WORKING PAPER

IN SEARCH OF THE 'BEST VALUE FOR MONEY': ANALYZING CURRENT IDEAS AND PROPOSALS TO ENHANCE THE PERFORMANCE OF CAP AND COHESION SPENDING

by Nadège Chambon, Eulalia Rubio

Senior researchers at Notre Europe - Paris

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Introduction

The negotiations of the post 2013 EU financial perspectives take place at the moment when Member States are making extraordinary efforts to curb their national spending. In these circumstances, pressures to improve the performance of EU spending are mounting.

Given the amount of resources they absorb, both CAP and Cohesion spending are likely to be particularly submitted to these pressures. In fact, a growing awareness on the need to "spend better" is evident in current debates on the reform of Cohesion and CAP. On the one hand, in debates on Cohesion policy there is growing emphasis on the need to make the policy "more performance-oriented" and to shift from a "focus on processes and financial absorption to a focus on effectiveness and physical outcomes" (Commissioner Hahn, speech at Bibliothèque Solvay, 19 april 2010). On the other hand, debates on the reform of CAP are increasingly shaped by references to the need to better target CAP to the delivery of "public goods" as well as by the growing perception that any reform on CAP needs to be done "within the constraints of limited budgetary resources" (Commission's communication on the CAP towards 2020, of 18 November 2010)

This paper aims to analyse some ideas and proposals that circulate in current EU political and academic debates on how to improve the performance of CAP and Cohesion policy[1]. Any discussion on how to enhance the performance of a given policy should be founded on a common understanding of the expected objectives of the policy. This is both particularly necessary and extremely difficult in the case of Cohesion policy and CAP, given the confusion and disagreements that exist on the rationale and overall purpose of these two EU policies. Without entering into a theoretical debate on the '*raison d'être'* of these two policies, the paper starts in section 1 by mapping out the current state-of-the art in debates on the goals and purpose of Cohesion policy and CAP. We then review the evidence that exists on the performance of these two policies over the past years (section 2). This is followed by a separate analysis of the main propositions at debate on how to improve the performance of CAP (section 3) and cohesion policy (section 4). The paper concludes with some general reflections on the parallelisms and differences in current EU-level debates on how to improve the performance of CAP and cohesion policy.

[1] In this paper, the term *performance* is used to refer to the capacity of a policy to attain the expected results in the most efficiency way. It hence covers both the effectiveness and the efficiency of a policy. *Effectiveness* stands for the degree of goal realization due to the use of certain policy instruments (that is, whether the policy is well-designed so that it can effectively attain the goals it is supposed to achieve) while *efficiency* refers to the amount and quality of results delivered by the administrative and financial resources employed (that is, whether the policy has been well implemented so as to produce the maximum results).

1- Mapping out the different visions of CAP and Cohesion policy

CAP and Cohesion policy have a number of similarities. They are the two largest items of the EU budget. They have both evolved considerably in terms of objectives and instruments since their inception and, despite these reforms, their rationale and overall purpose continue to be object of discussion among academics, policy analysts and public officials.

1.1. Common Agricultural Policy

In the case of the agricultural policy, the original objectives have not been formally revised since the Treaty of Rome. According to Art 39 of the Treaty, the CAP should serve to "increase agricultural productivity, to ensure a fair standard of living for the agricultural community, to stabilize markets, to assure the availability of supplies and to ensure that supplies reach consumers at reasonable prices"[2]. Over time, different rounds of reform have led to a re-interpretation of some of the Treaty objectives (i.e., emphasis on agricultural competitiveness instead of productivity). More strikingly, the Commission has introduced new objectives (as the preservation of public goods, food quality, ethical issues like on productions methods or equity in the allocation of aid between farmers, regions and States) in an attempt to better respond to public opinion concerns.

These goal changes have not been consolidated into the Treaty. Nevertheless, in view of the start of the long term budget discussions and the reform of the CAP, a high-level political debate has been launched on the objectives and instruments of the policy. This (still ongoing) debate shows a consensus on several key issues that go beyond a stereotyped vision of CAP. In particular, there is a consensus among the Commission, the Agricultural Council of Ministries and the European Parliament on that CAP should be geared to achieve three main goals: ensuring viable food production, sustaining the management of natural resources and climate action, and ensuring a balanced territorial development. There is also agreement on keeping the CAP's two-pillar architecture, opposing full renationalization (including the UK) and on the need to render the CAP fairer (both between Member States and farmers)[3].

Beyond this broad consensus, there are however disagreements on the way to achieve these goals; that is, the CAP's specific objectives, its policy instruments and its financing

[2] The wording of art 39 is longer; this is a shorter version of art 39 given by the European Court of Auditors (ECA) in its Annual Report concerning the financial year 2009, 9/11/10 (available at http://eca.europa.eu/portal/pls/portal/docs/1/7158724.PDF)

[3] This consensus was formalized in the conclusions of the Agriculture Council meeting of 17th March 2011, in which the Ministries of Agriculture discussed on the basis of the Commission's communication entitled "The CAP towards 2020" (COM(2010) 672 final). Concerning the European Parliament, which is co-decider on the CAP since the Lisbon Treaty, it contributes to feed the debate on the policy ways.

There is for instance disagreement concerning the need for a public intervention to sustain farmers' income. The Commission advocates for an income support arguing that there is a market failure (the existence of high levels of volatility in prices) which makes impossible for farmers to have adequate and stable revenues, ultimately endangering the achievement of the goals of 'ensuring viable food production' and 'balanced territorial development'.[4] Although most Member States agree on this[5] the UK government, for instance, denies the existence of this market failure. It justifies CAP payments only as a means to remunerate farmers for the provision of public goods:

"The UK believes that Europe's farmers have bright prospects. Given a clear enough commitment to improving underlying competitiveness, we are confident that they will earn enough from the produce they sell and from payments for the provision of public goods to provide them with a sustainable income, without needing income support from the European taxpayer. The EU's contribution to global food security demands an improvement in the underlying productivity of its agriculture; however the current structure of support, by artificially sheltering EU farming from market pressures, acts against that objective."[6]

Finally, whereas the agricultural Council of Ministers, the Commission and the Parliament do not question the need for a common EU action in agriculture, this totally contrasts with the position of few academics and policy analysts who contest the CAP's overall legitimacy, on the grounds that "Member States are in a better position than the Union to execute this agricultural policy, which basically entails interpersonal redistribution and local development" (Gros: 2008). One should note, however, that calls for a full nationalization of CAP are rather marginal, and/or coming from non-agricultural experts. Among the experts on agriculture, including those defending a free-market approach and pleading for a removal of direct payments (E.Rabinowicz, S.Tangerman, V.Zarhnt), there is consensus on the need for a common EU approach and action on agriculture. Rather than calling for a full renationalization, those adopting a free-market approach call for a shift in the nature of CAP; that is, from decoupling to targeting[7].

