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Understanding delivery mechanisms in EU rural development policies: an institutional approach

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Abstract of the paper

This paper is aimed at discussing the role of institutions in explaining policy outcomes in rural development. After a discussion of the theoretical framework, we have proposed a model to understand and analysing why bad policies persist over time and what are the effects on policy institutions of the main driving forces which are operating in the European context and are going to influence the process of policy reform. To make this analysis, we took into account of the principal research findings developed in the last years on design and delivery of RD policies. More generally, we can say that delivery includes rules, procedures, administrative and technical structures which are needed to make operational the RDP strategies. The absence of solid and efficient institutions cause high transaction costs, widespread rent-seeking, inequality and lack of trust. If this is true, then the question to be somewhat explained is why do some systems choose and maintain these dysfunctional institutions? Specific lessons come from particularly innovative experiences which have been experimented in different countries. We would refer in particular to significant modes of delivery which challenged the traditional way of functioning of delivery systems in Europe. Some of the most known experiences were the Contracts territorial d'Exploitation (CTEs) in France and Integrated Territorial Projects (ITPs) in Italy, both set up in the previous programming period 2000-2006. In the most recent programming phase (2007-2013), an interesting experience is provided by the Global Farming Contract (GFC), from the Catalonia RDP. 'Dysfunctional institutions' have also been considered one of the main causes of difficulties and sometimes very limited outcomes of policies implemented in Italian southern regions in 2000-2006 period by Structural Funds. In a specific section we will try to examine main drivers of change and their possible role in improving the functioning of institutions involved in design and delivery of policy.

Keywords: EU rural development, institutional economics, policy design, policy delivery, economic performances

JEL: Agricultural Policy; Regional Development Planning and Policy

1. Introduction: objectives of the paper

The delivery of rural development (RD) policies recently gained a remarkable interest. Two research projects funded within EU Research FP7 focused specifically part of the study on this topic: RUDI (Assessing the Impact of Rural Development Policy) and RUFUS (Rural Future Networks). The European Commission has set a specific thematic working group on the policy delivery of RD within the programme of the European Rural Network, with the aim of highlighting main problems and potentials in the different Member States (MS) and consequently deriving ideas for a possible reform.

The need for revised policy delivery is re-proposed in all reform processes that have taken place since Agenda 2000 on. Simplification of programming and implementation, strengthening and improving of management, control, monitoring and evaluation, etc., shaped the delivery mechanisms. More generally, we can say that delivery includes rules, procedures, administrative and technical structures which are needed to make operational the RDP strategies.

The main objectives of this paper are as follows:

- 1) To use institutional approach in order to highlight the main links between political decision-making, institutional frame and delivery systems in RD policies. To this aim a possible model is developed for analysing these links;
- 2) To describe why some policy outcomes are coming from the process of reform, focusing on the persistence of some problems in delivery;
- 3) To put in evidence the main possible drivers of change, after looking at the implementation of the most recent programming period (2007-2013). This is done through a comparative analysis of results from the most recent literature on RD, including RuDI research findings;
- 4) Based on the previous points, the conclusions will present the description of main challenges ahead for the future reform of RD policies. This section seems quite important just in the context of the recent debate promoted by the EU Conference on the reform of CAP post-2013, held in Brussels on 19-20th of July.

2. Institutions and their role in affecting economic performance of policies

There is a school of research arguing that institutions represent a key factor in determining regional development and economic growth. This school has provided very interesting findings especially in the field of Cohesion Policy analysis (Farole, Rodriguez-Pose and Storper, 2009). This is because the institutional approach was strongly applied in this field, much more than in RD policy.

Institutions seems a very controversial concept. There is no controversy about the fact that institutions matter for economic and regional development. It is relatively more difficult to make operational and implement what institutions are and what kind of institutions matter for development. The most quoted definition is that by North who describes institutions as "the rules of the game in a society and, more formally, as the humanly devised constraints that shape human interaction" (North, 1990, p. 447). Always according to North (1990, p.107), institutions are "the underlying determinant of the long-run performance of economics". Other authors (Rodrik et al, 2004) go further in saying that the quality of institutions prevails upon more traditional development factors, such as geography and trade, in affecting income levels and growth prospects.

These definitions are however controversial because:

- there are multiple types of institutions;
- some of them are formal (constitutions, laws, regulations, property rights, contracts, competition monitoring systems, etc.), some are informal or *ötacitö* (norms, traditions, social conventions, interpersonal contacts, relationships, informal networks, many of them considered as *öcommunityö* or social capital);
- they belong to different domains (political: constitutions, governance structures, check and balances; economic: property rights, markets, regulatory structures; social: formal groups, associations, norms, etc.).

