

147 EAAE Seminar

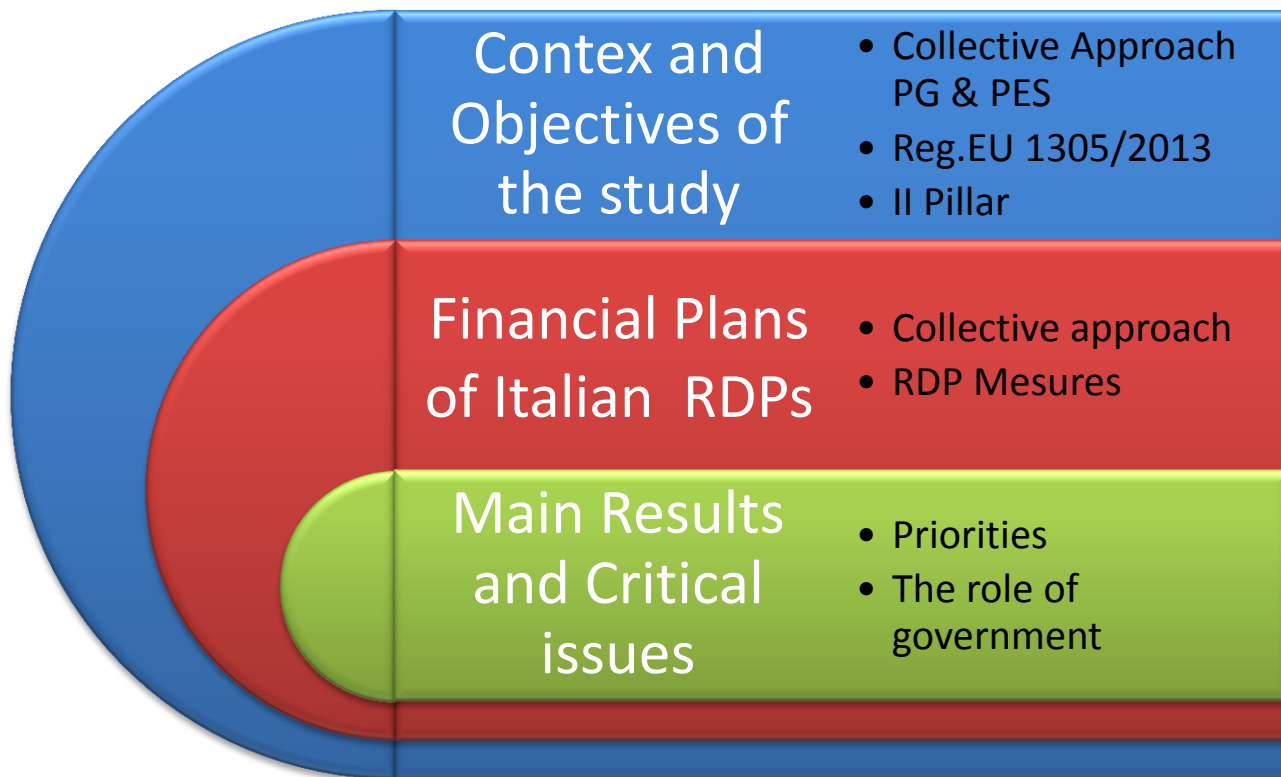
*CAP Impact on Economic Growth and Sustainability of
Agriculture and Rural Areas*

