Conference Proceedings „Innovative development of agricultural business and rural areas“, 2 – 3.10.2025, Sofia
DOI: https://doi.org/10.37075/idara.2025.06

MECHANISMS AND INTERVENTIONS FOR SUSTAINABLE AND COMPETITIVE AGRICULTURE IN IMPLEMENTATION OF THE OBJECTIVES OF THE NEW CAP 2023–2027 – INSTITUTIONAL SUPPORT AND STRATEGIC PRIORITIES

TURLAKOVA, TEODORINA[1]
GEORGIEV, YORDAN[2]

Abstract
This study examines the European Union's Common Agricultural Policy (CAP) for 2023–2027 through the lens of institutional theory, emphasizing its role as an integrative mechanism balancing economic, social, and environmental objectives. The report aims to explore the new CAP 2023–2027 as a form of institutional support for the construction of strategies, mechanisms, and interventions, as well as their expected influence on agricultural holdings. The reformed CAP focuses on four strategic objectives: (1) promoting sustainable and climate-neutral agriculture; (2) providing fairer and more targeted support for small and medium-sized farms; (3) enhancing Member States' flexibility in policy implementation; and (4) introducing performance-based monitoring and evaluation systems.
Empirical analysis, particularly from Bulgaria, shows significant structural changes in agriculture, including a sharp decline in small farms and agricultural employment, alongside increased land concentration and mechanization. While CAP has fostered modernization and competitiveness, subsidy distribution remains unequal, with about 20% of farms receiving 80% of support. This highlights challenges related to social equity, economic efficiency, and sectoral sustainability. The data also emphasize the need to align institutional frameworks with tangible farm-level outcomes to ensure policy objectives translate into measurable practices.
Institutional analysis identifies three dimensions of CAP: regulatory, normative, and cultural-cognitive. The regulatory dimension is expressed through binding legal requirements, the normative through principles of solidarity, fairness, and sustainability, and the cultural-cognitive through the development of new environmental attitudes among farmers. Nonetheless, excessive administrative burden, procedural complexity, and dependency on subsidies limit overall effectiveness.
The study concludes that CAP 2023–2027 represents a key step toward sustainable governance of European agriculture and rural areas. Its transformative potential depends on the EU's capacity to overcome systemic inequalities, reduce bureaucracy, and achieve measurable ecological outcomes. Long-term success requires a balanced integration of economic efficiency, social equity, and environmental responsibility within a unified strategic framework, ensuring that institutional mechanisms generate tangible results at the farm level.

Keywords: CAP, institutional theory, sustainable agriculture, structural change
JEL: Q10, Q14

[1] Prof., PhD, University of Economics–Varna, Department of Agricultural Economics, Bulgaria, tturlakova@ue-varna.bg
[2] PhD student, University of Economics–Varna, Department of Agricultural Economics, Bulgaria, jor_dan@abv.bg

Introduction

The general agricultural The Common Agricultural Policy (CAP) of the European Union is one of the oldest and at the same time the most important policies of European integration. It emerged in 1962, in the context of the need to guarantee food security in Europe, and over the years has grown into a multi-layered instrument that regulates, supports and guides the development of agriculture in the Member States. Nowadays, the CAP is not only an economic mechanism, but also a strategic instrument for sustainable development, climate adaptation, social cohesion and territorial balance.
The report puts himself for goal yes explores the role on the new CAP 2023–2027 as a form of institutional support for the construction on strategy , mechanisms and interventions and the expected their influence on agricultural farms. They use as theoretical productions related to the role on institutions in the economic development , and empirical data reflecting the results from the application on politics .

Institutional support and CAP

The institutional theory examines institutions as key factors for economic and social development. According to North (1990), institutions are the "rules of the game" in a society – they shape the incentives of economic agents, reduce transaction costs and create predictability. Scott (2008) considers institutions through three pillars – regulatory, normative and cultural-cognitive. In this sense, institutional support is a set of formalized mechanisms, social norms and shared beliefs that guide development in a certain direction. Applied to the CAP, institutional support is manifested through the system of subsidies, environmental standards, market mechanisms and social commitments. This policy is an example of how Member States transfer part of their sovereign rights to a supranational level in order to build a common framework for agricultural development. DiMaggio and Powell (1983) introduced the concept of institutional isomorphism, according to which organizations adopt similar practices and structures under the pressure of the institutional environment. The CAP is a clear example of such a process, as the agricultural policies of individual Member States gradually become uniform, following the common rules and priorities of the EU.
From the creation The CAP has gone through several stages of reform. In the 1960s and 1970s, the focus was on ensuring high productivity and food independence. This was achieved through price support and guaranteed markets. In the 1980s, the first criticisms began – overproduction, high costs and inefficiency. In response, a reform was introduced in 1992, replacing price support with direct payments linked to production. In the conclusion on The European agreements since 1993 the EU has fears that Eastern European manufacturers are very competitive and their products will conquer big market share for account on the less competitive Western European farmers . Because of this at the beginning on pre-accession EU process provides restrictions on liberalization on trade, excluding the full dropping out on customs (like on trade with industrial goods).
However, in 2000 Eastern European agricultural competitiveness is already another and the positions on the negotiators countries is turn. Then The European commission offers negotiations for mutual removal on customs duties within on certain quotas, and the

Bulgarian country reluctantly accepts this agreement . The reason for the root change in positions on both countries is the changed competitiveness ratio on their agricultural sectors . Research on The European commission since 2000 shows trend on gradually convergence , and in some cases and excess on production prices in our country with those in the EU. This is a significant change from the environment in the 90s , when the prices on Bulgarian production are significantly lower from those in the EU.
In 2003, a key turning point occurred – the so-called "decoupling" was introduced, in which direct payments no longer depend on the specific production, but are tied to compliance with environmental protection, quality and food safety standards. In the period after 2013, the CAP places a stronger emphasis on sustainable development, climate and biodiversity. After the 2013 CAP reform, the objectives were merged into one large one – "viable food production" and added to them:

- Sustainable management of natural resources and actions to reduce the impact of agriculture on climate change;
- Balanced development of rural areas, through rural development, population retention, improving economic prospects and combating poverty in them are major challenges facing European countries and Bulgaria in particular.

These changes clear demonstrate how institutional support adapts to new societal priorities and external challenges.

General characteristic and strategic goals of the CAP 2023–2027

The mission of the new CAP is to be a fairer, greener and more performance-based policy, contributing to:

- Increase on the contribution of agriculture to achieve the EU's environmental and climate objectives – defined as GOAL 1;
- Provision on more targeted support for small farms – defined as GOAL 2;
- Bigger flexibility on Member States to adapt measures to local conditions – GOAL 3;
- Introduction on system for reporting allowing assessment of the effect of the policy on the agricultural sector. The system is intended to use indices for reporting, part of which are the product indices and the result indices – GOAL 4.

The choice of a mission for the period 2023 – 2027 stems from the following considerations:

- The Union must promote the development of a modern, competitive, sustainable and diversified agricultural sector that benefits from high-quality production and resource efficiency and that guarantees long-term food security as part of a competitive and productive food sector, while protecting the family farming model.
- In order to support the generation of sufficiently reliable agricultural income and to contribute to the sustainability of the agricultural sector across the Union with a view to enhancing long-term food security, it is necessary to improve the position of farmers in the value chain, in particular by promoting forms of cooperation that include and benefit farmers, as well as by promoting short supply chains and improving market transparency.

- In order to promote the development of socially sustainable agriculture by raising awareness among beneficiaries of CAP support of employment and social standards, a new mechanism should be introduced to integrate social concerns.
- In order to achieve effectiveness in its mission, the CAP sets several main goals that together and individually contribute to its achievement.
- To achieve GOAL 1: Environment and Climate :
- The contribution of agriculture to the environment and climate should be consistent with the assumption that Europe aims to be the first climate-neutral continent by 2050 and to preserve its nature and biodiversity, while strengthening the competitiveness of European industry by transforming it into a modern and resource-efficient economy, the Commission has developed, as set out in the European Green Deal, better known as the Green Deal. To achieve the goals of the Green Deal, agriculture should reduce its emissions by 25%.
- The European Commission is also proposing a new approach for a sustainable blue economy in the EU, targeting sectors related to oceans, seas and coastal areas. A sustainable blue economy is essential to achieve the objectives of the European Green Deal and to ensure a green and inclusive recovery from the pandemic. The transition to a sustainable blue economy requires investment in innovative technologies. Wave and tidal energy, algae production, the development of innovative fishing gear and the restoration of marine ecosystems will create new green jobs and businesses in the blue economy.

Mechanisms for achieving objective 1:

1. Member States shall include in their CAP Strategic Plans a system of ex ante conditionalities under which farmers and other beneficiaries receiving direct payments under Chapter II or annual payments under Articles 70, 71 and 72 (REGULATION (EU) 2021/2115 of 2 December 2021) shall be subject to an administrative penalty if they do not comply with the statutory management requirements under Union law and the GAEC (good agricultural and environmental condition) standards set out in the CAP Strategic Plan.
2. Part of the interventions that Member States should plan in their Strategic Plans should be aimed at contributing to climate change mitigation and adaptation, including by reducing greenhouse gas emissions and increasing carbon capture, as well as promoting sustainable energy.
3. Another part of the interventions set out in the Strategic Plans should continue to be notified as "green box" support, which has no or minimal trade-distorting effects or impact on production, in order to ensure that the Union can comply with its international obligations regarding national support, as defined in the World Trade Organisation (WTO) Agreement on Agriculture, certain types of interventions.

To achieve GOAL II: More targeted support

- Small farms remain a key element of Union agriculture, as they play a vital role in supporting employment in rural areas and contribute to territorial development. In order to promote a more balanced distribution of support and reduce the administrative burden for beneficiaries of small amounts, Member States should have the possibility to plan a specific intervention for small farmers to replace other

interventions in the form of direct payments. In order to ensure better targeting of support, it should be possible to differentiate the payment. In order to allow small farmers to choose the system that best suits their needs, farmers' participation in the intervention should be optional.

- To ensure that the future CAP will be fairer and that very small, small and medium-sized farmers will receive the support they need, Bulgaria has carried out a comprehensive study of the structure of agricultural holdings in the individual production sectors.
- This data was used in programming the interventions to be implemented so that they are properly targeted at the economic and social sustainability of small and medium-sized farms.

Mechanisms to achieve objective 2: Planning interventions targeting the most vulnerable producers and Determining the structure of agricultural holdings

The following indicators were used to implement the mechanisms:

- Utilized agricultural area (UAA);
- Amount of work involved;
- Economic size of the farm;
- Market orientation of farms.

The most characteristic indicator in determining the size of farms is the utilized agricultural area (UAA). The total area of the farm consists of the utilized agricultural area occupied by arable land, permanent pastures, areas occupied by permanent crops, and gardens for personal use, regardless of the type of land ownership and other land (unused agricultural land, forested land, and other land) (MAFG, 2021). According to the Law on the Census of Agricultural Holdings in Bulgaria in 2020, the census covers all agricultural holdings that cultivate (manage) at least 0.5 hectares of utilized agricultural area. For the purposes of this study, the lower threshold of agricultural holdings under the UAA indicator starts from 0.5 ha (NSI, 2020).

According to preliminary data from the 2020 census, the number of farms with a UAA of less than 10 ha has significantly decreased compared to 2010. The largest decrease (80%) is in farms with a UAA of up to 1 ha. About 9% of farms (with 50 ha or more UAA) manage 85% of the UAA, and their number has increased by 28% compared to the 2010 census (MAFG, 2021). The largest average farm size is in Pleven district with an average size of just over 119 ha, followed by farms in Varna, Vratsa, and Veliko Tarnovo, while the smallest are in Smolyan and Kardzhali, where many farmers have a small UAA (MAFG, 2021).

When examining the sector by UAA indicator at the regional level, data for the fruit and vegetable sectors should be analyzed separately due to cultivation specifics and farm structure (MAFG, 2021). According to data from the 2019 campaign, the largest concentration of agricultural holdings with over 0.5 ha of UAA in the fruit and vegetable sector is observed in Plovdiv district, determined by soil and climatic conditions (MAFG, 2021).

An exception is observed in bee colonies and buffaloes, which show a constant trend of increase, while other categories of animals report a decrease or stable levels. The number of goats decreased drastically from 856,864 in 2003 to 244,467 in 2020, a decrease of over 70%, and pigs decreased from 1,278,933 in 2003 to 641,946 in 2020 (NSI, 2020). As a

result of CAP support, the number of buffaloes significantly increased by 118% over the last ten years (European Commission, 2021).

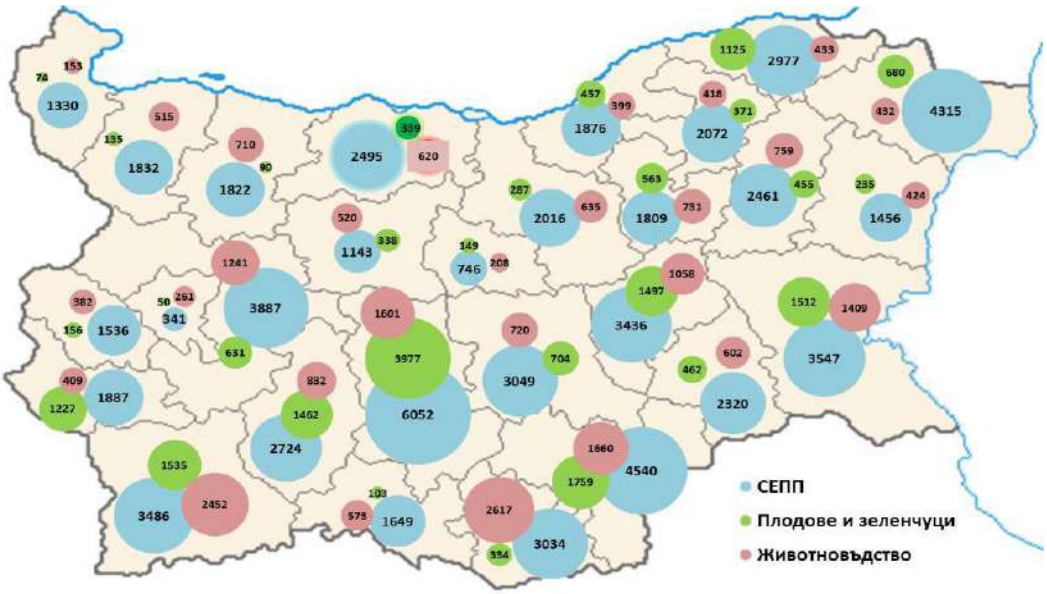

Figure 1: Distribution of agricultural holdings by territory according to IACS data for campaign 2019

Source: Structure of agricultural holdings in Bulgaria – MAFG 2021

The indicator "*labour input"* is used to measure the size of agricultural holdings and to classify them. Labour input on agricultural holdings is measured by counting the number of annual work units (AWU). Their number is available in the FSS database as a full-time equivalent for each person working on the holding. By applying this criterion at farm level in the EU, the lower threshold is set at 0.5 AWU, taking into account the entire workforce directly employed on the holding.

The analyses show that the number of employed in the agricultural sector has registered drastic changes. The number of employed in the sector in 2003 was 1,288,614, and in 2020 they decreased to 232,610. In 2003, the main part of the employed was the so-called "family workforce". Their relative share was 95.63 percent. From 1,288,614 employed in 2003, they reached 232,610 in number, which is 81 percent less. The main employment in the sector was 87,999 people in 2020, which is a decrease of 81 percent compared to 2010.

In the last ten years alone, the decrease in employment in the agricultural sector has been 56%. On the one hand, the decrease is due to the modernization of agricultural holdings and the increase in their technological equipment, which leads to a decrease in manual labor on farms, and on the other hand, it is a reflection of the change in the structure of agricultural holdings and the significant decrease in their number. The greatest decrease is the labor used by family members in the sector, as over the last ten years 66% of those employed in

family holdings have switched to another form of employment. The differences in profitability from agricultural activity and from other sectors of the economy are a prerequisite for 50% of those employed in the sector to form additional employment for this activity. Only 30% of those employed in the sector have agriculture as their sole or main occupation, and for the period after 2010, the number of people primarily engaged in agriculture has also decreased by over 80%.

Due to the differences in the production structures of agricultural holdings, in order to facilitate the analysis of their structural characteristics and their economic performance, a homogeneous classification of agricultural holdings by economic size has been introduced. *The economic size of the holding* is determined on the basis of the total standard production volume at the holding level, which is expressed in euros. The type of holding by technical and economic orientation and their economic size can be determined on the basis of economic criteria.

The application of the indicator "economic size of the farm" is not directly applicable, therefore it is necessary to also present a categorization of agricultural holdings by sector, expressed in hectares and/or number of animals by species for the purposes of prioritizing the needs of small and medium-sized agricultural holdings.

The market orientation of farms is a complementary criterion that cannot be used independently in determining the structure of agricultural holdings, but is effectively combined with UAA. The market orientation of farms is directly dependent on the agricultural assets of a holding and an indicator of its sustainability and competitiveness.

To achieve GOAL III: Flexibility to adapt measures to local conditions and income sustainability, the following is envisaged:

- Greater subsidiarity for Member States – outlining a common framework allowing for comparability and uniformity of the CAP, but leaving sufficient freedom to countries to reflect their own needs and realities.
- Development of Strategic Plans by the countries indicating exactly how the common goals will be achieved, the level of ambition, justification of the needs , etc.
- The approval of the CAP Strategic Plan by the Commission to ensure that the policy is implemented in line with the overall objectives.
- Member States are responsible for ensuring the targeted distribution of direct payments and for strengthening income support for the most deprived. The various instruments available to Member States can effectively contribute to achieving this objective, including capping and progressive reduction, as well as interventions such as additional redistributive income support for sustainability and the payment for small farmers.

Mechanisms for achieving objective 3:

1. Social conditionality – Member States shall indicate in their CAP Strategic Plans that, by 1 January 2025 at the latest, farmers and other beneficiaries receiving direct payments under Chapter II or annual payments under Articles 70, 71 and 72 shall be subject to an administrative penalty if they do not comply with the requirements relating to the applicable working and employment conditions or the obligations of employers.
2. Member States shall prepare a Strategic Plan for the Development of Agriculture and Rural Areas in Bulgaria that will support the sustainable development of agriculture,

contribute to improving agricultural incomes, help improve the competitiveness and resilience of farms to climate and market risks and the effectiveness of management. The selection of interventions fully addresses the needs of the sector, with the Strategic Plan structured around the nine specific objectives outlined, including the Union sectoral objective.

To achieve GOAL IV: Assess the impact of the policy on the agricultural sector

- As a main drawback of the implementation of the past periods of implementation of the common agricultural policy, the European Court of Auditors and the European Parliament reported the lack of a way to report the effect of its implementation beyond the data on the invested funding.
- In order to overcome this shortcoming for the purposes of reporting the effect of the policy, as well as to introduce the possibility of better planning of agricultural policy and determining the development needs of one or another area, the European Commission is introducing a set of common indicators for the final product, results, impact and context, which will be used as a basis for monitoring, evaluation and annual reporting on the quality of implementation;
- Information on the quality of CAP implementation based on the implementation of the CAP Strategic Plans and the assessment of this implementation will be taken into account in the Commission's regular assessments of policy coherence for sustainable development established on the basis of the 2030 Agenda for Sustainable Development.

Mechanisms for achieving goal 4:

1. The Managing Authority ensures that:

a) an electronic information system is in place, allowing for reporting on the results and impact of the planned interventions

b) farmers, other beneficiaries and other structures involved in the implementation of interventions:

- are informed of their obligations arising from the assistance granted and either maintain a separate accounting system or follow an appropriate accounting code for all transactions relating to a given operation, where appropriate;
- are familiar with the requirements for providing data to the managing authority and for reporting on outputs and results.

2. The quality of implementation of the strategic plan shall be assessed through the following sets of indicators: *a) a set of common indicators for output, results, impact and context, which will be used as a basis for monitoring, evaluation and annual reporting on the quality of implementation; b) targets and annual milestones established in relation to the relevant specific objective using the relevant result indicators; c) collection, storage and transmission of data; d) regular reporting on the quality of implementation and activities related to monitoring and evaluation; e) ex ante, mid-term and ex post evaluations and all other evaluation activities related to the CAP Strategic Plan.*

new CAP therefore emphasizes on the green one agricultural transition , encouraging practices that decrease carbon fingerprint and store natural resources . In parallel with this, it goals improvement on competitiveness on agricultural manufacturers through modernization, innovation and access to financing. Important element are also social

measures aimed at to support on young farmers, development on rural areas and reduction on inequalities.
In this context , the structure of the day good structured National strategy for execution of the CAP 2023–2027 is from essential meaning for achievement on the placed goals. This includes no only optimal distribution on the means , but also the creation on favorable environment for introduction on innovation, enhancement on the expert capacity on producers and effectively management on the risks.
The budget The CAP budget for the period amounted to €387 billion, representing approximately one third of the total budget of the EU (European Commission, 2021). These funds are distributed between two pillars: direct payments and market support and development programs on rural A significant part of the funding is aimed at "greening" the policy – through eco-schemes, soil and water protection conditions, and incentives for biological agriculture.

Evaluation of the CAP 2023–2027 as an institutional framework and challenges

Institutional support within the CAP is an example of a complex combination of regulatory mechanisms, financial incentives and social norms. The regulatory pillar is expressed through legally binding regulations and requirements. The normative pillar is expressed through the values of sustainability and solidarity. The cultural-cognitive pillar is expressed through the formation of new attitudes among farmers regarding the importance of environmental practices (Scott, 2008). For yes is evaluate efficiency of the CAP after 2027, follows yes is consider the specific ones quantitative targets and indicators. For example, at least 25% of direct payments are reserved for eco-schemes, which incentivise farmers to implement sustainable practices. 35% of rural development funds are linked to climate and environmental objectives. Also, 3% of the budget must be allocated to support young farmers, which aims to tackle the problem of ageing in the sector (European Commission, 2022). The empirical data indicate that direct payments cover around 6.5 million farmers in the EU , with over 70% of them subject to conditionality related to nature and climate protection. However, the distribution of subsidies is contrary to the set goals – approximately 20% of the farmers receive about 80% of assistance (Matthews, 2018). This raises debates about the fairness of the policy and the effectiveness of spending.
From an institutional theory perspective, these data show both the power and limitations of institutional support. On the one hand, rules and incentives guide farmers towards sustainable practices. On the other hand, the institutional framework can reproduce inequalities and dependencies if not is adapt adequately.
At the same time , research indicate that exist challenges – uneven distribution on subsidies, administrative burden and risk from dependence on the farmers from support (Matthews, 2018). We should also include the bureaucratic burden on farmers, concentration on subsidies in hand on big farms , and the difficulties at achievement on real ecological transformation. Furthermore, crises such as the war in Ukraine and climate change extreme wash extra load the system and put under question sustainability on the current one model. This corresponds on the warnings of North (1990) that the institutions can yes fasten as both effective and ineffective practices.

Conclusion

The general agricultural politics The EU is a complex and dynamic instrument that combines economic, social and environmental objectives. Through the lens of institutional theory, it can be seen as a framework that structures farmers' behavior and sets the direction for the development of the agricultural sector in Europe.

Despite the challenges, the CAP remains a key factor for the sustainable development of European agriculture. Its success will depend on the ability to overcome inequalities, reduce bureaucracy and strengthen the orientation towards real ecological results.

This publication was developed in accordance with the implementation of the work program under the project "Cooperative models for doing business in Bulgaria and their potential for implementing innovative management solutions", funded by the Bulgarian National Research Fund, competition "Basic Scientific Research-2022", Contract No. KP-06-N65/1 – 12.12.2022. We express our gratitude to the Bulgarian National Research Fund.

References

Agricultural Report (2023). Agricultural Report on the State and Development of Agriculture. Sofia: Ministry of Agriculture.

Gandeva, R. (2025). Economic Analysis of Regional Similarity in World Agriculture, Journal of Mountain Agriculture on the Balkans, 2024, 27 (4), 629–656

DiMaggio, P. & Powell, W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), pp. 147–160.

Doitchinova, J., Kanchev,I. (2021) Agriculture in the Context of Rural Development: South-East Planning Region. Sixth International Scientific Conference "Business and regional development", SHS Web of Conferences 120.

European Commission (2021). The Common Agricultural Policy at a Glance. Available at: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy

European Commission (2021). The Common Agricultural Policy 2023–2027: Budget, objectives and mechanisms. Brussels: European Commission.

European Commission (2022). CAP Strategic Plans: Guidance and Indicators for Monitoring and Evaluation. Brussels: European Commission.

Kirechev, D. (2024). Assessment of the Profitability of Agricultural Holdings in Bulgaria by Specialization and by Territorial Areas. – Journal of Mountain Agriculture on the Balkans, 2024, 27 (2), pp. 342–39.

Matthews, A. (2018). Why are CAP payments still so unfair? CAP Reform.eu. [online] Available at: http://capreform.eu [Accessed 21 Sep. 2025].

Ministry of Agriculture, Food and Forestry (MAFG), Bulgaria. (2021). Structure of agricultural holdings in Bulgaria – Results from the Agricultural Census 2020. Sofia: MAFG.

https://www.mzh.government.bg/media/filer_public/2021/11/19/2021_11_19__-struktura_na_zemedelskite_stopanstva-01.pdf

North, DC (1990). Institutions, Institutional Change and Economic Performance. Cambridge: Cambridge University Press.

National Statistical Institute (NSI), Bulgaria (2020). Agricultural Census 2020 – Preliminary Results. Sofia: NSI.

Petrov, D. (2025). SWOT Analysis of Bulgarian Agriculture in the Context of the European Green Deal: Economic and Strategic Perspectives, Dialogue (1311-9206), (2).

Petrov, D. P. (2025). Adaptation of Bulgarian agricultural holdings in the context of the Green Deal. Economic Thought, (2), 197–212.

Scott, WR (2008). Institutions and Organizations: Ideas and Interests. 3rd ed. Thousand Oaks: Sage Publications.

National Statistical Program, Integrated Farm Statistics 2023 (IFS2023) Decision No. 593 of 08.09.2023, Published, State Gazette, No. 79 of 15.09.2023.

https://www.mzh.government.bg/media/filer_public/2025/09/05/ifs2023publicationaugust 2025.pdf