Evaluation support study on the impact of the CAP on territorial development of rural areas: socioeconomic aspects

Final Report

Written by ÖIR GmbH, CCRI, and ADE S.A.
October – 2020

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TABLE OF CONTENTS

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Abstract

This study is an evaluation of the Common Agricultural Policy's (CAP) impact on balanced territorial development (BTD) of rural areas across EU-28: socio-economic aspects. The main focus of the study is on territorial development of rural areas, which are investigated through the analysis of socio-economic aspects and social inclusion. The evaluation work starts with a causal analysis which intended to scope and select the CAP measures and instruments considered to have a direct impact on the general objective of BTD in rural areas. The work is then articulated around five evaluation criteria: effectiveness, efficiency, coherence, relevance, European added value. Several methods have been applied to gather and analyse both quantitative and qualitative information. Sixteen evaluation study questions have been answered by using quantitative methods such as input-output analysis, clustering, and statistical regressions, as well as qualitative methods, including case studies, literature review and the observation of development trends over the programming period.

According to the evaluation study findings, the issues and needs faced by rural regions in the EU-28 are significant. The evaluation's quantitative and case study findings indicate that the impact of the CAP in supporting BTD through the improvement of socioeconomic aspects and social inclusion varies according to the characteristics of the rural region and the policy mix applied. Pillar I instruments, in particular direct payments, have been found to positively impact regional employment and re-investment. Pillar II measures, some of which are specifically designed to address socio-economic issues, demonstrate also positive effects.

Résumé

Cette étude est une évaluation de l'impact de la politique agricole commune (PAC) sur le « développement territorial équilibré » des zones rurales prenant en compte certains aspects socio-économiques à travers l'Europe des vingt-huit. L'étude se concentre sur le développement territorial des zones rurales et l'analyse d'aspects socio-économiques et de l'inclusion sociale. Ce travail d'évaluation débute par une analyse causale visant à établir un cadre et une sélection de mesures et d'instruments jugés avoir un effet direct sur l'objectif général du développement territorial équilibré des zones rurales. Les analyses sont ensuite articulées autour de cinq critères d'évaluation : efficience, efficacité, cohérence, pertinence, valeur ajoutée européenne. Plusieurs méthodes ont été employées afin de recueillir et d'analyser des informations tant quantitatives que qualitatives. Seize questions d'évaluation ont été traitées en s'appuyant sur des méthodes quantitatives telles qu'une analyse des entrées/sorties, une analyse typologique, des méthodes statistiques de régression, ainsi que sur des méthodes qualitatives à travers des études de cas, une analyse documentaire et l'observation des tendances de développement au cours de cette période de programmation.

D'après les constatations de l'étude, les problèmes et besoins auxquels les zones rurales de l'Europe des vingt-huit font face sont considérables. Les résultats des analyses quantitatives et des études de cas indiquent que l'impact de la PAC sur le renforcement d'un développement territorial équilibré, via l'amélioration d'aspects socio-économiques et de l'inclusion sociale, varie selon les caractéristiques des régions rurales et du dosage des politiques pratiquées. Les instruments du premier pilier de la PAC, en particulier les paiements directs, se sont avérés avoir un impact positif sur l'emploi régional et les réinvestissements. Les mesures du second pilier démontrent aussi des effets positifs, en particulier puisque certaines d'entre elles sont spécifiquement conçues pour aborder les problèmes socio-économiques.

List of acronyms

AIR	annual implementation report
ANCs	areas of natural or other specific constrains
AECM	agri-environment-climate measure
BPS	basic payment scheme
BTD	balanced territorial development
CAP	common agricultural policy
CF	cohesion fund
CLLD	community-led local development
CLM	Castilla-La Mancha
CMEF	common monitoring and evaluation framework
CMO	common market organisation
EESO	Czech Statistical Office
DP	direct payments
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EC	European Commission
EIP	European innovation partnership
ELM	environmental land management
ENRD	European Network for Rural Development
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESQ/s	evaluation study question/s
EU	European Union
EUROSTAT	Statistical Office of the European Union
FA	focus area
FIGARO	full international and global accounts for research in input-output analysis
GDP	gross domestic product
GHG	greenhouse gas
GVA	gross value added
IACS	integrated administration and control system
ICT	information and communication technology
IO	input-output Analysis
IP	implementing partner
IRD	integrated rural development
ITI	integrated territorial investments
JC	judgment criteria
JRC	Joint Research Centre
KE-A-I	knowledge exchange, advisory services and innovation
LAG	local action group
LAU	local administrative units
LCS	labour cost survey
LDS	local development strategy
LEADER	liaison entre actions de développement de l'économie Rurale
M	measure

MA	managing authority
MS	member state
NGOs	non-governmental organizations
NUTS	nomenclature of territorial units for statistics *(nomenclature des unités territoriales statistiques)*
OECD	Organisation for Economic Co-operation and Development
PA	priority area
PCA	principal component analysis
PDO	protected designation of origin
RDP	rural development programme
SAPS	single area payment scheme
SECAD	South and East Cork Area Development
SGEI	services of general economic interest
SMEs	small- and medium-sized Enterprises
SO	specific objective(s)
TCs	transaction costs
TO	thematic objective
ToR	terms of reference
TWG	thematic working group
VCS	voluntary coupled support
WFD	Water Framework Directive
YF	young farmer(s)

List of acronyms for countries

AT	Austria
BG	Bulgaria
CZ	Czechia
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
NL	The Netherlands
PL	Poland
UK	The UK

List of tables, maps and figures

1. Introduction

1.1 Scope, baseline and objectives of the evaluation

This study is an evaluation of the Common Agricultural Policy's (CAP) impact on balanced territorial development (BTD) of rural areas: socio-economic aspects. Its focus is on territorial development of rural areas, which is investigated through the analysis of socio-economic aspects and social inclusion. The thematic scope is set by a causal analysis[1] with which CAP measures and instruments were shortlisted to be further analysed in this evaluation. Based on this selection, the analyses carried out address five evaluation criteria (effectiveness, efficiency, coherence, relevance, and EU added value) and provides answers to sixteen evaluation study questions (ESQs).

The study identifies and explores the strengths and achievements, as well as the areas requiring changes in the CAP framework in relation to achieving socio-economic development and promoting social inclusion within BTD. These topic areas shed light on the overall impact of the CAP on aspects important in shaping the future of rural areas, increasing liveability and resilience, and promoting overall quality of life.

The geographical scope of the evaluation includes the 28 Members States of the European Union (EU) receiving CAP funding over the programming period from 2014 to 2020[2]. With regards to the time scope, the baseline data taken into consideration for this evaluation are the years 2015 to and including 2018 for Pillar I funding data (paid out-expenditure) and 2014 to and including 2018 for Pillar II funding data (committed expenditure)[3]. The most recent point in time included in the analyses depends on the data availability of the results and outputs. The Pillar I data corresponds to funds paid out by paying agencies to beneficiaries. The paid-out dates vary between Pillar I instruments. The inclusion of new instruments in the present programming period results, in some cases, in a lag between the introduction of the instrument, and the first payment to the beneficiary. In addition, the Member States specificities with regards to the actual paid-out have been taken into consideration in the case studies. Moreover, as part of the case study work, comparative analyses covering the previous programming period (2007-2013) have also been undertaken.

The evaluation considers the instruments and measures under the 2014-2020 CAP as set out in corresponding regulations[4], which are further detailed in the following sub-section.

1.2 Regulatory framework of the CAP

The CAP is intended to contribute to BTD through a series of measures and instruments aimed at reducing the gap between agricultural incomes and other sectors and by supporting economic development, employment growth, poverty reduction and social inclusion in rural areas.

[1] The causal analysis constitutes an analytical framework, a reference point which intended to scope and select relevant CAP measures and instruments deemed to have a direct impact on BTD in rural areas, with a focus on socio-economic aspects, including social inclusion. The resulting selection corresponds to the answer to the first evaluation study question.

[2] The Programme of options specifically relating to remoteness and insularity (POSEI) supports the EU outermost regions which face specific challenges due to remoteness, insularity, small size, difficult topography or climate. It also supports those that are economically dependent on only a few products.
The name POSEI originates from the French acronym Programme d'options spécifiques à l'éloignement et l'insularité. Of note, POSEI has not been considered within the scope of this evaluation.

[3] The selection of measures was undertaken using planned Pillar II expenditure 2014-2020 to account for delays in the implementation.

[4] Regulation (EU) No 1307/2013 Direct Payments; Regulation 1308/2013 Market Measures; Regulation (EU) No 1305/2013 Rural Development.

Launched in 1962, the CAP has been one of the main common policies of the European Union. Since the early 90s, the CAP has evolved and modified in line with the environmental, socioeconomic, and political currents affecting the agricultural, rural, food, and forestry sectors.

The 2013 CAP reform (implemented phased in during the 2014-2020 programming period), has had the primary aim of responding to the present challenges the EU was facing (both within agriculture, and within the wider context). These include economic challenges (issues of food security, stabilising price volatility, promoting productivity growth), environmental challenges (climate change, greenhouse gas emissions, habitat conservation, biodiversity, including climate change), and territorial challenges (vitality of rural areas, diversity in agriculture, rural resilience).

To address such diverse challenges, the 2014-2020 CAP is structured along three general objectives:

1. Viable food production, with a focus on agricultural income, agricultural productivity, and price stability;
2. Sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil, and water;
3. BTD, with a focus on rural employment, growth, and poverty in rural areas[5]

The three general objectives align, and feed into, the more general Europe 2020 goals of Smart, Sustainable, and Inclusive Growth. These general objectives are translated into six priorities for the EU's rural development policy for 2014-2020, and eighteen corresponding focus areas[6]. Of note, the last priority, priority 6, is particularly relevant to the subject of this evaluation as it deals with social inclusion and economic development.

The CAP framework is based on four regulations[7]. The CAP continues to be implemented through a two-pillar system (referred to as Pillar I and Pillar II). Pillar I intends to help maintain a diversified agricultural sector and BTD. Pillar II also aims at contributing to BTD through a series of measures supporting economic development, growth, poverty reduction and social inclusion in rural areas and agricultural food and forestry sector.

The post 2020 CAP foresees significant changes to the regulatory framework, with a higher focus on simplification and more competences at Member State level. The new strategic objectives are[8]:

- ensuring a fair income to farmers;
- increasing competitiveness;
- rebalancing the power in the food chain;
- climate change action;
- environmental care;
- preserving landscapes and biodiversity;
- supporting generational renewal;
- vibrant rural areas;
- protecting food and health quality.

[5] Article 110 of the Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013.
[6] Article 5 of the Regulation (EU) No 1305/2013
[7] Rural Development Regulation: Regulation (EU) No 1305/2013; Direct Payments Regulation: Regulation (EU) No 1307/2013; CMO Regulation: Regulation (EU) No 1308/2013; Horizontal Regulation: Regulation (EU) No 1306/2013.
[8] As per the European Commission (2018).

1.2.1 CAP governance

The Common Provision Regulation (Regulation (EU) No 1303/2013) prescribes for all European Structural and Investment Funds (ESIF) the common principles of implementation:

- The principle of partnership via the partnership agreements with each Member State
- The principle of multi-level governance and shared management of the funds, which stipulates the responsibility of the Member States as: 'Member States shall ensure that their management and control systems for programmes are set up in accordance with the Fund-specific rules and that those systems function effectively.' (Article 74(2) of Regulation (EU) No 1303/2013)
- General rules for the implementation of financial instruments as well as specific modes of delivery such as community-led local development (CLLD) and integrated territorial development (ITI).

The fund specific rules for the CAP are then laid down in the respective regulations for Pillar I and Pillar II of the CAP. Regulation (EU) No 1306/2013 laid down the rules for implementation of the CAP, comprising the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). For both funds, the principle of shared management is applied: the resources of the CAP are jointly managed by the European Commission and the Member States.

Managing Authorities (MA) manage the EAFRD. They ensure that that beneficiaries and other bodies involved in the implementation of operations are informed of their obligations connected to the receipt of funding and are aware of data provision requirements.

Paying Agencies are disbursing the EAFRD funding. There can be one or more per Member State (or region, in the case of regional implementation), depending on the public administrations' organisation. However, if a Member State accredits more than one paying agency, it designates a single public coordinating body in order to ensure consistency in the management of funds.

Certification Bodies audit the annual accounts of the paying agency, the internal control system and the legality and regularity of the expenditure for which reimbursement has been requested from the European Commission.

These are the backbone of CAP delivery in the Member States and regions. The management and implementation is the responsibility of the Member States and regions. Generally, all CAP interventions are application-based i.e. beneficiaries will have to approach the relevant authorities to be entitled to support. However, in most of the cases, these applications are conditional. The applications are often targeted (directly or indirectly) at farmers and/ or persons connected to the agricultural and forestry sector. Exceptions to this are the following measures of the EAFRD: M07 – basic services and village renewal in rural areas and M19 – LEADER[9].

Furthermore, non-farm actors can also apply for support under measures with strong focus on the agricultural sector. M01 (knowledge transfer and information actions) and M02 (advisory services, farm management and farm relief services) are open to small and medium-sized enterprises (SMEs).

[9] LEADER is a French acronym which stands for liaison entre actions de développement de l'économie rurale (links between activities for the development of rural economy).

1.2.2 CAP measures and instruments

The implementation of Pillar I and II of the CAP is carried out through three main categories of measures and instruments. These three sets of measures and instruments which correspond to the main analytical starting points for the evaluation of the CAP on BTD, socioeconomic aspects and social inclusion. They are the Pillar I direct payments and market measures, and the Pillar II rural development measures.

Direct Payments
CAP Pillar I Direct Payments support farmers' incomes with the aim of income stabilisation, the improvement of competitiveness, and in the provision of environmental goods and climate change mitigation and adaptation through providing financial incentives for compliance with sustainable agricultural practices. Within the context of this evaluation study, each direct payment instrument is evaluated and considered for its potential impact on BTD and socioeconomic aspects including social inclusion in rural areas. The following direct payment instruments were therefore reviewed[10]:

- Basic payment scheme (BPS) / single area payment scheme (SAPS)
- Green payment
- Redistributive payment
- Payment for young farmer
- Small farmers scheme
- Voluntary coupled support
- Payment for areas with natural constrains

Market measures
CAP Pillar I market measures, or common market organisation (CMO) Instruments, are intended to ensure market stability and meet consumer needs by forming a safety net of instruments which are triggered in times of market disturbances or other crises. Market measures are structured along product types (i.e. products eligible for intervention[11]), and programmes and areas of intervention, such as producer organisation, school fruit and milk scheme, and the wine sector. To achieve the aims of this study, each CMO instrument is evaluated and considered for its potential impact on BTD and socioeconomic aspects including social inclusion in rural areas.

Rural development measures
Rural development measures are varied in their scope and consist of twenty individual measures. These measures range from helping farmers modernise equipment and infrastructure, to promoting environmental and innovation technologies, to addressing social issues and cultural heritage in rural areas, to increasing knowledge and extension service. Rural development measures are programmed along six priority areas, which then contribute to various elements of the CAP general objectives. The measures are evaluated for their potential impact on BTD and socioeconomic aspects including social inclusion in rural areas. The full list of measures is presented below[12].

1. Knowledge transfer and information
2. Advisory services, farm management and relief services
3. Quality schemes for agri-products and foodstuffs
4. Investments in physical assets
5. Natural disasters: restoring production potential and preventing damage

[10] The analysis of these instruments forms the first step of the evaluation work, i.e. a causal analysis is carried out to select the relevant instruments deemed to have a direct impact on BTD in rural areas, with a focus on socio-economic aspects, including social inclusion.
[11] 23 products listed under Article 1 reg. No 1208/2013
[12] The analysis of these 20 measures forms the first step of the evaluation work, i.e. a causal analysis is carried out to select relevant the measures deemed to have a direct impact on BTD in rural areas, with a focus on socio-economic aspects, including social inclusion.

6. Farm and business development
7. Basic services and village renewal in rural areas
8. Investments in forest area development and improvement of the viability of forests
9. Setting up of producer groups and organisations
10. Agri-environment- climate
11. Organic farming
12. Natura 2000 and Water Framework Directive payments
13. Payments to areas facing natural or other specific constraints
14. Animal welfare
15. Forest-environmental and climate services and forest conservation
16. Cooperation
17. Risk management
18. Complementary direct payments for Croatia
19. Support for LEADER local development (CLLD)
20. Technical assistance

1.3 Key concepts, definitions and aspects considered in the evaluation

This sub-section presents the main definitions and elements underlying all analyses and answers to the evaluation study questions included in this study. Each of the five evaluation criteria are also defined.

Balanced territorial development: BTD involves territorial cohesion while ensuring balanced and resilient growth across all EU regions. Within the concept of BTD, socioeconomic and social inclusion aspects introduce the specific elements under analysis (referred to as socio-economic aspects), such as depopulation/abandonment, remoteness and housing, access to research and innovation, social rights, cultural heritage to name a few.

BTD refers to territorial cohesion, and convergence (a complementary policy objective), aiming to address the development gaps between economically flourishing regions and those falling behind, through targeted policy interventions and investments. Further, it refers to upward convergence, which is the policy aim to improve the working and living conditions and economic factors, of all Member States and regions. Upward convergence considers the concept that closing the gap between regions is not enough, and rather, all regions should experience an upward development trajectory.

As earlier mentioned, this evaluation investigates the effects of the CAP, in rural areas, along a set of socio-economic aspects. The socio-economic aspects investigated are as follows:

a) depopulation/abandonment and repopulation/in–migration, including role of rural areas as shock absorber in times of crisis;
b) Income, growth, poverty, jobs, employment, business creation/maintenance/diversification, investments (farming and non-farming), labour market;
c) generational renewal, ageing, gender disparities;
d) remoteness, commuting, housing, availability and access to social and economic infrastructure (e.g. broadband) and services (e.g. hospitals);
e) availability and taking care of social capital/fabric: building local governance/capacities and bottom–up participation/approaches (e.g. cooperation);
f) availability and access to research, innovation and training/advice, education;
g) evolution of social rights and systems (e.g. occupational safety, pension schemes and transfers);
h) quality of life; behaviour/cultural aspects of 'feeling left behind'/'discontent';
i) promoting cultural [and natural (including landscape)] heritage.

In addition to the list above, the project team investigates social inclusion. This concept refers to the living and working conditions of specific vulnerable population (such as rural poor (farmers and non-farmers) populations living in remote rural areas (isolation issue), rural women, young, elderly, disabled, low skilled, ROMA, third country nationals). The evaluation of social inclusion is considered within each of the above-mentioned aspects from a- i.

Rural areas: According to the Regulation (EU) 2019/1130, rural areas are defined applying uniform typologies covering the local administrative units (LAU) level and the nomenclature of territorial units for statistics (NUTS) level. These typologies cover aspects of population density, and regionality, to classify between predominantly rural, intermediate, urban, as well as coastal regions.

However, as with all uniform approaches, regional variations can exist and impact the interpretability of results. Therefore, even with uniform typologies in place, there have been multiple alternative approaches to the definition of rural areas. Such approaches have consisted of statistical delineations based on crossing territorial information on population density, land cover, accessibility, and others.

Furthermore, in practice, the territorial distribution of the CAP is not restricted to rural areas but is spread-out over all types of regions. One explanation of this is linked to the principle of the recipient of funds, which are not necessarily located in rural areas but may be found in cities as well. In addition, the territorial programming logic of the CAP is oftentimes NUTS2 level (i.e. regions like in Italy, France, Spain) and in most Member States is at national level, which does not allow for a detailed differentiation of type of areas.

Since rural areas are the focus of this study, in relation to the socioeconomic impacts of CAP spending, a detailed understanding of what that means both in terms of CAP programming, and rural typologies, is necessary. In the frame of this analysis, rural areas are defined per NUTS nomenclature[13], where a distinction for rural vs. any other areas in the EU is established on NUTS3 scale and distinguishes between rural, intermediate, and urban areas.

This study is thus carried out at a NUTS3 geographical resolution to identify and depict the territorial effects of the CAP in the socio-economic environment. This means that NUTS3 will be the default level of territorial analysis with potential deviations (NUTS2, NUTS0) if data availability calls for it. The analysis will then use the NUTS3 classification "rural", "intermediate" and "urban" to differentiate the effects of the CAP territorially. LAU units will be considered as part of the case studies.

1.3.1 Evaluation criteria understanding

The following section presents the understanding and definition of the evaluation criteria[14] which are aligned to the evaluation study questions.

Effectiveness

Effectiveness is defined as the extent to which objectives pursued by an intervention are achieved. Its evaluation requires being able to identify, and where possible quantify, changes because of the application of CAP instruments and measures to a particular situation, over a given period and in the context of multiple intervening factors.

[13] Commission Implementing Regulation (EU) 2019/1130
[14] The definitions are based on the better regulation Toolbox of the EC tool #47.

Efficiency

Efficiency[15] depicts the relationship between resources employed and the results achieved. This is considered with respect to the relevant objectives delineated in a given region via a planned intervention.

Coherence

Coherence means 'the extent to which complementarity or synergy can be found within an intervention and in relation to other interventions'. Internal coherence means looking at how the various components of the same EU intervention operate together to achieve its objectives. External coherence means investigating the 'correspondence between the objectives of an intervention and those of other interventions which interact with it'.

Relevance

Relevance looks at the relationship between the needs and problems in society and the objectives of the intervention.

EU added value

Evaluating the European added value corresponds to the extent to which the measures and instruments under scrutiny have achieved tangible results and impacts over and above what could have been achieved with national or regional policies alone.

1.4 Content and structure of the report

This report is structured around the following sections:

Section 2 describes the approach applied to answer the evaluation study questions (ESQ) as well as the respective methods' contributions to answering the ESQs. Overarching information related to the use of the different methods and the approaches applied for the data analysis are specified. Moreover, the methodological limitations identified in relation to each ESQ are outlined. The aim is to describe all elements that can facilitate the understanding of the replies to the ESQs.

Section 3 presents the intervention logics which, as part of the causal analysis, contribute to establish a theoretically-based link between the CAP instruments and measures and potential impacts.

Section 4 includes a summary of evidence and the main results of the analyses conducted. These main findings, which are presented for method, represent the information basis used to answer the ESQs.

Section 5 respectively presents the replies to ESQ 2-5 (effectiveness), ESQ 6-10 (efficiency), ESQ 11-12 (coherence), ESQ 13-15 (relevance) and ESQ 16 (EU added value). For each ESQ, the understanding and approach applied to answer the question is first outlined. This is followed by a discussion on the ESQ-specific findings and by a conclusion answering the ESQ.

Section 6 comprises the main conclusions on the causal analysis as well as for each of the five evaluation criteria. In accordance with these conclusions, recommendations are made for the European Commission services and for EU Member States.

The last section provides the references used in the study.

[15] Efficiency is defined in various ways. For example, for the European Monitoring and Evaluation Framework, efficiency is calculated by creating ratios between inputs and effects achieved (European Commission 2015).

2. General approach, methods and information sources

2.1 Overview of the methods applied to answer the evaluation study questions

The table on the next pages presents the contribution of the different methods to each ESQ and the relevant socio-economic aspects addressed. Further detailed information on each method indicated in the table is presented is the following sub-section (2.2).

Table 1: Methods' contribution to the evaluation study questions

	Quantitative Methods			Qualitative Methods			
	Statistical analyses	Descriptive-statistical analysis	Input-output analysis	Desk research (literature review and document analysis)	Stakeholder interviews	Synthesis: triangulation of previous analysis results	Relevant aspects & Context indicators sources
ESQ1: Causal analysis				*Research on each measure/instrument to derive intervention logics, theory-based impact assessment and territorial distribution analysis*			*All aspects addressed*
ESQ2: Effectiveness	*Cluster analysis* *Correlation analysis* *Regression analysis*		*Analysis of effects on rural economy in terms of jobs created*	*Analysis of income effects of CAP on rural economies; Literature on prevalence of different industries in rural regions*	*Interviews with relevant groups via case studies*		*Indicators related to aspects, as per Table 2:* *(a) – (c) (g) – (i)*
ESQ3: Effectiveness	*Cluster analysis* *Correlation analysis* *Regression analysis*			*Analysis of income effects of CAP on rural economies; Literature on prevalence of different industries in rural regions*	*Interviews with relevant groups (e.g. academics, NGOs, public administrations and EAFRD authorities) via case studies*		*All aspects addressed*
ESQ4: Effectiveness	*Cluster analysis* *Correlation analysis* *Regression analysis*		*Analysis of income effects on rural economy*		*Interviews with relevant groups via case studies*		*Indicators related to aspects, as per Table 2:* *(a), (b), (f)*
ESQ5: Effectiveness				*Analysis of relevant national/regional documents via case studies (including, e.g. review of the annual implementation reports AIR)*	*Interviews with programme representatives, applicants and beneficiaries via case studies*		*All aspects addressed*
ESQ6: Efficiency		*Analysis of funding data and output indicators*		*Analysis of relevant national/regional documents via case studies (including, e.g. review of the annual implementation reports AIR)*	*Interviews with programme authorities via case studies on delivery costs*		*All aspects addressed*

	Quantitative Methods			Qualitative Methods			
	Statistical analyses	Descriptive-statistical analysis	Input-output analysis	Desk research (literature review and document analysis)	Stakeholder interviews	Synthesis: triangulation of previous analysis results	Relevant aspects & Context indicators sources
ESQ7: Efficiency		*Analysis of funding data and output indicators*		*Analysis of relevant national/regional documents via case studies (including, e.g. review of the annual implementation reports AIR)*	*Interviews with relevant groups (e.g. academics, NGOs, public administrations and EAFRD authorities) via case studies*		*All aspects addressed*
ESQ8: Efficiency		*Analysis of funding data and output indicators*		*Analysis of relevant national/regional documents via case studies (including, e.g. review of the annual implementation reports AIR)*	*Interviews with programme authorities via case studies on delivery costs*		*(a), (b), (c), (d), (e), (f), (g), (i)*
ESQ9: Efficiency				*Analysis of relevant national/regional documents via case studies (including, e.g. review of the annual implementation reports AIR)*	*Interviews with programme representatives via case studies, plus ad-hoc interviews (European Commission)*		*All aspects addressed*
ESQ10: Efficiency					*Stakeholder perceptions collected via interviews*	*Triangulation of results of ESQs 1- 5, ESQ6-9*	*All aspects addressed*
ESQ11: Coherence				*Analysis of relevant EU/national/regional documents* *Analysis of the most recent literature on policy coherence in Europe*	*Interviews with relevant groups (e.g. academics, NGOs, public administrations and EAFRD authorities) via case studies*	*Triangulation of results of ESQ1, outcomes of case studies*	*All aspects addressed*
ESQ12: Coherence				*Analysis of relevant EU/national/regional documents* *Analysis of the most recent literature on policy coherence in Europe*	*Interviews with relevant groups (e.g. academics, NGOs, public administrations and EAFRD authorities) via case studies*	*Triangulation of results of ESQ1, outcomes of case studies*	*All aspects addressed*

	Quantitative Methods			Qualitative Methods			
	Statistical analyses	Descriptive-statistical analysis	Input-output analysis	Desk research (literature review and document analysis)	Stakeholder interviews	Synthesis: triangulation of previous analysis results	Relevant aspects & Context indicators sources
ESQ13: Relevance	*Regression analysis* *Correlation analysis* *Cluster analysis*				*Interviews with programme stakeholders via case studies*	*Triangulation of results of ESQ1, ESQ2*	*Indicators related to aspects, as per Table 2:* *(a), (b), (c), (d), (e), (f), (g), (i)*
ESQ14: Relevance	*Regression analysis* *Correlation analysis* *Cluster analysis*			*Analysis of relevant EU/national/regional documents*	*Interviews with relevant groups (e.g. academics, NGOs, public administrations and EAFRD authorities) via case studies*	*Triangulation of results of ESQ1, ESQ3*	*Indicators related to aspects, as per Table 2:* *(a), (b), (c), (d), (e), (f), (g), (i)*
ESQ15: Relevance	*Regression analysis* *Correlation analysis* *Cluster analysis*				*Interviews with programme stakeholders via case studies*	*Triangulation of results of ESQ1, ESQ4*	*Indicators related to aspects, as per Table 2:* *(a), (b), (f)*
ESQ16: EU added value						Internal workshop: triangulation of *ESQs 2-10 & 13-15*	All aspects addressed

Source: Consortium, 2020

2.2 Framework, process of the study and data collection tools

The overall theoretical framework and reference point of this evaluation rely on a **causal analysis** which serves as a scoping exercise. This results in the selection of CAP measures and instruments which are considered to have a direct impact on the general objective of balanced territorial development. The causal analysis also seeks to establish a relationship between the measure/instrument's intervention and the observed changes on issues the measure/instrument addressed.

The causal analysis encompasses three key elements, i.e. the development of **intervention logics** for the CAP measures and instruments, a **theory-based impact assessment** (via an impact assessment grid) and a **territorial distribution analysis** to assess the regional allocation of CAP funding across Member States. The results of the causal analysis serve to answer ESQ1, i.e. a list of selected CAP measures and instruments regarded as having a direct impact on the general objective of BTD in rural areas is established.

The **intervention logics** are a theoretical representation of the chain of effects the CAP measures and instruments are supposed to induce and suggest possible links between the CAP interventions and the goals of BTD. Two overarching intervention logics, respectively for Pillar I and II, are presented in section 3. The development of the intervention logics for the CAP measures and instruments represents the first step in analysis of the potential contributions of the CAP to BTD and the impacts the interventions may have on socio-economic aspects.

Second, and to refine this preliminary analysis, a **theory-based impact assessment** is carried out. This impact assessment was undertaken by the core team members via an assessment grid which evaluates the causal links between CAP instruments and measures and BTD along the socio-economic aspects. This impact assessment grid has been applied to each CAP measure and instrument to obtain the measure/instrument's impact score and judgment on the significance of the measure/instrument's impact on the relevant socio-economic aspects. This tool is divided into two main parts: the first one assesses the likelihood and significance of the measure/instrument on each socio-economic aspect[16] and the second ranks the measure/instrument along three criteria[17] to specify the type of impact. The final score is obtained by multiplying the likelihood score (first part) with the impact-specific score (second part). Instruments and measures ranking below a defined threshold were excluded[18]. Several members of the project team carried out this task to minimise the subjectivity of the scores. The findings of the theory-based assessment are presented in section 4.1.

Third, the theory-based impact assessment is complemented by the **territorial distribution analysis** illustrating the regional distribution of the measure/instrument expenditure across Member States. This territorially-anchored information contextualises the potential impacts of the CAP measures and instruments. The findings of the territorial distribution analysis are presented in section 4.2.

The final shortlist of relevant CAP measures and instruments as the result of these three analytical steps is presented in the reply to ESQ1 section (5.1). The analyses conducted to answer the other fifteen ESQ ultimately contribute to assess and verify

[16] The likelihood is defined as the probability that the examined measure/instrument impacts the socio-economic aspect. The following likelihood options could be chosen: Improbable (score: 0), possible (score: 0), likely (score:1), highly likely (score: 2), definite (score:3)

[17] Criterion 1: the extent of the impact weather at farm, local, regional, national, international level (score: yes=1; No=0). Criterion 2: inclusiveness - how targeted the instrument/measure is on farmers/households, rural population, larger regional population, group specific (score: yes=1; No=0).
Criterion 3; duration: potential lifetime of the impact – short-term (score:1), medium term (score: 2), long-term (score: 3).

[18] The threshold was set at 30 points.

this initial selection of CAP measures and instruments, thereby closing the evaluation loop. Section 6.1.1 provides conclusions on the role of the selected CAP measures and instruments that have been deemed to impact socio-economic aspects.

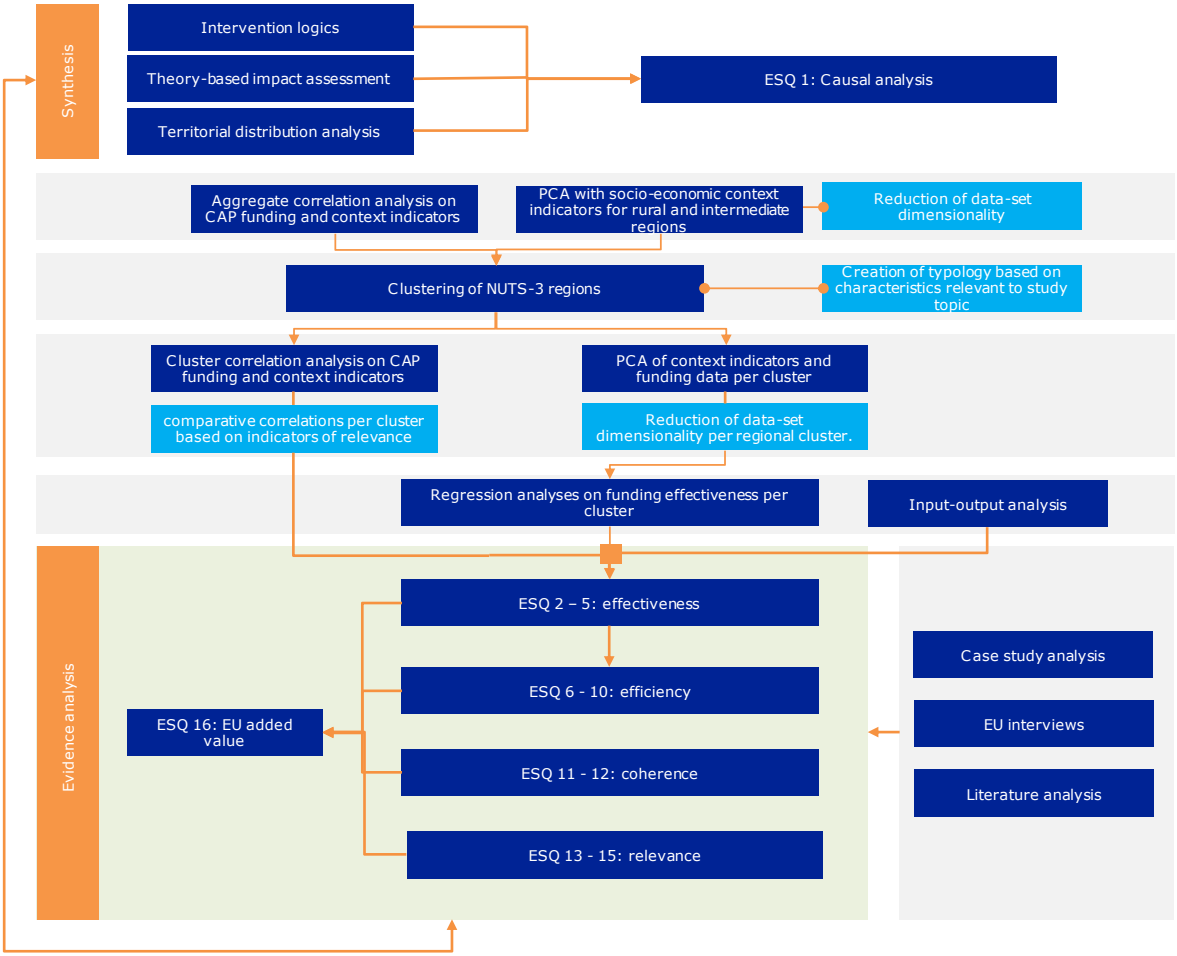
Taking as a basis the selection of CAP measures and instruments in ESQ1, quantitative and qualitative analysis are carried out to establish an information basis for answering the remaining 15 ESQs, thereby enabling the comparative examination of various sources of information from different angles. The quantitative analysis follows a multi-step approach, in which methodological tools are applied in sequence to investigate impacts associated with CAP funding. With the help of **cluster analyses, the correlation and regression analyses** incorporate a territorial dimension, as to account for the heterogeneous state of economic development across Europe. The methodological approach and related specificities are presented in section 4.4 (cluster analysis), 4.5 (correlation analyses) and 4.6 (regression analysis). In addition, sectoral impacts of CAP funding (i.e. whether CAP funding exerts spill-overs into downstream sectors) are investigated via an **input-output analysis** (section 4.7).

Qualitative evidence is gathered primarily via regional **case studies**, **interviews with EU officials** and a comprehensive **literature review.** As part of the case study, interview questionnaires have been developed by the project team to address various types of key stakeholders (representatives of authorities involved in CAP implementation (Pillar I and Pillar II), rural development experts[19], farming sector representatives, producer representatives and non-farming sector representatives). The interviews conducted at the EU level aimed at gathering information from DG AGRI representatives, concerned with Pillar I and Pillar II, on the administrative burden possibly generated by the implementation of CAP instruments and measures. These qualitative data collection activities complement and contextualise the findings of the quantitative analysis steps. Furthermore, these insights allow the project team to thoroughly triangulate the findings to address the evaluation criteria effectiveness, efficiency, relevance, coherence, and EU added value.

In the light of the information described in this section, Figure 1 illustrates the sequence of methods, their relations and contribution to answering the ESQ.

[19] Rural development experts e.g. local independent rural development experts and/or advisory/consultancy companies/academics

Figure 1: Methods' interlinkages and contribution to answering the ESQ



Source: Consortium, 2020

2.3 Quantitative data sources

The table below provides an overview of the data sources used in answering the effectiveness and efficiency evaluation study questions.

Table 2: Overview of data sources

Relevant ESQ	Indicator name	Source, year	Analysis step	Socio-economic aspect[20]
ESQ 2, 3, 13, 14	Dependency ratio (in absolute value and percentage change, 2014-2018)	Consortium (2020), based on Eurostat (2020) 'Population on 1 January by broad age group, sex and NUTS3 region [demo_r_pjanaggr3]' Relevant age group: 15-64 and 0-14/65+	Correlation analysis (NUTS3), cluster analysis, PCA	(a)
ESQ 2, 3, 13, 14	Crude rate of net migration (average, 2014-2017)	Consortium (2020), based on Eurostat (2020), 'CNMIGRATE'	Correlation analysis (NUTS3), cluster analysis, PCA	(a)

[20] See section 1.3.

Relevant ESQ	Indicator name	Source, year	Analysis step	Socio-economic aspect[20]
ESQ 2, 4, 13, 15	Employment (all NACE; primary sector) (in absolute value and percentage change, 2014-2017)	Consortium (2020), based on Eurostat (2020) 'nama_10r_3empers'	Correlation analysis (NUTS3), cluster analysis, PCA, regression analyses.	(b)
ESQ 4, 15, 6, 7, 8	GVA (all NACE; primary sector) (in absolute value and percentage change, 2014-2017)	Consortium (2020), based on Eurostat (2020) 'nama_10r_3gva' All NACE	Correlation analysis (NUTS3), cluster analysis, PCA, regression analyses.	(b)
ESQ 3, 14	Natura 2000 (in absolute value and percentage change, 2014-2018)	EEA 2013 & 2018, Natura 2000 spatial data.	Correlation analysis (NUTS3), cluster analysis, PCA, regression analyses.	(i)
ESQ 2	Change in tourism attractiveness (2014-2018) Number of establishments and bed-places by NUTS2 regions [TGS00112]	Consortium, based on Eurostat (2020)	Cluster analysis, PCA, regression analyses.	(b)
ESQ 2, 3, 13, 14	People living in households with very low work intensity (in share of population and percentage change, 2014-2018)	Consortium (2020), based on Eurostat (2020), people living in households with very low work intensity	Correlation analysis (NUTS2), PCA	(a)
ESQ 4, 15	Innovation performance (in absolute value and percentage change, 2014-2018)	(in absolute and percentage change (2014-2018): based on European Commission (2019), Regional Innovation Scoreboard 2019, relative performance to 2011.	Correlation analysis (NUTS2), PCA, regression analyses.	(f)
ESQ 2, 3, 13, 14	Disposable income (in absolute value and percentage change, 2014-2018)	Based on Eurostat (2020)	Correlation analysis (NUTS2), PCA	(a)
ESQ 2, 13	Population with mid-tier education & Tertiary education (levels 5-8) per NUTS2 as share of the population (in percentage and percentage change, 2014-2018)	based on Eurostat (2020), Population aged 25-64 by educational attainment level, sex and NUTS2 regions (%) [edat_lfse_04] Upper secondary and post-secondary non-tertiary education (levels 3 and 4)	Correlation analysis (NUTS2), cluster analysis, regression analyses.	(f)

Relevant ESQ	Indicator name	Source, year	Analysis step	Socio-economic aspect[20]
ESQ 2, 3, 13, 14	Economically active [women, f/men, m] (in absolute and percentage change, 2014-2018)	Consortium (2020), based on Eurostat (2020), Economically active population by sex, age, educational attainment level and NUTS2 regions (1000) [lfst_r_lfp2acedu]	Correlation analysis (NUTS2), PCA, regression analyses.	(a)
ESQ 2, 13	Broadband access (in absolute and percentage change, 2014-2018)	Consortium (2020), based on Eurostat (2020), Consortium (2020), based on Eurostat (2020), Households with broadband access [isoc_r_broad_h]	Correlation analysis (NUTS2), PCA, regression analyses.	(d)
ESQ 2, 13	Education and training (in absolute and percentage change, 2014-2018)	Based on Eurostat (2020), Participation (in absolute and rate in education and training (last 4 weeks) by NUTS2 regions [trng_lfse_04]	Correlation analysis (NUTS2), regression analyses.	(f)
ESQ 2, 3, 4	Degree of rurality	Consortium based on Eurostat data (2016), percentage of population living in rural areas within the NUTS3 region	Cluster analysis, regression analyses.	(d)
ESQ 4, 15	Change in number of establishments and bed-places by NUTS2 regions [TGS00112]	Regionalised to NUTS3 (2014, 2018), based on Eurostat	Cluster analysis, PCA, regression analyses.	(i)
ESQ 2, 3, 4	Perception of good governance	DG Regio RCI 2016 on University of Gothenburg, European Quality of Institutions Index, The World Bank Group	Cluster analysis, regression analyses.	(e)
ESQ 2, 3, 4	Trust in social network	OECD – Regional Well-Being dataset (2016)	Cluster analysis, regression analyses.	(e)
ESQ 2, 13	Medical doctors per 100 000 inhabitants (static and percentage change, 2014-2017)	2017, per NUTS2, based on Eurostat	PCA, regression analyses.	(d)
ESQ 2, 3, 4	Multimodal accessibility (2014)	Spiekermann & Wegener 2014	Clustering, PCA	(d)
ESQ 6	Output indicator 9: Number of holdings participating in supported schemes	Common monitoring evaluation framework (CMEF), 2019	Efficiency analysis	(b), (h)
ESQ 8	Output indicator 11: Number of training days given	CMEF, 2019	Efficiency analysis	(a), (b), (c)
ESQ 6, EQ 7	Output indicator 15: Population benefiting from improved services/infrastructures (IT or others)	CMEF, 2019	Efficiency analysis	Social inclusion, (d)

Relevant ESQ	Indicator name	Source, year	Analysis step	Socio-economic aspect[20]
ESQ 8	Output indicator 16: Number of (European Innovation Partnership) EIP groups supported, number of EIP operations supported and number and type of partners in EIP groups	CMEF, 2019	Efficiency analysis	(f)
ESQ 7, ESQ 8	Output indicator 18: Population covered by local action group (LAG)	CMEF, 2019	Efficiency analysis	Social inclusion, (e)
ESQ 7	Output indicator 20: Number of LEADER projects supported	CMEF, 2019	Efficiency analysis	Social inclusion, (e)

Source: Consortium, 2020

The input-output analysis made use of the following data sets:

- Starting point is the input-output table for 29 countries (EU-28 plus United States) and 64 industries (NACE Rev. 2), as provided in the FIGARO[21] project. The present dataset refers to the year 2010.[22]
- Average labour compensation costs per sector is based on data provided by Organisation for Economic Co-operation and Development (OECD)[23] and Farm Accountancy Data Network (FADN)[24].
- The OECD provides a dataset on unit labour compensation per employee in US dollars (purchasing power parity adjusted). In this dataset, labour compensation per employee is defined as compensation of employees converted from national currency to US dollars using private consumption purchasing power parities, divided by total employees. For this study US dollars are translated into EUR using average annual European Central Bank exchange rates.
- For the agricultural sector which is not included in the OECD database, FADN data is used to establish unit labour Costs. The thereby generated labour costs income rise are broken down by average labour costs by country (using the labour cost survey – LCS – 2012)

Funding data sources were used across all steps of the quantitative analysis (input-output, correlation, and regression analyses) and case study selection. This includes:

- Pillar I expenditure by scheme on NUTS3 level based on actual expenditure 2015-2018
- Pillar II committed expenditure by measure and by focus area on rural development programme (RDP) level based on amounts 2014-2018 from the annual implementation reports
- The territorial distribution analysis (see section 4.2) makes use of planned expenditure 2014-2020 to account for delays in the implementation of measures.

[21] https://ec.europa.eu/eurostat/web/experimental-statistics/figaro
see Remond-Tiedrez, I. and Rueda-Cantuche J. (ED.) (2019).
[22] An update including data from 2011 to 2015 is announced will and be available in the course of the year 2020 and can thus not be used for the project.
[23] OECD, Unit Labour Costs – Annual Indicators: Labour Compensation per Employee/Hour ($US PPP adjusted) 1995-2012. https://stats.oecd.org/index.aspx?queryname=345&querytype=view
[24] FADN, Farm Net Value Added/AWU – mean.

Furthermore, the project team used FADN data in the case study analysis. This data was used to assess the specificities of the agricultural sector in the case study regions.

Table 3: Overview of FADN data used in case study analysis

Indicator name	Code
Total labour input	SE010_Mean
Unpaid labour input	SE015_Mean
Total output	SE131_Mean
Output crops	SE135_Mean
Output livestock	SE206_Mean
Total intermediate consumption	SE275_Mean
Balance subsidies and tax on investment	SE405_Mean
FNVA	SE415_Mean
Family farm income	SE420_Mean
Total liabilities	SE485_Mean
Long + medium term loans	SE490_Mean
short-term loans	SE495_Mean
Net worth	SE501_Mean
Average farm capital	SE510_Mean
Gross invest in fixed assets	SE516_Mean
Cash flow 1	SE526_Mean
Cash flow 2	SE530_Mean
Balance current subsidies and taxes	SE600_Mean
OGA output	SE700_Mean

Source: Consortium, 2020

The efficiency ratios are constructed by dividing value of the output indicator by the volume of associated funding (see section 4.8.2). The project team calculated these ratios at RDP level, due to the funding and output indicator data availability being restricted to this level.

For Pillar II, the following six CMEF output indicators have been considered:

- O9 – Number of holdings participating in supported schemes (relevant for M09 – producer groups and organisations, M16 – cooperation and M17 – risk management).
- O11- Number of training days given (relevant for M01 – knowledge transfer)
- O15 – Population benefitting from improved services/infrastructure (IT or other) (relevant for M07 – village renewal)
- O16 – Number of EIP grouped supported, number of EIP operations supported and number and type of partners in EIP groups (relevant for M16 – cooperation).
- O18 – Population covered by LAG (relevant for M19 – LEADER)
- O20- Number of LEADER projects supported (relevant for M19 – LEADER)

The project team selected the indicators from the list above as they are deemed to be the closest illustration of the general spill-overs into the wider socio-economic environment of rural areas. The underlying data for Pillar II is funding and output data

up until 2018, the most recent data point. Many output indicators only provide very limited information due to their concentration on farm-level outputs[25].

2.4 Case study selection procedure

In the first step of case study selection, funding concentration of the 2014-2020 period was analysed among the CAP measures and instruments most relevant to BTD, as derived in the causal analysis (see section 2.2). The NUTS2 regions obtaining an above average amount of funding were shortlisted. From the shortlist, the selection of case study regions was based on regional and implementation specificities, and geographical and territorial characteristics.

The project team selected the regions using the following approach:

(1) An analysis of the mapping of committed funding per measure and instrument on NUTS3 scale led to a NUTS2 shortlist of candidate regions. The filtering serves to exclude regions obtaining only a limited amount of CAP funding, as potential carry-on impacts of CAP are likely substantially reduced. The shortlisting exercise produced a substantially reduced list of NUTS2 candidate regions.

(2) From the identified measures and instruments, regions were grouped along common funding concentration, i.e. along instruments or measures with thematically similar focuses. This thematic grouping of measures and instruments was derived from the intervention logics. It corresponds to the thematic focus of the case studies. As such, this step further reduced the number of potential case study regions.

(3) The final selection step filters NUTS2 regions for general territorial specificities (excluding pre-dominantly urban regions) along the socio-economic aspects investigated in the overall study (e.g. remoteness, economic characteristics), implementation specificities (e.g. community-led local development – CLLD approaches) and geographical diversity. The project team took care to generate a geographically balanced mix of case study regions, with relatively equal representation along Member States.

The project team selected thirteen cases study regions[26] at NUTS2 level. Each case study author was asked to select, within the NUTS2 region, two study areas at NUTS3 level, and if possible, at LAU level. The selection of appropriate NUTS3 or LAU level study areas is undertaken by reference to a series of criteria[27].

2.5 Specific approaches for data analysis

2.5.1 Bundling of CAP measures and instruments

For the understanding of the replies to the evaluation study questions, the CAP instruments and measures considered in this analysis are bundled into six groups to

[25] In cases where multiple output indicators correspond to similar of the same type of measure, indicators were excluded due to thematic overlap (e.g. only one/selected indicators related to LEADER or advisory services). In other cases, the indicators were deemed too close to farm level production (e.g. OI 8).

[26] The selected case studies are the following: Austria – Tirol, Bulgaria – Southern Central, Czechia – Southwest, Estonia (no NUTS2 region), France – Auvergne, Germany – Saxony-Anhalt, Greece – Peloponnese, Ireland – Southern, Italy – Apulia & Emilia Romagna, The Netherlands – Zeeland, Poland – Świętokrzyskie, Spain – Castilla La-Mancha.

[27] The criteria are: Rural regions and urban centres (presence and proximity of urban centres); CAP funding (the degree to which funding is concentrated on one area, if applicable); Topographical differences (accessibility of the area and geographical influences on the agricultural sector); Industry centres, agricultural vs other (economic importance of agricultural sector, degree of interlinkages etc.); Demographics, employment, migration (trends patterns and imbalances); Main agricultural products, and type of production (data on the sectoral concentration of the primary sector) & Main opportunities and challenges in the regions related to rural development and farming (the degree to which these challenges and opportunity differ between the areas of the region).

enable a comprehensive discussion of the evaluation criteria[28]. The grouping outlined enables interpretation, and discussion, of the results along thematic groups.

- **Pillar I instruments**[29] Common Market Organisation (CMO) and Direct Payments (DP). Pillar I includes both CMO and direct payments and accounts for approximately 75% of overall CAP funding. Of this, approximately 4% of funding is attributed to CMO and 71% to direct payments.
- **Social development, rural services, and village renewal** (M07 – village renewal and M19 – LEADER). The grouping of M07 and M19 focuses on priority area 6 (social inclusion, poverty reduction, economic development) which targets social development, rural services and village renewal and is deemed as highly relevant to social aspects. It considers the two measures with the highest relevance and funding allocation within priority area 6: M07 – basic services and village renewal and M19 – Community-Led Local development, local actor engagement in the design and delivery of strategies (LEADER). These measures account for 82% of priority area 6 funding. Priority area 6 represents approximately 15.5% of Pillar II funding.
- **Knowledge transfer and innovation** (M01, M02 and M16)[30] The grouping of M01, M02 and M16 focuses on priority area 1 (knowledge transfer and innovation) and is deemed relevant for improving competitiveness in regions, and promoting BTD. This group considers three measures with the highest relevance and funding allocation within priority area 1: M01 – knowledge transfer and information, M02 – advisory services, farm management, and relief, and M16 – cooperation. These measures account for 100% of priority area 1 and together account for 3.9% of Pillar II funding.
- **Enhancing farm viability and competitiveness** (M04 – investment and M06 – farm and business development). This grouping focuses on priority area 2 (farm viability and competitiveness), which targets farm viability and competitiveness, and is the most highly funded priority area in Pillar II. This group considers the two measures with the highest relevance and funding allocation within priority area 2: M04 – investments in physical assets and M06 – farm business and development. Together they account for 90% of priority area 2 funding. Priority area 2 represents approximately 22% of Pillar II funding.
- **Agri-environmental and climate change issues** (M10, M11, M12 and M13)[31]. This group considers four measures: M10 – agri-environment and climate, M11 – organic farming, M12 – Natura 2000 and M13 – payments for Areas of Natural Constraints (ANCs). These measures reach across more than one priority area, however account for a large proportion of funding and thematic focus on priority area 4. Priority area 4, enhancing ecosystems, represents approximately 47% of Pillar II funding.
- **Risk management, natural disasters, and producer groups**[32] (M09, M15, M17)[33]. This group considers three measures: M09 – setting up of producer groups and organisations, M15 – Forest-environmental and climate services and forest conservation and M17 – risk management. These measures reach across more than one priority area, and do not account for a large proportion of funding in any one priority area. These measures are therefore grouped together thematically.

[28] The funding estimates are planned expenditures
[29] Pillar I in total was considered for ease of analysis, and as the most appropriate unit of analysis in order to align with further sections of the report, such as the input/output analyses.
[30] M01 – knowledge transfer, M02 – advisory services and M16 – cooperation.
[31] M10 – agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payments to ANC.
[32] This group of measures is discussed in the case study results. The measures are excluded in the correlation and regression analyses because funding volumes for these measures are quite small and do not add interpretability in this given analysis.
[33] M09 – producer groups and organisations, M15 – forest-environment and climate, M17 – risk management.

CAP measures and instruments are grouped along the structure of the intervention logic presented in section 3. The assumptions in the intervention logic are tested via quantitative methods first, only then are further tests performed to respond to the ESQs 2-16. Namely, the bundling of Pillar II measures by focus area, elaborated in the intervention logics, is tested via regression analysis to determine whether bundling achieves better explanatory results, rather than treating each measure individually. A similar technique is applied in the selection of Pillar I instruments. Overall, this is proposed to improve the validity and explanatory power of the statistical analyses.

2.5.2 Preparation and analysis of the case study results

The data from the case study findings was analysed applying qualitative data managements methods. Qualitative data is presented in a narrative format as well as applying descriptive statistics.

Some of the figures[34] presented in case study findings section (section 4.9) are the result of the coding of qualitative responses. More specifically, qualitative responses were coded by assigning labels to represent relevant and recurring findings. All qualitative responses for a given question were assigned a label, therefore no responses are excluded from the results. Responses addressing multiple relevant issues, within one response, were allocated a label for each relevant theme listed. Therefore, the values represent the number of times respondents identified a theme. Below each table, n, provides the value for the number of individual responses included in each dataset.

The case study responses requiring an ordinal scoring, from -5 to +5, have been presented as frequencies[35]. Each score is provided in a stacked bar format. This set of questions most often asks for a scoring on the 'effects' of a given measure or instrument on a research aspect. The labels range from extremely negative (-5) to no impact (0) and extremely positive (+5). Descriptive information is provided with each figure presented. Responses in this case are unique to each individual respondent, therefore the total count (n) corresponds to the total number of responses. To clearly present the findings, in some cases, groups of responses for individual instruments are bundled. For example, responses for single area payments may be bundled together for Pillar I payments in total. In these cases, as each respondent provided a response for several individual Pillar I instruments, which have been grouped, the frequencies increase accordingly. These responses can be interpreted as totals, or as ratios. In all cases, 'n' values are provided with each figure.

2.6 Limitations to the methodological approach

2.6.1 Causal analysis: ESQ 1

The causal analysis is a theory-based reference point for the selection of CAP measures and instruments considered to impact the general objectives of territorial development in rural areas with a focus on socio-economic aspects, including social inclusion. This selection process is based on the development of intervention logics for the CAP measures and instruments and refined by using an impact assessment grid and an analysis of the CAP expenditure distribution across EU Member States. Given the large array of interlinked socio-economic aspects and the necessity to cover social inclusion of specific vulnerable groups, the project team made a series of assumptions regarding the treatment of *direct* impacts. The main assumption is that where no

[34] Figure 15.
[35] These coded responses are presented in Figure 27.

funding input of the CAP is observed, likely no output and result can be expected[36]. Along those lines, it is assumed that while a CAP instrument or measure may, in theory, directly impact certain aspects, the magnitude of this impact may be influenced, in a positive and/or negative manner, by the history and socio-economic context of a given region/country. Controlling for these exogenous factors is a difficult endeavour which cannot be solely addressed on a theoretical basis. As such, the analyses and triangulation of evidence stemming from different sources, which are conducted to answer the other evaluation study questions have contributed to bridge this information gap.

2.6.2 Effectiveness: ESQ 2-5

The effectiveness analysis relies on the triangulation of multiple evidence sources: the case studies, the input/output analysis, regression analysis and the correlation analysis. The assessment of the contributions of the CAP to fostering BTD primarily encountered limitations related to the robustness and appropriateness of the indicators available, at EU level, to respond to the question of 'social development'. This is particularly evident when looking into effects at a high degree of granulation, NUTS3 or LAU level, and when relying on time series data to demonstrate dynamic change processes. This issue was overcome as much as possible by collecting all applicable data across various data sources, applying proxy indicators where relevant, performing a high degree of data validation, and finally augmenting and contextualising the quantitative findings through case studies and literature review. These limitations were more stringent for some ESQs than others. For example, the lack of appropriate data was especially an issue in ESQ 3: indicators on social inclusion on NUTS3 were difficult to collect. To mitigate this, a larger scope of questions regarding social inclusion were included in the case study.

In the case study analysis, a main limitation was the lack of knowledge of rural stakeholders about the delivery mechanisms of the CAP outside of the 'agricultural community'. Moreover, several interviewees seemed quite reluctant to express their points of view with regards to any potential impacts of the CAP measures and instruments on the examined socio-economic aspects.

The regression analysis compares high and low European Social Fund (ESF) and European Regional Development Fund (ERDF) and CAP funding regions along a set of instruments and measures. The existence of a low number of regions which receive no CAP funding and are similar enough to be matched with regions obtaining relevant funding, does not allow applying counterfactual regression methods based on comparisons with a control group. In the regression analysis, the interpretation of the results is limited by:

- the grouping of funding according to the focus group: some outcomes may be influenced by an interplay of multiple different funds;
- the separate consideration of funding from CAP and European Social Fund (ESF) and European Regional Development Fund (ERDF) via two regressions;
- the time horizon used in the regressions: many impacts of CAP funding may only materialise in the future;
- the fact that the dependent and explanatory variables cover the same time-period may introduce endogeneity issues.

Further the correlation analysis and regression analysis shed light on statistical associations, not clear proof of causal chains. The coefficients obtained via the correlation and regression analyses provide insights into relationship not necessarily impacts and effects.

[36] Nonetheless, this assumption can be nuanced since, depending on the context and socio-economic situation in a given country or region, even a small amount of funding may have a significant leverage effect.

2.6.3 Efficiency: ESQ 6-10

It has not been possible in this study to obtain accurate measures of administrative costs, nor robust indicators of impact, by which to gain estimated measures of efficiency that could have been assessed against the benchmarks provided by the 2018 ESIF study, at EU level.

The evidence in respect of answering the evaluation study questions is based on an EU-level quantitative analysis linking CAP spending on relevant measures to selected output indicators; and on more detailed qualitative (and in a very few cases, quantitative) evidence from the case studies.

These case studies, while numerous, could only provide indicative and illustrative examples of efficiency issues and concerns. Nonetheless, the consistency by which certain issues were mentioned and analysed, even in widely different territorial contexts, suggests they are valid issues of general relevance to the CAP as a whole.

For the EU level quantitative efficiency analysis, the significant heterogeneity in the outputs of expenditure is not well-captured by output indicators based on simple numerical items such as numbers of projects or beneficiaries funded per measure or instrument. Many Pillar II CAP measures offer a wide range of types of outcome and impact, the variety of which is not reflected in the available indicators. Variation in both the design of measures and the nature of intended impacts thus reduces the comparability of simple input/output ratios, as indicators of efficiency. This quantitative analysis should therefore be regarded as indicative, rather than explanatory, in its contribution to answering these ESQs.

Comparing desk analysis from the case studies with the results of the case study interviews shows that the knowledge of main stakeholders, particularly those in the public administration but also for some farmer and non-governmental organisation (NGO) interviewees, is mostly focused on specific instruments/measures, rather than having a broad perspective of all of the CAP. This implies that their evaluation of efficiency issues and the CAP's administrative burden is also limited in the same way.

The lack of comparability in available quantitative data at either scale (case study or EU level) makes it hard to draw definitive conclusions on the ratio of cost-effectiveness for the different CAP instruments and measures.

2.6.4 Coherence: ESQ 11-12

The main limitations are in the broad range of policies under study, from the CAP, to ESIF and national/regional policies, having relations with each other. These relations are not always accessible to investigate due to the heterogeneity of delivery mechanisms and multi-level governance systems involved. For this reason, the focus has been given to the most relevant implementation mechanisms in the investigated case study areas.

2.6.5 Relevance: ESQ 13-15

The limitations identified with regards to the relevance criterion dovetail the issues raised in section 2.6.2 (effectiveness criterion), notably in terms of indicator robustness and appropriateness. Nonetheless, another point also relates to the fact that the economic relevance of all measures and instruments is not uniformly high (such as agri-environmental measures). Certain CAP measures and instruments were discussed to a lesser degree in the ESQ focused on economic relevance.

2.6.6 EU added value: ESQ 16

This study has been undertaken by reference to a very short period since 2014, and is tasked with examining impacts that may take several years to become fully apparent. Moreover, the case study findings were highly dependent upon a depth of knowledge of CAP funding over many years, which was not always possible to identify among interviewees. Thus, these findings must be viewed as partial. Longitudinal and more in-depth analyses would be needed to address the question of the CAP's EU added value for BTD, comprehensively.

Along those lines, another important aspect to consider, is the intrinsic limitation associated with the evaluation of the EU added value of a long-standing EU policy. A such, an hypothetical situation without the CAP interventions is rather difficult to even envisage.

2.6.7 Cross-cutting limitations

Overall, a central limitation, which echoes the limitation previously indicated in the EU added value but also constrains the replies to all ESQs, relates to the limited time scope of the evaluation. The data analysis was constrained to only four years of socio-economic change data, and given the types of aspects examined, a much longer time span would be necessary. The following paragraphs further detail the challenges linked to data limitations.

The limitations of data used in the quantitative analyses of the study mainly relate to three factors, availability of indicators and quality and spatial resolution. For some of the core aspects (mainly societal aspects) covered by the study, data availability in general is scarce, and if available, often it is not regularly updated, but only produced based on specific research projects for a singular point in time. Furthermore, for some aspects, data is only available on national level or at a low geographic resolution (such as NUTS1) which is not sufficient for analyses related to the territorial differentiation of effects with a high geographic resolution (NUTS2 or 3).

Furthermore, not only external data but also monitoring data collected specifically in the context of the CAP lacks information on certain aspects which could contribute to more targeted analyses. Examples include collecting information about the age or the sex of beneficiaries. Additionally, monitoring data for Pillar II is collected on the Rural Development Programmes level only. RDPs across the EU cover different areas ranging from a single NUTS2 region to country level (NUTS0), this leads to an uneven spatial resolution in the base data.

Numerous mitigation techniques have been applied in the study. For instance, second-best indicators (in case the thematic coverage is not ensured) were used and regional breakdown methods via proxy indicators (when the required geographic resolution is not available) were applied. This, however, introduces an element of fuzziness and can mask certain effects that could be more clearly singled out if more specialised datasets, both in terms of thematic and geographic coverage, had been available.