1.2. Cohesion policy

In contrast to what happens with CAP, there is unanimous agreement on the idea that we need a common EU action on cohesion. Discussions on the rationale and purpose of the EU cohesion policy are hence focused on what should be the specific objectives and instruments to attain the EU Treaty goal of "reducing disparities between the levels of development of

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[4] *"*the future CAP should be (…) to contribute to farm incomes and limit farm income variability, recalling that price and income volatility and natural risks are more marked than in most other sectors and farmers' incomes and profitability levels are on average below those in the rest of the economy*",* COM(2010) 672 final

[5] Indeed, in the Agricultural Council's conclusions of March 2011, the Ministers of agriculture "broadly agreed" that direct income support "has proven its worth and will remain an essential element in the CAP towards 2020".

[6] UK Department for Environment Food and Rural Affairs, January 2011

[7] "What is of the essence now is targeted support, specifically tied to the public goods society expects agriculture to provide" (Tangermann, S: 2011, 32)

the various regions and the backwardness of the least favored regions" (art 174 Treaty of Lisbon).

Ideas on how to attain this goal are inspired by different theories on the economic geography of growth. Simplifying, one can distinguish between two competing schools of thought. The first derives from the neo-classical economic growth theory. It sees regional growth as mainly driven by exogenous factors (the inflow of capital and technology) and geographical disparities in production and income as the product of lack of perfect competition between territories. From this perspective, the best way to promote EU economic convergence is by deepening the Single Market. An EU-wide spending program to promote cohesion is seen, at best, as irrelevant, and at worst as an element that distorts the functioning of the Single market. The second school of thought takes inspiration of the New Economic Geography/Endogenous growth theory. According to these theories, economic growth does not diffuse uniformly across integrated territories but 'agglomerates' in metropolitan areas and richer regions; thus the need for an EU action to counter-act the effect of the market forces. Low-income states and regions are particularly affected by this agglomeration effect, but also other spaces having other type of social, territorial or economic disadvantages (peripheral regions, regions affected by industrial restructuring, etc.). Given that regions' capacity to develop not only depend on exogenous factors but of a number of endogenous factors -such as its level of human capital, its ability to innovate or the quality of its economic, social and political institutions. EU cohesion policy should not be narrowly focused on promoting 'hard' infrastructure investment but at improving the growth potential of the region by intervening in a broad range of areas (education and research, innovation, environment, institutional capacity).

The original EU cohesion policy, as set up in the late 1980s, reflected quite closely the second school of thought (Behrens and Smyrl: 1999). This philosophy was more or less maintained during the 1990s, but in the 2000s two partly contradictory dynamics emerged. On the one hand, the EU 2004 enlargement led to growing calls for narrowly targeting EU cohesion spending on poorer regions and States. On the other hand, the launch of the Lisbon Strategy together with the lack of strong evidence to prove EU cohesion's impact on economic convergence (see section 2 below) prompted the Commission to develop a new 'narrative' to justify EU cohesion spending. Rather than an instrument to reduce regional disparities, EU cohesion policy started to be portrayed as a delivery vehicle to achieve the Lisbon goals of competitiveness, growth and jobs all over the EU territory.

The changes introduced to the policy for the period 2007-2013 reflect a compromise attained between these two views. Most resources were targeted on the new Convergence Objective (80 percent), focused on the poorer States and regions. At the same time, a new strategic planning approach was introduced to ensure the alignment of cohesion funding with the EU-wide Lisbon goals. This was complemented with the obligation to 'earmark' part of the EU funding on Lisbon items (60 percent for convergence regions, 75 percent for the rest of the regions).

At the moment of writing this paper, the debate on the post-2013 EU cohesion policy is on-going. Among Member States, there are divergent views on the spatial focus of the policy, which will surely resurge with force in the context of the EU budgetary negotiations[8]. However, the indications are that a significant number of countries would resist any attempt to focus cohesion spending exclusively on the low-income regions and states (Mendez et al: 2011, p.18). In fact, to date, the debate has been focused on how to improve the performance of the policy rather than on the overall architecture and coverage[9]. This focus on governance is probably explained by the fact that we have still not entered into the budgetary discussion, but it might also be due to the fact that DG Regio has been quite skillful in involving national governments into a debate on the 'substance' of the policy, through the publication of the Barca Report (an independent report commissioned by DG Regio which put forward practical propositions for improving the governance and implementation of the cohesion policy) and the setting up of various informal groups and tasks forces involving national experts (notably a High Level group reflecting on Future Cohesion policy and a Task force on Conditionality)[10].

2- Learning from the Past: the performance record of CAP and Cohesion policy

To analyze current proposals to improve the performance of CAP and Cohesion policy, we need first an assessment of the main 'performance failures' currently affecting these two policies. As shown in the paragraphs below, the two policies present different failures. In CAP, the main issue at debate is whether the existing instruments (notably direct payments) are well-designed to as to achieve CAP's objectives. In Cohesion, it is more about how to improve the system of governance and implementation to render cohesion spending more effective and efficient.

2.1. Common Agricultural Policy

As seen in section one, at its origins, the CAP's main goals were to increase the productivity of the agricultural sector and ensure a fair standard of living to farmers. The main instrument to attain these goals was a system of price support. Under the original CAP, the

[8] Thus for instance the UK government has recently reiterated its position for a cohesion policy exclusively targeted to low-income regions and States ("Where Member States have the institutional structures and financial strength to develop and pursue their own policies, they should be enabled to do so within a common strategic framework. Consequently, structural funds in the richer Member States should be phased out" (Memorandum to the House of Lords European Union Committee, "Marking it Work: The European Social Fund", Department of Works and Pensions, Minutes of Evidence, 2 February 2010, House of Lords).

