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# Adoption of rural development policies in rural areas of Italy: Between family and farm strategy<sup>1</sup>

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#### **Abstract**

The aim of the paper is the analysis of the "consumption" of rural development policies by family farms. The underlying hypothesis is that family farm's characteristics influence the consumption of rural development policies. Therefore, a relevant aspect to be examined concerns family size, localization in life cycle, and the presence of assistants within the family farms. The results of our analysis permit to emphasize the importance of family context in the access to Rdp and the relevance of the family assistants on farm's propensity to get funded.

**Keywords:** Family farms business, Rural Development Policy, Measure of investment, Rural areas.

# 1. Introduction

This paper is centered around family farms in rural areas and around their capabilities of getting funded by Rural development policies (Rdp). According to the definition provided by FAO (2013) family farms is an agricultural holding which is managed and operated by a household and where farm labour is largely supplied by that household. Family farms may be labelled as the backbone of the European agriculture (Crowley, 2013); as a consequence, recent rural development policies are specifically targeted to this special type of business, characterised by the strict overlapping between the productive and reproductive sphere (Errington and Gasson, 1993). Reproductive role includes domestic labour on the farm on behalf of the family, while productive work concerns business activities (Bouquet, 1982; Errington, Gasson, 1993). Reproductive role is essentially charged to women, which sometimes provides them with a role of invisible farmers (Riley, 2009).

As recently underlined by Davidova and Thomson (2014) family farmers have been the main target group for policy support in the framework of the European Union (EU) Common Agricultural Policy (CAP) policies. On the other side, not all family farms have demonstrated high aptitude to access Rdp; as pointed out by Hennessy (2014, 13), the challenges differ depending on farm size, location and family structure, thus making

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policy design to support family farming difficult. To take into account this complexity, the unit of analysis of our paper is the family farm business, with the purpose to analyze the adoption of Rdp on behalf of family farms and eventual discrepancies in the access to rural policies, based on demographic, economic and territorial variables. The underlying hypothesis is that family farm's characteristics influence the consumption of rural development policies.

Family farms need more study. Even though recent literature has deeply recognized the relevance of family farm in the European agriculture, by analysing different aspects of the family farming (Keating, Little, 1997; Pesquin et al., 1999; Kammerlander et al., 2015, Goel, Jones, 2016), there is big room for improvement (Suess-Reyes, Fuetsch, 2016), few researches have provided an articulated analysis where demographic variables are clearly explicated. Moreover, adoption of rural development policy is a not deeply explored field of research, in terms of variables affecting the strategic decision to apply for getting funded by Rdp. Consequently, this paper tries to fill a gap in literature by emphasising the importance of family composition and localisation in the life cycle in accessing Rdp. Staring from this perspective, policy implications can be drawn, in terms of higher level of articulation in the provision of rural policies, which should consider family more demographic variables.

By putting forward a family farm business perspective, we support the idea that any boundary between productive and reproductive work in the farm household is artificial and condition farm strategy and aptitude to invest. That means the analysis of access to Rdp on behalf of family farms involves the analysis of a collective decision-making process. Therefore, a relevant aspect to be examined concerns family size, localization in life cycle and perspective of generational renewal.

Within the institutional setting provided by the European Common Agricultural Policy a family farm business may rely on a diversified set of strategies (portfolio strategies): differentiation of agricultural products, diversification of farming activity into non-farming activities, along either a supply chain or a territorial strategy. Investments are necessary to maintain farm's profitability and its persistence over time. In order to cope with an even more competitive scenario and to grant family farm's resilience, a mix of strategies has to be carried out (Darkhoner, 2010).

From a methodological point of view, the paper tries to match two different statistical sources, the Italian census of agriculture and a regional database containing information on the adoption of rural development policies in the region Lazio (Italy). The most relevant part of Italian agriculture is made up of family farms; the choice of region Lazio is supported by the availability of a dataset containing all information about access to Rdp in the programming period 2007-2013.

This attempt may be considered as innovative, due to the lack of numerous studies in literature on this topic. By crossing the two statistical databases we will try to excavate the socioeconomic characteristics of farms consuming/not consuming rural policies and, as a consequence, we will discover possible cases of policy failures.

The paper is structured as follows. In the next section dedicated to theoretical background, diversity of family farming is analysed with specific reference to the need for tailored agricultural and rural policy. In the methodological section, we put forwards a method for classifying family farms and the empirical tools to test adoption of Rdp. Particular emphasis will be given to either the composition of family farms, life cycle and farm's territorial localization. The final section, offers some concluding comments.

# 2. Theoretical background

When analyzing family farm business variability has to be considered, in account of the profound diversities among family farm business (Offutt, 2002). Nonetheless, a common traits of family farming is attributable to the high capability of persistency, thanks to innate attitudes towards entrepreneurship (Jervell, 2011) and to Ben-Porath's F-connection (family, friend, firm) bringing about lower levels of transaction costs and a higher aptitude to adapt (Ben Porath, 1980; Pollack, 1985). Family farms have characterised the European landscape for decades. The relevance of family farms at European level (family farms incidence reaches 95% of total European farms) has fostered tailored policies within the framework of the Common Agricultural Policy (CAP) policies. For example, a set of measures is addressed to stimulate generational renewal, income support, farm diversification, quality certification schemes (Davidova, Thomson, 2014). At the beginning of the new programming phase for 2014-2020, new opportunities for farms have been provided, in order to encourage farm's development. The capability to exploit these opportunities may be considered as a question of entrepreneurial capability, in that the access to investment measures involves entrepreneurial skills of farmers (Rudmann, Vesala and Jackel, 2008).

Against this background, if and how family farms gain access to Rdp is of overriding importance, even though literature has not devoted enough attention to this topic. In many cases paths of consumption are conditioned by sociodemographic factors and convey the crossing over problem typical of the family farm business. In this respect, following hypothesis need to be clarified. First hypothesis is that family composition and localisation in the life cycle may influence the strategic choice of adopting Rdp. In many cases, decision on either access or not to Rdp may be the exit of a collective entrepreneurial behaviours being it affected by all family members. Role of rural policies on family farming has been deeply analysed in recent literature (among others, Mathews, 2013). Davidova and Thomson (2014) underline how Rdp are specifically targeted towards family farming within. On the other side, the complexity of family farm, in account of different composition and different life cycles need to be further investigated. Moreover, the eventual presence of family assistants (either prevailingly employed or not in the farm) may envisage a collective decision-making process which affects the adoption of Rdp.

A second hypothesis to be tested is the territorial discriminant that is the possibility of a differentiated access on behalf of family farms in various rural areas. According to Hennessy (2016, 23), *II pillar of the CAP is specifically targeted to enhance opportunities for family farms*. Measures either for farm diversification or for boosting producers' organizations, quality products and a sustainable agriculture are relevant interventions to directly support family farm strategies. Moreover, rural policies may indirectly affect family farms, by providing rural areas with services to improve quality of life in rural areas. As far as territorial aspects are concerned, recently, De Rosa and McElwee (2015) raise a problem of coherence in adopting rural development policies: on the one hand, Rdp are provided for stimulating rural development above all in remote rural areas, hence addressing different paths of rural development. On the other hand, similar paths of consumption of rural development have been found out in their paper. On the contrary, the hypothesis is that remote rural areas are targeted with financial tools aiming at territorial integrated strategies, whereas, areas with intensive agriculture should be sup-

ported within supply chain strategies. In this respect, it is claimed that high (indirect) barriers may hamper high levels of access to Rdp on behalf of smallest family farms, in account of financial constraints, lack of capability in the application, informational asymmetries (Davidova et al., 2013). Finally, possible barriers to Rdp may be related to farms' economic dimension, in that the probability to apply for Rdp may be reduced in cases of farm's low economic dimension. As a matter of fact, recent researches underline how farms' structural characteristics may become discriminant variables in accessing rural policies: consequently, smallest farms are at risk of exclusion from the opportunities provided by Rdp (Davidova et al., 2013; Henke, 2007) to carry out their survivor strategies (Meert et al., 2005).

According to us previous researches on these topics have the great merit to have shed a light on the role of Rdp in supporting family farm business. Nonetheless, more rigorous analyses are required to take into the appropriate account the complexity of family farm business and, accordingly, the complexity of decision-making in family farms with reference to the application for rural policies. Consequently, even though family farm business has been deeply explored in literature, few analyses have been conducted on the consumption of Rdp, by discriminating life cycle of family farms, family composition and the role of assistants and farm's territorial localization. This paper tries to fill this gap in literature by providing an analysis of the access to Rdp on the basis of family composition and localisation in the life cycle. The relevance of this analysis must be framed within recent contractual approaches typifying the EU supply of rural policies, where a principal (EU) provides policies to the agent (farmers) in order to promote either supply chain strategies or integrated territorial strategies (De Rosa, McElwee, 2015, 5). Following research questions arise: what if the agent is a family farm? Which differences may be found in the access to Rdp between different typologies of family farms? Finally, territorial localisation my affect family farm decision making concerning types of measures to be consumed?

# 3. Materials and method

In this paper we define as "consumption of policy" the farmer's ability to obtain funds from rural development policies. Family farms are the object of our analysis. In line with the theoretical hypothesis, in order to take into account the family farm business perspective, in that a collective (family) entrepreneurship is at stake, demographic variables are crucial. Recent analyses based on official statistical data have provided little relevance to the demographic dimension, by synthesising it through the age of the farmer and/or to the incidence of family labour in farming activity (Davidova, Thomson, 2014). This paper tries to put forwards a methodology which appropriately considers family aspects. Following methodological steps mark out the analysis. The first one concerns a socio-demographic classification of family farms taking into account farm activity and the composition of family work: key-elements of the classification are family composition, its localization in the life cycle and the emphasis on the role of farm's assistants either exclusively employed within the farm (p/e: prevalent or exclusive) or not (np: not prevalent). This is a novelty in the analysis of family farms: the role of farmer's assistant has not yet been explored in recent literature. On the other side, the perspective of a collective (family-based) entrepreneurial process let the contribution of all family members to emerge. By considering the assistants either mainly or not employed in the farm we think a step forward in literature is possible, to fully comprehend the complex decision-making process emerging within a family farm.

As far as the family cycle is concerned the age of reference is 40 years, because it is the threshold to gain access to rural development policies for generational change. Following table illustrates the structure of the family farms, according to their life cycle.

Young farmer and a not young	Mature farmer and a young	Older farmer and a young
assistant (Y+not Y ass.)	assistant $(M + Y ass.)$	assistant $(O + Y ass.)$
• p/e	• p/e	• p/e
• np	• np	• np
Young farmers with other	Mature farmers with other	Older farmers with other
(assistant may be young or	(assistant may be old, mature	(assistant may be mature, old
may be not)	or may be not)	or may be not)
(Y + other)	(M + other)	(O + other)

**Tab. 1 -** Family farm typology

The second methodological step tries to link family types and access to Rdp, by focusing attention on the consumption of rural development policies in the region of Lazio (Italy). The measures under observation belongs to the three main axes of regional rural program for the last programming period 2007-2013:

- 1. competitiveness of the agricultural sector;
- 2. environment and landscape;
- 3. quality of life and diversification in rural areas.

Our analysis concerns the first and the third axes, including measures of investments, through which an authentic entrepreneurial activity is realized. As a matter of fact, the second pillar of the CAP provides for multiannual support to family farms by delivering different types of measures articulated on four axes. Second axis includes surface measures, which offer annual allowances based on farmers' commitments to adopt sustainable agricultural models. In this case, farmers are subsidized for lacking revenues, due to their commitments. Axes I and III comprehend investments measures, aiming at sustaining territorial development. As far as third axis is concerned, only measure 311, supporting on-farm diversification strategies, have been taken into account. Differently from the previous types of measures, investment measures are strictly linked to an entrepreneurial activity, which foresees risk-taking.

A matching procedure between the regional database and the national census of agriculture has been carried out, by making reference to the fiscal code of the farm. This lets the composition of the funded family farm to emerge.

Information and data are downloaded from the database of region Lazio: more precisely, funded farms are linked to farms from the data warehouse of the last census of Italian agriculture, in order to classify them on the basis of family composition. Therefore, three main aspects have been investigated:

- demographic aspects that is the incidence of family composition on the consumption of Rdp;
- territorial aspects: information concerning number of applications and funds obtained

have been gathered and articulated on the basis of family types and farm's territorial localization according to the national strategic plan which distinguishes following homogeneous areas: A) urban poles, B) areas with intensive and specialized agriculture, C) intermediate rural areas, D) rural marginal areas. Previous areas have been identified in the policy framework of the EU as homogeneous areas characterised by different points of strength and weakness to target tailored typologies of measures (Mathews, 2007). For example, measures of the third axis are specifically targeted for intermediate and marginal rural areas, in order to trigger diversification of agriculture into farming and not farming activities.

• economic aspects, that is the eventual relevance of the economic dimension of the farm (expressed by the standard output) in gaining access to Rdp.

# 4. Results

Table 2 shows the results of our analysis, as consequence of the match between regional database and the national census of the agriculture 2010. Table articulates the results on the basis of family composition, consumed measures per axis and type of rural area. On the whole 2.368 farms gained access to rural development policies for the period 2007-2013, 2.41% of the amount of farms located in the region Lazio. Therefore, a very small percentage of farms succeed in getting funded.

The results are articulated on the basis of either demographic profiles or type of consumed measure and standard output of applying farms.

As far as demographic profile is concerned, the majority of funded farms are located in the younger and mature phases of life cycle. Almost 54% are young farmers with various assistants, while 42% are mature families. As expected, elderly family farms evidence a reduced propensity (4%) to adopt rural policies for farm investments. Another reflection is inspired by the higher access to policies on behalf of "other" types of farms, with double percentage in the younger phases of life cycle, and triple in the mature and older phases. However, by observing the average contribution obtained in each typology of farms (tab.2b), the relevance of family farms with young helpers emerges, which doubles in the elderly phases of life cycle.

As far as types of rural areas are concerned (tab.2c), intermediate rural areas and area with intensive agriculture attract the highest share of funds (respectively, 56.8% and 21.9%), while rural marginal areas and, above all urban areas retain lower percentages of funds. By crossing demographic and territorial variables, an interesting element regards the relevance of younger farmers applying in rural marginal areas, where the percentage of application in young farms rises up to 64%. This is an important result in terms of generational renewal in difficult areas. As far as type of measure adopted and Rdp area are concerned, measures of the first axis are privileged, while access to measure for farm diversification (third axis) are not so much consumed.

In order to test eventual association among the previous variables, a chi-squared test has been put forward. Results are illustrated in table 3.

The analysis of contingencies (table 4) provides useful insights related to the propensity to consume measures on the basis of the territorial location of the farms: as a matter of fact, a clear "attraction" between farms in rural areas (both intermediate and marginal) and measure of the third axis emerges. Consequently, "coherent" strategies of

**Tab. 2** – Distribution of farms getting funded

	Y + not Y	Y + other	M + Y	M +	O + Y ass.	0+	Total
	ass.		ass.	other		other	
Tab. 2a - Family type - FARMS							
A + axis 1	30	78	18	78	2	7	213
A + axis 3	•		1	1	•		2
B + axis 1 and 3	5	4	1	5		1	16
B + axis 1	88	190	52	137	5	10	482
B + axis 3	5	2	2	12	•		21
C + axis 1 and 3	28	34	7	19	•		88
C + axis 1	238	375	123	396	6	56	1.194
C + axis 3	5	14	9	30		5	63
D + axis 1 and 3	3	11	3	5			22
D + axis 1	57	102	17	70	1	3	250
D + axis 3	1	4	2	8	•	2	17
Total	460	814	235	761	14	84	2.368
<b>Tab. 2b</b> - Family	type - AVEI	RAGE CON	TRIBUTIO	N			
A + axis 1	98.199	97.695	98.117	56.308	136.079	3.163	79.900
A + axis 3		•	53.618	132.338	•		92.978
B + axis 1 and 3	174.814	204.817	69.103	369.136	•	378.454	249.161
B + axis 1	73.334	83.088	70.793	60.483	190.310	128.040	75.601
B + axis 3	113.845	84.563	103.724	70.831	•		85.513
C + axis 1 and 3	212.535	169.327	131.389	164.634	•		179.044
C + axis 1	83.661	70.460	49.783	41.870	40.346	36.550	59.737
C + axis 3	153.486	96.491	77.814	89.250	•	124.880	97.151
D + axis 1 and 3	122.131	182.846	172.346	170.166	•		170.253
D + axis 1	79.316	90.283	73.115	36.271	43.528	949	70.233
D + axis 3	84.013	99.299	55.665	102.413	•	107.936	95.748
Total	92.269	85.434	65.499	55.323	107.808	54.416	74.139
Tab. 2c - Family	Tab. 2c - Family type – TERRITORIAL DISTRIBUTION (%)						
A	6,52	9,58	8,09	10,38	14,29	8,33	0,76
В	21,30	24,08	23,40	20,24	35,71	13,10	21,92
C	58,91	51,97	59,15	58,48	42,86	72,62	56,80
D	13,26	14,37	9,36	10,91	7,14	5,95	12,20

Source: data processed by the Italian census of agriculture and database of region Lazio

Tab. 3 – Chi-squared test

	DF	Value	Prob
$\chi^2$	8	33,77	<.0001

adoption of Rdp emerge: as a matter of fact, measures for farm diversification are targeted towards farm of both intermediate and marginal rural areas. These territories are characterised by objectives constraints bringing about higher costs of production. Moreover, lack of other basic services (infrastructure, social services, like health and education) implies a reduced territorial attractiveness which may trigger a vicious circle of underdevelopment (OECD, 2006). Thus, possible strategies to escape price-costs squeeze (van der Ploeg, Marsden, 2008) are strictly linked to diversification of farming activities.

The family perspective may add further insights: actually, as far as demographic variables are concerned, a certain association between the youngest phases of the life cycle and the propensity to invest on both farm structural adjustment and farm diversification is evident. More precisely, differently from mature and old phases of life cycle, the youngest generation demonstrate an entrepreneurial propensity to adopt paths of either structural adjustment, or product differentiation and diversification of farming activities. The time span lets the young entrepreneur to plan long term investments: these plans are based on both sectoral strategies (with the purpose of strengthen farm structure, qualify agricultural products, etc.) and territorial strategies (developing agritourist activities in particularly attractive rural contexts).

Mature families seem to privilege diversification into not farming activities, with the aim of adopting strategies of income diversification aiming at risk reduction. Elderly families evidence preferences towards "traditional" measures of investments aiming at stimulating farm competitiveness. In many cases the adoption of measures of the first axis seems set within a framework of action characterised by path dependency schemes in the adoption of rural policies. As pointed out by McElwee and Smith (2014, 319), when defining as 'constrained entrepreneurship' these paths of policy adoption, poor and inconsistent advice prevents many farmers from attempting to expand their business.

Tab.	4 -	Contingenci	es

4a rural areas	axis 1	axis 3	axis 1+3
A	18,79	-7,35	-11,44
В	13,19	-1,57	-11,62
C	-20,93	4,50	16,43
D	-11,05	4,43	6,62
4b type of family	axis 1	axis 3	axis 1+3
Y + not Y	-2,5	-9,0	11,5
Y + other	9,7	-15,4	5,7
M+Y	-2,3	3,8	-1,5
M + other	-6,4	17,9	-11,5
O + Y	1,4	-0,6	-0,7
O + other	0,1	3,3	-3,5

A final element of reflection regards an economic discriminant, concerning farms' economic dimension and access to Rdp. Table 5 points out the differences among farms by relating standard output to farm with no application to Rdp. As a matter of fact, table points out relevant differences between economic dimensions of farms without applica-

tion to Rdp and farms applying to policies, divided into farms with rejected or not application. From the table a systematic higher level of standard output characterizes farms with consumption of Rdp, which rises up in cases of farms with application and accepted investment projects (table 5b). On the whole, significant differences mark rural areas with complex problem of development and mature/elderly phases of life cycle. Physical and economic dimension matter and affect access to Rdp, so raising the theme of the barriers to Rdp for the smallest family farms. Actually, this empirical evidence is not without consequences in terms of small and semi-subsistence farms. As a matter of fact, recent literature has underlined how despite a wide range of measures potentially useful to support small family farms, "the critical issue is that such use in a targeted, tailored or explicitly designed way appears relatively rare, such that it falls considerably short of constituting an adequate policy response in most countries and regions where these farms predominate" (Davidova et al., 2013, 73).

*Tab.* 5 – Average standard output in relation to farm with or without application to Rdp

5a - Farms with rejected application						
	Rural areas					
Family type	A	В	C	D	Total	
Y + not Y	105,25	205,53	289,26	188,03	205,65	
Y + other	275,13	137,32	716,15	210,24	320,97	
M+Y	182,96	260,36	657,33	661,32	433,03	
M + other	377,06	385,33	382,31	347,23	368,69	
O + Y	474,48	1238,92	364,92	1338,64	438,36	
O + other	1699,78	339,71	768,49	271,68	804,26	
Total	502,07	342,98	637,02	410,74	493,98	
5b - Farms with a	ccepted applic	cation				
	A	В	C	D	Total	
Y + not Y	213,16	229,48	472,35	329,77	315,41	
Y + other	342,63	231,68	462,97	289,37	316,42	
M+Y	1103,25	489,63	666,43	519,19	662,53	
M + other	767,93	745,21	932,74	1507,52	896,87	
O + Y	7411,08	1762,97	771,02	448,17	3009,93	
O + other	810,65	1107,95	1001,98	340,11	974,36	
Total	933,52	600,81	878,82	914,58	808,30	

Source: data processed from the Italian census of agriculture

## 5. Conclusions

The role of the Common agricultural policy in nurturing family farm's resiliency has been deeply underlined in recent literature (Koutsou, 2011; Davidova, Thomson, 2014). Nonetheless, a set of factors, generally labelled as transaction costs of policy adoption, brings about a low access with respect to the potential demand. This paper has tried to emphasize how some key aspects may condition the consumption of policy. Three discriminants, territorial, demographic and economic, emerge:

- as far as territorial variables are concerned, the prevalence of some areas seems evident in terms of both average perceived contribution and percentage of adoption; rural marginal areas, for example, get low shares of funds, despite marginal rural areas need significant investments to revitalize farms and rural territories. Nonetheless, the good percentage of young farmers applying for rural policies may be an encouraging signal. As underlined in previous studies, the presence of young entrepreneurs may facilitate more coherent paths of farm's development in rural contexts (De Rosa, McElwee, 2015).
- 2. demographic variables involve the life cycle of the family farm business and, as our analysis discriminates between younger and elderly phases. This is not a novelty in literature, but, as our analysis demonstrates, the consideration of the role of assistants may provide further elements of evaluation by enlightening the relevance of the young assistants in performing access to Rdp. Even though the presence of other assistants in the farm raises the probability to be funded in a relatively higher number of farms, the presence of younger assistants provide farms with higher amounts of funds. Thus, a younger assistant provides farms higher strategic skills to plan farm development and, consequently, to obtain high funds to trigger farm's growth. This respect has relevant policy implication, in that rural development policies should provide funds not only for generational renewal, but also to support the permanence of younger actors in the farm, even not as owner. This gap has been filled in the actual provision of rural policies for the programming period 2014-2020. As a matter of fact, some measures for farm growth and farm diversification indicate family assistants as potential beneficiaries of the support. Through that specification, higher probability to keep as many familiars as possible in the farm emerges.
- 3. finally, an economic barrier seems to filter the access to rural policies with farms with high standard output getting funded. Joint to informational asymmetries and other barriers may impede a full exploitation of policy opportunities by small and semisubsistence family farms (Davidova et al., 2013). This casts some doubts on the aptitude of Rdp to add up and targeting funds in a "democratic" way, so letting problems of result paradox to emerge: the less you need, the more you get (Bartoli, De Rosa, 2011). Furthermore, it is claimed that indirect barriers to rural policy may negatively affect small family farms, abovce all in rural areas marked by the lack of infrastructure and basic services for families (Hennessy, 2016).

To conclude, the analysis of adoption of rural policies should be carried out within a complex and articulated perspective endogenizing either territorial, or economic or demographic variables, whose relevance should be taken into account at political level. From a normative point of view, family farms need rural policy to grant farm's resiliency. This is particularly urgent at the beginning of the new programming period for rural development 2014-2020: the hope is that an even larger share of recipient may consume rural policies, then bringing about development of both farms and rural areas. The results presented in our empirical analysis, even with the limits of a regional analysis (region Lazio in Italy), enlighten the enormous difficulties of access to Rdp: the very small percentage of beneficiaries cast relevant doubts on the capability to fund agricultural sector. High transaction costs in the "market" of policy provision are well known in literature (Falconer, 2000; Coggan et al., 2010) and 'simplification' seems to be the

key word of the actual programming period. However, lot of work remains to do to foster a good turnout of beneficiaries of rural policy.

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