3. Intervention logic model

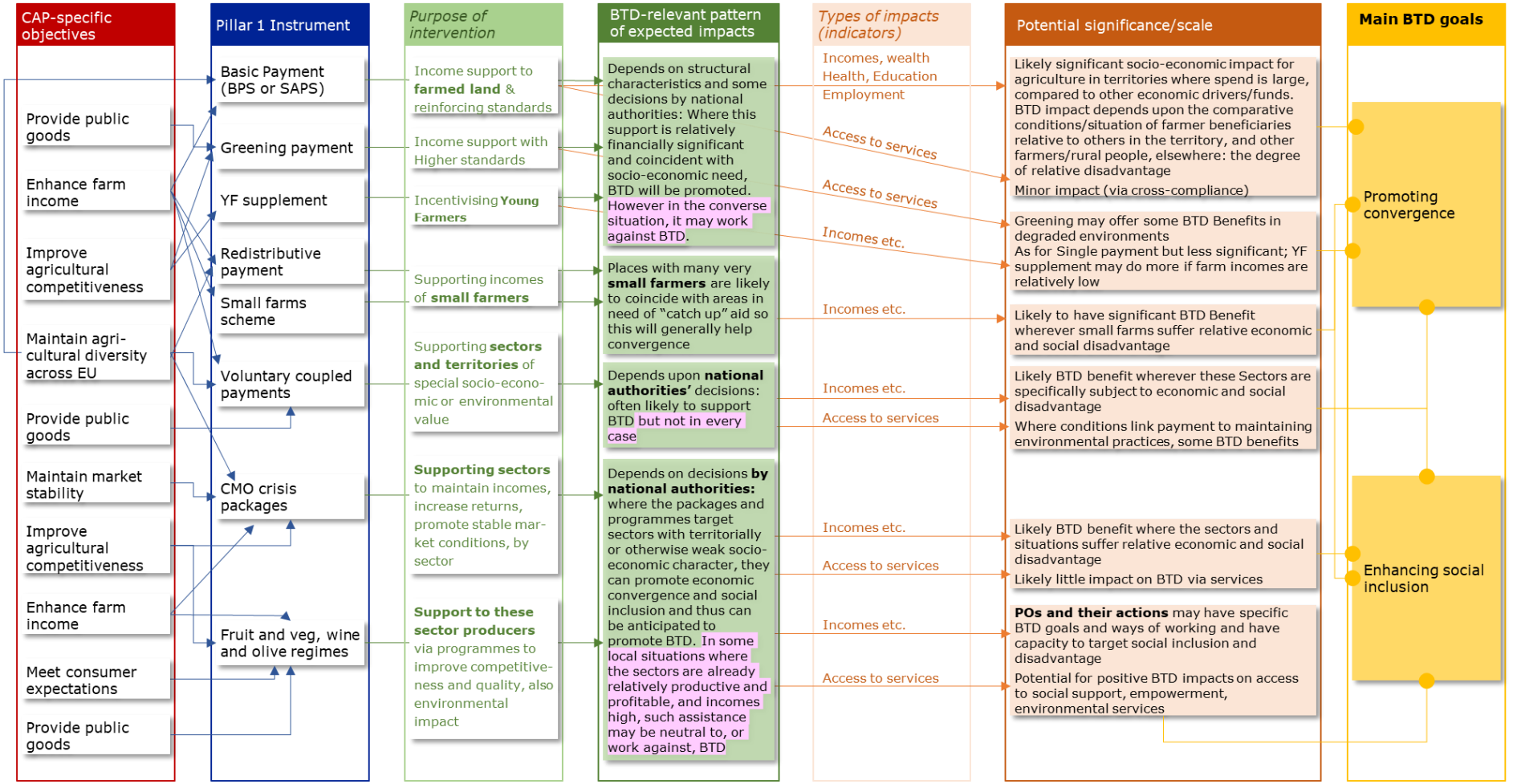
This section presents two overarching intervention logics, one for each Pillar, which are based on individual intervention logics developed for each CAP measure and instrument. These two overarching intervention logics represent simplified versions and assumptions of the ability of the CAP instruments and measures to address balanced territorial development. The development of the intervention logics constitutes the first step of the causal analysis and enables the identification of potential links between the CAP interventions and the goals of BTD.

Figure 2 and Figure 3 on the following pages present the Pillar I and Pillar II's overarching intervention logics. The intervention logics were developed based on regulatory documents, CAP evaluation guidelines, and reporting data.

Figure 2 details, for the Pillar I instrument, the purpose of the intervention, the expected patterns of BTD-relevant impacts, the main types of impacts and the potential significance or scale of these impacts. The overall intervention logic links the CAP specific objectives of the CAP regulatory framework 2014-2020 with the main BTD goals.

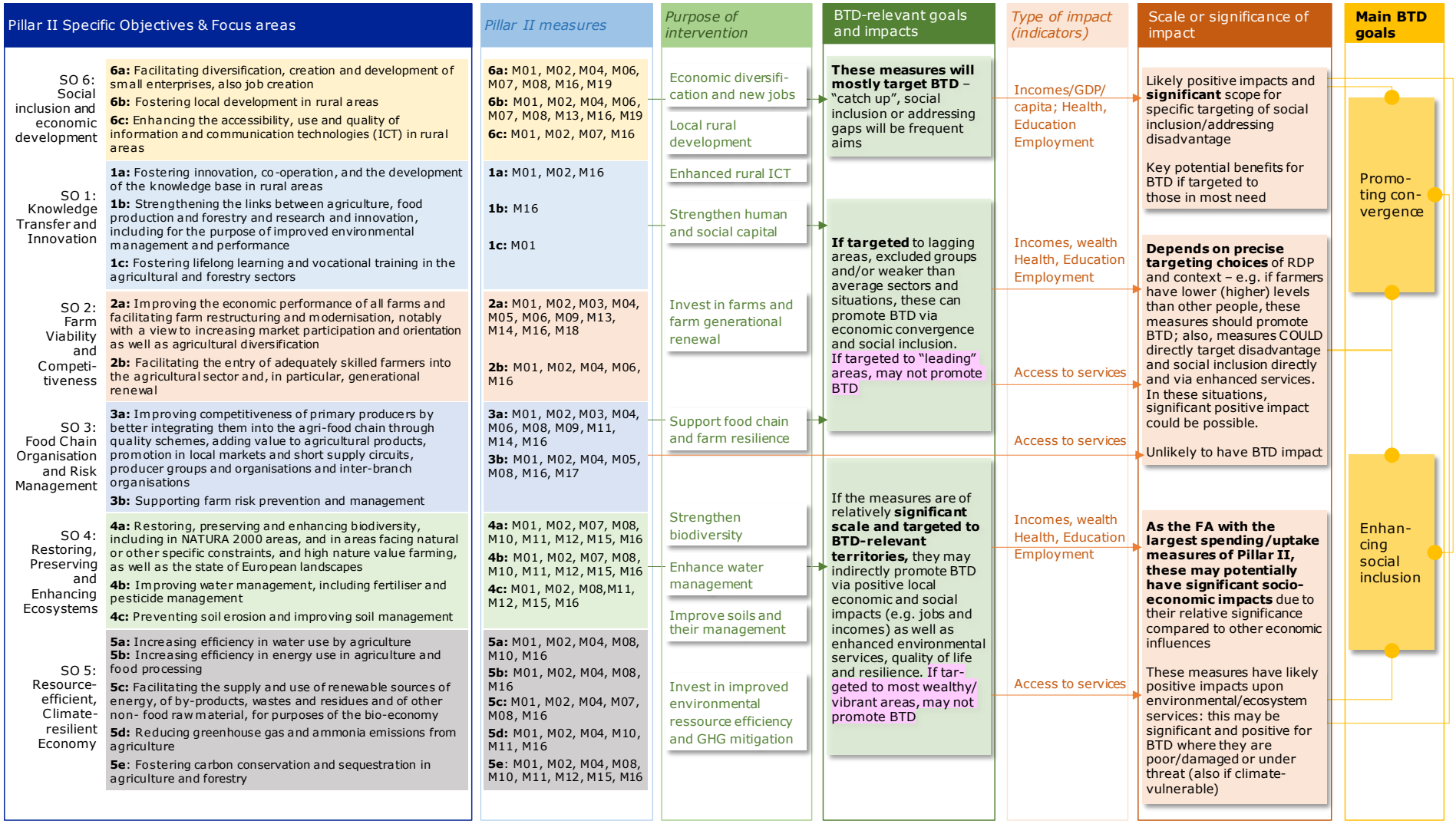
Figure 3 follows the same process for each Pillar II specific objective (priority), focus area and measure, starting with the most relevant priority, namely priority 6: Social inclusion, poverty reduction and economic development in rural areas.

Figure 2: Pillar I Intervention logic



Source: Consortium, 2020 – Note: the text in pink highlights potential negative implications of some elements of CAP aids

Figure 3: Pillar II Intervention logic



Source: Consortium, 2020 Note: the text in pink highlights potential negative implications of some elements of CAP aids

4. Summary of evidence gathered and results of analysis

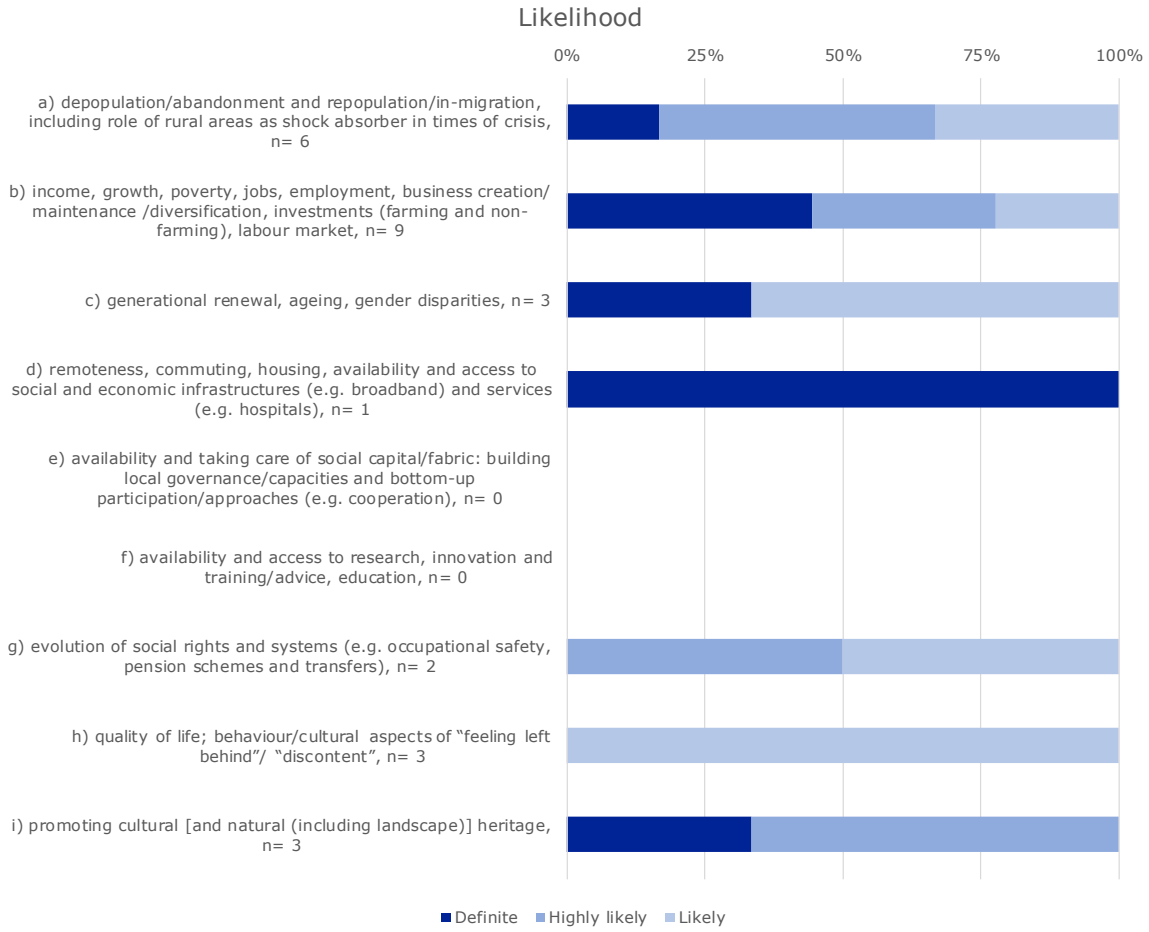
This section presents the information basis (e.g. findings per methods) which underlines the answers to several evaluation study questions. The impacts of the CAP on several target groups are a central issue investigated in this study. These include the specific target group of rural poor, populations living in remote areas, rural women, the rural youth population, elderly populations, disabled or low skilled populations, ROMA, and third country nationals in vulnerable living conditions as mentioned in section1.3.

4.1 Theory-based impact assessment

The impact assessment grid[37] allows the theoretical analysis of the impact of CAP Pillar I and II, in relation to each socio-economic aspect[38] and in terms of social inclusion.

The **Pillar I** causal links with socio-economic aspects are on average divided relatively evenly between definite, highly likely, and likely (see Figure 4). Remoteness (aspect d), has one highly definite link. Evolution of social rights (aspect g) and quality of life (aspect h), may have weaker causal links to the Pillar I instruments.

Figure 4: Results of the assessment of the likelihood and significance of Pillar I instruments on socioeconomic aspects



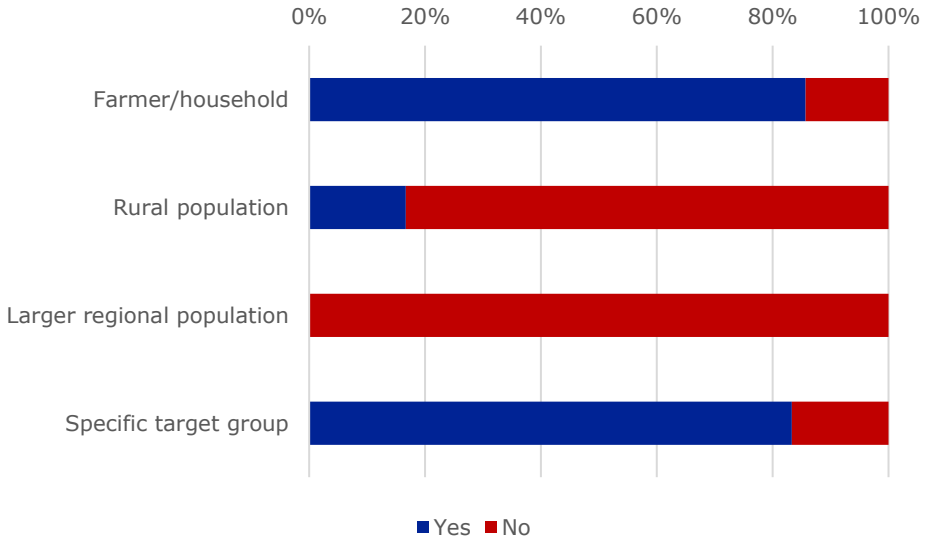
Source: Consortium, 2020
Note: the analysis of Pillar I includes 9 instruments

[37] Please see section 2.2 for further methodological details on the impact assessment grid and the grading system on which rely the figures presented in this section.
[38] Please see section 1.3 for the socio-economic aspects.

As shown in Figure 5, with respect to inclusiveness, Pillar I instruments result most often to present socio-economic benefits for the farmer and farming household, followed by other specific target groups, and to a lesser degree rural populations. The assumed spill-over effect of Pillar I instruments to the wider rural population is weaker than for the other groups (see Figure 5).

This assessment of the impact of Pillar I instruments on specific target groups brings into consideration social inclusion. It relies on the identification of potential links between Pillar I and target groups Pillar I instruments could contribute to impacts for specific target groups through payments for areas of natural constraints, small farmers scheme and young farmers scheme.

Figure 5: Inclusiveness of Pillar I instruments (n=9)

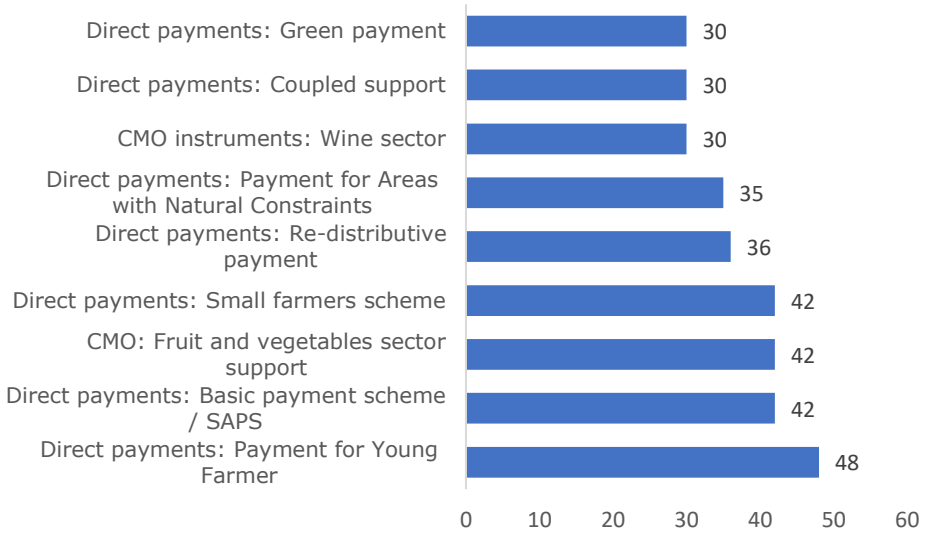


Source: Consortium, 2020
Note: the analysis of Pillar I includes 9 instruments

In total, the scores and ranks of the Pillar I instruments with respect to impacts on balanced territorial development, socio-economic factors and social inclusion, are presented in the figure on page 30. Among Pillar I, the young farmers' scheme was ranked the highest, and was estimated to have the widest overall socio-economic impacts on farmers, regions, and target groups. This is followed by basic payment scheme/single area payment scheme (BPS/SAPS), fruit and vegetable support (CMO) and the redistributive payments. CMO payments for the wine sector, voluntary coupled support, green payments, small farmers' scheme, and payment for areas of natural constraints ranked the lowest. However, these schemes have still received a relatively high total score. Considering the results of this theory-based exercise, the overall importance of these schemes in evaluating the impact of Pillar I on the socio-economic and social inclusion aspects of BTD appears to remain high. These findings only represent a first step in the overall analysis of the Pillar I instrument's impacts on socio-economic aspects. Additional and complementary analyses will be conducted to cross-check these findings.

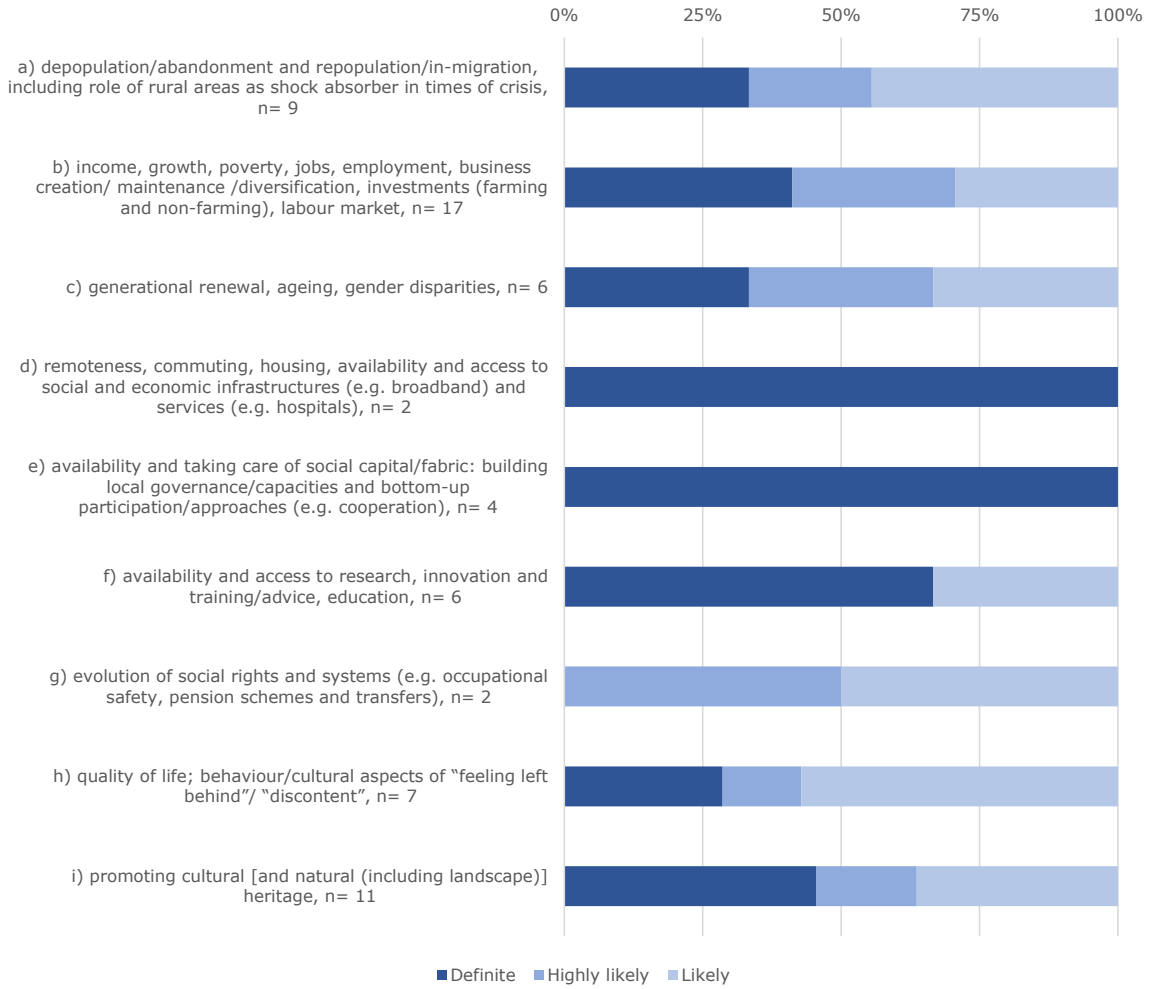
Within the CMO, the school fruit and milk scheme was found to have a relatively small impact on the socio-economic and social inclusion aspects of BTD. The impacts of the scheme are not specific to rural areas and are likely highly dispersed across the population. The impact upon producers and other members of rural communities is likely indirect, and much less significant in scale. So, it has a social inclusion benefit but this is very much at the discretion of the Member States and again, it is unlikely to be rural or to have any particular territorial development aspect.

Figure 6: Pillar I instruments scoring



Source: Consortium, 2020
Note: the analysis of Pillar I includes 9 instruments

Figure 7: Results of the assessment of the likelihood and significance of Pillar II measures on socioeconomic aspects

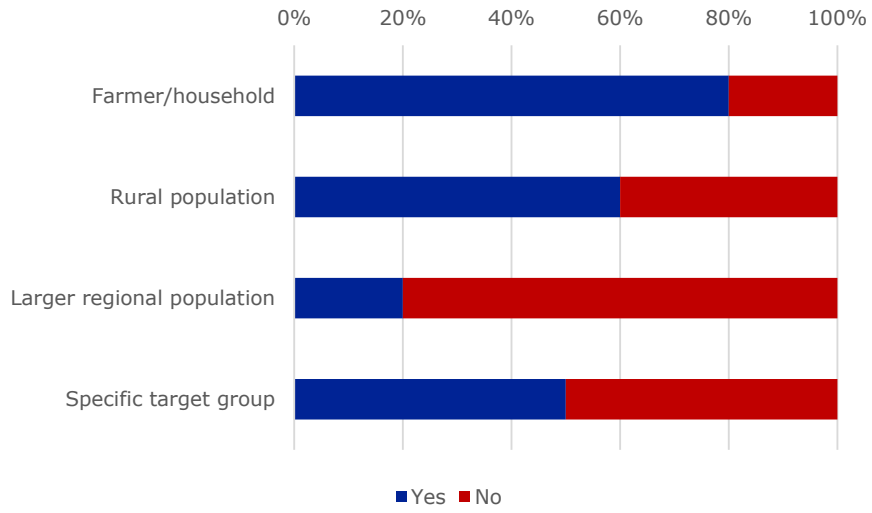


Source: Consortium, 2020 | Note: the analysis of Pillar II includes 20 measures

The **Pillar II** causal links with socio-economic aspects are divided rather evenly between definite, highly likely, and likely, although definite links are often the most prominent (see Figure 7). Aspect d (remoteness) and aspect e (social fabric) have only been selected two and four times, respectively. However, in each of these selections, a definite link has been identified. This points to the smaller number of measures which are highly targeted towards addressing these aspects.

With respect to inclusiveness, Pillar II measures result to present socio-economic benefits for the farmer and farming household and rural population most often (see Figure 8). This is closely followed by specific target groups. Pillar II measures have been considered to impact the wider regional population (including non-rural populations) to a lesser degree.

Figure 8: Inclusiveness of Pillar II measures

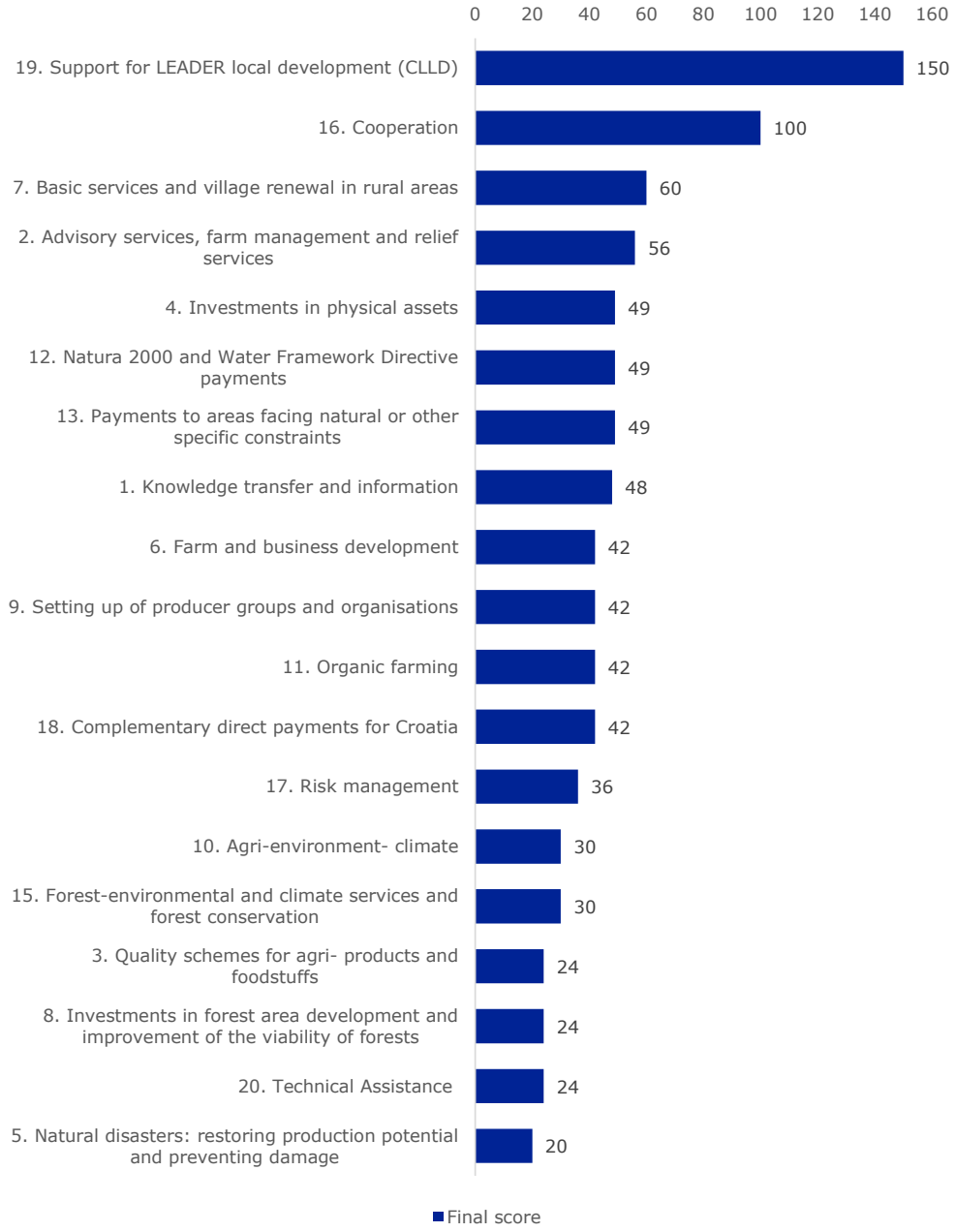


Source: Consortium, 2020 | Note: the analysis of Pillar II includes 20 measures

In total, the scores and ranks of the Pillar II measures with respect to BTD, socio-economic factors, and social inclusion, are presented in Figure 9.

The results highlight the importance of several Pillar II measures. M19 – LEADER and M16 – cooperation, have been ranked with the highest direct causal links to territorial development in terms of socio-economic aspects and social inclusion. This is followed by M07 – village renewal and M02 – advisory services. Closely behind are four measures nearly tied. They are M04 – investment in physical assets, M12 – NATURA 2000, M13 – areas of natural constraints, and M01 – knowledge transfer. Overall, many of the measures examined were found to score quite highly, and are considered to potentially have strong links to socioeconomic and inclusion aspects of BTD.

Figure 9: Pillar II measures scoring



Source: Consortium, 2020 | Note: the analysis of Pillar II includes 20 measures

4.2 Territorial distribution analysis

A territorial distribution analysis was performed identifying the paid out Pillar I funding (2015-2018) and planned Pillar II funding (2014-2020) on a NUTS3 level, to enable a targeted evaluation of impacts and discussion of causal links.

The results of the territorial distribution analysis for **Pillar I**[39] identify the application and intensity of support across different regions. The review of the support of direct payments, SAPS and BPS, shows a wide distribution across all Member State's regions. The highest concentration of funding is observed in southern Spain, across

[39] As mentioned in section 1.1, the time scope, i.e. the exact funding period for Pillar I instruments varies per Member States. However, the Pillar I funding information provided in this section generally refers to the all-encompassing period from 2015 to 2018 (included). The reported funding amounts are per region.

Ireland and Denmark, as well as some regions of Italy and France. Voluntary coupled support and green payment, are found with higher concentration in regions of Spain, Portugal, Greece, and France. These three instruments, SAPS/BPS, greening and voluntary coupled support have the highest total amounts of all Pillar I instruments.

Small farmers scheme, and young farmers scheme, have relatively smaller total funding volumes than SAPS/BPS, greening and voluntary coupled support, ranging from EUR 10-60 million and EUR 2-10 million respectively (per region and from 2015 to 2018). While young farmers scheme is widely distributed across EU regions with high concentrations in Ireland, small farmers scheme is evident only in several Member States including Spain, Portugal, Italy, Austria, Croatia, Germany, Poland, Greece, Bulgaria, Romania, Hungary, Estonia, and Latvia.

Green payments range from a total of EUR 50 million and EUR 300 million (per region and for the period 2015 to 2018), and are distributed widely across regions. Greatest concentrations are evident in the southern regions of Spain, and some regions in Denmark, Ireland, France, Italy, and the United Kingdom. Payments for areas of natural constraints (ANC), are seen only in Denmark and Slovenia.

Investigation of CMO demonstrates a concentration of total funding in the southern regions of Spain, and in several regions in France, and Italy. When investigating funding for the wine sector alone concentration is present among wine regions in Portugal, France, Italy, Croatia, Greece, and others.

The results of the territorial distribution analysis for **Pillar II**[40] demonstrate some interesting trends, that help to inform the causal links between the CAP and the socio-economic aspects of BTD.

The two highest ranking measures in Figure 9 (M19 – LEADER and M16 – cooperation), are represented in almost all Member States and regions, but with and extremely varying funding concentrations. M19 funding ranges from EUR 50 000 to EUR 250 000 per capita, while the range of M16 funding is much lower. M16 funding ranges between EUR 20 000 and EUR 60 000 per capita, with only some regions as high as EUR 120 000 per capita. M19 has higher concentrations of funding in the eastern regions of Germany, Estonia, Latvia, Lithuania, Greece, and some regions of Spain. M16 has a higher concentration of funding in Wales. The following ranked measure, M07, basic services and village renewal, is also widely distributed across Member States and regions. Many regions have M07 funding allocations of between EUR 100 000 and 200 000 per capita. Regions with a higher allocation, between EUR 200 000 and EUR 300 000 per capita, include eastern Germany, followed by some regions in Romania, Bulgaria, Croatia, and Austria.

M04, investments in physical assets, can be observed in almost all EU regions, and is a measure with the highest allocation of funds within Pillar II. Regions in Estonia and Latvia particularly stand out with high overall investments in M04 – investments. In addition, specific regions in Spain, Croatia, Greece, and Bulgaria have high allocations. M12 – NATURA 2000 and M13 – payments to ANC, also ranked with the same score as M04 in Figure 9. M12 has low overall funding of between EUR 10 000 and EUR 40 000 per capita and is represented in only several Member States including Estonia, Latvia, Lithuania, regions in southern Italy, Portugal, Ireland, Hungary; and Bulgaria. M13, on the other hand, has a higher funding allocation, between EUR 500 000 and EUR 1 000 000 per capita, and is widely distributed across the EU, with only some regions and Member States not represented. M13 has some concentrations of funding among regions in France.

[40] The information on Pillar II funding data reported in this section corresponds to the planned expenditure for the period 2014-2020. The reported funding amounts are per region.

The following measure by rank in Figure 9, M01 – knowledge transfer, is rather evenly distributed across Member States and regions. The greatest focus of M01 funding is observed in Ireland across regions, and in Wales. With a similar ranking are M06 – farm business and development, M09 – producer organisations and groups, M11 – organic farming and M18 – complementary direct payments for Croatia. M06 is distributed widely across Member States and regions, with a high concentration in many regions along the eastern periphery of the EU (i.e. Baltic countries, Poland, Slovakia, Romania), as well as in Croatia, and in regions of France and Spain. M06 is also concentrated in southern Italy. M06 funding ranges from EUR 50 000 to EUR 200 000 per capita in the highly concentrated regions. M09 is very highly represented in Poland. It is also observed in Lithuania, Latvia, Estonia, Croatia, Hungary, Greece, Spain, Portugal, Southern Italy, Romania, Bulgaria but not in other Member States. The funding for this measure is on the lower side, ranging from EUR 5 000 to EUR 20 000 per capita. M11 is relatively evenly distributed, with only some regions standing out. Funding ranges between EUR 50 000 and EUR 250 000 per capita. On the other hand, M18 funding ranges from EUR 20 000 to EUR 80 000 per capita and can only be observed in Croatia.

M17 – risk management, M10 – agri-environmental climate, and M15 – forest-environmental and climate are the following three measures by rank in in Figure 9. M17 and M15 both have a relative low degree of funding, ranging between EUR 2 000 and EUR 15 000 per capita, and are only seen in some Member States, including Italy, France, Portugal, Hungary, and Romania, to name a few. M10, on the other hand, has a higher allocation of funds ranging between EUR 100 000 and EUR 300 000 per capita. It is widely distributed across Member States and regions, with a higher concentration in some regions in Ireland, the United Kingdom, Finland, Estonia, Austria.

Measures with the lowest ranking in Figure 9 include M03 – quality schemes, M08 – forestry, M20 – technical assistance, M05 – natural disasters, and M14 – animal welfare. The larger of these measures, in terms of funding volumes are M08, followed by M05, and M14. M08 is widely distributed with concentrations in some regions in Spain, Portugal, and the United Kingdom. On the other hand, M05 is less distributed geographically with many Member States, and regions, not funding this measure. M14 is applied in some Member States including Finland, Sweden, Romania, Bulgaria, Austria, Croatia, the United Kingdom, and Ireland. Of the smaller measures, M03 is most prominent in Austria, Greece, and some regions in Spain. Many Member States, including Germany and Slovakia, do not employ M03 within their RDPs. M20 is applied across all Member States, with the highest concentrations in Estonia, Latvia, Lithuania, Regions of Spain, Croatia, Austria; and regions of Germany. The range of funding volume is between EUR 10 000 and EUR 60 000 per capita.

4.3 Literature review

The impacts of the CAP on socioeconomic development have been studied at the EU level, as well as regional and country levels. Several studies measured the effect of the CAP on rural employment[41], the impact of the CAP on poverty reduction, income, and within-region inequality[42], and the impact of the CAP on gender mainstreaming[43]. However, only a limited number of recent studies provide comparative or cross-national/regional analysis of socioeconomic disparities and convergence trends in rural areas of the EU, or cover the particular impact of the CAP on balanced socio-economic development.

[41] see for example; Křístková and Ratinger, 2012; Kaditi, 2013; Olper et al., 2014; Dupraz and Latruffe, 2015; World Bank, 2017; Angioloni et al., 2019; Garrone et al., 2019; Schuh et al. 2019; Vigani et al., 2019
[42] for example Severini and Tantari, 2013; World Bank, 2017
[43] Shortall, 2015; Franić and Kovačićek, 2019

The literature shows a general pattern of change in economic and social conditions in the regions of Europe since 2008 of gradual convergence, with those regions having the lowest GDP seeing faster rates of growth than regions with higher GDP (7th Cohesion report – European Commission, 2017). Also, the rate of decline of employment in agriculture has been higher in structurally less developed regions than in structurally more developed regions (EC, 2017 ibid.), as the structure of economies also converges. Nevertheless, economic and environmental disparities between the regions of the EU remain significant, as measured in welfare terms, while social disparities are less pronounced (Andreoni and Galmarini, 2016).

The rural-urban divide in socio-economic conditions remains significant in many Member States, with basic services generally less easy to access in rural areas, including broadband (EC, 2016), transport and health, education and welfare facilities. However, considerable investment of European Structural and Investment Funds has improved connectivity across Member States and regions in road and rail transportation (ESIF Open Data Platform, 2020). Some rural areas, including the most remote, still face considerable challenges of declining population and employment, ageing and a lack of infrastructure. Substantial differences exist between rural areas in the longstanding pre-2004 EU Member States and those in the Member States joining since 2004. The share of rural population at risk of poverty and social exclusion, which varies from 15% in Austria to over 40% in Malta and some eastern Member States, has reduced since 2008. However, in wealthier countries rural areas tend to have lower shares than urban areas whereas in eastern and southern Member States including Cyprus, Greece and Bulgaria, rural areas have much higher rates of population at risk of poverty than their urban counterparts (EC, 2017 ibid.). Copus et al (2014) conclude that spatial patterns of income poverty, and the processes of impoverishment, are complex. The clearest relationship is between urban and rural areas, where a U shaped distribution is evident (poverty lowest in accessible rural or intermediate areas, and higher in both urban and remote rural areas). Islands also tend to have higher rates of poverty but otherwise for coasts, mountains, border areas, and industrial regions no 'universal' relationship with rates of poverty was found – national and macro-regional contexts seem to make a difference, suggesting interventions to tackle poverty need to be sensitive to context.

Finally, even within rural areas, disparities in socio-economic conditions are significant between different groups. Some researchers conclude that women face more challenges in rural areas and are therefore more likely to leave them than men (Franić and Kovačićek, 2019); others highlight the social and economic disadvantage experienced by migrants and ROMA people within rural, as well as urban, environments (e.g. Ladányi and Szelényi, 2006; Ruzicka, 2012). Moreover, disparities in socio-economic conditions (e.g. incomes and assets) between landowners and non-landowners, as well as those working in high value agricultural produce sectors (e.g. wine) and lower value produce sectors, can be observed (e.g. FADN, 2019).

Since its creation, the CAP has fostered social and economic development principally of the agricultural sector and the rural farming population, aiming to support farm incomes and provide stability in markets to assist investment and increased productivity. Agrosynergie (2011) concluded that CAP funding helped to support farm household incomes across the EU. The CAP incorporated a territorial element – Less-Favoured Area policy – from 1973, designed to help maintain agricultural activity in the most marginal and remote rural areas. Many contemporary sources affirm the importance of CAP funding in underpinning farm viability in these areas (Dax and Copus, 2018; Vigani and Dwyer, 2020). With the creation of the second Pillar in 2000 and its development since then, the CAP's focus upon rural development has been affirmed and expanded (European Commission, 2004; 2013). Nevertheless, Chartier et al (2016), in mapping the implementation of the CAP 2014-2020, conclude that the targeting of BTD is likely weak and particularly in respect of Pillar 1 decoupled

payments, implementation is strongly influenced by historic factors meaning traditionally high-supported sectors continue to receive a large share of the funding.

Vigani et al (2019) systematically reviewed studies investigating the CAP's impact upon rural employment and found evidence of mixed impacts depending on the mix of instruments and measures deployed at Member State or regional level. Generally, **Pillar I** aids support farm incomes and therefore retain more employment in agriculture than would be the case otherwise, while **Pillar II** has capacity to increase both agricultural and rural employment, if targeted towards these goals. These authors conclude that the CAP today is more likely to foster increased rural employment than was the case prior to 2000, but that specific impacts will vary considerably according to the choices made at national and regional levels, about CAP priorities and the measures and instruments used (Vigani et al, 2019).

Research has highlighted the potential positive role of CAP measures and instruments – particularly those in Pillar II – to address social and economic needs in rural areas including tackling social exclusion, and promoting social capital and enhanced quality of life (EC, 2008; ENRD factsheets; Copus and De Lima, 2015; EDORA, PEGASUS and SEFARI H2020 projects, TiPSE ESPON project). Initiatives such as social farming, whilst generated independently of agri-rural policies, have been subject to some support under the European Agricultural Fund for Rural Development (EAFRD) and are increasing in popularity in many Member States. However, the authors of these reports also identify potential for the CAP to contribute more towards social goals in rural areas, as well as highlighting broader issues of social need in rural areas that other ESIF funding could address.

A number of recent studies have examined issues of delivery of CAP measures and instruments and these provide some useful pointers to help assess efficiency and cost-effectiveness. In particular, the thematic working group 4 of the European Network for Rural Development (ENRD) in the 2007-2013 period, also the current programming period evaluation studies on the administrative burden of CAP (ECORYS, 2018) and the mapping of CAP implementation (Chartier, 2016), are relevant for this purpose and are referred to in our analysis.

4.4 Cluster analysis

The cluster analysis groups regions along common characteristics and needs, to allow for a targeted discussion of the effects of CAP funding on differentiated regions' BTD, characteristics, and socio-economic factors. By differentiating between types of rural regions, analytical results stemming from the qualitative and quantitative methods (case studies, regression, and correlation analyses) allow for more differentiated insights into the effectiveness of implementation in relation to the territorial specificities of the regions. For example, the implementation of a certain CAP measure or instrument may produce different local impacts if the region is a lagging region or a structurally advanced region, as local needs vary.

The cluster analysis relies on two core principles: **intra-cluster homogeneity** (e.g. territories within the same cluster show similarities regarding their territorial, socio-economic, demographic and/or other thematic profile) and **extra-cluster heterogeneity** (e.g. territories from two distinct clusters show different territorial, socio-economic, demographic and/or other thematic profiles).[44]

[44] The cluster analysis based on an extension of the prevalent k-means clustering method, which can deal with missing data, has been conducted in R.

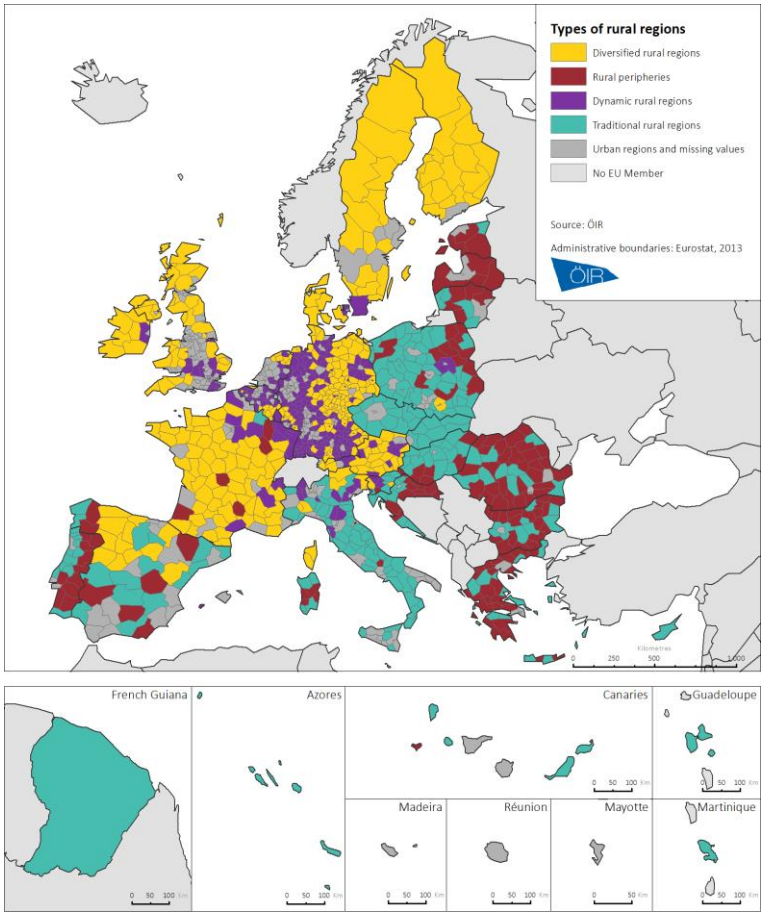
The cluster analysis produced a set of four clusters grouping similar rural and intermediate regions in terms of their socioeconomic characteristics (such as their accessibility, their economic performance, and their quality of governance) together.

The four clusters are classified as:

- Diversified rural and intermediate regions,
- Peripheral rural and intermediate regions,
- Dynamic rural and intermediate regions,
- Traditional rural and intermediate regions.

The results of the cluster analysis are illustrated in Map 1.

Map 1: Types of rural and intermediate regions



Source: Consortium, 2020

The first cluster is characterised by **diversified rural and intermediate regions** featuring ageing societies within structurally well-developed regions. Educational attainment is high, as is the trust in the local government. Social cohesion is also high, with inhabitants placing significant trust in their social networks. These regions are more often associated with high labour costs and strong inter-sectoral competition.

The second cluster contains the **peripheral rural and intermediate regions** which feature very low degrees of accessibility. Rural peripheries typically have inhabitants who migrate away, while the remaining population is characterised by low educational attainment. Trust in local governments and social networks is generally low. These regions feature smaller population density and a lower degree of farm diversification and technological intensification, with a high share of NATURA 2 000 surface area. The agricultural sector is important in these regions. These regions are lagging in terms of productivity and standards of living. Population outflows to wealthier regions negatively impact human capital endowments.

The third cluster consists of **dynamic rural and intermediate regions** which are generally situated in closer proximity to urbanised regions. These regions are clustered around urban areas with good accessibility, younger, well-educated populations, and high in-migration. Trust in the quality of governance and social networks is very high in these regions. Dynamic rural regions have stronger development patterns, however, farming in these regions faces pressure from the neighbouring urban centres by means of land value for uses for purposes other than agriculture.

The fourth cluster is **traditional rural and intermediate regions.** These regions are generally younger (lower dependency ratio) and feature high employment growth. The regions retain a strong rural character, with large NATURA 2000 areas, a large share of the population in rural areas. Trust in social networks and local governance is low, as is regional accessibility. These regions retain a strong and viable agricultural sector.

4.5 Correlation analyses

This section discusses the statistically significant findings from two cluster correlation analyses along the funding volumes of the selected instruments and measures and series of context indicators (see Table 2 for the data sources). Correlation analyses can provide insights into the relationship between two variables. Stronger correlations indicate stronger relationships. A negative coefficient denotes a negative relationship between the two variables (i.e. that a positive change in one variable is related with a negative change in the other) and vice versa. Two correlation analyses were conducted. One was conducted per cluster to investigate developments associated between CAP funding and socio-economic indicators. Another was conducted across all (rural and intermediate) NUTS2/3 EU-28 regions.
The correlation analysis serves to identify trends and patterns of interest and forms a scoping exercise in the framework of the study. It is important to note that these identified relationships are solely correlations and do not identify causal patterns. Funding data includes 2015-2018 paid out Pillar I expenditure and 2014-2018 committed expenditure for Pillar II. Further, the project team highlights only statistically significant findings with strong correlation[45].

4.5.1 Pillar I: Direct payments and CMO

In the analysis stretching across all EU-28 regions, the funding volume of the small farmer scheme is significantly and negatively correlated with the change of net migration rate (with a correlation coefficient of approximately -0.4). In addition, the funding volumes of the smaller famer scheme are significantly and positively associated with the change of broadband connectivity (approximately 0.55). Funding from the CMO Wine is also positively associated (0.37) with the change of broadband connectivity.

Differentiating the analysis according to the type of cluster, most funding volumes are not statistically significantly correlated and/or only display weak correlations. In the diversified rural and intermediate regions (cluster 1), the rate of change of the dependency ratio is significantly negatively correlated with the small famers' scheme funding volumes. This implies that higher funding volumes are statistically negatively associated with a change in the dependency ratio, implying a move towards a relatively more stable demographic situation. In traditional rural regions (cluster 4) a positive and moderately statistically significant correlation between the volume of redistributive payments and the change of the dependency ratio was observed (correlation coefficient: 0.36).

[45] Meaning significant correlation coefficients above ±0.3.

4.5.2 Pillar II: Rural development measures

Across EU-28, only funding volumes in M04 – investments and M19 – LEADER display moderate and significant correlations with the change of broadband access between 2014 and 2017 (with correlation coefficients respectively of 0.34 and 0.3). When analysing individual clusters separately, the project team identified several additional patterns:

- In the peripheral rural and intermediate regions (cluster 2), M07 – village renewal funding volumes are positively and moderately significantly correlated with the change in the dependency ratio (correlation coefficient of 0.3) and with the change in regional gross value-added growth rates (GVA; correlation coefficient of 0.35).
- In the dynamic rural and intermediate regions of cluster 3, M06 – farm and business development funding is negatively correlated with the change of the net migration rate (correlation coefficient of -0.3).
- M02 – advisory services funding is negatively correlated with the rate of change of the dependency ratio in the traditional rural and intermediate regions (cluster 4; correlation coefficient of -0.4). In addition, the percentage gross value added (GVA) increase between 2014 and 2017 is significantly and positively correlated with M12 – NATURA 2000 funding volume (at 0.38).

4.6 Regression analyses

The focus of this analysis was the CAP influence on changes in socio-economic indicators between 2014 and 2017, as indicated in Table 2. To reduce the dimensionality of the indicators, indicators measuring these changes were assessed via a principal component analysis (PCA). The project team applied PCAs on indicators and funding set per cluster and per thematic funding group[46]. The indicators with the highest eigenvalues were selected as the dependent variables of the regression analyses.

To assess the developments associated with other ESIF funding along the identified indicators, the project team sought to identify funding with similar thematic focuses as the CAP funding. This was done via a matching funding from thematic objectives (TO) to the relevant measures and instruments. Funding data from the European Regional Development Fund (ERDF), Cohesion Fund (CF), and European Social Fund (ESF) is aggregated per thematic objective (TO) to the shortlisted measures of Pillar II via shared focus areas. If the focus area of the CF, ERDF, and ESF TO and the EAFRD measure are identical, the two funding volumes are considered *matched.* An overview of the matching is provided in Table 4. These are subsequently grouped according to the thematic groups listed in section 2.5.1.

Table 4 provides an overview on the thematic correspondence between ERDF/CF/ESF and Pillar II. The process is structured as follows:

(1) Aggregation of CAP expenditure according to thematic grouping per NUTS3 region (e.g. for *social inclusion and economic development* funding from M07 – village renewal and M19 – LEADER was aggregated per NUTS3).
(2) Identification of thematically similar ERDF/ESF/CF expenditure per NUTS3 via common focus area (e.g. this matches funding from M07 and M19 to the relevant ERDF/ESF/CF thematic objectives (two to six and eight and nine), as indicated in Table 4).
(3) ESIF correspondence funding is subsequently aggregated per NUTS3,
(4) Standardisation of funding data.
(5) Identification of high funding region (funding above country median).

[46] The funding groups and the bundling of measures/instruments are outlined in section. 2.5.1

(6) Creation of dummy variable denoting high funding per thematic group for CAP and ESIF.

Pillar I direct payments and CMO are aggregated and compared to aggregated ERDF/ESF/CF funding. This is necessary because there is no direct focus area correspondence between individual Pillar I instruments and individual thematic objectives as there is between Pillar II measures and TO via the common focus area.

Table 4: Correspondence between EAFRD measures and other ESIF funding

	TO1	TO2	TO3	TO4	TO5	TO6	TO8	TO9	TO10
Knowledge transfer and innovation									
M01									X
M02	x								
M16	x								
Enhancing farm viability and competitiveness									
M04			X	x	x	x	x	x	
M06			X	x			x	x	
Social inclusion and economic development									
M07		x	X	x	x	x	x	x	
M19							x	x	
Environmental and climate change issues									
M10				x	x	x			
M11			X	x	x	x			
M12				x	x	x			
M13			X	x	x	x		x	

Source: Consortium, 2020

The selected indicators were subsequently assessed via regression analyses to identify statistical differences in regions obtaining high funding and low funding for each thematic group of instruments and measures. Another set of regression analyses was implemented using related ESIF funding to assess whether similar relationships observed between CAP funding data and socio-economic indicators exist for these indicators in high and low ESIF funding regions[47]. These analyses were conducted on NUTS3 scale. The approach allows the project team to differentiate between developments associated with the CAP or ESIF in selected indicators.

The project team estimated the relative developments associated with CAP and ESIF expenditure via sets of regression analyses per cluster. The indicator of interest (i.e. the one shortlisted via the PCA) serves as the dependent variable of the estimation. Among explanatory variables are the dummy variables denoting high and low funding (either CAP or ESIF) and a series of controls (to account for regional specificities). Per shortlisted indicator the project team estimated two regressions, one with an ESIF funding dummy and one with a CAP funding dummy. Table 5 presents the structure of the equations.

[47] The ESIF regression analyses were used to assess the funding developments related to comparable ESIF funding. In general, coefficient values were not compared between individual independent regression analyses.

Table 5: Regression model set-up

Variable	Overview	Remarks
Dependent variable	Rate of change in each socio-economic indicator (from 2014 to 2017)	Per cluster and funding group the shortlisted indicator. This results in three indicators of interest per cluster and funding group, or 60 indicators in total.
Explanatory variable of interest	Funding dummy (ESIF/CAP) for relevant funding group	A dummy denoting whether the region obtains high (1) or low funding (0). A region obtains high funding if the funding for a measure/instrument exceeds the national median. This is the variable of interest. A significant coefficient denotes a statistical difference in the dependent variable between regions obtaining high funding and low funding in the cluster
Additional explanatory variables: regional controls	GVA per employee NATURA 2000 area share Degree of rurality Multimodal accessibility[48] Perception of social network Perception of governance EU 15 membership	Regional controls use 2016 data as a baseline and are static. The dummy signifying whether the region belongs to EU 15 ('1' if belongs to that group) was included for clusters 2 and 4. The perception of social network quality was not included for cluster 2 due to low observation count.

Source: Consortium, 2020

This approach resulted in the estimation of 120 regression models using the software package R. The interpretation of the results in terms of effects, causality and direction of the relationship is limited by:

- considering the 'effect' of the (grouping) of funds individually – most probably some of the outcomes are influenced by more than one type of fund;
- the time horizon used in the regressions: many impacts of CAP funding may only materialise in the future;
- the fact that the dependent and explanatory variables cover the same time-period may introduce endogeneity issues.

In the reporting of the results, a plus-sign denotes a statistically positive association, a minus-sign a negative association. The more plusses or minuses are reported, the stronger is the association as shown in Table 6.

Table 6: Legend regression outputs

Symbol	Definition
+++/---	Significant at less than 1%, coefficient positive/negative
++/--	Significant at less than 5%, coefficient positive/negative
+/-	Significant at less than 10%, coefficient positive/negative
n/a	No statistically significant coefficient

Source: Consortium, 2020

[48] Only available up until 2014.

4.6.1 Pillar I: direct payment and CMO

The development of socio-economic indicators in high and low funding regions of Pillar I direct payments and CMO funding was analysed. The following indicators (Table 7) were shortlisted from the principal component analysis and subsequently assessed in regression analyses per cluster.

Table 7: Key indicators direct payments and CMO

Cluster 1: diversified rural and intermediate regions Primary indicators	Cluster 2: peripheral rural and intermediate regions Primary indicators	Cluster 3: dynamic rural and intermediate regions Primary indicators	Cluster 4: traditional rural and intermediate regions Primary indicators
– Change in employment (primary sector) – Change in tourism attractiveness – Change in training rate	– Change in GVA – Change in employment (primary sector) – Change in education attainment (secondary)	– Change in innovation performance Change in employment – Change in active employment rate (f)	– Change in broadband connectivity – Change in employment – Change in GVA (primary sector)

Source: Consortium, 2020

The summarised results of the regression analyses are provided in Table 8. These are the main results:

- Cluster 1: This cluster is composed of regions closer to urban areas. The agricultural sector plays a lower role in these regions where high funding in Pillar I (direct payments and CMO) is positively associated with the change in employment in the primary sector between 2014 and 2017. Higher funding in cluster 1 regions is negatively associated with the development of overnight stays in the region.
- Cluster 2: Regions with high Pillar I (direct payment and CMO) funding regions are positively associated with the development of secondary educational attainment between 2014 and 2017. While not a primary target of Pillar I, these developments are observed to a statistically higher extent in high-funding regions than in low funding regions across the cluster.

Table 8: Pillar I and ESIF: associated impacts per cluster

	Cluster 1: diversified rural and intermediate regions	Cluster 2: peripheral rural and intermediate regions	Cluster 3: dynamic rural and intermediate regions	Cluster 4: traditional rural regions and intermediate
Pillar I (direct payments and CMO)	+++ Change in employment (primary sector) -- Change in tourism attractiveness	+++ Change in education attainment (secondary)	n/a	n/a
Related ESIF funding (ERDF, ESF, CF): all TOs	+ Change in employment (primary sector)	n/a	+ RIS3	n/a

Source: Consortium, 2020

4.6.2 Social development, rural services, and village renewal (M07 and M19)

Developments associated with CAP funding in Social development, rural services, and village renewal (M07 – village renewal and M19 – LEADER) were analysed along a series of key indicators, as refined by the PCA in Table 9.

Table 9: Key indicators M07 and M19

Cluster 1: diversified rural and intermediate regions Primary indicators	Cluster 2: peripheral rural and intermediate regions Primary indicators	Cluster 3: dynamic rural and intermediate regions Primary indicators	Cluster 4: traditional rural and intermediate regions Primary indicators
– Change in training rate – Change in tourism attractiveness – Change in employment	– Change in GVA (primary sector) – Change in GVA – Change in active employment rate (m)	– Change in GVA (primary sector) – Change in active employment rate (f) – Change in employment	– Change in GVA (primary sector) – Change in GVA – Medical doctors

Source: Consortium, 2020

The summarised results of the regression analyses are provided in Table 10. These are the main results:

- Cluster 1: High M07 and M19 funding is positively associated with the change in the training rate in diversified rural and intermediate regions (cluster 1). The matched ESIF funding is negatively associated with the development in overnight stays.
- Cluster 3: In terms of social developments, in clusters 3, high funding in M07 and M19 is positively associated with the rate of women's participation in the labour force.
- Cluster 4: Within the more rural cluster 4, higher M07 and M19 funding is positively associated with the change of doctors per 100 000 inhabitants. In addition, the estimation points towards a negative relationship between the change in primary sector GVA between 2014 and 2017 and M07 and M19 funding. When testing the rate of change of medical doctors per 100 000 inhabitants with matched ESIF expenditure data, cluster 4 regions obtaining high ESIF expenditure are also positively associated with the development in medical doctors per 100 000 inhabitants.

Table 10: Social inclusion and economic development (M07 and M19) and ESIF: associated impacts per cluster

	Cluster 1: diversified rural and intermediate regions	Cluster 2: peripheral rural and intermediate regions	Cluster 3: dynamic rural and intermediate regions	Cluster 4: traditional rural regions and intermediate
Pillar II: M07 and M19	++ Change in tourism attractiveness	- Change in active employment rate (m)	+++ Change in active employment rate (f)	-- Change in GVA (primary sector) ++ Medical doctors
Related ESIF funding (ERDF, ESF, CF): TO2, TO3, TO4, TO5, TO6, TO8, TO9	- Change in tourism attractiveness	n/a	n/a	++ Change in GVA (primary sector) ++ Medical doctors

Source: Consortium, 2020

4.6.3 Knowledge transfer and innovation (M01, M02 and M16)

The development of shortlisted socio-economic indicators in high and low funding regions of **knowledge transfer and innovation (M01, M02 and M16)**[49] was analysed. The analysed indicators are provided in Table 11.

[49] M01 – knowledge transfer, M02 – advisory services, M16 – cooperation.

Table 11: Key indicators M01, M02 & M16

Cluster 1: diversified rural and intermediate regions Primary indicators	Cluster 2: peripheral rural and intermediate regions Primary indicators	Cluster 3: dynamic rural and intermediate regions Primary indicators	Cluster 4: traditional rural and intermediate regions Primary indicators
– Employment (primary sector) – Change in tourism attractiveness – Change in training rate	– Change in GVA (primary sector) – Change in GVA – Change in employment (primary sector)	– Change in education attainment (tertiary) – Change in GVA (primary sector) – Change in active employment rate (f)	– Change in GVA – Change in education attainment (tertiary) – Change in broadband connectivity

Source: Consortium, 2020

The summarised results of the regression analyses are provided in Table 12. These are the main results:

- Cluster 1: In the more urbanised cluster 1, regions with high funding in M01, M02, and M16 are positively associated with the change in training rates across the general population. However, this trend is also observed in relation to comparable ESIF expenditure for cluster 1.
- Cluster 2: In this more rural cluster, high M01, M02, and M16 funding regions are positively associated with primary sector GVA growth and GVA growth across the general economy.
- Cluster 3: High M01, M02, and M16 funding regions in cluster 3 are positively associated with changes in the share of the population with tertiary education.
- Cluster 4: High funding regions in M01, M02, and M16 are positively associated with change in GVA in cluster 4. Regions obtaining comparable funding in related ESIF are also positively associated with change in GVA, but also lower growth rates for the share of the population with tertiary education.

Table 12: Knowledge transfer and innovation (M01, M02 and M16) and ESIF: associated impacts per cluster

	Cluster 1: diversified rural and intermediate regions	Cluster 2: peripheral rural and intermediate regions	Cluster 3: dynamic rural and intermediate regions	Cluster 4: traditional rural regions and intermediate
Pillar II: M01, M02 and M16	++ Change in training rate	+++ Change in GVA (primary sector) ++ Change in GVA	++ Change in education attainment (tertiary)	+++ Change in GVA
Related ESIF funding (ERDF, ESF, CF): TO1, TO10	++ Change in training rate	n/a	n/a	++ Change in GVA - Change in education attainment (tertiary)

Source: Consortium, 2020

4.6.4 Enhancing farm viability and competitiveness (M04 and M06)

The development along a series of socio-economic indicators associated with high and low funding in M04 – investment and M06 – farm and business was analysed for the four clusters. These indicators were shortlisted via a PCA and are provided in Table 13.

Table 13: Key indicators M04 and M06

Cluster 1: diversified rural and intermediate regions Primary indicators	Cluster 2: peripheral rural and intermediate regions Primary indicators	Cluster 3: dynamic rural and intermediate regions Primary indicators	Cluster 4: traditional rural and intermediate regions Primary indicators
– Employment (primary sector) – Change in tourism attractiveness – Change in training rate	– Change in GVA (primary sector) – Change in GVA – Change in education attainment (tertiary)	– Change in GVA (primary sector) – Change in active employment rate (f) – Change in employment	– Change in NATURA 2000 area – Medical doctors – Change in GVA (primary sector)

Source: Consortium, 2020

The summarised results of the regression analyses are provided in Table 14. These are the main results:

- Cluster 1: High M04/M06 funding is positively associated with the rate of employment in the primary sector in cluster 1. Conversely, funding in this cluster is also negatively associated with changes in tourist capacity.
- Cluster 3: High funding M04/M06 regions within cluster 3 are positively associated with change in employment among the general workforce and primary sector GVA between 2014 and 2017, but also negatively associated with active employment rates among women.
- Cluster 4: In the cluster, high M04/M06 funding regions are positively associated with changes in medical doctors per 100 000 inhabitants between 2014 and 2017. High related ESIF funding regions in cluster 4 (predominantly regions in southern and central Europe) are statistically positively associated with changes in primary sector GVA between 2014 and 2017 and in changes in medical doctor per 100 000 inhabitants.