[9] The only issue of coverage which has been object of vivid discussions is the Commission's proposal to create a new category of 'intermediate' regions

[10] The High Level Group reflecting on Future Cohesion Policy was a group composed by representatives of the national governments and representatives of the Commission. It was established by the DG Regio in October 2009, and it met several times during 2009 and 2010. The Conditionality Task Force was set up by the Commission in response to an invitation made by the informal Cohesion council of November 2010 to examine the various aspects of conditionality relevant for cohesion policy. Composed by representatives of the Commission, the Council, the Committee of Regions, the European Parliament and national governments, this Task Force had been meeting from November 2010 until May 2011. The results of the Task Force have been discussed at the informal cohesion council of 20th may 2011 in Gôdôllô (Hungary).

EU set price floors for all the major farm products. These prices were enforced by guaranteed, unlimited purchase by CAP authorities at the price floor, but only as a last resort.

During the first decades, this price support system made a success of the CAP by ensuring farmers' revenues and encouraging production, and converted the EU into a global exporter of food products. In the 1980s, however, price support became highly criticized. The 80s were indeed marked by images of "lakes of wine" and "butter mountains" due to over production, major criticisms to the harmful effects of export subsidies on developing countries' agricultures[11] and annual rocketing CAP budgets. In addition to that, concerns on the pollution of natural resources started to grow.

In order to stop inducing farmers to produce, it was decided to remove the price support and to improve the market orientation of Europe's agriculture. As this generated a sudden loss of income for farmers, direct payments were then introduced with the Mac Sharry reform in 1992. From then onwards, a continuing trend of reforms has radically changed the instruments and diversified CAP's objectives[12]. The 1999 and 2003 reforms went further on decoupling the payments from the production and introduced an obligation of 'cross compliance for payments[13]. Payments hence abandoned their original goal (to promote production) and were progressively converted into an instrument intended to achieve two goals; ensuring farmers' revenues and inducing farmers deliver certain environmental public goods.

Apart from changes in the system of payments, the 2003 Reform also introduced a 'second pillar' to CAP. Improperly entitled "rural development", this second pillar consists into financial assistance to farmers and other rural actors (in form of conditional grants). These grants are organized in four axes, Axis 1, competitiveness of agricultural and forestry sectors; axis 2, environment and rural space; axis 3, quality of life in the rural area and diversification of the rural economy; and axis 4, the 'Leader' program. Pillar 2 currently represents 20% of the CAP budget and, contrary to the first pillar, it is submitted to co-financing. Since the 2003 reform, Member States are obliged to shift part of the resources from pillar 1 to pillar 2 (the so-called 'modulation'). This shift of a part of direct payments towards these objectives has improved the environmental effect of the CAP and rural development.

While successful reforms have improved the functioning of CAP, three issues remain at debate after the 1990s reforms (Bureau and Mahé: 2008).

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[11] As EU fixed prices were higher than global prices, the system was complemented with subsidies to export to compensate EU farmers from the loss of revenue derived from selling products abroad.

[12] The Mansholt Reform in 1992, the 'Agenda 2000' reform, the Fischler Reform in 2003 and the 2008 'Health Check'.

[13] Cross-compliance is a mechanism through which farmers' payments are conditioned to compliance with basic standards concerning the environment, food safety, animal and plant health and animal welfare as well as with the dutty of keeping land in good agricultural and environmental condition. Source: http://ec.europa.eu/agriculture/

a) *The criteria to allocate direct payments are not necessarily related with CAP objectives*

Since 2003, direct payments are allocated to farmers according to their past production levels (what is usually defined as “historical rights”). This creates several problems. First, past production is not linked to the achievement of any CAP objective. Those farmers receiving the aids are not necessarily those ‘delivering’ more environmental public goods, neither are those more in need (poor farmers).

Second, and related to the first point, direct payments are highly concentrated on a minority of farms (mostly larger farms) which can collect hefty incomes. This is highly inefficient; first, because most of these farms do not need income support, and second, because the production of environmental public goods does not increase exponentially with the level of payments (that is, a farmer receiving a payment three times higher than another farmer is not going to deliver three times more on environmental public goods). As this criticism lasts from the beginning of the 80’s until now several propositions of capping the higher payments have been already suggested but every time refused by Member States.

Third, there are leakages to non-intended beneficiaries. As payments are based on past production and not current production, they can benefit non-farmers, such as landowners. It values more estate than labor income which is not consistent with the Rome Treaty objective (article 39 TEU) aiming at ensuring farmers’ income.

b) *Mixed environmental record*

The environmental record of the reformed CAP is mixed. The removal of price support in 1992 should have stopped the incentives to intensification, but the results were disappointing. Indeed “limited improvements were observed regarding the environmental footprint of agriculture (e.g. fertilizer and pesticide usage) but many indicators are still deteriorating (losses of grassland, biodiversity, wetlands, bird populations, water quality, rural landscapes, soil fertility)” (Bureau and Mahé; 2008). Criticisms concern the conditioning payments to certain environmental requisites (cross compliance) and the steady shift of resources from direct payments towards the second pillar.

Concerning direct payments, the current system of cross-compliance is highly unsatisfying. Farmers are obliged to comply with some minimum environmental duties, but the system does not provide incentives to go further. In other terms, it is a negative constraint (a way to preventing environmentally-damaging farming) rather than an incentive tool to adopt environment-friendly practices. In addition to that, current single farm payments, whose calculation is based on historical reference value, are perceived by recipients as ”rights” to receive subsidies. In the current system, the sense of ‘ownership’ is such that the beneficiary can sell the ‘right to payment’ or he can transmit to his heirs. In coherence with this, cross-compliance obligations are generally perceived by farmers as a negative constraint, something which generates a control-threat syndrome which does not favor adhesion.

Concerning the second pillar, it finances a large range of heterogeneous measures which are not all environmental. Financial aid under the specific “agri-environmental” measures is not attractive enough for conventional farmers with historical rights. There is hence no incentive tool for the adoption of environment-friendly practices or organic farming.

c) The distribution of competences between EU and national levels

There is an overall agreement on that the CAP should serve to ensure the provision of certain public goods linked to agriculture. In this respect, a key issue at debate is whether the various public goods provided by farmers (landscapes, biodiversity, food security, water quality, etc.) can be qualified as European public goods, or they are rather national or local public goods. If the latter is the case, then it would be more logical and effective to de-centralize the competences related with the production of these goods to national or local authorities.