Another crucial issue concerns how efficient institutions can foster regional and local development. Analyses of Cohesion Policy have well explored this issue (Rodriguez-Pose, 2009). Main effects are summarised as follows:

- lowering uncertainty and information costs (through a learning process);
- shaping the set of incentives and disincentives for co-ordination and/or competition among local actors;
- helping territories to adjust and react to change;
- reducing transactions costs for access to policies and investing in economic activities;
- providing collective goods.

It appears very clear that efficient institutions are able not only to support directly economic activities, but also have significant impacts on socio-political processes, influencing participation and trust, conflict resolution and co-operation/partnership among actors.

The concept of *ölocalö* became more and more significant in explaining the role of institutions. This is due to different factors, as follows:

- local contexts and local institutions are a critical factor;

- the recent literature suggests that what constitutes a good institution is itself context-dependent (Farole, Rodriguez-Pose and Storper, 2009);
- the success of policies is linked to the thickness of local institutions which are capable of generating positive externalities for economic activities (as in the case of the industrial districts in central and northern Italy);
- institutional thickness in a given territory is linked to the combination of human capital (knowledge resources), social capital (trust, reciprocity, cooperative spirit and other social relations) and political capital (capacity for collective action).

But we outline that the concept of local alone cannot explain the quality of good/bad institutions for the development. We also need to consider the concept of multi-level governance. This was one of the key components of the OECD new rural paradigm (OECD, 2008). Local institutions, in our view, cannot operate effectively without:

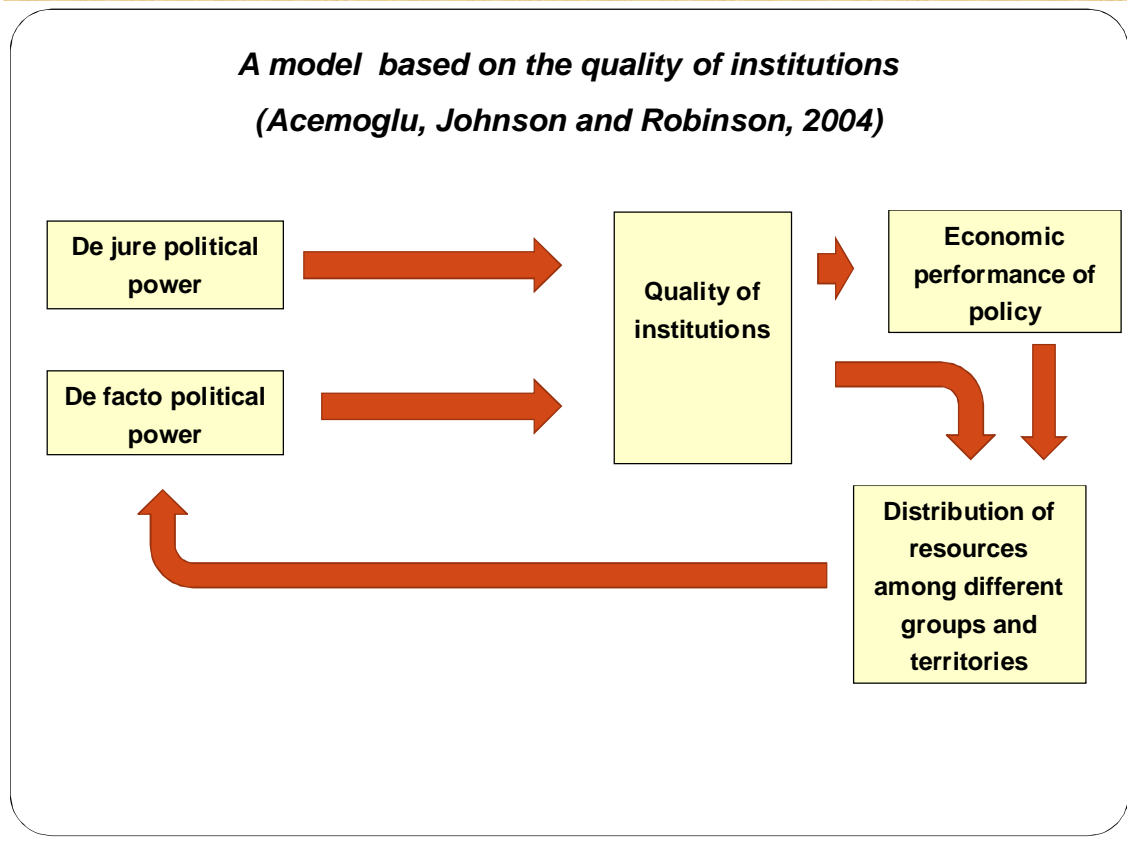
- good relations with higher levels of government;
- efficient institutional networks (formal and/or informal);
- good capacity of policy co-ordination at the different levels.