Table 14: Enhancing farm viability and competitiveness (M04 and M06) and ESIF: associated impacts per cluster

	Cluster 1: diversified rural and intermediate regions	Cluster 2: peripheral rural and intermediate regions	Cluster 3: dynamic rural and intermediate regions	Cluster 4: traditional rural regions and intermediate
Pillar II: M04 and M06	+++ Change in employment rate (primary sector) - Change in tourism attractiveness	n/a	++ Change in employment rate + Change in GVA (primary sector) --- Change in active employment rate (f)	+++ Medical doctors
Related ESIF funding (ERDF, ESF, CF): TO3, TO4, TO5, TO6, TO8, TO9	n/a	n/a	n/a	+++ Medical doctors +++ Change in GVA (primary sector)

Source: Consortium, 2020

4.6.5 *Agri-environmental and climate change issues (M10, M11, M12 and M13)*

Regression models estimated the developments associated with funding in agri-environmental and climate change issues (M10, M11, M12 and M13)[50] along a series of key indicators, as refined by the PCA. These shortlisted indicators (Table 15) assess the general socio-economic characteristics of rural and intermediate regions where funding has taken place.

Table 15: Key indicators M10, M11, M12 and M13

Cluster 1: diversified rural and intermediate regions Primary indicators	Cluster 2: peripheral rural and intermediate regions Primary indicators	Cluster 3: dynamic rural and intermediate regions Primary indicators	Cluster 4: traditional rural and intermediate regions Primary indicators
– Change in employment (primary sector) – Change in overnight stays – Change in training rate	– Change in GVA (primary sector) – Change in GVA – Change in education attainment (tertiary) rate	– Change in employment – Change in innovation performance innovation performance – Change in active employment rate (f)	– Change in NATURA 2000 area – Change in GVA (primary sector) – Change in GVA

Source: Consortium, 2020

The outputs of the regression analysis are provided in summarised form in Table 16. These are the main results:

- Cluster 1: In the more urbanised cluster, high agri-environmental measures funding is positively associated with the growth rates in the share of the population in training courses. This association is not observed for high funding from related ESIF TOs.
- Cluster 2: Regions with high funding in agri-environmental measures in the cluster are negatively associated with a change in primary sector GVA (2014-2017), implying that the growth rate of agri-value generation is lower in regions where measure funding is higher.
- Cluster 3: High funding regions in agri-environmental measures are positively associated with changes in active employment (2014-2017) among women, the inverse of which is observed for high funding in related ESIF TOs. However, the association between high funding in related ESIF TOs and the change in innovation performance is positive.
- Cluster 4: High funding regions in agri-environmental measures are positively associated with change of GVA (2014-2017). Regions with high funding in comparable ESIF TOs are positively associated with changes in NATURA 2000 surface area, change in GVA (primary sector and across the economy).

Table 16: Agri-environmental and climate change issues (M10, M11, M12 and M13) and ESIF: associated impacts per cluster

	Cluster 1: diversified rural and intermediate regions	Cluster 2: peripheral rural and intermediate regions	Cluster 3: dynamic rural and intermediate regions	Cluster 4: traditional rural regions and intermediate
Pillar II: M10, M11, M12 and M13	--- Change in tourism attractiveness +++ Change in training rate	- Change in GVA (primary sector)	+ Change in active employment rate (f)	+++ Change in GVA (primary sector)

[50] M10 – agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payments to ANC.

	Cluster 1: diversified rural and intermediate regions	Cluster 2: peripheral rural and intermediate regions	Cluster 3: dynamic rural and intermediate regions	Cluster 4: traditional rural regions and intermediate
Related ESIF funding (ERDF, ESF, CF): TO3, TO4, TO5, TO6, TO9	n/a	++ Change in GVA (primary sector) + Change in education attainment (tertiary)	++ Change in innovation performance - Change in active employment rate (f)	+ Change in NATURA 2000 area + Change in GVA (primary sector) + Change in GVA

Source: Consortium, 2020

4.7 Input-output analysis

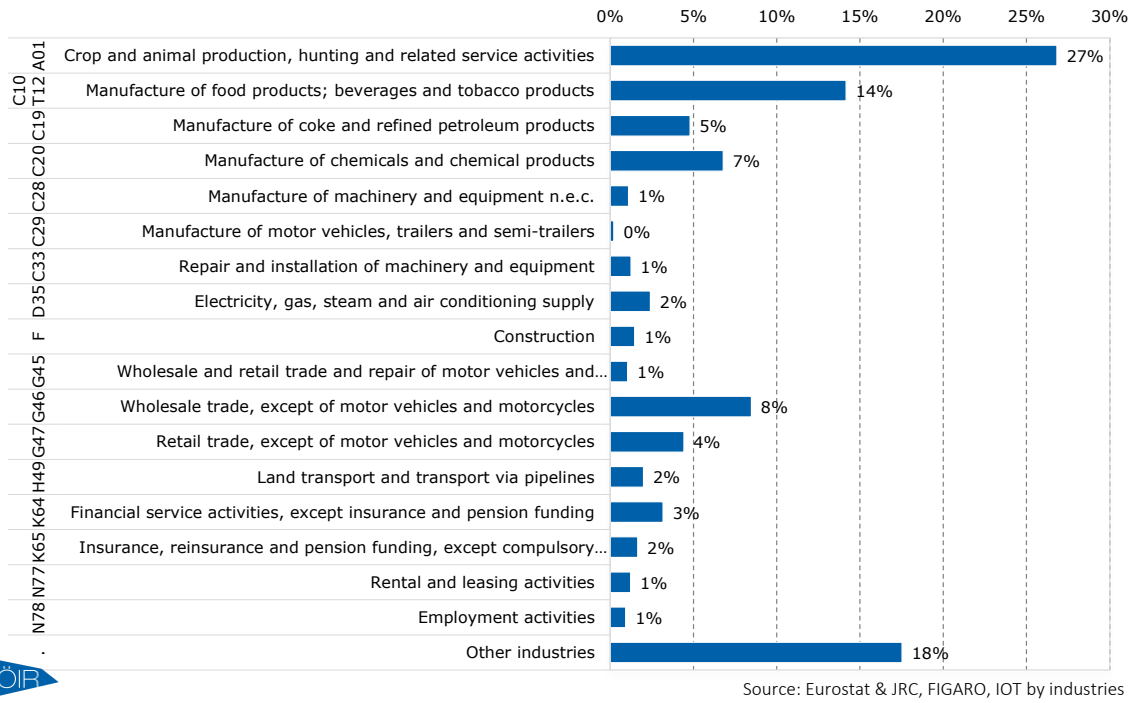
The project team conducted an input-output analysis to identify the effectiveness of Pillar I funding with respect to generating jobs and income within the primary sector. The project team used paid out Pillar I expenditure[51] from the time-period 2015-2018. In the context of the effectiveness analysis in terms of social impacts of the CAP, this section presents the estimated number of jobs sustained within the primary sector due to Pillar I funding and the expenditure induced in downstream sectors for the time-period 2015-2018. The analysis level of this exercise is the agricultural sector at Member State level. Starting point of the calculations is the input-output table (industry x industry) for 29 countries (EU-28 plus United States) and 64 industries (NACE Rev. 2), as provided in the FIGARO project. The present dataset refers to the year 2010.

Expenditure by the agricultural sector with Pillar I funding, be it the purchase of seed or fodder, fuel, chemical products as well as the increased demand for financial services lead in turn to increased sales in the respective supplying industries. Thereby, labour income effects in these industries are initiated. The calculation of these labour income effects is based on the input-output tables (industry x industry) from the FIGARO dataset and the economic relations documented there between the input industries and the agricultural sector.

Figure 10 illustrates an overview of the relative importance of other economic sectors to the agricultural sector. Almost one third (27%) of the inputs to the agricultural sector stem from the agricultural sector itself, i.e. crop and animal production. Further, the manufacturing of food and fodder plays an important role to the agricultural sector as 14% of all inputs come from this industry. Other important input sectors are wholesale trade (8%), the manufacturing of chemicals (fertilisers, pesticides, etc., 8%), the manufacturing of refined petroleum products (fuel, 5%), retail trade (4%) and financial services (3%).

[51] The input-output analysis considers the following Pillar I instruments: Basic payments, green payments, voluntary coupled support, redistributive payment, small farmers scheme, and payments for young farmers between 2015 and 2018. This corresponds to the selection of instruments from the causal analysis (ESQ1).

Figure 10: Importance of the input of different industries to the agricultural sector (A01) – Share of input of the respective industry to the agricultural sector in %



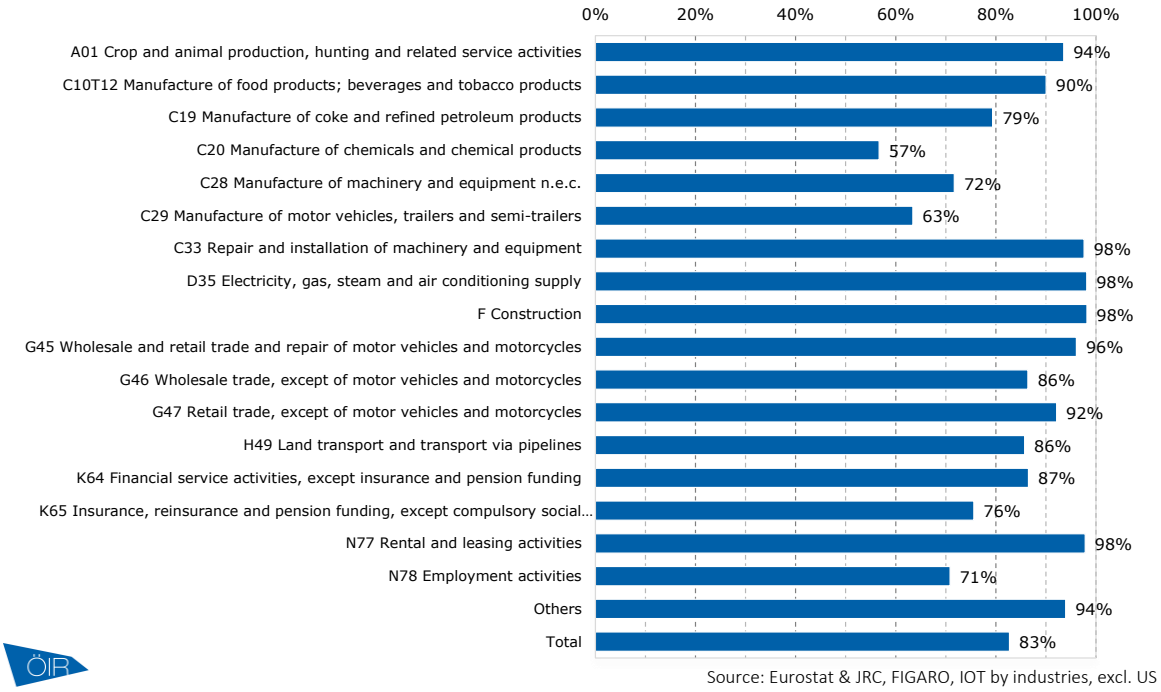
Source: Consortium based on DG AGRI, Eurostat and JRC, Figaro 2010

The FIGARO dataset allows for the analysis of input to industries from different national markets, as the trade flows from all industries in all Member States (and the US) to all industries in each Member State (MS) is included. The importance of the national market as input to the respective national agricultural industry is astonishingly high. EU Member States, overall, 83% of agricultural sector inputs stem from the market in the country where the funding was disbursed (Figure 11). The analysis differentiates between domestic regions (regions situated in the same Member State as where the funding was induced) and other European regions (regions situated in other MS than where the funding was induced).

From the important input industries to the agricultural sector, the share of domestic inputs (i.e. from regions in the same Member State) varies between 63% (manufacture of vehicles) and 98% for the supremely national markets (energy, construction) and local series (repair). The important input sectors crop and animal production, as well as food and fodder production rely to 94% and 90% on the domestic market. As anticipated wholesale and retail services are likewise domestically rooted. For more expensive and thus less transport cost sensitive products, the sources of supply are less local – e.g. chemicals with a share of 57% of the domestic market as well as machinery (72%) or as already mentioned motor vehicles (63%).

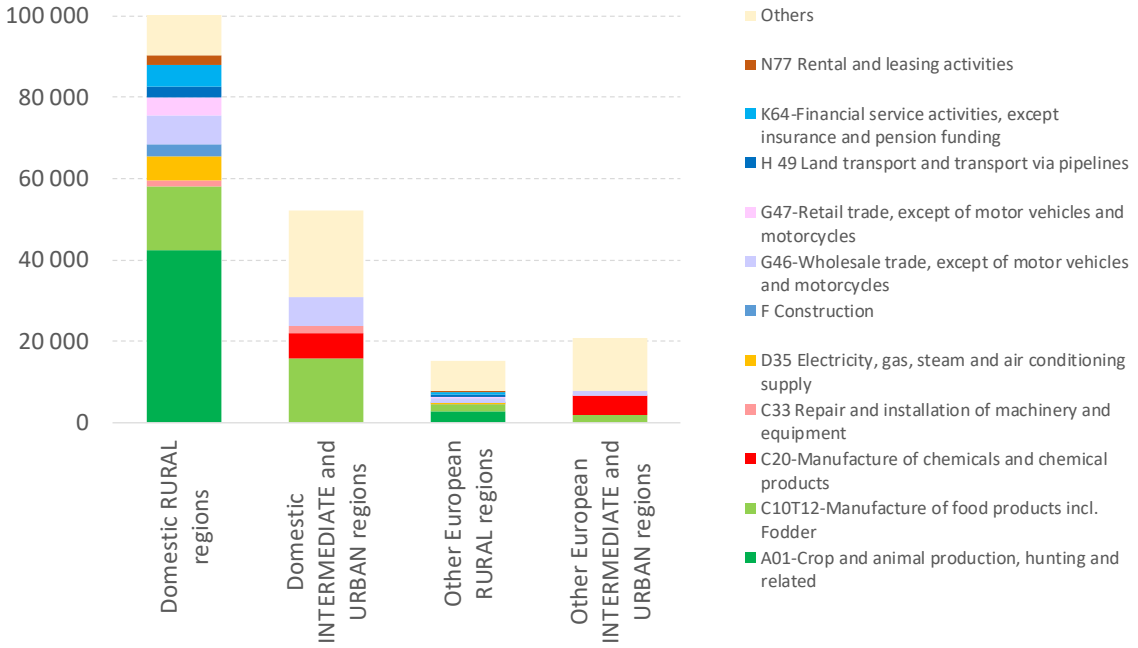
The effects of the direct payments funding are illustrated in Figure 12. The figure differentiates between rural regions on the one hand and intermediate or urban regions. Domestic rural regions are the main recipients of the re-invested money. Out of the EUR 191.5 billion spent on the selected Pillar I instruments 64% flows back to input industries in rural areas and 36% are spent in intermediate or urban regions.

Figure 11: Share of the domestic market as input to the Agricultural Sector (A01) – Share of national input of the respective industry to the agricultural sector in %



Source: Consortium based on DG AGRI, Eurostat and JRC, Figaro 2010

Figure 12: Gross value added for input sectors to the agricultural sector – Effects of selected instruments of CAP Pillar I direct payments (2015-2018), million euro per sector



Source: Consortium based on DG AGRI, Eurostat and JRC, Figaro 2010

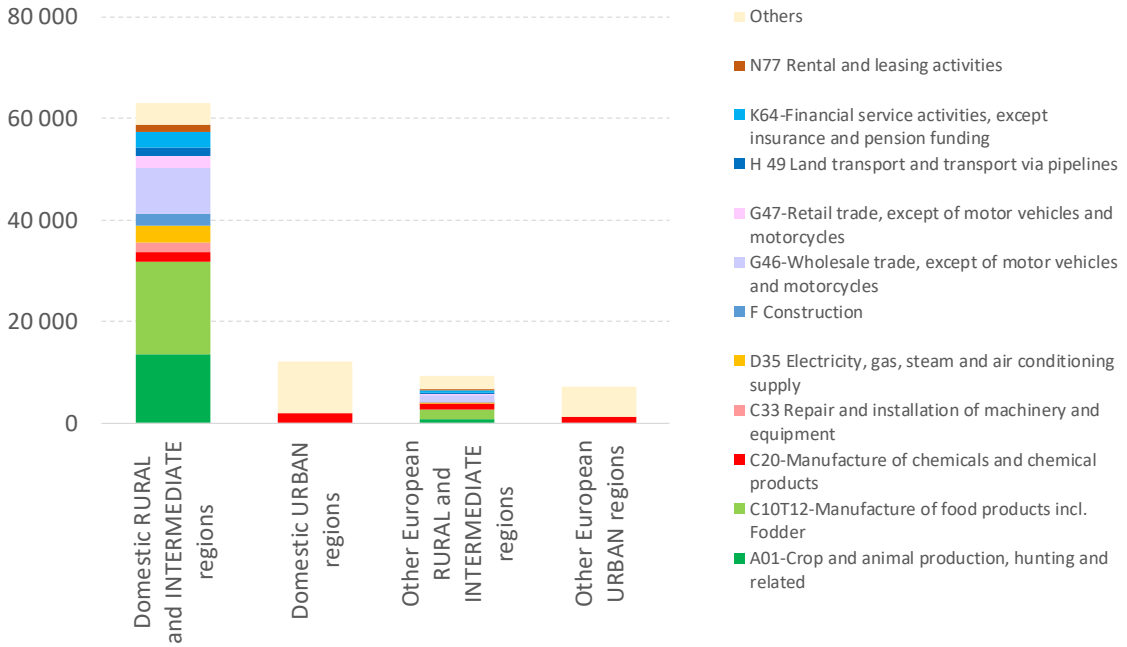
Approximately EUR 100 billion of CAP Pillar I funding were spent on goods and services produced in rural regions between 2015 and 2018. Out of this, EUR 45 billion were spent within the agricultural sector in rural regions. In terms of spending on other sectors in rural, intermediate, and urban regions, EUR 36 billion were spent on food and fodder and EUR 16.5 billion on wholesale trade. Rural regions account for half of the expenditure in food, fodder, and wholesale trade. EUR 11 billion were spent

in the manufacturing of chemicals and chemical products in intermediate and urban regions. The sub-category 'others' refers to economic activities, such as legal or health services or manufacturing of electronic goods. These were grouped into one category due to their lower individual importance to the agricultural sector.

Data for the manufacturing industry is available up to 2016, data on other industries steams from 2011 or previous years. For the agricultural sector which is not included in the OECD database, FADN data is used to establish unit labour costs.[52] The generated labour income increases are broken down by average labour costs by country[53]. Thereby, a rough estimation about additional work places due to CAP funding can be deduced. Approximately half of the 2015-2018 CAP Pillar I funding was spent on labour costs. Approximately EUR 50 billion or 26% of CAP direct payments in the 2015-2018 period went into labour income in rural and intermediate regions. Additional labour income effects in urban areas amounting to EUR 30 billion were induced.

Figure 13 illustrates the labour income generation because of 2015-2018 Pillar I support. The figure differentiates between *domestic regions* and *other European regions*. Domestic regions are located within the same Member State as the region which obtained funding. Other European regions are in different Member States. In addition, the figure illustrates the how much labour income was generated due to Pillar I. Labour income effects within the agricultural sector amount to EUR 14 billion, almost solely spent in rural and intermediate regions. The manufacturing of food and fodder accounts for almost EUR 20 billion, half of it spent in rural and intermediate regions. Wholesale with labour income expenditure of EUR 4.4 billion and electricity with EUR 3.3 billion contribute to labour income in rural and intermediate regions.

Figure 13: Labour income raise in rural regions for input sectors to the agricultural sector – Impacts of selected instruments of CAP Pillar I direct payments (2015-2018), in million euro



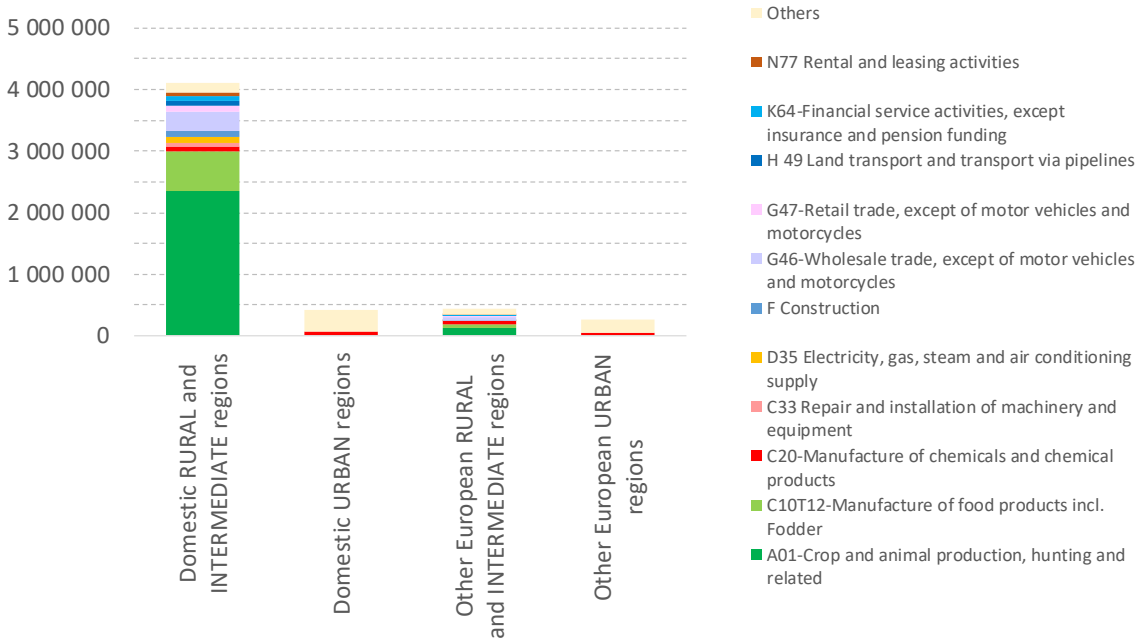
Source: Consortium, 2020, based on DG AGRI and FIGARO

These labour income effects initiated by re-invested CAP direct payments can be translated into safeguarded or created jobs, see Figure 14. Overall, CAP direct

[52] FADN: (Wages for paid labour + fictive wages for unpaid labour) / Total output
[53] LCS survey 2012, lc_ncost_r2

payments from 2015-2018 are expected to have contributed to an equivalent to 5.2 million created or safeguarded jobs. Approximately 4.2 million jobs are in rural or intermediate regions.

Figure 14: Employment effects in input sectors to the agricultural sector – Number of created or safeguarded jobs per sector (2015-2018)



Source: Consortium, 2020, based on DG AGRI and FIGARO

These positive effects of CAP direct payments spent on agricultural production are found in the agricultural sector itself. An estimated 2.4 million employees are compensated with the additional labour income due to increased demand of the agricultural sector between 2015 and 2018. Other industries likely in rural and intermediate regions significantly benefitting from the Pillar I funding are the production of food and fodder with 350 000 employees compensated by spent CAP funding as well as 185 000 employees working in the wholesale trade.

4.8 Quantitative efficiency analysis

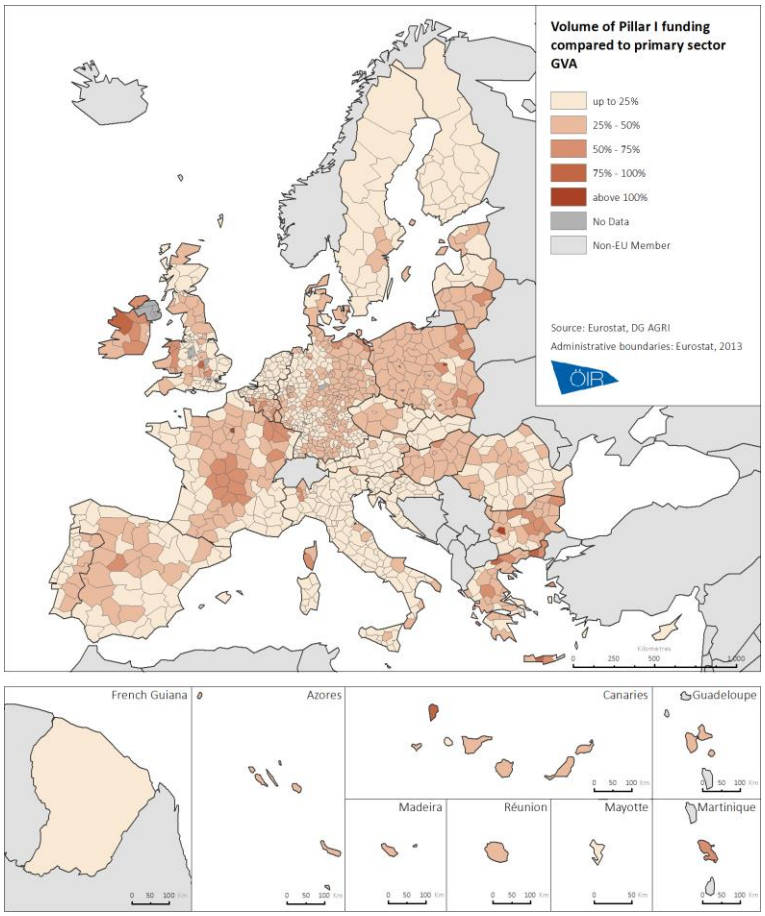
4.8.1 Pillar I direct payments expenditure –insights into the efficiency

Complementary to the outputs of the case study efficiency assessment, the efficiency of Pillar I was assessed by dividing the total Pillar I direct payments expenditure in 2016 by the primary sector gross value-added in 2016[54].

Map 2 displays the Pillar I direct payments results. A lower percentage rate corresponds to a higher efficiency of funding, as the funding is relatively smaller than the funded sector. Funding volume to agricultural sector ratios of below 20% are generally only observed in rural areas with significant agricultural industries. Discounting these regions, clusters of similar funding volumes in comparison to the size of the sector can be observed across Europe at around 30-40%.

[54] 2016 represents the most complete data point for primary sector GVA data. The years 2017 and 2018 feature relatively larger geographical data gaps. Data sources are presented in Table 2.

Map 2: Efficiency of direct payments



Source: Consortium, 2020, based on Eurostat and DG AGRI

4.8.2 Pillar II expenditure –insights into the efficiency

For this assessment, efficiency ratios were constructed. These are the ratio between output indicator value and associated funding volume. The assessment was undertaken on level of the individual RDP for data between 2014 and 2018. Information on the data sources is presented in section 2.3.

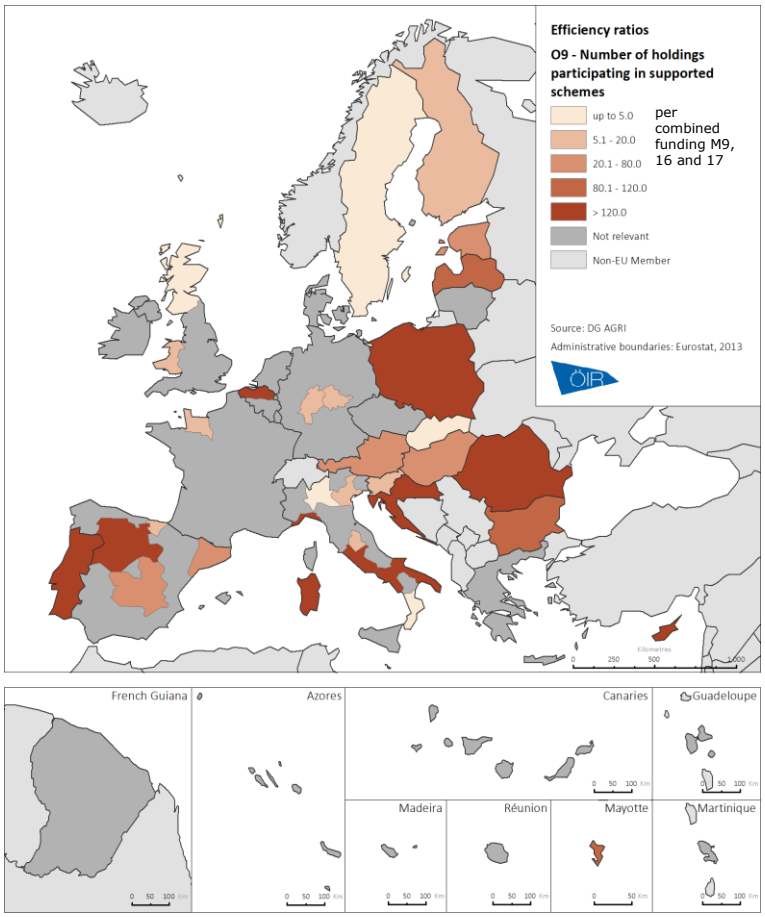
4.8.2.1 O9 – Number of holdings participating in support schemes

Participation is relevant for evaluating the impact of the CAP on BTD with a focus on socioeconomic aspects. The measures in question have a strong emphasis on Priority 6, Social Inclusion and Economic Development, and therefore aim at addressing the aspects relevant to this study. Incorporating large numbers of holdings increases the reach of CAP funding. With more involved holdings via Pillar II measures, the spill-overs onto the rural socio-economic environment are likely higher.

Output indicator 09, number of holdings participating in supported schemes, accounts for participants and groups reached via three measures (M09, M16, M17). M09 aims at setting up producer groups and organisations, M16 focuses on co-operation, and M17 is the risk management measure. This output indicator provides the number of holdings that the programmes under these measures have reached.

The efficiency ratio is calculated by dividing the output indicator value with the associated funding in the related measures. Map 3 displays the relevant results.

Map 3: Output efficiency of output indicator O9 – Number of holdings participating in support schemes (2014-2018)



'Not relevant regions' are regions in which the RDP does not make use of this output indicator
Source: Consortium, 2020, based on DG AGRI

Of the programming regions implementing these measures, Portugal, Castilla y León, Poland, Sardinia, Liguria, Lazio, Campania, Puglia, Flanders, Romania, Croatia, Cyprus, have among the highest efficiency ratios of participating holdings in supported schemes. Overall, the efficiency ratio in many regions is quite high, indicating that overall, these measures appear to reach participant groups relatively evenly. Some of the exceptions include more sparsely populated regions. Their low densities and wide distances may be an indication of one of the reasons for the reduced efficiency. Of the highly populated regions, Calabria, and Lombardy, stand out for a relatively small efficiency ratio.

4.8.2.2 O11 – Number of training days given

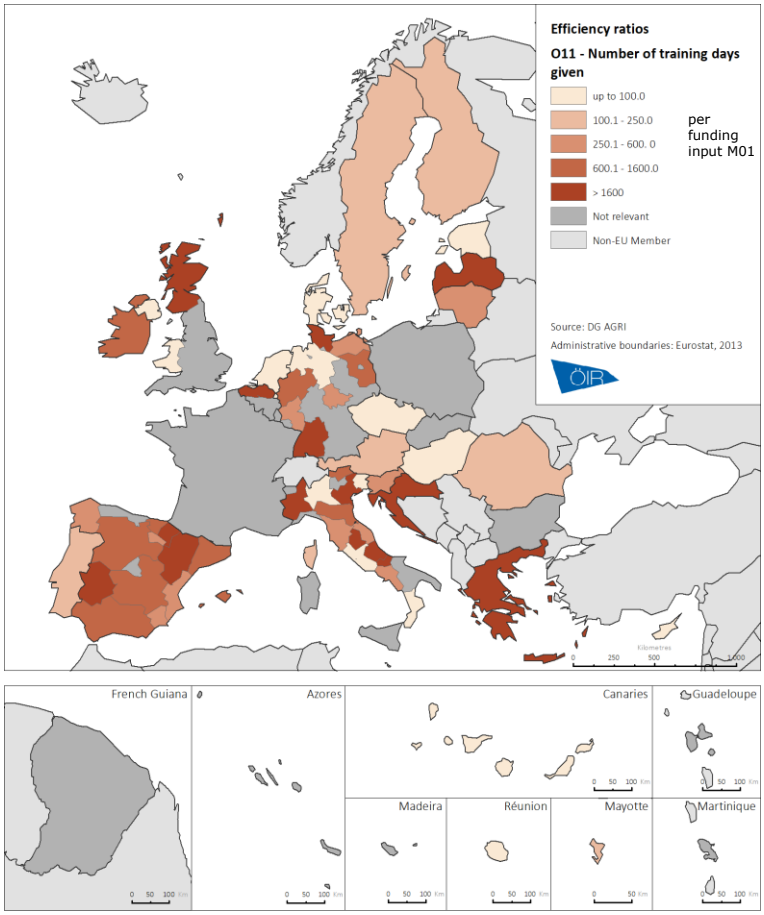
The number of training days given, output indicator 11, is linked to the training days provided under M01, knowledge transfer and information actions. M01 aims to provide training and information for improving the social and environmental, as well as overall performance, of rural businesses. Those businesses working in agriculture, food, forestry, and rural SMEs are the principle target.

More training days provided points to a higher success of the measure in improving the viability of the secondary beneficiary agri-businesses through improved human capital. As such, spill-overs into rural areas may be higher if the funding provides more training days. This measure is integral to BTD, socioeconomics, and social inclusion, and has accordingly received significant attention over the years.

Since the primary recipients of funding, under M01 – knowledge transfer, are the service providers (as opposed to beneficiaries of the service), number of training days provided by the service providers is an integral indicator in understanding the relationship between funding and benefits obtained.

The efficiency ratio is calculated by dividing the output indicator value with the associated funding in M01 – knowledge transfer[55]. Map 4 displays the relevant results.

Map 4: Output efficiency of output indicator O11 Number of training days given (2014-2018)



'Not relevant regions' are regions in which the RDP does not make use of this output indicator
Source: Consortium, 2020, based on DG AGRI

Many of the regions applying output indicator 11 have a relatively high ratio of number of training days provided. Two exceptions, like those above, include Calabria and Lombardy. In contrast to the findings above, Lazio likewise has a relatively small ratio. Others include Denmark, some areas in Germany, the Netherlands, Czechia, Hungary, Cyprus, and Estonia.

4.8.2.3 O15 – Population benefitting from improved services/infrastructure (IT or other)

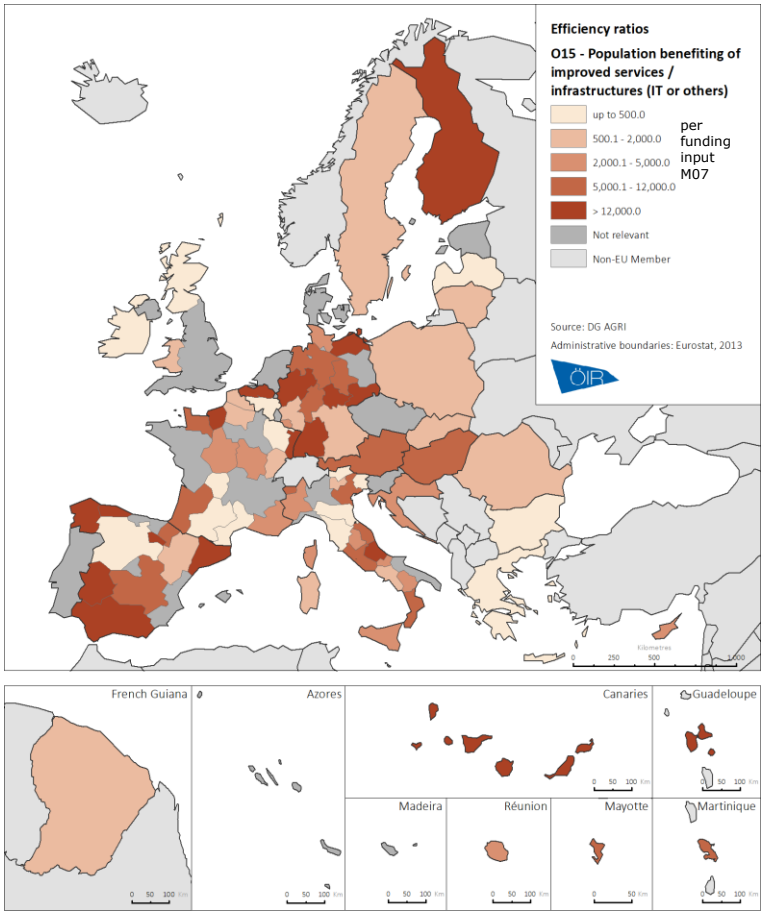
Knowledge economies are recognised as an undisputable aim for improving the living and economic conditions of rural areas, enabling rural residents to diversify their livelihoods, and to increase efficiency in their current ventures. Thus, output indicator

[55] Of note, other indicators included in M01 – knowledge transfer include O3 number of actions/operations supported and O12 number of participants in training. These indicators are not described above. The map therefore represents only O11, number of training days, as opposed to a comprehensive picture of all of the outputs of M01 – knowledge transfer.

15, population benefiting from improved services/infrastructure (IT or others), has been a topic of great importance in the pursuit of BTD, socioeconomics, and social inclusion.

M07, basic services and village renewal in rural areas, aims to improve services and infrastructure. The efficiency ratio is calculated by dividing the output indicator value with the associated funding in M07. Map 5 displays the relevant results.

Map 5: Output efficiency of output indicator O15 Population benefitting from improved services/infrastructure (IT or other – 2014-2018)



'Not relevant regions' are regions in which the RDP does not make use of this output indicator
Source: Consortium, 2020, based on DG AGRI

What can be identified, is that the efficiency of M07 to reach large proportions of the population varies significantly across Member States, and between programming areas in one Member State.

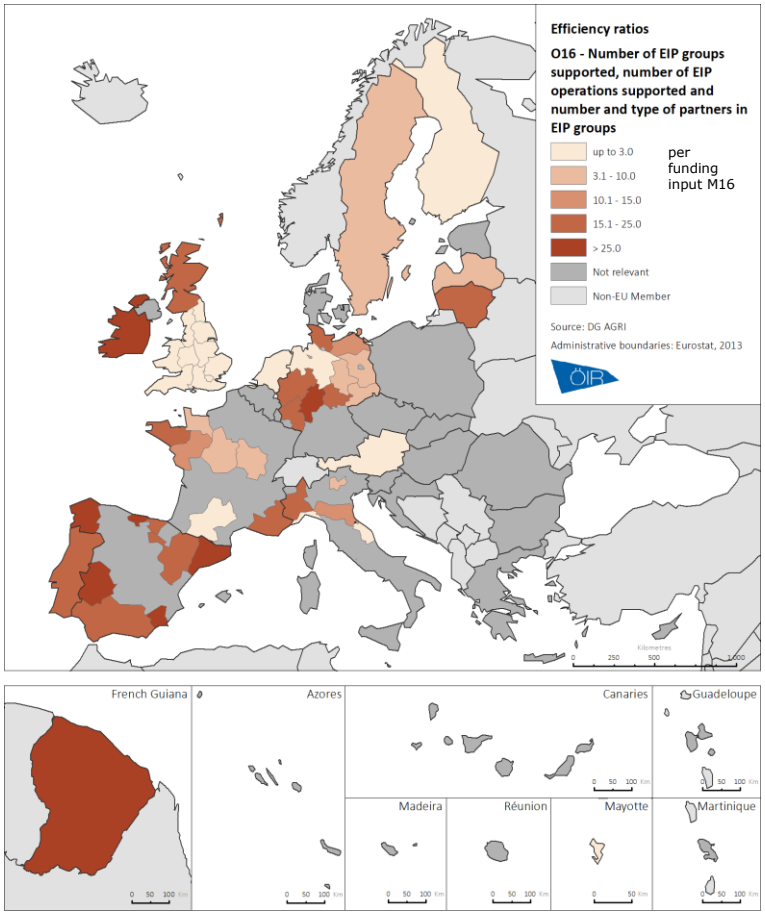
4.8.2.4 O16 – Number of EIP grouped supported, number of EIP operations supported and number and type of partners in EIP groups.

The number of European innovation partnership (EIP) operations supported and the number and type of partners in EIP groups, O16, is a relevant evaluation aspect of Measure 16, cooperation. EIP Operational Groups aim to support innovation among farmers and the rural population. These groups work together on innovation projects, collecting partners with synergistic knowledge in one place. Groups can include advisors, researchers, farmers, business, or other relevant participants. Overall,

27 Member States provide support for EIP groups, accounting for over 3 200 operational groups because of the CAP RDP in this programming period[56].

The efficiency ratio is calculated by dividing the output indicator value with the associated funding in M16. Map 6 displays the relevant results.

Map 6: Output efficiency of output indicator O16 Number of EIP grouped supported, number of EIP operations supported and number and type of partners in EIP groups (2014-2018)



'Not relevant regions' are regions in which the RDP does not make use of this output indicator or which make use of the indicator but have not reported data
Source: Consortium, 2020, based on DG AGRI

The efficiency of the provision of support for number of EIP operations, as well as the number and type of partners, appears to be varied among the participating Member States and programming regions. Austria, the Netherlands, the United Kingdom apart from Scotland, Germany, Languedoc-Roussillon, Liguria, and Marche, have among the lowest efficiency ratios.

4.8.2.5 O18 – Population covered by LAG

LEADER and CLLD are seen as integral to BTD, socioeconomic aspects and social inclusion, as they encourage the participation of the most principle local unit, to address unique place-based needs. Local action groups (LAGs) are the recipients of funding, and are those which distribute funding to LEADER and CLLD projects. Thus, assessing the number of inhabitants covered by LAG (indicator O18) in relation to the money spent is showing one aspect of the efficiency of LEADER.

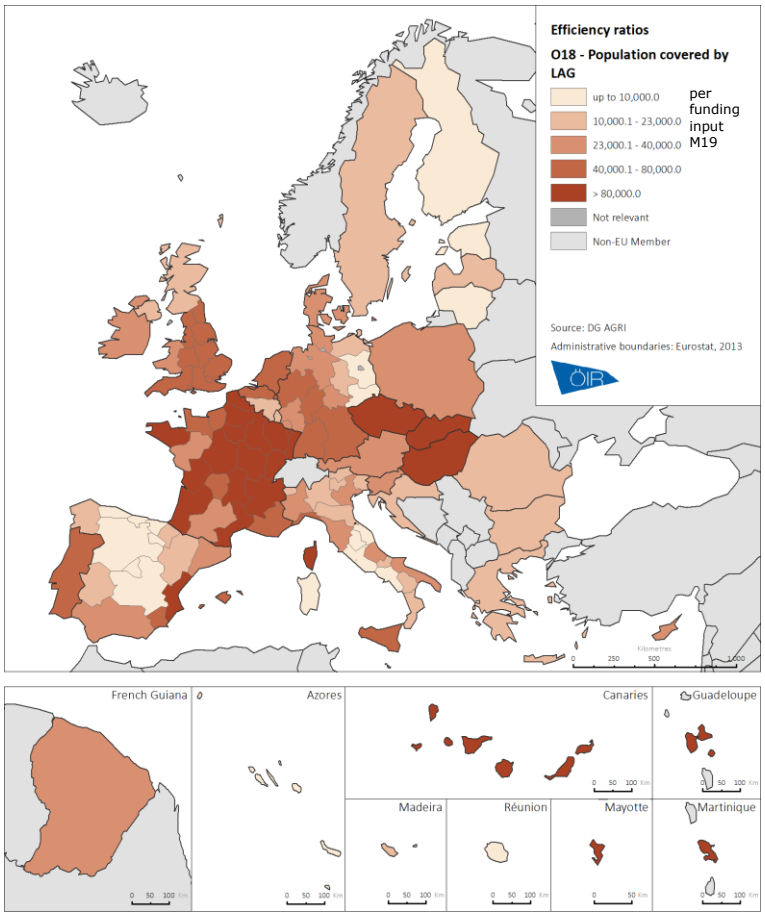
[56] EIP-AGRI Seminar (2017) Moving EIP-AGRI implementation forward. EC

Output indicator 18, populations covered by LAGs, is linked to M19 support for LEADER and CLLD. M19 is a local development measure aimed at engaging actors at the local level to create locally important initiatives meeting local needs and creating local solutions. LEADER projects are funded through EARFD alone, while CLLD projects can be funded in addition through the EMFF, ERDF, and ESF.

Approximately 2 600 LAGs operate in the EU Member States, covering above 54% of rural inhabitants.[57]

The efficiency ratio is calculated by dividing the output indicator value with the associated funding in M19.

Map 7: Output efficiency of output indicator O18 Population covered by LAG (2014-2018)



'Not relevant regions' are regions in which the RDP does not make use of this output indicator
Source: Consortium, 2020, based on DG AGRI

According to the map above, the efficiency ratio of the population covered by LAGs is quite high. This is particularly true in France, which is to be expected as France has placed a particular emphasis on LEADER and M19 as a whole. Other high efficiency ratios can be observed in Czechia, in Slovakia and in Hungary.

[57] ENRD (2017) LEADER/CLLD

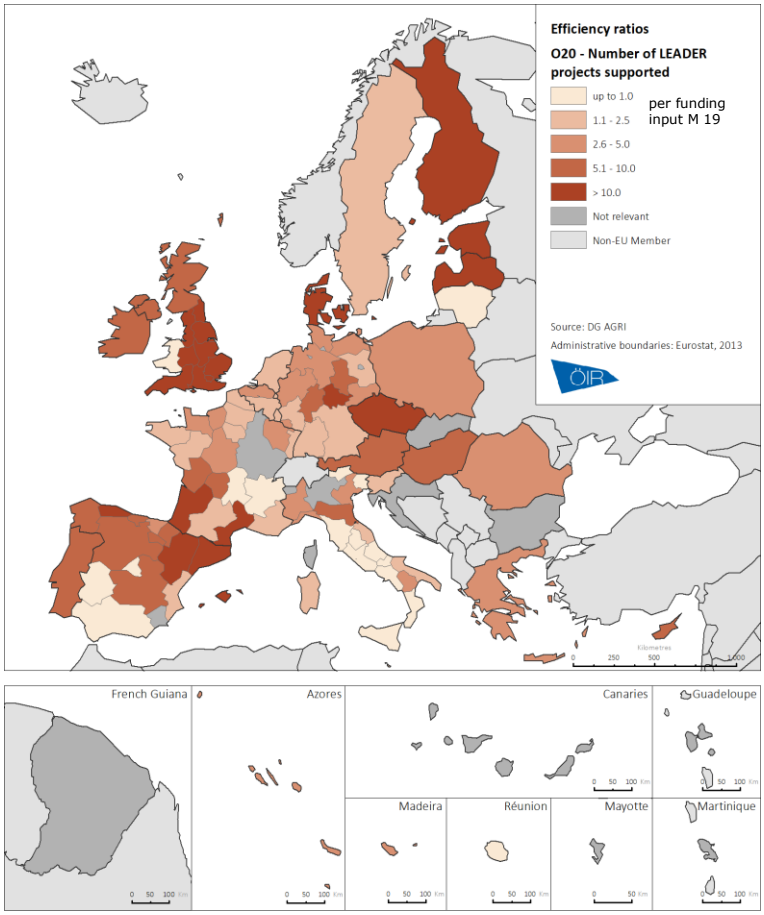
4.8.2.6 O20 – Number of LEADER projects supported

Another approach to measure the performance of LEADER is to analyse the number of Leader projects funded as monitored by the output indicator 20, which addresses outputs achieved through M19. Inter-territorial cooperation as supported by LEADER is increasingly important in rural areas, with respect to BTD and socioeconomic aspects including social inclusion. However, when a certain budget is given, the number of projects related to the money spent may not only show the efficiency. It could also be a hint that in some regions larger and therefore fewer projects were supported by LEADER.

LEADER programme evaluations have demonstrated the effectiveness of cooperation in improving BTD in rural areas through the collaborative development of solutions and the exchange of ideas and innovation.[58]

The efficiency ratio is calculated by dividing the output indicator value with the associated funding in M19. This is illustrated on Map 8.

Map 8: Output efficiency of output indicator O20 Number of LEADER projects supported (2014-2018)



'Not relevant regions' are regions in which the RDP does not make use of this output indicator or Source: Consortium, 2020, based on DG AGRI

Many regions in Italy appear to have a relatively low efficiency with respect to LEADER projects support. This includes Toscana, Umbria, Trento, Friuli Venezia Giulia, Lazio, Abruzzo, Molise, Campania, Calabria, and Sicilia. In Spain, Andalusia, Extremadura,

[58] ENRD (2017) LEADER Cooperation

and Madrid likewise had a low efficiency ratio. As do the French regions Auvergne and Rhone-Alpes, Wales in the United Kingdom, and Lithuania.

4.9 Case study findings

This section presents the analysis of the case study reports. Case study findings include information based on desk research, i.e. documentation review (e.g. annual implementation report (AIR), mid-term evaluation and other relevant studies), on secondary data analysis for specific case study regions (CAP funding and socio-economic data) and on a series of interview findings. Each following sub-section summarises and examines the information stemming from one or more of these information sources.

4.9.1 Case studies' definition of rural areas

The evaluation considers the EU definition of rural areas and regions[59]. Moreover, definitions established by Member States at programme level are also taken into consideration. This dovetails the Article 50 of Regulation (EU) No 1305/2013 which states that 'for the purposes of this Regulation the Managing Authority shall define 'rural area' at programme level. Member States may establish such a definition for a measure or type of operation if duly justified'. The application of a specific definition has consequences on the allocation of Pillar II funding in the territory/area delineated by the definition.

Within the framework of the case studies, the application of country or programme-specific definition was therefore investigated. The following presents the definition of rural areas as well as related information for each case study. The definitions are extracted along with additional summarised information from the RDPs. They are subsequently further analysed.

4.9.1.1 Definitions per case study findings

Austria – Tyrol

According to the Organisation for Economic Co-operation and Development (OECD), all Tyrolean NUTS3 regions besides AT332 Innsbruck are defined as 'Predominantly rural'. The definition from the Austrian RDP 2014-2020 is based on the OECD criteria. Rural areas are defined as:

- municipalities with less than 30 000 inhabitants and
- rural parts of small towns (towns with more than 30 000 inhabitants) having a population density of less than 150 inhabitants/km²

Bulgaria – Southern Central

The national definition refers to rural areas belonging to LAU 1 level – municipalities. They are defined as rural when there is no settlement with population of more than 30 000. *Measure-specific territorial or demographic delineation:*

- M12 (Natura 2 000) and M13 (Payments to ANC): environmental measures related to area compensatory payments will be applied according to their scope. For some investment measures, higher aid intensities will be applied to projects covered by the less-favoured areas and/or NATURA 2 000 sites.
- For community-led local development, the approach is applied on a territorial basis at the level of a municipality or an association of neighbouring municipalities and/or neighbouring settlements part of a municipality. Each

[59] https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:02003R1059-20180118&qid=1519136753473

community-led local development strategy covers a population of 10 000 to 150 000 inhabitants.

Czechia – Jihozápad (Southwest)

As per the OECD typology, the whole area of Czechia is considered as rural with an exception of NUTS2 CZ01 Prague. To determine the RDP funding, the whole area of Czechia is considered as rural, except of cities with population exceeding 100 000 inhabitants (based on the Czech Statistical Office – CZSO data as of 1.1.2014) (Czech RDP, 2017, version 4.1).

Measure-specific territorial or demographic delineation

- M01 – Knowledge transfer and information – the definition of rural areas applies only to participants in education/information actions who fall under the category of 'other persons working for economic operators that are small and medium-sized enterprises active in rural areas'
- M6.4 funding of investments for creation and development of non-agricultural activities – the grant can be provided to beneficiaries located all over Czechia, except for cities with a population over 100 000 inhabitants.
- M19 – LEADER (CLLD) – definition of rural areas in this case encompasses the whole area of Czechia except for cities with a population exceeding 25 000 inhabitants (based on CZSO data as of 1.1.2014).

Germany – Saxony-Anhalt

Municipalities with less the 50 000 inhabitants are generally eligible for Pillar II funding if their population density remains below 150 inhabitants per square kilometre or if at least two thirds of agricultural lands are used for forestry. Furthermore, these municipalities must be connected to the rest of the rural area.

Measure-specific territorial or demographic delineation:

- M07[60] is applied in municipalities up to 10 000 inhabitants
- Municipalities having up to 20 000 inhabitants can receive support for extension of broadband coverage.

The RDP also refers to an online tool (a map[61]) that indicates which areas are considered as rural and thereby supports the managing authority's (MA)'s decision-making.

Estonia

In the period 2007-2013, Estonia used the administrative division of rural areas, according to which the territory of rural municipalities and small towns with up to 4 000 inhabitants was considered a rural area. The LEADER area of activity also included cities with a population of more than 4 000 inhabitants, as they form a single administrative unit with the municipality. In the period of 2014-2020, a similar but adapted definition of rural areas is applied, only some objective adjustments arising from socio-economic indicators were made (as indicated in the bullet points below).

A rural area is defined in the 2014-2020 RDP as municipalities other than those meeting the following thresholds:

- municipalities where population (migration) has increased over the last 10 years (2003–2013) by more than 20%;
- municipalities with registered unemployment below the Estonian average (5.3%);

[60] Village Renewal/Village Development', 'Flood Protection' and 'Rehabilitation of child day-care facilities and schools (STARK III)

[61] https://www.lvermgeo.sachsen-anhalt.de/de/eler.html

- municipalities where the average monthly gross income per employee is at least 20% higher than the Estonian average (EUR 844.4);
- small towns with up to 4 000 inhabitants, including single towns within the municipality up to 4 000 inhabitants.

Greece – Peloponnese

The 'Typology of Rural and Urban Areas of the European Union, 2010' is used to demarcate rural areas, which is an adaptation of an earlier OECD methodology: 'rural areas' are all areas outside urban clusters. 'Urban clusters' are clusters of contiguous grid cells of 1 km² with a density of at least 300 inhabitants per km² and a minimum population of 5 000 inhabitants.

The RDP applies a specific definition for the application of the following measures/sub-measures:

- Sub-measure M6.1: only applies to three types of application areas where agricultural activities are important[62]
- Sub-measure M6.3 applies to the same designated application areas, but in municipalities with a permanent population of up to 5 000 inhabitants.
- Sub-measures M6.2 and M7.6 are applied in rural agricultural areas (at NUTS3 level, in municipalities with a permanent population of up to 5 000 inhabitants.
- Sub-measure M7.3 applies to 'predominantly' rural areas, as defined in accordance with the EU Urban-Rural Typology at regional Level – NUTS3, i.e. predominantly rural areas, which are at the same time, 'mountainous' (i.e. the percentage of the population living in mountainous and inaccessible areas exceed 50%) and/or 'islanders' (islands regardless of the island size).
- M19 (LEADER) is applied in rural areas, as defined in accordance with EU Urban-Rural Typology at regional Level – NUTS3 (predominantly or intermediate rural areas). In total, a maximum of 50 areas are selected for the implementation of this measure which, in total, can cover an area equal to up to 100% of the eligible areas for LEADER intervention. LEADER areas will consist of municipalities whose total population is less than 15 000 inhabitants (except for the small islands in which no population thresholds are applied).

Spain – Castilla-La Mancha

The RDP considers as a reference for the definition of 'rural territory', the European Commission's classification degree of urbanisation, defined at LAU2 scale (equivalent to municipality). Moreover, the urban-rural typology applied by the European Commission is also taken into account.

Measure-specific territorial or demographic delineation:

Notwithstanding these classifications, the RDP's area of implementation covers the entire territory of the region, expect for:

- M07 (except sub-measure M7.5) of which implementation is conditioned by the types of rural areas specified in the Articles 9 and 10 of the State legislation 45/2007 (13 December 2007), namely, rural areas to revitalise, intermediate rural areas, peri-urban rural areas.
- M19 which is applied throughout the region's territory, except in municipalities exceeding 30 000 inhabitants

[62] (a) in rural areas, as defined in the new EU Typology – NUTS3 (municipalities predominantly or intermediate rural, i.e. all municipalities of Greece other than the municipalities of Thessaloniki and Attica)
b) in the region of Thessaloniki outside of large urban centres
c) for the region of Attica: the areas that have a degree of urbanisation (DGUR_CODE) 2 and 3 (intermediate density inhabited and sparsely populated areas) and are characterised respectively as intermediate and predominantly rural areas.

France – Auvergne

The RDP has its own definition of 'rural area', characterised as the opposite of so called 'urban poles':

- 'urban areas and large urban areas consisting of connected towns and villages ('municipalities') with one urban pole (urban unit) of more than 10 000 jobs
- municipalities having at least 40% of the employed resident population working in the urban pole or the municipalities attracted by the pole'.

Ireland – Southern

Following the Commission for the Economic Development of Rural Areas (CEDRA), rural areas are defined as 'all areas located beyond the administrative boundaries of the five largest cities.' Therefore, the term 'rural areas' was used to encompass open countryside, in addition to small, medium and large towns.

Italy – Apulia & Emilia-Romagna

Definition of rural areas in Italy are set in the partnership agreement for ESIF 2014-2020. This definition is set up at national level, through criteria and indicators fixed by the Ministry of Agricultural, Food and Forestry policies (MiPAAF in Italian acronym). The municipalities and provincial capitals with over 150 inhabitants/km^2 and with a rural area <75% of the total population density have been discarded from the analysis.

The territorialisation of Italian rural areas considers the relations of agricultural sector with the more general processes of economic and social development. There are four typologies of areas whose economic and social features are quite different:

(a) Urban and Peri-urban areas (with rural municipalities population <15% total population);
(b) Rural areas with intensive and specialised agriculture;
(c) Intermediate rural areas: they include the rural hill and mountain municipalities with the highest density of population;
(d) Rural areas with low rate of economic development.

The Netherlands – Zeeland

Rural areas: the entire territory of the part of the Netherlands except for contiguous residential areas with more than 30 000 inhabitants.

Poland – Świętokrzyskie

Rural areas: territories located outside of administrative borders of cities, i.e. rural municipalities, or rural parts of urban-rural municipalities.

Measure-specific territorial or demographic delineation:

LEADER can be implemented in rural areas which should be understood as the entire area of the country, excluding cities where the population number is higher than 20 000 inhabitants.

4.9.1.2 Review and typology of rural areas definitions

Under the EAFRD, Member States can apply national typologies when defining rural areas. Taking into consideration the previously presented definitions of rural areas applied by the EAFRD managing authorities, several observations can be made with regards to the main differences and similarities. The analysis of the definitions carried out by the project team is presented along five main types of definitions. The aim is to better understand what are the specificities of the definitions and what do they consider. This typology of definitions is not clearly demarcated as one country-specific definition may fit into different categories.

Of note, the definitions were not always just applied for this programming period. In two instances (Estonia and Italy), the RDP directly links the definition with the approach adopted for the allocation of CAP measures during the previous programming period (2007-2013).

This analysis of the rural areas' definitions applied in the case study regions takes into consideration the main definition which delineates the territorial allocation of EAFRD funding, and, when applied, the exceptions to these rules, i.e. the measures-specific definitions. It shows that these definitions of rural areas do not necessarily follow administrative boundaries. Likewise, these definitions sometimes reflect the multifaceted character of these territories to better target the implementation of certain measures and/or sub-measures.

The table below presents the typology of rural areas definitions and cases falling under each type.

Table 17: Typologies of rural area definitions

Typology of definitions	Corresponding case studies
Definitions considering population data	Bulgaria, Czechia, Germany, Estonia, Greece, Italy, Netherlands, Austria,
Definitions considering socio-economic and territorial issues	Estonia, Spain, France, Italy
Definitions of per EU typologies/OECD reference	Czechia, Greece, Austria
Definitions 'other than'	Estonia, Ireland, Greece, France, Poland
Definitions as per measure-specific delineations	Bulgaria, Czechia, Germany, Greece, Spain, Poland

Source: Consortium, 2020

Definitions considering population data

A general parameter, almost featured in all examined definitions of rural areas, is the application of a population threshold (absolute number) and population density limits. In Austria, one of the criteria for the identification of rural areas is the population of municipalities being limited to 30 000 inhabitants with a population density below 150inhabitants per square kilometre. The population threshold rises to 50 000 inhabitants in the more populated German region examined. Germany also applies same maximum population density requirement. In Bulgaria and in The Netherlands, the population threshold is also 30 000 inhabitants, while in Estonia it is set at 40 000 inhabitants, and none of these countries apply an additional population density limit. In Czechia, the threshold is higher with 100 000 inhabitants. The case of Italy is slightly different as it does not provide an absolute number but a range and percentage. For example, significantly rural municipalities are to have a population superior to 15% and inferior to 50% of the total population of a region, and the population of the towns having 150 inhabitants per square metre must be inferior to 50% of the total population of a region.

The phrasing of the population parameters also varies, i.e. it could be presented either as a maximum: 'up to' or 'lower than' or, in relation to urban centres, as 'below' the population of those urban cluster. The latter case is further described in the definitions 'other than' typology.

Definitions considering socio-economic and territorial issues

As previously mentioned, a common definition criterion is the size of the population in the regions. However, certain definitions go beyond as to take into consideration a broader set of socio-economic and territorial contexts when defining rural areas. This is for example the case in Estonia as the definition includes criteria such as the

population migration, the unemployment rate, and the average monthly gross income per employee (which must be lower than a given threshold). In France, the definition also considers employment and factors related to the attractiveness of urban poles. Along those lines, the Italian definition is also very interesting as it distinguishes different types of rural areas, by location factor (vicinity from urban centres), topographical differences (mountainous, hills or lowland areas), focus on agricultural activities, and economic development. Similarly, Spain has set up an own classification of rural areas (rural areas to revitalise, intermediate rural areas, peri-urban rural areas) which shapes the definition applied in the RDP. The Spanish typology of rural areas also considers a much wider range of issues tailored to the specificities of the Spanish rural areas. The elements considered are, *inter alia*, the diversification of employment in relation to the shares of economic sectors, the level of diversification of agricultural activities, income levels and geographical remoteness (from urban centres).

Those definitions may be considered as being the most comprehensive (in comparison with the other types of definition) and the most tailored to the needs and specificities of the rural areas. Moreover, those definitions stress the fact that there are different types of rural areas of which specificities need to be included in the definition. As such, a homogeneous rural area does not exist.

Definitions as per EU typologies/OECD reference

As opposed to the previously described, very specific definitions, some RDP explicitly refer to the EU typologies, in particular Eurostat's urban-rural typology and degree of urbanisation. This is the case of Greece. The Austrian and Czech RDPs also directly mention the OECD definition of rural regions. While considering the other definitions, some may have been inspired by the EU typologies and/or the OECD criteria. For instance, the Spanish RDP, while reportedly considering the degree of urbanisation and the urban-rural typology indicated that, notwithstanding these classifications, the RDP applies a definition based on the national typology of rural areas.

Definitions 'other than'

Rural areas are sometimes delineated in a very peculiar manner, as opposed to urban areas. An interpretation of the Estonian definition could even suggest that rural areas are the areas that are not economically developed or not developed enough in comparison to economic (urban) centres. Indeed, the Estonian definition refers the rural areas as areas not meeting certain thresholds such as a population increase of more than 20%, an unemployment below the Estonian average, and an average gross income at least 20% higher than the Estonian average. This could be understood as rurality being associated with relatively low population rates (and high rural exodus), high unemployment and low average monthly income.

The Irish and Polish definitions are rather straightforwardly referring to rural areas as 'all areas located beyond the administrative boundaries cities', 'territories outside of the administrative borders of cities'. The French and Greek RDPs also defines rural areas as the opposite of 'urban poles' or 'urban clusters'. Moreover, the French definition takes into consideration the connections between towns, villages and cities. The Irish definition also encompass the network and influence of different types of settlements.

Definitions as per measure-specific delineations

Most of the RDP reviewed includes, besides a main definition of rural areas, several measures-specific definitions, exceptions slightly straying away from the main definitions. In most cases, those exceptions lead to an increase of the scope of the territory defined as rural but this is not always the case. The RDP/case studies featuring such measures-specific definitions are Germany, Greece, Poland, Spain, Bulgaria, and Czechia.

The measures concerned are the ones mostly not related to the agricultural sector hence focusing on a broader rural development of the territory. The most common exception or specific definitions is applied to M19 (LEADER). Given the nature of the actions undertaken by the local action groups, the scope of intervention is broadened.

For example, in Greece, a maximum of 50 areas can be selected for the implementation of this measure which, in total, can cover an area equal to up to 100% of the eligible areas for LEADER intervention. LEADER areas consist of municipalities whose total permanent population is less than 15 000 inhabitants (except for the small islands in which no population thresholds are applied). The interesting aspect of the Greek definition is that it includes areas (i.e. islands) facing natural constraints due to their insularity. Of note and as a basis for comparison, the main definition refers to rural areas as all areas outside urban clusters. 'Urban clusters' are clusters of contiguous grid cells of 1 km² with a density of at least 300 inhabitants per km² and a minimum population of 5 000 inhabitants.