At present, these is no consensus on which level – local, regional, national or European – should be responsible of ensuring the production of the different public goods linked to farming. There are different political and economic arguments, leading to different responses. There are however some lessons to be drawn from the implementation of current programs, which might be taken into account when choosing the most efficient way to manage public goods. Currently, the first pillar is centralized and fully financed by the EU whereas the second pillar is co-financed and implemented through a multi-level governance system. This difference in terms of governance entails different levels of administrative complexity for beneficiaries and different transaction costs, which strongly influence the efficiency of programs. Franco Sotte (2011), for instance, provides evidence of the noticeable differences that exist “between ex ante programmed expenditure and ex post actually disbursed payments in structural policies (cohesion and Pillar 2 of the CAP)”. In contrast to this, annual commitments and net payments for the 1st pillar CAP payments are very close. Sotte put forward three arguments to explain these discrepancies between appropriations and payments before the commitments in CAP pillar 2 and cohesion. First, the different ability of the Member States or Regions to co-financed; second the ability of beneficiaries to enter into commitments; third the late approval of programs by Member States or Regions. On top of there are also reasons for withdrawal of the beneficiaries and cancellation of commitments: bank refusal to grant credit; change in business plan; discover of better funding opportunities in competing policies; death of the beneficiaries or changes in family decisions (Sotte: 2011).

Lastly, a horizontal issue of the debate on CAP performance is the political economy elements influencing CAP decision-making. Indeed, the rules to allocate CAP expenditures and CAP financing generate large discrepancies among Member States, and are not legitimized by any justifications such as cohesion. That creates political tensions particularly on the issue of the sharing of the budget. As the first pillar is entirely financed by the EU, national interests tend to prevail in budgetary negotiations, at the expenses of public interest considerations. This perpetuates inefficient policies as it tends to promote conservatism in the programs proposed.

3.-2.Cohesion policy

Despite being one of the most extensively reported and evaluated policies in Europe, the debate on the macro-level effectiveness of the EU cohesion policy (its capacity to foster EU economic convergence) is largely inconclusive. There is a large number of studies exploring this issue and leading to contrasting results, from entirely positive, statistically insignificant, to negative effects of cohesion policy. This lack of concluding evidence is partly explained by methodological difficulties — the lack of reliable and harmonised data, the limitations inherent to the methods employed to assess the impact of cohesion policy on growth— but also by the complexity of the causal relationship at analysis – that is, the difficulties to assess the impact of an heterogeneity of EU cohesion policy interventions aimed at promoting growth in different territories —, as well as by the fact that EU cohesion spending is, by its magnitude, too small to have a significant impact on growth and employment rates.

Given these limitations, many authors consider that the macro-effectiveness of the cohesion policy “needs to be taken in terms of plausibility instead of proof” (Molle: 2007, p.230, cited by Woestner et al: 2009, p.2). The relevant question is therefore not the direct impact of cohesion spending on the economy, but rather the extent to which EU spending increases the amount of growth-enhancing public investment in a given territory (the so-called ‘additionality’ principle) and stimulates more and better private investment (the so-called ‘leverage’ effect).

Econometric analyses conducted by the Commission show that the cohesion funds have indeed a positive impact on the level of growth-enhancing public investment in the recipient territories (Jouen: 2011). However, as pointed out by Wostner and Slander (2009), the additionality effect is a necessary condition, not a sufficient condition for having a positive effect in the recipient territories in terms of outputs and outcomes. These positive effects will only come if there is an effective and successful management of public funds at the micro-level.

What do we know about the micro-level effectiveness of Cohesion policy? As noted by Barca (2009), ex-post impact evaluations are conducted by Member States, and they provide fragmented and poor evidence on results. There are nevertheless various studies and reports from the DG Regio and by other independent experts which try to gather information from past ex-post impact evaluations or from ‘ad hoc’ case studies. Leaving aside some conclusions which are particular to different sectors (i.e. the ‘deadweight’ effects of EU programs providing support to large firms, the negative environmental impact of EU transport investment in the EU-12), most of these studies and analysis concur on the existence of certain horizontal ‘failures’ in the system of governance and implementation which hamper the performance of cohesion spending. These can be summarized in the following points:

a) *Too broad scope of action*

In the current period (2007-2013), cohesion funding can be used to finance actions in 16 different thematic areas[14]. Most observers agree on that this broad scope of action blurs the rationale of EU-level interventions and makes very difficult to monitor and appraise the impact of the policy on the ground. Observers disagree, however, on what are the causes of this lack of focus. For some experts, it is the natural outcome of the current tendency to conceive cohesion policy as a vehicle to implement all type of EU goals - from growth to climate change (Begg: 2011). The solution hence is to come back to a more ‘traditional’ EU cohesion policy, targeted to the low-income regions and focused on two or three priority areas (as recommended by the 2003 Sapir Report). For others, the lack of focus reveals a failure of the mechanisms put forward in the current period (2007-13) to align national and regional funding priorities to EU-wide goals. The solution is hence to improve the system of strategic planning, by focusing the policy on no more than 3-4 priorities (Barca: 2009)

b) *Too much focused on financial absorption and not on performance*

There is a common perception that cohesion policy is too much focused on processes and financial absorption and that very little attention is paid to goal achievement and impact. At present, the only compulsory incentive for national authorities is the automatic de-commitment role (“n+2” rule), which requires committed funding to be spent within 2 years. As pointed out by Barca, the existence of this rule put the Commission “under strong pressure to let Member States move on with spending, rather than checking on its quality” (Barca: 2009, p.96). There is also evidence that the “n+2” rule has negatively affected project quality, encouraging programme managers to focus on “safe” projects and applicant groups rather than innovative or risky projects.

Any attempt to set up a more ‘performance-oriented’ system depends on a pre-condition, the existence of reliable and credible information on output and outcome achievements. In this respect, there is overall agreement on the weaknesses of current systems of monitoring and evaluation. Concerning monitoring, Member States are requested to quantify targets in their operational programs (in terms of both financial and physical outputs) and to monitor and report progress made against these targets by using their own-selected indicators.. However, as noted by various experts (Bachtler et al: 2010b, Barca et al: 2011), both the meaningfulness of targets and the quality of indicators is very doubtful. With respect to evaluation, the intention in the last 2007-13 period was to adopt a more “results-oriented approach”, in essence by devolving responsibility for the timing, focus and methodological

[14] Each fund has however a more restricted scope of action. The ERDF covers 12 expenditure categories, the ESF 7 categories and the EU cohesion fund has a more limited scope, it covers three areas: transport, energy and environment.

approach to the Member States (Polverari et al: 2007). Analyses of national and programme evaluation plans indicate however that impact evaluation is frequently of poor quality.

c) *Too much bureaucracy and controls....and still a high level of financial irregularities*

There is also a broad agreement on the need to simplify the implementation of cohesion policy, especially in the areas of financial management, audit and control. Despite various simplification efforts, national and regional authorities have the perception that bureaucracy, complexity and administrative costs have increased over successive programming periods[15]. A study commissioned by the DG Regio confirms that the costs are indeed high, both in terms of time and share of funding (3-4 percent of eligible expenditure), although it also reveals that the costs are relatively modest if compared with other EU policies, such as global and regional partnership programs and bilateral aid programmes (SWECO: 2010).