This means that, for the efficient role of local institutions, they should be integrated into a more general multi-level system of governance.

3. A possible model to explain the persistence of dysfunctional institutions

The absence of solid and efficient institutions cause high transaction costs, widespread rent-seeking, inequality and lack of trust (Rodriguez-Pose, 2009). If this is true, then the question is why do some systems choose and maintain these dysfunctional institutions?

A theoretical model was proposed by Acemoglu, Johnson and Robinson (2004) to explain why poor institutional environments are likely to be persistent. The basic elements of the model, which have been adapted to the context of RD policies, are presented in figure 1.



The quality of institutions is the key factor in determining economic performance of a given territory. Quality of institutions strongly depends, according to this model, from the *de jure* political power and the legislative frame. The *de jure* political power refers to power that originates from political institutions in society (form of government and constraints on politicians and local elites). The quality of institutions also depends from the *de facto* political power, that is the power originating from the ability of groups of individuals, even if they are not allocated power by political institutions, to solve their collective action problem. Their power is strongly related to economic resources available to the group, which determine both their ability to use (or misuse) existing institutions. But quality of institutions does not only affect economic performance of a given territory but also the distribution of resources and then is able, through this way, to generate mechanisms of persistence of specific elites and their *de facto* political power. From this logic the quality of institutions is an endogenous variable of the territorial system.

What does quality of institutions mean in evaluating economic performance of a given territory? A series of variables, in the specific context of our analysis, can be used to identify quality of institutions, as follows:

- efficiency and expertise of administrative and technical structures;
- systems of governance which shape relations between EU, State, regional and local bodies;
- presence/absence of a formalised co-ordination of the different policies;
- paces and tools for implementing the partnership principle (between institutions and between public and private sector);
- presence/absence of public action oriented to targets and related systems of monitoring and evaluation;
- practices and procedures oriented to territorial diversity;
- systems of selecting private investments, based on well-targeted selection criteria.

Dysfunctional institutions have been considered one of the main causes of difficulties and sometimes very limited outcomes of policies implemented in Italian southern regions in 2000-2006 period by Structural Funds (Barca, 2009). This can be also confirmed in the present programming period (Draghi, 2009). The analysis of the recent changes in the southern regions identify the following problems:

- rates of regional growth lower than planned in the programming documents 2000-2006;
- intensity of public investments lower than in central and northern Italy;
- improvement of the quality of public services and infrastructures, defined by appropriate indicators, which are lower than the planned targets;
- consequently, the attraction of inward investments was under the expectations and there was no significant progress in enhancing trust (between citizens and the State, central and local) and the expectations of the economic system.

How do dysfunctional institutions had an impact on these outcomes? According to Barca's analysis (2009), negative impacts derive from the following main causes:

- a) lack of thematic and territorial priorities;

- b) ineffective selection criteria of projects and limited attention to competition rules, which have enabled discretionary decisions and rent-seeking behaviours;
- c) insufficient human resources in public administration
- d) lack of good evaluation practices and consequently lack of learning from evaluation results;
- e) insufficient capacity of central and national ministries and technical structures in multi-level governance and co-ordination of sector policies.

Other political factors have also had an impact on limited performances of Structural Funds in Italian southern regions. First, the reduction of political support and the lack of long-term political vision from national and also regional governments (*de jure* political power). This has progressively weakened the strength of the commitment to policy targets in central and regional administrations. Second, and more important, was the passive resistance of some actors who risked to lose power from the design and the implementation of the new regional development policy (i.e. industrial firms unhappy of the reduction of sector subsidies proposed by the Italian strategy in the Community Support Framework 2000-2006; regional and local administrations contrasting the new systems of rules; a widespread system of consultancy firms and other practitioners involved in funds delivery, supporting traditional methods of providing EU and national funds, etc.). This system of rent-seekers (*de facto* political power) was able to resist to changes proposed in the delivery system and to create serious problems in implementation phase. But we would stress the fact that national and regional administrations were incapable to renovate substantially their personnel and operational structures. These actors had a substantial role and responsibility, according to the Barca's analysis (2009), in the shortcomings and failures of the "New Programming" in Italian Mezzogiorno.