In Bulgaria, the CLLD strategy covers a population of 10 000 to 150 000 while a threshold is set at 30 000 inhabitants of a municipality for the main definition of rural area. In Poland, LEADER can be implemented in rural areas which should be understood as the entire area of the country, excluding cities where the population is higher than 20 000 inhabitants. However, there is no population threshold in the main definition to compare this LEADER specific threshold with. Czechia is an interesting case as the scope of LEADER interventions seems to be reduced. While the main definition refers to rural areas as the whole territory excluding cities with a population exceeding 100 000 inhabitants, LEADER covers the same territory excluding cities with a population exceeding 25 000 inhabitants.

The second most common specific definition is applied to M07 – village renewal. Moreover, within M07, several sub-measures also have specific criteria. In Germany, the scope of application of M07 is limited to municipalities up to 10 000 inhabitants (the main definition refers to municipalities with less than 50 000 inhabitants). In Spain and Greece, specific definitions are applied to the implementation of several sub-measures of M07.

Similarly, a few sub-measures of M06 – farm and business development follow specific requirements. It is the case in Czechia for sub-measure M6.4[63], while in Greece, sub-measures M6.1[64], M6.2[65] and M6.3[66] are concerned.

Other measures with specific requirement include: M01 – knowledge transfer in Czechia (the definition of rural areas applies only to participants in education/information actions who fall under the category of 'other persons working for economic operators that are small and medium-sized enterprises active in rural areas') and M12 – NATURA 2 000 and M13 – payments to ANC, in Bulgaria (environmental measures related to area compensatory payments will be applied according to their scope. For some investment measures, higher aid intensities will be applied to projects covered by the less-favoured areas and/or Natura 2 000 sites).

Justifications and interviewees' comments

The justification for the need to apply those definitions is not always clear from the RDPs. However, the Italian and Estonian RDP mention the approach adopted during the previous programming period and the importance of continuity. Moreover, the Estonian RDP states that 'in the period of 2014-2020, it is planned to continue with

[63] Investment in creation and development of non-agricultural activities
[64] Business start-up aid for young farmers
[65] Business start-up aid for non-agricultural activities in rural areas
[66] Business start-up aid for the development of small farms

the current definition of rural areas, making some objective adjustments arising from socio-economic indicators. The advantages of the traditional administrative division approach are that it is easy to understand and define, the statistics are simplified and, as the methodology has been used so far, it is easy to continue'. This is confirmed by the Estonian MA interviewed who indicated that 'the definition helps to define the difference between city and countryside. It helps focus support in the appropriate area. The RDP defines the rural area and has not changed regardless of administrative reform. Grants are targeted at rural areas and this is the most important. No regional difference has been created since there is no difference in agriculture between different regions.'

Overall, the definitions taking into consideration a broader socio-economic and territorial context are tailored to the needs and specificities of the areas and can take into consideration the evolution of the situation in the programme territory. An Italian MA also stated that 'the definition of rural areas and disadvantaged areas successfully contribute to concentrate funds where more is needed: 40% of the RDP resources is, in fact, allocated in areas more rural and disadvantaged.'

However, an MA interviewee (Bulgaria) states that 'the current definition of a rural area, in addition to the positive effect that it contributes to better addressing policy measures, in many cases is undeserved and a limiting factor for applying for a number of measures and access to funding. This definition needs to be revised'.

In Czechia, the MA interviewee believes that the definition of a rural area is good and makes rural development possible. The impact of the measures is therefore very substantial.

In Austria, the regional MA declared that 'the definition of a rural area could be increased (by example 50 000 inhabitants). Further stronger cooperation with ERDF and EAFRD are in this context important. At the regional level, it is important to have a closer look on various funds. It is important to think more in a common way (at programme level). The point raised by this interviewee is that the definition of rural areas has direct consequences on the targeting and allocation of Pillar II funding in certain rural areas, which also requires the coordination of public support, notably from other ESIF funds. Delineating the allocation of rural development support using sound territorially-based definitions which also factor in socio-economic aspects may therefore contribute to better target the potentially differentiated and varied needs of rural areas.

4.9.2 Case study regions within the cluster typologies

Case study authors were instructed to select two NUTS3, or LAU level, regions based on their knowledge of the case study areas, identification of agriculturally important regions, consideration of CAP funding volume and policy mix applied, and understanding of the needs of the areas. They were further indicated to select those regions with the overall highest relevance with respect to evaluating the impacts of the CAP on socio-economic aspects and balanced territorial development.

The case study regions selected were assessed in terms of the cluster typologies developed to identify whether a balanced and logical distribution had been achieved. Table 18 outlines the distribution of case study regions along the cluster typologies (presented in section 4.4):

- Cluster 1: Diversified rural and intermediate regions,
- Cluster 2: Peripheral rural and intermediate regions,
- Cluster 3: Dynamic rural and intermediate regions,
- Cluster 4: Traditional rural and intermediate regions.

Table 18: Cluster typologies of case study regions

CS Region – NUTS2	NUTS3 – study areas	NUTS3 code	Cluster
Germany – Sachsen Anhalt (DEE0)	Börde	DEE07	1
	Stendal	DEE0D	1
Greece –Peloponnese (EL65)	Argolida-Arcadia	EL651	2
	Lakonia-Messinia	EL653	2
Bulgaria – Southern Central (BG42)	Plovdiv	BG421	4
	Pazardzik	BG423	2
Estonia – (EE00)	southern Estonia	EE008	2
	Central Estonia	EE006	2
Spain – Castilla-La Mancha (ES42)	Ciudad Real	ES422	4
	Cuenca	ES423	2
Italy – Puglia (ITF4)[67]	Lecce	ITF45	2
	Brindisi	ITF44	2
France – Auvergne (FR72)	Cantal	FR722	1
	Haute-Loire	FR723	1
Czechia – Jihozápad (Southwest, CZ03)	Plzeňský kraj (Pilsen region)	CZ031	4
	Jihočeský kraj (South Bohemian region)	CZ032	4
Poland – Świętokrzyskie (PL33)	Sandomiersko-jędrzejowski	PL332	2
	Kielecki	PL331	4
Netherlands – Zeeland (NL34)	Zeelandic-Flanders (NL341)	NL341	1
	Central and Northern Zeeland	NL342	1
Austria – Tirol (AT33)	East Tyrol	AT333	1
	Tyrolean Unterland	AT335	3
Italy – Emilia-Romagna (ITH5)	Parma	ITH52	4
	Reggio nell'Emilia	ITH53	4
	Modena	ITH54	3
Ireland – Southern Region (IE02)[68]	South-East Region	IE024	1
	South-West Region	IE025	1

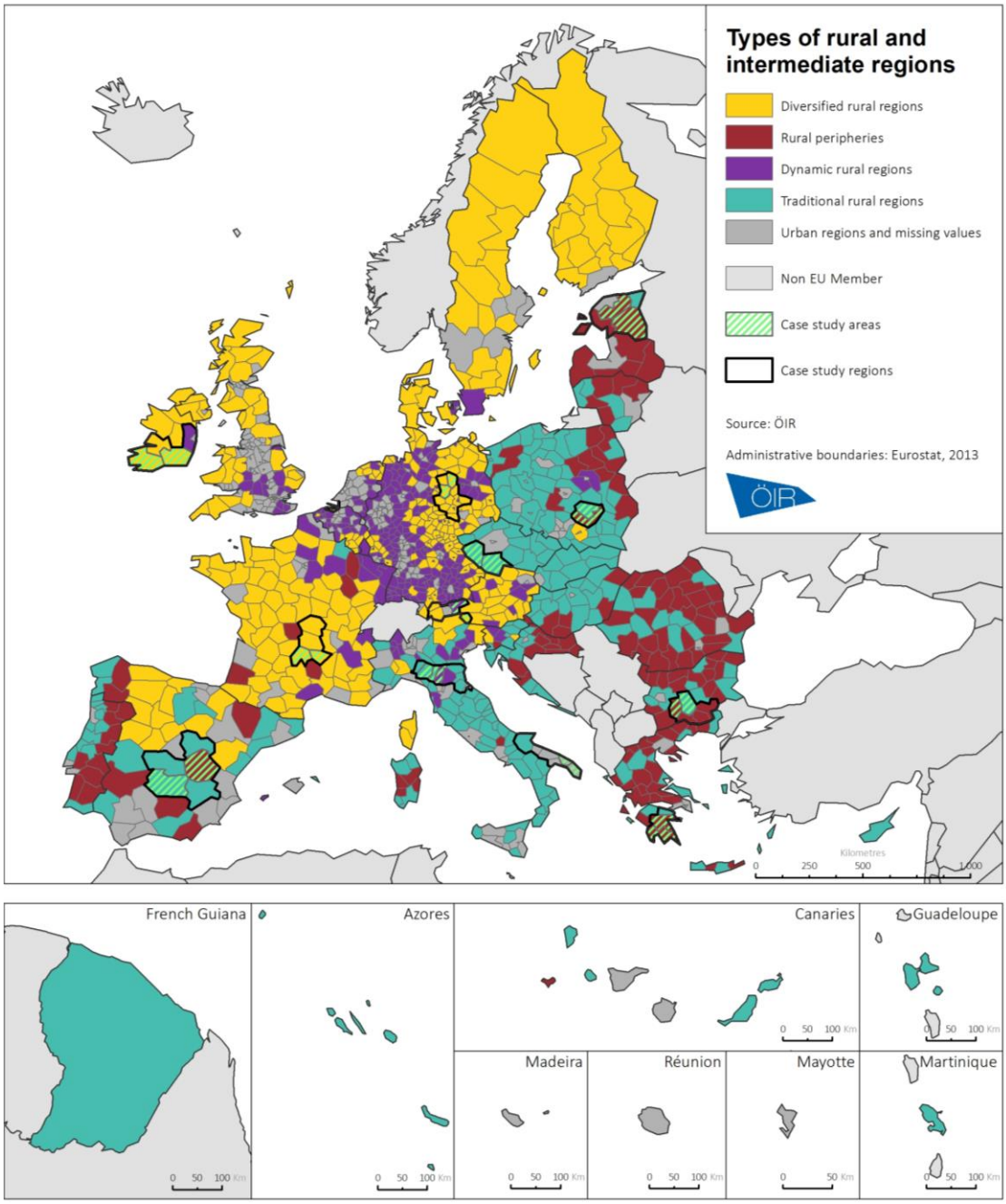
Source: Consortium, 2020

Map 9 shows the case study areas and the clusters they belong to.

[67] Although the regions Lecce and Brindisi, according to data, would be classified as urban at the NUTS3 level due to the presence of the urban centre, the case study author reporting on Italy, looked into Lecce and Brindisi, at a more granulated level. Taking into account areas surrounding the city centres which are predominantly agricultural, and carry relevance for the study themes. Lecce and Brindisi were therefore categorised as rural peripheries, and as part of the second cluster, due to a high rate of outmigration (2014-2017 -1,3/-2,4 against positive rates in Emilia-Romagna), high unemployment (10-12% against 2-2.5% province of Emilia-Romagna), and multimodality (between 56 and 80 against 95-103 in provinces of Emilia-Romagna).

[68] From the NUTS2013 to NUTS2016 version there have been changes implemented in Ireland. The borders for region IE024 have been slightly shifted and IE025 has been recoded. The NUTS2 region IE02 has been recoded to IE05 and Dublin (IE021) and Mid-East (IE022) have been assigned to another NUTS2 region.

Map 9: Case study regions and clusters



Source: Consortium, 2020

Interestingly, the frequencies of the regional typologies represented, are not only relatively balanced in distribution, but also quite representative of areas which are expected to be of particular interest. Namely, while the diversified rural and intermediate regions (cluster 1), peripheral rural and intermediate regions (cluster 2), and traditional rural and intermediate region (cluster 4) clusters are represented in almost complete balance, dynamic rural and intermediate regions (cluster 3) are less frequently selected.

4.9.3 Characteristics and needs of rural regions

This section presents and summarises the characteristics and needs within the case study regions identified by the case study reports and interview findings. Moreover, when necessary, and to bridge the data gaps, additional information is provided, based on desk research and literature review. Following the examination of the main

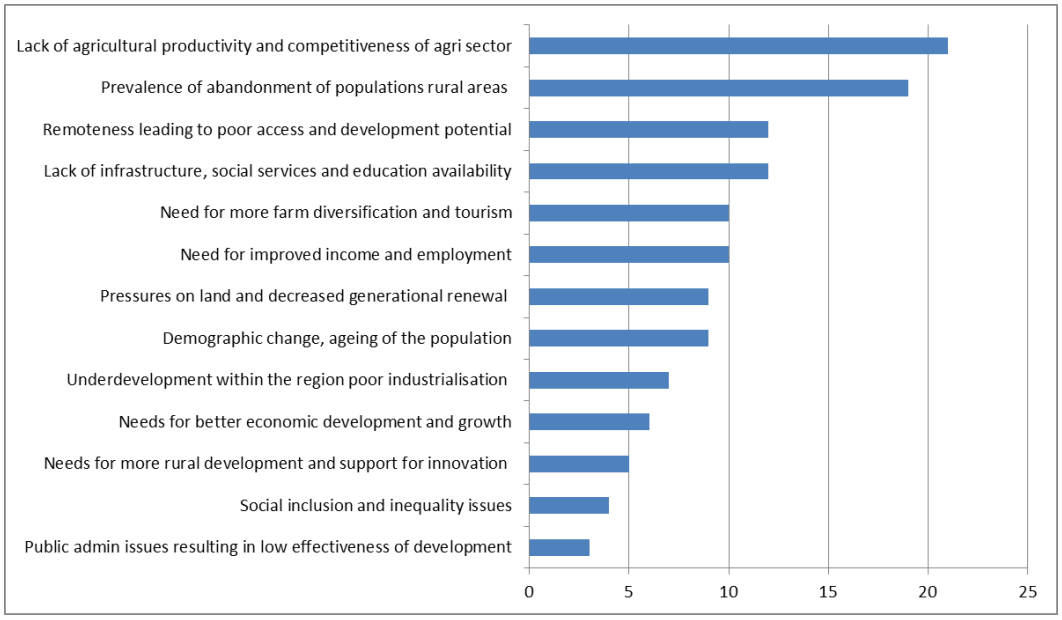
issues and challenges identified in the regions, attention is drawn to the analysis of social, economic and social inclusion needs. The last sub-section describes the differences between the case study regions and other neighbouring regions, in terms of socio-economic needs and characteristics

4.9.3.1 General issues identified

The rural regions investigated experience a wide range of socioeconomic issues, which are summarised and examined in this section.

Figure 15 showcases the set of issues in rural regions identified by respondents (rural development expert and public authority) through an open-ended interview question, therefore enabling respondents to identify and elaborate on any issues that they deem relevant in their regions. The frequency of responses is associated with the number of times an issue has been raised.

Figure 15: Issues in Rural Regions – Socio-Economic Aspects



Source: Consortium, 2020; n=57; respondents are from the categories public authority and rural development expert

Lack of agricultural productivity and poor competitiveness of the agricultural sector is the issue most frequently cited by respondents from the categories public authorities and rural development experts. As demonstrated in Figure 15, a total of twenty-one responses identify agricultural productivity and competitiveness as problematic. When elaborating on the nature of this issue, multiple respondents (public authorities and rural development experts) identified disparities between small-scale and intensified agricultural models. Respondents report that competition from large-scale farms tends to place the small producers at a disadvantage and negatively impact the resilience of rural areas.

For example, in the Italian region Emilia-Romagna, the price of milk is defined at the close of each fiscal year according to rural development experts. Therefore, small-scale family farms are less able to weather the risks and uncertainties inherent in such long financial cycles. Other factors that have been reported to contribute to weak agricultural competitiveness in rural regions include poor productivity related to physical limitations such as those of inhospitable climate, poor water availability, and suboptimal topography, as reported by a rural development expert in in Ciudad Real and Cuenca (Spain). Land and labour competition are additionally mentioned as important factors impeding the development of the agricultural sectors, reported by

rural development experts and national authorities in Saxony-Anhalt (Germany), South-East region (Ireland), Cantal (France), Plovdiv and Pazardzik (Bulgaria).

Population abandonment is frequently cited as an issue faced by rural areas, mentioned by 19 respondents. The related issues of remoteness, which is marked by poor accessibility and meagre development; and lack of infrastructure, including social services and education availability; are both reported twelve times. One reported catalyst for outmigration is the shift, particularly among younger populations, toward areas with more economic opportunities and superior social services, according to rural development experts and public authorities. In South Bohemia (Czechia), for example, young populations may prefer to remain in the countryside, but are met with insufficient civic amenities, public facilities, and job opportunities, according to public authorities.

Regions reporting less pronounced rural outmigration, such as East Cork, in South-West Ireland, attribute this to better connectivity to nearby city centres, which improves access to services, stimulates tourism, and creates job opportunities, according to public authorities and rural development experts. A rural development expert speaking on the issues in this region stated, '*the further West you go, the more isolated you become*'. The same respondent also noted that depopulation is a greater issue in more remote regions. While a public authority mentioned that in Ireland remote areas are more vulnerable, and less likely to access CAP funding, in particular Pillar I funds. This is echoed by comments from a rural development expert on East Tyrol, who reported that '*mountain regions have always been more affected by emigration than other regions*'.

There is a cyclical and synergetic relationship between lack of infrastructure and social services, remoteness leading to poor access, regional under-development, and rural abandonment. Poorly serviced rural regions lose population groups, human capital, and innovative capacity, which in turn reduces the attractiveness of these regions for funding and investments, a common trend found among public authority and rural development expert responses.

Identified as a need by ten respondents[69] (public authorities and rural development experts), tourism and farm diversification represent potential sources of support for small farms, and can be one way of addressing the need for improved income and employment. However, the findings are mixed when it comes to the perceived impact of these strategies. While in some cases, tourism is attributed to positive growth patterns, in others (for example, South-East Ireland, according to a rural development expert), it is felt that such diversification has contributed to land pressures and limiting new entry into the agricultural sector.

Income inequality is highlighted in ten responses as a deterrent for remaining in rural areas according to public authorities and rural development experts, and those living in remote rural areas are reported to be a particularly vulnerable group. In the Italian regions, a rural development expert raised concerns about the labour market, commenting that, rather than being employed by farms, young people are increasingly contracted by employment agencies, '*which has adverse implications for economic and work stability*'. Such issues further exacerbate already limited employment opportunities and income inequality in the agricultural sector, and in rural areas more broadly.

Generational renewal is hampered in part by land pressures according to public authorities and rural development experts. In some areas, farm size increases affect generational renewal by impacting labour markets. The resultant decrease in the

[69] Southern Bohemia (Czechia), South-East (Ireland), Parma, Reggio Emilia, Modena (Italy), the Tyrolean Unterland, East Tyrol (Austria), Ciudad Real, Cuenca (Spain), Cantal and Haute-Loire (France).

availability of skilled workers, especially for seasonal production, makes new entry into farming too costly for young farmers and small farms. On the other hand, in the Italian regions, the problem for new entrants is '*not the availability of land, but the need for capital for starting and investing in equipment and innovation',* according to a rural development expert reporting on the Parma Reggio Emilia and Modena regions (2020). Echoing these concerns, two rural development experts reporting on Ciudad Real and Cuenca (Spain) observed that CAP funding has contributed to the accelerated growth of large farms, which creates out-competition and in effect hinders BTD. Land pressure is also listed as an issue in Haute-Loire (France). In contrast, the number of agricultural holdings, in Cantal (France), has been declining more slowly. This is attributed to *'a strong farm set-up policy … entailing a fairly high rate of young farmers setting up businesses',* as per a respondent from the Chamber of Agriculture (2020).

Addressing social inequality within rural regions is seen as an important component of promoting generational renewal and curbing rural outmigration, according to public authorities and rural development experts interviewed in the regions Plovdiv, Pazardzik (Bulgaria), Ciudad Real (Spain), Parma, Reggio Emilia and Modena (Italy). A public authority from the region of Ciudad Real stated: '*It is of vital importance to create generational relays, the possibility of facilitating entry of young people into agriculture and the incorporation of women in productive activities. In these… areas there is very little work, and what is present, is directed at agriculture and generally to men*' (2020).

4.9.3.2 Social needs

Across the case study regions, the provision of social services and transportation is identified with overwhelming frequency as a social need by public authorities and rural development experts. Specifically, the provision of social services is listed as an important social issue by twenty respondents[70] in reference to 18 regions[71]. The social services listed include community centres, libraries, museums, cultural and historical heritage, day-cares, gyms, youth facilities and co-working spaces, and healthcare and educational facilities, among others.

While education and healthcare fall into the category of social services, due to their importance, they are frequently listed distinctly. Seven respondents (rural development experts and public authorities) identified health care services alone as the single most significant social need in rural regions, while four respondents (rural development experts and public authorities) mentioned increased opportunities and facilities for education. Improving access to healthcare services, including mental health services, and services for migrant workers, is highlighted by respondents from Plovdiv, Rakovski, Parvomai (Bulgaria), South-West Region (Ireland), and Central Estonia according to both public authorities and rural development experts.

In rural or remote areas, inadequate transportation systems may further aggravate difficulties in obtaining social services by limiting residents' abilities to access urban centres, which are better provisioned, according to public authority and rural development expert respondents. This can be particularly problematic for vulnerable and ageing populations, whose mobility may already be compromised. The combination of inadequate social and transport services also impacts younger demographics. Young people are reluctant to start families in rural areas because of the dearth of child and healthcare facilities. Overall, a lack of social services, including

[70] Rural development experts and public authorities.
[71] Plovdiv, Rakovski i Parvomai (Bulgaria), East Tyrol, Tyrolean Unterland (Austria), Parma, Reggio Emilia, Modena (Italy), Sandomiersko-jędrzejowski, Kielecki (Poland), South Bohemia (Czechia), Central Estonia, Southern Estonia, South-East Region Ireland, South-West Region Ireland, Argolida-Arcadia, Lakonia-Messinia (Greece), and Haute-Loire (France).

and especially health and education, is identified as a main reason young people are not moving back into rural areas. A lack of transport services and roads also limits rural residents' abilities to diversify income and further contributes to rural outmigration. As exemplified by the findings in the South-West region (Ireland), according to rural development experts, areas that are better connected to urban centres tend to perform better than more remote rural regions in the country regarding increased tourism, job diversity, and exchange.

Addressing rural outmigration is a primary social need in many of the rural regions investigated. Preventing outmigration is identified as a regional need by ten respondents (rural development experts and public authorities) referring to eleven regions: Central Estonia (Estonia), East Tyrol, Tyrolean Unterland (Austria), Ciudad Real, Cuenca (Spain), Parma, Reggio Emilia, Modena (Italy), Haute-Loire (France), Argolida-Arcadia and Lakonia-Messinia (Greece). Ageing population, a common manifestation of rural outmigration, is identified as an important concern by three rural development expert and public authority respondents speaking on the regions Plovdiv and Perustiza (Bulgaria) and Ciudad Real and Cuenca (Spain). Investments in generational renewal, both in the agricultural sector and more broadly, as a means of mitigating outmigration and an ageing demographic, are deemed very relevant and an important regional need by public authority and rural development expert respondents from Ciudad Real and Cuenca (Spain).

The importance of improving poverty and employment issues in rural regions was identified by eight respondents, rural development experts and public authorities spanning the regions Plovdiv, Perustiza (Bulgaria), Parma, Reggio Emilia, Modena (Italy), Zeeland Flanders and Central and northern Zeeland (The Netherlands). Poverty and employment issues have cyclical effects in rural regions contributing to further outmigration and aging populations as individuals in the work force seek better opportunities, reduction of human capital, and continued reduced investments in social services.

The promotion of agricultural value chains, environmental protection and rural development is identified as a need by five respondents, rural development experts and public authorities commenting on the regions South Bohemia (Czechia), Central Estonia, Eastern Estonia, East Tyrol, the Tyrolean Unterland (Austria), Parma, Reggio Emilia, and Modena (Italy). The need to improve local administrative services, especially communication links, between the central ministries and local and regional authorities, is recognized by one regional public authority, in South Bohemia (Czechia).

Improving social services may require significant infrastructural investments, particularly when it comes to meeting housing demands**.** A rural development expert, speaking on housing issues in the Austrian regions East Tyrol and Tyrolean Unterland, noted that the choice of housing-type and density requires careful consideration in rural areas. High density housing changes the rural fabric, while single family housing takes up large tracts of land. Both approaches can encroach on agricultural land and create pressure on the conversion of fertile land for housing developments

4.9.3.3 Economic needs

Economic needs vary substantially across the case study regions. These specificities often depend on the sectorial concentration of the regional economy, its proximity to urban centres, and its inherent attractiveness both to employees and to companies.

In the more rural case study regions, where the agricultural sector plays a relatively more important role, such as in the regions of Peloponnese (Greece) and Castilla-La Mancha (Spain), employment prospects are deteriorating for inhabitants, both in agriculture and in other sectors. Case study respondents across the respondent groups

(public authorities, rural development experts, farmers, processors, and producer organisations) highlight that, due to its seasonal nature and lower pay, agricultural work is not perceived as particularly attractive.

Because rural areas tend to be economically and socially unappealing to young people and overall, most of the rural youth are reluctant to work in agriculture or invest in learning agricultural skills. Representatives of the agricultural cooperatives in the Greek case study region ascribe the shortage of labour in agriculture to the lack of new farmers, and to the seasonal character of production. In the Spanish region, even if there are some spots of dynamism, such as agri-food industries or strong cooperatives, there is still a pronounced lack of employment opportunities. Employment here is largely linked to the agricultural sector and is seasonal in nature.

In mountainous regions**,** the landscape forms natural barriers that can aggravate the impact of economic transitions. In the Austrian case study regions, where connectivity to economic centres is poor, the regional productivity and unemployment rate is described as challenging by interviewees across the case study regions and across the respondent groups: public authorities, rural development experts, farmers, processors, producer organisations, NGOs, civil groups, and rural residents. Due to the mountainous terrain, most farms are small in structure and managed part-time. Unlike other regions in the state, the population has been declining continuously for years – a common phenomenon in mountainous regions, according to a rural development expert. Despite the city of Lienz being an important regional centre, the entire region is affected by outmigration tendencies, especially among young people. This is primarily noticeable in cases of generational renewal. In the French case study region, population ageing and demographic decline, poor transport connections, and dwindling public services decrease the region's attractiveness for young people to remain or settle down, according to findings across the respondent groups: public authorities, rural development experts, farmers, processors, and producer organisations.

In other case study regions (e.g. Saxony-Anhalt), the relatively lower productivity and efficiency of the primary sector are particularly important issues, according to responses from public authorities, rural development experts, and farmers' associations. This is evidenced by lower income levels and less attractive working conditions in the case study regions in Czechia and Germany. These regions are generally characterised by strong emigratory patterns and subsequent shortages of skilled labour across the economic sectors, not only in agriculture.

Respondents across the investigated case study regions (and across all respondent groups – public authorities, rural development experts, farmers, processors, producer organisations, NGOs, civil groups, and rural residents) identified a series of common strands which are emblematic of needs in terms of economic development in these regions.

- Land pressures, especially in more economically developed regions, may adversely affect the output of the primary sector. Some case study regions see increasing diversification into tourism by farmers, as these activities can be relatively more profitable.
- The primary sector is poorly positioned to compete with other sectors for labour, due to unfavourable working conditions, which include instability, seasonality, and low wages. This issue is further aggravated by increasing outmigration.
- In more remote areas, the lack of employment choice is detrimental to overall economic welfare. Jobs in the primary sector do not necessarily offer attractive working conditions, but in these areas, alternative employment opportunities can be rare.
- Access to innovation, knowledge transfer capacities, and digital infrastructure, generally found in populated urban centres, is restricted in more rural areas. Less economically developed regions find it difficult to access these resources.

- There are sometimes stark differences between more and less urbanised regions in terms of economic development, infrastructure provision and maintenance.

4.9.3.4 Social inclusion needs

Information related to social integration in the case study areas was collected, and focused on the types of difficulties faced by vulnerable groups living in rural areas.

The integration of ROMA populations was mentioned in the case of Bulgaria (public authorities, rural development experts, farmers, processors and producer organisations). The rural ROMA populations (several sub-groups co-exist) are an important ethnic minority that faces difficulties associated with:

- remote location (often very rural areas with difficult access)
- poor housing conditions
- health issues
- lower educational attainment (compared to the national average)
- specific challenges faced by girls in line with school dropouts, and low ages of marriage and childbirth.

In Bulgaria, targeted strategies and support mechanisms (not directly funded by the EAFRD, but by the ESF) intend to improve the social integration of ROMA populations.[72]

A study from the Integro Association (2019) describes attempts by LAGs to foster the participation of ROMA populations in the local development of rural areas. However, the study revealed that this social inclusion approach has not been largely successful. For example, one LAG reported that while the ROMA communities participated in the development of local strategy, they were not very active; they did not present any ideas and only listened in during meetings. The reasons suggested include: lack of awareness regarding the necessity of the strategy, lack of confidence, and to some extent, the lack of openness of the LAG itself. The high rate of migration among ROMA people is also mentioned as a key issue hampering the sustained involvement of ROMA representatives in this LAG. However, another LAG reports more success, confirming that ROMA people have been actively involved in the design of the local development strategy, and are expected to participate in the implementation of the measures. Overall, the study finds the LAGs' social inclusion strategies targeted at ROMA populations variably successful. Some facilitating factors include the presence of an NGO working directly with the ROMA communities, and targeted information sessions for potential Roma beneficiaries.

The Greek case study refers to ROMA populations in the context of their role in the fruit-picking sector. While integration problems are acknowledged, they are referred to as 'minor issues' (by a rural development expert). In Spain (Castilla-La Mancha), ROMA populations are mostly concentrated in the vicinity of urban centres. As such, social inclusion issues are not pertinent to the examined rural areas.

The integration of non-EU immigrants is reported by several interviewees (from the categories farmer, processor, and producer organisation) as an issue in the examined Greek regions, where long-established immigrants (mostly from Asian countries) are reportedly still not well integrated. In turn, in Italy (Emilia-Romagna), where workers on dairy farms come mainly from India and Pakistan, no social inclusion issues have been reported, but rather, problems linked to administrative procedures (i.e. visas).

[72] It should be specified that ROMA communities in Bulgaria are supported under the CLLD approach

Rural women have been identified as another group facing difficulties in the regions examined. A rural development expert covering Tyrol (Austria) indicated that the more rural and remote an area is, the less its female residents tend to be included in the social fabric. This is partly evidenced by women's limited access to vocational training and certifications. In this region, which one interviewee describes as 'very patriarchal', young women face difficulties entering the labour market, and are often forced to migrate to cities for employment. The situation in Tyrol is echoed, although perhaps to a lesser extent, by the difficulties reportedly faced by rural women in the Italian case study regions where women are particularly affected by long-term and hidden unemployment. In the Polish regions, a farmers' association representative called for support for rural women '*affected by a lack of opportunities linked to their responsibilities in running households*'.

The problem of limited employment opportunities for young people living in rural areas has been highlighted in multiple case studies (Austria, Spain, Bulgaria, Greece, France, Czechia). Besides employment, rural youth may also leave rural areas because of limited access to infrastructure (e.g. sports, recreation) and higher education. Sometimes, even high schools are located far away, reports a Czech rural municipality representative.

The Irish case study highlight the social inclusion needs of the rural elderly, many of whom live with poverty, isolation, and poor housing conditions in the study areas. A lack of elderly care centres is reported in rural areas.

Finally, mental health is cited by a rural development expert covering Ireland as an important concern related to social inclusion, indicating that the social isolation experienced by the rural elderly, and the economic hardships faced by small farmers, place these populations at increased risk of mental health problems. Meanwhile, the Dutch case study highlights the 'strong sense of community' in the rural areas examined, according to a public authority and rural development expert. This is reported as an important factor for fostering social participation and cohesion among the rural population.

4.9.3.5 Socio-economic differences with neighbouring regions

Respondents were asked to identify the predominant socio-economic differences between their regions and neighbouring regions, and to rank these differences in order of importance using a ranking system of 'limited' to 'extremely important.' This approach brings to light the key characteristics of the case study regions and identifies the main differences with respect to needs between the case regions and regional neighbours. These considerations are important as the concept of BTD notably refers to territorial cohesion and convergence, in the aim of addressing development gaps between flourishing regions and those falling behind.

The findings gathered from rural development experts and public authorities suggest that the differences most frequently highlighted as extremely important are demographic differences, infrastructural differences, and economic differences. Demographic differences include issues such as rural abandonment, ageing populations, and outmigration, which are frequently reported among the regions investigated. Among infrastructural differences, quality roads, footpaths, and public transportation are overwhelmingly reported to be poorer when compared to neighbouring regions. Economic differences encompass income inequality, lack of funding and investments, and poor job diversification and employment opportunities.

Other differences reported pertain to human capital, lack of social infrastructure, and the agricultural issue of farm size, with an observation that farm sizes have been increasing in many regions. Large-scale farms have been identified by respondents as exerting pressure on smaller and family-based farms.

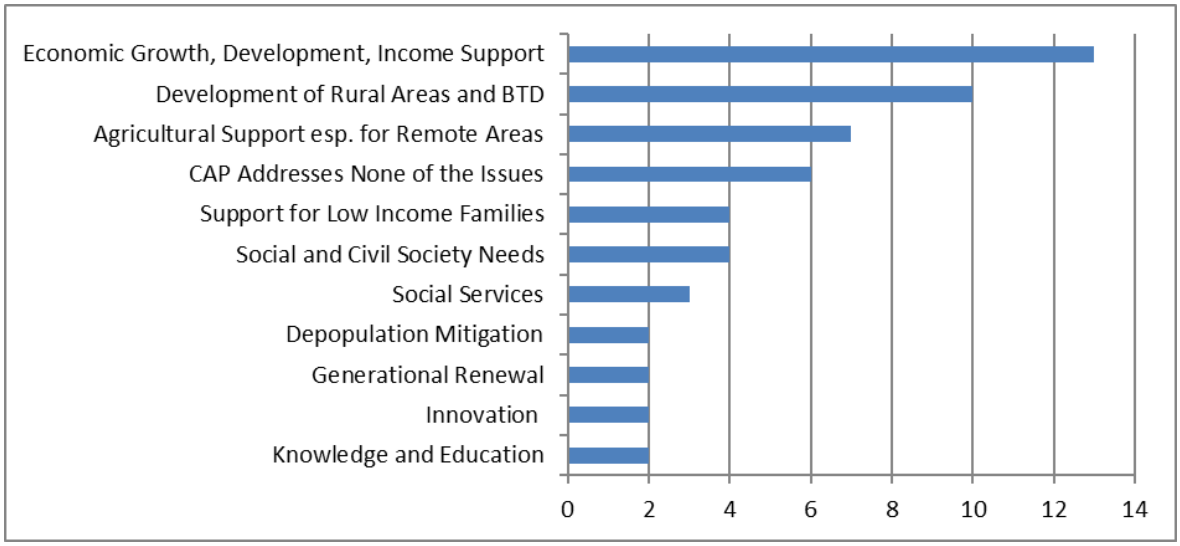
4.9.4 Overall CAP impacts on the needs in rural regions and on the provision of services

Building on the information presented in the previous section (characteristics and needs of rural areas), this section presents the effects of the CAP on addressing needs in rural regions, including the provision of social services.

4.9.4.1 CAP impacts in meeting needs in rural regions

In Figure 16, the respondent groups rural development experts and public authorities, have identified the needs in their regions, which are being addressed by the CAP. As seen below, where the CAP is reported to address needs in the rural regions examined, it is seen to primarily address economic ones. Needs such as economic growth, development and income support, development of rural areas and BTD, and agricultural support, especially for remote areas, are most frequently cited as being addressed by the CAP, whereas social needs, such as knowledge and education, generational renewal, and mitigation of depopulation are cited with less frequency.

Figure 16: Needs in Rural Regions – addressed by CAP



Source: Consortium, 2020; n=57; respondents are from the categories public authority and rural development expert

Economic growth and development are the most frequently cited need in rural areas that is addressed by the CAP. Primarily, respondents (public authorities and rural development experts) identified the importance of having income support in place for farmers to maintain resilient rural communities and rural landscapes. With respect to this, apart from citing the CAP as a whole, Pillar I instruments are frequently identified as important policy instruments of the CAP for addressing this need, as Pillar I is reported to have an important multiplier effect with respect to the rural economy. However, public authority and rural development experts report that the distribution of Pillar I funding is often greater in regions with better land quality and a higher proportion of large-scale farms. For example, a public authority in Ireland, mentions that the majority of Pillar I applicants, and funding is delivered, is in the South Region. This is attributed to its better land structure, and larger farms.

Development of rural areas is reported as a need addressed by the CAP by ten respondents (public authorities and rural development experts). Generally, respondents recognize the CAP as a positive policy tool for supporting rural development, both within the farming sector, and the rural community more broadly. A rural development expert from Ciudad Real and Cuenca (Spain) further identified BTD as an important need addressed by the CAP, while commenting that in order to

fully maximise positive effects related to BTD, the agricultural support provided should be more territorially sensitive, with greater provisions made available to vulnerable regions, and to regions most dependent on agricultural production.

Seven respondents (public authorities and rural development experts) representing nine regions reported the CAP as providing support to agricultural areas and areas of natural constraint.[73] The benefits of this support include improving the maintenance of farms (Ciudad Real and Cuenca; Spain), supporting the competitiveness of farms (Parma, Reggio Emilia; Italy), increasing agricultural budgets (Central and Southern Estonia, Cantal, Haute-Loire; France), support to ANCs (Parma, Reggio Emilia, Modena; Italy), and improvement of supply chains (Parma, Reggio Emilia, Modena; Italy).

As far as social issues go, seven respondents (public authorities and rural development experts) indicated that the CAP is instrumental in addressing an array of social and civil society needs, as well as in the provision of social services. Highlighted most often in this regard are M19 (support for LEADER), and M07 (basic services and village renewal).

Two respondents (public authorities and rural development experts) indicated the CAP helps mitigate depopulation in rural areas. The same number of respondents (public authorities and rural development experts) reported all four of the least frequent issues addressed by the CAP including generational renewal, innovation, and knowledge and education.

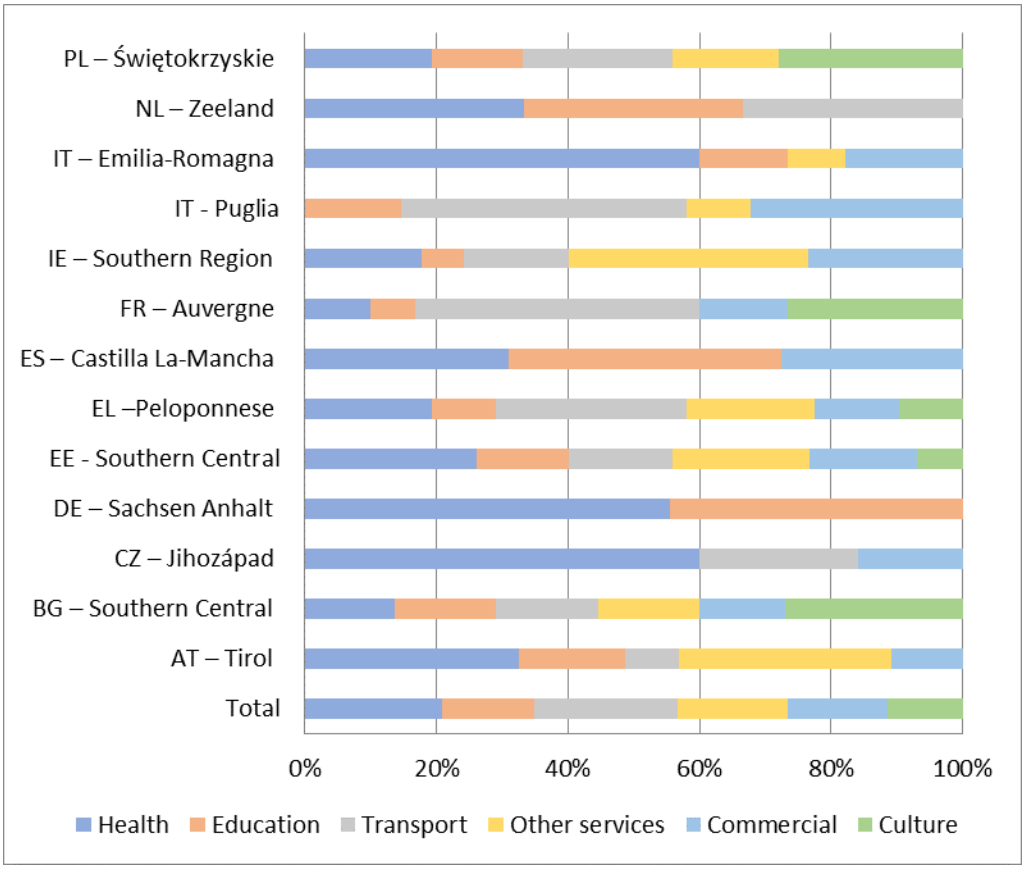
In contrast six respondents (public authorities and rural development experts), from the regions South-East Region Ireland, South-West Region Ireland, Zeeland Flanders, Central and northern Zeeland (Netherlands), Cantal and Haute-Loire (France), stated that the CAP does not help to address any of the needs in their regions. They felt that the CAP was not the driving factor for development in their agricultural or rural areas. According to these respondents, development in their rural areas is more accurately attributed to other sectors of the economy, and CAP funding is not adequately substantial to be considered a driving force.

4.9.4.2 CAP impacts on the provision of services

As described in the previous sections, the provision of services in rural regions is reported as poor across case study areas. Services are reported as inadequate within regions, and as unequal when compared to neighbouring regions. Figure 17 highlights the disparities in terms of basic service provision in case study regions, as reported by public authorities, rural development experts, farmers, processors, producer organisations, NGOs, civil groups and rural residents. The services explored pertain to health, education, transportation, commerce, culture, and other services. Other services include post offices, housing for disadvantaged populations, and other services for disadvantaged populations.

[73] Central Estonia, Southern Estonia, Parma, Reggio Emilia, Modena (Italy), Zeeland Flanders, Central and northern Zeeland (Netherlands), Cantal, and Haute-Loire (France).

Figure 17: The services most limited in case study regions



Source: Consortium, 2020; n=104; respondents are from the categories public authority, rural development expert, farmer, processor, producer organisation, NGO, civil group and rural resident

As demonstrated in Figure 17, health is most frequently reported as a limited service in the case study regions, except in Puglia (Italy) where it is not mentioned at all. After health, limitations regarding transportation and education are generally the next most frequently reported. However, when looking at the totals in Figure 17, each of the services appears almost evenly reported. This suggests that overall, across the different rural areas, all services are limited.

Having identified the most limited services in the case study regions, respondents from the groups rural development expert and public authority were asked to indicate the perceived impact of the CAP on the provision of services in general in the investigated regions. The results are displayed in Figure 18[74].

Figure 18shows that the most common assessments by respondents are that the implementation of the CAP has some impact or no impact on the provision of services of general economic interest.

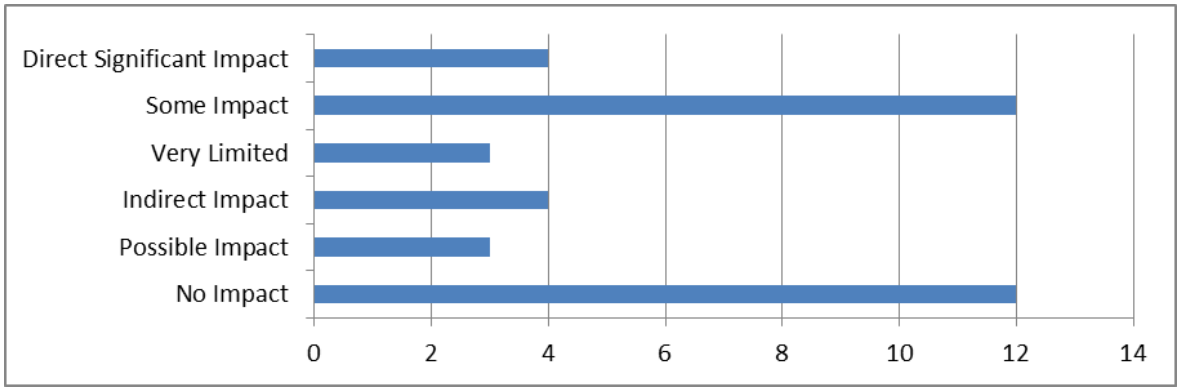
Specifically, twelve respondents (public authorities and rural development experts) indicated that the CAP has no impact on the provision of services, while another twelve respondents (public authorities and rural development experts) from eleven case study regions[75] reported that the CAP has some effect on services. Four

[74] When looking at the data presented in Figure 18, it should be noted that 19of the 57 interviewees did not provide a response. Possible reasons for not replying may include lack of respondent knowledge or opinions on the impact of the CAP on the provision of services.

[75] East Tyrol, Tyrolean Unterland (Austria), Ciudad Real, Cuenca (Spain), Parma, Reggio Emilia, Modena (Italy), Zeeland Flanders, Central and northern Zeeland (Netherlands), Argolida-Arcadia, and Lakonia-Messinia (Greece).

respondents[76] reported indirect effects in the regions of Central Estonia, Eastern Estonia, Haute-Loire (France), Argolida-Arkadia (Greece), and three respondents[77], from Cantal and Haute-Loire (France), stated that effects were possible, but they could not confirm. Four respondents (public authorities and rural development experts) from three regions, Plovdiv (Bulgaria), Sandomiersko-jędrzejowski, Kielecki (Poland), East Tyrol, and the Tyrolean Unterland (Austria) stated that the CAP had strong and direct effects on the provision of services.

Figure 18: Impact of the CAP on the provision of services



Source: Consortium, 2020; n=57; respondents are from the categories public authority and rural development expert

When respondents (public authorities and rural development experts) were asked to elaborate on the aspects of the CAP which result most often in the provision of services, respondents were most likely to identify M19 (LEADER), M07 (village renewal), and the CAP as a whole (especially Pillar I instruments) as an important source of financial support in rural areas, which indirectly helps support service provision.

With respect to M07, respondents (public authorities and rural development experts) indicate that the mechanism by which the CAP may directly improve the availability of services related to general and economic interests varies with the national RDP and the manner through which it is implemented. This means that different Member States have applied M07 in different ways and this has had an effect on its impact on improvements to service provision. For example, some managing authorities have focused more largely on investments closely related to agriculture and IT (such are broadband), while others have focused on the provision of social infrastructure, such as schools, childcare facilities, and other civil amenities.

Economic factors are the second most frequently mentioned effect of the CAP with respect to the provision of services, according to rural development experts and public authorities. As an instrument for bolstering the agricultural sector and improving farmer income, the CAP supports rural development, and thus, over time, service provision in rural areas. By supporting the economic development and continued viability of rural communities through improved farm incomes, which increase the ability of the region to attract and retain labour, the CAP indirectly supports the provision of services to these areas.

A trending theme among respondents (public authorities and rural development experts) is the targeting of CAP support. If CAP support should address service provision in rural areas in general, rather than only linked to farm development, this should then be more explicitly targeted according to both public authorities and rural development experts. Currently, this is not the case. While some areas have targeted

[76] From the categories public authority and rural development expert
[77] From the categories public authority and rural development expert

service provision specifically, and focused funding and support in this direction, others have not.

Twelve respondents (public authorities and rural development experts) from Börde, Stendal (Germany), South-East Region (Ireland), Parma, Reggio Emilia, Modena (Italy), Sandomiersko-jędrzejowski and Kielecki (Poland) reported that the CAP has no effect on the provision of social services. A further three reported only limited effects in their regions, stating that the CAP has small and very limited effects on the provision of the listed social services. A rural development expert in the South-West Region (Ireland) reported very limited effects, which include '*support for provision of some local community actions such as community laundry and rural enterprise through Leader*' (2020).

4.9.5 Pillar I impacts in rural regions

This section summarises and presents the effects of CAP Pillar I instruments, specifically on socio-economic aspects and BTD, as reported through interview findings and case study reports. The figures on the next pages present findings from case study interviews with respondents representing public authorities, rural development experts, farmers, processor and producer organisations.

4.9.5.1 Pillar I impacts on socio-economic aspects

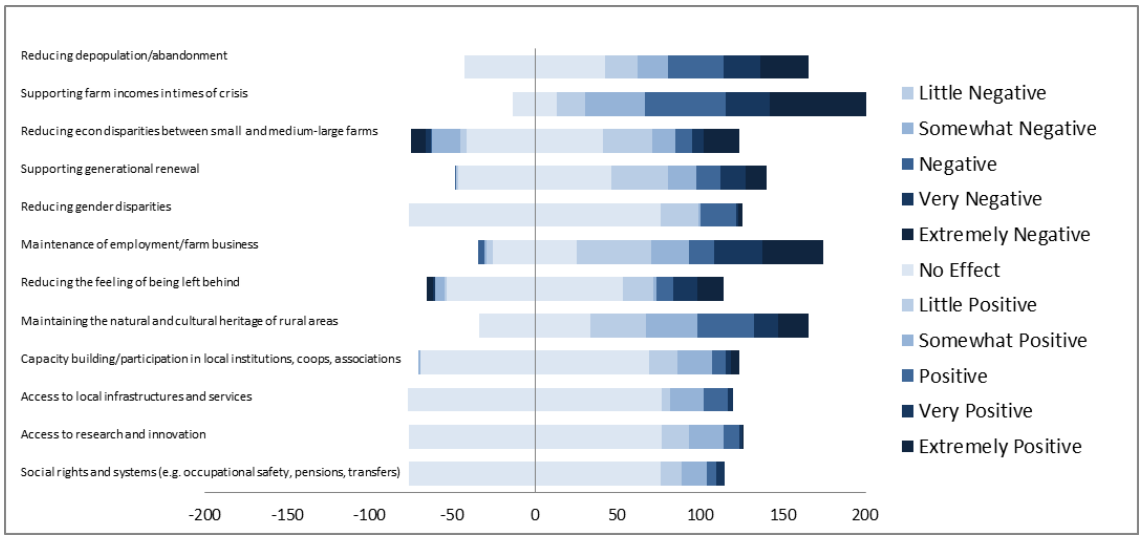
Figure 19 depicts the varied impact of the selected Pillar I instruments (SAPS/BPS, Green Payments, Young Farmers' Payments, Voluntary Coupled Support, Redistributive Payments, and Small Farmers Scheme) on rural populations. Overall, the responses (from the respondent groups public authorities, rural development expert, farmer, processor and producer organisation) demonstrate that Pillar I payments have had positive effects when it comes to reducing economic disparities. However, for certain aspects, some negative effects have also been reported.

Pillar I is associated with positive effects overall and where impacts are observed, they are stated to be generally positive, ranging from 'a little positive' to 'extremely positive'.

Specifically, positive impacts are observed most in the field of: supporting farm incomes in times of crisis, reducing depopulation and abandonment, maintaining natural and cultural heritage, and supporting generational renewal in agriculture. Areas where less effects are observed are those of: reducing gender disparities, capacity building, improving accessing to local infrastructure and services, and research and innovation. In these instances, the majority of responses indicate that Pillar I instruments have no impact.

The impacts of Pillar I on reducing economic disparities between small and medium-large farms (third aspect from the top in Figure 19) are reported with the most variation. While for the most part, respondents (public authorities, rural development expert, farmer, processor and producer organisation) describe positive impacts, some indicate negative effects in this regard, which extend to 'extremely negative'. Other socio-economic aspects with negative responses include reducing the feeling of being left behind in rural areas, and maintenance of employment in farm business. Still, overall, replies tend toward positive effects.

Figure 19: Impact of Pillar I instruments on socio-economic aspects – SAPS/BPS, VCS, YF, SF, Greening and Redistributive Payments[78]



Source: Consortium, 2020; n=85; respondents are from the categories public authority, rural development expert, farmer, processor and producer organisation

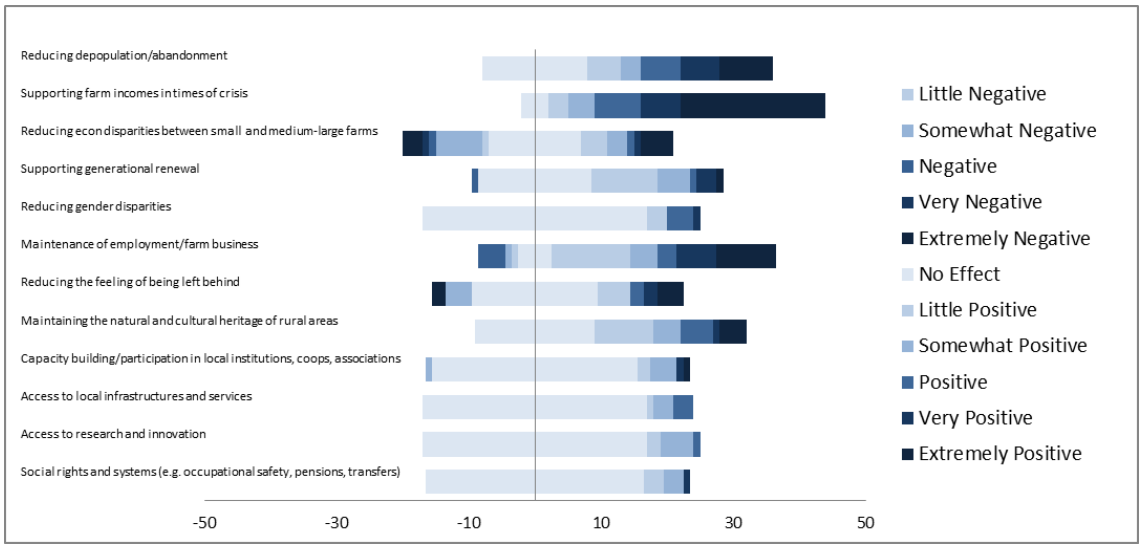
The three figures on the next pages demonstrate the proposed effects of Pillar I according three important instruments within Pillar I: BPS/SAPS, young farmer payments and small farmer scheme, for the respondent categories public authority, rural development expert, farmer, processor and producer organisation

As Figure 20 shows, similar patterns emerge when respondents are asked to assess the role and impact of BPS/SAPS alone. Support from this instrument is deemed very beneficial in terms of reducing depopulation and abandonment, supporting farm incomes in times of crisis, and maintaining farm businesses and employment. Largely positive impacts are also reported when it comes to supporting generational renewal, maintaining natural and cultural heritage, and, to some degree, reducing gender disparities.

However, in terms of reducing economic disparities between small and mid-sized and large-scale farms, and addressing feelings of being left behind, the responses are once again varied, with some respondents (public authorities, rural development expert, farmer, processor and producer organisation) even indicating a worsening of effects. Some negative effects are also reported for the maintenance of employment and farm business, and to a lesser degree, supporting generational renewal and capacity building. This indicates that within Pillar I, area-based payments seem to be contributing to negative effects.

Respondents provided a score for each instrument, grouped in Table 19. Therefore, the sample size is 85, while the total count is representative of the sample size n, multiplied by the number of instruments grouped (n*6=510). The frequency of allocation of non-applicable (n/a) indicating that a given instrument has a non-applicable effect on an aspect ranges from 225-285 for this question and instruments.

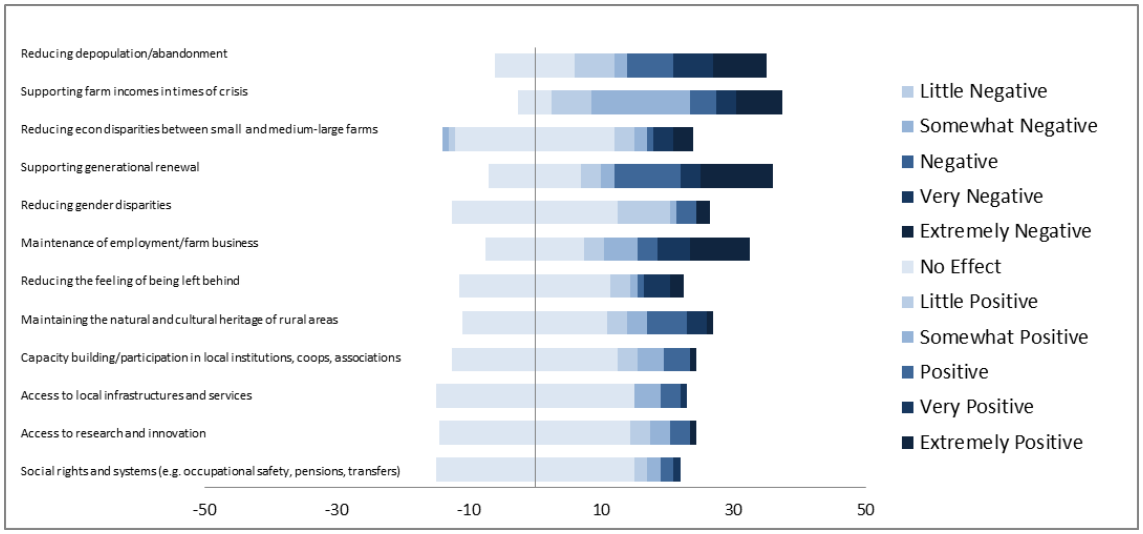
Figure 20: Impact of Pillar I instruments on Socio-economic Aspects –BPS/SAPS only[79]



Source: Consortium, 2020; n=85; respondents are from the categories public authority, rural development expert, farmer, processor and producer organisation

On the other hand, Figure 21 and Figure 22 depict responses (from public authorities, rural development experts, farmers, processors and producer organisations) to young farmer payments and the small farmer scheme, respectively. They demonstrate that, across socio-economic aspects, largely positive effects are reported by respondents in regard to these programs. Unlike with BPS/SAPS, there were almost no negative effects reported, suggesting that young farmer payments and the small farmer scheme have a more consistent and congruent impact on the agricultural sector and rural areas.

Figure 21: Impact of Pillar I instruments on Socio-economic Aspects –young farmer payments[80]

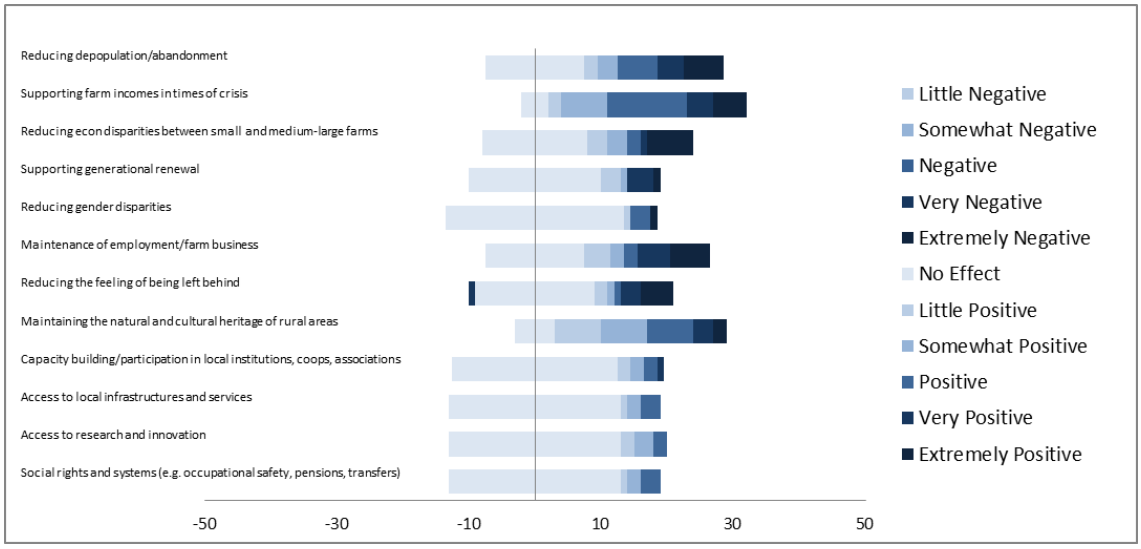


Source: Consortium, 2020; n=85; respondents are from the categories public authority, rural development expert, farmer, processor and producer organisation

[79] Pillar I effects – BPS/SAPS, represents responses across one instrument only (BPS/SAPS). The sample size, n, is 85. The frequency of n/a responses ranges from 39-47 for this question and instrument.
[80] Pillar I effects – young farmer payments, represents responses across one instrument only young farmer payments. The sample size, n, is 85. The frequency of allocation of non-applicable (n/a) indicating that a given instrument has a non-applicable effect on an aspect ranges from 44-51 for this question and instrument.

By contrast, the strength and frequency of the positive effects reported by respondents (public authorities, rural development experts, farmers, processors and producer organisations) is overall smaller among the young farmer payments and small farmer schemes. Therefore, where positively assessed, BPS/SAPS payments are reported to be more effective than both the small farmer and young farmer payments.

Figure 22: Impact of Pillar I instruments on Socio-economic Aspects –small farmer scheme[81]



Source: Consortium, 2020; n=85; respondents are from the categories public authority, rural development expert, farmer, processor and producer organisation

4.9.5.2 Reasons for the lack of effectiveness of Pillar I instruments

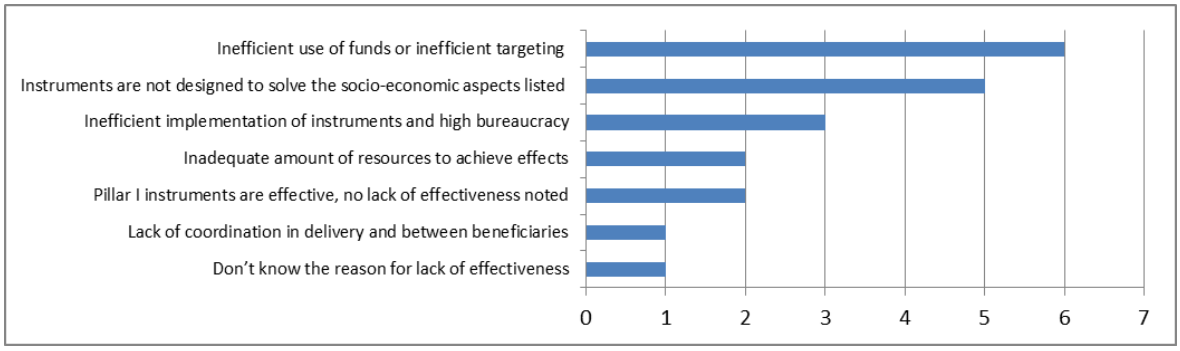
Figure 23 presents responses regarding the lack of effectiveness of Pillar I instruments, gathered from rural development experts and public authorities. It is important to note that a limited number of responses were gathered for this particular interview question; 40 of 57 possible respondents did not reply. The findings are therefore attributable to a smaller sample size of 17 respondents, and cannot be assumed to reflect the wider viewpoints of all the case study regions. Regions which provided responses include Plovdiv, Pazardzik (Bulgaria), East Tyrol, Tyrolean Unterland (Austria), Parma, Reggio Emilia, Modena (Italy), Lakonia – Messinia, Argolida-Arkadia (Greece), South-East Region, South-West Region (Ireland), and Central Estonia. Possible reasons for not replying may include lack of respondent knowledge or opinions on the effectiveness of Pillar I.

The responses gathered are presented in Figure 23. As seen, inefficient use of funds or inefficient targeting are the main reasons given by respondents (public authorities and rural development experts) commenting on areas where the CAP is seen as ineffective or minimally effective. Respondents from both respondent categories observed that relatively developed or agriculturally productive regions are often favoured, which may make the intended effect of BTD less obvious. For example, speaking on the point of inefficient targeting, a rural development expert discussing the South-East and South-West regions of Ireland stated that 47.7% of all Pillar I payments go to the southern regions, which have better land quality, more profitable land, and larger farms.

[81] Pillar I effects – small farmer scheme, represents responses across one instrument only (small farmer scheme). The sample size, n, is 85. The frequency of allocation of non-applicable (n/a) indicating that a given instrument has a non-applicable effect on an aspect ranges from 49-53 for this question and instrument.

The second most frequently listed factor by public authorities and rural development experts related to ineffectiveness is the unsuitability of Pillar I when it comes to addressing the socio-economic issues in question. Inadequate resources, inefficiency resulting from bureaucratic barriers to accessing and monitoring funds, and lack of coordination during delivery are also noted by respondents.