In spite of massive control system requirements, cohesion policy remains the EU domain most affected by financial irregularities. Whereas the number of irregularities has decreased in recent years, 36 percent of projects financed by cohesion spending are affected by error (European Court of Auditors: 2009). The main cause of irregularities is the reimbursement of ineligible costs and failures in applying the rules on public procurement. Misapplication of public procurement rules alone constitutes approximately three quarters of the estimated errors.

Finally, there is marked variation in Member States' capacities of implementation. At the start of 2010, 27 percent of the funding had been assigned to projects. However, this EU average rate hides important differences across states: whereas this rate was above 50 percent in Belgium, Ireland, Estonia or the Netherlands, it was around 12 percent in Greece, around 14 percent in Romania , and around 20 percent in Poland and Bulgaria. While this variation in implementation delays is partly due to the different impact of the economic crisis on public finances, the main factor explaining this variation is the difference in domestic administrative and institutional capacities between nations and regions (Jouen 2011). In particular, there is a general perception that some new Member States have had difficulties to implement cohesion funding over the current period, due to the massive increase of funding received, the lack of experience in managing EU funds and less modern administrative structures.

3- Current ideas and proposals to enhance the performance of CAP

This section will explore different ideas on how to improve the performance of CAP. We will narrow our analysis on two types of proposals to enhance CAP's performance in ensuring first adequate and stable revenues for farmers and proposals to enhance CAP's performance, second the production of public goods related with the agriculture.

[15] *Report Seminar Paper,* Policymakers' Seminar on Cohesion Policy, Brusels, 18th and 29th April and 16th June, 10th October 2008.

3.1. How to improve CAP's ability to ensure adequate and stable revenues for farmers

While some governments question the income support goal, there is nowadays a political majority in favor that the future CAP will serve – among other things – to ensure adequate and stable revenues for farmers. In this respect, there are discussions on what would be the most appropriate instrument to attain this goal.

The appropriateness of the instrument depends very much on how we interpret the problem which we intend to resolve. At the moment of creating the CAP, the level of farmers' income was inferior to that of the rest of population. The European agriculture was in a poor condition, and was characterized by low levels of production. In coherence with this vision of the problem, the instrument which seemed more appropriate to guarantee farmers' income was a system of aid to production.

At present, there is no strong evidence on that the level of farmers' income is inferior to that of the rest of population less clear. The comparisons of farmers' income with the rest of the population are methodologically difficult. Besides, farmers' households have often different sources of income (from non-farming activities) that implies for comparisons to assess their total income situation. Finally, farmers' incomes are very heterogeneous. They vary along different criteria: Regions or States, farm types (production), and the size of the farm.

More generally as shown by a recent Commission's study on farmers income, agricultural activity entails by its nature a low level of profitability, whatever the size of the farm[16]. Given this low level of profitability, improvements in terms of productivity are heavily dependent on direct payments. The study also shows that, despite the general improvement of farmers' income situation, two type of problems prevent farmers from having stable revenues: first, a high level of volatility in agricultural prices (prices of input and output), and second, the fact that agricultural activity is submitted to some natural risks – such as climatic or pandemic risks – which can completely reduce the income of the farmer in a given time and endanger the viability of the farm exploitation.

Against this backdrop, the question is: is the single farm payment an effective tool to ensure farmers' income? If not, what are the alternatives?

The Single Farm Payment plays an essential role in stabilizing farm income but is insufficiently targeted on this objective (Bureau, Witzke; 2010). In particular, price volatility - which is of a growing importance - is insufficiently covered and has been neglected in the past reforms. Indeed, the existing tools to regulate agricultural markets (e.g. quotas, intervention measures, etc.) have rather been progressively dismantled.

In the November 2010 Communication on the reform of CAP, the Commission proposes to reform the Single Farm Payments in order to make them clearly focused on achieving two objectives, one economic (insure a basic income), the other environmental (provide public

[16] Development in the income situation of the agricultural sector, European Commission, December 2010

goods). However, it does not provide details on how exactly should direct payments be reformed to ensure the first objective. Apart from that, the Commission' communication advocates for streamlining and simplifying the tools of market regulation. It proposes in particular the creation of a safety net in case of price crisis and potential market disruption.

The Commission also insists on the need to improve the efficiency of the food supply chain. This would allow farmers to get a better share of added value, contrary to the current imbalance of bargaining power along the chain. It advocates for a level of competition at each stage in the chain; contractual relations; need for restructuring and consolidation of the farm sector; transparency and functioning of the agricultural commodity derivatives markets.

Finally, under the second pillar, the Commission proposes to create a risk management toolkit to address both production and income risks, ranging from a new WTO green box compatible (*e.g.* income stabilization tool, support to insurance instruments and mutual funds). This toolkit would be available to Member States.

These proposals have been strongly criticized by experts, mainly due to the lack of detail and the conservative approach adopted concerning the reform of the system of payments. The latter is seen as highly inefficient, and in particular unable to stabilize markets and incomes. Tangermann (2011) criticizes the Commission's proposal for not basing the payments on the total farm household income, what is usually a condition to propose an efficient and sufficient income support in general. The common position of experts is that, instead of marginally reforming the direct payments, a deep change in the system would have been necessary as "the new challenges require new policies and globally in a different frame than the Commission's proposal to truly cope with the future challenges" (Henke, Sardone: 2011). Finally, they also criticize the exclusion of the small farms from the system because of the administrative procedure of direct payments (Harvey, Jambor: 2010).

3.2. How to improve CAP's ability to ensure the production of public goods related with the agriculture.

According to Hart and Baldock (2011) the main public goods provided by agriculture include:

- Environmental goods, notably farmland biodiversity, water quality and availability, soil functionality, air quality, climate stability (reducing greenhouse gas emissions and increasing carbon storage), resilience to flooding and fire.
- Culturally valued agricultural landscapes.
- Rural vitality (the social, economic and cultural viability and vigor of rural societies).
- Farm animal welfare
- Food security (particularly the capacity to produce food sustainably in future).