This case suggests that rules and enforcement do not emerge spontaneously but are established through political processes. This inevitably means there are winners and losers. The winners of the political processes are the ones in the position to shape the evolution of these institutions. According to the theoretical model above the current elite tend to control political institutions and/or to influence the ways in which existing institutions are used. They therefore have the incentive to ensure that these political processes maintain the status quo. As also North suggests (1996, p.3) "institutions are created to serve the interest of those with the bargaining power to create new rules". According to this model the Italian experience shows also how elites capture of institutions can act as a block on innovation (and therefore growth), and how elites attempt to enforce the status quo when there is a risk that innovation may confer advantages to competing groups. This is the mechanism that economists call, with a very neutral expression, path-dependence of economic institutions. Another lesson from the Italian context is that the *de facto* implementation and enforcement matter more than the policy design itself in explaining the results of a given policy.

Similar conclusions can be reached in the analysis of policy delivery of RD. In RD policy bad performances of public interventions are mainly linked to the following shortcomings (Dwyer et al, 2008; European Court of Auditors, 2006):

- low spending efficiency in some areas, especially in structural investment and in some countries;
- deadweight and displacement effects in supporting agriculture and agri-food investments;
- low level of synergy among different kind of measures and two pillars of CAP;
- problems of under or over- compensation in support provided form direct aid measures (agro-environment, less favoured areas, Natura 2000, organic farming, etc.);
- lack of integration with Cohesion policy measures;
- marginal effects or sometimes negative effects on declining rural areas, negative effects on environmental resources from modernisation measures in the most intensive areas;
- easier access to EU Funds to better informed, better organised and richer beneficiaries, etc.

Even in this case dysfunctional institutions are the major cause of these negative outcomes. In particular, we are referring to the following factors:

- a) lack of effective procedure for selecting those projects which best address the needs of farms and rural areas;
- b) insufficient administrative and technical expertise in public administration;
- c) lack of appropriate system of targets, monitoring and evaluation practices;
- d) fragmented management and delivery of single measures, largely depending from the existing structure of RDP (that is organised according to axes rather than objectives);
- e) inertia of administrative bodies involved in delivery and design of policy, who select only measures and procedures they already know, relying upon experience from previous programmes (risk-averse behaviour);
- f) lack of communication and formal/informal collaboration with responsible administrations of other Funds.

These examples of dysfunctional institutions and inappropriate delivery systems in the EU RD policies are generally seen in most of the countries and concern the management of the single measure. More specific lessons come from particularly innovative experiences which have been experimented in different countries. We would refer in particular to significant modes of delivery which challenged the traditional way of functioning of delivery systems in Europe. Some of the most known experiences were the Contracts territorial d'Exploitation (CTE) in France and Integrated Territorial Projects (ITPs) in Italy, both set up in the previous programming period 2000-2006. In the most recent programming phase (2007-2013), an interesting experience is provided by the Global Farming Contract (GFC), from the Catalonia RDP.

The CTE was operational until 2003 and from then on was substituted by the "Contract d'Agriculture Durable" (CAD), which was less complex to be managed and included a smaller number of measures. Surely the over-complicated nature of the CTE was a factor of failure and a reason for change to CAD (IEEP, 2008). Lack of flexibility in the choice of measures, the high level of commitment required from institutions (availability of human and technical resources), the lack of transparency caused by the speed of CTE uptake and consequently the lack of consistency of the measures implemented were other factors which played an important role in the failure of CTE in correctly addressing local environmental concerns (IEEP, 2008). Different authors also underline the role of a significant resistance to the schemes from farmer organisations (Leger et al, 2004) and non-governmental bodies (IEEP, 2008). The farmers were quite sceptical about the instrument as the CTE caused a reduction of the decision-making autonomy of the farm and revised the principle of equal access to funds by farmers. In fact, the CTE proposed a differentiation of support according to territories. This issues constituted the main sources of resistance from farmer organisation. Some significant resistance were raised by the public administration, due to the complexity of the instrument. Another important factor which explains CTE failure is the limited involvement of non-agricultural stakeholders: local communities has expressed very low interest for the CTE (Leger et al, 2004). The environmental and consumer associations played a very marginal role in the departmental decision-making process, due to the low availability of human resources (Leger et al, 2004).

The Italian ITPs were quite widespread in the programming phase 2000-2006, particularly in southern regions (objective 1). They were financed by Cohesion policy and also by EAGGF-Guidance. The rate of financial absorption of ITPs was quite low at the beginning and did not increase so much on the whole. Spending delays were quite common to each region. For about the 25% of all projects the quality was evaluated as very limited (FORMEZ, 2009). This was due to several reasons: in particular, fragmentation of expenditures, lack of robust selection of applications, lack of integration among different operations, insufficient multi-sector approach, inadequate partnerships, etc. These shortcomings derive from two main factors:

- a) the resistance of the public administration to abandon the traditional method based on the single measure delivery. In fact single operations were selected within ITPs on the basis of separate and timely differentiate calls;

- b) a series of local coalitions did not act according to an integrated plan, but simply following the principle of capturing financial resources from public programmes. These can be considered only as instrumental coalitions.

A totally different road has been taken by the Global Farming Contract (GFC), adopted in the Catalan RDP 2007-2013. GFC is conceived as a sort of integrated project designed at the farm level, where the farmer chooses the set of measures more suitable to the farm development. After a first phase of difficult implementation, due to the complexity of the procedure, a new modified and simplified version of GFC has been introduced in the RDP architecture. In this case the reaction of the first phase was not a refusal of innovation, but a re-adjustment of previous procedures. This was due to the strong political support from the Catalan Department of Rural Development to the maintenance of GFC as a policy priority of the RDP 2007-2013. This also explains the strong effort in training and communication that accompanied the implementation of the contracts.

4. Main drivers of institutional changes

How do we get out of this vicious circle determining the persistence of dysfunctional delivery systems and institutions? What are the main drivers of change we count on to reform the policy delivery system and more generally policy institutions representing the frame of RD policies? In this section we will try to examine main drivers of change and their possible role in improving the functioning of institutions involved in design and delivery of policy. In the next section we will discuss some political challenges for the future reform of RD policies.

The question is what are the most significant drivers of institutional changes. The answers are not easy, due the fact that factors affecting institutions seem to be, on the one hand, highly dependent on geographical/context conditions and perhaps more importantly, highly resilient to historical change. There is also little agreement about what institutional capacity and creating solid and efficient institutions really means and even less about what to do across a widely varying geographical context, such as that of EU countries and regions (Rodriguez-Pose, 2009). We think, however, that future policies must face and adapt to the more general pressure coming from international/European context and from national economies and societies. This means that EU and national policies should find more suitable and efficient institutional arrangements to deal with future objectives of CAP.

Some drivers of change are already operating in EU countries and are generating new institutional arrangements. We will try to consider in our analysis how in some national and/or regional context new institutional solutions have been recently introduced and what outcomes seem to be coming out of these changes at the present moment. Main drivers of change can be summarised as follows:

- 1) the financial crisis, which is going to generate a strong competition among sectors and interests for the access to EU and national resources. This crisis is determining a budgetary challenge;

- 2) the emergence of new or stronger *õ*demandö (pressure groups) from outside agricultural sector, but not necessarily outside rural areas;
- 3) the need for rationalising the CAP instruments;
- 4) The existence of pressures for increasing devolution of powers to regional and local bodies.

Financial crisis and budgetary challenges. This factor of change is increasingly significant after the recent financial crisis and the severe budget cuts deriving from it. This factor will be more remarkable in the future EU budget perspectives, due to the need for justifying the public support to agriculture. Likely effects will be particularly evident after 2013 and in the meantime, in our opinion, they are going to mean: a) a reduction of the bargaining power of farmers organisations in the decision about the content of the reform and funds allocation; b) some re-adjustment in the priorities and strategies of farmers organisations (this seems quite unlikely when we look at the previous reform process); c) the revision of the legislative frame in order to maximise policy outcomes of available funds in terms of efficiency and effectiveness. The financial crisis of the last two years (since the second half of 2008) can provide some examples of the institutional arrangements in the European context due to the shrinking of public budgets.

Ireland, after the financial crisis, made significant cuts in national public expenditures (ENRD, 2010). This caused severe adjustments to public expenditures also within RDP, in several ways: through the reduction of the rate of payment under specific schemes, the level of premia, the funds allocated to specific schemes and even the decision to close some schemes. In order to reduce also the administrative costs there was a replacement of the previous scheme with the new ones requiring less public costs to be administered. These choices made clear that the main criterion to reduce budget of RDP was a major focus on the most significant political priorities for RD in Ireland.

This case also shows that *õ*external shocksö (as Acemoglu, Johnson and Robinson state in their theoretical model, 2004) can determine political choices that are in contrast with dominant interests. Amendments to RDP were drawn up by the Department of Agriculture, Fishery and Food (DAFF) with minimal involvement of farmer organisations and were presented and approved by the Programme Monitoring Committee in July 2009, provoking a strong protest by sector stakeholders. This is just a signal of what can happen in the future perspectives of negotiations on the EU budget 2014-2020.

Rural development is sometimes managed within a broader policy framework which includes other EU programmes and, more frequently, other national agricultural policies autonomously designed and financially supported by countries. In the Irish case the RDP is layered onto National Development Plan 2007-2013 containing a number of exchequer-funded measures that have an explicit rural development focus (sector on-farm investment support, assistance for forestation and related forestry activities, and an animal welfare scheme). In the Netherlands, the broader policy framework is the Investment Budget Rural Areas (IBRA), which aims at joining a variety of previously sector-based policies and transferring the responsibility for these policy frameworks to Provincial administrations.

The IBRA framework also operates as a coordination mechanism between national and regional rural policy priority setting. Within IBRA, the RDP funds represent an extra financial contribution for rural policy, but with a relatively marginal role (less than 10% of the total IBRA budget). Anyway, the delivery system does not change: provincial offices combine these different subsidies from European, National and Regional Funds for rural development and operate as a sort of intermediary body between these different subsidies, frameworks and potential applicants. The inclusion of RDP in a broader policy context produces several positive implications (Mantino et al, 2009):

- a) it contributes to a more integrated rural policy design and delivery;
- b) it makes possible to channel different funds and programmes through the same delivery system;
- c) it creates synergies and complementarities among the different funds and programmes which could strengthen the social and economic impact of RDP measures.

This institutional frame has also significant implications for the future reform and reveals to be a fundamental condition for the co-ordination between policies (first of all within agricultural policies), and the complementarities with the national policies. In this regard a specific reflection must be developed on the introduction, even in the rural development regulation as in the case of Structural Funds, of the concept of additionality of national funds.

The emergence of new demands from outside agriculture but from inside rural areas. Both in the design and delivery of RDP measures the highest voice external to the administration is generally that of agricultural organisations traditionally involved in the discussion concerning the primary sector, while other associations never appear to be satisfied by the result of the consultation process. The English RDP can be seen as a remarkable exception in the European context, thanks to the fact that, on the one side, there is a particular strong environmental lobby and thus a corresponding focus in RDP upon achieving environmental targets within agricultural policy. On the other side, historically socio-economic goals for rural areas have been promoted through other policies (Dwyer and Maye, 2009). The possibility of voicing new needs from social and economic stakeholders outside agricultural sector introduces some changes and generate new opportunities for reducing the persistence within the model. This opportunities in fact can serve to:

- make it possible that in policy design and delivery a contribution is given from different interests;
- create new formal and informal places where this contribution can be expressed and circulated. This can bring about a different decision-making process (through a more open playing field);

- promote new forms of mediating agricultural and non-agricultural interests and different views about local development in rural areas.

The RuDI research project, that has given a specific focus on design and delivery processes in RD, enabled us to find interesting examples of participation of non-agricultural stakeholders. Despite the broad participation of a range of non-agricultural stakeholders in the design of RDP, through ad hoc Committees and working groups (i.e. in regions as Sicily-IT and Catalonia-ES), the influence of agricultural interests seem generally dominant. New dynamics were generated in some contexts (i.e. Estonia and Sweden) by a more substantial contribution by non-agricultural stakeholders in Monitoring Committees (for choices such as the allocation of funds between measures and mainly the definition of the eligibility and selection criteria for the single measures). We think that in the future the regulation should emphasize the need of a broad participation to the Programme Monitoring Committees.

A significant reduction of administrative and transaction costs. This need is generally connected with simplification of rules, both in programming and in the delivery phases. There is a strong pressure for simplification from everywhere: farmers organisations and rural operators often complain about bureaucracy and administrative burdens associated with application forms and ranking of applications.

There are different reasons that explain why administrative and management costs are perceived as burdensome in RD policies (Mantino, 2010b): rigid programming systems, too many measures and related implementation procedures, inefficiency in organisation and delivery structures, etc. There are several strategies which are implemented by RDP authorities and Monitoring Committees to cope with this complexity. These strategies have been analysed within the RuDI project (Mantino et al, 2009). In this context it is really significant to outline two institutional arrangements, particularly in the field of management of measures and payment procedures, which do not seem consistent with positive changes.

The first problem concerns the use of selection criteria in assessing applications. As the European Court of Auditors has already noted in his report of RD instruments, „...Member States generally do not apply effective procedures for selecting those projects which best address the needs of rural areas. Several Member States award projects on the basis of the ‘first come first served’ principle...’ (2006). The need for simplification pushed several RDP authorities to define objective and not very demanding criteria and to introduce a simplified scoring system (Mantino et al, 2009). This responds to the need for making as easy as possible the assessment and scoring of applications for offices involved. This problem is particularly remarkable where human and technical resources are unable to process a great number of applications. And consequently simplified criteria become a strategy of adaptation to the inadequacy of appropriate staffing and relevant expertise.

The second problem concerns the role of Paying Agency (PA). In a great number of member States, in particular the new ones, PAs have progressively gained a major role, broadening their competences to include the management of single measures. This is a clear change in many countries since the last programming period. From the control of the payment claims and the disbursement of payments to

final recipients, PAs have been entering progressively into crucial management functions such as guidelines, public calls, assessment of applications, eligibility and finally formal approval. In short, PAs now hold a leading role in the whole delivery system. It was sometimes reported by the national syntheses that PAs have also, among the other functions, a strong role in the definition of eligibility and selection criteria (e.g. Lithuania, Latvia, Denmark, Hungary). This concentration of functions into PAs, which should mainly have the function of paying and checking the regularity of payments, has been criticized in some countries (Mantino et al, 2009). From these functions PAs derive a strong influence and, conversely, this implies a reduction of the discretionary and strategic role of the Managing Authority (MA). Moreover, this process also implies a centralisation of key phases of delivery in the hands of PAs. The outcomes of this process are, in conclusion, as follows:

- a) a failure of appropriate check and balance principle, based on the existence of different subjects in the RDP delivery architecture (Management Authority, Paying Agency, Monitoring Committees, Audit Authority)¹;
- b) inefficient functioning of PAs in several Member State, due to the delays in decision making, approval and payment.

Summing up, inappropriate choices in selection criteria and in distribution of tasks within administrative and management bodies can be defined as dysfunctional institutions determining bad economic performance of RD policies.

Finally, we would outline that the desire of simplification does not necessarily provide good outcomes to RDP in terms of greater effectiveness and efficiency. In particular better targeting and consistency with RDP goals seem to be under risk if simplification is pursued through the mentioned ways.

The devolution of powers to regional and/or local bodies and partnerships. Better targeting and policy effectiveness are often connected with a process of devolution to local bodies and partnerships. This is a driving force that has taken place in some country as a result of more general institutional changes and of pressures for a broader democracy from regions, provinces, local communities. In which ways does devolution of RDP introduce new changes in the mechanism that reproduce persistence of bad policy outcomes?

In our opinion, looking at the experiences which have been recently developed in Europe, devolution of RDP does not always represent a step forward in the improvement of policy delivery. In fact, devolution is in some cases only partial, due to the fact that marginal financial resources are devolved to sub-national bodies: this is the case of France, where only Axis 3 measures are attributed to regional responsibilities. In some other cases the devolution of RDP has been conceived and implemented by giving the responsibilities of single Axis to different Development Agencies, in that way reproducing

¹ An appropriate solution to the checks and balance concept was implemented in Cataluña Region (ENRD, 2010), thanks to an efficient division of labour between the MA and the Paying Authority set up within the same regional structures (within the Department of Agricultura, Alimentació i Acció Rural of the Generalitat de Catalonia).

the separate design and implementation of different instruments: this is the case of England, where resources of Axis 1 and 3 are managed by Regional Development Agencies and the resources of Axis 2 by Natural England, a national agency dealing with environmental policies.

In all these cases it seems that specific institutional arrangements are aimed at the specialization of functions rather than at integration of measures provided by RDP. Partial devolution can be explained by the political strategy to keep the most significant measures for the support of agriculture within the central structures of national administration. Conversely, devolution develops its potential policy outcomes and generates positive changes when a set of different measures is transferred under the responsibility of regional or local authorities/partnerships. This process enables these actors to elaborate integrated strategies for their territories. This is the case of Netherlands, Flanders and some Italian Regions (Emilia-Romagna and Tuscany), where Provinces have gained a major role in the new programming period. In all these cases it is interesting to note that devolution does not only involve RDP measures, but also other policy instruments deriving from national policies and/or Structural Funds. This is the case, in particular, of Tuscany Provinces (Mantino, 2010a). Facing rural development challenges calls for strategies and adequate resources, which can derive from different sources. In these cases devolution promote synergies at appropriate scale by using all available tools and resources. Moreover devolution enables a learning process by local actors and the creation of öfunctional institutionsö for economic development.

Within the discussion upon devolution a specific attention deserves the role of Leader and, more generally, of integrated development strategies. As it was pointed out in other works (Mantino et al, 2009) the process of mainstreaming has somewhat contributed, in many RDPs, to move backwards into the process of decentralising rural development projects, which was one of the most distinctive features of the previous Community Initiative.

5. Conclusions: what implications for policy reform of RD and for research on institutional factors?

This paper is aimed at discussing the role of institutions in explaining policy outcomes in rural development. After a discussion of the theoretical framework, we have proposed a model to understand and analysing why bad policies persist over time and what are the effects on policy institutions of the main driving forces which are operating in the European context and are going to influence the process of policy reform. To make this analysis we took into account of the principal research findings developed in the last years on design and delivery of RD policies.

This analysis also enables us to make some possible conclusions concerning policy implications for the coming reform of rural development policy, which can summarised as follows.

A strong issue raised within the debate concerns the demand for more flexibility. This flexibility is sometimes confused with simplification. More flexibility is really important to enable the design of well-targeted measures, tailored to the needs of different territories. This principle must be reinforced in the next reform. But at the same time it must be implemented within a frame of common criteria which are identified at EU level, otherwise there is no room for the European added value.

One of the most remarkable challenges concerns the role of rural development policies. These policies should be really effective in combining the economic, social and environmental dimensions of development in rural areas. This implies that they should be more integrated than in the past and it is worthy of noting that no relevant positions in the debate supported the idea of reducing the scope of rural development in the future CAP. The real challenge here is how to foster a higher level of integration. This is really an issue to be tackled at EU level, because it calls for specific instruments and solutions. There is a need to search for integration also beyond Leader, because this approach cannot be considered as the only room for implementing integrated measures.

Needs of rural areas should be faced through a combined effort that involves also national policies and EU policies implemented under Structural Funds. The synergy with national policies has been quite neglected in the past years, but they are becoming more significant with the severe cut of public financial resources deriving from the Stability Pact. It seems necessary to rethink the role of additionality of national funds in the future programming phase, because it will strongly influence the socio-economic effects of EU programmes. This implies that the role of additionality should be emphasized in the design of the next generation of rural development programmes. A very synergic role can be played by Structural Funds, with which a real and effective co-ordination should be sought. The challenge is, in this respect, in what concrete solutions should be found to this synergy: a joint strategic framework and the harmonisation of rules of different Funds should be pointed to in the definition of next regulations.

The last (but not the least) challenge concerns the role of integrated local development strategies. The Leader programme has evolved over time and there is a great deal of variation in the way in which the same Leader is implemented across Europe. Leader was not the only territorial programme to be implemented in rural areas in Europe. Other types of programmes have been designed and implemented in rural areas, both within the Structural Funds and the EAFRD. Some of these programmes were financed in the past through national budgets too, as a result of a process of mainstreaming by Member States and regions. In conclusion, it must be underlined that the new programming phase confirms the importance of the territorial approach in those countries which have already experimented in the past. In the light of these interesting experiences, that confirm the demand for a more territorial approach in several countries, it seems necessary that integrated local development strategies be confirmed as a fundamental instrument for the next programming period and be provided for a major room for manoeuvre than that MS have allowed to the mainstreaming of Leader.

Other implications can be derived from the previous analysis for future research.



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In modelling the impact analysis of the CAP reform one of the most critical issue is, in our opinion, the lack of consideration that institutions deserve. In the European context, that is in many respects diverse, institutions represent one of the main source of diversity. There is a significant stream of research on the diversity of agricultural structures and also of rural areas, but there is a huge gap in the knowledge of institutions in a comparative perspective. We are somewhat trapped in a definition effort, with many consequent problems of comparability, but this is not the real challenge for economic and social research. The real challenge is understanding how institutional diversity and constraints can influence the process of learning and adapting policy instruments in different contexts. So when EU introduces some new measure or approach in the common tool box, we are unable to say what it does implies in the different contexts in terms of institutional implementation and adaptation. This is the most significant gap that, in our view, should be filled over time.

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