



Editorial

The spatial dimension of Public Payments for Rural Development: Evidence on allocation practices, impact mechanisms, CMEF indicators, and scope for improvement



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ABSTRACT

EU expenditures for Rural Development, having increased from 2.9% of the total Common Agricultural Policy (CAP) budget in the 1990s to 12.3% in the beginning of the 2010s, reflect the growing strategic and societal values attached to this policy in addressing the new global challenges for rural areas in the enlarged EU. The analysis of the recent and ongoing reforms shows that Rural Development Programmes (RDP) made substantial progress towards sectoral integration and thematic broadening, and, at the same time, provided continuity of well-established and important measures. Yet, under growing budget constraints, better targeting of funds becomes even more crucial (European Court of Auditors, 2011). Comparing the design and allocation practices of Regional RDPs, however, reveals significant differences in targeting strategies, all too often based on the implementation history and experience of previous periods. Better availability, coordination and digital connectivity of expenditure data and other data sources across the EU encouraged the adoption of the Common Monitoring and Evaluation Framework (CMEF), aimed at more clearly depicting intervention needs and effects at the regional scale (NUTS2–NUTS3) (NUTS (Nomenclature des unités territoriales statistiques) is a EU geocode standard for referencing spatial subunits for statistical purposes). The EU project SPARD (Spatial Analysis of Rural Development Measures) took those data as a starting point to find out more about the causal relationships between RD measure implementation, and their determining factors and impacts with a specific look at their spatial dimension: in which rural development measures is success determined by neighbourhood conditions, and at what scale? SPARD developed and applied new methodological approaches, particularly spatial econometrics, to evaluate selected measures that contribute to improved competitiveness, environmental performance and rural viability. The results are presented in this special issue in four thematic foci:

- Analysing RDP performance by applying spatial econometric modelling (theory, procedures, key results) on RDP payments at the national and European scale.
- Effectiveness and efficiency of RDP participation towards impacts at the regional scale: an in-depth view of European case studies, specific measures, indicators and shortcomings of the CMEF.
- Learning about spatial and non-spatial determinants of participation in RDP.
- Experiences and requirements related to the CAP 2020 and the improvement of the CMEF.

Overall, the results emphasise the difficulty of evaluating of RDPs, even when using much more sophisticated instruments than those used in the current evaluation practices. While a lack of appropriate information remains an issue, the experience of SPARD also underscores the challenge of matching the quest for generalised approaches and the need to consider ad hoc local determinants, as well as the trade-off between the benefits of higher precision and the costs of implied information burden.

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1. Introduction and objectives

EU expenditures for Rural Development, having increased from 2.9% of the total CAP budget in the 1990s, to over 12.3% in the beginning of the 2010s, and subsequently to 24.5% in the current period 2014–2020, reflect the growing strategic and societal values

attached to this policy in addressing the new global challenges for rural areas in the enlarged EU (COM, 2014). Analysing the recent and ongoing reforms proves that Rural Development Programmes (RDP) made substantial progress towards sectoral integration and thematic broadening, and at the same time provided continuity to well-established and important measures. Yet, under growing

budget constraints, better targeting of funds becomes even more crucial. In this context, the spatial dimension is of interest, because better allocation is both a budgeting and a targeting-related theme.

Comparing design and allocation practices of RDPs in the Member States, however, reveals significant differences in targeting strategies, all too often based on the implementation history and experience of previous periods. For the evaluation of policy success, measuring allocations and exploring the determinants and cause–effect relationships is an issue of growing importance.

Better availability, coordination and digital connectivity of expenditure data and other data sources across the EU encouraged the adoption of the Common Monitoring and Evaluation Framework (CMEF) (COM, 2006a), aimed at more clearly depicting the intervention needs and impacts of RDPs at the regional scale (NUTS2–NUTS3). The EU project SPARD, carried out in the period 2010–2013, took those data as a starting point to find out more about the causal relationships between RD measure implementation, their determining factors and their impacts, with a specific look at their spatial dimension. Specifically it sought to answer the question: ‘in which rural development measures is success (participation, impact) affected by conditions of neighbourhood, and at what scale is spatial analysis most feasible and relevant?’

The objective of this paper is to introduce the policy and indicator-related background, the rationale and the methodological considerations for this Special Issue. This editorial also briefly summarises the papers and offers integrated conclusions. First, we briefly introduce the state of the art on determinants of RD participation, impacts and their spatial dimension. Thereafter, we present the challenges for analysing RDP targeting and, in the fourth paragraph, present the link between intervention logic and its implications when choosing spatial econometrics as a methodological approach for evaluation and policy support purposes. Based on the hypothesis set out in the EU FP7 project SPARD, section five summarises new evidence from the spatial analysis of RDPs presented in the papers of this special issue and its four thematic sections. Finally, in conclusion, we look at the feasibility of the methodological approach, the relevance of the findings, and the extent to which the ambitions of the project and its contribution to the context of RDP evaluation and CMEF indicator development could be feasible.

2. Determinants of RD participation, impacts and their spatial dimension

The connection between policy targeting and improved policy performance as well as the cost-effectiveness of measures has been addressed by various scholars (European Court of Auditors, 2011; Coisson et al., 2014; Cooper et al., 2009; Pacini et al., 2015; Piore et al., 2009). In particular, they pointed to a lack of robust and quantitative analysis of the linkages between policy drivers and environmental outcomes. There are several reasons for this.

The character of rural areas is far from homogeneous (Midmore et al., 2008); this is even more the case for policy success. It is unclear whether farmers’ willingness to participate in, for example, environmental schemes is linked to environmental attributes of the landscape, and few studies have addressed this issue (Broch et al., 2013). An EU-wide evaluation of RDP expenditure data at the regional scale, based on the allocation of expenditures to different rural development topics, identified noteworthy intra-regional heterogeneity in measure implementation, despite uniform strategic settings at the programming level, which the authors interpreted as evidence of the place-based character of the EU RD policy (Zasada et al., 2015).

In measuring the success of RD policy interventions, policy complexity and the disentanglement of results remains a major

problem. Not only does it require an evaluation of the effectiveness of policy implementation, i.e. in how far the outcomes of implementation have reached the objectives, but also the identification of the underlying determinants and processes (Yang et al., 2014). A number of factors influencing agri-environmental participation have been identified in the literature on policy design (Yang et al., 2015). These relate to a large number of determinants featuring spatial references due to: bio-physical characteristics (Langeveld et al., 2007); economic factors (Wilson and Hart, 2000) and socio demography (Vanslebrouck et al., 2002); and are reflected in farm characteristics, labour and livestock intensity (Hynes and Garvey, 2009; Defrancesco et al., 2008); farmers’ attitudes and behaviour, or access to advice (Wilson and Hart, 2000; Siebert et al., 2006; Ruto and Garrod, 2009).

The impacts of rural development policy implementation are similarly challenging and call for a consideration of the spatial dimension. The mid-term evaluations and several research studies have outlined the complexity behind the impact assessment of rural development measures, and point to limitations of the quantitative assessment of, for example, the ecological effectiveness of agri-environmental measures (COM, 2012; Uthes and Matzdorf, 2013). According to COM (2012) it was not possible to make judgements on environmental effects of RDPs at mid-term due to a lack of causal links between programme expenditures and changes in indicator values, difficulties in accurately measuring indicators and a lack of data. Information from monitoring and other datasets often do not provide a sufficient basis for the impact assessment of rural development measures. In addition, many measures have been in place for only a few years – and hence not long enough for their impacts to be felt.

What remains particularly difficult is to isolate the effects of the measures from those of the many other drivers that influence outcomes. Determinants of participation, as well as impacts, are difficult to identify due to their complex nature. A relationship between determinants of RD participation, policy impacts and some spatial dimensions is assumed in a broad body of literature that, however, in most cases is focussed on specific measures in single case studies.

3. Analysing RDP targeting

The issue of targeting is addressed in the literature through the related aspects of basic land area classification (needed for targeting), targeting mechanisms within policy design and the evaluation of targeting cost and benefits.

A descriptive analysis of RDP implementation across the EU shows that targeting varies from region to region. Moreover, the mechanisms for targeting are extremely varied, ranging from the eligibility of measures in specific areas, to priority scores or even to differentiated payments (Uthes et al., 2010). Their ability to foster higher participation in the target areas is itself a question for future research. The economic analysis of targeting is largely focused on the environmental effects of policy measures. Attention is centred on the trade-off between higher environmental efficiency and higher costs expected from more accurate targeting. Higher costs are due to transaction costs, higher incentive payments and higher compliance costs because farmers in priority areas are not necessarily the least cost participants (Vatn, 2010). Different instruments for targeting may have different efficiency/effectiveness depending on the joint distribution of costs and benefits (Babcock et al., 1997).

From a practical point of view (RDP evaluation), the evaluation of policy effects in relation to targeting is largely based on indicators measuring the location of participating areas/farmers with respect to the level of priority of each area. The matching between the two is largely used as a proxy of environmental effectiveness.

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