Figure 23: Reasons for lack of effectiveness of Pillar I instruments

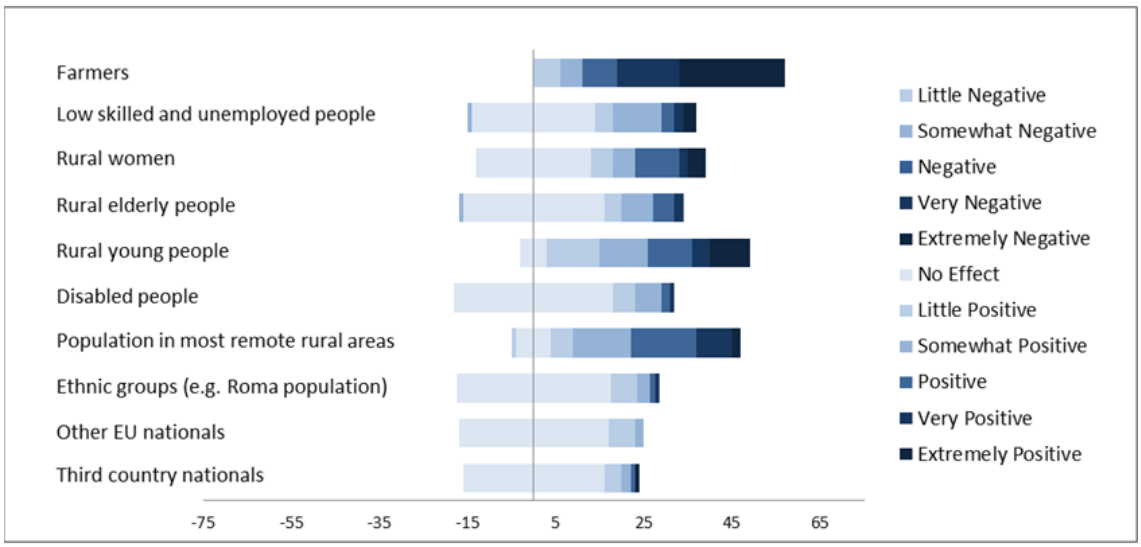


Source: Consortium, 2020; n=57; respondents are from the categories public authority and rural development expert

4.9.5.3 Impact of Pillar I instruments on target groups

The perceived effectiveness of Pillar I in improving the socio-economic conditions of target groups is illustrated in Figure 24. In general, the impact of these instruments on the general rural population is positive, according to the respondent groups: public authorities, rural development experts, farmers, processors, producer organisations, NGOs, civil groups, and rural residents.

Figure 24: Impact of Pillar I Instruments on Target Groups[82]



Source: Consortium, 2020; n=104; respondents are from the categories public authority, rural development expert, farmer, processor, producer organisation, NGO, civil group and rural resident

Farmers are the one target group in which respondents reported the highest proportion of positive effects linked to Pillar I instruments. This is followed by rural young people, and people living in remote areas. Populations in very remote areas

[82] The total count, n, is representative of the sample size (104), two respondents did not provide replies for this question. The frequency of allocation of non-applicable (n/a) indicating that a given instrument has a non-applicable effect on an aspect ranges from 44-58.

generally profit from Pillar I payments, often due to the relatively higher importance of the agricultural sector, particularly as an employer, according to respondents. Respondents also identified low-skilled groups and rural women as generally positively affected. For other population groups, such as ethnic groups including ROMA, other EU nationals, and third country nationals, the impacts are generally deemed neutral, with a minor tilt towards the positive side.

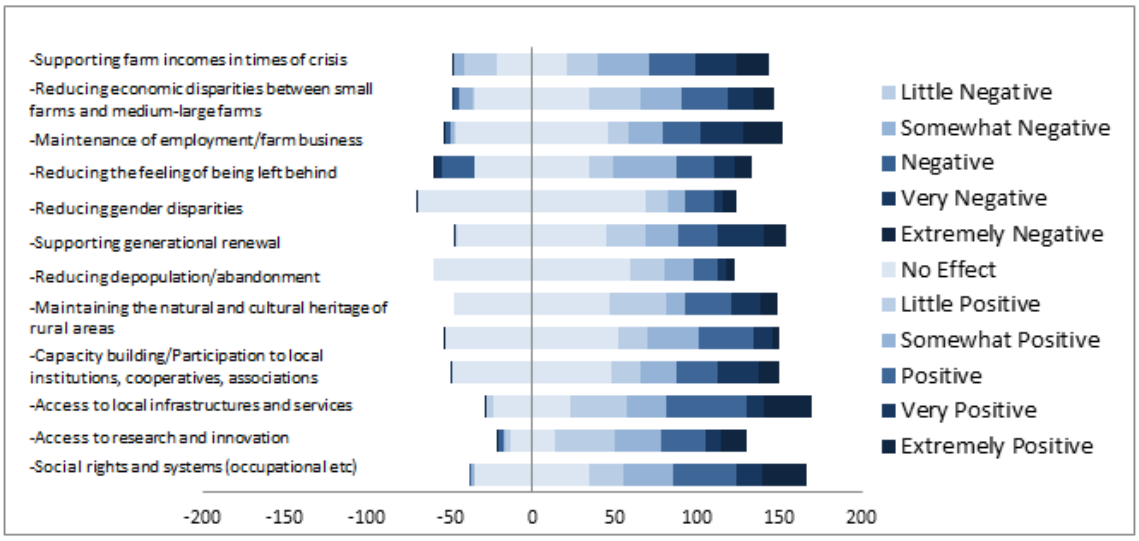
4.9.6 Pillar II impacts in rural regions

This section summarises and presents the effects of CAP Pillar II measures, specifically on socio-economic aspects and BTD, as reported through the case study reports and interview findings.

4.9.6.1 Pillar II impacts on socio-economic aspects

The perceived effect of Pillar II measures on socio-economic aspects is largely positive according to the respondent groups public authorities, rural development experts, farmers, processors and producer organisations, as demonstrated in Figure 25. When compared to the rather mixed reviews of the effects of Pillar I on several socio-economic aspects, Pillar II effects are reported as more comprehensively positive.

Figure 25: Impact of Pillar II Measures (M01, M02, M04, M06, M07, M09, M10, M11, M12, M13, M15, M16, M17, M19)[83] on Socio-economic Aspects[84]



Source: Consortium, 2020; n=85; respondents are from the categories public authority, rural development expert, farmer, processor and producer organisation

In addition to supporting farm incomes in times of crisis, Pillar II is deemed particularly effective in promoting social rights and systems, improving access to research and innovation, and improving access to local infrastructure and basic services to the rural population, according to public authorities, rural development experts, farmers, processors, and producer organisations. In these regards, Pillar II is

[83] M01 – knowledge transfer, M02 – advisory services, M04 – Investments, M06 – farm and business development, M07 – village renewal, M09 – producer groups and organisation, M10 – agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payments to ANC, M15 – forest-environment and climate, M16 – cooperation, M17 – risk management, M19 – LEADER.

[84] Pillar II results represent responses across five bundles of Pillar II measures (together bundles account for all measures of interest (M01, M02, M04, M06, M07, M09, M10, M11, M12, M13, M15, M16, M17, M19). Respondents provided a score for each bundle of measures, grouped in section 2.5.1. Therefore, the sample size is 85, while the total count is representative of the sample size n, multiplied by the number of measure bundles (n*5=425). The frequency of allocation of non-applicable (n/a) indicating that a given instrument has a non-applicable effect on an aspect ranges from 220-253 for this question and measures.

an important tool for improving the quality of life of rural population and addressing relevant needs in rural regions. Pillar II is also seen as particularly positive when it comes to supporting generational renewal by the same respondent groups.

Reducing gender disparities is less often indicated as an effect of Pillar II measures, while, as with Pillar I, respondents are divided when it comes to reducing the feeling of being left behind: while still largely positive, some assessments also point to negative effects. This data is valuable because it reveals which aspects might benefit from a more nuanced approach to ensure that the measures intended to ease the difficulties faced by rural populations do not exacerbate them.

4.9.6.2 Reasons for the lack of effectiveness of Pillar II measures

Figure 26, next page, presents the perceived reasons for the lack of effectiveness of Pillar II measures in addressing the core socio-economic aspects explored in this study. The responses include the categories public authorities and rural development experts. It is relevant to note that 25 interviewees did not provide replies. Possible reasons for not replying could be attributed to a lack of respondent knowledge or opinions on the subject.

When asked to report on why Pillar II measures may not be effective, the majority of responses (from public authorities and rural development experts) cited issues such as administrative burden, unclear eligibility criteria, and poor implementation of RDPs as the primary reasons for measures having little or no effect on socio-economic aspects. Administrative burden is reported to reduce innovation and creativity when planning and implementing Pillar II projects and programmes, according to public authorities and rural development experts. This is a frequent concern, and has been linked to several shortcomings of Pillar II implementation, and to barriers to access to Pillar II funding among beneficiaries. For example, in South-West Ireland, resource and structural problems at the local government level are reported to hinder the efficacy of Pillar II in dealing with specific local needs according two rural development experts. Administrative inefficiencies are further highlighted in the regions of Parma, Reggio Emilia and Modena (Italy) reducing accessibility to funds among beneficiary groups as reported by both public authorities and rural development experts.

Incorrect targeting and poor accessibility of funds, along with limited funding availability to address issues in rural areas, are also frequently listed as factors that limit the effectiveness of Pillar II measures. Overall, nineteen respondents (public authority and rural development expert) cited one or several of the issues above.

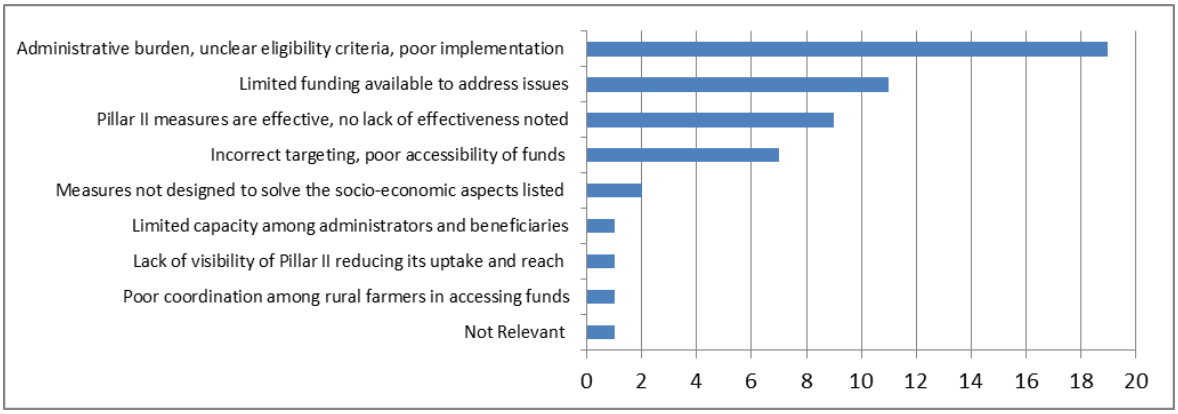
In addition to referring to Pillar II in general, comments are often linked to LEADER, which is regularly reported as a relevant measure for addressing socio-economic needs in rural regions by interviewed stakeholders (public authorities and rural development experts). LEADER is often heralded as an important component of Pillar II in rural regions.

Limited funding is listed as an issue by ten respondents (public authority and rural development expert). These respondents report that socio-economic concerned in their regions are widespread, and that large volumes of funding would be required to adequately address these concerned, in particular service provision. Reports suggest that Pillar II is often inadequate to address the comparably large problems in rural areas.

Incorrect targeting and poor accessibility of funds is listed by seven respondents (public authority and rural development expert), who repeatedly cite the exclusion of farmer groups in less developed regions, or those from smaller farm holdings, when discussing factors that limit the efficacy of CAP measures. Pillar II of the CAP is reported to more often support programmes which can support job creation, or larger

enterprises, making access for small enterprises in rural areas more difficult in applying for aid. Such issues can also be regional, whereby those regions already falling behind in comparison to neighbouring regions have more difficulty accessing Pillar II funds. For example, a rural development expert, also reporting on Ciudad Real and Cuenca, stated that funds are unevenly distributed, and are concentrated in the largest and most populated territories. The interviewee indicated '*the largest municipalities are, in the end, those with the most resources, including administrative resources, and those that know how to obtain aid in the best possible way.*' (2020).

Figure 26: Reasons for lack of effectiveness of Pillar II Measures



Source: Consortium, 2020; n=57; respondents are from the categories public authority and rural development expert

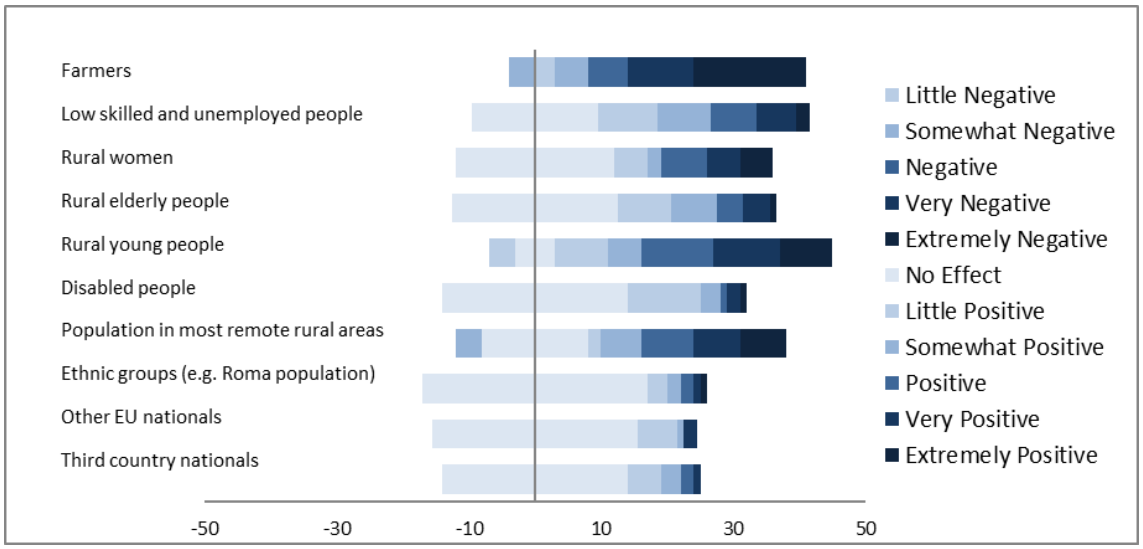
On the other hand, nine respondents, spanning rural development experts and public authorities, speaking to the situation in twelve regions,[85] say that Pillar II measures are effective for addressing all the relevant socio-economic aspects in their regions. One public authority official reporting on the Argolida-Arkadia and Lakonia-Messinia areas in Greece stated that '*the impact of the crisis was less intense in rural areas than in urban areas due to the CAP as a whole*' (2020).

4.9.6.3 Impact of Pillar II measures on target groups

Respondents from the groups rural development experts, public authorities, farmers, processors and producer organisations deem the effects of Pillar II on the rural population in general as largely positive to neutral (see Figure 27). The groups assessed as being most positively impacted are the same as with Pillar I: farmers, followed by low-skilled workers, rural youth, populations in remote areas, and rural women. However, when compared to Pillar I findings, positive effects are distributed more evenly across these groups. Other populations, such as ethnic groups including ROMA, other EU nationals, and third country nationals, are reported as being impacted more neutrally. However, when compared with Pillar I findings, these latter groups are seen to be more positively impacted by Pillar II measures.

[85] Southern Estonia, Central Estonia, Plovdiv (Bulgaria), Parma, Reggio Emilia, Modena (Italy), East Tyrol, Tyrolean Unterland (Austria), Argolida-Arcadia, Lakonia-Messinia (Greece), Börde and Stendal (Germany) Sandomiersko-jędrzejowski and Kielecki (Poland).

Figure 27: Impacts of Pillar II Measures on Target Groups[86]



Source: Consortium, 2020; n=85; respondents are from the categories public authority, rural development expert, farmer, processor and producer organisation

4.9.7 Efficiency of CAP measures and instruments' delivery

All case study reports give interesting examples to illustrate more and less efficient delivery and targeting of CAP instruments and measures to social and economic goals. The following paragraphs extract and summarise specific points from case study territories, indicating where issues are common to more than one case and providing some detailed descriptions of specific examples, to illustrate the effects in more depth.

Interviewed beneficiaries in Austria say CAP measures are easy to access: mostly visiting the Chamber of agriculture and filling in a form in person. For area-based measures (M10, M11, M12, M13) and instruments (especially single area payment and greening), the application is done by the paying agency AMA and is very straightforward. Project-based measures (like LEADER) are more complicated to handle and there are several authorising bodies involved, the requirements for smaller projects are disproportionate. A LAG manager said it is important to know that the smaller a project, the more difficult it is to submit and handle it. In Tyrol, approximatively 100 LEADER projects are funded per year and of five full-time equivalent posts for LEADER (including ERDF funding), three of these are responsible for implementation. Other Pillar II measures reach larger numbers of beneficiaries and are perceived as less bureaucratic by beneficiaries – broadband access and childcare provision were highlighted as efficient. Experts and stakeholders say CAP funding should be more targeted to smaller farms than it is at present, to promote BTD.

In Bulgaria, it is reported that significant delays arise in the procedures for selection of contractors under the Public Procurement Act, due to appeals against the decisions of the contracting authorities on public procurement, which delay the conclusion of contracts and the execution of projects. This is a major problem that is beyond the scope of intervention of the RDP MA. There is also uncertainty about the timely absorption of over EUR 600 million of funding available under M07 – village renewal of the RDP.

[86] The figure represents individual responses for all respondents from the categories public authority, rural development expert, farmer, processor and producer organisation. The total count, n, is representative of the sample size (85). The frequency of allocation of non-applicable (n/a) indicating that a given instrument has a non-applicable effect on an aspect ranges from 35-46.

In Czechia, Pillar I direct payments are judged easy to access, by farmers. For Pillar II measures, the public sector (i.e. municipalities) is used to receiving money from CAP and is able to handle the administration, but for farmers the same issue is more complex. Especially for small farmers it is hard to manage and at the same time they are unable to pay for advice that would help them with the process, whereas large farmers can pay this. According to interviewed rural development experts, administrative barriers and the lengthy process of obtaining subsidy discourage other applicants (especially entrepreneurs). From the submission of applications to the release of funds can take 1.5 years. Another significant factor is the co-financing rate (some respondents consider it high) and the method (i.e. ex-post financing). Beneficiaries report that the payments come often very late.

In Germany (Saxony-Anhalt), the 2019 annual implementation report highlights the administrative effort required by beneficiaries within the framework of LEADER as impeding programme implementation. Pillar I and II funding applications are criticised by stakeholders and beneficiaries as complex and inefficient but larger operators seek professional help to manage this. Pillar I BPS payments are however reported as simple and low-cost to receive by farmers. Nonetheless, farmers feel the controls are very strict and use unreliable methodology, which creates mutual mistrust between farmers and the Ministry. For LEADER, the process is lengthy – the awarding authority takes three to four months to decide on the application, usually requesting additional documents and clarifications, which are passed onto the applicant via the LAG. This process has expanded in comparison to the previous programming period: all documents need to be submitted as originals and statements and clarifications are more in-depth, meaning most awards take a year to be agreed.

In Estonia, case study respondents agreed that the regulatory framework is voluminous, but the paying agency is well placed to handle it. On-the-spot checks are resource intensive for area-based payments like organic farming and agri-environment-climate. Pillar I and II measures are made more efficient by on-line application and administration procedures.

In Greece, the administrative costs of CAP funding are not monitored, but according to the RDP evaluation (2019) the average time from the end of the call for proposals to the issue of the decision is: for M19.1: 5.9 months; for M11: 2.4 months; for M10.1: 4.2 months and for M6.1: 9.1 months.

In Castilla-La Mancha and Ciudad Real, Spain, improvements have been made with regards to the design and use of computer applications, such as the SMS (Support Management System), which brings together all payments linked to land from first and second pillars; and in terms of communication and coordination between entities involved in fund management. For example, in LEADER, constant communication has been promoted. Also, an advance payments system is foreseen. The current regionalised support system, in which differences between areas inherited from the rights acquired in previous reforms still persist, results in certain more competitive areas receiving a higher amount of basic payment and conversely, other areas with higher needs are receiving lower payments. This pushes the abandonment of activities in the 'losing' areas.

In respect of the RDP, one of the main problems identified by public authority interviewees is the lack of human resources to face the growing administrative burden. This is aggravated when several tasks or exceptional elements overlap, which frequently happens (for example, with audits). These situations lead to delays in payments and damage the credibility of the system – it may take two years from application to receive the payment. The complexity of measures has increased over time, especially for investments related to water, with an increasing number of certificates and commitments required, involving low execution and abandonment or resignation of the beneficiaries. In the case of the installation of young farmers, the

same problem is identified: the long process, the requirements of the scheme and the high administrative burden lead in many cases to abandonment or resignation. Particular attention is drawn to the difficulties faced by LEADER to keep some of its distinctive elements while dealing with the increasing administrative burden.

Regarding the evolution of measures linked to the wine sector, from the first restructuring plans of the sector in the year 2000, to date, the management complexity has been multiplied by ten, according to the Spanish public authorities and delivery agencies interviewed about the Pillar I. Document administrative control has been exponentially complicated, as well as other related issues, such as environmental authorisations, especially in certain types of territory.

The main source of inefficiency in the CAP implementation is not on the management side, but on the beneficiary side, and primarily relates to the complexity of administrative procedures and the interpretation of administrative rules. As unanimously reported by interviewed stakeholders, direct payments claims are too complex to be filled in by farmers on their own, or if farmers are knowledgeable enough to fill in the claim form alone, they still ask for professional advice by fear of missing out something. If farmers miss a box to be ticked, they can then lose payments for an entire year because the omission is spotted years after and does not allow for timely correction. These complexity-induced, not fraudulent mistakes are believed to fuel a feeling of unfairness and scepticism towards the CAP among farmers, whereas its support is essential for their business. This feeling is further reinforced by the strict and lengthy control process, particularly difficult to handle by small farmers.

In Apulia (Italy) the time and costs involved to deliver CAP support to beneficiaries differs between instruments and measures and can be affected by four distinct types of influence:

(1) Direct payments and CMOs' implementation (which are determined mainly by the EU and the national government): including the personnel resource involved in assessing the programmes of producers' organisations/groups of operators; procedures for control of payments related to OP; and procedures for control of direct payments; – these are often complex and lead to slow and complex delivery.
(2) RDP implementation (which is designed by regional authorities): including the eligibility conditions, selection criteria and sufficiency of financial allocation to measures relative to levels of demand, the rigidity and complexity of specifications for obligatory business plans, expenditure ceilings on investments, changes to implementing rules over time. All these factors can cause inefficiencies in using funds to best effect because they do not account for the variability of individual situations and justifications for funding.
(3) Role of institutions and private sector: these bodies have an important role in communication/information on available aid, providing advice to enhance project preparation, ensuring completeness of application submitted, helping to explain complexity of projects, supporting the administrative capacity of regional/local offices, and so on. Without good support for these processes, beneficiaries must endure longer times to get permission/authorisations from public authorities, long times and complex procedures of controls, times to get funds from Paying Agency – these vary significantly between measures and calls.
(4) General socio-economic constraints: these can affect beneficiaries' ability to proceed with accessing funding, such as lack of capital/liquidity at the farm level, the need for credit guarantees and collateral conditions, land shortage/high land prices, negative or unstable trends in agricultural product/inputs prices which affect business viability assessments for investment aids. These can all make it more difficult for beneficiaries to access CAP funding at certain times. Whilst this fourth category is more about 'barriers

to access' than 'costs of delivery', the volatility of many such factors can introduce new administrative challenges to applicants and recipients of funding during the process of delivery.

In Emilia-Romagna (Italy) by contrast, interviewees from both public administration and beneficiary groups suggest that the CAP policy instruments and measures are efficient. Some margin of further efficiency can be promoted in the Leader programme, but there is no real problem of spending efficiency. Delivery is more streamlined in this region, due to long experience in the public administration. However, stakeholders (rural development experts) note a lack of efficient integration of these policies with national policies supporting mountain areas.

In Zeeland (Netherlands), national objectives and priorities make the CAP's contributions too general to address specific developments challenges in Zeeland, despite decentralised implementation of EAFRD that defines priorities relevant for Zeeland in the framework of nationally agreed themes. Administrative costs and burden lower the effects of CAP on socio-economic developments. The implementation costs for EAFRD are between 14% and 20% of total funding. The provinces pay these costs due to the partly decentralised structure of EAFRD. This has two effects relevant for territorial development: 1) potential beneficiaries seek funding elsewhere due to the perceived high administrative cost against the benefits of the support; and 2) the costs lower investment capacities in the provinces, which otherwise would have invested in addressing territorial trends.

In Poland, Farmers' representative and stakeholder interviewees claimed that administrative work is discouraging smaller farmers to apply for funding and, in effect, leads to increasing disparities between small and medium-to-large farms as well as between vulnerable groups and other population groups. Advisory services guide applicants, however farmers claim that such services should not be necessary-applications should be simple enough to be completed without the need for external help. Administrative burden is linked to gold-plating as perceived by farmer and non-farmer beneficiaries. In addition to EU requirements, national authorities add further requirements, e.g. interviewees suggest that the regional Paying Agency requests too many forms and certificates. It was suggested that this is perhaps due to the working culture in the organisation. This statement on administrative burden is confirmed in the 2018 Annual Implementation Report which states: 'Among the factors conditioning the achieved effects, it is worth to refer to opinions concerning administrative burden of beneficiaries. The 'supply side' and Marshal's Offices indicated that RDP support is characterised by being too complicated and having too complicated procedures. Entrepreneurs resigned from support as administrative issues appeared to them to be too time- and effort-consuming'. Periods in which the Paying Agency is obliged to pay out money are often perceived as too long. In many cases, interviewees (from the managing authority) agreed that the amount of own contribution to projects is too high a threshold for some farmers, especially small ones. This further increases the gap between smaller farmers and those who are more in need, and larger and better-performing ones. Furthermore, some potential beneficiaries do not feel empowered to use EU funds, as in the case of women economically dependent on farming husbands, also some local municipalities who are unable to effectively tackle a lack of private investment funding, or to use the available funds for municipal projects (because the RDP has classed the eligible beneficiaries as private actors, only, for these measures)

4.10 EU level interviews

EU level interviews were conducted principally to gather information on administrative burden generated by the implementation of the CAP instruments and measures at the level of the European Commission's services. Information on administrative burden at the level of the Member States administrations, but from the perspective of the European Commission's representatives interviewed, is also collected. The findings

from the three interviews conducted (two for Pillar II and one for Pillar I) are presented per socio-economic aspects, including social inclusion.

In general, all three interviewees stated that the implementation of the CAP measures and instruments that are addressing the listed socio-economic aspects as well as social inclusion issues may generate, to a varying extent, administrative burdens. Administrative burden stems from a multitude of sources, technical ones (linked to the design of the CAP instruments/measures) and legislative ones (associated with the complexity of the EU rules and implementing acts). Along those lines, the Pillar II representatives interviewed described how the fear of auditing and controls lead the managing authorities to go beyond the EU requirements, thereby increasing the complexity for potential beneficiaries applying for funding or when receiving payments. Administrative costs may also result from these additional requirements. These findings are also corroborated by the study on the assessment of the ESIF administrative costs and burden (Spatial Foresight, T33, 2018). Overall, the interviewees stated that the creation of administrative burden is not particularly considered to be associated with the targeting of the socio-economic aspects and issues of social inclusion.

(a) Depopulation/abandonment and repopulation/in-migration, including role of rural areas as shock absorber in times of crisis;

The Pillar I interviewee identified BPS/SAPS as the most adequate and tailored instruments to address this socio-economic aspect. There are no specific sources of administrative burden linked to the implementation of these instruments. The only challenge identified corresponds to the definition of the minimum area of farm land to be eligible for the support (i.e. not to exclude too many farms). Pillar II interviewees also pointed at M06 – farm and business development and M07 – village renewal as having the highest potential impact on this aspect. One Pillar II interview reported that the setup of these measures led to a lot of discussions at the level of the Commission services, notably with regards to the intensity of the aid. The interviewee also indicated that M6.3 (business start-up aid for the development of small farm) generates administrative burden, in particular for beneficiaries, but still has a quite high uptake. Moreover, long procedures for applications are also described as an important hindering factor for the uptake of M06 – farm and business development. As for M07 – village renewal, the measure is reportedly hampered by complex public procurement procedures.

(b) Income, growth, poverty, jobs, employment, business creation/maintenance/diversification, investments (farming and non-farming), labour market;

The Pillar I interviewee did not identify any instrument particularly relevant for this aspect, the impacts of Pillar I being deemed as rather indirect. The reason brought forward is the importance of national/regional support schemes, for example supporting employment in all EU rural areas. As for Pillar II, the interviewees consider that the following measures have an impact on this aspect: M04 – investments, M06 – farm and business development, M19 – LEADER, M16 – cooperation. LEADER implementation is reported as being rather burdensome for the MA (although this depends on the country) as well as for the Commission services. The interviewee indicated that the creation of administrative burden for LEADER, at the national level, is linked to the level of detail of procedural guidelines, application, and controls. Certain administrations tend to do gold plating with respect to procedures and controls because of a fear of auditing. The burden within LEADER stems also from the more complex way of implementation, e.g. in relation to the activation of projects, animation of entrepreneurs through the LAGs.

(c) Generational renewal, ageing, gender disparities

The Pillar I interviewee raised issues linked to the shared competency of the EU and Member States in addressing generational renewal which has become a predominant challenge for the EU agriculture. Some elements underlying this aspect are linked to Member States' competences (e.g. heritage laws, land property law etc.). The interviewee deems that little is done at the Member States level to simplify take over procedures and generational renewal, and that the EU has therefore a limited influence if the Member States do not identify a need for such support in rural areas. The Pillar II interviewees reported that M06 – farm and business development, M01– knowledge transfer and M02 – advisory services could have an impact on this aspect. No specific administrative burden related issues were highlighted (besides the previously mentioned difficulties). As for M02, an important issue at the beginning of the implementation period, related to the fact that the Member States had to set up a public procurement procedure, which lead to substantial delays in the implementation. However, the OMNIBUS Directive[87] contribute to reduce the hurdle. Moreover, the use of standard cost options helped the Member States.

(d) Remoteness, commuting, housing, availability and access to social and economic infrastructures (e.g. broadband) and services (e.g. hospitals)

The Pillar II interviewees consider that the following CAP Pillar II measures have an impact on this aspect: M07 – village renewal, M19 – LEADER, M04 – investments. For M07, a key issue associated with the implementation of the sub-measure relates to the definition of rural infrastructure. Furthermore, in certain EU Member States, another problem relates to the delayed approval and implementation of transposition directives for public procurement, no national legislations were in force and this delayed the implementation of the CAP measures for several months.

The Pillar I interviewee reported that Pillar I is only indirectly addressing this aspect and would thus have a very limited overall effect. Only POSEI is deemed as being a relevant scheme.

(e) Availability and taking care of social capital/fabric: building local governance/capacities and bottom-up participation/approaches

LEADER is presented as possibly the only measure to impact this aspect. Besides the implementation issues mentioned earlier, a Pillar II interviewee highlighted that LAGs do not have the capacity to invest in activities in these fields if LAGs are overburdened by administrational responsibilities (application, public procurement procedures). However, the Pillar I interviewee also highlighted that Pillar I could be an efficient way to address this aspect, i.e. further supporting producer organisations as key drivers to strengthen cooperation in rural areas.

(f) Availability and access to research, innovation and training/advice, education

The effect of Pillar I on this aspect are deemed as being indirect. The Pillar II interviewee considers that the following CAP Pillar II measures have an impact on this aspect: M01 – knowledge transfer, M02 – advisory services, M16 – cooperation, M04 – investments. With respect to training and advice (M01), some newly implemented rules in this programming period have created some difficulties, e.g. the beneficiary has to be the provider of the training and not the final recipient. This has led to confusion, questions and misunderstanding at Member States level and resulted in a lack of interest in these measures and therefore reduced supply of training in rural areas. The interviewee also stressed that, in some countries, the implementation of the EIP was extremely problematic (in terms of understanding the EIP's purpose). This

[87] Directive (EU) 2019/2161 of the European Parliament and of the Council of 27 November 2019

resulted in a lot of back and forth discussions with the Commission services. The implementation of EIP is considered as being an issue today. Along those lines, the interviewees highlighted the importance of continuity and the challenges derived from the implementation of new measures and instruments. Social and economic progresses take time to occur and to be felt by the local population. Likewise, impacts of policies implemented in one programming period can sometimes only be seen in the next period. As such consistency and continuity across programming periods is essential to observe and sustain the impact of the implemented measures and instruments and to allow for managing authorities and implementing bodies' (e.g. LAGs) capacity building (learning effect and transfer of experience from one period to the other). Evolution of social rights and systems (e.g. occupational safety, pension schemes and transfers);

A pillar II interviewee considers that this aspect is mainly addressed indirectly by basic services and village renewal in rural areas (M07), partly knowledge transfer and information (M01) and LEADER (M19). The burdens connected to aspects d), e) and f) therefore also apply (see section 1.3).

The Pillar I interviewee mentioned that Pillar I may have an indirect effect on this aspect as it provides a substantial share of the farmer's income, which is in turn related to the national pension schemes. However, this only regards the farming sector.

(g) Quality of life; behaviour/cultural aspects of 'feeling left behind''discontent'

The Pillar I interviewee indicated that Pillar I may have an indirect effect on this aspect as the provision of support strengthens the social situation of farmers and thus may alleviate the feeling of being left behind. The interviewees for Pillar II consider that the following CAP Pillar II measures have an impact on this aspect: M10 – agri-environmental climate, M11 – organic farming, M07 – village renewal and M19 – LEADER. They did not identify any additional administrative burden (other than the issues previously reported) resulting from the implementation of these measures.

(h) Promoting cultural [and natural (including landscape)] heritage

The interviewee stated that Pillar I's green payment may be considered as an indirect way to support natural heritage. The Pillar II interviewees consider that the following CAP measures have an impact on this aspect: M07 – village renewal, M19 –LEADER, M10 – agri-environmental climate, M08 – forestry, M15 forest-environment and climate.

(i) Social inclusion

The Pillar II interviewees mentioned that this aspect is mainly addressed indirectly by basic services and village renewal in rural areas (M07), partly knowledge transfer and information (M01) and LEADER (M19).

5. Replies to the evaluation study questions

5.1 Causal Analysis: ESQ 1

5.1.1 ESQ 1: What are the CAP measures and instruments which can have a direct impact on territorial development of rural areas with focus on socio-economic aspects, including social inclusion?

5.1.1.1 Understanding of the question

Answering this first evaluation study question implies determining what 'direct' impacts are. For this evaluation, direct impacts are considered as observable and direct consequences of policy interventions. Hereby, the focus on the ESQ lies on examining the impacts on balanced territorial development. As such, the extent to which the CAP influences endogenous and spatially integrated developments in rural areas is investigated along with the leverage effects of the contributions of different actors operating at various levels. Along those lines, it is therefore important to not only examine 'where' development occurs but also 'how' and 'by whom'. The focus of the analysis likewise lies on all socio-economic aspects, also taking into consideration groups-specific impacts.

A theory-based analysis is used to answer ESQ1. The approach applied consists in examining and analysing the CAP intervention logic (respectively for Pillar I and Pillar II) to identify and select CAP measures and instruments considered to have a direct impact on the general objective of BTD in rural areas. The following questions specify which elements were investigated to answer ESQ1:

- What information indicated in the CAP measures and instruments' intervention logic may entail a direct impact on the examined socio-economic aspects a to i?
- What information indicated in the CAP measures and instruments' intervention logic may entail a direct impact on the social inclusion of vulnerable groups?

The final selection of relevant CAP measures and instruments is based on the following questions:

- Which CAP measures and instruments show the most direct impacts on the examined socio-economic?
- Which CAP measures and instruments show the most direct impacts on the issue of social inclusion?
- Are those measures and instruments territorially representative, i.e. implemented throughout the EU or only specific to certain areas?

Evidence sources: theory-based impact assessment and territorial distribution analysis

5.1.1.2 Discussions

The theory-based impact assessment and territorial distribution analysis highlighted the significance of the examined CAP measures/instruments' impacts on the socio-economic aspects and on social inclusion[88].. The analyses produced a score per examined measure and instrument. Based on these findings, the project team defined a cut-off threshold[89] to select the most relevant CAP measures and instruments (both in terms of expenditure and assumed impact).As per the scores respectively presented for each Pillar I instrument and Pillar II measure in Figure 6 and Figure 9 (section 4), several measures and instruments were not retained for further analysis.

[88] Please see information on the applied methodology (section 2.2).
[89] The threshold was defined at 30.

These measures and instruments were excluded on the basis of a weak theoretical link with the socioeconomic aspects, as represented by smaller final scores. Moreover, in spite of ranking above the threshold, M18, complementary direct payments for Croatia, was discarded. The measure was determined to be locally specific, as demonstrated through the territorial distribution, with limited comparability between Member States. Likewise, Pillar I's direct payment for areas facing natural or other specific constraints was excluded from the shortlist given it limited territorial scope (it is only funded in Denmark and Slovenia).

5.1.1.3 Conclusions

The following tables present the selected CAP measures and instruments supposedly having an impact on territorial development of rural areas with a focus on socio-economic aspects and social inclusion. The final score and the relevant socio-economic aspects addressed (see full list in section 1.3) are presented per CAP instruments and measures in Table 19.

Table 19: Socio-economic aspects impacted by Pillar I instruments and final score

Pillar I Instruments	Selected relevant aspect(s)	Final score
Direct payment – Payment for young farmers	a) b) c)	48
CMO – Fruits and vegetables support	b) g) i)	42
Direct Payment – Basic Payment Scheme/Single Area Payment Scheme	a) b) c)	42
Direct payment: small farmers scheme	a) b)	42
Redistributive payments	a) b) c)	36
CMO – Wine Sector	b) i)	30
Direct Payment – Green Payment	b) i) h)	30
Direct Payment: Voluntary Coupled Support	b) g) a) h)	30

Source: Consortium, 2020

Table 20: Socio-economic aspects impacted by Pillar II measures and final score

Pillar II measures	Selected relevant aspect(s)	Final score
M19 – Support for LEADER and local development (CLLD)	a) b) c) e) h) i)	150
M16 – Cooperation	b) c) e) f) h)	100
M07 – Basic services and village renewal in rural areas	a) d) h) i)	60
M02 – Advisory services, farm management and relief services	b) c) f) i)	56
M04 – Investments in physical assets	b) i) a)	49
M12 – Natura 2000 and Water Framework Directive payments	b) i) h)	49
M13 – Payments to areas facing natural or other specific constraints	a) b) d)	49
M01 – Knowledge transfer and information	b) f) i) a) c)	48
M06 – Farm and business development	a) b) c)	42

Pillar II measures	Selected relevant aspect(s)	Final score
M09 – Setting -up of producer groups and organisations	b) e)	42
M11 – Organic farming	b) i)	42
M17 – Risk Management	a) b) h) g)	36
M10 – Agri-Environment-Climate	i) h) f) b)	30
M15 – Forest-environmental and climate services and forest conservation	i) h)	30

Source: Consortium, 2020

In conclusion, the results of the causal analysis have identified 8 Pillar I instruments and 14 Pillar II measures for inclusion in the study. Of note, several of these measures have strong links to relevant focus areas (i.e. the focus areas related to priority 6: Social Inclusions and economic development). These CAP instruments and measures will all be examined to answer ESQ 2 to 16.

5.2 Effectiveness – ESQs 2-5

5.2.1 ESQ 2: To what extent have CAP instruments and measures contributed to maintain or to generate balanced territorial development in rural areas, with focus on social aspects?

5.2.1.1 Understanding of the question

This evaluation study question looks into the effectiveness of CAP instruments and measures at supporting BTD in rural areas, with a focus on social aspects.

While all socio-economic aspects (see section 1.3) are considered, those most relevant to social aspects, and those highlighted under this ESQ, include: (a) to (c), (g) to (i)[90].

The analysis of the impacts on BTD in terms of social inclusion incorporates the six thematic measure and instrument groups identified in section 2.5.1.

The approach to answering the ESQ follows a contrasting of the outputs of the input-output analysis and the regression analysis with the output of the case studies and literature review along the logic of the intervention logics of the measures and instruments.

In responding to the effectiveness of the CAP in contributing to the BTD of social aspects in EU regions, the ESQ shall consider the following perspectives:

- Are overall CAP contributions conducive to supporting the social aspects of BTD?
- Which CAP instruments and measures have positive, negative or neutral effects on the social aspects of BTD.
- Is there a convergence between regions with regard to social aspects that can be attributed to CAP contributions?
- Do less developed regions showcase relatively stronger impacts than more developed regions?

[90] a) depopulation/abandonment and repopulation/in-migration, including role of rural areas as shock absorber in times of crisis; b) income, growth, poverty, jobs, employment, business creation/ maintenance /diversification, investments (farming and non-farming), labour market; c) generational renewal, ageing, gender disparities; g) evolution of social rights and systems (e.g. occupational safety, pension schemes and transfers); h) quality of life; behaviour/cultural aspects of "feeling left behind"/ "discontent"; i) promoting cultural [and natural (including landscape)] heritage.

- Are the observed impacts concentrated at farm level or are there spill-overs into wider rural areas?

Evidence sources
- Case studies
- Cluster analysis
- Input-output analysis
- Regression analyses
- Correlation analysis
- Literature review findings

Key indicators (see Table 2), change over 2014-2017:
- Rate of change of broadband connectivity
- Change in the net migration rate
- Change in education attainment (secondary)
- Change in GVA (gross value added; primary sector)
- Change in GVA
- Change in tourism attractiveness
- Medical doctors

5.2.1.2 Discussions

Case study respondents (including the groups: rural development experts, public authorities, local municipalities, farmers, processors, producer organisations and chambers of commerce) deemed **Pillar I payments** (see section 4.9.5: Figure 20, Figure 21, and Figure 22) as having positive effects on many social aspects, but mostly impacting farmers (Figure 24). Reducing depopulation and prevention of abandonment are aspects associated with overwhelmingly the most positive effects. Pillar I further is assessed to have positive impacts on social rights and systems, innovation, infrastructure, capacity building and cultural heritage, albeit with a slightly smaller frequency. The input-output analysis results underlined the substantial contribution of Pillar I payments to general employment and income creation in the agricultural sector (see section 4.7).

The nature and structure of area-based payments potentially reduces the effectiveness of direct payments (particularly basic payments, due to its relatively high importance compared to other Pillar I instruments). This structure appears to favour large-scale farms, or farm owners not actively occupying rural regions. Therefore, in these cases, the effectiveness of direct payments does not necessarily result in improvements in social aspects and BTD.

The correlation analysis (see section 4.5) points to developments which are associated with CAP funding: across EU-28 small farmers' scheme funding is significantly and negatively correlated with the change in the net migration rate (with a correlation coefficient of approximately -0.4) and significantly and positively associated with the rate of change of broadband connectivity (approximately 0.55).

In the regression analysis (section 4.6), higher Pillar I (direct payment and CMO) funding in the less-developed cluster 2 regions are positively associated with the change in secondary education attainment among the general population (indicator: Change in education attainment (secondary), Table 8). This is potentially a spill-over from improved farm viability: with the economic viability of the farm ensured, education may be more accessible for farm workers, managers and people employed in businesses along the value chain.

The amount of funding disbursed via **Pillar II** measures is relatively smaller on a per-capita basis than the Pillar I funding (see the territorial distribution analysis, section 4.2). As such, associated impacts of Pillar II, especially of measures directly targeted

at social issues, are likely also smaller than the overall impacts of Pillar I. However, M07 – village renewal and M19 – LEADER are generally well-funded compared to other Pillar II measures.

According to case study findings, the perceived effect of Pillar II measures in general and specifically M07 – village renewal and M19 – LEADER, on socio-economic aspects is largely positive. Among the social aspects, respondents[91] deem the role of Pillar II (see Figure 27) as particularly positive in terms of improving access to local infrastructure and services, supporting generational renewal, and improving social rights and systems. Further, the role of Pillar II is seen as particularly positive in terms of impacting the support for generational renewal. The effectiveness of the Pillar II in addressing the provision of services is corroborated through literature review findings (see section 4.3). M07 (especially M7.3) funded investments in broadband, in several Member States, enhanced digital connectivity in rural areas.

The Pillar II measures M07 – village renewal, M19 – LEADER, and M01 – knowledge transfer, M02 – advisory services, and M16 – cooperation are strongly associated with improvements in social development. The first two (M19 and M07), with more direct effects as reported by case study respondents[92], and observed in the regression analysis. The latter three (M01, M02 and M16) are connected to stronger effectiveness in addressing economic development issues (for an in-depth discussion of the impact mechanism, see ESQ 4). By improving economic opportunities and attractiveness in rural regions, M01, M02 and M16 foster a more vibrant local economy, with spill-overs onto social factors. This is observed to a stronger degree (indicators: Change in GVA (primary sector) and Change in GVA, Table 12) among the lesser developed clusters (2 & 4)[93].

On the other hand, the application process for funding via Pillar II, and the capital often required to implement a programme, is cited by numerous case study respondents (e.g. farmers' associations) as a major factor impacting the effectiveness of Pillar II, with reaching a wider set of recipient groups. This remains an issue impacting Pillar II effectiveness, especially within those measures which aim to reach smaller farm holders, or vulnerable rural community members.

Respondents (LAG managers, public authorities) frequently cite M07 – village renewal and M19 – LEADER, when discussing the effect of the CAP on the provision of social services in rural regions. However, in these cases, the effectiveness of CAP funding in addressing the overarching issues of the provision of social services is most often reported to be indirect. This may, to some degree, be attributed to the 'visibility' of the CAP in directly impacting the provision of services, as respondents may recognise the CAP primarily as an agricultural support policy instrument.

Possibly the most marked example of CAP contribution to social aspects, according to case study findings, is the LEADER programme. LEADER is consistently and overwhelmingly reported by case study respondents as an effective policy instrument to address social issues.

Funding by M07 – village renewal and M19 – LEADER may be making regions more attractive to tourists. Between 2014 and 2018, cluster 1 regions obtaining high funding in M07/M19 (indicator: tourism attractiveness, Table 10) were associated with positive changes in bed places.

[91] including the groups: rural development experts, public authorities, local municipalities, farmers, processors, producer organisations and chambers of commerce

[92] spanning the groups: rural development experts, public authorities, local municipalities, farmers, processors, producer organisations and chambers of commerce

[93] For insights into the territorial distribution of the case study regions and their respective clusters, please see section 4.9.2.

To further cement the indications that the CAP is advancing BTD in terms of convergence in social aspects across Europe, regression analyses provide insights that the lesser developed regions (such as cluster 4) are associated with stronger developments in social indicators than the more developed regions. For example, in traditional rural regions (cluster 4) more specialised into agricultural production, stronger relationships can be observed between funding and social services provision, The regression analysis indicate positive associations between in M07 – village renewal & M19 – LEADER and M04 – investment & M06 – farm and business development funding and change in doctors per 100 000 inhabitants (indicator: Medical doctors, Table 10 and Table 14). These can be spill-overs of the funding, positively affecting regional development.

5.2.1.3 Conclusions

In conclusion, the CAP has a positive effect on social aspects and BTD in rural regions, such as via employment and income creation. This positive effect is predominantly the case in less developed regions, due to their relatively higher importance of the agricultural sector.

Many instruments and measures often have higher observed effects, quantitatively, among the less developed regions (cluster 2 & 4), suggesting that these regions demonstrate larger changes in terms of social and economic indicators per given funding volume. This supports the thesis of the effectiveness of the CAP in promoting BTD, but also indicates the large potential for improved targeting resulting in even better results. These regions generally have more important agricultural sectors and correspondently see stronger spill-overs into the wider regional economy. Albeit, the main initial node where effects are felt are within the primary sector.

Primarily CAP measures targeting deficits in social infrastructure in rural areas, such as M07 – village renewal and M19 – LEADER, display effectiveness in addressing social issues.

Direct payments have demonstrated a strong and significant effect on economic development in the primary sector – primarily through support and stabilisation of farmer's incomes and secondarily by supporting improvement in competitiveness (see ESQ 4, section 5.2.3). These effects positively impact social development aspects by supporting the attractiveness and viability of a rural region for its inhabitants, also having a spill-over effect on quality of life. These effects are felt both within and outside of the primary sector, as indicated by the regression analyses. Reduction in rural abandonment, and support for generational renewal, are important social development factors, for which direct payments have had significant positive impacts.

5.2.2 ESQ 3: To which extent have these instruments and measures fostered social inclusion in rural areas?

5.2.2.1 Understanding of the question

This question focuses on the CAP measures/instruments' impacts on social inclusion. The evaluation shall therefore focus on analysing social inclusion issues related to vulnerable groups in the examined rural areas (see section 1.3). As a cross-cutting issue, all socio-economic aspects are addressed.

The evidence sources of the social inclusion analysis are primarily from the case study findings, in terms of developments in terms of social inclusion by the CAP. In addition, the findings of the regression and cluster analysis provide contextual information on trends associated with the CAP.

The analysis of the impacts on BTD in terms of social inclusion incorporates the six thematic measure and instrument groups identified in section 2.5.1.

In responding to the effectiveness of the CAP in contributing to the BTD of social inclusion in EU regions, the ESQ shall consider the following perspectives:

- Are overall CAP contributions conducive to supporting the social inclusion aspects of BTD?
- Which CAP instruments and measures have positive, negative or neutral effects on social inclusion?
- Is there a convergence between regions with regard to social inclusion aspects that can be attributed to CAP contributions?
- Do less developed regions showcase relatively stronger impacts than more developed regions?
- Are the observed impacts concentrated at farm level or are there spill-overs into wider rural areas?

Evidence sources

- Case studies
- Cluster analyses
- Regression analysis
- Correlation analysis
- Literature review

Key indicators (see Table 2 change over 2014-2017):

- Change in active employment rate (f)

5.2.2.2 Discussion

The analysis of the effectiveness of **Pillar I** instruments in terms of social inclusion draws significantly on the findings of the case studies. The case study findings indicate that basic payment schemes (BPS), young farmer (YF) payments and the small farmer (SF) scheme have broadly positive impacts on farm poverty reduction (see Figure 20, Figure 21, and Figure 22). However, the case study respondents[94] also attribute polarised impacts on the economic disparities between smaller and larger farms by the basic payment scheme (Figure 20).

With respect to involvement of women in agriculture: only 30% of farms across the EU are managed by women[95]. This reduces the effectiveness of instruments with no explicit targeting for women's needs in the agricultural sector. Whereas, on the other hand for instruments clearly targeting young farmers and small farmers the effects of Pillar I on women's inclusion, when observed, are positive. Area-based payments naturally aid incumbents with more land relatively more, and these tend to be men. With most CAP funding disbursed via Pillar I (see section 4.2), CAP effects on social inclusion are likely significantly smaller: social inclusion is more actively targeted in Pillar II, which receives less funding.

Looking into the effectiveness among vulnerable target groups, third country nationals, other EU nationals, ethnic groups, and disabled people are most poorly targeted by Pillar I instruments (see Figure 24). Farmers are overwhelmingly favoured, followed by rural young people and population in most remote areas.

Further, the importance of the CMO and the basic payments scheme in times of farm-level economic stress is significant. Case study respondents across multiple regions

[94] spanning the groups: rural development experts, public authorities, local municipalities, farmers, processors, producer organisations and chambers of commerce

[95] Franic, R.; Kovacicek, T. (2019) The professional status of rural women in the EU. Policy Department for Citizens' Rights and Constitutional Affairs Directorate General for Internal Policies of the Union

(Italy, Germany) highlighted the importance of such schemes in providing of cash-flow reliability when under economic pressure. These instruments stabilise farm-level income and alleviate farm-level poverty. This is particularly important in times of economic stress, such as in the case of the crisis generated by the plant pathogen *Xylella fastidiosa* in Apulia (Italy), where CMO provided an important lifeline to local farmers. In the case study region of Saxony-Anhalt (Germany), case study respondents attributed a significant role to the basic payments scheme in allowing farmers to cover essential business costs (labour and land-leases) throughout the droughts of the recent years (2018 and 2019). This counteracted farm level poverty and business collapse, securing essential rural employment.

Pillar II measures, generally, were reported by case study respondents (see Figure 27) to have positive effects on social inclusion, whereas, the results of the quantitative analysis showed less obvious links. The regression analysis indicates significant associations between M07 – village renewal & M19 – LEADER funding and active participation of women in the labour force (indicator: Change in active employment rate (f), Table 10), in the more urbanised and populous regions of cluster 3 (dynamic rural and intermediate regions). Case study respondents further assess a relatively broad impact of Pillar II on multiple target groups (see Figure 27), with particularly famers, rural young and low-skilled/unemployed people (via employment creation), and population in remote places positively impacted.

Case studies also underlined the importance of LEADER in strengthening the social fabric in rural areas. LEADER funding enables small-scale public and private associations and cooperation, such as sports associations (e.g. as analysed in the case study Saxony-Anhalt, Germany), which play an essential role in fostering connections between inhabitants of these areas. In the Tyrol (Austria) case study, the CLLD approach to LEADER allowed for a comprehensive targeting of local social needs: urban-rural linkages are actively targeted, broad participation of relevant actors and other initiatives, such as employment creation in the tourist sector. The wider scope of the funding allowed the LAGs to target a relatively wider scope of local stakeholders and actors.

Case study respondents also attributed a high effectiveness of M04 – investments and M06 – farm and business development funding in improving farm-level productivity, diversification and in terms of social development. Higher farm level business viability because of improved productivity can indirectly impact social inclusion outside the farm sector by stimulating the local economy and combating poverty. On the other hand, the regression analysis indicates that regions obtaining high M04 – investments and M06 – farm and business development funding are negatively associated with changes in the active employment rate among women (indicator: active employment (f), Table 14).

In the regression analysis, funding in agri-environmental and climate change issues (M10, M11, M12 and M13[96]) is positively associated with the change of active employment among women in cluster 3 (indicator: Change in active employment rate (f), Table 16). Furthermore, the Estonian case study finding underlined the importance of these measures in retaining inhabitants in rural areas (primarily via sustained environmental quality). The Southern Central (Bulgaria) case study also underlined the impact of these measures in allowing farms to diversify to organic production, which can contribute to valuable local employment opportunities and counteract local poverty. Except for M13 – payments to ANC, these measures are not well-funded, as indicated by the territorial distribution analysis (section 4.2).

[96]M10 – agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payments to ANC

However, employment opportunities created in the agricultural sector are not necessarily conducive to long-term improvements in standards of living. Case study respondents (public authorities, farmers' associations) in Castilla-La Mancha (Spain) and Peloponnese (Greece) noted the seasonality and low pay as negative factors of agricultural work. While the maintenance of local employment opportunities is essential, especially in the agriculturally focussed Castilla-La Mancha (Spain), these opportunities may not sustainably eradicate rural poverty among lower-skilled individuals in the agricultural labour force.

5.2.2.3 Conclusions

Overall, CAP funding is associated with varying effectiveness on social inclusion in rural areas. The effects of CAP funding depend on the measure or instrument under consideration, and rural region characteristics, particularly the level of structural development (see ESQ 4, section 5.2.3). The case study and regression analyses indicate that regions in which the agricultural sector is more important associated with larger CAP impacts on social inclusion (such as in clusters 2 and 4). Especially the instruments targeted at small and young farmers help include farmers (e.g. smaller farmers or new entrants who face larger barriers than incumbents). However, the case study findings indicate that the effectiveness of Pillar I funding does not necessarily spill over to marginalised rural groups. While additional employment capacities are attributed to the funding, these more so retain existing labour than activate marginalised groups.

Pillar II measures, on the other hand, according to case study findings, are more effective among vulnerable groups (including the low skilled and unemployed, rural women and rural young people). However, the effectiveness of Pillar II on addressing the needs of vulnerable ethnic groups and ROMA people, other EU nationals and third country nationals, remains low, according to respondents.

Overall, while CAP funding can influence social inclusion, in more structurally developed clusters (cluster 1 and 3), farm-level target groups are favoured over others. Spill-overs into the wider rural population in less agriculturally focussed regions are generally lower.

The CAP contributes to BTD, as it narrows the gap between less (cluster 2 and 4) and more (clusters 1 and 3) developed regions, in terms of poverty reduction.

5.2.3 ESQ 4: To what extent have CAP instruments and measures contributed to maintain or to generate balanced territorial development in rural areas, with focus on economic aspects?

5.2.3.1 Understanding of the question

Similarly, this evaluation study question examines how the CAP instruments/measures contribute to or fosters BTD, this time from an economic perspective. The focus is therefore drawn on the economic context and situations in rural areas. The socio-economic aspects investigated in this study are presented in section 1.3. As such, it focusses the discussion on aspects (a), (b), and (f)[97].

[97] a) depopulation/abandonment and repopulation/in-migration, including role of rural areas as shock absorber in times of crisis;
b) income, growth, poverty, jobs, employment, business creation/ maintenance /diversification, investments (farming and non-farming), labour market;
f) availability and access to research, innovation and training/advice, education

The project team triangulated findings from multiple information sources (case studies, regression analyses and input-output analysis), analogous to the approach undertaken in ESQ 2. The information collected via the quantitative assessment is contrasted and validated via the case study findings.

The effectiveness analysis includes all six thematic (measure/instrument) groups as outlined in section 2.5.1.

In responding to the effectiveness of the CAP in contributing to the BTD of economic aspects in EU regions, the ESQ shall consider the following perspectives:

- Are overall CAP contributions conducive to supporting BTD in terms of economic aspects?
- Do the CAP instruments and measures help narrow the gap between more and lesser developed regions?
- Do instruments and measures which aim to address economic issues contribute to economic issues?
- Which CAP instruments and measures have positive, negative, or neutral effects on the economic aspects of BTD.
- Is there an immediate effect on the farm sector?
- Are there spill-overs into the wider rural economy?

Evidence sources:

- Case studies
- Input-output analysis
- Correlation analysis
- Cluster analysis
- Regression analyses

Key indicators (see Table 2) change over 2014-2017:

- Change in employment (primary sector)
- Change in employment rate
- Change in GVA (gross-value added; primary sector)
- Change in GVA

5.2.3.2 Discussions

The economic impact of **Pillar I** on farms and agricultural businesses along the value chain is substantial: direct payments (DP) provide income reliability and stabilise the sector. In terms of economic outputs, DP generate substantial value-added for farms and agricultural businesses. The input-output analysis provided estimates for an approximate EUR 103 billion in value generation in rural regions stemming from direct payments between 2015 and 2018. Pillar I funding influences agricultural production, with payments re-invested in the agricultural sector itself.

As the territorial distribution analysis (section 4.1) underlines Pillar I payments provide most of the funding disbursed within the framework of the CAP. This funding targeted at farmers and relies on spill-overs to reach the general rural population.

Pillar I funding directly benefits the local population in terms of increased farm labour income and created jobs. The immediate employment effects are concentrated on the farming sector, as the input-output analysis shows (. However, the funding carries additional jobs in downstream sectors, contributing to wider rural employment, this is evidenced by the 5.2 million additional jobs created in rural areas as identified via the input-output analysis. As such, spill-overs into the wider rural economy exist in terms of employment creation, maintenance and income generation see section 4.7).

The case study respondents' assessment of the effectiveness of basic payments (Figure 20), young farmer payments (Figure 21), and small farmer scheme (Figure

22) underline their economic importance. All three instruments were assessed as highly positive in terms of supporting farm employment and farm business maintenance and farm income support in times of crisis. In terms of enabling access to research and innovation, respondents also assessed the young farmers' payments as leading moderate to positive impacts.

Findings from the regression analyses indicate that in dynamic regions (cluster 1) receiving high direct payments funding are positively associated with growth in the size of the agricultural labour force (indicator: Change in employment (primary sector), Table 8). In regions where the agricultural sector is declining in economic importance in relation to the secondary and tertiary sector, CAP funding provides a lifeline to stabilise a sector affected by competition around workers and land. These findings were also echoed from interviewees in these regions: particularly Pillar I funding enables farms to retain labour and compete in the land market. In terms of the two largest direct payments funding instruments, case study respondents (famers' associations, Saxony-Anhalt, Germany) assessed the economic impacts of basic and green payments on farms and their surrounding areas as analogous. These two instruments improve business viability by providing reliable sources of farm income.

CMO funding plays an important role for farms and the rural areas the farms are embedded in, not only in terms of income stabilisation as in Apulia (Italy) during the crisis caused by the plant pathogen *Xylella fastidiosa*, but especially in specialised regions, such as Castilla-La Mancha (Spain), as the case studies highlighted. In Castilla-la Mancha, the wine sector plays an important role in the territory, given the coexistence between large producers and small cooperatives. The sectors' impact on employment is directly connected with the harvest's labour needs and with the development of associated sectors (public authorities, rural experts, agricultural interest group representative, local citizen, Castilla–La Mancha, Spain). CMO wine aided with the restructuring of the wine sector between 2000 and 2020 by improving the visibility of regional wine production within the EU. This enabled the sector to undertake substantial investments, improving its competitiveness (public authority, agricultural interest group representative, Castilla–La Mancha, Spain).

In terms of **Pillar II**, the regression analyses signal that M04 – investments and M06 – farm and business development funding is positively associated with growth in the agricultural labour force in the more structurally advanced clusters 1 (indicator: Change in employment rate (primary sector), Table 13). In cluster 3, M04 and M06 funding is positively associated with changes in general employment (indicator: Change in employment rate, Table 13). In addition, funding in Pillar II measures is positively associated with the development of agricultural gross value added in cluster 3 (indicator: Change in GVA (primary sector), Table 14). Case study respondents (farmers' association, Saxony-Anhalt, Germany) in these regions also noted the importance of M04 – investments funding in incentivising farm capital investments. In particular, while these measures may not necessarily kick-start farm-level investment, the uptake of these investment is eased. In cluster 2 (traditional rural and intermediate regions), the case study in Peloponnese (Greece) highlighted how the M04 – investments funding enabled farm production capital and water conservation investments (Rural development expert, Peloponnese), significantly boosting productivity.

In the less structurally advanced clusters 2 and 4, farm-level investments into human capital (M01, M02, M16[98]) are positively associated with economic spill-overs into the wider region (indicator: Change in GVA, Table 12), as indicated by the regression analyses. In cluster 2 high CAP funding regions are positively associated with higher primary sector GVA growth and general GVA growth than in regions with low funding.

[98] M01 – knowledge transfer, M02 advisory services, M16 cooperation

High CAP knowledge transfer and innovation funding regions are associated with higher general GVA growth in cluster 4. This association can be contextualised with the relatively higher importance of the primary sector in these regions. The spill-overs from increased income generation are relatively more visible. Higher funding regions in agri-environmental measures (M10, M11, M12, M13[99]) are positively associated with growth in primary sector GVA in the peripheral cluster 4 (indicator: Change in GVA (primary sector), Table 16).

However, Pillar II measures are not funded as highly as direct payments (section 4.1). With less funding available per capita, the outputs achievable by Pillar II, as compared to Pillar I, are lower.

The associated impacts of Pillar I and Pillar II funding vary according to the type of rural/intermediate region and the specificities of the regional economy. The regression analysis (see section 4.6) found that the more urbanised and economically well-performing rural and intermediate regions of EU28 (clusters 1 and 3: generally, more population dense and with higher living standards) are associated with different developments related to CAP funding, than the more peripheral regions of EU28.

5.2.3.3 Conclusions

To conclude, Pillar I funding provides income stability to farms across Europe and generates significant added value in terms of labour retention and local expenditure. This funding ensures the stability of the agricultural sector and the stability of the food supply. However, the developments and spill-overs associated with the CAP vary. Regions closer to urban areas face different needs than more isolated rural areas. The role of the agricultural sector also varies: in more isolated and less developed regions, the agricultural sector offers a significant source of (albeit relatively unattractive, see section 4.9.3.3) employment (see ESQ 3, section 5.2.2) while in the more urbanised regions, the sector finds it more difficult to compete around land and labour.

The results from the regression analyses between the more developed clusters and the less developed clusters underline the CAP's contributions to fostering BTD: CAP intervention in less developed regions is generally associated with better economic performance in the wider rural economy than in more developed regions. Spill-overs into other sectors are higher.

As such, in the more structurally developed and populous rural and intermediate regions of Europe, the contributions of the CAP to fostering economic development outside of the sector are limited.

