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What is going to change in EU rural development policies after 2013? Main implications in different national contexts

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Abstract. This paper will address the changes the CAP post-2013 may bring to its second pillar in EU countries. After the presentation of the legislative package put forward by the European Commission, a debate emerged in some countries on how to define rural development strategies for the period 2014-2020. The paper will discuss positive innovations and main challenges of the new rural development policies with respect to what happened in the 2007-2013 period. In particular, the paper intends to focus on the following issues: 1) which relevant changes have been introduced in the rural development framework; 2) how these changes can influence the preparation of the next programming period 2014-2020, looking more in depth at three countries (Italy, Spain and France); 3) what lessons can be drawn from this reform and the initial implementation in three countries in terms of institutional changes and their likely success and failure. This analysis concludes that the success or failure of the 2014-2020 reform of rural development will significantly depend on what types of transaction costs and incentive systems will be brought about within the programming system. These two factors in turn will strongly depend on the way the different actors will perceive the different costs and incentives, their expectations on the role of rural development programmes in a context where budget for agriculture is shrinking everywhere, and finally their capability to build new strategic alliances and cooperation at every level (national, regional and local) with other economic and social actors. Future policy scenarios might bring new and heavy constraints to rural development policies and consequently might also reduce the opportunities of institutional innovations.

Keywords. Common agricultural policies, rural development, institutional changes.

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1. Introduction

After the publication of the proposals by the European Commission, in October 2011 (EC, 2011), the discussion and the negotiations on the Reform of the Common Agricultural Policy (CAP) have brought about over the previous months quite different results for the two pillars. We can assume that, after the conclusion of the tri-lateral discussion among the European Parliament (EP), the European Commission (EC) and the European Council (EC) and the final agreement which has been recently reached, the new regulation concerning the 2nd pillar can be considered as definitive.

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The main objectives of this paper are as follows:
1) to explore which relevant changes have been introduced in the rural development regulation;
2) how these changes can influence the preparation of the next programming period 2014-2020, by examining more in depth three countries (Italy, Spain and France);
3) what lessons can be drawn from this reform and the initial implementation in terms of institutional changes and their likely success and failure.

This analysis will be carried out in a context where a political agreement has been already reached with the Irish Presidency on the Multiannual Financial Framework (MFF), thus concluding the negotiations on the EU's medium-term financial framework until 2020. The actual MFF Regulation and the accompanying inter-institutional agreement including various declarations by the parties must be voted in the Parliament in the autumn 2013 once the Council has adopted the draft MFF regulation. The overall MFF ceiling and the allocation for the CAP Pillars 1 and 2 as agreed by the European Council in February 2013 were not changed in the final agreement.

In this scenario most of member states and regions have already started preparing their programming documents, which are Rural Development Plans (RDPs) and for Operational Programmes (OPs) deriving from the Structural Funds (SFs): that is, European Social Fund (ESP) and European Regional Development Fund (ERDF).

2. Main changes in regulations concerning rural development and SFS

The new set of Regulations[1] introduced different types of changes, which are becoming as evident as the preparation of the programming documents is going forward. The main changes can be summarised as follows:
1. the introduction of a common programming frame including Cohesion Policies and Rural Development which aims to strengthen integration between them and a more flexible programming system for rural development;
2. a new emphasis on innovation in agricultural systems;
3. more emphasis on cooperative approaches in specific fields as food chain projects, entrepreneurial networks and local development projects;
4. more selective targeting to rural areas and beneficiaries: e.g. LFA, small farms, farms not exceeding a certain size, new comers (start-up initiatives), etc.

We can add to these specific changes in the rural development regulation all those relevant changes in the framework of the 1st pillar that have relevant impacts on the pro-

[1] Two Regulations are crucial for rural development:
- the new Regulation concerning common rules for ERDF, ESF, EAFRD and EMFF COM(2011) 615 final/2, a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, The European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and MEEF;
- the specific Regulation on Rural Development COM(2011) 627 final/2, a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural development (EAFRD)

gramming and management of RDPs. Among those it is worth mentioning at least two: a) the first one concerns the greening rules, which will have relevant effects on the design of agro-environmental measures, especially on the new baseline levels related to the future farmer's commitments; b) the second change concerns the broader transfer of decisions on the modalities of implementing the 1st pillar at the country level, with the consequence of allowing higher integration among the rural development measures and the regionalised support to be provided via the new direct payments.

The common programming frame is represented by a set of thematic objectives underlying the Europe 2020 strategy and a common programming document: the Partnership Agreement (PA). This document should define a shared strategy (among the different Funds) and the coherent modes for coordinating actions that are individually financed by each Fund. The PA should also define the contribution of Rural Development policy to the common set of objectives of Europe 2020. An integrated PA is certainly the biggest challenge of the new programming period, due to the traditional separation between Funds in the concrete implementation of past EU policies. In fact, both rural development and fishery policy have got, since Agenda 2000, a relative autonomy from the Cohesion policy, producing separate programmes and even different programming cycles, with very few relations between them (excluding Objective 1 regions in the 2000-2006 period). In the period 2007-2013 this separate approach has been confirmed by the existence of two different national documents: the National Strategic Frame (NSF) for SFs and the National Strategic Plan (NSP) for EARDF. The PA 2014-20 is strongly different from the NSP 2007-2013, with regard to the potentiality of strategic guidance of RDPs. There are several elements that contribute to strengthen the strategic function of the AP 2014-20 in comparison with the previous period:

- the need to set precise targets for each thematic objective of the Europe 2020 strategy;
- the need to explain how (economic, social and environmental) conditionality is to be fulfilled before the programme approval;
- the demonstration of a sufficient administrative capability for all institutions which are responsible of the programmes' management; finally, the need to describe how coordination is going to be ensured by the different institutions, in order to implement effective actions in the different territories (urban, rural, coastal areas) and in favour of specific target groups.

Integration of EU Funds under a common framework can provide new opportunities for public choice to avoid duplications and policy overlapping, and to strengthen synergies among different policy instruments. Integration might also provide new opportunities for local private and public potential beneficiaries in mixing different sources of funding for their investment needs. But at the same time integration of EU Funds will be possible only if policy makers and administrations responsible of the different Funds agree to cooperate in more effective ways than in the past. This is not easy for two different reasons. First, Agenda 2000 and the consequent separate programming system brought about different working rules and strategies which in turn increased over time the lack of communication between Cohesion and rural development policies. Second, in each sector policy makers and public administrations usually consider their set of financial resources and policy instruments as their own fenced area where only they can take allocation decisions. For these reasons policy makers and public administrations are not used to collaborate in policy design and implementation. This implies that the new common frame will raise the need of coordination and also the transactions costs related to the coordination system (meetings, committees, human resources involved, etc.).

The introduction of a common framework is joined to a more flexible system of organising the RDP. This is also presented by EC as a an element of simplification that was introduced by the reform. This new system is based on six priorities (instead of four) and a menu of measures that can be combined without any restrictions (instead of being ex-ante grouped in four axes). In any case, moving from a logic based on measures to a result-oriented approach will not be costless. First, in public administrations structures the logic will continue to be measure-based because they are still strongly organised according to expertise in single measures and are used to design future planning by measures and not by results. The new approach would consequently require a reorganisation of the present technical and administrative RDP delivery structures in a very different way. Second, even farmers' organisations and local delivery agencies are used to express their policy demand as a list of policy measures and not as a specific set of economic and social needs to be fulfilled by policy strategies. In both cases there is a demand strongly influenced by the past and present ways in which rural development policy has been supplied until now, consequently causing a strong path-dependency mechanism. Main stakeholders are used to deal with RDP measures already in place, which they have practiced for years and they know very well how to manage in farm advice.

Innovation in the agricultural system is another key issue and one of the horizontal principle that next generation of programmes should pursue, through a better transfer of the research outputs to the farm system and a more effective use of more traditional policy measures as vocational training and extension services. Innovation will also be considered as a criterion to allocate funds among potential beneficiaries of RDPs. Innovation does not only depend on technologic novelties, but also on social and organisational progresses in the farm system (Dwyer, 2013). A concrete signal of the real consideration addressed to innovation by future RDPs will be given both by the enforcement rules of this principle (e.g. in selection criteria used to assess applications for funds) and also by the amount of financial resources that will be allocated to the European Partnership for Innovation groups, vocational training and extension services. Innovation groups are not completely new in rural development. They have been introduced in the present phase 2007-13 through ad hoc measure concerning cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector, that aimed to promote the cooperation between primary producers in agriculture and forestry, the processing industry and/or third parties (article 29 of the EC Regulation no. 1698/2005). But the diffusion of such groups has been quite limited and unevenly diffused at regional level. The challenge will be the mainstreaming of this approach, that did not get so great success in the present RDPs. As the case of Leader initiative has shown, mainstreaming an innovative approach does not always bring to success. Moreover, innovation overcomes regional administrative borders and this might be a factor driving towards a multi-regional programming, especially in those countries with a regionalized institutional setting. In any case, an effective selection and setting up of innovation partnerships raises new costs of coordination and information, which should be taken into account in policy design of future RDPs.

The new Regulations (both the common one and that specific for RD) put a strong emphasis on cooperative approaches promoted by farmers, agro-industrial entrepreneurs and local non-farm actors. Article 36 of the RD Regulation focuses on different forms of intermediate institutions promoting cooperation: food chains (short and long ones), entrepreneurial networks, Leader-like partnerships, etc. These forms are now quite diffused in rural areas, especially in those countries we are examining here (Italy, France and Spain). The real challenge with the operational support of food-chains is the demonstration of the value added generated for primary producers (the farm sector *strictu sensu*), a condition to be verified before and after the conclusion of the project. As diverse evidences in this field have already shown, enhancement of primary producers' value added usually depends on their bargaining power and the inter-professional contracts that are set up between farmers associations and agro-industry, rather than on ex-ante criteria imposed by the State and/or regional administrations. Instead, food chain projects usually focus on structural investments and do not take into account contractual arrangements and the general organisation of the chain, that is the crucial issue in many cases.

With regard to the Leader-like approaches, now called in the common Regulation "Community-Led Local Development" (CLLD), the real novelty concerns the opportunity of using all Funds to finance rural development projects and extending this approach to cover even urban, peri-urban (rural-urban fringe) and finally coastal areas. In this case previous experience can facilitate the extending of CLLD approach to areas and public administrations different from agriculture and rural policies. Those who are unfamiliar with CLLD might prefer simpler and more direct instruments to support local development initiatives. Instead, multi-fund approach covering all types of areas is strongly advised by EC services, who recently published guidelines to implement CLLD in all European areas. In effect, multi-fund approach could offer more opportunities for mixing Funds to cover non-sector interventions and consequently focusing EAFRD on more sector needs in agriculture and agro-industry and even in capacity building of local communities. