

# Management by objectives in EU rural development policy

Lessons from the EU cohesion and water policies



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# Management by objectives in EU rural development policy

## Lessons from the EU cohesion and water policies

Pim Roza  
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**Management by objectives in EU rural development policy; Lessons from the EU cohesion and water policies**

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In this study it is explored which ideas the EU cohesion policy and the EU water policy provide for the introduction of management by objectives in the EU rural development policy. Such an introduction may give rise to both flexibilities and inflexibilities. On the one hand management by objectives could provide more policy discretion to national and regional authorities in designing their own measures and projects that better fit with local circumstances and needs. On the other hand high coordination costs for the central authority could emerge due to many heterogeneous measures and projects.

In deze studie wordt onderzocht welke ideeën het cohesiebeleid en het waterbeleid van de Europese Unie bieden voor het toepassen van 'sturen op doelen' in het plattelandsbeleid van de EU. Dit principe zou het beleid flexibeler, maar ook juist minder flexibel kunnen maken. Enerzijds kan sturen op doelen nationale en regionale autoriteiten meer beleidsvrijheid geven in het ontwikkelen van hun eigen maatregelen en projecten die beter aansluiten op de lokale omstandigheden en behoeften. Anderzijds kan het leiden tot hoge coördinatiekosten voor de centrale autoriteit als gevolg van het grote aantal heterogene maatregelen en projecten.

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# Preface

This study is induced by qualms of the former Dutch Ministry of Agriculture, Nature and Food Quality on the EU rural development policy. Apart from concerns on the heavily quantitative indicator-based Common Monitoring and Evaluation Framework (CMEF), the qualms refer to the question whether the EU rural development policy could be managed by objectives instead of applying measures from a menu. The current menu of measures is experienced as rather inflexible due to all kinds of prescriptions on criteria, indicators, target groups, cofinancing rates etc. Within the Dutch ministry, it is thought that management by objectives would offer more flexibility for tailoring EU rural development policy towards specific circumstances in the Netherlands and meeting the specific needs of the Dutch rural areas. These qualms on the EU rural development policy are shared by many other EU Member States.

In two other main policy fields of the EU - the EU cohesion policy and the EU water policy - management by objectives is applied. In this study, it will be explored whether the design and implementation of the EU cohesion policy and the EU water policy provide ideas for possibilities for more flexibility in EU rural development policy. In particular, attention will be paid to the questions whether the current menu of measures used in the EU rural development policy could be substituted by management by objectives and how the Common Monitoring and Evaluation Framework could focus more on explaining the links between causes and effects. The results of this study could be used in the debate on the EU rural development policy beyond 2013. Also available is a digital background report on the options to choose for another legal instrument for a future EU rural development policy, written by the T.M.C. Asser Institute.

This study has been financed by the Dutch Ministry of Agriculture, Nature and Food Quality (BO-01-009-902). We greatly acknowledge the stimulating cooperation and useful comments of Monique Remmers (LNV-PD GLB), who supervised this study on behalf of the Ministry, Wouter Verhey (LNV-PD GLB) and Paul Beekhuizen (LNV-JZ). Petra Berkhout (LEI), Hans Brand (LNV-PD GLB) and Piet van Vugt (DLG) gave useful comments on the first draft of the report. We benefitted greatly from the information on the implementation of the EU cohesion policy and the EU water policy in the Netherlands provided by



Ronald Jousma (Ministry of Economic Affairs) and Douwe Jonkers (Ministry of Transport, Public Works and Water Management).

A handwritten signature in black ink, appearing to read 'RNE', with a large, stylized 'R' and 'E'.

Prof. Dr R.B.M. Huirne  
Managing Director LEI

# Summary

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## S.1 Key results

**Management by objectives provides some valuable lessons for EU rural development policy. This approach may, compared to the current menu of measures, induce both flexibilities and inflexibilities.**

It seems that setting the objectives and measuring the impact at local (i.e. farm, field or project) level rather than at programme (i.e. regional or national) level offers promising perspectives for the EU rural development policy. On the other hand, if the objective can be met by various means, management by objectives may generate a large number of heterogeneous projects, which are difficult to manage by a central authority. Any attempt to narrow such an objective will imply a (gradual) shift towards an objective which has the nature of a measure. This may provoke more homogeneous projects, but in the end the narrowed objectives may coincide with the original menu of measures. [See >](#)

Some lessons on management by objectives and other useful practices from the EU cohesion and water policy can be introduced in rural development measures. For example, with some adaptations the current result indicators of the measure on agri-environmental payments and the measure on Natura 2000/WFD payments can be transformed into indicators measuring the impact at field level. Both measures are suitable for an area-based project approach, for example, submitted by farmers' cooperatives. However, management by objectives in such a project approach could result in difficulties with designing the intervention logic between the activities in the project and the ecological objectives by the project submitter. Likely, the workload of the national authority will increase due to benchmarking of the costs and proposed activities of the projects among the various project submitters. [See >](#)

Management by objectives in the measure on modernisation of agricultural holdings would imply that on the one hand farmers can submit proposals for increasing gross value added on their farms, and that on the other hand they can submit proposals for increasing the share of investments in sustainable production methods. These objectives can be achieved in many ways. As a consequence, a large variety of heterogeneous proposals by individual farmers may be generated, which are complicated to manage by the regional or national au-

thority. In order to streamline these proposals, the objective could be specified as follows: to increase gross value added on farms by investments in physical capital. [See >](#)

## **S.2 Complementary findings**

EU cohesion policy provides a number of good practices, which could be considered for use in the EU rural development policy. First, objectives and impact indicators of the EU rural development policy could be defined at the local level (i.e. farm, field or project) instead of the programme (i.e. regional or national) level. Second, target values for the objectives could be expressed in relative terms. Third, for those rural development measures, which assume a joint action by farmers or are directed at the management of agricultural areas, like agri-environmental measures, a project approach could be considered, which is easier to control than measures implemented by numerous individual beneficiaries. Fourthly, in order to create a more equal treatment of projects aimed at the broader rural economy and projects addressing the regional economy, it could be considered to shift the territorial measures of the EU rural development policy to the EU cohesion policy. [See >](#)

The main lesson from the EU water policy is that management by objectives is hard to achieve, because it is difficult to show the causal relation between measures and objectives. Therefore the Netherlands wants to manage the implementation of the WFD by focusing on the implementation of the measures. At the same time there are some elements in the EU water policy that could be used in the EU rural development policy. Setting up a logical framework with a clear causal relation between measures/instruments and objectives before the actual implementation of the measures will contribute to the transparency and logic of the rural development programme and will increase the accountability of spending public money on these measures to the taxpayers. Another lesson is that beneficiaries and intermediaries need to be more involved in the preparation and implementation of rural development measures to ensure that demand and supply are better coordinated and that measures are designed whereby the different interests of stakeholders are taken into account. [See >](#)

### **S.3 Methodology**

The former Dutch Ministry of Agriculture, Nature and Food Quality has asked LEI, part of Wageningen UR, to explore which ideas the EU cohesion policy and the EU water policy provide for the introduction of management by objectives in the EU rural development policy.

To answer this question the researchers have made a systematic description of the EU cohesion policy and the EU water policy, by using an assessment scheme with a number of questions. These questions refer to the design and implementation of the policy, strengths and weaknesses of the policy organization, and lessons for the introduction of management by objectives in the EU rural development policy. Furthermore an outline of the possibilities for management by objectives for three selected rural development policy measures has been given.

Our research was based on literature study, document analysis and two in-depth interviews with policy makers on the implementation of the EU cohesion policy and the EU water policy in the Netherlands.

# Samenvatting

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## S.1 Belangrijkste uitkomsten

**Het sturen op doelen levert waardevolle lessen op voor het EU-plattelandsbeleid; deze benadering kan, ten opzichte van het huidige menu van maatregelen, het beleid zowel flexibeler als minder flexibel maken.**

Het lijkt erop dat het stellen van doelen en het meten van de impact op lokaal niveau (bijvoorbeeld op bedrijfs-, veld- of projectniveau) in plaats van op programmaniveau (bijvoorbeeld regionaal of nationaal) veelbelovende perspectieven biedt voor het EU-plattelandsbeleid. Daar staat tegenover dat doelstellingen vaak op verschillende manieren kunnen worden behaald, waardoor sturen op doelen tot een groot aantal heterogene projecten kan leiden die het management lastig maken voor een centrale autoriteit. Elke poging om een dergelijke doelstelling te vernauwen zal ertoe leiden dat de doelstelling (geleidelijk) de vorm van een maatregel aanneemt. Hierdoor zullen de projecten wel homogener worden, maar zal het uiteindelijke resultaat zijn dat de vernauwde doelstellingen sterk overeenkomen met de oorspronkelijke set van maatregelen.

Enkele lessen over sturen op doelen en andere nuttige praktijken uit het cohesie- en waterbeleid van de EU kunnen worden geïntegreerd in de plattelandsmaatregelen. Met enkele aanpassingen kunnen de huidige resultatenindicatoren van de maatregel inzake agromilieubetalingen en de maatregel inzake betalingen voor Natura 2000/de Kaderrichtlijn Water bijvoorbeeld worden gebruikt als indicatoren om de impact op veldniveau te meten. Beide maatregelen zijn geschikt voor bijvoorbeeld een locatiespecifieke projectbenadering die is aangedragen door landbouwcoöperaties. De combinatie van sturen op doelen en een dergelijke projectmatige aanpak kan echter leiden tot problemen bij het ontwikkelen van de interventielogica voor de projectactiviteiten en de ecologische doelstellingen van de bedenker van het project. De werkdruk voor de nationale autoriteit zal naar alle waarschijnlijkheid toenemen, omdat ze zal worden belast met het benchmarken van de kosten en voorgestelde activiteiten binnen de verschillende aangedragen projecten.

Als sturen op doelen zou worden toegepast binnen de maatregel inzake modernisering van landbouwbedrijven, zouden bedrijven voorstellen kunnen indienen voor het verhogen van de bruto toegevoegde waarde binnen hun bedrijf en

tegelijkertijd voorstellen kunnen indienen voor het verhogen van het aandeel van investeringen in duurzame productiemethodes. Deze beide doelstellingen kunnen op vele manieren worden bereikt. Als gevolg daarvan kan er een grote variatie aan heterogene voorstellen worden gegenereerd door verschillende bedrijven, die voor de regionale of nationale autoriteit lastig te beheren zijn. Om deze voorstellen te vereenvoudigen, kan de doelstelling als volgt worden geformuleerd: de bruto toegevoegde waarde van bedrijven verhogen door investering in fysiek kapitaal.

## **S.2 Overige uitkomsten**

Het EU-cohesiebeleid biedt een aantal goede praktijken die eventueel kunnen worden gebruikt in het EU-plattelandsbeleid. Ten eerste kunnen de doelstellingen en impactindicatoren van het EU-plattelandsbeleid worden gedefinieerd op lokaal niveau (bijvoorbeeld op bedrijfs-, veld- of projectniveau) in plaats van op programmaniveau (bijvoorbeeld regionaal of nationaal). Ten tweede kunnen doelwaarden voor de doelstellingen in relatieve termen worden beschreven. Ten derde kan een projectmatige benadering worden overwogen voor plattelandsmaatregelen waarvoor een gezamenlijke actie van bedrijven noodzakelijk is of die zijn gericht op het beheer van plattelandsgebieden, zoals agromilieumaatregelen. Dat is beter te beheren dan een groot aantal maatregelen die door talloze belanghebbenden afzonderlijk zijn geïmplementeerd. Ten vierde kan worden overwogen om de territoriale maatregelen te verschuiven van het EU-plattelandsbeleid naar het EU-cohesiebeleid, zodat projecten die gericht zijn op een bredere plattelands economie en projecten die gericht zijn op de regionale economie meer op dezelfde manier worden behandeld.

De belangrijkste les uit het EU-waterbeleid is dat sturen op doelen moeilijk te bewerkstelligen is, omdat het lastig is vast te stellen wat het causale verband tussen een maatregel en een doelstelling is. Daarom wil Nederland de implementatie van de Kaderrichtlijn Water beheren door zich te richten op het implementeren van maatregelen. Daarnaast zijn er enkele elementen van het EU-waterbeleid die kunnen worden gebruikt in het EU-plattelandsbeleid. Door voordat de maatregelen daadwerkelijk worden geïmplementeerd een logisch kader af te bakenen met een duidelijk causaal verband tussen maatregelen/instrumenten en doelstellingen, wordt er meer transparantie gecreëerd voor de plattelandsprogramma's en kunnen de bedragen die aan deze maatregelen worden besteed beter aan de belastingbetaler worden verantwoord. Een andere

les is dat belanghebbenden en intermediairs meer betrokken moeten worden bij het voorbereiden en implementeren van plattelandsmaatregelen, zodat vraag en aanbod beter op elkaar kunnen worden afgestemd en er bij het ontwikkelen van maatregelen rekening kan worden gehouden met de verschillende belangen van stakeholders.

### **S.3 Methode**

Het voormalig ministerie van Landbouw, Natuur en Voedselkwaliteit heeft het LEI, onderdeel van Wageningen UR, gevraagd om te onderzoeken welke ideeën het cohesiebeleid en het waterbeleid van de EU bieden voor het toepassen van sturen op doelen in het EU-plattelandsbeleid.

Om deze vraag te beantwoorden, hebben de onderzoekers het cohesiebeleid en het waterbeleid van de EU systematisch in kaart gebracht met behulp van een beoordelingsschema met een aantal vragen. Deze vragen gaan in op het ontwerp en de implementatie van het beleid, de sterkten en zwakten van de beleidsorganisatie en de lessen voor het toepassen van sturen op doelen in het EU-plattelandsbeleid. Verder is geschetst wat de mogelijkheden zijn voor sturen op doelen binnen de drie geselecteerde maatregelen van het plattelandsbeleid.

Ons onderzoek is gebaseerd op een literatuurstudie, een analyse van documenten en twee diepte-interviews met beleidsmakers over de implementatie van het cohesiebeleid en het waterbeleid van de EU in Nederland.

# 1 Introduction

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For increasing economic and social cohesion among EU regions, fostering integrated rural development and protecting water quality, the EU has adopted three main policies: the EU cohesion policy, the EU rural development policy and the EU water policy. The legislative design of these policies differs: the first two policies are based on a Council regulation, whereas the water policy is delivered by means of a directive. There are common financial means for the EU cohesion policy (European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund) and for the EU rural development policy (European Agricultural Fund for Rural Development (EAFRD)), while there is no common fund for the water policy. The EU cohesion policy and the EU water policy are managed by objectives, while the EU rural development policy employs a menu of measures for achieving its objectives. In all three policies, three administrative layers (EU, national, regional) are involved, but their role and responsibilities differ. At the EU level, each policy is guided by a specific directorate, at the national level the three policies are implemented by different ministries, whereas at the regional or local level the same actors might face the three types of policies together. However, due to different procedures in the three policies, local actors are not allowed to integrate the policies into one operational programme for the territory.

