

The implementation of measure 121 of the rural development program: Comparative analysis between Italy and Lithuania

Donatello Caruso^{a,*}, Francesco Contò^a, Virgilijus Skulskis^b

^aUniversity of Foggia, Department of Economics, L.go Papa Giovanni Paolo II n. 1, I-71121 Foggia, Italy

^bLithuanian Institute of Agrarian Economics, V. Kudirkos st. 18-2, LT-03105, Vilnius, Lithuania

Received 5 November 2015; received in revised form 7 February 2016; accepted 8 February 2016

Available online 16 February 2016

Abstract

This study analyzes some specific aspects of the implementation of the Rural Development Program between the Apulia Region (in Southern Italy) and Lithuania for the period 2007–2013 and highlights the limitations characterizing the possibility of building an analysis framework aimed at understanding how it actually affects the regional and country agricultural system. More specifically, by referring to a specific measure of the rural development program (Measure 121 of Axes I), the aim is to analyze whether there are differences of investment activity implemented. To this purpose, we have worked at collecting all the information available at the Managing Authority of Apulia Region and Lithuanian Institute of Agrarian Economics. The observation of the gathered data, in fact, makes us observe the existence of some difference between the two countries, in particular in Lithuania there is a preference for a larger number of small projects that provides a more homogeneous development of rural areas and promotes entrepreneurship, in Italy (Apulia Region) mostly large projects were financed. The aim of this study is to make an early attempt to conceptualize a framework through the analysis of the Rural Development Program 2007–2013 between Italy (Apulia Region) and Lithuania, the measure 121 is implemented. The results of this study evidence a large number of small projects in Lithuania aimed at providing a more homogeneous development of rural areas.

Copyright 2016, Mykolas Romeris University. Production and hosting by Elsevier B.V.

This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

JEL classification: Q 14

Keywords: Modernization; Agricultural holdings; Measure; Rural development indices.

1. Introduction

The purpose of this paper is to identify the specific aspects of the implementation of the Rural Development Program (RDP) between the Apulia Region (in Southern Italy) and Lithuania for the period 2007–

* Corresponding author. Tel.: +39 0881 781806; fax: +39 0881 753711.

E-mail addresses: donatello.caruso@unifg.it (D. Caruso), francesco.conto@unifg.it (F. Contò), virgilijus.skulskis@laei.lt (V. Skulskis).

<http://dx.doi.org/10.1016/j.intele.2016.02.001>

1822-8011/Copyright 2016, Mykolas Romeris University. Production and hosting by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

2013 and highlight the limitations characterizing the possibility of building an analysis framework aimed at understanding how it actually affects the regional and country agricultural system. It mainly focuses on Axis I, more exactly by referring to a specific measure of the rural development program (Measure 121) both in Italy and in Lithuania. In this regard, a set of indicators are presented in order to reflect the current situation following whether there are difference of investment activity implemented of the Rural Development Program (RDP) which in turn may allow for a better allocation and intensification of the RDP funds and an economic efficiency growth and increases of competitiveness in the two countries. The paper is organized as follows: [Section 1](#) presents the analysis of context and methodology, [Section 2](#) gives an analysis of priorities in the field of priorities by implementation of RDP and modernization of Agricultural Holdings, [Section 3](#) gives a comparison between the two countries in terms of measure 121 implemented, a set of indicators and makes a review of the rural development program and [Section 4](#) concludes and suggests further improvement in the implementation of the program.

2. The rural development context and methodology

At European level the rural areas cover more than 80% of the EU territory and are home to around 55% of the total EU population. EU rural development policy is designed to provide support for this significant proportion of the EU population and land mass (Eurostat, 2013). The European Agricultural Fund for Rural Development (EAFRD) is an EU source of finance that is being used by Member States to archive a variety of EU rural development policy goals such as: improving the competitiveness of farm, forest and agri-food businesses; helping protect the natural environment; supporting rural economies and quality of life in rural areas. The importance of rural development lies primarily in the share of rural population in the overall population.

Thus, 44% of the world population lives in rural areas and in the case of developing countries, this proportion is even higher, amounting to 55%. The role agriculture plays in economic development processes of countries – at macro-level – and local territories – at micro-level – is an issue which has significantly characterized the debate on development since it is very beginning, as well as the incidence of poverty is higher in rural than in urban areas, fewer opportunities and higher risks aggravate rural poverty, it is to be compared to urban poverty.