5.2.4 ESQ 5: To what extent has the method of delivery, e.g. accessibility to potential beneficiaries, use of different methods of reaching people (on-line, local post offices, libraries, local authority support services), availability/access to support/to develop applications, affected the impact of CAP instruments and measures?

5.2.4.1 Understanding of the question

This evaluation study question intends to examine the effectiveness of the delivery methods with respect to their capacity to trigger BTD in all its aspects (incl. social inclusion). In other words, the project team investigates whether the mechanisms in place to promote CAP measures/instruments, to reach and support potential beneficiaries have positively or negatively influenced the expected objectives of the

[99] M10 –agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payment to ANC

examined measures/instruments. The analysis shall accordingly reveal which method of delivery is the most efficient, why and in which context. This question is of particular importance, notably with regards to the focus on specific groups. The accessibility and awareness about the existence and role of the CAP measures and instruments shall be as inclusive as possible, especially when the measure/instrument/initiative specifically target a certain group.

This evaluation study question is deemed as horizontal question in the sense that the answer will seek to find the effectiveness of the CAP vis-à-vis its delivery mechanisms and not necessarily with respect to the single aspects of socio-economic BTD and social inclusion.

This evaluation study question intends to examine the effectiveness of the delivery methods in contributing to the BTD of economic aspects in EU regions, the ESQ shall consider the following perspectives:

- Are the applied methods appropriate given the objectives of the instrument or measure to reach BTD of economic aspects in EU regions?
- Do the applied delivery methods boost the impact of the instrument/measure?

Evidence sources
The sources of information for this evaluation study question, stem from a general literature review (legal sources and application examples in the Member States) and from the case study findings from the case studies where two questions have addressed this ESQ.

5.2.4.2 Discussions

The delivery of the CAP to its beneficiaries and target groups has to be differentiated by the two Pillars of the CAP:

Pillar I delivery[100]

The reference point for the delivery of Pillar I is the agricultural land. This means that the recipient of the transfers through Pillar I is either the holder of the land or more precisely the 'active farmer'[101], which is defined in detail by the Member States pursuant to Article 9 of Regulation (EU) 1307/2013 as modified by Regulation (EU) 2017/2393. The paying agency is established at national level (see Article 7 Regulation (EU) No 1306/2013). Thus, the delivery methods for Pillar I are somehow restricted and there are not a lot of differences between Member States to be observed.

What can be observed however is that many Member States use regional support for the spreading of the news about Pillar I funding as well as supporting the application process of farmers. Due to the very restricted target group (active farmers) this

[100] This encompasses only transfer related instruments under Pillar I – excluding CMO, as only monetary flows are transferred via a delivery mechanism to the beneficiary/ target group. CMOs are merely regulatory framework conditions of the markets of agricultural products.
[101] See Article 4 of Regulation (EU) 1307/2013: *"farmer" means a natural or legal person, or a group of natural or legal persons, regardless of the legal status granted to such group and its members by national law, whose holding is situated within the territorial scope of the Treaties, as defined in Article 52 TEU in conjunction with Articles 349 and 355 TFEU, and who exercises an agricultural activity;*
and Article 9 of Regulation (EU) 1307/2013: *No direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons, whose agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and who do not carry out on those areas the minimum activity defined by Member States in accordance with point (b) of Article 4(2).* Moreover Article 9 stipulates *that no payments shall be granted to groups of natural or legal persons, who operate airports, railway services, waterworks, real estate services, permanent sport and recreational grounds.* MS are furthermore entitled to define more precisely what consists of agricultural activities (turnover, company objects/ principal business).

regional support may be found in regional agricultural policy units of the regional government (e.g. provincial agricultural administration in federal countries like Austria, Germany, or Italy) or in the professional representation of farmers in the regions (farmer's associations, chambers of agriculture). This is the case in those Member States where the membership to these organisations is compulsory and bound to the ownership of land (see e.g. the compulsory membership in the Austrian chamber of agriculture as soon as a person owns agricultural land).

The case study findings have shown that with respect to reaching the beneficiaries the systems in place seem to be effective. This can also be seen when looking at the territorial distribution of Pillar I funding (as analysed per cluster of regions).

However, a lynchpin impeding the targeting of farmers according to respondents from the case study regions (specifically farmers associations) is associated with bureaucracy, the administrative challenges of the application process, and the disparities between smaller and larger farms in land-based payments, whereby smaller farms and those in areas of remoteness or other constraints, do not have the same preconditions for accessing funds. These actions are identified by eight respondents covering eleven case study regions [102]. In other words, marginal groups of farmers (small, young farmers in particular) are facing a more burdensome application procedure as compared to large farms, who often can tap on external support, in relation to the received funding. Along those lines, the following elements can be considered as critical for the successful delivery of Pillar I:

- Establishment of closeness to the beneficiaries through intermediaries (regional governments, farmer associations). In those regions where this gap between the funding (i.e. the paying agency) and the single active farmer is bridged successfully, the delivery mechanisms are deemed more effective. When physical accessibility is difficult, such as in most remote areas, the use of virtual means, e.g. digital access, mobile communication, serves as appropriate second-best option.
- Instruments which are targeting specifically marginal groups (young farmers, small farmers) are only successful if getting as close as possible to these groups – i.e. specific sub-groups of farmer associations or specifically established offices at the regional level may facilitate delivery.
- In many cases, the most marginalised groups of farmers (small farmers with small agricultural plots) are dropping out of Pillar I support and no delivery mechanisms may reach them. This is due to different implementation of Article 10 of Regulation (EU) 1307/2013 which requires that Member States (e.g. Austria, some German Länder, France) set minimum thresholds of farm land, below which no support may be granted (which is justified with the economic viability of administration).

Having said this, it is also clear that there is no evidence that Pillar I delivery mechanisms directly reached a wider rural public. As discussed in ESQ4, the impacts of the direct payments on rural populations outside of the farming sector and agricultural value chain is indirect, e.g. via increased local purchasing power, employment and resulting local tax revenues. This is clear from the purpose and delivery focus. This targeting of a very clearly demarcated societal group in rural areas has led to the effect of little knowledge about the purpose and actual amount of support of Pillar I in a wider rural public.

[102] Plovdiv, Perustiza, Pazardzhik, East Tyrol, Tyrolean Unterland, Ciudad Real, Cuenca, Haute-Loire, Parma, Reggio Emilia and Modena.

Pillar II delivery

While Pillar I delivery methods are directed immediately at the target group of farmers, Pillar II delivery is more diversified and much more subject to the shared management approaches as foreseen by the regulatory framework.

First, the different measures of Pillar II of the CAP address a more heterogeneous group of eligible beneficiaries. The range of eligible groups in rural areas is different from Pillar I. Thus, the delivery mechanisms have to be more specific to the different measures. With respect to ensuring equal access to funding of Pillar II for all groups of the society in rural areas, it appears that only a few measures are providing eligibility of funds for the wider rural society (i.e. to some extent M01 – knowledge transfer and more widely M19 – LEADER and M07 – village renewal, may address the wider public and especially deprived groups through providing infrastructure).

Overall, this wider range of target groups calls for a more territorial approach in order to better address the rural beneficiaries. What may be observed all over Europe is the fact that delivery of Pillar II is determined territorially by the rural area definition as applied by each Rural Development Programme (according to Article 50 Regulation (EU) No 1305/2013, see section 1.2). Quite a few Member States and regions differentiate this rural area demarcation even by measure of the EAFRD. Another determinant of the delivery of the Pillar II measures has been the need of Member States (following the rules of the Partnership Agreement) to demarcate their EU co-financed funds to avoid overlaps and double funding. This has led to the phenomenon that several Member States have reduced the range of eligible beneficiaries of some of the measures: examples are the exclusion of small and medium sized enterprises (SMEs) from M01, M02, M06 or M09[103]. In most of these cases the ERDF has been the primary source of funding, which has led to some problems with properly demarcating the eligibility of SMEs operating in the bio-economy, bio-energy and related fields[104].

Still it must be stated, that M02, M04, M10, M11, M12, M13 and M17[105] and therein all area-based payments are in their character of delivery very close to Pillar I payments. Indeed, they are also targeting a very specific range of the rural population i.e. farmers or groups of farmers. In this way, they are implemented in very much the same way using regional agricultural administrative bodies or farmer's associations and chamber of agriculture for building the bridge to the beneficiaries. However, relevant funding not targeted at farmers remains small, as compared to the rest of Pillar II (see section 4.2). The M07 territorial distribution of funds across all EU NUTS rural areas ranges from EUR 100 000 to a maximum of EUR 300 000 in only a few NUTS3 regions.

The heterogeneity of Pillar II funding is also observed in the various regional contexts (along the clusters developed for this study): markedly within Pillar II, different cluster groups exhibit different funding patterns. Apart from dynamic rural and intermediate regions (cluster 3), which overall have a smaller amount of funding across the measures, the diversified rural region cluster has a higher focus on environmental funding, while on the other hand, rural peripheries and traditional rural and intermediate regions (cluster 4) have much higher investments in physical assets.

The case studies have in general underlined that with respect to delivery methods the approaches in the different MS are similar: the system of delivery is hierarchically

[103] M01 – knowledge transfer, M02 – advisory services, M06 – farm and business development, M09 – producer groups and organisation.
[104] See e.g. findings from the ongoing evaluation of the Austrian ERDF Programme (specifically the evaluation of SME support) – Kaufmann P. et al. (2019), or findings from the ESPON SME Project (Small and Medium-Sized Enterprises in European Regions and Cities (2018): https://www.espon.eu/sme
[105] M02 – advisory services, M04 – investments, M10 – agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payments to ANC, M17 – risk management.

established with the managing authority and paying agency on top mostly providing information and support via their homepages and information platforms. In almost all case study countries the ministry and the paying agency operate with online tools and social media channels to deliver the policy.

What is also pointed out as very important intermediary are the regional/local authorities as actors on the ground supporting and informing the beneficiaries. In Austria, Germany, Bulgaria, France and Italy the importance of this regional/local intermediaries are especially pointed out (Austria and France, the provincial level, and Germany, Bulgaria and Italy, the municipality as relay function of information). This service orientation of the local level goes as far as that regional authority (direction départementale des territoires in France) is monitoring the rate of CAP applications and sends text messages on farmers' mobile phones in case they have not yet submitted their claim forms. Moreover, in Austria, Estonia and France the professional bodies of agriculture (chamber of agriculture) or other professional unions are playing a role as advisors and support for applications. In some MS like Czechia and Italy, private consultants are filling the need for information distribution and support to funding applications.

If critical points were raised by case study respondents (CAP beneficiaries, farmers representatives) with respect to the delivery mechanisms of Pillar II then they are connected to the lack of targeting of the wider rural population and specific vulnerable groups therein (e.g. low-skilled and unemployed people living in the most remote rural areas in Bulgaria) and the administrative burden connected with the delivery of the programme. Connected to this last point several case studies (Netherlands, Austria, Ireland and Czechia) pointed out that they (NGOs, producer/consumer groups) observe the tendency that only large economic units (farmers, companies) profit from the delivery of Pillar II payments, as only those can afford to build up the competence to apply and handle the complex management of projects.

When asked to comment on areas with no, or minimal effectiveness, of the CAP, the majority of respondents cited issues such as administrative burden, unclear eligibility criteria, poor implementation of RDPs, stringent rules causing low innovation and creativity, incorrect targeting and inadequate accessibility of funds for target groups, and insufficient availability of funds, as the reasons for measures having scarce or no effects on socio-economic aspects. The farmer groups stated, that the aspects most frequently mentioned, include, a simplification of the application and implementation process of RDP measures, improvements to LEADER, resources insufficiencies to affect change and meet needs, and inadequate targeting of measures to farmer groups resulting in insufficient accessibility to funds among the target population.

In terms of the assessment of the quality of the delivery systems in place, the majority of the respondents in the case studies confirmed that the systems in place work well and the intended target groups are effectively reached.

Special case LEADER

LEADER or in the wider sense CLLD plays a very special role within the Pillar II of the CAP. On the one hand it is a measure within the programme and on the other hand it is a very specific delivery mechanism within the context of regional development. The LEADER 'method' operates on seven principles (the area-based approach, the bottom-up approach, the local partnership, the multi-sectoral, integrative approach, innovation, territorial cooperation and networking). These principles bring along the effect that LEADER/CLLD plays a pivotal role in bridging the agricultural policy with the broader societal needs of rural areas. This is safeguarded – among others – through the participation of the broader civil society in the decision making of the local action groups including representatives of economic actors, NGOs and other relevant interest groups in the local area. Throughout its history LEADER has been regarded as success

story of EU policy delivery and has increasingly been mainstreamed into the ESIF scenery.

The findings of the case study analysis indicate that LEADER/CLLD plays this pivotal role of delivering regional and local development in the wider sense. The best proof can be seen in the case study regions of Tyrol, where CLLD is implemented in a way that all ESIF targeting the areas (i.e. EAFRD, ERDF and ESF) are funnelled through the LAGs and thus have to serve the local development strategy set up by the LAG. Moreover, the distribution of funds is conducted by the LAG functional elements, which are built up in the tripartite way of political decision makers, economy representatives and civil society, which fits in a more effective way the needs of the regions. The positive and effective delivery of Pillar II through LEADER has also been stressed in the German case study (by the LAG representative): *'It works quite well: the broad networks of the LAG help reach local target groups. Some target groups find it easier to access funding (Churches) as they possess higher administrative capabilities – this had to be reduced to not change the scope of the LAG funding. Sport associations are also main beneficiaries. It is very difficult to reach private entrepreneurs and SMEs as they find funding easier elsewhere and decisions take too long'.*

5.2.4.3 Conclusions

Generally, Pillar I of the CAP delivery fulfils its purpose in effectively addressing and reaching farmers as primary target group. This is corroborated by a study of the World Bank (World Bank, 2017) whereby poverty within the agricultural sector has decreased due to CAP interventions. However, if taking into account that BTD should be considered as development within and among regions, and between all members of society and sectors (thus safeguarding a vibrant and resilient regional development), the achievements of the delivery of Pillar I are limited. Any sectoral policy would face a similar problem: by delivering support to a single sector within a territory, disbalances will be created. Evidence from ESQ 2, 3 and 4 show that some spill-over effects on the broader rural society has been achieved, but these have been mainly restricted to the agricultural value chain and agriculturally related sectors (e.g. agricultural production factors or demand side related sectors such as tourism). Still, due to the restricted set of beneficiaries targeted by CAP Pillar I (i.e. "active farmers"), the effect on a broader understanding of BTD (e.g. rural poor, economic development of all economic sectors and societal groups) is limited.

Pillar II delivery has to be differentiated along the different measures: the more agricultural oriented measures such as M02, M04, M06 M10, M11, M12, M13, M16[106] and M17 are certainly effectively addressing their immediate target groups, i.e. farmers, but, to a less extent also the wider rural population and especially vulnerable groups. The measures addressing a wider rural population with their delivery mechanisms (e.g. M07 – village renewal) are in their proportion (as compared to the transfer volumes of Pillar I) rather small and the measure is only adopted in some RDPs across the EU. This implies that their power to foster and contribute to BTD, EU wide, is limited as well. The delivery mechanism which, to a large extent, exerts an impact on the CAP on BTD, in terms of directly including the wider rural population is LEADER. This approach is particularly effective if it is applied as CLLD.

[106] M02 – advisory services, M04 – investments, M06 – farm and business development, M10 – agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payments to ANC, M16 – cooperation.

5.3 Efficiency – ESQs 6-10

5.3.1 ESQ 6: To what extent have CAP instruments and measures been efficient in contributing to maintain or to generate balanced territorial development in rural areas considering social aspects?

5.3.1.1 Understanding of the question

This evaluation study question examines how cost-effective the CAP measures and instruments are regarding their contribution to BTD, considering social aspects. Particularly in focus is the relation between the input and the observed results.

The answer to this evaluation study question relies on two main sources: a quantitative analysis of CAP output indicators and the extraction of relevant qualitative and quantitative material from case studies.

In the quantitative efficiency analysis, as described in section 4.8 of this report, the relationship between the inputs (CAP funding of relevant measures and instruments) and their anticipated output variables (relevant social context indicators) provides an indicative measure of relative 'efficiency' at regional (Pillar I) or RD Programme (Pillar II) level. There are limitations to how far this approach can truly capture efficiency in CAP funding, as discussed in the data limitations section 0. The information from case studies, as summarised in section 4.9 of the report, provides a user-focused perception of efficiency and highlights issues and obstacles experienced by managing authorities, beneficiary groups and stakeholder organisations, in seeking to make best use of CAP funding for social benefit. Case studies are scrutinised to identify issues of efficiency which arise in situations where CAP funding contributes to enhanced social rural outcomes – e.g. better information and communications, positive welfare, for more people and especially those who are disadvantaged, fostering a better quality of life. Where local data on administrative costs is available, this is analysed and comparisons between different delivery approaches and cases are attempted where possible, also taking account of contextual differences.

These two main sources are complemented with information from literature – notably the 2018 EC-funded study on the administrative costs of ESIF (Spatial Foresight, 2018), and other literature whose main findings were reviewed, as summarised in section 4.3.

The efficiency analysis in terms of social aspects covers all aspects (a) to (i) as outlined in section 1.3.

The ESQ 6 analysis is structured along the following steps:

- Firstly, available data is examined to assess the extent to which the amount of funding devoted to each measure is lower than the likely value of its outcomes to society as indicated by, for instance, population reach or projects funded.
- Then, case studies are scrutinised to identify how far, and in what ways, CAP funding contributes to enhanced social rural outcomes – e.g. better information and communications, positive welfare, for more people and especially those who are disadvantaged, fostering a better quality of life. The evidence is drawn from past experience (evaluations and other literature), triangulated with opinions from different types of interviewees and with any local data or specific cases highlighted.
- Where local data on administrative costs is available, this is collected and analysed to compare this with the estimated value of outputs/results or impacts, including programme expenditure as the first output. Comparisons between different delivery approaches and cases are attempted where possible, also taking account of contextual differences.

Evidence sources

- Analysis of funding data and output indicators.
- Case study evidence including data on delivery costs where available, interviews and qualitative information from different respondents, previous evaluations relevant to case study territories.
- Literature review.

Key indicators (see Table 2):

- Output indicator 9: Number of holdings participating in supported schemes
- Output indicator 15: Population benefiting from improved services/infra-structures (IT or others)

5.3.1.2 Discussions

From the quantitative EU-level analysis, output indicator 15 – population benefiting from improved services/infrastructures (Italy or others – (see Map 5) covers the population benefiting from improved services/infrastructure (IT or others), which has been a topic of great importance in the pursuit of urban-rural territorial balance, because infrastructure and service provision makes areas more attractive to younger people and families, and allows inhabitants of rural areas to improve their living conditions. Following the intervention logic and review of relevant measures and instruments in section 3 of this report, this output indicator is most directly affected by CAP expenditure on rural services and quality of life, as represented by M07 – village renewal of EAFRD rural development programmes.

Analysis of indicator 15 against expenditure on M07 – village renewal (see Map 5) shows that the population in all Member States which use the relevant CAP measure benefits from RDP investments, although the number per unit of spend varies significantly between programme areas. In some particular remote areas with natural constraints (e.g. Greece, Scotland in the United Kingdom, Castilla y Leon in Spain) the measure reaches fewer people per EUR of expenditure (up to 500 people benefit from a given million euro of investment), whereas for rural areas that benefit from better infrastructure (Galicia, Catalonia, Andalusia in Spain; Haute-Normandie in France; four regions in Germany; Finland, Flanders etc.) the population benefiting is the highest (>12 000 people benefit from the same investment amount). The indicator, however, gives no information on the added value per unit of investment which may vary significantly. Needs for rural infrastructure and services are a complex issue, and depend on cultural and local factors that go beyond the scope of CAP funding, such as health services and education. Nevertheless, these simple numerical calculations suggest that relatively small expenditure on Pillar II M07 can benefit a large number of people.

Considering social capital and the potential impact of CAP funding on this aspect of rural development, indicator 09 – number of holdings participating in support schemes –, was compared against spending on Pillar II M09 – producer groups and organisations, M16 – cooperation and M17 – risk management at RDP level, to give an indication of the 'reach' of this type of expenditure. Such funding assists with the setting-up of producer groups, the enhancement of co-operation between groups and effective risk management, which should increase social capital and improve quality of life. As shown in Map 3 (section 4.8.2), the ratio of participants to funding input in many Member States including Portugal, Bulgaria, Cyprus, Romania, Poland, Latvia, and some regions of Italy, is relatively high (over 80.1 holdings per million euro of expenditure). The ratio is lower in Finland Estonia, Austria and Hungary (between 20.1 and 80). Finally, it appears to be very low (only up to 20) in most scarcely populated areas. This indicates that it is particularly costly to establish effective co-ordination and joint working between farmers when the farms are not so closely co-located, which may raise questions about the efficiency of the funding applied in these situations.

A number of common issues are highlighted from evidence presented in case studies, concerning the efficiency of CAP measures and instruments in achieving social outcomes. A principal point concerns the accessibility of funding to all groups, which is affected by a range of issues including targeting, eligibility and selection criteria and the indirect effects of controls and administrative requirements on potential beneficiaries, and on other actors who support or facilitate their access to CAP funds.

Only in two case studies: Ireland and Germany (Saxony-Anhalt) it is stated by the case study authors, reviewing all interviews[107], that CAP funding under both pillars is accessible to most farmers. Most other case studies report that managing authorities, rural development experts, farmers' organisations and other rural stakeholders express the opinion that some types of CAP funding are complex to access, which means that farmers who lack confidence or financial or management capacity may decide not to apply for funds, or they may feel obliged to seek professional help to gain such access. This was raised in the case studies for France (Auvergne – both Pillars I and II), then for Pillar II in Italy (Emilia Romagna and Puglia); Poland; Czechia; Bulgaria; and especially for LEADER in Austria.

Under Pillar II in particular, and including LEADER, the fact that certain types of funding are only paid once work is completed can present challenges for beneficiaries, as they may have to source funds to undertake the work from elsewhere, at their own risk, before they receive the CAP funding as a pay-back. In France and Italy case studies, it is reported as taking a very long time to get approval for a project and an even longer time to receive payments (at least one year, often two). This is viewed as a significant disincentive to take up the funding and it may impose further costs upon beneficiaries (e.g. to service interest on loans). In Czechia, it is explained by the case study authors that municipalities, as beneficiaries of CAP funds, apply for a bank loan in order to cover the financing of works approved for funding. As a result of the slow and ex-post payment, despite the 100% subsidy, the municipality has to pay interest to the bank.

For most case studies, evidence suggests differences between Pillar I and Pillar II funding, in respect of the particular efficiency and cost-effectiveness of CAP instruments and measures. In the case of Pillar I aid, many case studies report that this is quite efficiently delivered, with relatively low administrative burden and swift application and payment processes. Only in two case studies (France Auvergne and Germany Saxony-Anhalt) was Pillar I aid seen as complex to apply for. Some cases report that online application has helped to improve efficiency, others mention that the systems are quasi-automatic and managed by the paying agencies so that the beneficiaries do not have to spend much time to make their claims (Austria, Estonia). However, in Saxony-Anhalt farmers' organisations report that online applications are relatively complex and that smaller farmers may feel overwhelmed. In Saxony-Anhalt, this has significantly improved since the beginning of the programming period. The online geodata systems used in Saxony-Anhalt to assess direct payment eligibility and the system work well. However, applicants without adequate computer knowledge or equipment can find it harder to finalise their applications.

In considering cost-effectiveness, Pillar I aid is seen as not particularly targeted towards the social aspects of BTD: the comment is made by interviewees from the public administration, experts and NGO stakeholders that most Pillar I aid is delivered as SAPS/BPS, most of which goes to areas and territories where farms are productive and well-structured. This observation is supported by evidence from literature, explained by the particular historical development and evolution of CAP support focused on key productive sectors (arable crops, beef and dairy – Chartier et al, 2016). It is also reflected in the summative analysis of case study interviews.

[107] Including public officials, rural development experts, representatives of farmers' associations.

Nonetheless, the Pillar I aid is also seen as very important for sustaining farming incomes and farming in contrasting locations where otherwise, the land would be abandoned (marginal territories) or it would be taken for development (peri-urban areas under pressure where agricultural incomes remain lower than most others). In Estonia, the financial instrument is cited by public authorities as a good example of an efficient CAP instrument which could become more important in future. In Spain, rural experts and NGOs note that more CAP funding goes to the more affluent farming areas and that this is discouraging for young people who come from marginal farming areas. However, they also note that the ITI funding tool of cohesion policy (Ferry, 2019) acts as a corrective factor, preventing the most dynamic areas from concentrating the aid of the different European Investment Funds, including the EAFRD. In this way, and despite the fact that the most vulnerable areas have comparatively less activity and fewer support applications, the existence of the ITI facilitates submitted proposals to move forward. In Italy, the routing of CAP funding through the special market provisions for the dairy sector is noted by managing authorities, experts and farmers organisations as a particularly efficient way of operating because producer organisations take much of the administrative and financial risk away from individual farmer beneficiaries, in dealing with access to CAP funds.

For Pillar II funding, a common experience stated in most case studies is that many of these funds are difficult to obtain, risky and complicated, but frequently made difficult by rules which pertain to principles of public funding that were not specifically designed as part of CAP. The public procurement principle, for example (part of the EU's Better Regulation Agenda, Directive 2014/22/EU), which requires that work or services sub-contracted by a beneficiary have to be awarded via a three quotes, 'best value' process; is cited several times by public authorities and farmers/farmer organisations (Czechia, Poland, Bulgaria) as having caused very inefficient delivery either because beneficiaries have difficulties finding three sources for the services they need, and/or because the lowest price is not always the most reliable provider and quality can then suffer, or because the service providers who do not get awarded the work appeal against the decisions made. This leads to lengthy commissioning processes and complaints which require follow up or redress, taking many months to resolve.

In Poland, Italy and Germany, CAP experts note that the EU Regulations alone are not so complex but it is the combination of these regulations with national or regional legislation and procedures which then creates complexity. In Italy this is cited as 'gold plating' whereas in Poland it is stated as simply the bureaucracy of Polish legislative requirements, that are judged as unavoidable. In Germany, the public procurement law on state level (Saxony-Anhalt) is judged by stakeholder organisations and experts as more complex than on federal level.

Many experts and farmers, also stakeholder organisations state that Pillar II funds tend to be accessed mostly by big farmers or successful farm businesses, rather than smaller farms or those that are financially vulnerable. This is reported in Czechia, France (Auvergne), Poland, and Italy (Emilia Romagna and Puglia), Spain (Castilla-La Mancha) and Ireland. In Puglia, for all investments above EUR 150 000, regional calls imposed a condition that the farmer must attach to the application a bank decree of loan approval or a bank certificate of financial viability. According to farmer organisations, experts and public authorities, this condition made many farms give up trying to access the support, since they were already suffering from debts and reductions of income.

Another point of Pillar II concern voiced by experts and public authority interviewees, mainly in respect of funding for investments (M04, M06 and M07[108], identified as relevant for social aspects – see ESQ1) includes fear of disallowance which can dissuade managing authorities and paying agencies from supporting multi-purpose or novel projects because they do not easily fit pre-determined categories or assessment criteria for measures or sub-measures as set out in the relevant rural development plans. Thus, efficiency becomes the enemy of effectiveness – the projects that are simplest to deal with and therefore most likely to be funded, are those which offer nothing really new or have low additionality (this point is identified in rural development literature[109] and noted by experts and NGOs in Poland, Austria, France, Czechia). The Saxony-Anhalt experts also identify a difficult communication and coordination *'between beneficiary and awarding agency: beneficiaries are quickly sanctioned (even for small mistakes, which happens a lot due to complexity of application and process); certifying agencies are afraid of EU control and pass this fear onto beneficiaries (no trust generation)'*; as leading to inefficient out-turn of funds, although it is not clear to which Pillar II measures this particular comment applies.

For LEADER, there are many specific comments in the case studies that the process is unnecessarily complex and more so than in the 2007-2013 period. In France, it is stated by NGO interviewees that the need for LEADER project partners to bear the costs of investments up-front and be refunded only after the items are purchased from the RDP (i.e. grant payment only on proof of expenditure) precludes small entities to take part in LEADER. In Saxony-Anhalt, LEADER application is judged by public authority, expert and NGO interviewees as too complex: a lot of 'irrelevant' (NGO comment) documents are requested in original format (from the applicant and the LAG) by the paying agency. The agency requires an official statement from the LAG (much more complex than last period) on the viability of the project. Many more requests for information are made by the agency, generally in terms of original documents (which takes longer due to postage etc.). In Austria, it is commented by one public administrator that the accounting system is very inflexible; file notes are necessary for every small change to the offer, as a result companies are very annoyed due to this process. If everything is not exactly documented in the offer, there are then consequences in the payment; if this is not suitable for the auditing agency in the country, the costs will not be refunded. The Austrian case study indicates that this is especially problematic for small projects. In Ireland, under the current programmes (2014-2020) the previous direct link between the managing authority and the implementation body (now implementing partner (IP)) was disconnected, as Community Development Committees took on the role of LAGs, with local councils acting as financial partners. The case study findings drawing from interviews with public authorities and independent experts indicate that the efficiency of LEADER seems to have improved since steps were taken to simplify implementation. But according to respondents representing implementation partners, there remain significant delays in project approval and payments, as this is now done through local councils. The top three obstacles identified by beneficiaries and administrators in respect of the Irish LEADER application process are: complexity of the application process; time delays among the authorities making decisions; and for the beneficiaries, sourcing match-funding from private lenders (e.g. banks, family members) to enable the drawing down of CAP funds where funding rates are less than 100% of the project costs. All these comments indicate either inefficiencies in measures reaching their target beneficiary groups (because costs are perceived too high, for them, relative to potential benefits), or high transaction costs (TCs) of the funding (costs for information, negotiation, administration etc. to secure funds) which, *ceteris paribus*, will reduce the benefit-cost ratio.

[108] M04 – investment, M06 – farm and business development, M07 – village renewal.
[109] Dwyer et al, Review of Rural Development Instruments (2008) Report to DG Agri. Schiller et al, (2010) final policy brief: RuDI project funded under EU Framework 7.

From the 2018 study of ESIF administrative costs (spatial foresight, 2018), it was estimated that the costs of delivery for Pillar II funds were the highest of the main ESIF, and involved the greatest workload, of EUR 83 100 and 2.18 annual work units (AWU) of labour input per million euro of spending: meaning that administration costs an average of 8% of total programme spending. Paying agencies incur a particularly high share of these costs due to the comparatively high level of administrative checking (100%) that they perform on EAFRD-funded projects. The administrative task taking the largest share of overall costs was identified as the verification of projects undertaken by beneficiaries – i.e. an element of the financial controls.

In discussing efficiency, interviewees[110] in several case studies raised concerns that Pillar II investment measures offer relatively low additionality because of implementation, eligibility and selection criteria choices by managing authorities which have the effect of reducing measure accessibility to beneficiaries with greater social needs (such as those on low incomes, with poor education, etc.). This is an issue of cost-effectiveness similar to the concerns raised in respect of SAPS/BPS, discussed earlier in this section. However, whereas the efficiency/cost-effectiveness of SAPS/BPS could be enhanced by explicit targeting of these instruments to socially-disadvantaged groups by the Member States, it would be less feasible for Pillar II investment aids because the EAFRD regulation requires that beneficiaries have the competence to deliver the outputs that are funded. Instead, other measures (M01, M02 knowledge exchange, advice, training, or capacity-building under M16 and M19) could be used to enable socially disadvantaged target groups to gain confidence, skills, financial instruments and technical advice which help them to increase their access to investment measures. From the ECORYS (2018) study on the administrative burden arising from the CAP, the estimated administrative costs of delivering the CAP funds to all beneficiaries of the integrated administration and control system (IACS) represent around 3.5-3.9% of the total funding delivered, on average, across all EU Member States. However, the authors note that this figure varies considerably between individual instruments and measures in both pillars of CAP, and between Member States and regions. IACS applies to almost all Pillar I funding but only to around 50% of Pillar II funding (generally the multi-annual payments including agri-environment-climate and areas with natural constraints (ANC) aids). In general, they note that Pillar II measures involve rather higher administrative costs than Pillar I instruments but that the overall difference remains modest. More importantly for this evaluation, the ECORYS (2018) study notes that the administrative impact is disproportionately high for smaller Member States and that the main costs are associated with management and controls (74% of the estimated total administrative costs), as opposed to set-up and running costs (at 26%).

5.3.1.3 Conclusions

The proportion of total CAP funding which goes to administrative costs clearly varies between measures and instruments, as well as between territories and administrations. The case study evidence discussed here suggests that the Pillar I administrative overhead is likely lower than the broad estimated figure from the ESIF study of 8% for Pillar II administrative overhead, and may be in line with the 3.5% estimate of the ECORYS (2018) study concerning IACS administrative costs. For the instruments and measures particularly affecting CAP socio-economic impacts, therefore, the average overhead should be somewhere between these average figures – perhaps 5 or 6%. This could, therefore, be regarded as a relatively efficient implementation system, overall.

Nevertheless, the case study evidence summarised in the previous section also leads to the conclusion that significant issues of inefficiency in targeting and in operation

[110] Such as representatives from farmers' associations, rural development experts.

apply to a range of CAP funding instruments and measures supporting social aspects of BTD. For Pillar I, inefficiency in delivering social benefits is mostly linked to a lack of targeting of aids to this purpose, by Member States. For Pillar II, it is linked most often to administrative processes adding complexity and time to implementation. Many arise from 'standard' regulations and conditions attached to public funds which are not specifically tailored to the conditions of the CAP aids, and which derive from a mix of EU and national rules and norms as detailed above.

The case studies provide a great deal of evidence that the administrative costs of delivering CAP funding in pursuit of social benefits in rural areas are perceived as unnecessarily high by relevant actors including beneficiary groups, programme administrators and rural stakeholders and experts. Particularly applicants outside of the main farming sectors who have less experience of accessing CAP funds, deem this effort as unnecessarily high. The emphasis of this criticism falls most heavily upon the tasks of verification and controls, as well as indirect challenges arising from broad principles applied to the funding such as public procurement conditions, but causal influences may also include a relative lack of focus by managing authorities on designing and putting in place specific Pillar II packages to boost the ability and confidence and lower the transaction costs for such 'less conventional' applicants.

5.3.2 ESQ 7: To what extent have CAP instruments and measures been efficient in fostering social inclusion in rural areas?

5.3.2.1 Understanding of the question

The answer to this evaluation study question relies mostly on two sources: the quantitative analyses of CAP indicators and context indicators; and the extraction of qualitative data from the case studies.

The qualitative information stemming from the case studies forms the main foundation in respect of the analysis, as this allows nuances of delivery to be investigated in more detail. The information provides stakeholders' perceptions of the efficiency of CAP instruments in fostering social inclusion in rural areas. ESQ3 findings also serve as an important input to answering this evaluation study question.

Complementary information was derived from the literature, mainly from the 2008 EU Commission study on Poverty and Social exclusion in Rural Areas, as well as relevant European Network for Rural Development reports and other literature focusing on gender and income imbalances.

As social inclusion is a cross-cutting issue, all aspects of socio-economic impact (a) to (i) are considered in this ESQ.

The ESQ 7 analysis is structured along the following steps:

- Firstly, available data is examined to assess the extent to which the amount of funding devoted to each measure is lower than the likely value of its outcomes to society as indicated by, for instance, beneficiaries of measures targeted for Strategic priority 6 of the EAFRD.
- Then, case studies are scrutinised to identify how far, and in what ways, CAP funding contributes to enhanced social inclusion of marginalised or disadvantaged groups – e.g. better information and communications, positive welfare, for more people and especially those who are disadvantaged, fostering a better quality of life. The evidence is drawn from past experience (evaluations and other literature), triangulated with opinions from different types of interviewees and with any local data or specific cases highlighted.
- Where local data on administrative costs is available, this is collected and analysed to compare this with the estimated value of outputs/results or impacts, including programme expenditure as the first output. Comparisons

between different delivery approaches and cases are attempted where possible, also taking account of contextual differences.

Evidence sources

- Analysis of funding data and output indicators
- Case study evidence including data on delivery costs where available, interviews and qualitative information from different interviews, findings from previous evaluations and other relevant literature.

Key indicators (see Table 2):

- Output indicator 15: Population benefiting from improved services/infra-structures (IT or others)
- Output indicator 18: Population covered by LAG
- Output indicator 20: Number of LEADER projects supported

5.3.2.2 Discussions

From the efficiency analysis in section 4.8, the assessment of input versus output ratios which is most relevant to social inclusion is that which focuses upon M07 village renewal and LEADER (M19). Examining the M07 expenditure at RDP level in relation to indicator 15 – Population benefiting from improved services/infrastructures (IT or others)- (Map 5) there is a significant variation between Member States, in the cost per unit output expressed as the number of people benefiting from improved services funded by CAP Pillar II M07. Particularly in Member States with an ageing rural population (e.g. Greece, Ireland, Scotland) the ratio of spending to the population benefiting from the infrastructure or services funded, expressed by the indicator, is low compared to other areas. This may be due to characteristics of these areas, such as high coverage of areas with natural constraint (ANC), including mountains. The ratio is higher in Member States that report younger rural populations, like Bulgaria and Poland. Rural service provision in these Member States is still low by comparison to many others. This suggests significant benefit from ensuring improved accessibility and opportunities to rural communities in these countries, at relatively low cost per person benefiting.

From the case studies, the evidence of CAP measures targeting social inclusion is particularly strong for LEADER. Thus, indicators 18 and 20 (population covered by LAGs, and number of LEADER projects supported) are relevant indicators for considering input-output efficiencies. Many LAGs target social inclusion in rural areas, supporting employment opportunities for the non-farming population, and some have funded projects and initiatives targeting women and younger people. Many LEADER programmes also assist in the provision of better infrastructure and services, and help ensure the economic viability of rural households.

Considering Map 8 and Map 9 (section 4.8), for indicator 18 – Population covered by LAG –, France, Czechia, Slovakia and Hungary seem to have the greatest reach per LEADER group (>80 000 people covered), in the sense that their LAGs cover the largest populations. The majority of the rural areas score between 20 000 and 80 000 persons per LAG, while Sweden, Estonia, Lithuania, East Germany, central Italy and central Spain (which include areas of low population density) score below 20 000. For indicator 20 – number of LEADER projects funded – Sweden, Denmark, Estonia, Latvia, Denmark, England, Czechia and Northwest Spain are indicated as funding many projects (>10), with the majority of other areas scoring between 2 and 10. South Spain, Italy, Lithuania, central France and Wales have the lowest scores (<1), suggesting that they have had difficulties establishing LAG projects, in the current period.

In regard to fostering social inclusion a number of underlying issues were identified across the case studies, and the following groups particularly highlighted: women

(Austria, Spain), young people (Spain, Ireland), migrants (Czechia, Germany), seasonal workers (Greece, Italy), ROMA (Bulgaria) and travellers/ROMA (Ireland).

In terms of efficiency, most case study findings distinguish between Pillar I and Pillar II funding. Pillar I funding is viewed especially important for social inclusion in Italy-Apulia in the specific time of the epidemic of *Xylella fastidiosa* in olive trees, where it is concluded from interviews with public authorities and experts that: '*the only CAP instrument that showed efficiency in covering social inclusion needs was the bundle of direct payments, because they were available in a moment of crisis'.*

In most case study regions Pillar I is not deemed as important as Pillar II funding for addressing social inclusion and is not particularly, in view of CS interviewees including farmers, experts and NGOs, targeted towards social inclusion (see ESQ 14).

As noted previously (ESQ 6), in a majority of the case study areas, the prevailing opinions of interviewees were that CAP instruments in Pillar I are not well designed to particularly reach and address the needs of vulnerable or socially-excluded rural population. Nevertheless, the view is commonly expressed by public administrators, experts and farmers organisations that CAP funding is essential to maintain rural life and farming in the most remote and marginal areas, where it is known that local communities face elements of social exclusion arising from remoteness. Beyond this impact, it is widely stated by the same interviewees that other social exclusion issues are addressed by other EU funds, notably ESF interventions and national policies.

In terms of Pillar II funding, only LEADER was identified in all case studies by public, private and third sector interviewees, and specifically mentioned in rural development programmes, as the 'tool' with specific relevance for '*Promoting social inclusion, poverty reduction and economic development in rural areas'* (section 4.9.7). Of note, the interviewed EC officials also identified M07 and M01 as likely to be particularly relevant for social inclusion.

Across the case studies, a number of remarks are linked to efficiency of M19. LEADER implementation is viewed as overly complex, administratively heavy and inaccessible to smaller groups, or associations (in Austria, Ireland, Saxony-Anhalt and Poland). The views from all these case studies in respect of applications from socially disadvantaged groups could be summed up by a quotation from a non-farming stakeholder in the Polish CS: '*Beneficiaries from these groups [socially vulnerable] are the ones who are more likely to resign from funding given that they have less resources to take the effort and time to fulfil all requirements, thereby potentially contributing to the increasing gap between different social groups.'*

LAGs in Germany supported pilot projects fostering social inclusion and labour market participation: integration and welcome projects for refugees and unaccompanied minors. In Saxony-Anhalt (Germany), the LAGs are nevertheless reported to be restricted in their awarding competences. According to rural development experts and non-farming stakeholders, they act more as advisors to applicants and intermediaries between the awarding authority and the local beneficiaries, rather than taking a lead role in implementation. With a 'top-heavy' structure, public authorities agree that local project innovation is reduced. LAGs are not competitive in attracting innovative projects: stakeholders perceive that the administrative effort involved in the application and implementation of a project is too large for the size of the funding received.

A similar situation is observed in Ireland where LEADER funding has been significantly reduced in this programming period, in comparison to 2007-2013, and implementation of the programme altered. The efficiency of the measure seems to have improved since steps were taken to simplify implementation but according to respondents representing implementation partners, there are still long delays in project approval

and payments, as this is now done through local councils (public authorities), whereas previously it was organised directly between LAGs and the paying agency. As mentioned by a local development company representative interviewed: *'A lot of stress and strain – delays are up to 12 weeks long in the best-case scenarios, there are long delays to be paid and beneficiaries have to ask for bridging payments.'* Also, the application system is viewed as overly complicated and this is having negative impacts on the number of good applications: *'Eligibility* criteria *are a massive impact – LEADER funding in the current period with all the requirements is considered to be beyond the last resource – it is too bureaucratic.*

In the Netherlands, administrative costs and burden also hamper the contributions of LEADER to Zeeland's socio-economic development, according to experts interviewed. In particular co-financing remains a challenge for LEADER projects: the required amounts of own funding are relatively high for small community initiatives or voluntary groups to find, in order to apply for LEADER funding.

The public procurement regulation is cited several times (Poland, Bulgaria, Ireland) as having caused inefficient delivery. It leads to lengthy commissioning processes even for quite small funding amounts, and many complaints about awarding decisions which require follow up or redress, taking a long time to resolve.

However, no major obstacles were reported in Estonia, Czechia, Italy and Spain in respect of LEADER efficiency. In Austria, as commented in section 4.9.7, some experts believe that LEADER is now too bureaucratic and that it was easier to operate in previous funding periods.

In respect of M07 and its potential to foster social inclusion, there is no evidence from case studies concerning its efficiency.

Social capital and developing capacity from the bottom up are evident in the operation of both LEADER, and the EIP projects in Ireland, which draw together a range of stakeholders and support voluntary activities, as the Irish case study reports. The multi-funding model presented by development companies in Ireland represents a holistic approach to integrated delivery specifically for social inclusion. Nevertheless, impacts have been hindered by slow implementation as a result of adding a new layer of competence (the local public authorities) in between the local development actors and CAP paying agencies (rural development experts).

5.3.2.3 Conclusions

The quantitative analysis of inputs compared to outputs is insufficient to measure efficiency as related to social inclusion. Nevertheless, LAGs' relatively high population coverage but low number of projects completed provide an initial indication that the measures most targeted to social inclusion had a potentially significant reach but have suffered from slow and low implementation up to 2018. This indication is further supported by case study evidence, as many interviewees confirm slow implementation of LEADER in their territories.

More generally, case studies report that Pillar II measure requirements are considered overly complex, administratively heavy, and therefore relatively inaccessible for socially disadvantaged groups to apply for. Funding is difficult to access and a high co-financing requirement in some MS is proving an additional barrier to potential beneficiaries. As a result, the funding is most probably not reaching those most in need.

CAP effects in terms of social inclusion are considered by case study interviewees from public administration and stakeholder organisations to be complementary to more explicitly targeted social inclusion actions of ESF and ERDF funding, and national

welfare programmes supporting disadvantaged groups in more complex ways. One of the most relevant problems is the lack of efficient integration with such policies: this issue is examined in more depth in ESQs on coherence.

5.3.3 ESQ 8: To what extent have CAP instruments and measures been efficient in contributing to maintain or to generate balanced territorial development in rural areas considering economic aspects?

5.3.3.1 Understanding of the question

The answer to this evaluation study question relies on three main sources: the quantitative analysis of CAP indicators and context indicators; the extraction of relevant qualitative and quantitative material (where available) from case studies; and insights from the literature.

In the quantitative efficiency analysis, the relation between input (funding) and output variables (relevant social context indicators) allows for the identification of regional patterns. The qualitative information from case studies provides a user-focused perception of efficiency and highlights issues and obstacles experienced by managing authorities, beneficiary groups and stakeholder organisations, in seeking to make best use of CAP funding for economic benefit. Both these main sources can be complemented with information from previous studies – notably the 2018 EC-funded study on the administrative costs of ESIF (Spatial foresight and T33, 2018), and other literature.

The ESQ 8 analysis is structured along the following steps:

- Firstly, available data is examined to assess the extent to which the amount of funding devoted to each measure is lower than the likely value of its outcomes to society as indicated by, for instance, GVA of the aided sector, or employment value.
- Then, case studies are scrutinised to identify how far, and in what ways, CAP funding contributes to enhanced economic rural outcomes – e.g. better incomes, better employment, more business value, for more people and especially those who are disadvantaged, fostering a stronger local economy. The evidence is drawn from past experience (evaluations and other literature), triangulated with opinions from different types of interviewees and with any local data or specific cases highlighted.
- Where local data on administrative costs is available, this is collected and analysed to compare this with the estimated value of outputs/results or impacts, including programme expenditure as the first output. Comparisons between different delivery approaches and cases are attempted where possible, also taking account of contextual differences.

Evidence sources

- Analysis of funding data and output indicators
- Literature review, also previous evaluations
- Case study evidence including data on delivery costs where available, interviews and qualitative information from different types of interviewees.

Key indicators (see Table 2):

- Output indicator 11: Number of training days given
- Output indicator 16: Number of (European Innovation Partnership) EIP groups supported, number of EIP operations supported and number and type of partners in EIP groups
- Output indicator 18: Population covered by LAG

5.3.3.2 Discussions

As Pillar I instruments are designed to help address income inequalities between farmers and other members of the population, and their purpose is to assist in the maintenance and sustainable development of the farming sector, they are considered economically important for BTD. Particularly direct payments are an important source of income for many farmers and should also help to promote environmental protection. From the quantitative analysis of indicators and spending, the input/output ratio for funds in Pillar I are judged relatively 'efficient' as, overall, across the EU territory, the funding is much smaller than the value-added of the funded sector (Pillar I spending as a share of gross value added from primary sector <100%). In general, at NUTS3 level, areas with high agricultural activity show up in Map 2 as more 'efficient' in their use of Pillar I funds because their primary sector gross value added (GVA) is much higher than their level of CAP receipts. This is particularly true in Italy, Finland, Sweden, Hungary, and the Baltic countries, whereas France, Greece, Spain, Poland, Germany Austria and Bulgaria have more areas with CAP funding closer to sector GVA. The lowest efficiency scores are found in urban areas with minimum agricultural activity, where some Pillar I funds continue to be received (e.g. city territories in France and Poland which nonetheless have some agricultural land within their boundaries, on which payments are claimed).

The results for indicator 11 (number of training days given, Map 4 in section 4.9.7), relates to CAP support for the economic aspects of BTD as it is linked to farm sustainability, which potentially leads to the maintenance of the farming population and enhanced economic performance of farms and forest businesses within an area. Although data was not available for all RDPs for this indicator, there is nonetheless significant variety in the ratio of CAP spend per amount of training delivered, across the Member States for which it could be calculated. Higher efficiency ratios (>600.1 days per million euro of spending) were found in RDP territories with high proportions of farming population or activities (e.g. Greece, Spain, Ireland, Scotland, parts of Italy) as well as in Croatia, Latvia, Flanders and South Germany. More central Member States and Member States with more developed secondary sectors such as the Netherlands, Denmark and Austria, had lower ratios, suggesting that the types of training funded in these cases were more expensive, per training day delivered. The lower scores (just up to 100 days of training per million euros) appear in Lombardy and Lazio in Italy, Denmark, some areas in Germany, the Netherlands, Czechia, Hungary, Cyprus and Estonia. However, it is difficult to draw strong conclusions from these variations because of the potentially wide variation in the types of training offered, in each case.

Indicators 18 (population covered by LAGs) and 20 (LEADER funded projects) are also associated with economic aspects of rural development. In particular, LAGs aim to engage local communities to build projects that address local needs. This is important for BTD as it encourages active participation of the population in collective actions and also, can foster successful economic ventures that provide non-farming jobs in rural areas and attract the external population (e.g. through tourism). Map 7 and Map 8 show the pattern across the EU, for these two indicators.

For indicator 18 (see Map 7) France, Czechia, Slovakia and Hungary appear the most efficient MS (>80 000), in the sense that their LAGs cover the largest populations per million EUR. The majority of the rest of areas for which data is available score between 20 000 and 80 000, while Sweden, Estonia, Lithuania, East Germany, central Italy and central Spain score below 20 000. For indicator 20 (see Map 8) Sweden, Denmark, Estonia, Latvia, Denmark, England, Czechia and Northwest Spain appear highly efficient in funding many projects (>10), with the majority of the rest of areas scoring between 2 and 10. Southern Spain, Italy, Lithuania, Central France and Wales have the lowest scores (<1), suggesting that they have had more difficulties establishing projects. Taken together, the indicators suggest that LAGs are succeeding in reaching

rural people and funding projects throughout the EU territory with a few exceptions mainly in Italy, Spain and the Baltic countries. Eastern Germany and Finland lag behind in LAG coverage per million EUR, while Wales and central France lag behind in the projects achieved by LEADER for a given unit of expenditure. Of course, these indicators do not show the scale of LAG projects nor their ultimate impacts, so it is not possible to conclude that the territories with lower scores for indicators 18 and/or 20 will have lower LEADER impact, overall.

The indicators for EIP AGRI implementation (indicator 16) are also relevant to the topic of economic impacts from the CAP, as EIP AGRI is intended to enhance human and social capital and promote innovation in agricultural practice, with direct or indirect economic benefits. Overall, the indicators show that funding for over 32 000 operational groups has been provided under this measure, in the current programming period. Indicator 16 combines data on groups supported, actions initiated and actors involved, for EIP Agri. The highest values of this indicator per million euro of spending are noted in Ireland, central Germany and some regions of Spain, suggesting good efficiency in using this measure, in these territories.

Regarding evidence from case studies, many of the efficiency issues reported in the answer to ESQ6 also apply to this ESQ answer. The delivery of CAP funding especially for measures in Pillar II, is criticised by many stakeholders and local delivery authorities in all cases as made relatively inefficient because of procedural and control issues which are felt to be too complex and/or inappropriate to the specific circumstances in which they are applied. Where these problems and challenges are reported (see ESQ6 for details), they will impact upon the economic as well as the social impacts of CAP funding.

In addition, case study interviewees in many cases, covering stakeholders and experts as well as some farmers' representatives, also question whether it is appropriate with regard to BTD if the funding is more commonly accessed by larger and more financially successful farm businesses than by smaller and more marginal farms. However, when all the answers given in interviews are analysed together, as reported in section 4.9.6 and 4.9.7 of this report, these critical opinions are balanced by more positive opinions (from farmers organisations and Managing Authorities), presenting an more 'positive' evaluation of the CAP's role in closing the income gap between large and small farms (for Pillar I, Figure 27 for Pillar II). Supporting successful, large economic actors to become more competitive can clearly bring additional economic benefits to a territory, beyond the immediate impact on large farms themselves. However, there can be short-term negative economic consequences if less aid reaches those farms and farm families in greatest economic need because the application and/or implementation processes are deemed too complex for smaller or less well-educated or less confident types of potential beneficiary to access.

As concluded in the case study for France (Auvergne), the complexity of CAP funding is diverse and stems from: technical complexity and length of claims forms, lack of clarity regarding eligibility criteria (e.g. M11 for organic farming), and inappropriate criteria (e.g. the requirement for plant cover in mountainous areas for some direct payments; some heavy conditions linked to M06 set-up support; the need to select M02 beneficiaries via competitive calls for proposals even in small, rural areas). This is expected to narrow the scope and scale of CAP benefits both in the farming sector and in the rural economy, the latter being highly dependent on farming activities. A similar expectation is also reported in case studies for Poland, Italy (especially Apulia), Bulgaria and Czechia, also related to efficiency issues.

The French case study findings highlight significant delays in CAP implementation in this region despite strong demand. However, they note that the authorities and organisations involved in the implementation of the two CAP Pillars at different governance levels work well to facilitate synergies between instruments and

measures, and make adjustments in terms of human resources, to cope with the number of applications. It is noted that the 2018 Annual Implementation Report (AIR) of the Auvergne RDP indicated that a consolidation of knowledge and expertise within the managing authority had allowed it to partly catch up on instruction and payment delays. This reinforces evidence reported more fully in answers to ESQ9 and 10, that flexibility and cross-cutting expertise were essential to enable a more efficient implementation of the CAP, in this case study.

The importance of experienced personnel who understand how operational decisions will affect measure efficiency and effectiveness is also highlighted in other case studies including Estonia, Ireland and Italy. Managing demand is noted as a particular, common challenge for Pillar II CAP funds and measures: several case studies including Poland and Italy indicate how, for investment measures (M04), periodic calls often elicit demand which significantly exceeds the available funding in the call. This creates a heavy workload for administrative personnel who have to exercise tight discipline to determine which applications should succeed and which should be refused. As reported in the case study for Apulia, when staffing levels are too low and criteria and priority scoring systems not simple to apply, a large backlog of applications can result, leading to long delays in measure outturn.

Information, if it is used to help inform applicants how to enhance the basic quality of applications for funding, can be a very important factor to improve efficiency in CAP delivery. It is also valuable when it is used to dissuade potential applicants from submitting project proposals that are likely to exceed the available budget; as well as to clarify scoring systems and manage expectations concerning how quickly decisions will be made and funding released. Efficient information provision is identified by interviewees from the public administration, experts and farmers organisations, as particularly important to ensure measures' cost-effectiveness – in the case studies for Austria, Germany (Saxony-Anhalt), Italy (Emilia Romagna), Ireland, Estonia, and France (Auvergne).

From the case study of Italy – Emilia Romagna, important points emerge about the comparative efficiency of CMO measures which operate with the support of producer organisations/co-operatives representing multiple farmer members, and also supply chain partnerships representing multiple actors in the supply chain. The CS analyses how these bodies take much of the administrative and reporting 'strain' associated with CAP funding instruments and measures, keeping things relatively simple for individual beneficiaries and also providing an easier communication interface with the public authorities administering the policy. Similar phenomena have been associated also with intermediary bodies that support individual farmers to apply for funding under CAP Pillar II programmes (see Mantino, 2010). In the Austria case study, it is noted by interviewees from the public administration that the agricultural chambers commonly help individual beneficiaries to find their way around applying for CAP funds as well as implementing projects and making claims, which increases the efficiency of the policy.

5.3.3.3 Conclusions

The evidence presented suggests the following. Costs of CAP implementation for measures having a significant economic impact are of varied scale and significance in different political and territorial contexts. Overall, the case studies find that inefficiency is more significant for certain measures under Pillar II, than it is for Pillar I instruments. Nevertheless, some relevant points are raised concerning the cost-effectiveness of Pillar I BPS/SAPS in particular, as instruments which have important economic impacts in rural territories. Drawing evidence from the literature, the quantitative analysis and the case studies suggests that the relevant CAP instruments and measures are delivered with reasonable efficiency overall, but that specific issues of inefficiency arise in respect of both Pillars.

The analysis of quantitative indicators could suggest that CAP funding is relatively 'efficient' in that its outputs exceed the costs of its inputs, as measured by the available indicators. However, these indicators are relatively limited in their explanatory value and need to be considered alongside the findings from case studies, to enable fuller understanding of efficiency issues.

It has not been possible to obtain (as part of the case study exercise) detailed figures to calculate the costs of administration for measures and instruments, to enable comparison against the financial value of the expenditure and thence to the benchmark figures produced in the evaluation studies by Spatial Foresight (2018) and ECORYS (2018) for the European Commission, for EAFRD expenditure and integrated administration and control system (IACS) respectively. However, as explained in the answer to ESQ6, it is possible to extrapolate from the figures presented in these 2018 evaluation studies that the cost-efficiency of all relevant CAP instruments and measures is likely to be around 5-6% of total spending value, which appears relatively efficient overall.

The case study evidence suggests considerable variation in implementation efficiency for different measures relevant to economic aspects of BTD, with generally higher levels of administrative inefficiency in respect of some measures in Pillar II, arising from a range of causes, many of which could be reduced by enhanced implementation strategies.

A number of positive examples are presented in case studies which indicate room for improvement in CAP efficiency, for instruments and measures relevant to economic aspects of BTD. This was also mentioned in ESQ6, as the same point applies also to efficiency for CAP measures relevant to social aspects of BTD.

- Where public administrations work through intermediary bodies to devise funding programmes or larger projects which these bodies then deliver, efficiency is enhanced by relieving both the public administration, and the individual farmer-beneficiaries, of an important share of financial and accounting roles and responsibilities.
- The importance of ensuring that administrative personnel within the public authorities are skilled and experienced in managing CAP funding, especially in situations where funds are limited and demands strong among the beneficiary groups, is highlighted. Literature review reveals that a number of tactics for reducing administrative overload were also analysed and promoted in previous programme periods, for example in the publications of the Thematic Working Group 4 of ENRD, during the 2007-2013 period.

5.3.4 ESQ 9: To what extent has the implementation of the CAP instruments and measures generated administrative burden: a) at the level of the Member State administrations; b) at the level of beneficiaries, including vulnerable populations, c) at the level of Commission services?

5.3.4.1 Understanding of the question

To answer to the ESQ, available literature was helpful to frame information gathering and analysis from the case studies. In addition, interviews with EU level stakeholders provided important input to this ESQ. As a cross-cutting issue, the efficiency analysis considers all socio-economic aspects outlined in section 1.3 of this report.

To respond to this ESQ, the analysis explored different issues, such as:

- What are the different categories of administrative burdens, taken from different perspectives (related to EU Regulation, measures' design, type of delivery structure and type of governance)?

- How differentiated is the intensity of administrative burden and the main factors explaining it, as it is perceived by the representatives of different categories of stakeholders?
- What are the most appropriate policy mechanisms (as deemed by interviewees) which were set up to contrast/set limits to administrative burden?
- Are there opportunities that are open in the present period to decrease the administrative burden?

Evidence sources

- Case study reports (including, e.g. review of the annual implementation reports AIR) and interview findings
- EU level interviews

5.3.4.2 Discussions

Given the three levels of stakeholders involved in this analysis, the concept of 'administrative burden' has to be further specified. Administrative burden describes the costs to businesses and citizens and citizens of complying with the information obligations resulting from government-imposed legislation and regulation. Administrative burden is therefore relevant for beneficiaries (including vulnerable populations). Administrative costs are the costs for an administrative task carried by bodies responsible for managing a policy. This includes costs for administrative workload and costs for the purchase of services and goods. Administrative costs are therefore relevant to Member States.

Administrative burden is measured by transaction costs (TC). TCs arise during the implementation procedures of the different policy instruments/measures. In this study, TCs are approximated through a series of interviews with representatives from the beneficiary side and the public bodies involved in the implementation. Questionnaires to national/regional/local actors, to European Commission (EC) officials and case study reports provided insights on causal mechanisms influencing administrative burdens for relevant policy measures/instruments at local level.

These interviews allow a refinement and validation of causal mechanisms. Perceptions of delivery characteristics and difficulties were gathered by country and types of instruments/measures to compare different situations. The method for answering the ESQ is thus mainly qualitative.

Causal mechanisms that influence administrative burden can be distinguished in two groups:

(a) Related to public administration;
(b) Related to private actors: individual farmers, cooperatives, other collective agricultural actors (producer organisations, etc.)[111].

Different kinds of costs arise from a series of administrative burden:

(a) related to EU regulations;
(b) related to measures/instruments design and public administration procedures;
(c) related to characteristics of the delivery structure;
(d) related to coordination/governance structures;
(e) related to characteristics of population of farmers

[111] Being an individual farmer or a collective organisation operating in agriculture can imply strong differences in terms of TCs, but in this study they are grouped for sake of simplification.

a) Burden related to EU regulations

This factor was raised in interviews with public authorities (national and regional) and with rural experts, who were asked about the influence (positive/negative) of EU regulations on rural development plans. There are different perceptions of transposition of EU rules into national rules: Table 21 illustrates the different perceptions gathered through interviews, as emerging from the question about how EU regulations influence RDP rules. Answers to this question have been classified according to typologies which do not consider only the dichotomy positive/negative, but also some relevant nuances within this dichotomy to provide a better representation of the diverse positions.

Only 28 out of 51 interviewees (public officials and rural experts) were able to respond to this question. As regards the Pillar II, most respondents stated that without EU regulations many relevant policy measures, deemed relevant for their socio-economic impacts, would hardly been adopted by national legislation. For this reason, EU rules are seen not as a burden, but as a fundamental factor of innovation in the traditional framework of the national agricultural policy. In different countries some public officials interviewed pointed out as positive the existence of 'common rules' (Bulgaria), 'an impulse to define the rule of game' (France), a set of general rules that should be 'adapted and designed according to regional strategies' (Italy). Without EU regulation, some innovation in the national agricultural policies would have not been possible, as in the case of LEADER (Austria).

Table 21: Role of EU regulations (Pillar I and II) according to public official and rural experts interviewed

Countries	Positive	Positive, but burden influenced by national transposition	Positive/ Negative	Negative because constraining	Not answered	Total
AT		2	2		1	5
BG	5					5
CZ				1		1
DE					2	2
EE	1			1	1	3
EL	1					2
ES	1	1			3	5
FR				2	5	8
IE					5	5
IT	2	2		4	1	9
NL					3	3
PL	1	1			1	3
Total cases	11	7	2	8	23	51
% out of total	21.6	13.7	3.9	15.7	45.1	100.0

Source: Consortium, 2020, questionnaire for public officials, rural development experts

Rural development experts deem the role of EU positive with regards to Pillar II, but this judgement is conditioned upon the type of transposition done by national/regional authorities. They acknowledge that the presence of EU rules is a positive factor, and that national/regional programmes do not simplify the application of EU rules, since they move instead in the opposite way. In this case the regional/national approach to design measures/instruments is the key source of burden and will be treated in the next point.

Mostly public officials judge the EU framework of Pillar II as negative as it is deemed too constraining on the design of national/regional implementation. Specific topics are perceived as causing high administrative costs:

- In some opinions, rules defining the different measures are too detailed and restrict the Member State's freedom of choice (Estonia, France);
- Some interviewees focused the attention on specific rules governing financial plans. They complain about the cumbersome procedure of financial resources reallocation among measures and sub-measures during the programming period, since it requires to be more flexible to the farm needs of support. The allocation of EAFRD support by priorities and focus areas is creating a higher burden on the financial monitoring and reallocation during the programming period. This makes administrative burden of the present programming period to rise as a more relevant problem than in the previous one (Italy);
- Some other highlighted the existence of different rules in EAFRD and in other ESIF, which make problematic working at local level for LEADER groups (Tyrol, Austria) and, more in general, administrative rules are perceived too rigid for LAGs which instead need more flexibility in order to adapt the available measures to needs of territories where they operate (France).

Another source of administrative burden in Pillar II arises from changes between one programming period to another, due to the transposition and implementation of new rules. This issue is true not only for public officials and managing authorities, but also for EU officials (any new or revised measures always lead to an increased workload due to the need to define precise guidelines for application). The representatives of public authorities also mention a complexity issue linked to the introduction of different contribution rates for different measures (e.g. the case of Romania).

In terms of administrative burden induced by changes of regulations, several public authorities highlighted burden related to the introduction of new measures with increased complexity in the programming period 2014-2020. This was true, for example, for measures requiring more capacity building and cooperation among between farmers and other actors along the supply chain: a typical case is represented by M16 cooperation and in particular EIP-AGRI (sub-measure 16.1 and 16.2[112]), that in some countries was deemed as quite difficult, especially where previous experience was lacking, as in Romania.

In regard to Pillar I instruments, interviewees did not mention as many sources of administrative burden as for the rural development measures. Pillar I instruments follow a separate line of funding and specific rules, which appear consolidated over time. However, the greening schemes, that are designated to compensate farmers for providing public goods were considered as sources of conflicts in many countries. There were complex negotiations on criteria to implement in practice greening requirements. But most importantly they caused high administrative costs of demarcation and control of commitments overlapping with cross-compliance and agri-environmental measures. In the Greek case study, it has been estimated an increase of one third of administrative costs deriving from the introduction of greening provisions, the added heterogeneity from increased tailoring of policies and the modernisation of IT systems and digitalisation of controls.

Public authorities dealing with CMO policy instruments signalled that EU regulations admit the opportunity to fund technical assistance to RDP, but this opportunity does not exist in interventions under CMO and this is a strong limitation for public authorities providing technical assistance to producer organisations' programmes (Emilia-Romagna, Italy).

[112] 16.1: Establishment and operation of operational groups of the EIP for agricultural productivity and sustainability; 16.2: Pilot projects and for the development of new products, practices, processes and technologies

b) Burden related to measures/instruments design and public administration procedures

A further component of administrative burden lies in measures and instruments design by public authorities at national or regional level. This is particularly perceived by private actors (individual farmers, cooperatives, other collective agricultural actors like producer organisations, etc.). This can influence both public and private transaction costs. Sometimes it gives rise to 'gold-plating'[113], when additional and potentially unnecessary requirements are caused by choices of public administrations. There are several features which can affect administrative burden:

- the scope and the complexity of the scheme;
- the degree of monitoring and control needed.

The scope and the complexity of the scheme

Within the set of CAP measures/instruments, the support of investment appears to cause more relevant costs, both public and private, and for all interviewees. Time spent on an investment project and a business plan, eligibility and selection criteria and the process of approval and implementing projects imply much higher administrative costs than direct payments and area-based payments. The procedures, for direct payments, once the schemes are designed at national level, are significantly simpler to be implemented via paying agency. Documents are filled out either by farmers' associations or by the same farmers, in the simplest cases by filling directly the forms (Austrian case study).

Eligibility criteria and documents needed to prepare applications for investments support (Pillar II) are deemed as strong barriers for small farms in many countries (Bulgaria, Czech Republic, Germany, Italy, France, Poland), especially by beneficiaries. Private transaction costs for small farms are increased by many factors: lack of knowledge and information, need of initial investment, costs of advisors, etc. In many interviews, beneficiaries of measures (mainly farmers, producers' organisations and farmers' associations) complain about the fact that criteria are too complicated and constraining, especially for small farmers who cannot afford getting the required information (Auvergne, France). This complexity of eligible criteria is raised in Auvergne CS for several measures (M11 for organic farming, M6.1 for the setting-up of young farmers, and M02 for advisory services). In the Apulia case study (Italy) a significant barrier is the high cost of renovating olive trees or reconversion toward other agricultural activities for olive growers and olive oil processors in the most marginal areas and less accessible to mechanisation. The removal of this barrier would need more coherent eligible support to these specific conditions.

Selection criteria adopted for eligible projects in Pillar II measures are another source of administrative burden for beneficiaries of measures. At the same time, they cause high public costs, especially when they perform inefficiently. The case of M4.1 (farm investment support) in the Apulian RDP is an example of administrative burden caused by inefficient use of business plan (requested by Regulation (EU) No 1305/2013), that caused appeals from farmers not included in the list of eligible projects. In Bulgaria, a strong competition for funds among potential beneficiaries caused many appeals against management authority's decisions and delays in the completion of RDP measures.

In Apulia (Italy) there is also a case of 'gold-plating' effect, since approval of applications has been conditioned to two additional permissions. These are: a) the

[113]« transposition of EU legislation, which goes beyond what is required by that legislation, while staying within legality. Member States have large discretion when implementing EC directives. They may increase reporting obligations, add procedural requirements, or apply more rigorous penalty regimes. If not illegal, 'gold-plating' is usually presented as a bad practice because it imposes costs that could have been avoided» (EC, 2018).

authorisation to remove olive trees in landscape protected areas and to change plant density (from the local offices of the Ministry of Cultural and Environmental Assets), and b) a bank certificate of financial viability for all investments above EUR 150 000. These two conditions have encumbered many farms, which are already affected by debt and income reduction, in accessing support. The managing authority advocates that certain accessibility criteria are set up to benefit especially those farms which can be viable and re-pay public investments and all administrative work spent to convey these measures up to individual farms.

In the French case study (Auvergne) the administrative burdens are so high as to represent barriers to entry for many farms and this induces managing authorities to prioritise 'easy to spend' measures (like the measure for area with natural constraints – M13), that, despite the very high number of applications, make it worth delivering financial resources to farms on the basis of very simple and accessible eligible criteria (Auvergne, France).

The payment rules and degree of monitoring and control needed

The cost of monitoring and control in the case of the LEADER measures seem disproportionate with regards to small projects and with regards to changes and drawbacks during the projects' runtime. This issue is referred as a strong burden in the case of the beneficiaries of LEADER projects in Tyrol (Austria), as well as in Saxony-Anhalt (Germany) areas for projects in the LEADER framework, deriving from more demanding forms, requests of information and respect of procurement laws at state level than at federal level. In LEADER projects there is a specific problem concerning the balance between animation and administrative activities, that is very common to several Member States in the 2014-2020 programming period. This implies two relevant problems: a) the capacity of the LAG structure to foster innovation and promote socio-economic changes in the concerned area; b) funds received for LAG's running costs are not enough to balance administrative costs involved in promoting projects, assessing applications and controls.

In Auvergne (France), interviewed beneficiaries of Pillar II measures mentioned the strict and lengthy control process, particularly difficult to handle by small farmers. As for LEADER projects, in the same region, these beneficiaries complained about the lack of advance payments and consequently to pay in advance their investment and subsequently being reimbursed after controls. This seems to preclude small operators to participate in projects financed under M19, as well as to hinder many innovative projects which can produce good results for the local community from operators not able to front these expenses.

c) Burden related to characteristics of the delivery structure

This kind of burden is strongly linked to the administrative capacity of the delivery structure, and two issues appear relevant: a) if personnel involved in the assessment and approval of application is quantitatively adequate at national/local level; b) which experiences and skills are involved in the administrative process. Both issues are perceived by beneficiaries of the measures and from the interviews with public officials.

The number of staff involved in the assessment of project applications and claims, about the number of applications and claims received, is deemed a critical variable by public officials by managing authorities of Pillar II programmes. In Cantal and Haute Loire (France) this can cause massive payment delays, as payment claims can take up to three years to be verified. In Apulia (Italy) the substantial number of applications and the inadequate number of personnel (interviews with public officials and beneficiaries) contributed to difficulties met in the implementation of most RDP measures. The perception of Pillar II beneficiaries interviewed in this area is that the work of public officials involved as auditors should have been re-organised more

efficiently than it was at that moment. In Castilla-La Mancha (Spain), public officials outline that there are scarce human resources to deal with the growing administrative burden and that they are also committed to other tasks (e.g. audits) which imply increasing workload for public officials. This contributes to delays in payments and compromises the credibility of the system.

The RDP measures average times of delay in payment range widely between 6-24 months in Bulgaria, 24 –30 months in Czechia (24 months for LEADER projects), in Saxony-Anhalt up to nine months in the case of LEADER and larger projects (in excess of EUR 300 000 in funding), three to four months in Austria (in the context of LEADER framework), two to three months for investment measures in Emilia-Romagna (Italy) and six to eight months for the same measures in Apulia (Italy). There is significant variance which cannot be explained in any case only by the different administrative burden linked to the approval process. This overview provides a general idea of the duration of the different administrative structures and the great scope for improvement implicit in these data.

In Emilia-Romagna (Italy) the issue of administrative burden has been raised by the regional authority not for RDP measures, which can benefit of technical assistance measure. However, the regional authority highlighted the work plan and related projects under the implementation of the CMO instruments for milk and dairy products, that lack of adequate number of staff, especially for payments claims and controls.

d) Burden related to coordination/governance structures

This kind of burden arises when delivery mechanisms involve many different institutional actors and administrative layers, implying high transactions costs related to the coordination function. Evidence on this issue comes from the analysis of interviews to public authorities and rural development experts in case study reports.

Complexity and related burden arise to some extent in France, where all RDP measures are managed at regional level, NUTS2, (Auvergne Region), except for: a) measures with national co-financing (cooperatives, M04 for business set-up and M04 for modernisation), and b) area-based measures such as income support for farmers in areas with natural constraints (M13) and agri-environmental measures. These two types of measures are managed at NUTS3 level by the Directorate for Territories (*Direction Départementale des Territoires*), as well as all direct payments, while CMOs instruments are under the responsibility of regional offices of the Ministry of Agriculture. This type of division of tasks among different government tiers has been deemed as not facilitating coordination in the 2017 Annual Implementation Report.

In regionalised countries (like Italy, Spain, and Germany), RDP is mostly under the regional managing authority, while direct payments are managed at national level. These different levels of responsibilities concerning two Pillars and different instruments within the same Pillar, raise a relevant issue for the future programming period, where the design and management of the CAP require more stringent coordination and joint implementation.

Coordination issues have not only effects on the policy coherence, but also on administrative burden in the case of relations between CAP and other European funds. In most cases it seems that these different policies proceed in different intervention domains once demarcation criteria are well established.

Synergies and interplays are more difficult to be implemented if there is no integrated approach coordinated under community led-local development (CLLD; Austria) or other initiatives (like LEADER). In Austria coordination costs are faced more efficiently through the creation of just one ministerial structure dealing with rural development

issues: the federal Ministry of Agriculture, Forestry and Tourism, which besides agriculture is also in charge of sectors relevant for local development, like tourism.

e) Burden related to characteristics of population of farmers

The heterogeneity of potential applicants can also be a source of potential burden, given the need to cover multiple different structural needs and heterogeneous demand of support. This factor has already arisen in interviews at EU level (see section 4.10), as well as has been highlighted in literature (Mettepenningen et al. 2011).

Mechanisms contributing to contrast the effects of administrative burdens

There are other approaches that can lead to lower administrative costs or a better cost-effectiveness ratio, or simply being capable to avoid negative socio-economic externalities of policy failures. These approaches are described in the following paragraphs.

More inclusive approaches for small farm's needs

To increase the inclusion of small farmers, the federal state of Tyrol (Austria) offers an additional funding scheme which consists of a *de minimis* support of EUR 400-600 per year for farms under six hectares (the support is modulated according to the farm size), whose main objective is to compensate the inequality of area-based payments of Pillar I.

This scheme has no additional public costs regarding the usual schemes of support farm investments and contributes to reducing private access costs for the smallest farms.

Cooperative approaches for farmers through territorial partnerships/ supply chains

In some case studies, RDP envisage the possibility of combining different measures in so-called 'supply chain packages'. In Emilia-Romagna (Italy), as well as in other Italian regions, supply chains integrated projects are a specific funding line and a delivery method, consisting of a combination of several RDP measures aimed to the objective of improving the supply chain economic performance. These integrated projects are a combination of individual projects submitted within a common framework(in specific territories like protected designation of origin areas) by a group of partners (farmers and cooperative dairies). These partners sign a supply chain contract in which they commit to undertake investments both in farm assets and machinery, as well as in dairy structures.

This approach implies additional transaction costs both for the public sector (deriving from the need to aiding, assessing and monitoring integrated projects) and for the private side (deriving from the need to cooperate, design more complex projects, reaching an agreement for the final contract, monitoring and coordinating the whole project). On the other hand, there are relevant economies of scale for the public authority in assessing the whole set of projects, learning effects, better quality of projects' design and more internal coherence of the whole set of individual projects. In addition, there is better integration along the supply chain between milk producers and dairies.

Setting up unique management structures for different funds

This solution cannot reduce administrative costs for the public sector, but it can reduce private costs for applicants and improve the cost-effectiveness ratio of public interventions. It has been implemented in Austria, through 'one-stop-shop' approach to manage all EU and national programmes related to local development. This structure, set up by the federal state level of Tyrol (Austria), includes six full-time

equivalents of staff for CLLD, who are also responsible for the assessment of applications.

In this case there are no additional administrative costs also at the local level, because the local coordination between different fund's actions, is taken over by LAG structure. In fact, these costs are covered by the running expenditures of LAG.

Grouping multiple measures together

This approach is followed in so-called 'package of measures' to deal with different farm needs through a whole-farm vision. A typical example is the package of measures envisaged for young farmers to promote setting-up and farm investment plan. This package has been adopted in the RDP of Emilia-Romagna (Italy) and includes in one application M6.1 (setting up of young farmers) and M4.1 (farm investment support). This solution reduces the public costs of assessment, approval, monitoring of the responsible administration. Private costs, instead, do not change in a significant way.

Scheme targeted towards specific areas to remove territorial disparities

Specific schemes have been envisaged for mountain/peripheral/lagging behind territories, at sub-regional scale, to fight de-population and territorial disparities in access to services of general interest. These schemes combine different European funds (including EAFRD), and are implemented in the context of cohesion policies.

In Italy in 2014, the National Strategy for Inner Areas 2014-2020 defined a series of eligible areas, where the decline of public services over time interacted negatively with low economic development and caused higher depopulation rates. Local partnerships are driven by municipalities (mayors) cooperating formally in unions or in other forms of agreement to commonly provide services for the population. This formal cooperation ensures that all interventions of the strategy are aiming at common objectives and not only to objectives of the individual municipality. EAFRD measure support private initiatives in agriculture, given the relevant role that this sector plays in most remote rural areas, while national funds support interventions on services to population. In the case of Emilia-Romagna study area, the local strategy focuses the EAFRD support on the milk producers and dairies.

In Castilla-La Mancha (Spain), there is a similar approach in the strategy to address the demographic challenge (Estrategia Nacional frente al Reto Demográfico 2017). It has been implemented under the form of an ITI, a typical approach of the Cohesion Policy. Through the implementation of ITI funds, integration among EAFRD, ERDF and ESF have been linked to territorial objectives and, more widely, also to the inclusion of certain areas or groups, such as youth and women. In this case there are several additional explicit costs in setting up the partnership and designing a territorial project (more complex than usual LEADER Local Development Strategies (LDS) under LEADER). These costs are covered by the ITI financial plan, under the form of technical assistance.

5.3.4.3 Conclusions

The analysis highlighted that there are different factors of administrative burden. There is an essential role of some characteristics of the EU regulations, in both positive and negative sense (some of them impose constraints and rigidity in the implementation phase to Member States). These rules can cause high transaction costs for public authorities at national and regional level. A typical example comes from the rules governing financial plans and allocation among measures, that make more cumbersome the reallocation of funds during the programming period. This rigidity could be a limiting factor, especially in periods of unexpected changes in the socio-economic context.

Administrative burden also arises from the transpositions of EU rules into national or regional programmes which hamper the implementation process and the socio-economic impact of CAP instruments/measures. These are more frequent in the Pillar II than in Pillar I and give rise to a phenomenon of 'gold-plating'. The transposition of EU general rules into eligibility and selection criteria for the single measures (mainly for investments support) implies high transaction costs for farmers and sometimes also barriers to access funds. This difficulty can also occur in the phase of payment delivery and monitoring/controls of public expenditures. In other cases, it is the lack of coordination/governance of the delivery system that can increase the administrative burden and transaction costs for involved public structures.

Nevertheless, in some cases, managing authorities and private stakeholders were able to set up innovative mechanisms to improve the ratio costs/effectiveness of policy instruments, both in field of direct payments and in rural development measures. These innovative mechanisms are mainly relying on a better policy targeting, cooperation among actors and integration of different policy measures.

5.3.5 ESQ 10: To what extent have the related costs/burdens been proportionate to the benefits achieved?

5.3.5.1 Understanding of the question

Responding to this ESQ implies making two relevant premises:

- This analysis does not relay on a cost-benefit calculation, nor to any other quantitative method. Costs and related burden have been analysed and described in detail in ESQ9, here are put in relation with results perceived by different stakeholders for the three categories of effects: economic, social and social inclusion-related.
- This analysis requires to distinguish between costs for public administrations and costs for private operators.

As a cross-cutting issue, the efficiency analysis considers all aspects as detailed in chapter 1.

Responding to this ESQ implies making two relevant premises:

(a) the concept of proportionality of the costs/burdens (as identified in the previous ESQ) to the benefits generated does not relay on a cost-benefit calculation, nor to any other quantitative method.

(b) costs and related burdens are perceived differently by each group of stakeholders, as well as proportionality between costs and results.

So, in responding to this ESQ, these issues have been taken into consideration:

- If the public effort and administrative burdens (as evaluated in the ESQ9) is reasonable to generate:
  (a) Economic effects
  (b) Social effects
  (c) Social inclusion effects

Evidence sources

- The project team derives the degree of proportionality of the impacts of the policy instruments and measures from a triangulation exercise of other efficiency and effectiveness criteria.
- Since the ESQ foresees the comparison between global inputs to CAP measures and instruments and global socio-economic impacts, the analysis requires taking stock of the findings of ESQs 1 to 5 and ESQs 6 to 9.
- Evidence is also provided by quantitative analysis at the level of four clusters of rural areas and mainly by qualitative analysis through interviews, where the different perceptions of stakeholders have been analysed.

5.3.5.2 Discussions

5.3.5.2.1 The analysis of economic aspects

Overall, resources spent for CAP instruments and measures are deemed as necessary for the maintenance of an adequate farm income level in all case studies. All categories of interviewees mentioned significant administrative burden for the rural development measures. In particular, the relevant costs for infrastructures needed to delivering/monitoring/control of financial resources addressed to agricultural sector have been mentioned.

Pillar I

Administrative procedures of Pillar I are quite consolidated in most countries, through the intervention of payment agencies. In the Italian context, green payments have been mentioned as instruments particularly difficult to design and to manage, especially with regards to demarcation controls between related payments and cross-compliance and agri-environmental criteria. Despite this specificity of green payments, it seems that for most direct payments there is a favourable cost-effectiveness ratio in terms of total farm income and employment.

CAP instruments of the Pillar I are deemed by all categories of interviewees as necessary for reducing inter-sectoral and inter-territorial disparities in terms of income, employment and business maintenance. This is mainly true for clusters 2 and 4 (peripheral rural and intermediate regions and traditional and intermediate rural regions), where the role of agriculture is still relevant and suffers from lack of competitiveness or where the agricultural sector has been affected by specific crises (e.g. *Xylella fastidiosa*, in Apulia).

With regards to the disparities between different types of farms, the analysis of Pillar I impacts on rural regions (section 4.9.5) shown that basic payment scheme can contribute to increase intra-sectoral disparities between small farms and large farms, since as area-based payments they are inherently biased in favour of the largest farms. This implies that for small farms the reduction of disparities can be controversial and depending from the country. For this reason, as already stated in ESQ 9, Tyrol introduced a specific national support to small farms incomes in disadvantaged areas, through a redistributive payment). Administrative burden is particularly unsustainable for small farmers, as noticed in most case studies (Bulgaria, Czechia, Germany, Italy, France, Netherlands, Poland) and this is a further factor hampering the access to CAP subsidies.

The costs-effectiveness ratio of common market organisation (CMO) instruments seems quite favourable and less biased for specific farm-sizes. Case study findings indicated that in Spain and Italy these instruments have resulted in positive developments in terms of producers' involvement, intra-sectoral relations within the supply chain, stabilisation of incomes and better governance of the whole supply chain (cheese in Emilia-Romagna and wine in Castilla-La Mancha). Cooperative structures and strong protected designation of origin (PDO) valorisation (Parmigiano in Emilia-Romagna and four wine PDOs in Castilla-La Mancha) were a key factor in both cases. CMO has encouraged processes of restructuring in both areas, new governance arrangements and investments on processing industries that enhanced competitiveness. This had positive spill-over effects on the local economy, due to the relevant up-stream and down-stream linkages of these supply chains with other sectors. Producers' organisations were the main policy instrument to do this, accompanied by regulative interventions (as in the Emilia-Romagna case study) and/or by specific funding from the European agricultural guarantee fund (EAGF) in the case of wine operational programmes. This implied significantly less funds than those spent for direct payments. Administrative costs of policy delivery are less than

those for direct payments and RDP measures, but transaction costs of producers' organisations can be significant because the better the governance, the higher the costs of coordination.

In other cases, these successful outcomes were not achieved. This is the case of Apulia (Italy), where the governance and the local capacity building was inadequate to cope with the long-term lack of competitiveness and the crisis generated by the plant pathogen *Xylella fastidiosa*. However, even in these areas, producers' organisations provided a relevant contribution to alleviate negative impacts. Potentials for the diffusion of producers' organisation in Member States in central and eastern Europe seem limited, as the polish case study witnesses: the creation of producer groups is deemed by public officials and experts as hampered by cultural aversion to such structures.

Pillar II

Rural development measures can be the most appropriate to remove factors of weakness concerning farm structures and enhance economic aspects. Different types of burdens (see ESQ 9) inhibit their performances, from EU regulations constraints to transposition into national and regional rules and other burdens related to delivery structures and coordination/governance structures. In several case studies, beneficiaries of the Pillar II measures (mostly farmers and farmers' organisations) emphasised the so-called 'gold-plating factor' as responsible for the inefficiency in implementing processes and for achieving planned objectives.

There is also evidence of innovative approaches which have been put in place to enhance the effectiveness of structural measures, foster the synergies between them and other CAP instruments, involve small farms in the policy delivery, reduce intra-sectoral income disparities and strengthen the cooperation in the supply chain. These approaches have been summarised in ESQ 9. They can create economies of scale in the delivery process and reduce transaction costs for public administration and/or for private operators[114]. Other innovative approaches do not necessarily generate lower transaction costs, but more explicit transactions costs which can be covered as eligible expenditures of M16 cooperation.

5.3.5.2.2 The analysis of social aspects

Pillar I

In regard to Pillar I instruments, via the maintenance of income and farm employment in rural peripheries and traditional rural regions, direct payments can also have a positive effect on maintaining population and demographic profile of rural areas. Nevertheless, this effect is often controversial (as discussed in section 4.9.5) and achievable mainly in the short term, given the fact that respondents largely emphasise the positive effects on variables such as the agricultural income support and stopping depopulation/abandonment. These conclusions are also supported by the input-output analysis (see section 4.7). Still, the stakeholders' perception on socio-economic effects, such as income disparities between small and large size farms or the feeling of left behind is less homogeneous than for other variables. Furthermore, in many case studies, rural areas are characterised by a long-term trend of young population towards outmigration. Thus, according to the analysis in previous sections, in the long term the costs of direct payments do not seem to be always compensated by adequate outcomes in terms of reduction of social disparities.

[114] like the scheme for small farms in Tyrol (Austria), the package of measures for young farmers in Emilia-Romagna (Italy), the 'one stop-approach' in Tyrol (Austria)

CMO instruments, if producers' organisations work efficiently and design a long-term development strategy (especially for the product marketing), can have a relevant role in stopping the migration of young family members from farm holdings, maintaining the social capital, and conserving cultural and natural heritage. The examples of Parmigiano in Emilia-Romagna and wine PDO in Castilla-La Mancha are interesting case of how strong supply chains can contribute to support the survival of local economies and mitigate the depletion of human resources in peripheral/traditional rural regions.

Pillar II

Among the RDP measures, LEADER is identified in case study interviews as the main approach to support service provision, a broader range of interventions for the local economy, and increase social capital. However, administrative costs in the managing of LAGs have increased in the last programming periods, because of an increasing trend in bureaucratic burden and reduced flexibility of the LEADER. This jeopardised the animation and scouting activities which are the main instruments to solicitate innovators and adherence to local needs.

On the other side, LEADER has expanded its scope in the last programming period through the adoption of the multi-fund approach of community-led local development (CLLD). This passage was implemented in the following case studies: Tyrol (Austria), Czechia, Saxony-Anhalt (Germany) and Ireland. CLLD, through the mix of different funds, is perceived by different stakeholders as very positive and potentially more effective than the LEADER as mono-fund. There is no evaluation of tangible CLLD impact compared to previous mono-fund approach, but stakeholder indicated that rural peripheral regions need more robust national policies and supporting systems to face the lack of services of general interest. Due to the small budget share (five percent of rural development programme) LEADER can only set impulses. Furthermore, in some countries CLLD lacks of critical mass, since it is applied with an extensive logic, which implies covering most territories by selecting a high number of LAGs with a limited budget: this is the case of Czechia, that is covering 90% of national territory with 174 LAGs.

Even in this case there is evidence of innovative approaches which have been put in place to enhance the effectiveness of EAFRD measures in those rural areas strongly characterised by depopulation, territorial disparities in access to services of general interest, and shortage of social capital. These schemes combine different European funds (including EAFRD) and are born in the context of cohesion policies (see ESQ 9).

5.3.5.2.3 The analysis of social inclusion

Pillar I

The analysis of social inclusion includes the above-mentioned items with regards to: vulnerable population, geographically isolated population, rural women, young, disabled, elderly, ROMA, immigrants. It is worth noticing that only a few case studies present specific policy schemes targeting ROMA (e.g. in Bulgaria), always outside the domain of CAP.

Pillar I interventions do not seem to have strong linkages with social inclusion variables, except for population in the most remote areas and in particular mountain farmers and farmers in extremely remote areas. All other specific groups are usually not targeted by these instruments, as these have always focused on farmers. The young farmer's component of direct payments was not mentioned by interviewees as a relevant instrument to effectively foster generational renewal.

Pillar II

Even for these aspects related to social inclusion, LEADER approach appears as the most appropriate to define interventions targeted to specific groups of people. These aspects have been widely analysed in ESQ6.

Among case studies, Ireland defined a global strategy for social inclusion and local community involvement which shows a holistic vision and encompasses multiple policy instruments, including LEADER. in Ireland, social inclusion is a major problem that involves different parts of population and includes many people at risk of poverty. Even in this case, LEADER went through several controversial changes: reduction of budget from EUR 425 million to EUR 250 million, transformation of LAGs in local community development committees, with consequent increases of administrative burden, making access to support more difficult for micro and small enterprises. Despite this, LEADER is still recognised as an important source of funds for local communities.

5.3.5.3 Conclusions

The analysis allows to draw different conclusions for economic, social and social inclusion aspects.

Economic aspects

Resources spent for Pillar I instruments are deemed necessary for the maintenance of an adequate farm income level in all case studies. Interviews highlighted the relevant effects on supporting farm incomes in times of crisis and the maintenance of employment. Pillar I includes CMO instruments, whose benefits seem more favourable than administrative costs. Moreover, CMO instruments do not have relevant effects of increasing inequality in the distribution of funds between small and medium-large farms. Rural development measures are the most appropriate to remove factors of weakness concerning farm structures and enhance economic aspects, but different types of administrative burden inhibit their performance. In conclusion, in the case of Pillar I instruments (both direct payments and CMOs) the administrative costs of delivering policies are relatively low, and economic effects are especially positive for some economic effects (supporting incomes in times of crisis and maintenance of employment). In contrast, Pillar II measures show higher administrative costs and, in some countries, slower times of implementation which hamper the achievement of potential benefits.

Social aspects

Direct payments can also have a positive effect on maintaining population and demographic profile of rural areas, as shown by analysis in section 4.9. Nevertheless, this effect is controversial, and it does not seem achievable in the long period since the lack of off-farm opportunities continuing to push young population towards outmigration.

CMO instruments, if producers' organisations work efficiently and with a development strategy, can have a relevant role in stopping the migration of young family members from farm holdings, maintaining the social capital and conserving cultural and natural heritage. This implies that CMOs instruments can achieve positive benefits at reasonable costs with regards to social aspects. This conclusion cannot be true for direct payments in a long-term perspective, since social benefits are strongly and negatively influenced by long term demographic and economic variables.

Among the RDP measures, LEADER is identified in case study interviews as the main approach to support service provision, a broader range of interventions for the local economy, and enhance social capital. LEADER has expanded its scope in the last

programming period through the adoption of the multi-fund approach of CLLD, but administrative burdens and budget constraints still compromise the potentials of this approach. This means that where LEADER can introduce innovative elements and combine different funds (according to the CLLD version), social benefits are more evident and can counterbalance the administrative costs.

Aspects related to social inclusion

Pillar I interventions are not specifically addressed to social inclusion and can hardly be effective on this issue, except for population in the most remote areas and in particular mountain farmers and farmers in extremely remote areas. Even for these aspects related to social inclusion, LEADER approach appears as the most appropriate one to define interventions targeted to specific groups of people. But LEADER interventions in this field suffer from the same administrative costs which were previously mentioned. In this case, answering about the ratio between cost and benefits appears to be hard. In Ireland, LEADER focused on social inclusion with controversial results due to the high administrative burden and reduced accessibility to micro and small enterprises.

5.4 Coherence – ESQs 11 & 12

5.4.1 ESQ 11: How coherent are the relevant CAP instruments and measures: a) with each other b) with other EU initiatives c) with national/regional policy initiatives in terms of balanced territorial development in rural areas considering social and economic aspects?

5.4.1.1 Understanding of the question

This evaluation study question addresses the full range of socio-economic aspects examined with the framework of this evaluation. The impacts of the CAP measures/instruments selected in ESQ 1 shall not only be examined against each other but also concerning other EU initiatives (e.g. other ESIF such as the European Social Fund and the European Fund for Regional Development) as well as national initiatives and state aid. For this ESQ, the project team reported on the findings of the case studies, particularly in respect to the interviewed stakeholders' perception on the coherence of measures and instruments.

As a cross-cutting issue, the coherence analysis considers all socio-economic aspects.

The analysis of case studies' reports and interviews with stakeholders provide insights into the interactions between policy measures/instruments. Policy instruments' interaction can assume different modes and intensities. In the current literature[115], these interactions can be classified in typologies, according to the positive/negative sign of the interaction. The current classifications can also work in this study, with some adaptations. Interactions are categorised in three main typologies:

a) **complementary,** when the interaction is positive and can be variable according to the intensity of the linkage. In this category we can distinguish two different types: a) weak complementarity; b) strong complementarity. Weak complementarity is achieved through a mere addition of different instruments with specific tasks and the compliance with demarcation rules of these tasks. Strong complementarity is present only where it is an effective collaboration between administrations

[115] See the articles of Gunningham, N.; Sinclair, D. (1998) Designing environmental policy. In Smart Regulation: Designing Environmental Policy, Gunningham, N., Grabosky, P., Eds.; Oxford University Press: New York, 1998, 375–453; and Mantino F., Vanni F. (2019), Policy mixes as a strategy to provide more effective social and environmental benefits: evidence from six rural areas in Europe, Sustainability 2019, 11(23), 6632; https://doi.org/10.3390/su11236632

responsible of different funds/policy instruments, and this collaboration is the result of political will at national/regional level,

b) **synergic,** when interaction does not occur spontaneously or by chance, but it is structured within a specific policy design**;**

c) **counterproductive** (when interaction is negative for some reason). These counterproductive effects occur because some instruments are conflicting with other instruments.

The analysis of this ESQ is structured along the following points:

- Qualitative inventory of policy measures/instruments operating for social and economic factors in rural areas.
- Existence of local/regional/national relations (e.g. complementarity, synergy, conflicts) that inhibit/facilitate achievement of BTD in terms of social and economic outputs.
- Perception among stakeholders of different factors influencing complementarities/synergies among policy instruments/measures in rural areas.

Evidence sources

- Case study reports
- Interviews with main stakeholders
- Analysis of the most recent literature on policy coherence in Europe
- Triangulated conclusions with ESQ 1 analysis

5.4.1.2 Discussions

The discussion of the main results treats coherence according to the three levels of the question:

(a) Internal coherence (concerning relations between the main CAP measures/ instruments)
(b) External coherence with other EU policies
(c) External coherence with national/regional policies

a) Internal coherence

This analysis concerns firstly the relations within the Pillar I and, secondly, between the two Pillars. A particular attention was given to the internal relations between instruments of the Pillar I, due to the significant financial impact on public expenditures. In contrast, no particular problem of coherence was raised within the Pillar II.

Coherence within Pillar I

In general, there are coherent relation among all instruments of Pillar I. As mentioned in the effectiveness (ESQ 2-5) analysis, the bundle of instruments within the direct payments (DP) have a strong role in fostering BTD. The policy mix of direct payments (the basic payment, greening, voluntary coupled support, and the small farm scheme in Member States in central and eastern Europe) has had strong impacts on farm incomes in many rural areas. It is worth noticing that this impact is possible when this mix of instruments are taken as complementary sources, covering the joint need for income support, and farm saving to be devoted to investments and sustainable agricultural processes.

The input-output analysis (section 4.7) highlighted that the mix of Pillar I instruments, when considered as a whole, provide for labour income effects in the agricultural sector, which is re-invested in rural and intermediate regions. Other labour effects are evident also in industries linked to agriculture (and providing inputs to agriculture). In

addition, the case studies highlighted that the Pillar I generates effects resulting from the combination of different instruments.

In Austria, for example, all stakeholders agreed that the instruments from Pillar I have a positive effect on a series of economic and social impacts (reduction of de-population and abandonment, support of farming incomes in time of crises, maintenance of the farm business, maintaining the natural and cultural heritage of rural areas, partly supporting generational renewal and reducing the feeling of being left behind).

In Saxony-Anhalt (Germany), according to the opinion of beneficiaries reported in the case study, there is complementarity among the Pillar I instruments. In particular, beneficiaries outline the role of basic payments, greening and voluntary coupled support, as taken together, in providing business certainty, and financial liquidity in times of crisis to cover two main productions costs: land leases and labour costs.

In Spain, interviews with rural development experts and academics highlighted that complementary support ensured by a mix of direct payments turned out to be essential to the economic viability of less dynamic types of farming, especially extensive and dry farms (e.g. in the cereals sector).

In Apulia (Italy), representatives of olive oil organisations and farmers state that the joint support of direct payments and CMO instruments enabled olive oil producers to cope with the crisis generated by the *Xylella* disease. In other cases (Emilia-Romagna and Castilla-La Mancha), a complementary support was ensured by direct payments and CMO instruments.

Coherence between Pillar I and II

The coherence between the Pillar I and Pillar II has been analysed in the different case studies and it does not appear to be homogeneous in all countries/regions. In most of case study reports (Austria, Bulgaria, Czechia, Estonia, Germany, France), all interviewees agreed that the instruments from Pillar I and the measures from Pillar II are coherent. They are playing complementary roles and represent a good and meaningful addition to each other. In Austria, a positive factor affecting this result is partly due to the governance of the two Pillars: both pillars are coordinated by the same ministry (Federal Ministry of Agriculture, Regions and Tourism) which simplifies the process and communication in general.

In Saxony-Anhalt (Germany) case study, Pillar I and II turned out to be complementary because the financial support farmers receive via direct payments and measures has spill-overs into the general rural population. These spill-overs are: employment maintenance, income transfer via land leases (generally, to the elderly and large land owners) and business maintenance. In addition, they ease generational renewal since new farm managers obtain fundamental income support from CAP, especially direct payments (young farmer payments) and M6.1 (setting up of young farmers). It is also a vital income source for farmers since bank loans remains less effective than CAP support in financing farmers with low capital. As such, direct payments provide economic certainty to farm managers and the maintenance of farm liquidity. However, employment effects should not be overstated. The funding received via basic payments and green payment serve much more as a vehicle to retain existing labour, as opposed to allowing farms to increase their workforce (see ESQ 4).

In the Auvergne (France), there was a consensus among interviewed stakeholders (regional administrators) on the coherence between Pillar I aids and area-based Pillar II measures, as the delineations of the measures and instruments are clear.

The case studies reveal more relevant evidence of synergistic relations between CMO instruments and RDP measures. In Castilla-La Mancha (Spain), the CAP had a relevant

impact on the wine sector through a combination of CMO support (national support programme for the wine sector) and a series of RDP measures (M03 quality; M09 creation of producer groups; M16 cooperation projects: development of pilot projects or shorts marketing channels; M19.2 creation of the Wine Route[116]). The CAP has fostered investment in wineries, allowing the sector to improve its competitiveness. The actions promoted have also favoured better commercialisation and openness to the foreign market. The modernisation of the sector, in turn, influenced the whole economy of the rural area. It involves structural investments into physical capital on farms, as well as in wineries, and fosters the development of specialised companies and the creation of jobs. In short, it generates a greater dynamism that affects not only the producer and processing sector, but also related industries along value chains. Furthermore, the wine sector affects the settlement of the population in the territory, especially in the central zone of the region, and plays a role in the soil protection against erosion and desertification.

In Emilia-Romagna (Italy), the policy mix in the period 2014-2020 includes CMO regulative instruments and RDP support to structural change in the case study areas (milk and PDO cheese sector):

- CMO instruments (the production plan and the mountain brand) aimed at regulating the supply in relation to market demand and enhancing the appreciation of Parmigiano by national and international consumers;
- RDP instruments aimed at strengthening capacity building and cooperation between producers and dairies, reducing production costs and processing costs, valorising production in local markets and direct selling (short chains), and finally broadening of the maturing period from 12 to 24 months to gain added value by cooperatives and consortia of cooperatives.

Nevertheless, there are different cases of no interactions or even negative interactions between Pillar I instruments and Pillar II measures in terms of BTD, especially with regards to structural differences between farms and territories:

- Some criticism arises on the effective complementarity between the young farmers' payment (Pillar I) and the business start-up aid from M6.1-setting up of young farmers (Pillar II). The young farmer (YF) payments of Pillar I should support income of entrepreneurs below 40 years, who can also benefit (or have benefitted) from the setting-up support of the M6.1 and also the investment support of M4.1 (investment in agricultural holdings). This scarce complementarity is due to the following reasons: a) the budgetary limitations of the YF payments (2% of the Pillar I budget; in Austria, the Tyrolean regional government points out that the young farmer payment effect as generational renewal incentive is quite dubious); and b) the scarce financial allocation to the YF setting up support from the M6.1 (in Austrian and German case studies the budget for this measure is even lower than YF payments of the Pillar I);
- Controversial impacts of the basic payments in terms of economic disparities between small farms and medium-large farms (as it was discussed in the section 4.9.5 and outlined in case studies reports), since small farms receive less support than medium-large farms. This effect should be counterbalanced by RDP policy measures by maintaining farming in areas where small farms are the backbone of the production systems. This can occur, e.g., in Austrian mountain areas, in rural regions of Emilia-Romagna, specialised in cheese production, or areas in Apulia specialised olive oil production. In reality, Pillar II measures did not contribute to remove structural constraints of smaller farms, despite the stated objectives in the RDP;
- A similar situation occurs in Ireland. Pillar I and II can be deemed as complementary only for young farmers and large more profitable farms in the

[116] Association of La Manchuela, set up to design and implement a strategy of wine tourism that integrates and mobilizes different sectors (cooperation project of the LAGs ADIMAN and CEDER Manchuela).

Irish study areas, through grant schemes and targeted funding. In contrast, this complementarity fails in the case of older farmers and small, part-time farms. Pillar I has the effect of maintaining small marginal farms in operation through BPS, greening and areas with natural constraints (ANC) support, and in keeping old farmers on the land. Pillar II does not provide any support for older farmers, small farms, or part-time farmers. To a certain extent farm expenditure and maintenance of small farms might support local economies, but in large parts of rural Ireland services are declining and young people are migrating to the urban areas. CAP funding is not going to prevent those trends, especially if it only keeps an ageing population on the land.

- In Castilla-La Mancha (Spain) Pillar I funding has contributed to rising land prices, hindering the availability of land, making the access to land difficult for young people who want to settle. This was only partially compensated by setting up of young farmers (M06.1).
- CLLD LEADER implementation broadens the target group of the funding by addressing deficits in non-farming parts of rural society. However, in practice, this funding is thematically detached from the rest of Pillar II and from Pillar I. The Saxony-Anhalt (Germany) case study emphasised this deficit of interaction.

b) External coherence with other EU policies

The focus of analysis is the coherence between CAP and the European Structural and Investment Funds (European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF)). In these cases, relations of complementarity prevail in most of the case studies. It is worth noticing, however, that there can be diverse degrees of complementarities (see section 5.4.1.1).

In general, the different instruments and measures from CAP are necessarily coordinated with other policies, relying on the general programming document of the partnership agreement. Here the objectives and strategies of the EU's financial assistance policy are harmonised. It is true in all case studies. As the case studies showed, harmonisation often means a concrete division of tasks among the separate ESIF to avoid overlap within the same category of interventions, rather than the tailoring of the specific interventions to complement each other.

In some case studies areas, there are more substantial relations of complementarity, in particular when ESIF operational programmes clearly state that rural areas are beneficiaries of specific interventions.

In Czechia, for example, interesting complementarities are mentioned in improvements in transport infrastructure. Here, ERDF multiplies the effects of investments into agricultural and other enterprises in rural areas served by improved transport infrastructure. Similar complementarities occur in this country in the liveability of rural areas, through higher quality and accessibility of public services (funded by ERDF and ESF).

In Spain, the operational programme of the ESF refers in many cases to rural areas and address the importance of socio-economic, demographic, and territorial characteristics of the most vulnerable areas of the region. This allows the ESF to meet the needs and challenges of rural and dispersed areas. The operational programme of the ERDF identifies rural areas (and allocate public resources to them) as the main priority for development. This includes the deployment of broadband and high-speed networks, the development of ICT to modernise public services and provide e-health or e-education services in rural areas, and the diversification of the tourism sector (e.g. via hunting, oenology, literary routes, or rural tourism).

Stronger linkages of synergy occur when the coherence of policy measures is more structured in local integrated schemes and joint actions of different funds, where

EAFRD has to work together with ERDF and ESF. It is the case of CLLD in Tyrol (Austria), Saxony-Anhalt (Germany) and Czechia. These synergies can be easier for some interventions than for others (see specific limitations in social inclusion, in ESQ 13).

Strong synergic relations also exist between EAFRD and other ESIF for BTD in Europe, as already stated in ESQ 9. In particular ESQ 9 highlighted the existence of specific schemes for mountain/peripheral/lagging behind territories, at sub-regional scale. Their aim is fighting de-population and territorial disparities in services provision. In Italy, the National Strategy for Inner Areas 2014-2020 started in 2014; in Castilla-La Mancha (Spain), there is a similar approach in the 2017 strategy to address the demographic challenge (Estrategia Nacional frente al Reto Demográfico). Both place-based programmes have been designed and implemented with the contribution of different ESIF. In each scheme, the single funds cover specific tasks (coherent with functions given by EU regulations) and converge along shared objectives. Methodologically, both schemes are designed around local development strategies (the Italian case) or ITI approach (the Spanish case study), and designed and managed by local partnerships.

Despite the common programming framework (the partnership agreement 2014-2020), some case study emphasise the lack of more concrete and effective mechanisms of policy integration between the EAFRD and the other ESIF. Conversely, in Estonia and Tyrol (Austria), for example, there is no evident conflict between the ESIF. Still, at the same time, there is no mechanism in the programming framework enabling different policies to be coordinated and integrated at local and regional level.

c) External coherence with national/regional policies

Coherence with national/regional policies is challenging to evaluate due to the broad spectrum of action of national/regional policies.

In some countries, the role of national funds is decreasing in financial terms. It implies an increasing role of CAP resources, to compensate for the need of public actions in crucial fields of intervention. In Estonia, the public intervention in rural areas mainly relies on EU instruments, but there are also few national interventions. As a result, CAP tend to cover the needs that national polices are unable to cover.

In other cases, the function of national policies is complementary since it counterbalances the lack of CAP instruments or covers the needs of beneficiaries that cannot be covered by the CAP instruments.

In Tyrol (Austria), as explained in ESQ 9 (mechanisms contributing to contrast the effects of administrative burden), a specific national scheme introduces a positive preference for small farms and compensate small farms placed in unfavourable locations (like mountains with fields in slopes).

In Ireland, the government announced in May 2018 a new EUR 1 billion rural regeneration and development fund to combat rural depopulation and regenerate rural areas over the period 2019 to 2027. Key objectives are to address de-population in small rural towns, villages and rural areas and help achieve 'Strengthened Rural Economies and Communities', one of the national strategic outcomes of the national planning framework. These additional funds aim to complement EU programmes, and strengthen global impacts of national and European funds in rural areas.

5.4.1.3 Conclusions

The analysis of coherence highlights different cases of complementarity or lack of complementarity. As explained in the introduction of this ESQ, it is possible to distinguish different types of interaction between policy instruments.

Complementarity can be built either on weak interactions or strong ones. Weak complementarity is achieved through a mere addition of different instruments with specific tasks and the compliance with demarcation rules of these tasks. It is the case of Pillar I (both direct payments and CMO) instruments and Pillar II measures, usually planned separately, or Pillar II and other ESIF (e.g. the case of broadband funded jointly by EAFRD and ERDF).

The existing regulatory framework of the partnership agreement, as guardian of complementarity on the national scale, has not been proven fully effective in all examined case studies. The EAFRD and other ESIF interventions are often not completely integrated, despite the common programming framework. Whereas there is generally no conflict between interventions of the various ESIF, they can lack coordination and integration at local and regional levels.

Strong complementarity arises between CAP and ESIF when operational programmes clearly state that rural areas are beneficiaries of specific interventions. It implies that there is a shared territorial definition of rural areas for all funds. The more focused the definition of rural areas, the stronger is the funds complementarity. Some evidence comes from the Czech ERDF operational programme and Spanish ITI case studies.

There are evidence of more robust, **synergic interactions,** within the CAP, between CMO instruments and rural development measures (in Castilla-La Mancha and Emilia-Romagna), concerning agri-food chains (PDO wine and PDO cheese). There are also interesting synergies between CAP and other EU policies in local integrated schemes and joint actions of different funds, where EAFRD has to work together with ERDF and ESF. It is the case of several experiences of contrasting de-population in peripheral rural areas in Italian and Spanish mountain and peripheral rural areas. In all these cases, within the CAP or not, there is a precise strategy of integration of different instruments and one or more local institutions working pro-actively to translate this into concrete projects.

There are also several cases of negative, **counterproductive interactions** between Pillar I instruments and Pillar II measures in terms of BTD. A typical example is the disparities between small and medium-large farms: in this case conflicts arise because Pillar I (through basic payments and redistributive payments) aim to support incomes of farms, and RDP strategies are inadequate to support the smallest farms or even tend to exclude them from investment support. This causes counterproductive effects since it contributes to the loss of farm viability over the time. These effects are strongly related to the presence of a polarised farm structure[117] and to the policy design of the investment support by Member States.

5.4.2 ESQ 12: How coherent are the relevant CAP instruments and measures: a) with each other b) with other EU initiatives c) with national/regional policy initiatives in terms of fostering social inclusion in rural areas?

5.4.2.1 Understanding of the question

Under ESQ12, the project team investigates the coherence of the policy instruments and measures in fostering social inclusion. In other words, the degree to which the individual policies are complementary with each other, with other EU policy and national or regional initiatives is investigated. Particularly of relevance is whether any of the instruments or measures impede each other or other relevant policy instruments. For this ESQ, the project team reported on the findings of the case

[117] A polarised farm structure, meaning a significant number of small farms and a less relevant number of medium to large farms.

studies, particularly in respect to the interviewed stakeholders' perception on the internal and external coherence of measures and instruments.

As a cross-cutting issue, the coherence analysis considers all socio-economic aspects[118].

Even in the case of social inclusion, the categories of interactions used in ESQ11 (complementarity, synergy, and counterproductive interactions) can be helpful to analyse the different situations.

The analysis of ESQ 12 is structured along the following points:

- Qualitative inventory of policy measures/instruments that operate to support social inclusion in rural areas.
- Existence of local/regional/national relations (e.g. complementarity, synergy, conflicts) that inhibit/facilitate achievement of BTD in terms of social inclusion
- Perception among stakeholders of different factors influencing complementarities/synergies among policy instruments/measures for social inclusion in rural areas

Evidence sources

- Case study reports
- Interviews with main stakeholders
- Analysis of the most recent literature on policy coherence in Europe
- Triangulated conclusions with ESQ1 analysis

5.4.2.2 Discussions

Social inclusion is a complex field of intervention, where the access to the labour market, education and other services of general interest, income disparities are the main targets. The CAP can have a specific role in strengthening social inclusion to the extent it can reduce interpersonal disparities among farmers and between rural and urban areas (regarding targets mentioned above).

As in the case of previous ESQ, the discussion of the main results treats coherence according to the three levels:

(a) Internal coherence (concerning relations between the main CAP measures/ instruments);
(b) External coherence with other EU policies; and
(c) External coherence with national/regional policies.

a) Internal coherence

Some case study areas present situations of disparities both among farmers and, more in general, in the broadest rural context. These situations are more frequent in clusters 2 'peripheral rural and intermediate regions' and 4 'traditional rural and intermediate regions', where the agricultural sector represents a relevant share of the GDP of the area and CAP support is a significant share of total farm incomes.

These situations are linked to the diffusion of unfavourable conditions in small farms or outside the farms. They can also be related to the specific situation of crisis in the agricultural sector (climate issues, unpredictable market-related difficulties, or natural disasters or catastrophic events like *Xylella fastidiosa* in Apulia, etc.).

In all these cases, the role of the whole set of CAP instruments turned to be decisive to support income and investment capacities of concerned farms. In particular, the complementarity between the set of direct payments' instruments has been crucial to

[118] See section 1.3 for an overview of the aspects and social inclusion.

maintaining adequate farm incomes. It was true in all study areas characterised by the most unfavourable conditions:

- In Greek case study areas, single farm payment and greening represented the most substantial part of income support and a valuable tool for combating outmigration. Payments to small farmers also were essential in promoting social cohesion in remote and mountainous areas. The absence of subsidies would result in a significant fall of Argolida-Arkadia's agricultural income below the poverty line; a similar development would also occur in Lakonia-Messinia.
- In Apulia (Italy) case study areas, policies relevant for olive groves farms is a mix of CAP Pillar I and II instruments, but the bulk of policies are represented by the basic payments/greening/coupled payments (87-88% of total CAP subsidies to farms in the study area). The remaining share includes agri-enviromental and organic payments, as the most significant measures deriving from the regional RDP. Very marginal is the role of structural investments support, given the delayed implementation in the period. According to data from Italian FADN (in the period 2010-2017), this set of instruments contributed to avoid the fall of added value per unit of labour to unsustainable levels. This maintained the viability farming activities, which otherwise would not be economically sustainable for the individual farmer.

The role of Pillar I instruments might also contribute to exacerbate social disparities among farms, by fostering an increase of incomes in already richer farmers. In the Zeeland (Netherlands) case study, without CAP support, about half of the farmers would have a gross income below the national poverty rate of EUR 19 253 per year. CAP support decreases the number of farmer households with a gross income below this poverty rate to about one-third of the total farmers' population. At the same time, income support from CAP increased the shares of farmers that had income levels twice as much median Dutch incomes. The CAP support makes that 26% of the farmers had an income twice as much as median Dutch incomes, and 24% of the farmers had even higher incomes.

Synergies between CAP instruments may sometimes foster indirect impacts on social inclusions in rural areas, in those study areas where migrants from third countries represent a relevant share of the agricultural labour force. Some evidence emerged from the Emilia-Romagna (Italy) case study. Immigrants (from central Asia in dairy livestock and from EU and accession countries in sheep and goat rearing and in constructions migration) contributed to entrance of new population in mountain areas in the Reggio and Modena provinces. Social integration is not a problem, and many local schools survive thanks to them. High presence of Indians and Pakistani as hired milkers or cheese-makers in dairy cattle farms, safeguards the stabilisation of incomes in the area. Their perspectives and living standards are a direct effect of the policy mix (CMOs instruments and RDP measures) targeting the supply chain in the area (as explained in the section on policy coherence between Pillar I and II in ESQ 11).

b) External coherence with other EU policies

The LEADER approach, especially under the new mode of community-led local development (CLLD), aims to combine different RDP measures and other policy measures under European Structural Investment Funds (ESIF). For this reason, at the same time LEADER can be discussed both in the internal coherence theme and the external one. Among the CAP instruments, LEADER was the most clearly targeted to social inclusion objectives. Furthermore, in some cases, LEADER has been particularly focused on less dynamic areas and had some impacts on territorial cohesion.

In Spain, the influence of LEADER in the study areas was particularly crucial in terms of support to start-ups, social associations and cooperatives and improvement of the employability of certain groups, primarily through training (European Social Fund (ESF) resources). It has allowed groups at risk of social exclusion to access goods and services that otherwise would not have access to them. LEADER's impacts were

evident in less dynamic areas (mountain areas, for example), where the weight and incidence of local action groups is decisive. In those areas, LAGs constitute 'integrated rural development offices' with the support and collaboration of the municipalities.

In other study areas, where LAGs have operated under the new CLLD approach, there is clear evidence of the importance of improved complementarity among different funds. CLLD supports, through a good integration of fund, small scale, and pilot/innovative solutions, in rural areas which also benefit from interventions of ESIF. Still, there is also a realistic vision of limitations to be faced in the specific social inclusion topic.

In Saxony-Anhalt (Germany), CLLD contributes to the social inclusion of vulnerable population groups via the support of sports associations and other associations bringing people together. These effects are complementary to more targeted policies which directly support income (ESF and social welfare payments). They might alleviate minor local deficits and introduce elements of innovation in local projects addressed to social inclusion, but general deficits are to be faced by other programmes (ESIF).

In Tyrol (Austria), poverty, compared to the rest of Austria, increased over the last decades and now it is an issue in the study area. The lack of service provision in the weakest areas is one of the main factors of increasing poverty. According to a LAG manager, LEADER cannot ensure service provision alone, but through a set of other measures or programmes in the long term.

Irish study areas (South-West) is partly 'at risk of poverty', because its rate increased over the 2013-2017 period (from 17.3% of the population to 18.7%), which is above the national rate in Ireland of 15.7% in 2017. Rural poverty is felt to be a significant issue in the South-west area of the region by interviewees. LAGs have been active in integrating other European (mainly ESF) and national funding focused on addressing issues of rural unemployment, income support, social exclusion, and improving skills. But even in this case synergies among measures under Pillar II are quite limited: case study report mentions some small-scale local service delivery and social enterprise development, along with some small-scale support for farm diversification. This depends on the level of support provided, which is not sufficient to deal with the scale of the issues across the rural areas of the NUTS3 regions, or rural Ireland more generally.

c) External coherence with national/regional policies

In some countries, governments have introduced specific national policies to deal with social inclusion issues, more specifically targeted than the interventions conceived within the CAP. They represent the national programming and financial frames for the regional/local initiatives and for those projects funded by EAFRD.

In Austria, besides EU policies, social transfers (as a crucial component in the total household income of farmers) and infrastructural subsidies (for school buildings, medical care, community facilities such as local halls, etc.) are essential for the maintenance of rural areas.

In Ireland, apart from the new LEADER initiative addressed also to social inclusion issues, there is an extensive set of policies/schemes: The social inclusion and community activation programme (SICAP) 2018-2022, for example, is a mix of ESF and national funding to tackle poverty and social exclusion through local engagement and partnerships between disadvantaged individuals, community organisations and public sector agencies. The programme is managed at a local level by 33 local community development committees, with support from local authorities, and actions are delivered by programme implementers. Other national programmes include:

- the communities employment scheme;

- the Tús initiative, which is a community work placement scheme providing short-term working opportunities for unemployed people in both urban and rural areas;
- the rural social scheme, which is an income support providing supplementary income to farmers and people in the fishing sector in receipt of a social welfare payment.

In both countries (Austria and Ireland) there is a problem of complementarity between the above-mentioned national programmes and CAP funding: they are running in parallel, but with little connection between them, and addressing different issues.

5.4.2.3 Conclusions

CAP instruments can be deemed as complementary when social inclusion is limited to the most vulnerable people within the agricultural sector. It implies that the complementarity between the set of direct payments' instruments has been crucial to maintaining adequate farm incomes. It happened, for example, in the most deprived rural areas or areas economically and socially lagging due to a particular crisis over the years. In some rural areas, due to the financial relevance of basic payments/greening/coupled payments, the CAP Pillar I is perceived as the only policy available for farmers. In all these cases there is strong complementarity within the CAP, especially within the Pillar I instruments. Synergic interactions have been highlighted in some case study regarding the effects on immigrants (e.g. Emilia-Romagna). In other case studies, like in the Netherlands, there conflicting results in terms of social disparities within the agricultural sector.

The situation is different when a broader concept of social inclusion is taken into consideration, including groups at risk of social exclusion in rural areas. In this case, leaving apart the LEADER instrument, social exclusion issues related to poverty, unemployment, immigration are scarcely addressed through the other CAP instruments and measures, since other programmes usually address social inclusion through more specific measures and instruments. Consequently, there is weak complementarity between CAP instruments and measures and the other policies, since the different policies are run in parallel, but with little connection between them, and addressing different issues. Among the CAP measures, mainly the LEADER approach can significantly address social inclusion issues. Under the form of the CLLD, different funds pursue this aim coherently. As the case studies found, in some countries/regions, CLLD is mainly focused on social inclusion issues (Ireland, Saxony-Anhalt, Castilla-La Mancha). In all these cases there is evidence of high internal synergy between the different funds making up CLLD approach. However, while CLLD promotes pilot/experimental projects at the local level, other national mainstream policies contribute more substantially to remove social exclusion in the broader context. The conclusion is that there is lack of coherence between CLLD and mainstream policies addressed to social inclusion, but in most cases, CLLD is only a small share of the whole picture, and it can provide some innovative cases to design mainstream policies.

5.5 Relevance – ESQs 13-15

5.5.1 ESQ 13: To what extent do the CAP instruments and measures and their implementation address the needs in terms of balanced territorial development in rural areas considering social aspects?

5.5.1.1 Understanding of the question

Under ESQ13, the project team investigates the relevance of the CAP Pillar I and Pillar II policy instruments their appropriateness to contribute to the BTD of social aspects in

rural areas. All socio-economic aspects defined in section 1.3 are considered. Those most relevant, and those most highlighted under this ESQ, include: (c) to (e) and (g) to (i)[119].

The analysis of the relevance of the CAP in fostering BTD in terms of social inclusion incorporates the six thematic measure and instrument groups identified in section 2.5.1.

In the relevance assessment, the project team contrasts the estimated impacts (via the effectiveness analysis) of the CAP (in terms of social developments) with the needs of the areas and rural population groups. This assessment draws on findings from ESQs 2-5, the findings of the case studies in reference to rural needs and the perception of stakeholders in the CAP's roles in addressing them.

In responding to the relevance of the CAP in contributing to the BTD of social aspects in EU regions, the ESQ shall consider the following perspectives:

- Do instruments and measures which aim to address social issues, achieve these effects? Do other instruments/measures contribute to the improvement of social issues?
- What is the relevance of the CAP in terms of BTD of social aspects in rural areas?
- Does the CAP target social needs in rural areas?

Evidence sources

- Case studies
- Literature review
- Triangulation of results of ESQ1, ESQ2

Key indicators (see Table 2) change over 2014-2017:

- Change in GVA
- Change in secondary education attainment
- Change in medical doctors per 100 000 inhabitants

5.5.1.2 Discussions

According to case study findings, the most important social need across the case study regions is access to social services and transportation. Nineteen case study respondents[120] from the public sector (see Figure 15) cited social services and transportation as important social needs, while the next most important social need cited was outmigration, by ten case study respondents, and poverty and employment, by eight respondents.

Case study findings show that the CAP addresses rural needs related to economic growth and development, rural development and agricultural support, particularly in remote areas, and to a greater degree than social needs and delivering social services.

When assessing **Pillar I**, case study respondents (rural development experts, public authorities, farmers, processors and producer organisations) reliably ranked young farmers and basic payments as highly relevant in addressing local needs (see Figure 20 and Figure 21). The respondents particularly highlight the role of basic payments in

[119] c) generational renewal, ageing, gender disparities; d) remoteness, commuting, housing, availability and access to social and economic infrastructures (e.g. broadband) and services (e.g. hospitals); e) availability and taking care of social capital/fabric: building local governance/capacities and bottom-up participation/approaches (e.g. cooperation); g) evolution of social rights and systems (e.g. occupational safety, pension schemes and transfers); h) quality of life; behaviour/cultural aspects of "feeling left behind"/ "discontent"; i) promoting cultural [and natural (including landscape)] heritage.

[120] Including rural development experts, public authorities, farmers, processors and producer organisations.

targeting social issues related to income and poverty (aspect b) and generational renewal, ageing, gender disparities.

As regards the impacts of basic payments on social issues case study respondents[121] (see Figure 20) highlight positive impacts on reducing depopulation and abandonment, supporting generational renewal and maintaining cultural and natural heritage. However, according to that assessment, the strongest impacts were perceived in terms of farm-economic factors (such as farm viability, employment etc.). In addition, respondents are polarised in the role of basic payments in reducing income disparities between farms, attributing both very positive and very negative effects.

Those same respondents (see Figure 21 and Figure 22) also attribute relatively positive social impacts of the small farmer scheme and young farmer payments. These are primarily in terms of reducing depopulation and abandonment, supporting generational renewal, and reducing the feeling of being left behind.

CAP rural development funds (**Pillar II**) have funded investments in road infrastructure, in several Member States, enhancing the connectivity to rural areas according to literature review findings. However, case study findings suggest that such large-scale infrastructural improvements have not been equally effective across all Member States which have funded these measures, as road networks and rail services continue to be poor in rural areas of some eastern and central Member States. When specifically asked to report on the impact of the CAP on the provision of social services, four respondents, spanning the groups rural development expert and public authority, cited a direct impact and ten cited some impact. The remaining twenty-four responses, covering the same two groups, ranged from very limited impact to no impact.

The CAP, traditionally seen by agricultural actors as an exclusively agricultural policy instrument, may continue to be recognised as such by respondent groups. However, case study results point to a potential gap in the focused and targeted support of the CAP in addressing social needs in rural regions. For example, a rural development expert, reporting on South-West Region Ireland, stated that the regional implementation of the '*CAP does not deal with schools, health services, service provision, or access*'. Similarly, in the same region, another rural development expert reported a 'limited' effectiveness of the CAP in the provision of social services. However, this respondent mentions that LEADER does provide some support through local community action groups.

The mechanism through which CAP Pillar II operates to improve social services depends largely on implementation at the regional level. In the case of Saxony-Anhalt, for example, the RDP concentrates on the provision of funding for the renovation of selected service infrastructure (such as childcare facilities). In Sandomiersko-jędrzejowski and Kielecki Pillar II is reported by a public authority to support investments in small technical infrastructure and social participation, something felt to be especially important for future development in the region. Pillar II further supports new working places, modernisations of sewage and water systems, and the development of road infrastructure, according to another rural development expert in the same region. Even so, this rural development expert stated that a wider focus on the varied aspects of rural areas was felt to be important, rather than focusing on farms alone. Finally, another public authority in the same region stated that 'CAP can impact neither health, nor transport, nor cultural services of general interest provision'.

[121] Including rural development experts, public authorities, farmers, processors and producer organisations.

In most case study responses, across multiple respondent groups[122], LEADER is identified as the predominant measure which helps to support service provision in rural areas. Case study respondents report LEADER as an important CAP measure in addressing social needs in rural areas, particularly focusing on regions and populations that may otherwise be left behind. In East Tyrol (Austria), for example, the LEADER project 'Employee-Recruiting' run by the tourism association 'Wilder Kaiser' attracts regional and international employees by strengthening the image of tourism in the region, and by improving the working and living environment. LEADER, in general, is described as best practice by many case study respondents. The approach is highly esteemed, and often recommended to be further disseminated to other regions and aspects of CAP funding by respondents. One aspect of LEADER reported by case study respondents[123] is the importance of simplifying LEADER application processes to engage a wider berth of participants, create a more inclusiveness and have a larger reach.

The one other measure often cited by respondents (spanning rural development experts, public authorities, local municipalities, farmers, processors, producer organisations and chambers of commerce) as being highly relevant for the provision of social services is village renewal and investments (M07). The importance of M07 is backed by the correlation analysis. The funding in M07 is significantly and positively correlated with GVA across all case study regions. This observation is most notable in peripheral rural and intermediate regions (cluster 2), suggesting that village renewal and basic services provision measures demonstrate effectiveness among remote, and less developed rural regions.

According to the regression analysis (see section 4.6), in the less developed regions (cluster 2 & 4) Pillar II demonstrates a larger overall impact on social aspects. This is observed to varying extend across all investigated funding (direct payments, M07 village renewal and M19 LEADER, M04 investments and M06 business development, M01 and M02 and M16[124], and M10-M13[125]) in respect to changes in the indicators GVA, secondary education attainment, and medical doctors per 100 000 inhabitants (see Table 9, Table 11, Table 13, and Table 15). Social needs such as access to services and healthcare facilities, transportation infrastructure to reduce remoteness, and improved age demographics and reduction of outmigration are higher among these regions. From this, especially M07 village renewal and M19 LEADER display strong indications for high relevance in terms of targeting social disparities.

The regression analysis indicates that M04 investments and M06 business development funding within cluster 3 have a significant positive relationship with changes in employment rates and GVA in the primary sector (see Table 13). Together, this indicates that funding in M04 and M06 is more targeted at addressing farm-level economic needs. M04 and M06 funding may have significant spill-overs into the wider rural landscape, with positive associations between funding and the change in the number of doctors available per 100 000 inhabitants (2014-2017) in cluster 4.

It is interesting that, while quantitative findings are inconclusive, in qualitative case study findings LEADER is nearly always heralded at the single most important mechanism of the CAP for improving basic services. Considering this, it is reasonable to infer that the relevance of LEADER is quite high in terms of addressing social needs in rural areas, and promoting BTD, among the groups accessing the fund.

[122] Including rural development experts, public authorities, local municipalities, farmers, processors, producer organisations and chambers of commerce, NGOs and civil groups
[123] Including rural development experts, public authorities, farmers, processors and producer organisations
[124] M01 – knowledge transfer, M02 – advisory services, M16 – cooperation
[125] M10 –agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payment to ANC

5.5.1.3 Conclusions

CAP relevance varies according to characteristics of the rural area and the policy mix in place. Namely, the scope of the needs that the CAP addresses and the strength of the impacts observed are not the same for all CAP measures and instruments, nor in all types of regions where they are implemented. This variance points to opportunities where CAP relevance could be further improved, providing that tailored policy adjustments are incorporated.

The relevance of the CAP for social development issues in rural areas is high, as evidenced by case study findings and quantitative analyses. This is backed up by literature review findings (see section 4.3[126]) which demonstrate a comprehensive discussion on the topic, with overall findings suggesting that the CAP is a relevant policy instrument for addressing social issues in rural areas.

CAP measures and instruments which are reported to have the highest relevance in meeting social needs are M19 – LEADER and M07 – village renewal. In addition, M07 has a high relevance as evidenced via the quantitative findings.

The second group of CAP measures and instruments reported to have a high relevance in terms of social issues are M06 – farm and business development, M04 – investments, M16 – cooperation, and Pillar I basic payments. Overall, these three policy tools are reported to have a stronger relevance with respect to meeting economic development needs (as discussed in ESQ 15), rather than social development needs. However, given the nature of rural regions and rural economies, when economic development needs in the primary sector are addressed, secondary positive effects in terms of social development are often observed, bringing to the foreground the importance of measures which positively affect economic development. This observation is particularly prominent in the less developed rural clusters (2 & 4), as evidenced by the quantitative findings.

To conclude, the presented evidence from case study findings and the quantitative analysis indicates a positive relationship between CAP funding and social development. Further, it signals the relevance of the CAP to both address the social needs in these regions, and work toward closing the gap with more developed regions, therefore promoting BTD.

5.5.2 ESQ 14: To what extent do the CAP instruments and measures and their implementation address the needs in terms of social inclusion in rural areas?

5.5.2.1 Understanding of the question

Under ESQ14, the project team investigates the extent to which policy instruments under Pillar I and II are appropriate vehicles to impact social inclusion in rural areas. The analyses focus on examining to which extent and how each identified specific vulnerable population (relevant to the case study region) is impacted by the CAP measures/instruments.

The focus of the relevance assessment is on the interventions against poverty of rural people and the degree to which the measures and instruments are relevant in including marginalised rural population groups.

[126] In particular: EC (2008), ENRD factsheets, Copus and De Lima (2015), EDORA, PEGASUS and SEFARI H2020 projects, TiPSE ESPON project

The analysis of the relevance of the CAP in terms of social inclusion in the context of BTD incorporates the six thematic measure and instrument groups identified in section 2.5.1.

The assessment of the relevance of the CAP in fostering BTD in terms of social inclusion analyses whether the measures and instruments are appropriate policy vehicles in fostering social inclusion in rural areas. In responding to the relevance of the CAP in contributing to the BTD of social inclusion aspects in EU regions, the ESQ shall consider the following perspectives:

- Do instruments and measures which aim to address social inclusion, achieve this effect? Do other instruments/measures contribute to social inclusion?
- What is the relevance of the CAP in terms of BTD of social inclusion in rural areas?
- Does the CAP target social inclusion in rural areas?

Evidence sources

- Case studies
- Triangulation of results of ESQ1, ESQ3

Key indicators (see Table 2*), change over 2014-2017:*

- Change in active employment (f)

5.5.2.2 Discussions

Looking into the CAP impacts on vulnerable groups in rural areas, case study interviewees[127] generally attributed them to farmers and population groups which can easily be employed in agricultural businesses (see Figure 24 and Figure 27). Generally, for **Pillar I** instruments (primarily basic payments and green payments), the interviewees attribute poor targeting (see Figure 23) to the needs of third country nationals, other EU nationals, ethnic groups, and disabled. Farmers are overwhelmingly favoured, followed by rural young people and population in most remote areas. Particularly the instruments targeted at small and young farmers help include disenfranchised farmers. However, the case study findings indicate that the effectiveness of the funding does not necessarily spill-over to marginalised rural groups. While additional employment capacities are attributed to the funding, these more so retain existing labour than activate marginalised groups.

The effectiveness of the CAP instruments and measures is generally higher in stimulating the local economy in lagging and structurally less developed regions (see the regression analyses under section 4.6). Pillar I and II funding is associated with better economic performance in the developed *peripheral rural and intermediate regions* and the structurally lagging *traditional rural and intermediate* regions, indicating high relevance in bolstering incomes.

With increased income certainty at farm level, farm poverty is directly targeted and combatted. While the relevance and targeting of the direct payments and CMO in terms of farm-based poverty is high, some interviewees (see Figure 20) also attribute the widening income disparities between farms to basic payments. These case study interviewees also attribute most of the direct impacts to farmers and their immediate surroundings (see Figure 24).

As highlighted in the analysis of the effectiveness of the CAP in terms of social inclusion (ESQ 3), interviewees generally deemed Pillar I (including particularly BP/SAPS – Figure 20, young famer payments – Figure 21 and the small farmer scheme – Figure 22) as highly effective in inducing generational renewal. In regard to

[127] Including rural development experts, public authorities, farmers, processors, and producer organisations.

reducing gender disparities and feeling of 'being left behind' in rural areas, interviewees were attributed more negative assessment to the Pillar I interventions.

Funding from various instruments is associated with better general labour market inclusion of women in dynamic rural and intermediate regions[128], as suggested by the regression analyses (indicator: change in active employment (f), Table 10 and Table 16). However, high funding in M04 – investments and M06 – farm and business development is negatively related to women's labour market participation (indicator: change in active employment (f), Table 14). In addition, studies on the CAP and women's inclusion indicate that the CAP's relevance in furthering the economic inclusion of women farmers is low. A lack of explicit targeting of women's needs (EIGE 2019) and a significant gender imbalance in the agricultural labour force in and among farm managers in CAP regulation in terms of fostering women's farm ownership in a traditionally male sector reduces the CAP's relevance in terms of fostering social inclusion. Only 30% of farms are managed by women across the EU, as pointed out by Franic and Kovacicek (2019).

The findings from the input-output analysis highlight the additional labour income created as a direct consequence of direct payments. With additional money injected at farm level, significant volumes of this funding flow into labour retention. This contributes vitally to poverty reduction. The regression analyses (see section 4.6) support the role that Pillar I and II funding plays in allowing farms to retain labour, employ more labour (as a spill-over from improved productivity) and, in the case of regions with larger agricultural sectors and lagging regions, boost local and regional economic performance (especially observed in the case of M01 – knowledge transfer, M02 – advisory services and M16 – cooperation).

However, the jobs created and retained by CAP spending are not necessarily high-quality sources of employment. Case study findings (Peloponnese, Greece and Castilla-la-Mancha, Spain) underlined the seasonality and unattractive working conditions (low pay and short-term employment) in the agricultural sector, especially in lagging regions. In this context, the role of CAP funding is ambivalent: on one hand CAP funding creates and maintains rural employment (the input-output analysis estimated five million agricultural jobs in rural areas across Europe); on the other hand, many of these employment opportunities are not attractive. Further, findings of Southwest (Czechia) and Auvergne (France) case studies indicates that in rural areas, the employment opportunities are not attractive enough to stabilise emigration into wealthier regions. Other regions (such as Castilla-La Mancha, Spain) have introduced dedicated support to attract and maintain employment among young people (such as via M06 business development and M19 – LEADER).

According to the effectiveness analysis (see ESQ 4), **Pillar II measures**, according to case study findings, are more effective in targeting the needs of vulnerable groups (including the low skilled and unemployed, rural elderly people, rural women and disables people) than Pillar I. However, the effectiveness of Pillar II on addressing the needs of vulnerable ethnic groups and ROMA, other EU nationals and third country nationals, remains low, according to respondents (see Figure 27).

The measures of Pillar II (M07 – village development and M19 – LEADER) feature a high relevance in rural areas. Case studies identified LEADER as the predominant measure which may support service provision. However, as with village renewal investments under M07, the mechanism in which the CAP may directly improve social inclusion varies with the regional funding framework. Further, case study interviewees (such as LAG managers) deemed especially the LEADER framework as important in terms of improving social cohesion and inclusion in rural areas. However, resources

[128] cluster 3: largely composed of structurally advanced but low populated regions in Western and Central Europe

are generally not sufficient to address all rural needs, leading to volumes of applications left without financing.

Overall, the feeling of being left behind which rural populations may express can be linked to the impression that local needs and issues (i.e. unemployment, gender disparities and poverty of vulnerable groups as mentioned in this section) are not being addressed by public policies. Nonetheless, an important element to mention relates to the time difference between the implementation of policies or measures addressing such issues and the observed impact. Indeed, as indicated by the interviewed representatives from the European Commission's services, the process of socio-economic development in rural areas takes longer than one programming period, hence the need for continuity between periods.

5.5.2.3 Conclusions

To conclude, the measures and instruments of the CAP feature high relevance in fostering social inclusion at farm level. Direct payments (particularly basic payments and green payments) provide income safety and reduce farm-level poverty. In times of crisis, this smooths local expenditure, mitigating economic turbulences. The Apulia case study (Italy) analysis also highlighted the role of CMO in providing a safety net for olive farmers directly affected by a plant pathogen. The funding stabilised income and prevented a substantial deterioration of farm-level incomes. However, the employment opportunities retained or created by Pillar I and II spending are not necessarily conducive to fostering social inclusion. While certainly better than a complete lack of jobs in a region, these jobs are low-paid and are characterised by seasonality.

In addition, most of the funding (aside from M07 – village renewal and M19 – LEADER) directly targets the needs of farmers and only indirectly the needs of rural population outside of the agricultural sector. This leaves other funding instruments (such as the ESF) more appropriate in structurally more advanced regions with more diversified sectoral mixes in targeting matters related to employment, training, and social inclusion along the general workforce.

The implementation of Pillar II is negatively and positively associated with women's inclusion in the regional labour markets in the more advanced regions of cluster 3. Furthermore, a near complete lack of targeting of women's needs in terms of farm transitioning and women in rural areas in CAP regulation and national implementation[129] displays clear shortcomings.

Nonetheless, these conclusions rely on observations and analyses covering a single programming period (2014-2020). Addressing social inclusion issues and contributing to socio-economic development in rural areas takes longer than one programming period, as policy impacts on such ubiquitous and complex socio-economic issues may be felt long after the policy interventions.

5.5.3 ESQ 15: To what extent do the CAP instruments and measures and their implementation address the needs in terms of balanced territorial development in rural areas considering economic aspects?

5.5.3.1 Understanding of the question

Under ESQ15, the project team investigates the extent to which policy instruments under Pillar I and II are appropriate vehicles to impact economic challenges of rural

[129] See for example: EIGE (2019). Gender budgeting. Mainstreaming gender into the EU budget and macroeconomic policy framework.

areas. Of the investigated socio-economic aspects (see section 1.3), the following are particularly relevant to the analysis: (a), (b), and (f)[130].The relevance analysis includes all six thematic (measure/instrument) groups as outlined in section 2.5.1.

The assessment of the relevance of the CAP in fostering BTD in terms of economic aspects contrasts whether the measures and instruments target the appropriate economic needs in rural areas. The needs at farm level and wider rural level vary, thus necessitating a turn-based analysis. In responding to the relevance of the CAP in contributing to the BTD of economic aspects in EU regions, the ESQ shall consider the following perspectives:

- Do instruments and measures which aim to address economic issues, achieve this effect? Do other instruments/measures contribute to economic issues?
- What is the relevance of the CAP in terms of BTD of economic aspects in rural areas?
- Does the CAP target economic needs in rural areas?

Evidence sources

- Case studies
- Triangulation of results of ESQ1, ESQ4

5.5.3.2 Discussions

The case study found that the most pressing economic needs in rural areas are, in first line, tied to rural incomes (e.g. income disparities between less and more urbanised areas), employment, land abandonment and business viability. Respondents[131] reliably ranked these issues as more important and more pressing than all other issues in rural areas (see Figure 15). Access to innovation and research was also deemed important by respondents, however, at a lesser rate[132].

The case studies, further, investigated to which extent the instruments and measures of the CAP were relevant to the needs encountered at local level. Respondents generally found the basic payment scheme (**Pillar I**) essential in smoothing income volatilities, boosting farm labour demand and improving farm viability. Additionally, by improving farm viability, respondents also deemed the basic payment scheme (Figure 20) as very relevant for counteracting land-abandonment: income stability improves business viability. The remaining direct payment schemes and CMO similarly target these needs, though were assessed as relatively less relevant. The input-output analysis highlighted the additional labour demand created by the direct payments (see section 4.7)

This fits with the overall purposes of intervention of Pillar I of the CAP in the context of fostering BTD. As elaborated in the intervention logics of the instruments of Pillar I (see section 3), the main economic intervention objectives are enhanced farm support and agricultural competitiveness. These are also the main fields where the direct payments display their impacts, as elaborated in the effectiveness analysis (see chapter 5.2.3, ESQ4).

In terms of **Pillar II**, respondents (such as farmers' associations in Saxony-Anhalt and Castilla-La Mancha) in the case studies also deemed the farm viability and competitiveness measures (M04 – investment and M06 – farm and business

[130] a) depopulation/abandonment and repopulation/in-migration, including role of rural areas as shock absorber in times of crisis; b) income, growth, poverty, jobs, employment, business creation/ maintenance /diversification, investments (farming and non-farming), labour market; f) availability and access to research, innovation and training/advice, education.
[131] Including rural development experts, public authorities, farmers, processors, and producer organisations.
[132] The more highly ranked aspects correspond to the aspects (a) and (b) evaluated within this study. Aspect (f) (access to innovation and research) is also important, but ranked significantly lower.

development) as highly relevant to addressing rural incomes, employment, and growth (aspect (b)), particularly M04. By incentivising investment into physical capital, these measures directly target structural deficiencies in farm capital density. This allows farms to improve their economic performance and compete with more productive economic actors for labour (see chapter 5.2.3, ESQ4). This is also very relevant to rural needs, particularly in lagging regions (clusters 2 and 4): more economically competitive farms can provide additional employment opportunities to the region and contribute to local purchasing power. Further, the incentives provided by M06 – farm and business development in terms of investment support for young farmers contributes vitally in ensuring long-term viability of the European agricultural sector.

Case study findings (such as for M16 – cooperation in Southern, Ireland and Estonia) also positively attributed high relevance to the knowledge transfer and innovation measures (M01, M02 and M16)[133] in terms of targeting farm innovation deficits. However, these focused measures rarely target the structural innovation and research deficits observed in rural regions, but rather boost human capital at farm level. The deficits in rural regions generally go further than farm-based innovation deficits: lack of research and development personnel and research facilities (case studies, see chapter 4.9.3). As such, these measures are complementary to the farm viability and competitiveness measures in foremost improving farm productivity, via improving the productivity of employed workers.

Case study analysis (such as in Peloponnese, Greece; Tyrol, Austria; Świętokrzyskie, Poland) of the rural development programmes (RDPs) largely attributed the measures targeting social and economic development (M07 – village renewal & M19 – LEADER) and agri-environmental and climate change issues (M10 – agri-environmental climate through M13 – payments to ANC) to primarily addressing non-economic needs in rural areas. The interviewees deemed these measures particularly relevant to natural heritage conservation and fostering a sense of belonging. However, the relevance of these measures to foster broader economic development should not be understated. Investments into a higher quality of natural life and local infrastructure play a vital role in increasing the attractiveness of rural areas. This may counteract emigration of skilled workers and land abandonment, both of which factors which detrimentally impact the economic performance of rural areas.

Knowledge transfer and innovation (M01, M02 and M16)[134] and farm competitiveness measures (M04 – investment and M06 – farm and business development), however, do target farm-based needs exceptionally well. Depending on the regional specificities, farm-based funding can also exert significant spill-overs into the wider rural economy (see ESQ 4). Especially in lagging regions with larger agricultural sectors (clusters 2 and 4, particularly M01, M02 and M16[135], see Table 11), the impact of the CAP is more pronounced in terms of general economic development. As such, targeting farm-based needs in regions where agricultural businesses provide significant local spending and employment provides an important avenue to address wider regional needs: employment opportunities and regional economic development.

However, even for regions with a stronger agricultural focus and structurally less developed regions, the supported employment opportunities within the agricultural sector may not be the most relevant policy targets in terms of fostering convergence between the rural and intermediate regions of Europe. As case study findings (in Southwest, Czechia and Auvergne, France) underlined agricultural employment is generally associated with seasonal and low-paid work. Supporting these employment

[133] M01 – knowledge transfer, M02 – advisory services, M16 – cooperation.
[134] M01 – knowledge transfer, M02 – advisory services, M16 – cooperation.
[135] M01 – knowledge transfer, M02 – advisory services, M16 – cooperation.

opportunities allows the sector to retain labour and stimulate local purchasing power, but it may not necessarily provide valuable long-term employment prospects.

Needs of the farming sector (and by extension the wider rural economy) are different in structurally more advanced regions (clusters 1 and 3): the agricultural sector plays a comparatively limited role both as an employer and in terms of local spending (see ESQ 4). However, by targeting farm performance via physical and human capital intensification (M01, M02, M16[136] & M04, M06[137]), the Pillar II funding targets important agricultural needs which would otherwise be left untargeted.

As the case study analyses underlined, many of the economic needs the CAP is targeting and addressing in the farm sector continue to exist. Climate externalities, changing consumer preferences and price volatility continue to detrimentally affect farm viability. Particularly due to rapid sub-urbanisation of rural areas, farmers face increased land and labour pressures. Measures and instruments are continuing to directly targeting farm productivity (such as M01, M02, M16[138] and M04, M06[139]) as well as farm income stability (basic payments), displaying the high economic relevance throughout the programming period.

5.5.3.3 Conclusions

To conclude, the relevance of the CAP in fostering BTD aspects in terms of economic aspects is high. Pillar I targets farm-based needs, such as income stability and improves farm viability, as analysed in the case studies, and employment as analysed with the input-output analysis. The regression analysis suggests that for knowledge transfer and innovation (M01, M02 and M16[140]) measures in structurally less developed regions (clusters 2 and 4) where the agricultural sector plays a relatively stronger role funding shows broader spill-overs into the regional economy. In structurally more developed regions (clusters 1 and 3) the evidence is mixed. Due to the relatively lesser importance of the agricultural sector, the funding does not necessarily carry through into the wider rural economy and does not necessarily address wider rural deficits in these regions. However, the funding's relevance, particularly of M04 and M06[141], in terms of targeting farm-based economic needs is high: especially productivity-enhancing Pillar II support and the stabilising basic payment scheme allow farms to compete for production inputs, such as labour and land, with other economic sectors. This was also suggested by the regression analysis for Pillar I funding in regions of cluster 1.

5.6 EU added value: ESQ 16

5.6.1 ESQ 16: To what extent have the instruments and measures under the CAP and their implementation created EU added value with respect to balanced territorial development in rural areas with focus on socio-economic aspects, including social inclusion?

5.6.1.1 Understanding of the question

The evaluation of European added value investigates to which extent measures and policy instruments undertaken within the framework of the CAP have contributed to BTD in ways that solely national or regional policy instruments would not have been

[136] M01 – knowledge transfer, M02 advisory services, M16 cooperation.
[137] M04 – investments, M06 – farm and business development.
[138] M01 – knowledge transfer, M02 advisory services, M16 cooperation.
[139] M04 – investments, M06 – farm and business development.
[140] M01 – knowledge transfer, M02 – advisory services, M16 – cooperation.
[141] M04 – investments, M06 – farm and business development.

able to. As such, this evaluation study question investigates a hypothetical scenario: would the same outcomes have been achieved by solely national or regional instruments under the sole purview of the Member States?

As evidence sources, the project team draws from all other ESQs in this study. This allows for a comprehensive mapping of the added-value of CAP instruments and measures in the context of BTD.

As a cross-cutting issue, the EU added value analysis considers all aspects (a) to (i).

The creation of an EU added value is assessed along the following two questions:

- Are the examined measures and instruments demonstrating a degree of efficiency which can/cannot be replicated by solely national or regional policies?
- Are the examined measures and instruments demonstrating a clear impact which can/cannot be replicated by solely national or regional policies?

Evidence sources

- All the contributing ESQs for this study.

5.6.1.2 Discussion

All the study evidence taken together suggests that the CAP plays a relevant role in respect of BTD across the EU in general. However, the impacts of the CAP are varied by territory, by the targeting choices of those managing CAP funds and by the types of CAP measure or instrument under consideration. In summary, the study suggested the following patterns of impact.

The quantitative analysis (regression and input-output analysis) suggests these plausible explanatory narratives for CAP funding impacts: (see ESQs 2-5 for more detail)

- CAP funding helps to keep people farming, and better trained people are more likely to invest in agriculture, using CAP funds.
- In the cluster 'diversified rural and intermediate regions', CAP funding is dampening overall economic performance by keeping more people in agriculture and investing in agriculture and environmental land management: so, possibly prioritising environment/landscape and cultural benefits over economic growth.
- In the cluster 'peripheral rural and intermediate regions', if these regions invest in knowledge exchange, advice and innovation it benefits the area via improved agricultural performance, which also improves regional performance overall because agriculture is important in these regions. Even so, EAFRD money targets declining areas more, within this cluster.
- In the cluster 'dynamic rural and intermediate regions', investing in training encourages higher educational attainment. Investing in agriculture helps the sector and keeps more people employed.
- In the cluster 'traditional rural and intermediate regions', investing in agriculture, environmental land management and knowledge exchange, advice and education helps overall performance and training attracts young people here. Funding better rural services helps women to get into work.
- Input-output analysis findings suggest that the CAP creates or maintains a significant proportion of rural agricultural jobs, as well as a smaller share of rural non-farming jobs, in most regions.

From case studies, literature review and interviews at EU level, evidence suggests that:

- CAP funding drives farm enlargement; an accelerated growth rate of larger farms in some regions creates out-competition of smaller farms (e.g. where there are economies of scale in production), reduces farm labour availability and in effect reduces BTD within these territories.

- In diverse rural economies, farm businesses may be so interdependent with other sectors e.g. tourism and hospitality, food processing and marketing, and construction, for their income and growth, that the socio-economic impacts of CAP spending will depend upon what is happening in these other sectors, too. Rural area accessibility and quality of services affect attractiveness to young families so more remote areas will lose young people, unless these aspects can be improved. CAP funding plays a significant role here, but other funds are also an important consideration. In remote areas where agriculture is very significant, farm jobs and incomes are declining and farm employment (outside the family) is often casual or temporary. Thus, investment beyond agriculture is necessary to address BTD, even though CAP funding for agriculture may be beneficial and is often cited by stakeholders, public authorities and beneficiaries as essential, compared to no EU funding.

Combining the evidence from both sources, in more remote areas, the lack of employment choice is also detrimental to overall economic welfare. Jobs in the primary sector do not necessarily offer attractive working conditions, but in these areas alternative employment opportunities are more difficult to access. The conditions of instability, seasonality and low wages of temporary work are not attractive for people to settle/stay. In less structurally developed regions, the continued existence of farms, supported by CAP funding, vitally contributes to local purchasing power and offers local employment. Thus, CAP is seen to make an important economic and social contribution, in these areas.

Competition around and, especially in more economically developed regions within a Member State, depresses the aggregate output of the primary sector. Increased labour competition between the primary sector and other sectors arises due to reduced competitiveness of farms in comparison to other sectors, in these areas. This is sometimes further aggravated by increasing emigration to regions with better standards of living, such as urban areas and more developed regions of the EU.

Especially in the more developed rural and intermediate regions, the sector continues to be less productive per worker and reliant on income support for its economic viability. This also constrains the spill-overs of the funding into the wider rural economy: employment is more attractive in other sectors. As such, in the more structurally developed and populous rural and intermediate regions of Europe, the contributions of the CAP to fostering economic development outside of the sector are limited, although some positive social contributions are indicated (via enhanced quality of life).

CAP Pillar I funding is deemed very beneficial in terms of crisis support and largely beneficial in terms of general farm viability. Farmer interviewees in all case studies state that their economic situation would be significantly worse without direct payments or the CMO framework that these funds help to maintain existing structures and prevent land abandonment. However, in terms of reducing economic disparities, the balance of evidence suggests that BPS/SAPS (which are often the largest funding instrument of CAP within any given territory) increase existing economic differences between smaller and larger farms, as opposed to alleviating them.

CAP Pillar II funding can also have similar negative impact: in the evaluation of efficiency, a view commonly expressed by experts and rural stakeholders is that larger and more economically successful businesses (farms and non-farms) profit more often from the delivery of Pillar II payments because they are perceived as less accessible for smaller and more marginal ones. These observations suggest CAP Pillar II funding could increase financial and performance inequalities between large and small farms and rural businesses, but that this effect is mainly linked to administrative issues.

Public administration interviewees in case studies generally report EU added value from CAP funding overall, predicting greater poverty and rural decline if CAP funding were not available. This is reported especially in Greece, Czechia, Bulgaria, Austria, Ireland, Apulia (Italy) and Auvergne (France).

Rural development experts interviewed in case studies emphasise the added value of LEADER (Ireland, Estonia, Spain), and some criticise CAP impacts in developed rural economies (Netherlands, Italy, Ireland, Spain), suggesting it stifles beneficial change and reduces economic diversity. However, in the Netherlands a EU added value for generational renewal in farming is also noted by rural development NGOs.

There are examples in case studies of CAP Pillar II measures and CMO instruments having a positive impact upon social inclusion. Most important in this regard is LEADER, but crisis measures and collective actions to strengthen producers' influence in the value chain are also relevant, under the CMO and other Pillar I provisions, and there is evidence in Ireland and Estonia pointing to a high potential for EIP AGRI to build enhanced social capital, with knock-on benefits for social inclusion, but it is too early to identify clear impacts in this respect.

Nevertheless, the impact of these measures and instruments is constrained by overall limited CAP expenditure on social goals in rural areas, by comparison with CAP funds devoted to other goals and by comparison with other ESIF funding for social inclusion which expert and stakeholder interviewees believe hardly reaches the rural areas.

In overview, by its very nature, the CAP funding represents a vehicle for allocating common resources between Member States and widely spread regions of the EU, in ways that can support BTD and that would not be possible using national funds alone. Therefore, to the extent that the CAP supports BTD at a trans-national level, this clearly offers EU added value, and the case study evidence from this evaluation supports this positive role particularly in respect of Europe's marginal and more remote areas. Without CAP funding it is widely held by many interviewees from the public administration, farmers' organisations, and by experts and stakeholders that marginal areas of the EU would be in a worse economic and social situation, notwithstanding the efforts of national and regional policies.

EU interviews and some case study evidence highlighted that Pillar II support provides EU added value in LEADER. LEADER's innovative character would not have been implemented without the EU. As noted in all the case studies, LEADER touches especially the social fabric of rural areas and supports social aspects of local development. Developments like this might have happened without EU support (especially in those areas where social capital was already established), but probably not everywhere. LAGs have expanded the capacity of rural communities across Europe to resolve problems in a bottom-up way through innovation and co-operation. The same holds true for the transnational co-operation aspect within LEADER, which creates EU value- added and is supported by EU level activities of the ENRD.

In a similar way, some case study interviewees (e.g. managing authorities from Estonia, Ireland) mention EIP AGRI as offering EU added value as an initiative which would not otherwise have happened, in these territories. Notable examples of effective communities of learning have also been generated by the EIP-AGRI in France, Germany, Estonia, Italy and Ireland as reported by ADE (2020) (in press, KE-A-I evaluation). This initiative is recognised to be still in its infancy as a mechanism for socio-economic benefit in rural Europe, with no measurable impacts as yet. Nevertheless, its positive potential is acknowledged by case study interviewees including farmer representatives, experts and public authorities.

5.6.1.3 Conclusions

The quantitative and qualitative evidence from this study suggests that the CAP supports BTD and provides high EU value-added by focusing an important share of resources upon remote and very marginal rural areas. However, on its own this funding is insufficient to resolve the long-term situation of decline in these areas because it targets agriculture, whereas investment in infrastructure and services is also much needed.

The quantitative and qualitative evidence also suggests another added-value role of CAP. In pressurised rural areas close to urban areas, CAP funding helps to maintain more agriculture and environmental land management than would likely have been funded without the CAP, thus generating social and quality of life benefits which are positive for BTD. In intermediate and rural areas which are neither remote nor peri-urban, evidence of EU added value for all CAP funding is less clear. Evidence suggests CAP promotes employment and capital investment in agriculture relative to regions obtaining less funding in these measures and instruments, but this is not always positive for overall social and economic outcomes.

Qualitative evidence from case studies identifies a widely expressed concern among policy experts, administrations, stakeholder bodies and some sector representatives that CAP funding is more generous and easier to access for larger farms with high levels of skills and capital, than for small farms lacking these attributes. The reasons behind this are complex and are discussed in the answers evaluating efficiency and administrative burden – they derive from both EU and Member States requirements. This can generate trends diverging from BTD and may exacerbate social exclusion within some regions and territories. It is possible for Member States implementation to reduce the effect by modification to the design and delivery of specific measures, by Member State and/or regional authorities, and examples are given of how this has been done in ESQ answers 2-5 on effectiveness and ESQ 9 on the administrative burden. These examples demonstrate the capacity of the CAP to enable tailoring to local needs and context, which also increases its EU added value of funding for social and economic goals, including social inclusion. However, it is not simple to show that such tailored funding would not be provided via other funds, in the absence of CAP.

The strongest evidence of EU added value in respect of social inclusion and social benefits from the CAP in this study derive from specific approaches and instruments which allow local tailoring and the involvement of local intermediary bodies, particularly where these approaches have been a special focus of CAP concern and development for a considerable period. Most notable in this respect are LEADER, also the Pillar I provisions for producer organisations in olive and dairy sectors. However, early indications from the best-established EIP AGRI initiatives, are also positively evaluated for their potential EU added value, in the sense of being an innovative and valuable approach established by European policy which should generate positive social and economic benefit in rural areas.

6. Conclusions and recommendations

6.1 Conclusions

The information presented in this section builds on the conclusions provided for each evaluation study question. As such, this section starts with the analysis of the selected measures and instruments that were found to have a direct impact on socio-economic aspects, including social inclusion. Concluding remarks for each of the five evaluation themes are then provided, bringing together the findings and discussions linked to the main ESQs' focus areas, i.e. social aspects, economic aspects and social inclusion.

6.1.1 Conclusions on causal analysis

The results of the causal analysis presented in section 5.1, have identified 8 Pillar I instruments and 14 Pillar II measures as relevant in the study – i.e. as potentially producing significant impacts on balanced territorial development in one or more of the socio-economic aspects, including social inclusion in rural areas.

The initial hypotheses – as to which CAP instruments and measures are inducing effects on BTD, in respect of at least one or more socio-economic aspects and on social inclusion – have been tested by this evaluation study. The following conclusions can be drawn, verifying the robustness of the initial assumptions on the existence of a relationship between the interventions and the observed changes in issues addressed. The information sources used in this section are derived from section 3: Summary of the evidence gathered and results of the analysis.

Considering economic aspects[142], a substantial number of CAP instruments and measures were found to positively affect rural areas. With regards to Pillar I, the economic impact of direct payment instruments in general has been highlighted in the analyses, especially for their contribution to income stability (particularly in times of crisis), employment creation and additional value generated via investments in the agricultural sector itself (ESQ2). Nonetheless, it is important to mention that the findings stemming from the case studies on the role of direct payments in reducing economic disparities is rather specific (section 4.9.5): only the small farmer and young farmer schemes are found to help reduce such disparities. The CMO have been shown to support the maintenance of agricultural activities and to be essential in improving the visibility of regional products (e.g. wine) and competitiveness of certain sectors. Regarding Pillar II, positive impacts on employment creation as well as farm productivity have been identified, notably from M04 – Investment and M06 – farm and business development. Other measures such as M10 – agri-environment climate, M11 – organic farming, M12 – Natura 2020, and M13 – Payments to ANC are also associated with growth of the primary sector, including agriculture and forestry (ESQ4, ESQ14).

While these CAP instruments and measures mostly support and stimulate the forestry and agricultural sectors, qualitative evidence shows that other measures targeting the broader rural population such as M07 – village renewal and M19 – LEADER can also enhance economic conditions in rural areas. However, these effects are difficult to capture particularly in quantitative terms, due to the low leverage potential of these measures (see further funding allocation per region, in section 4.2).

Considering the specific aspects of remoteness, commuting, housing, availability of and access to social and economic infrastructure (e.g. broadband) and services (e.g. medical centres) as well as promoting cultural and natural heritage (including

[142] Income, growth, poverty, jobs, employment, business creation/ maintenance /diversification, investments (farming and non-farming), labour market)

landscape), the Pillar II measures M07 – village renewal and M19 – LEADER were found to generate direct socio-economic effects in some rural areas in terms of providing services of general economic interest. M07 notably supports broadband connectivity but also, social infrastructure (such as child care facilities and other civic amenities), and initiatives for the protection of natural heritage. Likewise, small-scale, economically-relevant LEADER projects have been implemented in many rural areas. M10, M11, M12 and M13[143] reportedly complement M07 village renewal and M19 LEADER by addressing the non-economic needs of the rural regions examined.

In cases where rural area definitions are used to target the allocation of Pillar II funding, it appears that some Member States (e.g. Greece and Spain) strategically decide to restrict availability of some measures (e.g. M7.3 – broadband infrastructure, including creation, improvement and expansion, passive infrastructure and access to broadband and public e-government) to certain territories that are particularly affected by remoteness and commuting challenges. As such, the strategic framework of Pillar II and the use of specific rural definitions may contribute to targeting the territories in greatest need (section 4.9.1).

Considering availability of and access to research, innovation and training/advice, education, these are addressed by Pillar II M01 – Knowledge transfer and M02 – advisory services. These measures are territorially widespread across EU rural areas (section 4.2). As mentioned in ESQ2, M01 and M02 are strongly associated with positive social developments. Likewise, ESQ3 highlighted the role of these two measures in supporting farm-level investments in human capital and related positive impacts on the local economy. As discussed in ESQ15, M16 cooperation is similarly considered as important to address farm innovation needs.

For depopulation/abandonment and repopulation/in-migration, including the role of rural areas as a shock absorber in times of crisis as well as generational renewal, ageing and gender disparities the study findings show the breadth of, and interlinkages between, CAP instruments and measures and these aspects. From the case study findings, the Pillar I BPS/SAPS instrument is deemed very beneficial for reducing depopulation and abandonment, supporting farm incomes in times of crisis, and maintaining farm businesses and employment. This finding is supported by EU-level interviews (section 4.10) which also identified BPS/SAPS as the most appropriate instrument to address these socio-economic aspects. Considering the analysis of rural area definitions (section 4.9.1), the fact that numerous Member State-specific definitions include demographic criteria suggests that CAP Pillar II measures are being targeted to areas and rural municipalities facing demographic challenges.

Occurrence and strengthening of social capital/fabric: building local governance capacities and bottom-up participatory approaches (e.g. co-operation); developing social rights and systems (e.g. occupational safety, pension schemes, transfer payments) and quality of life; and addressing the cultural aspects of 'feeling left behind' or 'discontent' are to some extent addressed through the delivery mechanism of LEADER/ CLLD, via its specific characteristics of local embeddedness, encouraging participation of rural society in its own development. This has engendered a feeling of empowerment in rural communities to actively influence broader regional development (encompassing several economic sectors and societal groups). In addition to M19 – LEADER, M07 – village renewal is also deemed to play an impactful role in strengthening social cohesion and fabric (ESQ2). The findings in ESQ6 also highlighted the beneficial role of M16 (co-operation) when targeted to enable socially disadvantaged groups to gain confidence, skills, financial instruments and technical advice which increases their ability to access investment measures. The 3 measures

[143] M10 –agri-environmental climate, M11 – organic farming, M12 – NATURA 2000, M13 – payment to ANC

(LEADER, village renewal and co-operation) address this socio-economic aspect in complementary ways.

For some elements (e.g. pension schemes, social transfers) among this group, EU policies have a limited influence as these responsibilities lie within the core competence of Member States. Nonetheless, case study findings (sections 4.9.5 and 4.9.6) and EU-level interviews (section 4.10) show that interviewees believe that Pillar I and II instruments and measures have a positive indirect impact, because Pillar I funding represents a substantial part of farmers' incomes, which support relevant pension and social support schemes.

Social inclusion associated with the living and working conditions of specific vulnerable populations[144] are addressed to varying extent through the income support of Pillar I instruments and via Pillar II measures. Vulnerable groups closely associated with the forestry and agricultural sectors may be directly supported by Pillar I or II (e.g. where CAP funding stimulates or retains employment). Also, some Pillar II measures (M07 village renewal and M19 LEADER) can help a broader range of rural stakeholders, with other ESIF (e.g. ESF) playing a complementary role when combined in CLLD, strengthening the influence of Pillar II on social inclusion. However, Pillar I effects, e.g. on employment, are not always fostering social inclusion (see further details in the conclusions on the CAP's effectiveness). The CAP's role in furthering the inclusion of women farmers remains low (ESQ14). In ESQ16 evidence suggests high potential for EIP AGRI to build enhanced social capital, with knock-on benefits for social inclusion, but it is too early to identify clear impacts in this respect.

Overall, the initial, theory-based selection of CAP measures and instruments appears to be rather broad, in the light of the information collected and analysed in each evaluation study question. As discussed above, although none of the selected measures was found to have no impact at all on socio-economic aspects and BTD in general, a few CAP instruments and measures appear to have much more direct and observable impacts on these aspects than others.

6.1.2 Conclusions on effectiveness

The overall conclusion on the effectiveness of CAP funding is that it allows the more rural, remote, and agriculturally-dependant areas across the EU to develop, as findings from the case studies and the regression analyses suggest. Yet, as suggested, this role varies depending on the examined measure or instrument and their budget allocation.

In this regard, the basic payments and green payments play an essential role in supporting farm viability by providing income stability (see ESQ4). As interviewed case study respondents emphasise, this allows farms to retain and employ labour and boosts local expenditure. In rural and intermediate areas, farm activities and land leases form important contributions to local tax revenues. The multiplier effect of the Pillar I support into the rural economy was further estimated via the input-output analysis: according to this analysis the funding created labour income worth an approximate 5.2 million employees (see ESQ 4).

Further, the reliability of the direct payments (particularly the large volume basic and green payments) alleviates farm-based risks of poverty, as was highlighted in Zeeland (Netherlands) case study (see ESQ 2 and 4). In Saxony-Anhalt (Germany), these payments allowed farmers to sustain the damages caused by severe droughts in 2018

[144] Such as rural poor (farmers and non-farmers), populations living in remote rural areas (isolation issue), rural women, young, elderly, disabled, low skilled, ROMA, third country nationals

and 2019. In Apulia (Italy) CMO played an essential role in alleviating the severe economic consequences of a plant pathogen, which threatened olive production.

CMO implementation can provide significant spill-overs into the regional economy. The case study analyses of regions with strong CMO implementation also underline the economic significance of these instruments in terms of improving the bargaining power among small producers and processors, and with it, their position along the value chain. In the case of Emilia-Romagna (Italy), this allowed small producers to increase their local labour demand. In the case of Castilla-La Mancha (Spain), the implementation of CMO wine provided improved visibility to local wine producers within the Single Market, which eased their restructuring and modernisation processes between 2000 and 2020. With the high economic significance of the wine sector in Castilla-La Mancha (Spain), this improved the local economic situation.

Furthermore, the measures implemented under Pillar II contribute to economic development of rural areas (See ESQ 4). Pillar II measures primarily target and address agricultural and forestry needs, with the exception of M07 – village renewal and M19 – LEADER. M04 – investments and M06 funding was highlighted by case study analyses as important contributors to farm modernisation and productivity growth (e.g. in Peloponnese, Greece). Similarly, investments into knowledge transfer and innovation (via M01, M02 and M16[145]) proved beneficial to farm-based productivity (Castilla-La Mancha, Spain; Auvergne, France; Southwest, Czechia).

The findings of the regression analyses suggest that the degree of the economic spill-overs of CAP funding into the wider regional economy varies according to the measures and the structural development of the region. The productivity-enhancing measures (M04 investments and M06 business development) are associated with higher primary sector employment and primary sector GVA growth in the more developed regions closer to urban centres or with generally more advanced economies (clusters[146] 1 and 3). Pillar I funding is positively associated with changes in primary sector employment in cluster 1, i.e. in more developed and more densely populated regions. In terms of farm-based impacts in less developed regions (clusters[147] 2 and 4) case study of the Southern Central region in Bulgaria and the regression analysis suggest that the funding of agri-environmental measures (M10, M11, M12, M13[148]) enables farmers to diversify and improve their position along the value chain by entering the organic foods market. The regression analysis suggests that funding of knowledge transfer and innovation (M01, M02, M16[149]) in catching-up regions (clusters 2 and 4) is positively associated with GVA growth across the entire economy.

The additional labour demand created and sustained via CAP funding (particularly the basic payments) is not clear-cut in terms of its contributions to fostering social inclusion (see ESQ3) in the wider rural region. The case study respondents deem the maintenance of rural employment via CAP funding significant. These employment opportunities are characterised by seasonality tied to the type of agricultural production (e.g. during harvest season) and lower wages, particularly in the catching-up regions in cluster[150] 2 and 4, as the case studies in Peloponnese (Greece) and Castilla-La Mancha (Spain) underlined. Further case study respondents provided a polarised perspective (see ESQ 3) on the role of BP/SAPS in impacting the income disparities between smaller and larger farms.

[145] M01 – knowledge transfer, M02 advisory services, M16 cooperation
[146] Cluster 1: Diversified rural and intermediate regions; Cluster 3: Dynamic rural and intermediate regions.
[147] Cluster 2: Rural and intermediate peripheries; Cluster 4: Traditional rural and intermediate regions.
[148] M10 –agri-environmental climate, M11 – organic farming, M12 – NATURA 2 000, M13 – payment to ANC
[149] M01 – knowledge transfer, M02 advisory services, M16 cooperation
[150] Cluster 2: Rural and intermediate peripheries; Cluster 4: Traditional rural and intermediate regions.

CAP resources are mostly targeted directly at farmers, rather than wider rural population groups. This limits the CAP's contribution to reducing social disparities across and within regions (see ESQ 2). Case study respondents deemed M07 – village renewal and M19 – LEADER as impactful in alleviating social deficits and strengthening social cohesion and fabrics. In part, this targeting problem stems from the choice or implementing mechanisms in the regional and national implementation of the CAP: most funding is targeted at farmers with only indirect targeting of the wider rural population (i.e. in terms of safeguarded employment or maintained natural heritage), as illustrated in this analysis. In addition, as highlighted by ESQ 5, the implementing mechanism of CLLD/LEADER is highly effective in addressing BTD in rural areas. This is due to the fact that the implementing mechanism directly target the wider rural population.

6.1.3 Conclusions on efficiency

The relevant CAP instruments and measures are delivered with reasonable efficiency overall, but specific issues of inefficiency arise in respect of both Pillars (ESQ 8). Administrative burden for small farmers remains high, reducing the effectiveness of the funding (ESQ 10). In addition, stakeholders perceive the targeting of Pillar I as not necessarily conducive towards BTD outside of the agricultural sector. Interviewees from the public administration, experts and NGO stakeholders explained that most Pillar I aid per farm goes to areas and territories where farms are productive and well-structured (including large size-farms). Nonetheless (see ESQ 10), the direct payments are seen as very important for sustaining farming incomes and farming in contrasting locations where otherwise, the land would be abandoned (marginal territories) or it would be taken for development (peri-urban areas under pressure where agricultural incomes remain lower than most others) or the farms would not recover from crises generated by unexpected and extraordinary events (like plant pathogens in Apulia).

The costs-effectiveness of CMO instruments seems favourable and less biased towards specific farm-sizes than the direct payments (see ESQ 10). As highlighted in Spain and Italy, as per the case studies, these instruments have resulted in good results in terms of producers' involvement, intra-sectoral relations within the supply chain, stabilisation of incomes and better governance of the whole supply chain. They also had positive implications for the local economy, given the intensity of inter-sectoral relations between supply chains and the rest of the economy. Finally, because delivery of funding goes via intermediary bodies to farmers, the costs of public administration are quite low for these instruments.

Rural development measures, because they offer a wide range of types of support that can be targeted to different local situations, are well designed to remove structural factors of relative weakness, and tackle uneven economic development in the farm sector (see ESQ 9). However, this study found that different types of burdens (see ESQ 9) jeopardise their performance, from constraints in EU regulations and transposition into national and regional rules, also burdens related to delivery structures and co-ordination and governance structures. In several case studies, beneficiaries of the Pillar II measures (mostly farmers and farmers' organisations) emphasised the responsibility of managing authorities in translating EU rules in complex implementing processes and achieving planned objectives.

Common experience reported in many case studies is that Pillar II funds are complicated, but frequently made more difficult to deliver by rules which pertain to principles of public funding that were not specifically designed within the CAP (e.g. public procurement) and which appear to be applied in an inappropriate way to RDP measures' delivery (see ESQ 6 and 7). Further, the administrative processes are lengthy and difficult (i.e. costly and requiring complex skills) to follow, as argued by many interviewed stakeholders. This reduces their accessibility to socially and

economically disadvantaged beneficiary groups, such as small farmers, as reported in many case studies, e.g. France, Poland, Bulgaria, Czechia, and Italy. Nevertheless, in some case studies and for some measures (e.g. various examples in Ireland, Italy, Estonia, Spain), managing authorities and private stakeholders established innovative mechanisms to improve the cost-effectiveness of CAP rural development aids. These mechanisms rely on better policy targeting, good cooperation and knowledge exchange among public and private actors and integration of different policy measures in packages tailored to local needs. These solutions reduce transaction costs for private operators, such as small farmers, and thereby achieve better results in terms of BTD and social inclusion.

6.1.4 Conclusions on coherence

The analysis of the policy coherence highlights that there are different cases of relations within the CAP and between the CAP and other policies.

Complementarity, which denotes positive interactions of varying intensity, is most prevalent, especially in its weak form (see ESQ 11). It is the case of Pillar I (both direct payments and CMO) and II instruments, usually planned separately, or Pillar II and ESIF (e.g. the case of broadband funded jointly by EAFRD and ERDF). In this latter case, a common frame (the partnership agreement of ESIF) defines the rules of demarcation. Higher levels of complementarity are present only when collaboration between the CAP and ESIF is adequate, thanks to political will at national/regional level (see ESQ 11).

There are cases of counterproductive interactions, when Pillar I (and also Pillar II through payments to areas with natural constraints) aims to support small farms in marginal areas and investment support, as designed in RDPs, put limitations on funding these farms (see ESQ 11). They are strongly related to the distributive challenges that accompany polarised farm structures, where a large number of small farms compete not only with each other, but also against a smaller number of large-scale farms for access to funding.

Synergy is used to denote interactions that do not occur spontaneously or by chance, but are structured within specific policy design. Examples of synergy tend to occur as a result of innovations in delivery systems, and go beyond the simple demarcation of requirements.

There are also cases of synergy both within the CAP and between the CAP and ERDF and ESF. These cases are due to innovations in the delivery system, following the aim of going beyond the simple demarcation requirements (see ESQ 11).

The policy coherence for social inclusion depends on the concept of rural population under examination. CAP measures and instruments can be deemed as complementary when social inclusion is limited to the most vulnerable people within the agricultural sector (see ESQ 12). They tend to be less effective when a broader concept of social inclusion is taken into consideration, including vulnerable people outside the agricultural sector. In this case, among the few measures addressed to social inclusion in the Pillar II, LEADER/ is identified as having significantly positively affecting social inclusion issues. The case studies also highlighted the internal coherence and complementarity of projects linked to M07 – village renewal and LEADER, mainly supporting villages rehabilitation, building renovations and personal services such as socio-medical centres (e.g. in France).

The analyses conducted in ESQ 11 have shown that the role of the partnership agreement in safeguarding the coherence and complementarity of the various ESIF is not always ensured in practice. Generally, the different funds do not appear to be incoherent but are not always integrated at local or regional levels.

6.1.5 Conclusions on relevance

In general, the CAP targets the farm-based needs relatively well.

The direct payments (particularly the high-volume basic and green payments) support income stability and business viability. They counteract farm-based poverty and retain local employment (see ESQ 13 and 15). In times of crisis, they provide important financial cushions which dampen the effects of climate disasters and other external factors. Similarly, CMO appropriately targets the needs of producers, by providing visibility and improved organisation. This, as underlined in case studies in regions with significant CMO implementation (such as Emilia-Romagna (Italy), Apulia (Italy) and Castilla-La Mancha (Spain)), stimulates the local economy and addresses local needs: such as the creation and maintenance of rural jobs and consumption in rural areas. However, these Pillar I instruments are solely targeted at farmers (and processors in the case of CMO), resulting an indirect targeting of wider rural needs (particularly in the framework of inclusion of vulnerable population groups).

The regression analyses provide suggestions of spill-overs of Pillar II funding in less developed rural regions (clusters[151] 2 and 4) to sectors outside of agriculture. The implementation of knowledge transfer and innovation measures (M01, M02, M16[152]) helped farms by improving the knowledge base in farms. High funding in these measures are positively associated with improved performance of the regional economy. These measures address farm needs related to modernisation and productivity levels (see ESQ 15). Due to the relatively higher importance of the agricultural sector in these clusters, the effects of the funding likely spill-over to the general economy. In more structurally advanced regions (cluster[153] 1 and 3), these effects spill over to a lower extent, as discussed in ESQ 15. However, they allow farms to compete more actively around land and labour, as indicated in the case study analyses. The role of Pillar I in safeguarding employment was also suggested by the regression analysis for Pillar I funding in regions of cluster 1. Case study respondents remarked on the relatively lower quality of the supported and created jobs (see ESQ 14) and associated difficulties in retaining labour in the region due to regional factors, such as strong outmigration to more economically attractive regions.

In terms of the targeting of wider social needs (see ESQ 13), the implementation of M06 – business development, M07 – village renewal, M16 – cooperation and M19 – LEADER is particularly relevant. These two measures directly target social needs (such as the provision of local infrastructure and maintenance of the social fabric) outside of the farm sector and are in the position to remedy them directly. As such, respondents across the case studies, deem these two measures are particularly well targeted and relevant to local needs. Despite these two measures only representing a relatively small degree of funding out of the entire CAP framework, they play an important role in the maintenance and revitalisation of social infrastructure and services of general economic interest.

Considering Pillar II, the extent to which rural needs are addressed is also linked to the definition of rural areas. The application of tailor-made, country, or region-specific definition of rural areas for a measure or type of operation help better target and address the main challenges these areas are facing, as reported by interviewed managing authorities' representatives. While not all definitions analysed include a variety of socio-economic and/or territorial considerations, it can be expected that a greater focus of funding in the least-developed rural areas is a result-oriented approach to ensure a balanced development of the rural development programme's region. Moreover, in certain cases (Estonia and Italy), the definitions of rural areas

[151] Cluster 2: Rural and intermediate peripheries; Cluster 4: Traditional rural and intermediate regions.
[152] M01 – knowledge transfer, M02 advisory services, M16 cooperation
[153] Cluster 1: Diversified rural and intermediate regions; Cluster 3: Dynamic rural and intermediate regions.

applied in this current programming period are in line with and updated from the definitions applied in the 2007-2013 period. This continuity is important as it considers the evolving character of rural regions and the relevance of new needs. Moreover, continuity between programming period is also important (as mentioned in ESQ 14) given the fact that impacts policy impacts on such ubiquitous and complex socio-economic aspects may be felt long after the funding of projects.

6.1.6 Conclusions on European added value

The overall analysis of the study suggests that the CAP supports BTD and provides high EU value-added in remote and very marginal rural areas. However, funding is insufficient to resolve the long-term situation of decline in these areas because it largely targets the farm sector, whereas investment in infrastructure and services is also much needed.

The quantitative and qualitative evidence also suggests another added-value role of CAP. In pressurised rural areas close to urban areas, CAP funding helps to maintain more agriculture and environmental land management than would likely have been funded without the CAP, thus generating social and quality of life benefits which are positive for BTD. In intermediate and rural areas which are neither remote nor peri-urban, evidence of EU added value for all CAP funding is less clear. Evidence suggests CAP promotes employment and capital investment in agriculture relative to regions obtaining less funding in these measures and instruments, but this is not always positive for overall social and economic outcomes.

Farmer interviewees in all case studies attribute positive effects to the CAP in terms of improving their economic situation with direct payments and the CMO framework. These funds help to maintain existing structures and prevent land abandonment. Public administration interviewees in case studies generally report EU added value from CAP funding overall, predicting higher rates of poverty and rural decline if CAP funding and framework were not available.

The strongest evidence of EU added value in respect of social inclusion and social benefits from the CAP in this study derive from specific approaches and instruments which allow local tailoring and the involvement of local intermediary bodies. Most notable in this respect is LEADER. The CMO provisions for producer organisations in olive and dairy sectors, and early indications from the best-established EIP agri-initiatives, are also positively evaluated for their EU added value (although the understanding and implementation EIP remains challenging in some EU Member States).

6.2 Recommendations

6.2.1 Policy recommendations

The partnership agreement at national level, generally enabled stakeholder discussions on the complementarity of the ESIF. The study has also found that there is still room for improvement to better ensure the coherency and complementary of ESIF around a common framework. There are generally no incoherencies between the EAFRD and the other ESIF. However, in some cases, the interventions of all the ESIF are not optimally integrated at local and regional levels. **A first policy recommendation, in this regard, is the maintenance of an institutional frame where this dialogue can formally take place (under the form of a partnership agreement).**

Furthermore, in terms of the implementation of the CAP by the Member States, the study shows that effective targeting of BTD, among other goals, is paramount when it comes to harnessing the potential of Pillar I and Pillar II instruments. As such, a

recommendation with regards to the CAP Pillar I implementation by Member States is that **basic payments should be increasingly territorially targeted to regions where farmers' incomes, in comparison with the whole economy, and quality of life lag behind those of farmers in other regions, and within regions. Likewise, basic payments should be more focused on those farm scales and types which suffer from the worst social and economic conditions**. For example, distributional mechanisms should be reinforced to ensure the viability of smaller-scale farming and facilitate the access to funding of socially and economically disadvantaged farm households. This may take the form of a stronger focus on redistributive payments by the Member States.

Certain CAP measures and instruments positively impact BTD, despite relatively smaller funding shares. The Pillar II measures directly targeting BTD (M19 – LEADER, M06 – farm and business development, M07 – village renewal and partly M16 - cooperation for the potential implications on social cohesion and capacity building at the local level) should receive a higher funding share and more appropriate implementing rules in the next programming period (including rules explicitly designed to overcome barriers to access among socially-excluded or economically disadvantaged groups). This also applies to Pillar I instruments such as CMO, which are significant in terms of improving of farmers' positions within the supply chain and enhancing the cooperation between farmers and processing industries. **Funding should be more targeted to ensure that these Pillar I and II instruments and measures directly related to BTD can be utilised more effectively to achieve a more significant impact on socio-economic needs in rural areas**.

As case study have demonstrated, other support within the CAP (M01 – knowledge transfer, M02 – advisory services, M04 – investments) can also contribute to BTD, when addressed to the most vulnerable areas. **Thus, a recommendation to the Member States is to focus interventions on the poorest rural areas within the CAP strategic plan through a mix of measures, which takes into account the complementary effects of all CAP instruments and measures.**

Pillar II can also better harness and address the social and economic specificities and needs of rural areas when a Member State or region-specific definition of rural area is used, as indicated by case study findings. While it has not been possible to investigate in-depth, in this study, the implications associated with the application of such definitions, findings (principally stemming from interviewed managing authorities) show that adopting a tailored definition, rather than strictly following administrative boundaries, allows for a greater result-orientation of the policy intervention and a better targeting of the local needs. **It is therefore suggested that managing authorities tailor their regional/national rural area definition closely tying it to the socio-economic, demographic, and territorial characteristics of these areas[154].**

Another recommendation stemming from this study concerns the focus on coordination and integration of support. The good practice of M19 (LEADER/ CLLD) as a delivery method should serve as a relevant example. Region or territorially based actors (e.g. regional development agencies, local intermediary bodies) may serve as 'one-stop-shops' for rural actors to access an appropriate mix of EU support for their specific needs. **The CAP should thus improve its effectiveness in fostering BTD in rural areas by broadening and better integrating various funding streams.**

The contribution of the CAP to BTD is significant if CAP measures/instruments are implemented under a "strategy" of local development. While LEADER has proven its

[154] Nonetheless, it should be mentioned that, for any evaluation purposes, these specific definitions may hinder comparative endeavours, between regions and programme areas due to the lack of standardised funding data.

effectiveness in that regard, the approach can also take different forms when steered under joint efforts promoted by local/regional stakeholders and efficiently supported by public authorities responsible for the CAP. Strengthening and deepening the partnership approach, beyond LEADER, should be one of the key levers of future policy addressed to BTD. **It is suggested that managing authorities further promote multi-actor partnerships between public authorities and stakeholders as a method to strengthen participation and awareness of the CAP's potential.** The European and national Rural Networks could play a strong role in enabling national and local stakeholders to better address this aim.

In the post-2020 programming period, four of the new CAP strategic objectives are especially relevant in terms of BTD: objective (3) rebalancing the power in the food chain ; objective (7) supporting generational renewal and finally objective (8)vibrant rural areas . A fourth objective (objective (1) ensuring a fair income to farmers) is relevant regarding inequality in farm support between beneficiaries. **These objectives should be carefully assessed, especially in those rural and intermediate regions where the socio-economic role of agriculture is still relatively significant and the sector suffers from lack of competitiveness.**

The use of a specific definition of rural areas should follow a certain continuity (across programming periods), as indicated by the interviewed managing authorities. Likewise, as discussed by the interviewed representatives of the European Commission's services, the process of successful socio-economic development in rural areas takes longer than one programming period, as policy impacts on such ubiquitous and complex socio-economic aspects may be felt long after the funding of projects. Moreover, continuity is important to allow for managing authorities and implementing bodies' (e.g. LAGs) capacity building (learning effect and transfer of experience from one period to the other)**.** Accordingly, while adapting and fine-tuning of the CAP legal framework and types of interventions is essential, continuity appears to be as important. **As such, it is recommended to ensure that the interventions and framework of application of the next CAP programming period maintains clear links with the framework of this programming period.** Such continuity is indeed necessary to assess the changes occurred and the relevance of the local needs from a period to the other.

The study findings on efficiency show that implementing rules, controls and eligibility criteria can reduce the access of disadvantaged groups of beneficiaries to funding measures and instruments, to the detriment of the goals of BTD. **It is therefore recommended that CAP strategic plans should be scrutinised by stakeholders representing disadvantaged rural groups, and their opinions and concerns fully integrated into the ex-ante evaluation process in a transparent way.**

In many case studies, varying rules of public procurement not mandated as part of the overall CAP framework were found to impede access to CAP funds and increase administrative burden for beneficiaries and authorities. **It is suggested that the European Commission facilitates a more thorough comprehension among Member States and regions of the applicable public procurement or other administrative requirements. On the ground of the flexibility that is now provided in the Public Procurement Regulations, this would ensure the more appropriate application of public procurement at the local level.**

The study findings show that administrative burden for small applicants to CAP funding can be high, limiting their efficiency and reach. **It is recommended that the administrative burdens applying to small farms and small-scale beneficiaries be kept under review, as part of the ongoing evaluation of Pillar I and II at Member State and EU levels.**

6.2.2 Data recommendations

The project team has identified a number of potential improvements and recommendations based on the experience gathered through the study and the application of the data used in responding to the ESQs (see also section 2.6).

- Consistent and unique identifiers across datasets are relevant not only for individual data entries but also for data field names. Some datasets (e.g. Pillar II annual implementation report data) use the same data field name for different types of information, which makes comparisons and links with other datasets difficult and error-prone. Thus, it would be beneficial to **verify that all datasets collected for monitoring- and evaluation purposes use unique data field names including a consistent description of content for each data field in the metadata.**
- In the case of Pillar II data, rural development programmes and other documents for which monitoring data is collected are often subject to updates and changes of the underlying document. Currently for most database entries, the year is stated. However, this does not allow for a clear link between the database entry and the version of the programme document. As one dataset can carry information on multiple versions of the same document, **an identifier for the document version (e.g. the version number of an RDP) should be added to each dataset.**
- Data collected and calculated in the context of FADN is based on FADN regions, which do not follow the standard NUTS nomenclature. As FADN data is highly valuable for evaluation purposes, **it would be of use to explore how to ensure FADN data representativeness at a lower geographical level/at NUTS3 level.** This would require re-evaluating the FADN collection methodology and possibly coordinating with the national agencies collecting the data in the Member States to ensure sufficient sample sizes and compositions to calculate valid results for all NUTS3 regions.
- Territorial analyses rely on spatial information about where a specific action is implemented, where money is spent and where specific outputs are created. For Pillar I, most of that information is currently collected on NUTS3 level, which is the minimum requirement for analyses differentiating between rural areas and other areas. For Pillar II data, the information is collected on RDP level, thus ranging from NUTS2 to NUTS0 level. It would be highly valuable for evaluation purposes, to **collect and report financial allocations, project locations and indicator data at least on NUTS3 level.**
- On NUTS3 level, a typology differentiating between rural, intermediate, and urban areas is enshrined in the Regulation (EU) 2017/2391[155]. While this is the minimum resolution for data to be used in analysing rural areas, a region might be classified as "predominantly urban" based on the population, however in terms of actual area, it could still consist mainly of rural land. It would thus be beneficial for **data to be collected and provided with a higher spatial resolution (e.g. LAU), both within the monitoring systems, but also through other structured collections such as those undertaken by Eurostat.**

[155] Regulation (EU) 2017/2391 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EC) No 1059/2003 as regards the territorial typologies (Tercet), OJ L350, 29.12.2017.

- For multiple aspects which were covered by the study, e.g. related to social inclusion, little to no territorially differentiated data is collected on a pan-European level or is characterised by geographic data gaps, e.g. on material deprivation, households with low work intensity. Data collections undertaken to cover those aspects mainly related to the national level. However, the data breakdown to a regional level in those cases is difficult. **Including a territorial differentiation in such data collection efforts would be of use, especially for evaluation exercises.**
- Currently, only a limited breakdown of relevant datasets by age group or by sex is available (e.g. context indicators C22 – farm labour force and C23 – age structure of farm managers). For some social aspects pertaining to inclusion of vulnerable groups, it would be beneficial to have **indicators (e.g. farm employment) broken down by age (broad age groups) and sex provided by the monitoring systems.**

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