Most of the discussion is on how to ensure the production of environmental goods. In this respect, the Commission suggests[17] 'greening' the first pillar. In particular, it proposes making 30% of direct payments contingent on compliance with a range of environmentally-sound practices, going beyond cross-compliance. The use of financial incentives to ensure the provision of these goods (rather than for instance regulation) is justified on the grounds that "withdrawal of public support would lead to several drawbacks (land abandonment, concentration of production, environment pressures, irreversible deterioration of agricultural capacity, etc.)". The kind of farming measures promoted could be for instance permanent pasture, green cover, crop rotation and ecological set-aside. In addition to that, the second pillar would continue to promote the environment as it currently does.

The Commission's proposals for greening the CAP have received cautious support from environmental NGOs. They criticize the conservative approach adopted by the Commission: while it is true that direct payments help providing public goods, they do that only indirectly as they have not been designed to perform this function (as explained in section 2). In other words, they are far from being an efficient tool to enhance environmental goods in rural areas, and thus the need to look for another way to promote environment-friendly practices. Among the catalog of criticisms gathered by Bureau and Witzke (2010) one can mention: the fact that with cross-compliance the farmers have nothing more to do than "respecting the law"; or that extensive farming — which receive only a small part of the payments — are essential for biodiversity.

While the idea of setting up a system of incentive tools to induce farmers deliver environmental public goods is widely consensual in the political and public debate, it is particularly difficult to implement. Hart and Baldock (2011) provide a sound overview of the numerous dilemmas to implement an EU effective tool to remunerate public goods. They plead for the creation of a mechanism to translate broad Community level objectives into more specific ones applicable at Member State level. This would imply a very complex toolkit to make it efficient. A broad diversity of approaches and instruments would be required for instance: cross compliance, earmarking a proportion of EU funds for public goods, introducing dedicated new measures, such as ecological set-aside in all Member States, etc. The establishment of a system of multilevel governance engaging different levels of government — from the EU to the most local level — would be also a prerequisite to insure the relevance and the efficiency of the payments. Both experts conclude that "the effectiveness and efficiency of policy measures in delivering public goods depends on many factors such as policy design and focus, targeting, administrative capacity, data, the provision of advice, monitoring and evaluation, as well as the adequacy of budgetary resources. A combination of regulatory and incentive measures is required."

[17] A budget for Europe 2020, June 2011

As a conclusion, these remarks suggest that the efficiency of an allocation system for public goods should reach a balance between a necessary simplicity and feasibility on the ground and the complexity necessary to adapt the policy's instruments to the European diversity.

4- Current ideas and proposals to enhance the performance of Cohesion Policy

The question of how to enhance the performance of EU cohesion policy is not new; many ideas have been raised and discussed in academic conferences, workshops and seminars organized by the DG Regio or by independent research centers all over the past years. In the following, we focus on four themes which are particularly dominant in current debates: concentrating resources on few priorities (thematic concentration); developing a more results-oriented system through conditionalities and incentives; reinforcing the implementation capacity at the national/regional level and simplifying the administrative procedures and controls[18].

4.1-Thematic concentration

There is a general recognition of the need to focus the policy on a limited number of priorities. The latter is seen as necessary to maximize the impact of cohesion policy and provide high European added value. There is however much vagueness on what exactly does 'thematic concentration' mean, and how to put it into practice.

The most detailed proposal on "thematic concentration" is found in the Barca report (2009). The report proposes to focus EU cohesion funding on no more than 3-4 priority themes. Although these priorities would be selected at the EU level through a political process involving Member States, to be accepted, they must comply with three criteria: a) EU relevance (there must be legitimacy or effectiveness grounds to justify EU intervention in this area), b) 'place-based' nature (there should be a geographical element in the rationale for public intervention in this area), c) 'verifiability' (it must be possible to set clear and measurable goals for public interventions in this area).

The Barca report suggests that between 55-65 percent of total amount of EU cohesion spending should be allocated to these priorities. The financial agreement should also establish a '*fourchette*' (a range with an upper and lower limit) for the share of the cohesion policy budget allocated to each core priority at EU level. At the national/regional level, the concentration would be guaranteed by an earmarking obligation, with the percentage of earmarking differing according to the territories (highest for non-lagging regions and lowest for lagging regions).

[18] This is of course a rather limited list of all the proposals on how to enhance the performance of cohesion policy that circulate in current EU debates. There are many other interesting themes at debate, such as the question of the strategic coherence between policies and funding instruments or the use of new financial engineering instruments. Ideas and proposals concerning these other themes are analyzed by other authors, such as Bachtler and Mendez (2010) and Jouen (2011).

A document prepared by the DG Regio for discussion with national representatives[19] embraces Barca's proposal to concentrate funding on a small number of priorities. As the Barca Report, the document envisages the establishment at the EU level of a menu of thematic priorities, leaving to Member States the scope to choose those priorities more in line with domestic needs and challenges. It does not say anything about the criteria used to select these EU priorities, except for the fact that the latter would be "commonly agreed" and "in line with the Europe 2020 Strategy". Finally, while the element of "verifiability" is not stated as a pre-requisite, the document says that each EU priority would be accompanied by a typology of outcomes, a list of core indicators and a categorization of expenditure items.

The Commission's 2014-2020 financial perspectives proposal has included this idea of "targeting funding on a limited number of objectives linked to the priorities of Europe 2020[20]. Although the number and type of EU priorities are not mentioned explicitly, the Commission's proposal seems to assume that "energy efficiency and renewable energy" will be one of the EU priorities. Indeed, the document proposes requiring competitiveness regions and the newly created categories of "transition regions" to " focus the entire allocation of cohesion funding (except for the ESF) primarily on energy efficiency and renewable energy; SME competitiveness and innovation", with investments in energy efficiency and renewable energy being "at least 20%" of the total cohesion spending in these regions.

The key question concerning the proposal for thematic concentration is whether it will be really different from current efforts to concentrate support on few priorities/areas. Attempts to reduce the number of priorities have been undertaken in the 1999 and 2005 reforms, with apparently little success. Whether these new efforts for thematic concentration will be different from previous ones mainly depends on the number of priorities and how broad they are defined. As noted by Bachtler and Mendez (2010b), national and regional authorities generally express to be in favor of concentration, but as long as the latter does not preclude their capacity to "interpret these priorities in line with local needs and challenges" (Bachtler and Mendez: 2010b, p.11). If "thematic concentration" has to be something more than a windows dressing reform, it must be clear for all that it entails an important decrease in autonomy for national and regional authorities in setting funding priorities. Otherwise, the potential benefits from greater concentration will not be reaped.