In the European Union (EU), the number of employed in the primary sector varies greatly by region and country, in the 2012 there were 11,6 million people employed in the primary sector, which represents 5.2% of total employment in the EU-27. The majority Member States except Germany, Malta, Sweden and the United Kingdom have seen a decrease in the number of persons employed in agriculture in the period 2007–2012. In absolute terms, the main decrease took place in Poland, with 271,000 fewer persons working in the primary sector in 2012 (representing 29.0% of the total decrease in the EU-27), followed by Spain, France, Italy and Bulgaria. In terms of annual percentage change, the loss has been more important in Latvia (annual rate of –8.0%), Lithuania (–6.3%), Ireland (–5.0%), Cyprus (–4.8%) and Luxembourg (–4.6%), (Eurostat statistics, 2013).

The analysis of the literature refers how about fifty years ago some authors already highlighted how agriculture could strategically contribute to economic development under various aspects such as resources use, production improvements in both quantitative and qualitative terms, and foreign exchange (Johnston, Mellor, 1961; Kuznets, 1964; Mellor, 2000). The EU has set up a common rural development policy, also known as the ‘second pillar’ of the common agricultural policy (the ‘CAP’). The policy is implemented through multiannual programming periods. The period runs from 2007 to 2013 and payments must be completed by 2015. The policy is based on the co-financing principle: EU funds are complemented by national funding, and also by on project implementation phase. The EU co-finances operations through the European Agricultural Fund for Rural Development (EAFRD), for which 96 billion euro was budgeted for the programming period 2007 to 2013. This includes almost 5 billion euro supplementary funding made available following the ‘Health Check’ and the European Economic Recovery Plan (EERP). However, it must be said that over the last twenty years policy evaluation has become a prominent issue and an autonomous field of investigation. It has also occurred on the consideration of the fact that political institutions have started to pay a higher level of attention in assessing their activity with the aim of better orienting further political initiatives.

This results particularly true at the European level, where it is since long time that the Directorate General for Agriculture of the European Commission has implemented evaluation procedures and produced technical analyses aimed at pursuing what said above and, more specifically, at observing – and eventually correct – the way the

CAP (Common Agricultural Policy) is implemented. In addition, to the end of also ensuring a more opened and participated approach, it also encourages and support the scientific community to carry out independent analysis and studies (Aivazian, 2005; EU Commission, 2006; Lukesch, Schuh, 2010; Esposti, Sotte, 2013).

In this paper we have tried to use a specific set of indicators based on a comparative study between rural development program in Italy (Apulia Region) and Lithuania in order to compare the two program priorities mainly under Axis I measure 121. Similar approaches were used by Sin and Nowak (2014), who investigated the comparative analysis based on the important similarities between Romania and Poland, concerning the implementation of measure 121 of the RDP, in according to their national agricultural agenda and rural priorities, while Kairyte and Meyers (2010) make a comparative analysis between rural development program in Romania and Lithuania in order to compare the two program priorities mainly under axis I and III of the rural development program for the period 2007–2013.

In addition to this, a comparison between general agricultural characteristics of the two countries is made. The main indicators we will examine are meant to describe the agricultural situation in Italy and Lithuania and the business development in the two countries. The measure 121 of Axis I of the rural development program will be reviewed using comparative analysis. The main indicators characterizing the agricultural situation in Italy and Lithuania will mainly focus on total financial allocation for RDP 2007–2013, number of inhabitants in rural areas, number of application, number signed and valid contracts, total payments amount, average value of payments, absorption rate.

The aim to this study is to make an early attempt to conceptualize a framework through the analysis of the Rural Development Program 2007–2013 between Apulia Region (Italy) and Lithuania, the measure 121 it is implemented. The results of this study evidence a large number of smaller project in Lithuania that it could be utilized for provide more homogeneous development of rural area, in particularly it refers to a database received by the Managing Authority of Rural Development Program of the Apulia Region for the period 2007–2013 and the data of the Rural Development Program of the Lithuania for the period 2007–2013 by of National Paying Agency of the Lithuania (Ministry of Agriculture of the Republic of Lithuania, 2007).

3. Priorities by implementation of RDP and modernization of agricultural holdings

The Measure 121 (Axes I) of the Rural Development Program (RDP) adopted by the Region of Puglia has the main aim of pursuing – in accordance with art. 20(b)(i) of Council Regulation (EC) no. 1698/2005 – the modernization of agricultural holdings through grants for investments in farm machinery and equipment such as, for example, tractors, harvesters, farm buildings, manure storage, irrigation facilities, etc. More in details, the policy intervention within the context of this considered measure entails a co-financing mechanism on the basis of which the private capital (the risk capital) is called to cover at least 50% of the amount proposed as an investment. The remaining 50% represents the maximum quota of the non-repayable public grant given in support the quota of private capital. It is specific EU budget totals 11.1 billion euro (financed through the EAFRD), which represents, over the whole 2007–2013 programming period, around 11% of all the EU's planned spending on rural development in the EU. The Measure 121 is part of Axis I – Improving the competitiveness of agriculture and forestry and has the overall objective of increasing the competitiveness of agricultural sector, through better use of human resources and production factors, as well as meeting national and European standards.

We can see in Fig. 1, for the 2007–2013 programming period as percentages of EAFRD contribution at EU-27 level, the most important measures are agri-environment payments (23.6%), modernization of agricultural holdings (12%) and less favored areas payments (6.8% in mountain areas and 7.6% in other areas).

In Apulia Region, funding allocation for Measure 121 amounted to 336,403 thousand Euros, representing 20% of the entire RDP 2007–2013 budget same in Lithuania, the funding allocation for Measure 121 amounted to 479,746 thousand Euros, representing 20% of the entire RDP 2007–2013 budget.

In this operational context, the Region of Apulia developed its operational plan through which, in addition to other objectives, a specific attention was paid to the strengthening of the competitiveness of the agricultural system of the region. In this sense, the regional plan identified some measures particularly devoted to the reorganization and modernization of regional farms with the aim of making them more capable of dealing with an increasing worldwide competition. The implementation of measure 121 should help to overtake the limits highlighted in the supporting documents of the planning procedure, where it was observed how the farms belonging to the

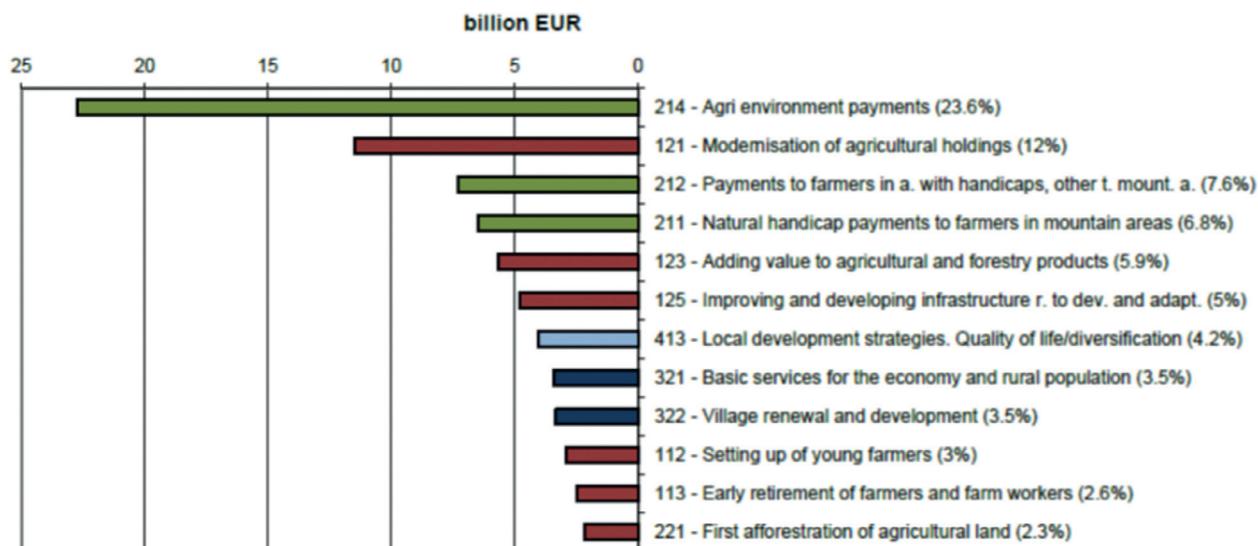


Fig. 1. Main RDP measures of the 2007–2013 programming period – EU-27. Source: Eurostat, 2012.

regional system are characterized by a very significant productive potential which is not yet fully expressed due to the existence of high production costs, a very modest diversification of farms' production, a quality level of agricultural productions which can be the subject of further improvements, and a very modest horizontal and vertical sectoral aggregation.

4. Comparative analysis of measure 121 in Italy (Apulia Region) and Lithuania

The analysis between Italy (Apulia Region) and Lithuania, on the implementation of Measure 121, is made on the basis of similarities between the two countries. According to the RDP, Lithuania has about 2956 thousand inhabitants, has a surface of 65,300 km² and 97.4% of the total area of Lithuania is categorized as rural (the remaining areas are urban territories or urban-type settlements) and contains 33.4% of the total population (European Network for Rural Development, 2010a). The Apulia region, located in South-eastern Italy has about 4090 thousand inhabitants and has a surface of 19,540 km². Rural areas account for 93% of the territory and 79% of the rural population. Apulia is the most "agricultural" Italian region, with 83.7% of surface devoted, 6.2% of the regional value added 325,500 farms with 1.3 million ha of Utilized Agricultural Area (UAA). The region is also a leader in certain areas of production (like vineyards and olive trees) and has typical high-quality agri-food products and a landscape with great environmental value (European Network for Rural Development, 2010b).

Some previous studies as group of Lithuanian researchers (Krisciukaitiene, Tamosaitiene and Andrikiene, 2010) indicated by entering to European Union (EU) 2004–2008 Lithuania improved farm self-sufficiency of fixed assets and working capital. This ensured the farm economy and labor productivity growth; however, return on assets and on investment has declined. In this regard, authors such as Alboiu, Kuliesis and Salengaitė (2011) reviewed the implementation of rural development programs in Lithuania and Romania in the context of derived rural development priorities and existing key challenges for agriculture and rural areas and made a comparison of the socio-economic indicators, strengths and weaknesses of the RDPs in the both countries.

Jasinskas and Simanavičienė (2010) stated, that after evaluation of the amount of tenders of 2007–2008, the total sum of support requested and the support amount disbursed in 2008, the best assimilated and the most important means of direction RDP, which increase the competitive ability of farms, are the "Settlement of young farmers" and "Modernization of agricultural demesnes".

The total RDP financial allocation, relative to rural population in Lithuania is only 4.5 times higher of the project financed in Apulia Region (2340 Euros, compared to 521 Euros, Apulia Region's case), of which Measure 121's relative to rural population allocation is 4.6 times higher in Lithuania country (488 Euros compared to 106

Table 1

Indicators characterizing the RDP allocation in Apulia region (Italy) and Lithuania.

No.	Indicator	Italy (Apulia Region)	Lithuania
1	Total financial allocation per capita (rural population) for RDP 2007–2013 (in €)	521	2340
2	Financial allocation for measure 121, per capita (rural population) for RDP 2007–2013 (in €)	106	488

Source: own elaboration

Table 2

The implementation of Measure 121 in Apulia region (Italy) and Lithuania.

No.	Indicator		Italy (Apulia Region)	Lithuania
1	Submitted/collected applications	Number	4565	13,777
		Total Value (thousands in Euros)	412,122	644,626
2	Signed and valid financing contracts for measure 121	Number	4379	12,243
		Total value (thousands in Euros)	389,084	481,455
3	Total payments amount for measure 121	Total value (thousands in Euros)	369,640	456,232
		Absorption rate	95%	94%
4	Average value of payments for measure 121 (thousands in Euros)		88	39

Source: own elaboration

up to table – Euros, Apulia's case). Moreover the difference between two countries of financial allocations per capita is higher in Lithuania this shows a stronger prioritization of Measure 121 pro capita in Lithuania (Table 1).

In the Lithuania, the interest shown by potential beneficiaries, represented by the number of submitted applications in the period of analyzed no. 4379 approved applications, is about 3 times higher of the Apulia Region (4379, compared to 12,243).

The explanation lies in the average values of financed projects, analyzing this indicator in the two countries, so that the average value of a project financed in Apulia Region is 2 times higher than the average value of a project financed in Lithuania (88 thousands in Euros, compared to 39 thousands in Euros). In other words, in Apulia Region were more large projects financed, while in Lithuania were many smaller project financed.

A general comment on the data we have gathered so far is reported in Table 2, in this sense, a very simple descriptive – and preliminary – analysis of the data obtained is proposed it could can say that there is a preference for many smaller projects instead of fewer large projects it is represent one possibility for a more capillary development of rural areas.

5. Discussion and conclusion

The evaluation of the implementation of RDPs is an issue of general interest. More specifically, an interesting scientific and political debate exists nowadays in relation to the observation of whether European expenditure for rural development produces positive results. The comparative analysis of the Rural Development Programme between Italy and Lithuania, focused mainly on Measure 121 of the Axis I, reveals that there are similar aspects in terms of the absorption rate percentage and a greater difference in the average value of payments in both countries. The number of signed contracts for setting up agricultural holdings and farm modernization is also much higher in Lithuania, which opens up a better perspective for this country in terms of the reorganization and modernization of farms. The difference between the average value of the funded project in the two countries might be explained by the preference in Lithuania for setting up a lot of small projects rather than fewer large projects as in Italy, and this could be due to Lithuania's policy of intervention, aimed at financing a large amount of small projects, while in Italy the policy of intervention is designed to finance large projects. One solution to rural welfare issues in Italy (the Apulia region) might be to promote mainly smaller projects in order to increase the number of beneficiaries from EU funds, and thus promote a more homogeneous development of rural areas.

Electronic sources

<http://stats.oecd.org/glossary>
<http://www.nma.lt>

References

- Aivazian, S. (2005). Synthetic indicators of quality of life: Construction and utilization for social-economic management comparative analysis. *Austrian Journal of Statistics*, 34(2), 69–77.
- Alboiu, C., Kuliesis, G., & Salengaitė, D. (2011). The impact of rural development program on agriculture and business/rural development in Lithuania and Romania: a mirror situation. *Agricultural Economics and Rural Development*, 8(1), 77–90.
- Council Regulation (EC) No. 1698 (2005). Support for rural development by the European Agricultural Fund for Rural Development (EAFRD). Official Journal of the European Union. <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32005R1698&from=en>.
- Esposti, R., & Sotte, F. (2013). Evaluating the effectiveness of agricultural and rural policies: An introduction. *European Review of Agricultural Economics*, 40(4), 535–539.
- European Commission (2006). Common monitoring and evaluation framework. *Agriculture and Rural Development*. Retrieved September 2015, from http://ec.europa.eu/agriculture/rurdev/eval/index_en.htm.
- European Network for Rural Development (2010). Rural Development Programme for Puglia 2007–2013. Retrieved November 2015, from <http://enrd.ec.europa.eu/enrd-static/fms/pdf/EB007ED3-CC2C-B128-12E5-C75B484E4926.pdf>.
- European Network for Rural Development (2010). Rural Development Program for Lithuania 2007–2013. Retrieved November 2015, from <http://enrd.ec.europa.eu/enrd-static/fms/pdf/D4B20011-D231-F786-F133-D12FD2C7AAC6.pdf>.
- Eurostat (2012). Rural Development in the European Union - Statistical and Economic Information Report 2012. *European Commission DG for Agriculture and Rural Development*. Retrieved October 2015, from http://ec.europa.eu/agriculture/statistics/rural-development/2012/full-text_en.pdf.
- Eurostat (2013). Rural Development in the European Union - Statistical and Economic Information Report 2013. *European Commission DG for Agriculture and Rural Development*. Retrieved October 2015, from http://ec.europa.eu/agriculture/statistics/rural-development/2013/full-text_en.pdf.
- Jasinskas, E., & Simanavičienė, Ž. (2010). Assimilation of support means “Settlement of young farmers” and “Modernization of agricultural demesnes” and the main mistakes. *Economics & Management*, 15, 80–85.
- Johnston, B. F., & Mellor, J. W. (1961). The role of agriculture in economic development. *American Economic Review*, 51(4), 566–593.
- Kairyte, E., & Meyers, W. H. (2010). Territorial indicators for rural development: targeting lagging areas in Lithuania. *Management theory and Studies for Rural Business and Infrastructure Development*, 20(1) Research Papers.
- Krisciukaitiene, I., Tamosaitiene, A., & Andrikiene, S. (2010). Integrated assessment of productive potential in Lithuanian family farms. *Management Theory and Studies for Rural Business and Infrastructure Development*, 22(3), 87–95.
- Kuznets, S. (1964). Economic growth and the contribution of agriculture: notes for measurement. In C. Eicher, & L. Witt (Eds.), *Agriculture in economic development*. New York: McGraw-Hill.
- Lukesch, R., Schuh, B. (2010). Approaches for assessing the impacts of the rural development programmes in the context of multiple intervening factors. European Evaluation Network for Rural Development. Retrieved March 2010, from <http://enrd.ec.europa.eu/en/networks-and-networking/nrm-self-assessment-tool-kit/looking-beyond-nrm-self-assessment>.
- Mellor, J. W. (2000). Faster more equitable growth: the relation between growth in agriculture and poverty reduction. *Discussion Paper No. 70. Consulting assistance on economic reform II*. Massachusetts: Harvard Institute for International Development.
- Ministry of Agriculture of the Republic of Lithuania (2007). Rural Development Programme for Lithuania 2007–2013.
- Sin, A., & Nowak, C. (2014). Comparative analysis of EAFRD’s measure 121 (“Modernization of agricultural holdings”) implementation in Romania and Poland. *Elsevier Procedia Economics and Finance*, 8, 678–682.