In the current programming period 2007-2013, a Common Monitoring and Evaluation Framework (CMEF) has been introduced for assessing the performance of the EU rural development policy (EC, 2006). According to evidence in 20 case studies - conducted in the scope of the EU wide research project RuDi - programme authorities show a widespread lack of enthusiasm and indifference about the CMEF (Dwyer, 2010). Often, the heavily quantitative indicator-based CMEF is experienced as a cumbersome requirement of Brussels and in the context of the debate on the simplification of the CAP, many Member States wonder whether a simpler and more popular kind of evaluation framework could be produced, based on explaining the links between causes and effects (EC, 2009).

The qualms of the Dutch Ministry of Agriculture, Nature and Food Quality on the EU rural development policy induced the present study. Apart from concerns on the CMEF, the qualms refer to the question whether the EU rural development policy could be managed by objectives instead of applying measures from a menu. The current menu of measures is experienced as rather inflexible due



to all kinds of prescriptions on criteria, indicators, target groups, cofinancing rates etc. Within the Dutch ministry, it is thought that management by objectives would offer more flexibility for tailoring EU rural development policy towards specific circumstances in the Netherlands and meeting the specific needs of the Dutch rural areas. Management by objectives of EU rural development policy assumes that objectives of the policy serve as the point of departure, and that accountability takes place at the level of result and impact instead of the input and output level. It requires other procedures and indicators, which may - in their turn - give rise to new inflexibilities.

### *Objectives of this study*

Given that the EU cohesion policy and the EU water policy are managed by objectives, it could be wondered which lessons could be drawn from these policies for introducing management by objectives in the EU rural development policy. In particular, the objectives of this study are:

1. analysis of the experiences with management by objectives in the EU cohesion policy and the EU water policy;
2. exploring possibilities for management by objectives and introduction of other useful practices in the EU rural development policy based on the experiences in the EU cohesion policy and the EU water policy;
3. discussion of the possibilities of the introduction of management by objectives for three selected rural development measures: agri-environmental payments, Natura 2000 payments/payments linked to the EU Water Framework Directive and modernisation of agricultural holdings.

The nature of the study is explorative. We do not intend to design a complete new framework for EU rural development policy with new objectives; we rather focus on adaptations of the current policy. Although the study uses several Dutch examples, its scope is not limited to the Netherlands but applicable in the whole EU. The results of this study could be used in the debate on the EU rural development policy beyond 2013.

### *Outline of this report*

The outline of this report is as follows. In chapter 2 we discuss the methodological approach of the study. The first part of chapter 3 is dedicated to an analysis of management by objectives in the EU cohesion policy. In the second part of that chapter, lessons from the EU cohesion policy for the EU rural development policy are discussed. In chapter 4, first an analysis of management by

objectives in the EU water policy is provided, followed by lessons for the EU rural development policy. In chapter 5 possibilities for the introduction of management by objectives in the measures on agri-environmental payments, Natura 2000 payments and payments linked to the EU Water Framework Directive, and modernisation of agricultural holdings are discussed. A number of final comments are made in chapter 6.

# 2 Methodological approach

In this chapter, the methodological approach of the study is discussed. The EU cohesion policy and the EU water policy, which are currently managed by objectives, serve as examples for ideas how management by objectives could be introduced in the EU rural development policy. These two policies are selected as examples since they are both policies initiated by the EU. In order to allow for a systematic description of the two policies, we designed an assessment scheme with a number of common questions (figure 2.1). The last question in this scheme refers to lessons the policy provides for management by objectives in the EU rural development policy. The scheme has been completed by desk research and by information collected in interviews with involved policy makers at the Dutch Ministries of Economic Affairs and of Transport, Public Works and Water Management. The scheme for the EU cohesion policy is dealt with in chapter 3, the one for the EU water policy in chapter 4.

Figure 2.1      Scheme for assessing the two example policies	
1.	General description of the policy
2.	Actors involved in the policy
3.	Organisation of the policy: <ul style="list-style-type: none"><li>a. Policy formulation (regulations, laws)</li><li>b. Policy implementation</li><li>c. Financial accountability and control</li><li>d. Monitoring and evaluation</li><li>e. Other issues</li></ul>
4.	Description of the intervention logic
5.	Strengths and weaknesses of the policy organisation
6.	Possibilities to use elements of the policy in the EU rural development policy

## Three cases

As a next step in the study, the focus is on three rural development measures: agri-environmental payments, Natura 2000 payments and payments linked to the EU Water Framework Directive, and modernisation of agricultural holdings. These measures are selected in mutual consultation with the Dutch Ministry of Agriculture, Nature and Food Quality. The measures on the modernisation of

agricultural holdings and agri-environmental payments absorb a considerable part of the rural development policy budget in the Netherlands, while the measure on Natura 2000 payments and payments linked to the EU Water Framework Directive is not applied in the Netherlands in the programming period 2007-2013. Nevertheless, there is a lot of rumour about farming around Natura 2000 areas, and the possibility that the measure will be used in the Netherlands in the next programming period is not out of question. The selected measures originate in axis 1 and 2. By applying the lessons on management by objectives from the EU cohesion policy and the EU water policy found in chapter 3 and 4, an outline of the possibilities for management by objectives for these three measures is given in chapter 5.

## 3 Focus on result and impact: Learning from the EU cohesion policy

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In this chapter the EU cohesion policy 2007-2013 will be discussed by using the assessment scheme specified in figure 2.1. The first five questions of the scheme are addressed in section 3.1; the question on possibilities to use elements of the EU cohesion policy in the EU rural development policy is elaborated in section 3.2.

### 3.1 Organization of the EU cohesion policy

#### *1. General description of the policy*

In the programming period 2007-2013, EU cohesion policy covers three objectives: 1. convergence; 2. regional competitiveness and employment; 3. European territorial cooperation (EC, 2007a). The convergence objective is applicable for regions whose GDP/capita is well below the EU average, in all other regions the objective on regional competitiveness and employment can be applied. The objective on territorial cooperation is horizontal. EU financial means for these objectives originate from three funds (called the Structural Funds): European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund. For all EU Member States, the total EU budget amounts to €347.4bn, of which 1.9bn is allocated to the Netherlands.

#### *2. Actors involved in the policy*

The following actors are involved in the policy:

- EU;
- Member States;
- Regional authorities;
- Socio-economic stakeholders, amongst others workers unions and employers organisations.

### *3. Organisation of the policy*

#### *a. Policy formulation (regulations, laws)*

For the period 2007-2013, the legislative provision is composed of the following elements:

- i. A general regulation (Council Regulation (EC) Nr. 1083/2006 of 11 July 2006) which defines common rules applicable to the ERDF, the ESF and the Cohesion Fund. This regulation includes rules for the programming process and norms for financially managing, controlling and evaluating projects;
- ii. A regulation for each of the funds financing the EU cohesion policy, with specific rules for the implementation of the ERDF (Council Regulation (EC) Nr. 1080/2006 of 5 July 2006), ESF (Council Regulation (EC) Nr. 1081/2006 of 5 July 2006) and the Cohesion Fund (Council Regulation (EC) Nr. 1084/2006 of 11 July 2006);
- iii. A regulation on the establishment and tasks of the European Grouping of Territorial Cooperation (EGTC) (Council Regulation (EC) Nr. 1082/2006 of 5 July 2006).

#### *b. Policy implementation*

The process of policy implementation covers the following steps:

- i. Design of the Community Strategic Guidelines on cohesion policy. These are adopted by the EC Council in 2006.
- ii. Preparation of the National Strategic Reference Framework (NSRF) by the Member States, which consists of:
  1. overview of partners and actors involved in its preparation;
  2. an analysis of the socio-economic situation in the country and an identification of strengths and weaknesses;
  3. a definition of the chosen strategy, a list of the Operational Programmes and an indication of the annual allocation from each Fund to each programme;
  4. discussion of the contribution of the NSRF to the Lisbon Strategy priorities;
  5. information on the coordination with the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EEF).
- iii. Preparation of the Operational Programmes (OP). An OP can only be concerned with one of the three objectives of the EU cohesion policy and a single Fund. Each OP covers the following items:

1. an analysis of the eligible area (including identification of strengths and weaknesses);
2. a justification of the selected priorities from the Community Strategic Guidelines and the NSRF by the OP;
3. the specific objectives of the key priorities;
4. funding plans at priority level;
5. the implementation of the OP (designating management, auditing and certification, description of evaluation and follow-up systems);
6. an indicative list of large projects (i.e. environmental projects over €25m and other projects over €50m).

In the period 2007-2013, 9 OPs have been designed in the Netherlands (table 3.1).

<b>Table 3.1 Overview of Operational Programmes in the Netherlands, 2007-2013</b>	
<b>Operational Programmes</b>	<b>EU budget 2007-2013, m euro (current prices)</b>
<i>ERDF Objective 2 Regional competitiveness</i>	
1. OP Northern Netherlands	169.4
2. OP Eastern Netherlands	164.1
3. OP Western Netherlands	310.6
4. OP Southern Netherlands	185.9
Total	830
<i>ESF Objective 2 Employment</i>	
5. The Netherlands	830
<i>Objective 3 European territorial cooperation</i>	
Of which:	
Cross border cooperation:	150 a)
6. Maasrijn Programme (The Netherlands and Germany)	
7. Maritime Programme (The Netherlands and Flanders)	
Transnational cooperation:	69 a)
8. North Sea Programme (North Western Europe)	
Interregional cooperation:	-
9. Interegional (ESPON, Interact, Urbact)	
a) Prices of 2004. Source: EZ (2006).	

### *c. Financial accountability and control*

Four bodies are responsible for management, follow-up and control. These are:

- i. A management authority, which selects projects and is responsible for the efficient, effective and correct management and implementation of the OP. Each year, it delivers an annual performance report to the Commission.
- ii. A certification authority, which draws up and sends to the Commission a certified inventory concerning expenditure and requests for payment. It must also certify the accuracy and the compliance of expenditure in terms of Community and national rules. It takes charge of accounting and assures the recovery of Community credits in the case of irregularities.
- iii. An auditing authority, which takes charge of the audits it carries out, offers an opinion about the audits and writes the annual control reports.
- iv. A follow-up committee, presided by a member of the management authority and made up of economic, social and regional partners. It assures the efficiency and quality of the implementation of the OP.

In recent years, the percentage of faulty payments by the Structural Funds appeared to be relatively high in the Netherlands. This situation emerged as the interpretations of which costs of supported projects are eligible for subsidies may differ among the management authorities of the various OPs (Algemene Rekenkamer, 2010).

### *d. Monitoring and evaluation*

For the monitoring of the OPs, monitoring committees should be set up and their responsibilities defined, together with the information to be transmitted to the Commission and the framework for examining that information (consideration of the Council 64 in Regulation (EC) Nr. 1083/2006). Each OP has to provide information on the priority axes and their specific targets (art. 37 Regulation (EC) Nr. 1083/2006). Those targets shall be quantified by a limited number of indicators for outputs and results, taking into account the proportionality principle. These indicators should enable the measurement of the progress in relation to the baseline situation and the achievement of the targets. In particular, the tasks of the monitoring committee are (art. 65 Regulation (EC) Nr. 1083/2006):

- i. To consider and approve the criteria for selecting the operations;
- ii. To review periodically the progress made towards achieving the targets of the OP;



- iii. To consider and approve the annual and final reports of implementation composed by the management authority;
- iv. To propose revisions of the OP.

Each OP has to be evaluated three times by an independent evaluator: an ex ante evaluation, a mid-term evaluation and an ex post evaluation. In contrast to the Common Monitoring and Evaluation Framework (CMEF) of the EU rural development policy 2007-2013, no detailed evaluation system with indicators is prescribed for the EU cohesion policy.

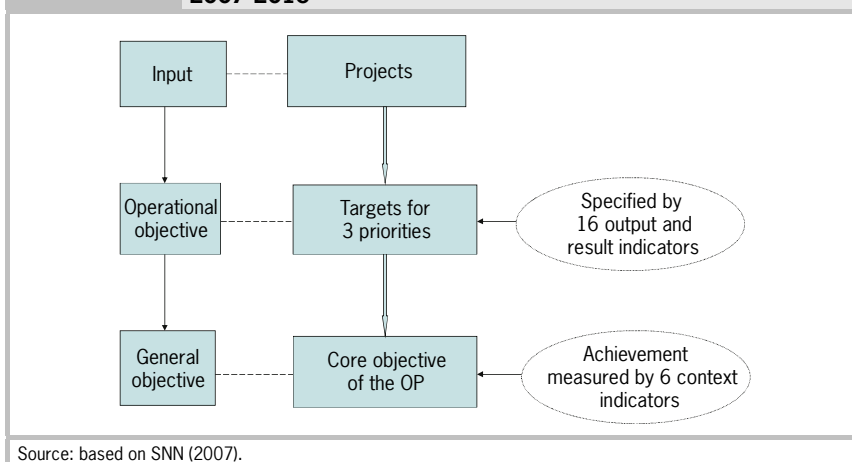
*e. Other issues*

To a certain degree, there is some overlap between EU cohesion policy and EU rural development policy. This may imply that some projects could be financed by both the ERDF, the ESF and the EAFRD. In the OP on the use of the ERDF for objective 2 in the Northern Netherlands, it is indicated how a distinction will be made between funding from the ERDF and the EAFRD: (1) ERDF is directed at investments on a larger regional scale which contribute to regional competitiveness, and ERDF assumes larger projects and investments, usually submitted by groups of firms; (2) all other investments in rural areas are part of the domain of the EAFRD, which is primarily directed at the agricultural sector and a living countryside (SNN, 2007). The distinction made between ESF funding and EAFRD funding in the OP on the use of the ESF for objective 2 in the Netherlands is made as follows: vocational training of agricultural labour aimed at the improvement of the competitiveness of the agricultural and forestry sector is the domain of the EAFRD, whereas all other training of agricultural labour can be financed by the ESF (SZW, 2007).

*4. Description of the intervention logic*

No intervention logic framework with specific indicators is provided by the EC: it is simply assumed that implementation of the EU cohesion policy contributes towards socio-economic cohesion among regions in the EU. Each OP has to specify its own indicators for exploring its effectiveness. As examples, we discuss the intervention logic of the OP on the use of the ERDF for objective 2 in the Northern Netherlands (SNN, 2007) and of the OP on the use of the ESF for objective 2 in the Netherlands (SZW, 2007).