4.2. Developing a more results-oriented system

There is also consensus on the need to shift from a focus on processes and financial absorption to a focus on results. Several options have been proposed to achieve this,

[19] "Thematic concentration for Cohesion Policy post 2013", document prepared by the DG Regio as the basis for a discussion at the 7th meeting of the High Level Group Reflecting on Future Cohesion Policy, 2nd and 3rd December 2010.
[20] "A Budget for Europe 2020 – Part II: Policy Fiches", COM (2011) 500 final, p 24

including the introduction of performance “conditionalities” and the creation of an EU-wide performance reserve.

Performance “conditionalities” refer to the fact of making the payment of funds conditional to the achievement of results[21]. In principle, the idea of linking funding to performance has a strong appeal. There are however various problems to put it into practice in the context of cohesion policy. First, any attempt to condition funds to results must rely on a good and reliable system of monitoring outcomes and impacts, something that is not currently in place. Second, even if having all the data, the Commission would need to have a good expertise on the policy area and on the territory in which the action is going to be implemented, so as to be able to establish ex-ante realistic targets against which the performance is going to be assessed. A lack of expertise from the Commission would allow national authorities to adopt a strategic behavior (e.g. by setting targets too low to secure future funding). Third, a strict application of conditionalities might have perverse effects in the programming period. It might encourage a more conservative or risk-adverse approach from managing authorities, thus making them less prone to adopt new approaches or experimental projects. Finally, to be effective, a system of performance conditionality should entail the risk of suspension or cancellation of funding. As noted by Bachtler and Mendez (2010b, p.15), “ministers do not like shocks to their financial planning and it is doubtful whether agreement could be reached to something that adds budgetary risks in a tight financial climate”.

The latest point – the possibility of losing money- is particularly elusive in many proposals of introducing performance “conditionalities”. In effect, while acknowledging the need to improve the systems of monitoring and evaluation and to make goal performance more verifiable, very few go to the point of proposing the use of ‘sanctions’ in case objectives are not attained. The clearest example of this is the Barca report (2009). The report proposes the establishment of ‘contracts’ between the Commission and the Member States. These contracts would be quite specific, detailing the objectives and the means of achieving these objectives, and specifying “verifiable commitments” for the achievement of these objectives. However, in spite of using the term “contract”, the Barca report does not propose conditioning further funding to the achievement of results. Member States’ commitment to achieving results is expected to come from the establishment of a system of performance monitoring to track progress in meeting targets as well as from setting up a high-level

[21] Notice that there are at least four different types of ‘conditionality’ at discussion in current debates on the future of EU cohesion: *macro-level conditionality* refers to the use of cohesion funding as an incentive/sanction tool to ensure the application of the Stability and Growth Pact; *structural reform conditionality* refers to the fact of conditioning the disbursement of cohesion funding to having approved certain structural reforms in the area of intervention, so as to increase the impact of the funds; *performance conditionality* refers to the fact of making the disbursement of additional funds conditional to the achievement of results, and *ex ante conditionality* refers to the establishment of certain institutional and thematic pre-conditions for the disbursement of funds. Structural and ex ante conditionality will be discussed in section 3; as concerning macro-level conditionality, this is not an instrument to improve the performance of cohesion spending but a way of using cohesion spending as a means to ensure compliance of the Stability and Growth Pact.

political system of “peer review” which would ‘name and shame’ those countries under-performing on cohesion[22]

Despite the fact that neither the Barca report nor the final report from the High Level Group on conditionality proposes introducing performance conditionalities, the Commission’s proposal for the 2014-2020 financial perspectives embraces the idea of introducing “ “ex post' conditions that will make the release of additional funds conditional to the achievement of pre-specified results”. There is no much detail on how these conditionalities would be applied, and particularly if they will apply at the level of programs or of projects. In the first case, the proposal would imply sanctioning Member States which fail to achieve the expected objectives, something which will most likely be rejected by the Council. The second option, to apply conditionality at the project level, has more chances to be accepted. It would imply giving to Member States the responsibility for sanctioning under-performance, allowing funds to be re-allocated across programs within the country.

Another way of encouraging performance is by introducing financial incentives. The most popular proposal in this respect is the creation of an EU-wide performance reserve which would re-distribute part of the EU cohesion funding, giving a premium to those states or regions which have best performed. The Commission’s 2014-2010 financial perspectives proposal includes a proposal to create such a reserve. It would consist into a fund equivalent to 5 percent of the cohesion budget, which would re-distribute funding on the basis of performance during a mid-term review.

The proposal of creating a performance reserve is not new. In fact, an EU performance reserve was proposed by the Commission ns for the 2000-2006 period, but during the negotiations Member States succeeded in blocking the Commission’s proposal and introducing instead a national-level performance fund, with which each national government would re-allocate part of its pre-allocated funding on the basis of excellence. In the current period, the national performance fund passed from being compulsory to being voluntary. As noted by Bachtler and Mendez (2010b), any attempt to create a new reserve should start by drawing lessons from this past experience. The Committee of the Regions also considers that an EU wide reserve proposal is likely to prosper only if created from de-committed funds[23].

[22] In particular, the Barca Report proposes the creation of a formal Council of Cohesion. Composed of the Ministries responsible of regional matters, this Council would be entrusted to assess and discuss on results, on the basis of the national strategic reports. The results of the assessment will not lead to sanctions or incentives, as the Council would only “issue recommendations”.

[23] Opinion of the Committee of Regions on the EU Budget Review, CdR 318/2010 fin

4.3. Reinforcing implementation capacity at the national/regional level

Another way of enhancing the performance of cohesion spending is by strengthening the implementation capacity of national/regional authorities. Two specific proposals have been put forward in this respect.

First, many people believe that the EU should do more to reinforce the institutional capacity of certain countries and regions. One should note that cohesion policy already provides direct, funded support for institutional capacity building. The question hence is whether there is a need for more reinforced Commission support in this area. According to some experts, the Commission should play a more “pro-active role” in developing institutional capacity, providing greater oversight on how technical assistance is being deployed. Some go to the point of suggesting that the Commission should be directly responsible for managing and implementing EU funds in certain territories. Until now, these proposals were considered too radical and politically unfeasible, given Member States’ fierce opposition to direct EU interference in domestic matters. However, the Greek crisis and the climate of budgetary austerity might have lowered the level of tolerance of richer countries towards problems of inefficient and mis-allocation of funding.