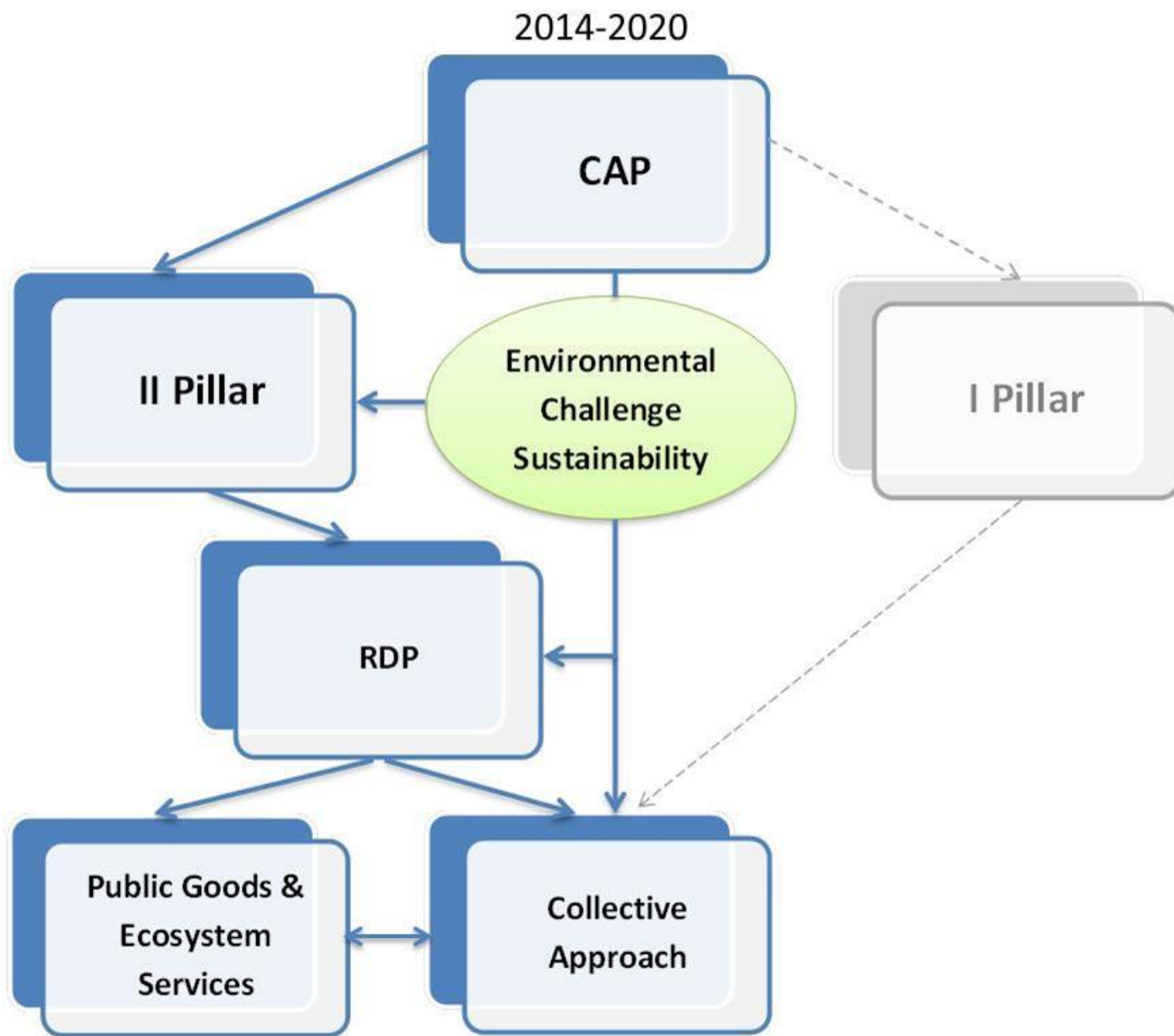
*7-8 October 2015, Sofia
Best Western Hotel Expo, Panorama Hall*

**Conservation and efficient use of natural resources through
Payments for Ecosystem Services:
The role of CAP in supporting a collective approach**

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Outline





Collective Approach: Policy intervention through CAP

- One of the challenge of CAP is to improve sustainability focusing attention on environment and the delivery of Public Goods (PG).
- PG defined as non-excludable and non-rival.
- One of the major innovation of 2014-2020 Programming is the **collective approach**.