**Figure 3.1** Intervention logic of the OP in the Northern Netherlands, 2007-2013



*Intervention logic in the OP on the use of the ERDF for objective 2 in the Northern Netherlands*

The core objective of the OP on the use of the ERDF for objective 2 in the Northern Netherlands is 'to transition the North-Netherlands economy to a knowledge economy, whereby the development and implementation of innovation and technology is matched with a strengthening of the spatial qualities both in cities and in the countryside' (EU, 2007b). This core objective can be considered as the general objective (figure 3.1). Then, the three priorities of the OP can be considered as the operational objectives. These three priorities are as follows:

*Priority 1: Knowledge economy, entrepreneurship and innovation*

This priority aims to strengthen the region's innovative capacity; to enhance the knowledge in small and medium-sized enterprises (SME); to stimulate entrepreneurship; and to reinforce the labour market structure.

*Priority 2: Attractive regions*

This priority supports the maintenance and the further improvement of an attractive countryside; the enhancement of accessibility and mobility; and the enhancement of business locations. The actions will be concentrated around the economic core zones and urban networks.

*Priority 3: The urban dimension*

Under this priority, the programme addresses urban issues in 4 cities (Groningen, Leeuwarden, Assen and Emmen). This will include the qualitative upgrading of facilities and services in cities and locations for knowledge-oriented business.

Finally, projects submitted into these three priorities can be considered as the input.

<b>Table 3.2      Output and result indicators of the OP in the Northern Netherlands, 2007-2013</b>	
<b>Output and result indicators</b>	<b>Target value in 2015</b>
<i>Priority 1: Knowledge economy, entrepreneurship and innovation</i>	
Number of R&D projects	20
R&D investments, private	€20m
R&D investments, public	€20m
Number of supported starting firms and small firms (<5 years)	60
Number of supported small and medium-sized enterprises	1000
Number of cooperation networks of firms and R&D institutes	6
Number of gross created jobs (FTE)	1500
<i>Priority 2: Attractive regions</i>	
Number of projects aimed at improvement of nature, landscape and rural amenities	3
Number of recreation projects	6
Number of projects aimed at enhancing accessibility	6
Number of hectare of modernised business locations	150
Number of projects aimed at the environment (including safety and air quality)	3
Number of gross created jobs (FTE)	500
<i>Priority 3: The urban dimension</i>	
Number of upgraded or new facilities and services in cities	5
Number of hectares of modernised business locations	150
Number of gross created jobs (FTE)	500
Source: SNN (2007).	

For each priority a number of targets are defined. The achievement of these targets is measured by 16 output and result indicators (table 3.2), whereas the achievement of the core objective of the OP is measured by 6 context indicators (table 3.3). Target values for the output, result and context indicators are estimated based on experiences with the cohesion policy in the programming period 2000-2006. Target values for output and result indicators are given in absolute terms, whereas target values for context indicators are specified in relative terms. For measuring the indicators, the tally approach by means of counting is applied (Terluin and Roza, 2010).

<b>Table 3.3</b>		<b>Context indicators of the OP in the Northern Netherlands, 2007-2013</b>	
<b>Indicator</b>	<b>Definition</b>	<b>Baseline value in 2003 a)</b>	<b>Target value in 2015</b>
Gross Regional Product (GRP)	Growth of GRP in %	Northern Netherlands: €46.3bn Netherlands: €467.3bn	% growth above the Dutch average
Employment	Growth of employment in %	Northern Netherlands: 811,000 persons Netherlands: 8,105,000 persons	% growth above the Dutch average
Unemployment	Share unemployed persons in the labour force, %	Northern Netherlands: 5.6% Netherlands: 4.6%	Decrease gap with Dutch average
R&D expenditure, public	Growth of public R&D expenditure in %	Northern Netherlands: €258m Netherlands: €3,572m	At least the same growth rate as the Dutch average
R&D expenditure, private	Share in total regional R&D expenditure, %	51.9%	Increase in share of private R&D expenditure in total regional R&D expenditure
Participation rate (net)	Share employed persons in the labour force, %	Northern Netherlands: 62.4% Netherlands: 64.8%	Decrease gap with Dutch average
a) 2004 for employment, unemployment and participation rate. Source: SNN (2007).			

*Intervention logic in the OP on the use of the ESF for objective 2 in the Netherlands*

The Netherlands' priorities for ESF funding aim to guide more people into work by focusing on groups that are at the margins of the labour market and to upgrade the skills of low-skilled workers (EC, 2007c). The objective of the OP on the use of the ESF for objective 2 in the Netherlands is to focus on job-search assistance for those at a distance of the labour market, as well as on education and training, in particular for the least qualified (EC, 2007b). Raising the skills and employability of these groups will result in more and better workers, thus raising participation and productivity. This objective can be considered as the general objective of the OP (figure 3.2). To reach the general objective, ESF funding in the Netherlands will support three priorities. These can be considered as the operational objectives of the OP and are as follows:

*Priority 1: Increasing labour supply*

This priority aims at better equipping and preparing those who find it difficult to get a job, so that they have the skills that open more opportunities for sustainable employment.

*Priority 2: Promoting inclusiveness for the disadvantaged*

To provide disadvantaged citizens, such as prisoners and children with mental and/or physical disabilities, a path that links into the labour market.

*Priority 3: Promoting adaptability and investing in human capital*

Upgrading the workforce is a continuing focus, and is among others directed at early school leavers, low-qualified older workers, and older workers who have to move to less-strenuous jobs. This priority also supports innovative social approaches to improving labour productivity in the Netherlands, such as through the reorganization of work processes and the better use of workers' talents and capabilities.

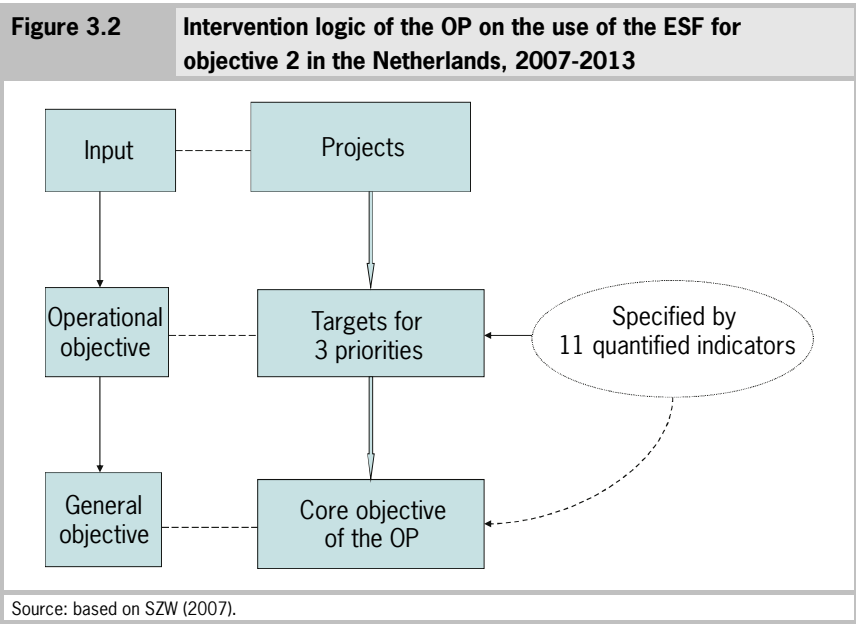
Finally, projects submitted into these three priorities can be considered as the input. Projects can be submitted by municipalities, Centres for Work and Income (CWIs), the Assurance Organization for Employees (UWV), the Ministry of Justice, the Ministry of Health, Welfare and Sport, schools for practical education, special secondary education schools and labour organisations.

For each priority a number of targets are defined. The achievement of these targets is measured by 11 quantified indicators (table 3.4). In addition, 24 indicators are used that refer to specific characteristics of the quantified indicators, like male/female, age, level of education, etc. For the achievement of the general objective of the OP no indicators are specified. This can be justified by assuming that

if the targets of the operational objectives have been met, this simultaneously implies that the target of the general objectives has also been met.

Target values for the quantified indicators are estimated based on experiences with the cohesion policy in the programming period 2000-2006. Target values for indicators are given in both absolute and relative terms. For measuring the indicators, the tally approach by means of counting is applied (Terluin and Roza, 2010).

The OP intends to limit the workload on data collection for project submitters as much as possible. Project submitters have only to provide the co-called SOFI number (Dutch ID number) of the participants, which is then linked to other data systems by Statistics Netherlands (CBS) in order to find the required characteristics of the participants. This approach implies that most of the quantified indicators in table 3.4 are provided by the data systems of Statistics Netherlands.



<b>Table 3.4 Indicators of the OP on the use of the ESF for objective 2 in the Netherlands, 2007-2013</b>	
<i>Priority 1: Increasing labour supply</i>	
Indicator A1 Participants in projects	4730 participants p.a.
Indicators A2-A4 These indicators refer to specific characteristics of the participants of indicator A1, like male/female, age and degree of labour disability	
Indicator A5 Share of participants that complete the reintegration stage	75%
Indicator A6 Share of participants that get a job	8%
Indicator A7 This indicator refers to a specific characteristic of the participants of indicator A6	
<i>Priority 2: Promoting inclusiveness for the disadvantaged</i>	
Indicator B1 Participants in projects for prisoners	1580 participants p.a.
Indicators B2-B5 These indicators refer to specific characteristics of the participants of indicator B1, like male/female and punished by civil or criminal law	
Indicator B6 Share of participants that complete the reintegration stage	80%
Indicators B7-B10 These indicators refer to specific characteristics of the participants of indicator B6, like male/female and the level of education	
Indicator C1 Participants in projects for children with mental and/or physical disabilities	750 participants p.a.
Indicator C2 Share of participants that complete the reintegration stage	94%
Indicators C3-C6 These indicators refer to specific characteristics of the participants of indicator C2, like male/female and the level of education	
<i>Priority 3: Promoting adaptability and investing in human capital</i>	
Indicator D1 Participants in projects on upgrading the labour force	18,000 participants p.a.
Indicator D2 Share of participants that complete the reintegration stage	85-90%
Indicators D3-D9 These indicators refer to specific characteristics of the participants of indicator D2, like male/female and the level of education	
Indicator E1 Projects on social innovation	40 projects p.a.
Indicator E2 Share of projects that result in implementation plans	90%
Indicator E3 This indicator refers to a specific characteristic of the implementation plans of indicator E2	
Source: SZW (2007).	

### *5. Strengths and weaknesses of the policy organisation*

The following strengths in the organisation of the EU cohesion policy can be put forward:

- The project approach of the policy implies that there are relatively few submitters and projects to manage and to control.
- The project approach stimulates the creativity of local actors how to achieve an objective. This creativity can result in innovative solutions. This creativity is not used when it is exactly described how to achieve the objective by means of measures.
- The lack of measures and other prescriptions on how to carry out projects, provides a high degree of flexibility.
- It can be argued that there is a direct causal relationship between the projects of the cohesion policy and its general objectives. Although exogenous factors may affect the general objectives of the cohesion policy as well, the contribution of the cohesion policy to the achievement of the objective is far from marginal.
- Multi-level governance: regional authorities, which are familiar with the needs of the region, design and implement the OP, whereas the national authorities act as a coordinating mechanism, taking care that the OPs together form a balanced programme addressing the needs of the whole country.
- At the OP level, the ERDF cofinancing has to equal 50% of the total funds spent on the programme. Within the projects financed by the OP, cofinancing by the ERDF may deviate from 50%, which provides flexibility among projects.

*As weaknesses, the following could be identified:*

- The impact of the policy is measured in relative terms of 'raising the skills and employability' or 'economic growth above the national average'. In contrast to impacts expressed in absolute terms, the use of relative terms could be considered as a rather soft yardstick for assessing whether the policy has been successful in achieving its targets.
- The detailed audits, in which a lot of information has to be provided, are in particular quite heavy for small and medium-sized enterprises (SMEs). Sometimes this prevents small SMEs from submitting projects.
- Although a project can be financed by more funds, it is not possible to submit one project proposal for those funds. For each fund, a separate project proposal has to be submitted. This increases the administrative burden of submitters.



## **3.2 Lessons from the EU cohesion policy for the EU rural development policy**

By comparing the EU cohesion policy and the EU rural development policy, the impression arises that the design and implementation of the EU cohesion policy is less complicated than that of the EU rural development policy. Differentials in the intervention logic, the number of indicators for monitoring and evaluation and the measurement of these indicators, the focus on projects versus measures (with individual beneficiaries), and the territorial approach versus a sectoral approach contribute to this impression. These items are subsequently discussed below and it is explored whether these items could provide possibilities to increase the flexibility of the EU rural development policy.

### **3.2.1 Intervention logic**

The intervention logic of a policy reflects the systematic causal relationship between the input and the impact. The intervention logic of the EU cohesion policy is already discussed in section 3.1; the intervention logic of the EU rural development policy is presented in figure 3.3 by using the measure on vocational training and information actions. For each of the 42 measures of the EU rural development policy such diagrams with an intervention logic exist (EC, 2006). For all EU rural development policy measures together, there are 83 output indicators, 12 result indicators (table 3.5) and 7 impact indicators (table 3.6). Whereas a direct relationship between the measures and the result indicators can be perceived, the relationship between the measures and the impact indicators is rather indirect. Moreover, as the impact indicators are affected by many other variables as well, the measure's effect on the impact indicator is likely to be small. This differential in the character of the relationship could be said to be related to the levels at which the result and impact indicators are measured. Whereas the result indicators are measured at the farm, field or project level which are directly linked with the level at which the measure is implemented, the impact indicators are measured at a higher aggregated regional or national level, at which the measure's effect is diffused with many other factors affecting the impact indicator. In contrast to the extensive hierarchy of indicators in the EU rural development policy, EU cohesion policy only employs a limited number of indicators for measuring the achievement of its objectives, which all have a direct relationship with the projects.

*Use of local level instead of programme level for definition of impact indicators*

Monitoring and evaluation of EU rural development policy could be simplified if the approach of the EU cohesion policy would be applied of looking only at direct relationships between measures and results. This implies that it could be considered to skip the current impact indicators of the EU rural development policy at the programme (i.e. regional or national) level and to define objectives and impact indicators of the EU rural development policy at the local level (i.e. farm, field or project).

Measuring the achievement of the objectives of policies also plays a role in the accountability of the spending of public money to the taxpayers. If we assume that the level of this accountability coincides with the level at which the impact of policy is measured, the above proposed shift of the level of measurement of the objectives of the EU rural development policy implies that the level of accountability of the spending of public money on the EU rural development policy to the taxpayers shifts as well. The advantage of such a shift could be that the impact at this lower level is more visible than at a higher level, where the impact tends to be blurred by numerous other factors.

**Figure 3.3** Intervention logic and indicators of EU rural development policy: measure on vocational training and information actions

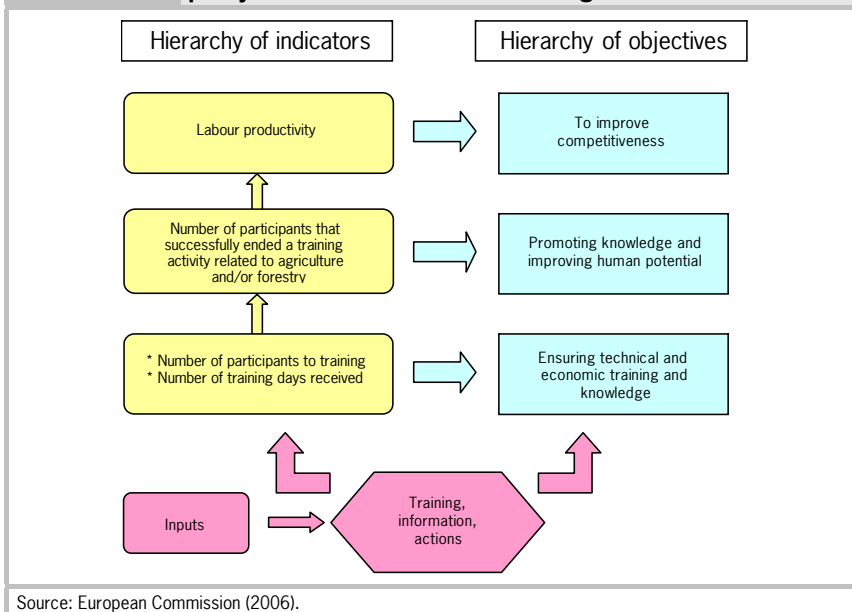


Table 3.5	Overview of result indicators of the EU rural development policy, 2007-2013	
Axis/Objective	Indicator	
Improving the competitiveness of the agricultural and forestry sector	<div>1. Number of participants that successfully ended a training activity related to agriculture and/or forestry</div> <div>2. Increase in gross value added in supported holdings/enterprises</div> <div>3. Number of holdings/enterprises introducing new products and/or new techniques</div> <div>4. Value of agricultural production under recognised quality label/standards</div> <div>5. Number of farms entering the market</div>	
Improving the environment and the countryside through land management	<div>6. Area under successful land management contributing to:</div> <div><div>1. bio diversity and high nature value farming/forestry</div><div>2. water quality</div><div>3. climate change</div><div>4. soil quality</div><div>5. avoidance of marginalisation and land abandonment</div></div>	
Improving the quality of life in rural areas and encouraging diversification of economic activity	<div>7. Increase in non-agricultural gross value added in supported businesses</div> <div>8. Gross number of jobs created</div> <div>9. Additional number of tourists</div> <div>10. Population in rural areas benefiting from improved services</div> <div>11. Increase in internet penetration in rural areas</div> <div>12. Number of participants that successfully ended a training activity</div>	

Source: European Commission (2006).

<b>Table 3.6</b>		<b>Overview of impact indicators of the EU rural development policy, 2007-2013</b>
	<b>Indicator</b>	<b>Measurement</b>
	<i>Economy a)</i>	
1	Economic growth	Net additional value added expressed in PPS
2	Employment creation	Net additional full-time equivalent jobs created
3	Labour productivity	Change in Gross Value Added per full-time equivalent (GVA/FTE)
	<i>Ecolog b)</i>	
4	Reversing Biodiversity decline	Change in trend in biodiversity decline as measured by farmland bird species population
5	Maintenance of high nature value farmland and forestry	Changes in high nature value farmland and forestry
6	Improvement in water quality	Changes in gross nutrient balance
7	Contribution to combating climate change	Increase in production of renewable energy.
a) and b) Grouping introduced by the authors. Source: European Commission (2006).		

### 3.2.2 Indicators for monitoring and evaluation

The number of context, baseline, input, output, result and impact indicators of the CMEF used for monitoring and evaluation in the EU rural development policy largely exceeds the number of indicators used in EU cohesion policy. In addition, whereas the indicators in the EU rural development policy tend to be expressed in absolute values, the indicators in the EU cohesion policy are often given in relative values.

#### *Reduction of the number of indicators*

In the discussion of the intervention logic above, it is already suggested to skip the impact indicators and to use the result indicators as such. This would reduce the number of CMEF indicators a little (-7). In addition, the role of the 36 objective-related baseline indicators and the 23 context-related baseline indicators of the CMEF could be questioned. These are used for describing the con-

text and baseline situation and are not part of the intervention logic. From this it could be argued that in a strict sense, the context and baseline indicators seem to be superfluous for monitoring and evaluation of the EU rural development policy. They rather tend to play a role in the design of the National Strategy and the Rural Development Programme.

#### *Measurement of indicators*

In the OP on the use of the ERDF in the Northern Netherlands, the indicators measuring the achievement of the core objective are specified as follows: the baseline situation of the indicators is given in absolute terms in the area covered by the OP and in a benchmark area, whereas the target value for the indicators in 2013 is expressed in relative terms (indication of development of indicator in OP area relative to development of indicator in benchmark area) (table 3.3). This approach provides flexibility in the assessment of the achievement of the objectives of the OP. Above we have argued that it seems more appropriate to assess the impact of the EU rural development policy by using the result indicators in the CMEF, and that this impact should be measured at the local level (i.e. farm, field or project). The approach of measuring the indicators in the EU cohesion policy could imply that for the indicators measuring the impact of the EU rural development policy the baseline situation is expressed in absolute terms, that a benchmark has to be selected (for instance, the regional or national level) and that the target value for the result indicator is expressed in relative terms against the benchmark.

#### 3.2.3 Projects versus measures

If a project approach implies that a group of actors participate in a project, that one of those actors acts as the project submitter, takes care of the management and control of all participants in the project and acts as the single responsible actor of the project in all contacts with the central authority, then it could be argued that the coordination and management costs of the central authority tend to be lower than in the case of a measure approach, in which the central authority has to manage numerous individual beneficiaries of measures. The EU cohesion policy employs projects submitted by groups of firms or by large public bodies, whereas EU rural development policy is delivered by measures. However, not all measures are aimed at individual actors; especially in axis 4 and to a lesser extent in the other axes, measures assume a participation by a group of actors. In such a situation, it could be said that the measure follows a project approach.

*Open all rural development measures for individual actors and groups of actors*

It could be wondered whether it would be possible to implement all the rural development policy measures by means of projects with farmers' cooperatives and/or other actors. As the individual measures are aimed at different targets, it has to be considered measure by measure whether these are suitable for carrying out by means of projects. For those measures which assume a joint action by farmers, such as setting up a cooperative, or measures directed at the management of agricultural areas, like agri-environmental measures, a project approach could be considered. On the other hand, for measures aimed at the improvement of economic conditions at individual firms, which can be implemented at the one firm independently of the behaviour of the neighbouring firm, like setting up of young farmers, a project approach by cooperatives of farmers seems less suitable. Depending on the coverage of a measure, it is also possible that some parts of the measure could be suitable for a project approach, whereas other parts are not. For example, if a Member State uses the measure on modernization of agricultural holdings both for investments directed at increasing farm productivity and for investments in air washing equipment, the former investments are suitable for applications by individual actors and the latter for a project approach. Given the different interpretations of the individual measures by the Member States, an a priori list of rural development measures that are suitable for a project approach is difficult to produce. It could be considered to open all rural development measures for both projects submitted by a group of actors and use by individual actors, and leave the decision whether the measure is directed at projects by a group of actors or at individual actors up to the individual Member States.

### 3.2.4 Territorial approach versus a sectoral approach

EU cohesion policy can be denoted as territorial policy, as the OPs cover all economic sectors in the regional economy, whereas the EU rural development policy can rather be described as sectoral (i.e. agricultural) policy, apart from axis 4 and some measures in axis 3. This different nature gives rise to a number of reflections.

*Sectoral measurement of impact*

First, projects in the scope of the EU cohesion policy affect the performance of the whole regional economy, whereas the measures of the EU rural development policy mainly affect the performance of a small agricultural sector. The measurement of the impact of the EU rural development policy at the level of

the regional or national economy - as employed in the CMEF - means that the impact is blurred by many other factors. This sectoral focus can be used as another justification - in addition to the one induced by the intervention logic - to consider the measurement of the impact of the EU rural development policy at the farm, field or sectoral level.

#### *Shift of territorial measures to EU cohesion policy*

Second, the inclusion of some measures in the EU rural development policy with a territorial focus instead of a sectoral one is not without question marks (Sara-ceno, 2002). Often the suggestion has been put forward to shift the territorial measures of the EU rural development policy to the EU cohesion policy. This would decrease the hybrid character of the EU rural development policy. Moreover, such a shift has a number of side effects:

- it would create a more equal treatment of projects aimed at the rural economy conducted in the scope of axis 3 and 4 of the EU rural development policy and projects addressing the rural economy in the scope of the EU cohesion policy;
- it would address complaints of Local Action Groups that the inclusion of the LEADER programme in the EU rural development policy 2007-2013 has raised many inflexibilities, as they have to work by means of detailed measures instead of the former targets of projects;
- it would address the complexity of cofinancing of projects by the ERDF, ESF and EAFRD, which is currently rather complicated and requires separate submissions per fund. If projects aimed at the rural economy conducted in the scope of axis 3 and 4 of the EU rural development policy would be part of the EU cohesion policy, this complexity could partly be solved as in that situation only financing by ERDF and/or ESF is required.

#### *Use of regional programmes*

Third, the territorial approach of the EU cohesion policy means that OPs are usually designed at the regional level. Although regional rural development programmes can also be designed in the scope of the EU rural development policy, most Member States have designed a national programme. The use of regional programmes in the EU rural development policy could facilitate the cooperation with the EU cohesion policy, especially when the policies are focussed at the same regional level.

## 4 Focus on result and impact: Learning from the EU water policy

In this chapter the organization of the EU water policy through the Water Framework Directive (WFD) and its implementation will be discussed by using the assessment scheme specified in figure 2.1 (section 4.1)<sup>1</sup>. In the second section some lessons from the EU water policy for the EU rural development policy with respect to management by objectives are presented.

### 4.1 Organization of the EU water policy

#### *1. General description of the policy*

The European Water Framework Directive (Directive 2000/60/EC) is the operational tool of the EU water policy, setting the objectives for water protection (water quality) for the future (European Parliament and European Council, 2000). The WFD entered into force in December 2000. The WFD had to be transposed into national legislation. The objectives of the WFD are operationalised at the level of river basins through river basin management plans. Since many river basins cross international borders, the European Commission and the Member States have agreed on a Common Implementation Strategy (CIS) with work programmes. The current work programme for the period 2010-2012 supports the implementation of the first river basin management plans for the period 2009-2015.

#### *2. Actors involved in the policy*

The following actors are involved in the policy:

- The European Commission (Directorate General Environment);
- National governments of EU Member States (in the Netherlands: the Ministry of Transport, Public Works and Water Management (coordinator), the Ministry of Agriculture, Nature and Food Quality and the Ministry of Housing, Spatial Planning and the Environment);
- Regional and local authorities (in the Netherlands: provinces, water boards and municipalities);

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<sup>1</sup> Section 4.1 is largely based on V&W (2009) and an interview with Douwe Jonkers (Dutch Ministry of Transport, Public Works and Water Management).



- Interest groups and stakeholders at different levels, such as farmers' organisations and nature management organizations.

### *3. Organisation of the policy*

#### *a. Policy formulation*

The main legislative provision is 'Directive 2000/60/EC of 23 October 2000 establishing a framework for Community Action in the field of water policy' (Water Framework Directive). This WFD brings together a number of previous directives concerning water policy within the European Union. The WFD has two 'daughter' directives on groundwater and priority substances. Next to that 'Directive 2007/60/EC on the assessment and management of flood risks' will be closely coordinated with the WFD.

The need for developing a more comprehensive European water legislation was already identified by the EU Member States in 1988. In 1991 the Urban Waste Water Treatment Directive and Nitrates Directive (addressing water pollution by nitrates from agriculture) were adopted, followed by the adoption of the Directive for Integrated Pollution and Prevention Control (IPPC) in 1996 and the Drinking Water Directive in 1998. However, it took until 1997 before the European Commission published its first proposal for a framework directive. After a co-decision procedure of three years the European Parliament and the Council jointly adopted the WFD in October 2000; the Directive entered into force in December 2000.

In April 2005 the Netherlands had implemented the provisions of the Directive by adjusting the Law on Water Management (Wet op de waterhuishouding) and the Law on Environmental Management (Wet milieubeheer).

Through the adoption of the WFD the EU Member States agreed on the goal to have achieved good ecological and chemical status in all surface waters as well as good chemical and quantitative status of all groundwaters by 2015. To a certain extent the Member States are free to determine to what extent a goal must be met, e.g. the degree to which the hydromorphology and natural dynamics of a water system can be restored. Goal attainment may be postponed until after 2015 or the scope of a goal lowered, but this is subject to strict conditions (V&W, 2009; EC, 2010; Helpdesk Water).

#### *b. Policy implementation*

It was acknowledged that the best way to implement the objectives of the WFD was through river basins, which are the natural geographical and hydro-

logical units. In the Netherlands there are four (international) river basins. The management plans for these river basins are part of and must be considered in conjunction with the Dutch National Water Plan. The Netherlands has river basin management plans for the following river basins: Ems, Meuse, Rhine and Scheldt, which were published in December 2009 (figure 4.1). The Ems river basin is subdivided into two constituent river basins: Lower Ems and Ems-Dollard. The Rhine river basin is subdivided into four constituent river basins: Rhine-West, Rhine-East, Rhine-Central and Rhine-North. This means that in total there are eight (constituent) river basins in the Netherlands. The Dutch part of the international Rhine river basin is also called the Rhine delta working area, with the international Rhine river basin being divided into nine working areas. The Rhine delta working area consists of six constituent river basins, of which four are located in the Netherlands and two in Germany. International cooperation is very important in case of the four Dutch river basins, since they all are large, transboundary rivers. Cooperation between countries takes place at river basin level: there are international roof reports for each of the four river basins, which describe the current problems in the river basins and the joint measures taken by the Member States involved. Coordination also takes place at lower levels, e.g. concerning the water quality in smaller water bodies. The European Commission has also designed a Common Implementation Strategy for the WFD (EC, 2001).

The river basin Rhine (delta) is the largest river basin in the Netherlands and we will therefore further focus on the Rhine river basin management plan to illustrate the implementation of the EU water policy in the Netherlands.

**Figure 4.1** Boundaries of the four Dutch river basins



The implementation of the WFD has clear deadlines (table 4.1).

<b>Table 4.1      Time schedule for the implementation of the Water Framework Directive</b>		
<b>Year</b>	<b>Action</b>	<b>Relevant article in WFD</b>
2000	Directive entered into force	25
2003	- Transposition in national legislation - Identification of River Basin Districts and Authorities	23 3
2004	Characterisation of river basin: pressures, impacts and economic analysis	5
2006	Establishment of monitoring network Start public consultation (at the latest)	8 14
2008	Present draft river basin management plan	13
2009	Finalise river basin management plan including programme of measures	13 & 11
2010	Introduce pricing policies	9
2012	Make operational programmes of measures	11
2015	- Meet environmental objectives - First management cycle ends - Second river basin management plan and first flood risk management plan	4
2021	Second management cycle ends	4 & 13
2027	Third management cycle ends, final deadline for meeting objectives	4 & 13
Source: Website European Commission - DG Environment www.ec.europa.eu		

This time schedule also partly shows the contents of the river basin management plans. According to Annex VII of the WFD, the river basin management plans should cover the following elements:

1. a general description of the characteristics of the river basin district;
2. a summary of significant pressures and impact of human activity on the status of surface water and groundwater;
3. identification and mapping of protected areas;
4. a map of (results of) monitoring networks and programmes;
5. a list of environmental objectives;
6. a summary of the economic analysis of water use;
7. a summary of the programme(s) of measures;

8. a register of any more detailed programmes and management plans for the river basin district;
9. a summary of the public information and consultation measures taken, their results and the changes to the plan made as a consequence;
10. a list of competent authorities;
11. contact points and procedures for obtaining background documentation and information.

Below we address two elements of the river basin management plan: the environmental objectives (5) and the programme of measures (7). There are environmental objectives for surface waters (ecological protection/good ecological status; chemical protection/good chemical status; and specific objectives in case other water uses are involved), for groundwaters (chemical status; quantitative status) and for protected areas. The objectives for a good chemical status of surface waters have been set at European level, but the ecological objectives have been set at national level, since good ecological water quality differs for each type of water. The focus on ecological water quality is one of the new aspects introduced by the WFD, next to the river basin approach. In previous EU water legislation the focus was primarily on chemical quality.

The objectives are established at the level of the river basin district. After the establishment of the objectives, an analysis is conducted so as to determine how far from the objective each body of water is. At this point, the effect of full implementation of all existing legislation on the problems of each body of water is considered. If the existing legislation solves the problem, then it is assumed that the objectives of the WFD are attained. However, if it does not, the Member State must identify exactly why, and design whatever additional measures are needed to satisfy the objectives. These might include e.g. stricter controls on polluting emissions from industry and agriculture or on urban waste water sources.

The programme of measures is the principal mechanism for implementation of the WFD; it will be designed to fill the gap between the current situation and the situation with good ecological and chemical status. The programmes include different categories of measures:

- basic measures have to be included in each programme of measures. These are the minimum requirements to be complied with. Basic measures are all measures resulting from European legal obligations and national generic policy.

- supplementary regional measures are all measures taken for specific water bodies<sup>1</sup> with a view to achieving the objectives of the WFD. These measures are to be implemented in addition to the basic measures.

In the Netherlands the environmental quality and monitoring requirements are laid down in the 2009 Decree on the quality requirements and monitoring of water (Bkmw 2009). The objectives and measures derived from this decree are incorporated into a water plan, either in the Management and Development Plan for National Waters or in a provincial water plan or provincial spatial plan (for regional waters). The water boards are responsible for formulating objectives and measures for each water body and for ensuring that the supplementary regional measures for each individual water body are recognisably included in their water management plans. This means that the river basin management plans have no direct effect; the objectives and measures have to be implemented in existing water and spatial plans of the responsible authorities.

The Netherlands has set up a new form of national cooperation and consultation for the implementation of the WFD. The Dutch Ministry of Transport, Public Works and Water Management bears final responsibility for the implementation of the WFD in the Netherlands and therefore acts as the national coordinator. The *Nationaal Wateroverleg* (NWO) is a consultative body at national level, in which the central government and the umbrella organisations of the provinces, water boards and municipalities participate. At the level of the (constituent) river basins there are Regional Administrative Consultation Committees (RBOs) in which the different levels of government in the river basin participate. These RBOs are also responsible for formulating supplementary regional measures for specific water bodies. The programmes of measures are designed after regional consultation processes with involvement of the different stakeholders in the (constituent) river basins to create a solid basis for the measures. For this purpose there are also regional feedback groups of stakeholders that can advise the RBOs (IBT Marktonderzoek/RWS Waterdienst, 2007).

### *c. Accountability and control*

Unlike the EU rural development policy and the EU cohesion policy, the implementation of the EU water policy is not financed by an European Fund. The necessary measures to fulfil the criteria of the objectives must be financed by

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<sup>1</sup> In the Netherlands there are 724 surface water bodies and 23 groundwater bodies.

national, regional and local authorities. Therefore there is no financial accountability and control system at EU level.

However, according to article 15 of the WFD, Member States have to report to the European Commission and other Member States about their river basin management plans and progress of implementation. They also have to provide summary reports of the analyses of the river basin district and of the monitoring programmes. Next to that the Member States have to submit an interim report describing progress in the implementation of the planned programme of measures within three years of the publication of each river basin management plan. This means that the Netherlands has to submit the first report in December 2012. The European Commission uses the river basin management plans and progress reports for benchmarking the (cost-)effectiveness of the different measures undertaken by all EU Member States. This creates a steering mechanism for the Commission for the creation of the second and third phase (2016-2027) of river basin management plans.

The Dutch Ministry of Transport, Public Works and Water Management wants to develop a uniform methodology for reporting on the implementation of the measures. This is needed to streamline the annual reports to the Lower House and the triennial progress reports to the European Commission. To this end the regional consultation processes for the analysis of objectives and measures were coordinated at national level with the chairmen of the RBOs to ensure that the differences between the regions in a river basin and between rivers basins would not be too large. This national coordination creates a tension with the area-based bottom-up approach: at the one hand the ministry wants programmes with comparable measures and at the other hand it wants to provide regional authorities with policy discretion to design measures supported by all parties that best suit the circumstances in the particular area.

Article 23 of the WFD further states that it is up to Member States to determine penalties applicable to breaches of the national legislation where the WFD has been transposed in. Further the article only states that the penalties shall be effective, proportionate and dissuasive. This means that according to the principle of subsidiarity the Member States have a large degree of discretion to determine their own sanctions/penalties when actors do not comply with the standards of the WFD.

#### *d. Monitoring and evaluation*

The WFD does not prescribe the use of a common monitoring and evaluation method like CMEF. It is up to the Member States to set up their own monitoring

programmes in order to present a coherent and comprehensive overview of the water status within each river basin district (article 8 of the WFD). The monitoring programmes have to address the surface water status (volume and level/rate of flow as well as the ecological and chemical status and ecological potential), the groundwater status (chemical and quantitative status) and the situation in protected areas (for the protected areas the monitoring programmes have to be supplemented by the specifications under which these protected areas have been established).

In 2006, monitoring programmes were set up to measure the status of the surface waters and groundwaters now and in the future (the WFD measuring network). In 2009 the monitoring programmes were updated and incorporated into the river basin management plans. Next to the monitoring programmes specific research projects will help to monitor the effects that implemented measures will have on water quality and biological parameters. For specific surface water bodies 'monitoring aimed at further study' is being developed.

#### *e. Other issues*

There are some links between the EU water policy and the EU rural development policy. First of all rural development measure 213 (article 38 of Council Regulation (EC) 1698/2005) makes it possible for Member States to provide compensation to farmers which are subject to limitations on agricultural use as a result of the implementation of protection provisions resulting from the WFD. The objectives of the WFD to improve the ecological and chemical status of surface waters and groundwaters have large consequences for the agricultural sector: the reduction of emission of nutrients by agriculture is an important measure in most river basin management plans. Second, water management (improvement of water quality and management of water quantity) is also one of the new challenges introduced by the Health Check Agreement (2008). In its revised Rural Development Programme the Netherlands focuses on sustainable investments in water management, combining the efforts with other challenges, such as climate change, biodiversity and innovation.

A main challenge for the future will be to create a stronger link between the EU water policy and the EU rural development policy. The Dutch Lower House has decided that in principle the WFD measures have to be implemented on a voluntary basis. This means that e.g. farmers should have the choice to take measures to reduce the emission of nutrients and are then paid for the measures they take. In most cases the water boards are responsible for reaching the objectives and carrying out the supplementary measures. They can



either finance the measures (payments to farmers) with their own levies (*watersysteemheffing*), or use funds from the EU rural development policy. The Ministry of Transport, Public Works and Water Management and the water boards have already made a list of 20 projects which could be financed with money from the EU rural development policy. The water boards would then apply for the funding and use it for paying farmers for different projects. However, currently water boards are not eligible for EU rural development funding.

#### 4. Description of the intervention logic

The WFD states that a good status must be achieved for surface waters and groundwaters by 2015 (in exceptional cases no later than 2027). Roughly there are four main objectives:

1. good chemical status of surface waters;
2. good ecological status of surface waters;
3. good chemical status of groundwaters;
4. good quantitative status of groundwaters.

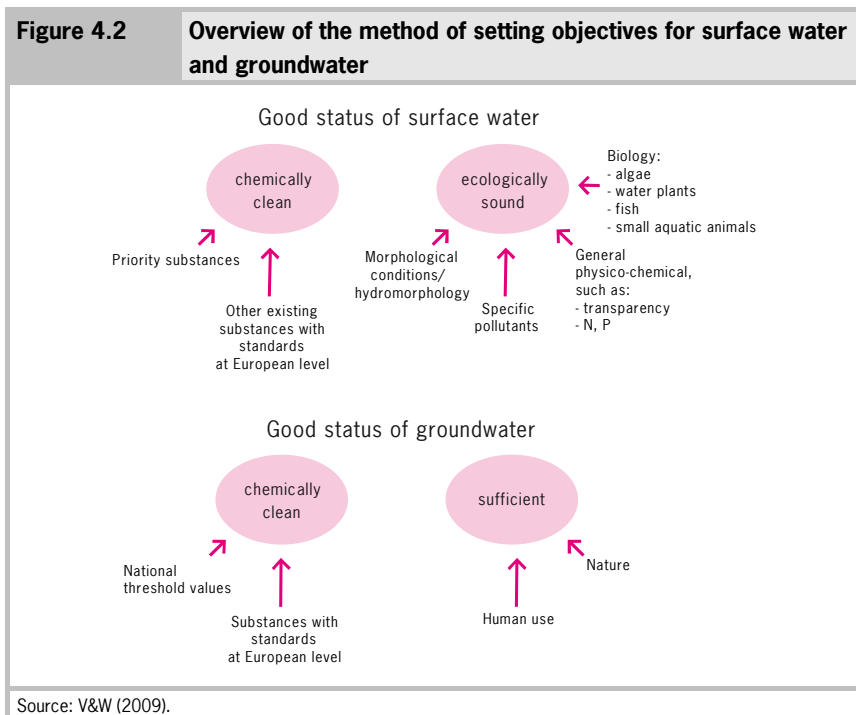


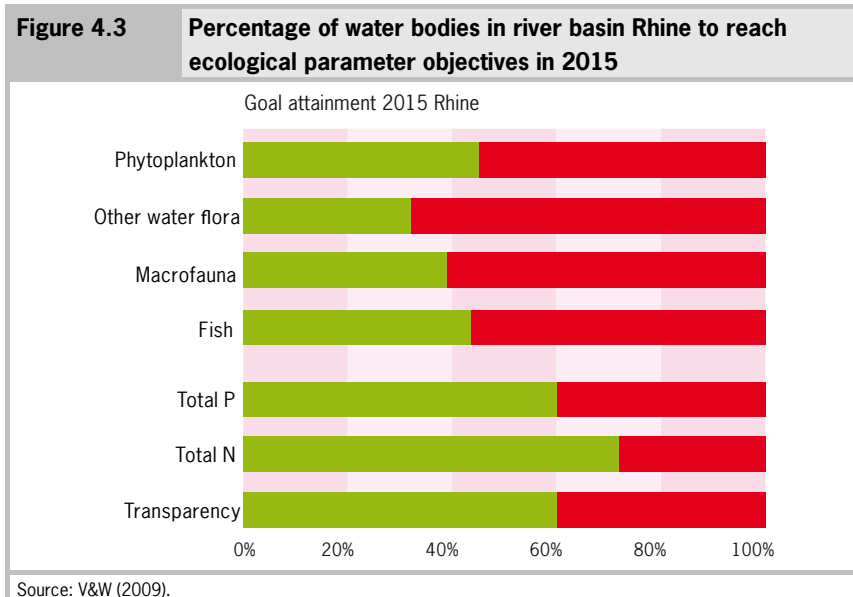
Figure 4.2 shows how these objectives are set up. The chemical status of surface waters refers to substances for which European standards have been determined (33 priority substances and 8 pollutants of other EU directives). The ecological quality of surface waters has been divided in four sub parameters (biological, hydromorphological physico-chemical and specific pollutants). In case of 'heavily modified' or 'artificial' water bodies (which is the case for most water bodies in the Netherlands) authorities are free to determine what good ecological quality fits with the status of the water bodies. The ecological objectives (to be set at national level) may be modified if they can only be reached using hydromorphological measures that have significant adverse effects on key uses, such as shipping or safety (flooding). For the chemical status of groundwaters there are both European standards for nitrate and plan protection products and national threshold values for e.g. chloride, nickel and arsenic. The fourth objective states that there should be a sufficient supply of groundwater for human use and nature areas.

In principle all objectives must be achieved by 2015, according the 'one-out-all-out' principle: a good status is achieved when all underlying parameters have been achieved. However, under specific conditions targets may be lowered or deadlines may be extended. Extending the deadline is permitted when the required improvements cannot technically be achieved by 2015, when the necessary measures are disproportionally expensive or when natural circumstances obstruct timely improvement. In the Netherlands it is expected that extension of the deadlines is necessary for 86% of the surface waters and 33% of the groundwaters.

In the 2006 Decemhernota policy document the Dutch government already expected that the objectives of the WFD will have to be lowered, because they cannot be reached (in time) due to various reasons. However, it was decided to wait until drafting the third river basin management plan (in 2021) to check which adjustments are needed. According to current estimations the Netherlands will be able to reach 80% of the objectives in 2027, if all basic and supplementary regional measures have been implemented. According to Van Rijswijk (2009) the WFD approach might provide Member States with too much space to use exemptions and deviate from the goals and objectives. This might create problems in the transboundary coordination of river basin management when upstream and downstream partners have different ambitions. Therefore Van Rijswijk states that a minimum level of protection should be made compulsory and that European environmental law should create the possibility to keep

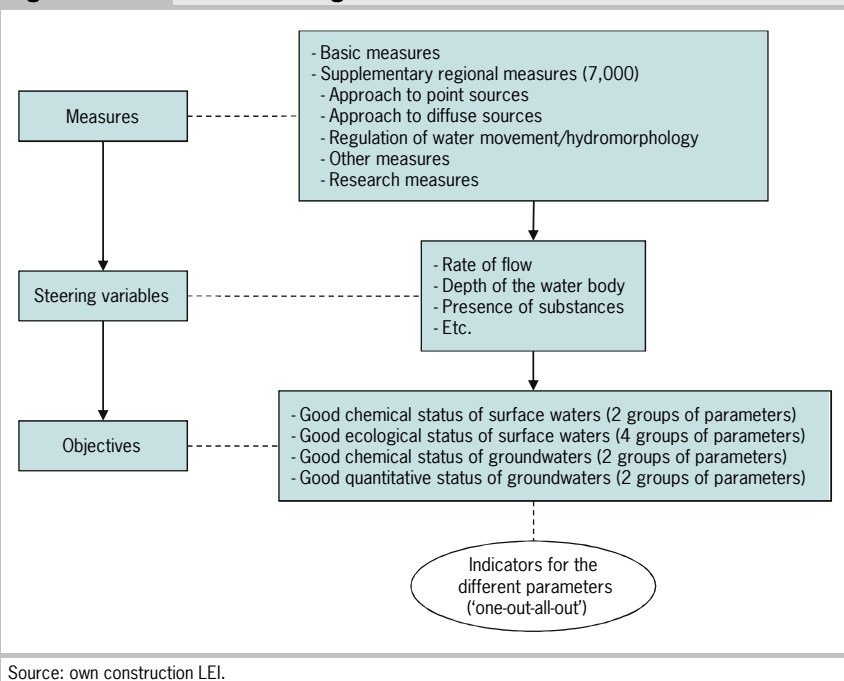
all Member States within a river basin together responsible for reaching the goals, instead of each Member State individually.

For each river basin a programme of measures needs to be set up, with basic measures and, where necessary, supplementary regional measures (see subsection 3b on policy implementation). For many water bodies supplementary measures are needed, most of which are to be implemented by water management authorities: Rijkswaterstaat, water boards, provinces and municipalities. In total there are about 7,000 measures to be implemented in the four river basins in the Netherlands. These can be roughly divided in five categories: approach to point sources, approach to diffuse sources, regulation of water movement and hydromorphology, other measures (e.g. financial measures) and research measures (in order to design measures for the next river basin management plans). Measures for the 2009-2015 period are subject to the obligation of carrying out these measures and produce concrete results. Measures for the 2016-2027 period are subject to a 'best efforts' obligation. The investment costs of the supplementary measures in the 2009-2015 period are estimated at €2.2 bn, for the 2016-2027 period another €2bn will be added to this. Figure 4.3 shows the goal attainment of some ecological parameters in 2015 for the river basin Rhine.



It turns out to be difficult to show the causality between measures and objectives in the implementation of the WFD. Therefore in the first two periods (2009-2021) the Netherlands wants to be held responsible for the realization of the programmes of measures in the four river basin management plans, instead of the realisation of the ecological and chemical objectives. Especially in the case of ecological objectives (for which monitoring is difficult and costly) real progress will only be achieved after a longer period. In order to get a better understanding of the costs and benefits of WFD measures, the Ministry of Transport, Public Works and Water Management and the water management authorities have asked Dutch consultancy Deltares and Rijkswaterstaat for the development of the WFD Explorer (*KRW-Verkenner*). This instrument aims to 1) provide insights into the relation between chemical and ecological objectives, measures, effects/impacts and cost-effectiveness; and 2) support the discussion and consultation with stakeholders and inhabitants of the river basin districts. The WFD Explorer makes the intervention logic of the WFD (relation between measures and objectives) more explicit and helps to decide which measures should be chosen to realise the WFD objectives. Figure 4.4 shows the intervention logic of the implementation of the WFD according to the WFD Explorer. The WFD Explorer has already been applied in the river basins Meuse, Rhine-East, Rhine-Central and Scheldt as well as in Belgium and Romania. Also other EU Member States have shown their interest in the instrument.

**Figure 4.4** Intervention logic of the WFD



## 5. Strengths and weaknesses of the policy organisation

### Strengths

- The implementation of the WFD is coordinated at the level of river basins, which are the natural geographical and hydrological units and therefore the most logical level.
- Where possible, the measures of the WFD are designed at the lowest level possible (water bodies), which is accordingly the principle of subsidiarity. This approach provides the regional authorities with a relatively high degree of policy discretion in the implementation phase, so that they can design measures that fit with local circumstances.
- Stakeholders and inhabitants are actively informed and consulted in the process of writing the river basin management plans (according to article 14 of the WFD) to create local and regional support for the measures that are needed to reach the objectives.

- The Dutch implementation of the WFD in the first two periods (2009-2021) focuses on the realisation of the measures instead of the objectives, since the realisation of the objectives (especially the ecological objectives) cannot be measured yet. The strength of the Dutch approach is its realism, although the European Commission still has to agree with this approach.
- The WFD Explorer, designed for the Netherlands and also used in other countries, helps to get a better understanding of the intervention logic of the WFD and informs policy decisions on the (cost-)effectiveness of WFD measures.
- The European Commission is planning to use benchmarking (between Member States) as a means to find out which measures are most (cost-)effective in which areas and why. It might benefit all Member States if they can learn from each other.

#### *Weaknesses*

- There is a tension between the coordinating role of the national government and the nature of the regional bottom-up processes to create programmes of measures. These processes lead to a multitude of measures that are not harmonised, which makes it difficult for the national authority to standardize the measures and brings high coordination costs.
- There is a weak transboundary coordination in the case of international river basin districts. The WFD contains obligations for Member States and not for river basins. Therefore Member States can have different ambition levels.
- The WFD offers many exemptions from achieving the objectives, especially for 'heavily modified' and 'artificial' water bodies. This means that other interests apart from ecological/nature interests might prevail in some cases.
- It is difficult to find funding for supplementary regional (voluntary) measures to realize the objectives of the WFD.
- It is difficult and costly to show the causality between measures and objectives (e.g. monitoring of ecological objectives). However, the WFD Explorer might offer a partial solution for this problem.

## **4.2 Lessons from the EU water policy for the EU rural development policy**

By comparing the EU water policy and the EU rural development policy, it becomes clear that the design and implementation of the EU water policy differs in many aspects from the EU rural development policy. The main lesson from the

EU water policy is that management by objectives is hard to achieve. It is difficult to present a clear intervention logic between measures and objectives and thus to show that you have taken the right measures to reach the WFD objectives, although the WFD Explorer may help to make this causality more visible. That is also the reason why the Netherlands does not want to manage the implementation of the WFD by focusing on the objectives. Instead it wants to focus on the implementation of the measures. However, the uniformisation and harmonization of the WFD measures is problematic, since the four Dutch river basin management plans and other water management plans contain about 7,000 measures. In that case the EU rural development policy with its 42 measures seems to be a more convenient option. Some aspects of the EU water policy are subsequently discussed in order to explore which lessons can be drawn from the EU water policy for the EU rural development policy.

#### 4.2.1 Intervention logic

The intervention logic of the EU water policy differs from the intervention logic of the EU rural development policy in the sense that there is no clear distinction between the four levels input, output, result and impact with corresponding indicators. Instead, there are a large number of ecological and chemical objectives with parameters/indicators. The WFD measures contribute to the realisation of these objectives, although there is no clear causal relation between the measures and the objectives (figure 4.4). As already discussed, the WFD Explorer helps to find out which measures really contribute to the realization of the objectives, since in the end the objectives are leading.

An approach where the objectives are leading and measures are being 'tested' for their contribution to the objectives might also work for the EU rural development policy. This was also one of the recommendations of the ex post evaluation of the Rural Development Programme 2000-2006 of the Netherlands, since in the previous programming period instruments formed the basis for the formulation of objectives, instead of the other way around. An instrument such as the WFD Explorer may be useful for the EU rural development policy in helping to describe the relationship between measures and objectives in cases where Member States design their own rural development measures (although the WFD Explorer still has to prove its ability to describing the intervention logic). Setting up a logical framework with a clear causal relation between measures/instruments and objectives before the actual implementation of the measures will contribute to the transparency and logic of the rural development

programme. Currently the intervention logic of rural development measures is already described by the European Commission, but in case of management by objectives Member States have to design the intervention logic themselves.

#### *Accountability*

Testing the policy effectiveness and cost effectiveness of the rural development measures beforehand will also increase the accountability of spending public money on these measures to the taxpayers. In the case of the EU water policy the water boards want to keep their taxes as low as possible, and therefore creative and innovative measures and financing mechanisms are needed. The European Commission is planning to use benchmarking (between Member States) as a means to find out which WFD measures are most (cost-)effective in which areas and why. Such an approach might also improve the policy effectiveness of rural development measures. The mid-term and ex post evaluation of the rural development programmes can be used for this purpose.

#### 4.2.2 Management by objectives versus management by measures

The approach of the EU water policy (formulating objectives at European and national level and formulating measures at regional level) gives more policy discretion to local and regional stakeholders involved in the formulation of the rural development programmes. Currently the 42 rural development measures, which are defined at EU level, have to fulfil many (pre)conditions. In the EU water policy there are no such conditions for the supplementary regional measures. The programmes of measures in the river basin management plans are drawn up using an bottom-up approach, coordinated by the Regional Administrative Consultation Committees (RBOs). This approach provides a solid basis of local support for the supplementary regional measures, involving not only the water boards and other authorities in the process, but also other actors, such as farmers' and nature organizations. One of the conclusions of the ex post evaluation of the first Dutch Rural Development Programme stated that some investment measures/instruments in axis 1 did not match with the daily reality of farmers in the Netherlands. Furthermore some measures in axis 1 were not implemented due to high transaction costs. Therefore beneficiaries and intermediaries need to be more involved in the preparation and implementation of rural development measures to secure that demand and supply are better coordinated. The ex post evaluation also stated that intermediaries, such as farmers' and nature organizations are important for the success of the programme. According to IBT



Marktonderzoek/RWS Waterdienst (2007) the active involvement of stakeholders could be facilitated through the use of existing structures for consultation and cooperation between government authorities and societal organizations. In case of the design of rural development measures, existing area-based committees (*gebiedscommissies*) could be used to test the support for certain measures. The bottom-up approach involving many stakeholders ensures that measures are designed, whereby the different interests of stakeholders are taken into account.

#### 4.2.3 Regional processes with central coordination

The EU water policy is implemented using regional processes which result in river basin management plans with programmes of measures. However, the WFD is aimed at the national government and thus the final responsibility lies with the Ministry of Transport, Public Works and Water Management. This approach requires a coordinating role of the central government, which has to standardize/harmonize/categorize all 7,000 supplementary regional measures. However it appears that this approach is time-consuming and costly; policy makers at the ministry therefore prefer the model from the EU rural development policy with a limited set of measures. An alternative for the EU rural development policy might be an hybrid bottom-up model, where regional processes are used to propose draft rural development measures, to secure that measures are supported by regional stakeholders. As a second step the coordinating authority (the Ministry of Agriculture, Nature and Food Quality) can then harmonize and standardise these measures and design the final programme of measures.

#### 4.2.4 Financing WFD measures through the EAFRD

A last lesson concerns the possible financing of WFD measures through the European Agricultural Fund for Rural Development (EAFRD). On the one hand the water boards have to fulfil the objectives of the WFD, with eutrophication being one of the main problems in Netherlands. In order to stimulate farmers to take additional measures to prevent eutrophication, water boards would like to use funding from the EAFRD. Since water management has been made one of the main challenges of the CAP in the Health Check Agreement of 2008, this theoretically is possible. On the other hand, water boards are currently not eligible for EU rural development funding, since farmers should be the final

beneficiaries. However, an option would be that water boards act like intermediaries (which saves transaction costs) and farmers would be paid indirectly through the water boards.

## 5 Exploring the introduction of management by objectives in three selected EU rural development policy measures

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### 5.1 Introduction

Given the lessons on management by objectives and other useful practices provided by the EU cohesion policy and the EU water policy in chapter 3 and 4, in this chapter it is discussed whether and how these could be introduced in three selected rural development measures: the measure on agri-environmental payments, the measure on Natura 2000 payments and payments linked to the EU Water Framework Directive, and the measure on modernisation of agricultural holdings. In this discussion, possible consequences for flexibility are also taken into account. The three selected measures are successively dealt with in section 5.2, 5.3 and 5.4.

### 5.2 Management by objectives in practice: agri-environmental payments

#### 5.2.1 Intervention logic

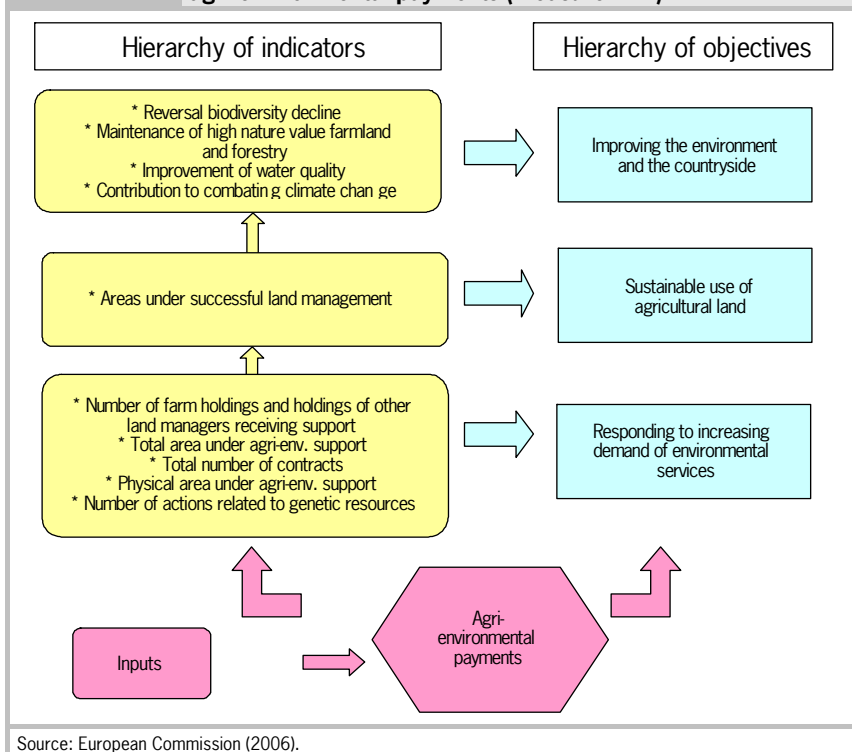
EU rural development measure 214 on agri-environmental payments aims to encourage farmers and other land managers to serve society as a whole by introducing or continuing to apply agricultural production methods compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity (EC, 2006). Farmers or other land managers who make a voluntary agri-environmental commitment for a period between 5 and 7 years can be granted with an agri-environmental payment. These payments are made annually and are a compensation for additional costs and income foregone due to the commitment and for transaction costs. Commitments refer to organic farming; integrated production; other extensification of farming systems like a reduction in the use of fertilisers or pesticides reduction and an extensification of livestock production; crop rotation;

maintenance of set-aside areas; actions to prevent or reduce soil erosion; protection of genetic resources like local breeds in danger of being lost to farming and plants under threat of genetic erosion; conservation and enhancement of biodiversity; and upkeep of the landscape including conservation of historical features on agricultural land. These commitments must go beyond mandatory standards of good agricultural practice.

The intervention logic of measure 214 is presented in figure 5.1, whereas the result indicators are specified in table 5.1. A closer look at the impact and result indicators gives rise to three remarks. First, it appears that the impact and result indicators are based on the same variables, but that these are measured at different levels: the result indicators are measured at the field level (areas under successful land management), whereas the impact indicators are measured at the programme level (i.e. country of region). Second, both the impact and result indicators are rather roughly defined. Third, the impact and result indicators touch only on some aspects of biodiversity, high nature value farmland and forestry, climate change and water quality without covering all aspects. This reflects the problem that it is rather difficult to measure broadly defined objectives like 'improving the environment and the countryside'. Following the lesson of the EU cohesion policy to skip the current impact indicators of the EU rural development policy and to consider the result indicators as reflecting the level at which objectives and the impact indicators should be defined, it could be argued that the current result indicators need some adaptation. In its present form, the result indicators are too vague to serve as objectives. Suggestions for refinement are given in the next subsection.

<b>Table 5.1</b>	<b>Result indicators of EU rural development policy measure on agri-environmental payments (measure 214)</b>
Areas under successful land management contributing to:	improvement of biodiversity (i.e. population of farmland birds, high nature value farmland and forestry)
	improvement of water quality (i.e. pollution by pesticides and nitrates, gross nutrient balance)
	climate change (i.e. production of renewable energy from agriculture, GHG emissions from agriculture)
	improvement of soil quality (i.e. areas at risk of soil erosion, organic farming)
	avoidance of marginalization and land abandonment
Source: European Commission (2006).	

**Figure 5.1** Intervention logic of EU rural development policy measure on agri-environmental payments (measure 214)



### 5.2.2 Indicators for monitoring and evaluation

In the discussion of EU cohesion policy in section 3.2, it was suggested to pay specific attention to the indicators measuring the achievement of the core objective. The baseline situation of the indicators could be given in absolute terms in the area covered by the programme and in a benchmark area, whereas the target value for the indicators in 2013 could be expressed in relative terms (as an indication of the development of the indicator in the programme area relative to the development of the indicator in the benchmark area). If we apply this suggestion to measure 214, this implies that if we measure the achievement of the core objective at the farm or field level, and if we use the result indicators for measuring the impact of the measure, we should express the result indicators for the programme area for the base year and the end year in absolute

terms, that we have to select a benchmark area, for which the result indicator is also expressed for the base year and the end year in absolute terms, and finally to set a target value for the indicator in 2013 in relative terms (for calculating this relative target value, the absolute values of the indicators for the programme area and the benchmark areas are needed). Below we explore how these steps could be taken for measure 214.

#### *Absolute values for the indicators measuring the impact*

The current result indicators distinguish five types of areas under successful land management (table 5.1). In table 5.2 it is tried to define the measurement of the absolute value for these indicators. It has to be noted that the measurement of most of these indicators is rather complicated and time-consuming, and that they are affected by other factors as well.

#### *Target values in 2013 in relative terms*

In table 5.2 we have also indicated how target values for the indicators measuring the impact in relative terms could be defined. However, as the achievement of the objective is dependent on many other factors outside the policy measure, it has to be noted that the target value in relative terms cannot be given a priori, but likely emerges in a process of balancing these different factors. So the target value in 2013 in relative terms for the total area under land management could, for example, also be set as 'no decrease relatively to 2007', whereas that for surplus of nitrogen in the area under land management could be set as 'surplus below that in the reference area'.

<b>Table 5.2      Proposal for indicators measuring the impact of measure 214</b>		
<b>Indicator</b>	<b>Units for measurement</b>	<b>Target value in 2013 in relative terms</b>
Total area under land management	Number of ha	Higher number than in 2007
Farmland birds population in area under land management	Number of farmland birds per ha	Higher number than in 2007
High nature value farmland area under land management	Number of ha	Higher number than in 2007
High nature value forest area under land management	Number of ha	Higher number than in 2007
Concentration of pesticides in the groundwater in the area under land management	Mg per liter water	Lower concentration than in 2007
Concentration of nitrates in the surface water in the area under land management	Mg per liter water	Lower concentration than in 2007
Concentration of nitrates in the groundwater in the area under land management	Mg per liter water	Lower concentration than in 2007
Concentration of pesticides in the surface water in the area under land management	Mg per liter water	Lower concentration than in 2007
Surplus of nitrogen in the area under land management	Kg per ha	Lower surplus than in 2007
Surplus of phosphorus in the area under land management	Kg per ha	Lower surplus than in 2007
Production of renewable energy from agriculture in the area under land management	Ktoe	Higher production than in 2007
GHG emissions from agriculture in the area under land management	Ktoe	Lower emission than in 2007
Area under land management with organic farming	Ha	Higher number than in 2007
Areas at risk of soil erosion in the area under land management	Classes of T/ha/year	Lower number than in 2007
Total utilised agricultural area	Ha	Same area as in 2007
Source: own construction LEI.		

### 5.2.3 Projects versus measures

As it could be argued that the achievement of the aims of the agri-environmental measure needs commitments by a large number of farmers, it could be considered to use a project approach for measure 214. In such a project, a group of farmers could offer to apply certain types of land management, for example to establish 100 km arable land edge management and 1000 ha of grassland with a delayed mowing date. In the past decades, such types of collective land management were provided by agri-environmental cooperatives in the Netherlands. However, this practice ended as Rural Development Regulation 1698/2005 prescribes that contracts can only be granted to individual farmers. So in the case of measure 214, these agri-environmental cooperatives could again act as project submitter for collective land management by a group of farmers. Of course, also other bodies can organize collective land management. The advantage for the national authority is that he has only to deal with the project submitters and that the project submitter is in charge of the transaction costs for organizing and managing the land management by farmers.

#### *Difficulties related to management by objectives*

In the case that the project approach is related to management by objectives, two difficulties might arise. First, the project submitter has to develop an intervention logic between the activities in the project and the ecological objectives of the agri-environmental policy. The development of such a causal relationship between project activity and ecological objective is far from easy. Second, the question arises what will happen when the project has been conducted but failed in achieving its targets. Such a situation could, for example, be due to an incorrect intervention logic or to other factors affecting the target. Could the submitter then be paid for conducting the project? If the risk of 'no achievement of the target, no pay' is at the project submitter, in the case of agri-environmental policy it could be doubted whether there will be any project submitters at all. On the other hand, if the submitter is paid for the project despite not achieving the targets, then the national authority has to deal with explaining why public money has been spent on a project that failed to achieve its targets.

#### *Coordination/benchmarking by national authority*

Once projects have been submitted for funding by the national authority, which is coordinating the policy on behalf of the Member State, the situation could arise that a project submitter in the province of Friesland asks €100m for the



realization of a package of the establishment of 100 km arable land edge management and 1000 ha of grassland with a delayed mowing date, whereas a project submitter in the province of Limburg asks €200m for the same package. Of course, region-specific circumstances may give rise to some differences in costs of commitments and income foregone. Large differences as outlined in the example above likely require intervention by the national authority by means of coordination and benchmarking, a practice that is also applied in order to streamline the measures of the EU water policy in the different regions by the national authority of the Netherlands. This process of benchmarking is not without costs: it involves transaction costs for the national authority.

#### *Participation of non-agricultural actors in projects*

Projects on agricultural land management could also include non-agricultural actors, such as water boards, acting like intermediaries. In the current situation, these are not eligible for funding by the EAFRD. If a project approach should be applied in the EU rural development policy for measure 214, it could be considered to open projects for non-agricultural actors as well, provided that the money finally reaches the farmers.

#### 5.2.4 Area-based approach

For tailoring agri-environmental policy to area-specific circumstances, an area-based approach could be considered. In such an approach, area specific objectives can be set and the number of projects could be reduced to one, which covers all land management in the area aimed at satisfying the objectives. However, this approach also allows the use of more than one project. A first question in such an area-based approach is how to define the area. In the ideal case, the area should refer to a territorial unit which is homogeneous in physical, natural and ecological terms. In practice, other considerations may play a role in the delimitation of the area. A further step could be to classify the areas into types, and to determine the share of each type of areas into the budget. The difficulties with management by objectives in projects as discussed above, are also valid in the area-based approach.

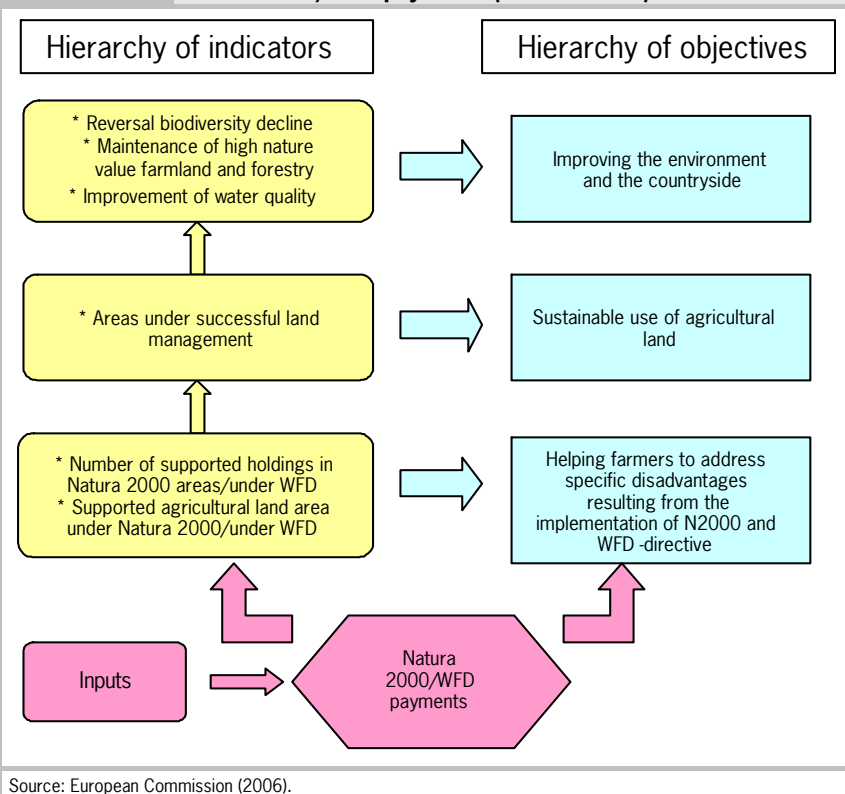
## **5.3 Management by objectives in practice: Natura 2000/WFD payments**

### **5.3.1 Intervention logic**

Rural development measure 213 on Natura 2000 payments and payments linked to the Water Framework Directive aims to compensate farmers in certain areas with environmental restrictions in order to ensure compliance with environmental requirements and safeguard farming in these areas (EC, 2006). These certain areas refer to Natura 2000 areas and areas that fall under the Water Framework Directive. The compensation covers costs incurred and income foregone due to Community environmental protection rules. Compensations are paid per ha utilized agricultural area on an annual base.

The intervention logic of measure 213 is presented in figure 5.2. A close similarity with the intervention logic of the measure on agri-environmental payments (measure 214) can be perceived (Fig. 5.1). The result indicators for measure 213 are exactly the same as those for measure 214 (EC, 2006; table 5.1). This also applies for the impact indicators, apart from the contribution to combating climate change, which is not included in measure 213. The similarity of the intervention logic of measures 213 and 214 is not surprising as they both aim at sustainable use of agricultural land. The main difference between the two measures is that measure 214 is meant to encourage/stimulate farmers and other land managers to make a voluntary agri-environmental commitment, whereas measure 213 is meant to compensate farmers for the fact that they face environmental restrictions due to European nature and water legislation.

**Figure 5.2** Intervention logic of EU rural development policy measure on Natura 2000/WFD payments (measure 213)



In subsection 5.2.2 we have made suggestions for indicators for monitoring and evaluation of measure 214 and the measurement of these indicators. Given the similarity between the intervention logic of measures 213 and 214, these suggestions apply for measure 213 as well. The only difference refers to the territorial units: in the case of measure 213, indicators could be measured in areas, which follow the boundaries of the Natura 2000 areas and the (constituent) river basins, whereas the area outside these two types of areas can serve as the benchmark area.

### 5.3.2 Projects versus measures

As measure 213 allows farmers to receive a compensation for applying a legally required practice, rational behaviour of farmers would imply that all farmers in the designated Natura 2000 area or river basin area participate in the measure. A project approach could be designed as follows. Within each designated area, one coordinating actor could collect all applicant forms of the individual farmers in the area, and make a collective application to the central authority. Once the project is granted, the coordinating actor could also pay the compensation payments to the farmers. It could be wondered whether such a procedure could not be simplified. Given the experience with the Less Favoured Area compensatory allowance in the Netherlands, which can be asked for on the same form at which an application has to be made for the direct payments of the first pillar of the CAP, it could be considered to organise the payment of the compensations of measure 213 also in this way. Then farmers within Natura 2000 and river basin areas can simply tick the question 'Is your farm situated in a Natura 2000 or river basin area?' and in the case of 'yes' the central paying agency can pay the compensation.

### 5.3.3 Area-based nature of the measure

Measure 213 is clearly linked to the implementation of Community environmental protection rules of the Birds and Habitat Directives and the Water Framework Directive. These rules are area-specific, which implies that the current measure 213 is already area-based. As farmers located at the borders of designated areas may also be affected by environmental restrictions due to the rules of the three directives, it could be considered to include these farmers as well in the measure.

### 5.3.4 Integrated management by objectives

Until so far it was assumed that the environmental restrictions to farming in Natura 2000 and WFD areas and the level of the compensation per ha are determined within the scope of the Natura 2000 policy and the EU water policy. As such, they are exogenous to EU rural development policy, and all costs of determining area-specific restrictions and calculating the amount of area-specific compensations are at the account of the Natura 2000 policy and the EU water policy. Suppose now a situation that objectives for each area are specified by

the Natura 2000 policy and the EU water policy and that farmers within each area collectively (as a cooperative) make an application to the central authority of the EU rural development policy for achieving that objective, in which they also indicate the amount of required compensation per ha. In this situation farmers have to undertake a number of activities, like organising themselves in a cooperative, designing an intervention logic of how to achieve the objective, and calculating the incurred costs and income foregone per ha of the proposed activities for achieving the objective. This last step could be a complicated one if farmers intend to do an investment in, for example, air washing equipment. The central authority of the EU rural development policy on the other hand, faces a lot of heterogeneous applications, has to assess them and to benchmark them among areas in order to be cost-effective. Once the projects are approved, the central authority has to control all these different projects and to design a common format that is used by the farmers' cooperatives in the different areas for reporting. This example can be elaborated by supposing that the application in each area is not only made by a farmers' cooperative, but that other actors, like a water board, are also involved and that the application is not only sent to the central authority of the EU rural development policy, but to the ones of the Natura 2000 policy and the EU water policy as well. Such a complex situation could be denoted as integrated management by objectives, and is likely resulting in higher demands on administration than in the current situation.

## **5.4 Management by objectives in practice: modernisation of agricultural holdings**

### **5.4.1 Intervention logic**

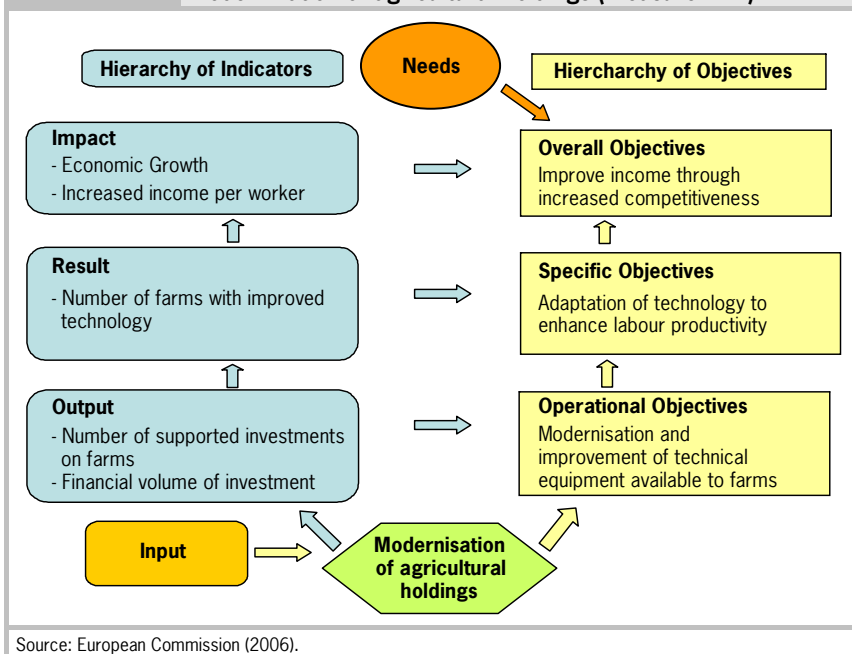
Axis 1 on improving the competitiveness of agriculture and forestry by support for restructuring, development and innovation covers 16 measures. In this section we will focus on measure 121 on the modernisation of agricultural holdings, which absorbs a considerable part of the budget for axis 1 in the Netherlands. This measure intends to increase the productivity of physical capital by providing support for tangible and intangible investments in agricultural holdings aimed at the modernisation of production techniques (EC, 2006). Eligible investments refer to the (1) construction, acquisition or improvement of immovable property; (2) the purchase or lease-purchase of new machinery and equipment; and (3) general costs linked to expenditure such as patent rights and licenses.

The intervention logic of measure 121 is presented in figure 5.3. The measure has two result indicators:

- number of holdings introducing new products and/or techniques (division according to type of redeployment of production);
- increase in gross value added in supported holdings.

The first result indicator is complicated to measure as it is not straightforward how to define a 'new product' or a 'new technology' and whether these originate at the agricultural holding or at other firms. On the contrary, the second result indicator can be denoted as a straightforward result indicator. Following the lesson of the EU cohesion policy to skip the current impact indicators of the EU rural development policy and to consider the result indicators as reflecting the level at which objectives and the impact indicators should be defined, it could be argued that the second result indicator could serve as an indicator to measure the impact of measure 121. As part of the investments may be directed at sustainable production methods, which do not necessarily result in a productivity increase, a second indicator for measuring the impact could be added: the share of sustainable investments in total investments.

**Figure 5.3** Intervention logic of EU rural development policy measure on modernization of agricultural holdings (measure 121)



#### 5.4.2 Indicators for monitoring and evaluation

If we follow the suggestion in the subsection above to use the increase in gross value added (GVA) on supported holdings and the share of sustainable investments in total investments as indicators for measuring the impact of measure 121, and if we follow the approach of the EU cohesion policy for expressing the indicators in absolute and relative terms for participating firms and a reference group, the indicators needed for monitoring and evaluation can be restricted to a small number of indicators (table 5.3). All farms in the country or all farms in the region may serve as a reference group. The choice depends amongst others on the level at which the rural development programme is designed (regional/national) and whether farms in the country are rather homogenous or whether there are large differences among farms in the different regions. The target value of sustainable investments in total investments has to be fixed by policy makers, eventually it could also be substituted by a certain number of farms with investments in sustainable production methods.

<b>Table 5.3      Proposal for indicators for monitoring and evaluation of measure 121</b>		
<b>Reference group</b>	<b>Participating farms in measure 121</b>	<b>Target value</b>
Total number of farms in the country/region, 2007	Total number of farms that received investment support in the period 2007-2013	
	Total amount of investment support, 2007-2013 (euro)	
	Of which: Investments in sustainable production methods (euro)	<i>Share of investments in sustainable production methods (x % of total investment support)</i>
GVA in 2007 (euro)	GVA in 2007 (euro)	
GVA in 2013 (euro)	GVA in 2013 (euro)	
<i>Increase in GVA, 2007-2013 (% p.a.)</i>	<i>Increase in GVA, 2007-2013 (% p.a.)</i>	<i>Increase in GVA on participating farms (2007-2013) is above the increase in GVA on all farms in the reference group</i>
Source: own construction LEI.		

#### 5.4.3 Management by objectives

In the previous subsection the increase in GVA on participating farms and a certain share of investments in sustainable production methods have been identified as the objectives of measure 121. Management by objectives would imply that on the one hand farmers can submit proposals for increasing GVA on their farms, and that on the other hand they can submit proposals for increasing the share of investments in sustainable production methods. These objectives can be achieved in many ways. For example, apart from investments in physical capital, GVA can be increased by investments in human capital, scale enlargement, reduction of costs etc. As we have argued in section 3.2.3, measures/objectives aimed at the improvement of the economic conditions of the farm, are less suitable for projects submitted by a group of actors. So management by the objective to increase GVA on farms would generate a large va-



riety of proposals by individual farmers, which are complicated to manage by the regional or national authority. In order to streamline these proposals, the objective could be specified as follows: to increase GVA on farms by investments in physical capital. This would imply that the objective coincides with the original measure. Management by the objective to increase the share of investments in sustainable production methods involves the same risk of a large number of proposals, despite the fact that this objective can also be addressed by projects by groups of farmers, which for example apply for support for investments in air washing equipment in order to create a territorial zone with an improved air quality.

It should be noted that the example above could be generalized: if the objective can be met by various means, a large variety of projects or proposals can be expected, which are difficult to manage. Any attempt to narrow down the objective will imply a (gradual) shift towards an objective which has the nature of a measure.

## 6 Concluding remarks

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In this study, it has been explored whether the design and implementation of the EU cohesion policy and the EU water policy provide ideas for possibilities for more flexibility in EU rural development policy. In particular, attention has been paid to the questions whether the current menu of measures used in the EU rural development policy could be substituted by management by objectives and how the heavily quantitative indicator-based Common Monitoring and Evaluation Framework (CMEF) could focus more on explaining the links between causes and effects.

### *Lessons from the EU cohesion policy*

For achieving the objectives of EU cohesion policy, projects can be submitted. In contrast to the extensive hierarchy of indicators in the EU rural development policy, EU cohesion policy only employs a limited number of indicators for measuring the achievement of its objectives, which all have a direct relationship with the projects. Monitoring and evaluation of EU rural development policy could be simplified if the approach of the EU cohesion policy would be applied of looking only at direct relationships between measures and results. This implies that it could be considered to skip the current impact indicators of the EU rural development policy at the programme (i.e. regional or national) level and to define objectives and impact indicators of the EU rural development policy at the local (i.e. farm, field or project) level.

Target values for the objectives in EU cohesion policy are given in relative terms, for example, growth of the gross regional product above the national growth. This approach provides flexibility in the assessment of the achievement of the objectives, and could be considered for use in the EU rural development policy as well.

Projects submitted by groups of firms or by large public bodies, as in the case of EU cohesion policy, are more easy to control than the use of measures by numerous individual beneficiaries. For those rural development measures which assume a joint action by farmers, such as setting up a cooperative, or measures directed at the management of agricultural areas, like agri-environmental measures, a project approach could be considered. On the other hand, for measures aimed at the improvement of economic conditions at individual firms, which can usually be implemented at the one firm independently on

the behaviour of the neighbouring firm, like setting up young farmers, a project approach by cooperatives of farmers seems less suitable. Given the different interpretations of the individual measures by the Member States, it could be considered to open all rural development measures for both projects submitted by a group of actors and use by individual actors, and leave the decision whether the measure is directed at projects by a group of actors or at individual actors up to the individual Member States.

EU cohesion policy can be denoted as territorial policy, as it covers all economic sectors in the regional economy, whereas the EU rural development policy can rather be described as sectoral (i.e. agricultural) policy, apart from axis 4 and some measures in axis 3. In order to decrease the hybrid character of the EU rural development policy and to create a more equal treatment of the projects of the EU rural development policy and the EU cohesion policy which are aimed at the integrated rural economy, it could be considered to shift the territorial measures of the EU rural development policy to the EU cohesion policy. This would also terminate the rather complicated way of cofinancing of these projects by the ERDF, ESF and EAFRD, which currently requires separate submissions per fund.

#### *Lessons from the EU water policy*

The main lesson from the EU water policy is that management by objectives is hard to achieve. It is difficult to show the causal relation between measures and objectives. That is also the reason why the Netherlands does not want to manage the implementation of the WFD by focusing on the objectives. Instead it wants to focus on the implementation of the measures. However, the uniformization and harmonisation of the WFD measures is problematic, since the four Dutch river basin management plans and other water management plans of water management authorities contain about 7,000 measures. Then the EU rural development policy with its 42 measures seems to be a more convenient option. But at the same time there are some elements in the EU water policy that could be used in the EU rural development policy.

An instrument such as the WFD Explorer may be useful for the EU rural development policy in helping to describe the relationship between measures and objectives in the case where Member States design their own rural development measures. Setting up a logical framework with a clear causal relation between measures/instruments and objectives before the actual implementation of the measures will contribute to the transparency and logic of the rural development programme and will increase the accountability of spending public money on

these measures to the taxpayers. Another lesson is that beneficiaries and intermediaries need to be more involved in the preparation and implementation of rural development measures to ensure that demand and supply are better coordinated and measures are designed which take the different interests of stakeholders into account.

An alternative for the EU rural development policy might be an hybrid bottom-up model, whereby regional processes are used to propose draft rural development measures, to secure that measures are supported by regional stakeholders. As a second step the coordinating authority (the Ministry of Agriculture, Nature and Food Quality) can then harmonize and standardise these measures and design the final programme of measures.

#### *Introduction of management by objectives in three selected EU rural development policy measures*

In chapter 5 it has been explored how the lessons on management by objectives and other useful practices provided by the EU cohesion policy and the EU water policy could be introduced in three selected rural development measures and whether this results in more flexibility. The selected measures refer to the measure on agri-environmental payments, the measure on Natura 2000 payments and payments linked to the EU Water Framework Directive, and the measure on modernisation of agricultural holdings. The main findings per measure are given below.

##### *a. Measure on agri-environmental payments*

With some adaptations, the current result indicators of the measure on agri-environmental payments can easily be transformed into indicators measuring the impact at field level. Relative target values for these new impact indicators can be set in a mutual consultation process of policy makers, participants in the measure and stakeholders. If required, an area-based approach could be applied for this measure in order to tailor the policy to area specific circumstances. Agri-environmental policies are suitable for a project approach, for example, submitted by farmers' cooperatives. Management by objectives in such a project approach could result in difficulties with designing the intervention logic between the activities in the project and the ecological objectives of the agri-environmental policy by the project submitter. Moreover, the question arises what happens with the payment if the target value of the impact is not reached. Likely, the workload of the national authority will increase due to

benchmarking of the costs and proposed activities of the projects among the various project submitters.

*b. Measure on Natura 2000/WFD payments*

The rationale for the measure on Natura 2000/WFD payments is similar to that on the agri-environmental payments, apart from the fact that the measure on agri-environmental payments concerns a voluntary service delivered by farmers, whereas the measure on Natura 2000/WFD payments is meant to compensate farmers for the fact that they face environmental restrictions due to European nature and water legislation. Hence, the remarks above on agri-environmental payments also apply for the measure on Natura 2000/WFD payments. Given the involvement of various fields of policy (EU rural development policy, EU nature policy and EU water policy) in the measure, in the case of management by objectives, it could be considered to integrate the three policies. This would, however, give rise to high demands on the administration. On the other hand, due to the obligatory nature of the measure, simplification could be reached if farmers could ask for the compensation on the same form at which an application has to be made for the direct payments of the first pillar of the CAP.

*c. Measure on modernisation of agricultural holdings*

For measuring the impact of the measure on modernization of agricultural holdings, gross value added at farm level and the share of investments in sustainable production methods in total investment support could serve as indicators. Target values for the impact could be set in relative terms against a group of non-participating farms. Management by objectives would imply that on the one hand farmers can submit proposals for increasing GVA on their farms, and that on the other hand they can submit proposals for increasing the share of investments in sustainable production methods. These objectives can be achieved in many ways. For example, apart from investments in physical capital, GVA can be increased by investments in human capital, scale enlargement, reduction of costs etc. As a consequence, a large variety of heterogeneous proposals by individual farmers may be generated, which are complicated to manage by the regional or national authority. In order to streamline these proposals, the objective could be specified as follows: to increase GVA on farms by investments in physical capital. This would imply that the objective coincides with the original measure.

### *Towards a narrow scope of management by objectives?*

Management by objectives in EU rural development policy may induce both flexibilities and inflexibilities. From the explorations in this study, it seems that setting the objectives and measuring the impact at local (i.e. farm, field or project) level rather than at the programme (i.e. regional or national) level offers promising perspectives for the EU rural development policy. On the other hand, if the objective can be met by various means, management by objectives may generate a large number of heterogeneous projects, which are difficult to manage by a central authority. Any attempt to narrow such an objective will imply a (gradual) shift towards an objective which has the nature of a measure. This may provoke more homogeneous projects, but in the end the narrowed objectives may coincide with the original menu of measures.

### *Recommendations for adjustments in the EU rural development policy*

Based on the lessons from the EU cohesion policy and the EU water policy the following concise recommendations can be extracted. These recommendations could facilitate a shift towards management by objectives in the EU rural development policy:

- shift the territorial measures of the EU rural development policy to the EU cohesion policy. This would help to strengthen the profile of the EU rural development policy and bring an end to the rather complicated way of co-financing projects by different funds;
- make it possible for beneficiaries to opt for projects submitted by a group of actors, next to standard measures used by individual actors. The project approach may reduce the transaction costs of policy implementation;
- design an instrument such as the WFD Explorer that helps to set up a logical framework and better describe the causal relations between measures and objectives. This will also increase the accountability of spending money on these measures;
- involve beneficiaries and intermediaries at local level in the design of rural development measures to ensure that measures really fit with local circumstances. This might even give rise to a regionalisation of the national Rural Development Programme.

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