Implementation of Rural Development Programmes (RDPs)
Rural challenges

Reading through the policy and academic literature points to a mix of the demographic, labour market and education issues that interact with the economic and social situation of rural regions alongside infrastructure issues.

**Demographic trends** notably highlight an urban exodus uncompensated by migration and **ageing societies**.

**Agriculture (and agrifood)** is still one of the main important sectors in rural economies, playing a crucial for their long-term sustainable future, employment opportunities, and economic systems.
Looking at the implementation of the Rural Development policy in Italy using project-level data with the aim to better understand how the European Agricultural Fund for Rural Development is used to promote local development in rural areas

Sub aim (1)
Descriptive analysis of RDPs' allocation and distribution across beneficiaries, municipalities, objectives, types of actions

Sub aim (2)
Evaluating the effects (effectiveness) of specific measures/actions of the RDPs in addressing relevant rural challenges
FEASR 2014-2020

Italy is the first country in terms of total budget planned, but only 43% of it has been really spent.

Data Opencoesione

Projects funded by the EU RDP for the 2014–2020 programming period in Italy www.opencoesione.gov.it

Descriptive analysis and effects

• What has been done
• Among all sub measures, we identify those that more closely resemble the objectives of RDPs
FEASR in Italy

What has been done
Who?

- 1,357,143 projects
- 301,788 recipients

FEASR: projects

Regional
National

National 49%
Regional 52%

Source: Opencoesione • Created with Datawrapper
Who?
Where?

- 27,393 projects located in more than one regions (bridging programmes)
Where?

Expenditure: Veneto, Apulia & Latium
Six EU Rural Development policy priorities provide the basis for rolling out support from the European Agricultural Fund for Rural Development (EAFRD) to rural areas. EU Member States and regions need to address at least four of these priorities when designing their RDPs.

Priority 1 - Knowledge transfer and innovation
Priority 2 - Farm viability and competitiveness
Priority 3 - Food-chain organisation
Priority 4 - Enhancing ecosystems
Priority 5 - Resource efficiency
Priority 6 - Balanced territorial development
Sub-measures

11.2.1 payment to maintain organic farming practices and methods
4.1.1 investments in agricultural holdings: increasing competitiveness
17.1.1 crop, animal and plant insurance premium
14.1.1 payment for animal welfare
10.1.1 agri-environment-climate commitments
13.1.1 compensation payment in mountain area
11.1.1 payment to convert to organic farming practices and methods
4.1.2 investments in agricultural holdings: increasing competitiveness for young farmers
4.2.1 investments in processing/marketing and/or development of agricultural products
6.1.1 business start up aid for young farmers
13.2.1 compensation payment for other areas facing significant natural constraints
Some measures are more relevant for the number of projects, more than for the amount of funds
Cooperation

Some projects are managed by multiple actors

<table>
<thead>
<tr>
<th>No. recipients</th>
<th>No. Projects</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,345,798</td>
<td>99</td>
</tr>
<tr>
<td>2</td>
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<td>0</td>
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</table>

Source: Opencoesione • Created with Datawrapper
FEASR and high-quality agri-food productions
At a glance

- Agriculture, forestry and fishery sector jobs are more prevalent in rural areas and this is reflected in these areas' economic performance

- Farming income is significantly below the average income in most Member States

The EU turned its attention towards agri-food quality – which over time has become one of the pillars of the CAP – at the end of the 1980s, when the European Commission approved the Green Paper on the Future of Rural Society, focusing on the role of the agricultural world in terms of food quality and preservation of territories.

Policies for EU quality represent the most advanced protection and valorisation scheme for the authenticity of quality agri-food products at the national and international level.

Quality differentiation (i.e. Geographical indications) has positive benefits in terms of premium pricing, income distribution, market access and so on.

3.1.1 new participation in quality schemes
GIs growth rate 2013-2019

GIs - PGIs - PDOs
<table>
<thead>
<tr>
<th>OpenCoesione</th>
<th>Istat</th>
<th>Geo-reference database on GIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects funded by the EU RDP for the 2014-2020 programming period in Italy</td>
<td>Data at municipality level</td>
<td>Municipality-year level database</td>
</tr>
<tr>
<td><a href="http://www.opencoesione.gov.it">www.opencoesione.gov.it</a></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Effect of sub-measure 3.1.1 (new participation in quality schemes) on GIs growth rate

\[ G\text{i}_i = \alpha + \beta_1(\text{FEASR}_i) + X_i + \varepsilon_{ij} \]
\[ G\text{i}_i = \alpha + \beta_1(\text{PublicFund}_{si}) + X_i + \varepsilon_{ij} \]

- GIs the growth rate of GIs (Food, Wine) in the municipality between 2013 and 2019
- FEASR$_i$ is the log transformation of the total amount of FEASR expenditure in sub-measure 3.1.1
- PublicFund$_{si}$ is the log transformation of the total amount of public expenditure in sub-measure 3.1.1
- $X_{ij}$ is the control matrix with
  - Agricultural controls (municipality level): agricultural land intensity, agricultural land diffusion, employment intensity, big farm (>100 ha; share), family farms
  - Territorial controls (municipality level): population density, elderly population rate, employment rate, agriculture employment, Rural areas (RSN classification), Lessdevelopmentregions (Cohesion policy classification), Inner areas (SNAI classification)
- $\varepsilon_{ij}$ is the error term
<table>
<thead>
<tr>
<th></th>
<th>Gls</th>
<th>Gls Food</th>
<th>Gls Wine</th>
<th>Gls</th>
<th>Gls Food</th>
<th>Gls Wine</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td>FEASR</td>
<td>0.017*** (0.002)</td>
<td>0.015*** (0.003)</td>
<td>0.0001*** (0.0002)</td>
<td>0.014*** (0.002)</td>
<td>0.012*** (0.002)</td>
<td>0.0001*** (0.0002)</td>
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<tr>
<td>Territorial controls</td>
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<td>Rural areas (RSN classification)</td>
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<td>Inner areas (SNAI classification)</td>
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<tr>
<td>Municipalities- cluster</td>
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Effect of GIs on sub-measure 3.1.1 (new participation in quality schemes)

\[ FEASR_i = \alpha + \beta_1 GIs_i + X_i + \varepsilon_{ij} \]

- \( FEASR_i \) is the log transformation of the total amount of FEASR expenditure in sub-measure 3.1.1
- \( GIs_i \) is the number of GIs (Food, Wine) in the municipality in 2013
- \( X_{ij} \) is the control matrix with
  - Agricultural controls (municipality level): agricultural land intensity, agricultural land diffusion, employment intensity, big farm (>100 ha; share), family farms
  - Territorial controls (municipality level): population density, elderly population rate, employment rate, agriculture employment, Rural areas (RSN classification), Less development regions (Cohesion policy classification), Inner areas (SNAI classification)
- \( \varepsilon \) is the error term
<table>
<thead>
<tr>
<th></th>
<th>FEASR (1)</th>
<th>FEASR (2)</th>
<th>FEASR (5)</th>
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<td>-0.079***</td>
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<tr>
<td></td>
<td>(0.007)</td>
<td>(0.008)</td>
<td>(0.019)</td>
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<td>GIs Food</td>
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<tr>
<td>GIs Wine</td>
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<td>(0.019)</td>
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<td>(Cohesion policy classification)</td>
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<td>Municipalities - cluster</td>
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Future steps

Methodology
Quasi-experimental methods at the territorial level
Regression Discontinuity Design

Focus
Specific regions
Municipalities in different regions
FEASR, population decline and aging
At a glance

- The rural population is significantly older than the urban population
- Investing in human capital is crucial as well as attracting new people from non-rural areas

For the 2014-2020 CAP programming period, the EC supported the farm and business development for young farmers through the measure no. 6 (and in particular with the sub-measure 6.1).

For the future CAP (2021-2027), the EC has proposed to dedicate one of the eight measures specifically to the installation of young farmers and rural business start-up.

Generational-renewal measures improved the performance of farm businesses, their resilience, and the transfer of farms from the older to the younger generation, but these measures are more likely to support the setting-up of young farmers’ business, instead of encouraging farm succession.

4.1.2 investments in agricultural holdings: increasing competitiveness for young farmers

6.1.1 business start-up aid for young farmers
Thanks for your attention!

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