Three types of beneficiaries:

- **Farmers (providing labour);**
- **Non-farmers (providing expertise)**
- **Gouvernement (providing policy measures - funds)**

Collective Approach's advantages

- **Geographical scale:** tailored answer to well-known local specific needs (landscape, biodiversity)
- **Reduction of costs** (transaction costs, management of complex tasks – as irrigation)
- **Sharing of skills and information:** enhancement of farmers' capacity
- **Involvement of different stakeholder and institution** (chance for innovation)

The role of Government

- **Market failure // Public solution**

The role of government could be relevant not only in reducing transaction costs related to the nature of traded goods, but also in supporting collective Payments for Ecosystem Services.

- **Coase theorem:** strictly following the purely market based solution for sustainable management of natural resources when external effects are present.

The beneficiary directly pays the service provider with private money on a purely voluntary basis (private transaction). **Nestlé waters.**

- **Pigouvian scheme:** promotes institutional intervention to face negative externalities.

There is government intervention/payment – public money spent in order to benefit the society (compliance regulation). **European Union, CAP, Rural Development Policy.**

EU Reg. 1305/2013, 1307/2013

CAP 2014-2020: The Greening architecture is based on Rural Development, Green Direct Payments, Cross Compliance.

Policy measures with a focus on Public Goods

- Payments for land management practices;
- Investments for sustainable agriculture;
- Technological and environmental innovation;
- New opportunities in rural areas;
- Development of training, advice and capacity building

EU Reg. 1305/2013

II Pillar - Rural Development Policy supports the provision of Public Goods

- Landscape
- Natural Resources
- Biodiversity
- Ecological Infrastructures
- Water quality and availability
- Soil functionality
- Climate stability – carbon storage, reducing emissions, air quality...
- Rural vitality
- Food security
- Animal welfare

Policy measures with a focus on Public Goods

II Pillar – Rural Development Programmes (RDPs) - Measures

With a **Direct Focus** on PG

- Agri-environment-climate measures
- Non-productive investments measures

With a **Partial focus** on PG

- Farm modernization
- Infrastructures
- Less Favoured Areas
- Natura 2000 Areas
- Training and advice measures

With **No Direct** focus on PG

- Adding value to agricultural products
- Quality schemes
- Diversification, Tourism, basic services in rural villages

2014-2020: RDPs Measures

Measures (M)	Reg (EU) 1305/2013	Description
1	art. 14	Knowledge transfer and information actions
2	art. 15	Advisory services, farm management and farm relief services
3	art. 16	Quality schemes for agricultural products, and foodstuffs
4	art. 17	Investments in physical assets
5	art. 18	Restoring agricultural production potential damaged by natural disasters [...]
6	art. 19	Farm and business development
7	art. 20	Basic services and village renewal in rural areas
8	art. 21-26	Investments in forest area development and improvement of the viability of forests
9	art. 27	Setting -up of producer groups and organisations
10	art. 28	Agri-environment-climate
11	art. 29	Organic farming
12	art. 30	Natura 2000 and Water Framework Directive payments
13	art. 31	Payments to areas facing natural or other specific constraints
14	art. 33	Animal welfare
15	art. 34	Forest-environmental and climate services and forest conservation
16	art. 35	Co-operation
19	art. 42	LEADER local action groups

Measure 10 (art. 28)

The main form of intervention to stimulate the provision of environmental PG in agriculture is represented by agri-environment-climate measures which promote environmental services and the use of sustainable agricultural practices. The most important characteristic is flexibility and ability to be designed according to local needs.

Measure 11 (art. 29 – 1, 4)

It's a measure dedicated to organic farming which provides granting of payments also to groups of farmers. The level of transaction costs paid may rise to a maximum of 30% of the payment instead of 20% when a group of farmers is applying for subsidies.

Measure 4 (4.4) Non-productive Investments (art. 17 - 3)

The maximum support for investments in physical assets may increase if collective investments are made (maximum combined support rate may not exceed 90%).

Measure 16 (art. 35 – 2g)

Support under this measure shall be granted in order to promote forms of co-operation involving at least two entities and in particular: a) co-operation approaches among different actors; b) the creation of clusters and networks (newly formed or new activity) c) the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability



Collective approach - RDPs Measures – Priorities

Measure 10 Agri-environment-climate

Measure 11 Organic Farming

Measure 4 (4.4) Non-productive Investments

Measure 16 Co-operation



Priority 4: Agri-environment-climate-biodiversity-landscape-water-soil

Restoring, preserving and enhancing ecosystems related to agriculture and forestry.

Priority 5: Resources efficiency-bio-economy

Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors.

Priority 6: Local development-poverty reduction-services for rural areas

Promoting social inclusion, poverty reduction and economic development in rural areas.

Priority 2: Competitiveness

Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests.

Priority 3: Food Chain

Promoting food chain organization, including processing and marketing of agricultural products, animal welfare and risk management in agriculture.

Italian RDPs – Measure 10

Financial Plans of Italian RDPs (so far approved)

measure 10 Agri-environment-climate:

- Lombardia and Bolzano grant more than 20% of total financial resources to this measure
- followed by Umbria, Emilia-Romagna and Veneto with 16%, 15% and 14% respectively.

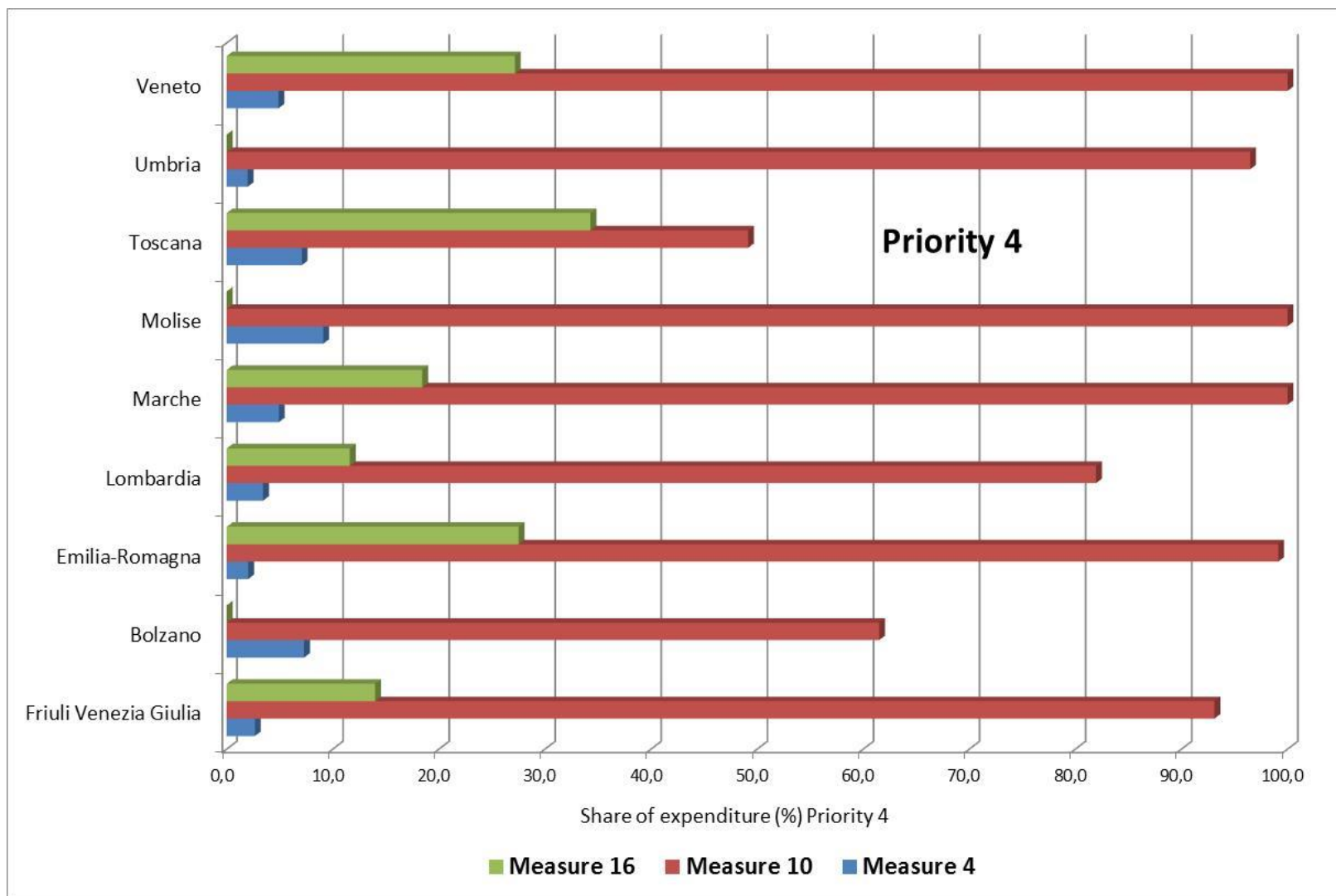
These Regions then strongly address their RDP to environmental friendly interventions, while others such as Marche, Toscana and Molise place on that about 6% of funds.

Public Expenditure - Measures 4, 10, 11, 16 – Priorities

Expenditure related to Measure 4, 10, 11, 16 by Priority 4, 5, 6, 2, 3 (€)						
Regions	P4	%	P4, P5, P6	%	P4, P5, P6, P2, P3	%
Friuli Venezia Giulia	16,601,200	16.5	21,689,360	21.6	62,265,280	61.9
Bolzano	31,908,800	21.4	48,510,000	32.6	68,477,372	46.0
Emilia-Romagna	129,065,839	22.5	148,680,153	25.9	295,976,531	51.6
Lombardia	108,188,080	20.1	127,548,960	23.6	303,801,960	56.3
Marche	51,184,088	23.5	55,539,208	25.5	110,689,688	50.9
Molise	17,760,000	21.3	18,720,000	22.4	47,040,000	56.3
Toscana	81,928,000	20.2	105,644,000	26.0	218,273,440	53.8
Umbria	75,287,520	20.9	92,039,640	25.6	192,789,520	53.5
Veneto	93,760,000	19.2	109,460,000	22.4	285,800,000	58.4

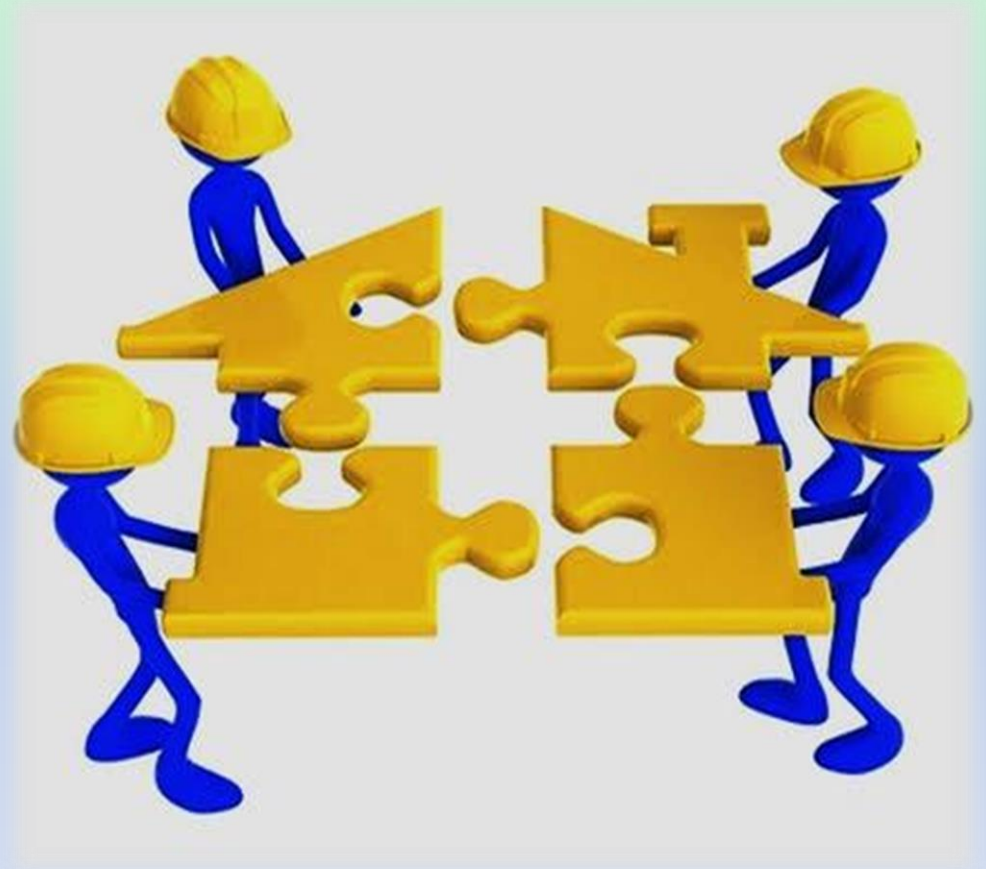
Source: own data processing on Italian RDP 2014-2020 data (so far approved, September 2015).

% Expenditure - Measures 4, 10, 11, 16 – Priority 4



Source: own data processing on Italian RDP 2014-2020 data (so far approved, September 2015).

**None of us is as
smart
as all of us**
(Ray Kroc)



Actions needed

AN INNOVATIVE INSTITUTIONAL APPROACH AIM AT INVOLVING SEVERAL STAKEHOLDERS

The actions needed to get an appropriate provision of PG depend on several issues, such as:

- the type of Public Good itself;
- the capacity of government in financing the capacity-building measure, subsidies and direct payments

Public intervention will focus preferably on a collective dimension in order to implement

MORE EFFECTIVE TERRITORIAL POLICIES, SUPPORTING BOTTOM-UP INITIATIVES, PUBLIC-PRIVATE PARTNERSHIP OR OTHER MIXED SOLUTIONS

Successful & Policy issues

AGRICULTURAL PRODUCTS AND PUBLIC GOODS ARE OFTEN A JOINT PRODUCTION *multifunctionality*

The most important determinants in successful collective experiences seem to be:

- an active (pro-active) engagement of farmers;
- an innovative co-ordination of collective actions (Learning and Innovation);
- the role of social capital remains crucial;
- the role of formal and informal organization that contribute to the development of local networks and groups;

Conclusions

- The analysis reveal that the role of government could be considerable in supporting a collective approach.
- Public intervention is needed when demand is greater than the level of provision of Public Goods, or rather when the supply is inadequate.
- Policy incentives seem necessary in this historical phase in order to avoid the intensive exploitation of land in specific areas and the increasing marginalization of other less productive areas.
- The building of mixed networks (farmers, stakeholder) allows the reduction of transaction costs and brings with it economies of scale and scope.

Conclusions

The next period will allow the monitoring of collective approaches and of territorial co-operation in a changed scenario which considers the delivery of PG both as an opportunity for environment and as an answer for socio-economic needs

- ✓ **Financial support:** the financial support in the CAP 2014-2020 has been strengthened;
- ✓ **Process Implementation:** co-operation is still difficult as well as governance at different levels (member state, regional, local - territorial);
- ✓ **Benefits:** production of goods with higher added value, development of new skills, greater capacity to attract investments on those rural areas, positive impacts on employment and on population level, maintenance and enhancement of the cultural identity

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Thank You

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