Second, there is the proposal to establish a more explicit and systematic system of “ex ante” conditionalities. Until now, these pre-conditions existed but they were rather implicit, and they were settled and applied on a case-by-case basis, leading to significant variations across sectors and programs as well as in terms of deadlines and action for follow-up. Many experts concur on that there is a need for a more transparent and systematic application of ‘ex ante conditionalities.

The report from the Commission on the Conditionality Task Force put forward a detailed proposal for a system of “ex ante” conditionalities. The Report proposes establishing such conditionalities as well as the criteria for assessing them in the cohesion policy regulations. Some of the conditionalities” would be specific to certain thematic objectives (i.e. fulfillment of EU directives on environment, existence of a national strategy on research); others would refer to horizontal aspects of program implementation (e.g. existence of an adequate system of monitoring). Ex-ante conditionalities would be applied at both the level of program and priority axis. They would be fully integrated in the strategic programming process. In particular, Member States would self-assess whether a given pre-condition is met. The Commission would verify the consistency of the assessment and, if the ex-ante condition has not been met, a commitment and a deadline for action will be set up. The consequences of non fulfillment could entail adjustment of the timetable, temporary freeze or suspension of payments or the possibility of transferring resources to another priority axis.

Participants in the Task Force have expressed broad support to the idea of ex-ante conditionalities, although some potential problems have been pointed out. Some participants have expressed fears that the systematic application of ex ante conditions will increase the administrative burden. Others have stressed that conditionalities should be jointly agreed with the Member States, that they should be transparent, predictable and proportional.

An important point to take into account is that, to be effective, ex-ante conditions should focus on the necessary pre-conditions for achieving effective interventions, and actors in charge of management of programs should have competences to influence the fulfillment of the ex-ante conditionality. This is in fact what distinguishes "ex ante conditionality" from another type of conditionality discussed within the Task Force, the so-called "structural reform conditionality". Structural conditionality refers to the fact of conditioning the disbursement of cohesion funds to progress made in implementing structural reforms in the areas of intervention. Thus, for instance, cohesion funds in the area of active labour market policy would be conditioned to progress made in the modernization of public employment services or to the introduction of reforms in the educations system. As rightly noted by some participants in the Task Force, such structural reforms are usually the outcome of large political processes. They are often the responsibility of different actors or levels of governments than those in charge of implementing the cohesion policy. Thus, rather than a tool to enhance the performance of cohesion spending, it is a device to allow the Commission influence the reform process (by using cohesion funding as stick/carrot instrument).

4.4. Administrative simplification

Finally, there is broad agreement on the need to simplify the implementation of cohesion policy. An idea which is frequently cited in this respect is the need to introduce differentiated requirements across instruments, types of projects or countries. Thus, for instance, a proposal that has been examined in the context of the High Level Group is to exclude smaller programs (programs below 250 million Euros) from certain administrative requirements. Others propose to diminish the administrative requirements for certain types of interventions, such as financial engineering instruments or high-risk innovative projects. A more controversial idea is to create differentiation across countries. One of the proposals in this respect is to allow those countries having a good record in the implementation of funds to establish a "contract of confidence" with the Commission, implying lower requirements of control. Finally, apart from these calls for differentiation, there is broad support to the idea of rendering the "n+2" rule more flexible, by extending the rule by one year (n+3) or by applying it nationally (rather than at program level).

Any potential benefits from these proposals should be balanced against the costs of changing rules and procedures of implementation. In this respect, various experts highlight that there is a certain fatigue among national and regional administrations to continuous efforts of simplification, which often result in minor advantages and major costs in terms of legal uncertainty and efforts of adaptation.

Apart from that, some experts consider that the fact that simplification has been a recurrent objective since the late 1990s, without much significant success, indicates that the complexity is probably inherent to a policy which is implemented through "shared management" within a multi-level governance system and with multiple actors involved. As noted by Bachtler and Mendez (2010b), any significant improvement in terms of simplicity may probably require a fundamental reconsideration of the principle of "shared management".

Conclusions

In the current climate of austerity, pressures to improve the performance of the two greatest EU budgetary items (CAP and Cohesion spending) are mounting.

An analysis of current debates on the future of CAP and Cohesion policy reveals however that the nature of performance debates is very different in these two policies. On CAP, the main issue at debate is about the effectiveness of the policy; that is, on whether existing instruments (notably direct payments) are the appropriate tools to achieve CAP's objectives. In Cohesion, while effectiveness concerns are also present, the 'performance' debate is mostly on how to make spending more cost-effective by improving the system of governance and implementation.

Concerning ways of enhancing the performance of <u>cohesion policy</u>, one should notice that many proposals at debate – thematic concentration, EU performance reserve- are not really new; they were already proposed in previous programming periods but they were finally blocked by the member states, or they were largely weakened in the final legislation. In fact, a common element that characterise most of these propositions is that, to be really successful (and not only a 'windows-dressing' reform) they require a shift of power from member states to the Commission. During the latest programming period, the Commission 'lost the battle' against member states; the balance of power shifted in favour of the latter. The key question is whether the current political context is different than 2004-05, so as to expect a reverse of this trend. If this is the case, we might see significant changes in the modes of programming and implementing cohesion policy. Otherwise, we will probably see minor, 'windows-dressing' reforms with no significant impact on the way of allocating and spending the money.

Concerning ways of enhancing the performance of <u>CAP</u>, the main conclusion from the analysis is the need for a radical reform in the design of the policy. Rather than making marginal reforms of the direct payments system to adapt it to the dual goal of stabilizing farmers' revenues and ensuring the production of agricultural-related public goods, we need to set up new instruments specifically designed to attain (separately) each of these two CAP's goals - stabilizing farmers' revenues and securing the production of public goods.

With respect to this second goal (ensuring the production of agricultural-related public goods), there is a discussion on whether or not engaging national and local authorities in the production of these goods. It is argued in this respect that some of these public goods are more national or local than EU-wide public goods (e.g. landscape). While this argument makes sense, there are however some lessons to be drawn from the implementation of cohesion spending. Any proposal to engage national/regional authorities in the planning and co-financing of EU budgetary actions should take into account the costs in terms of administrative complexity, bureaucracy and controls that are inherent in any form of "shared management".

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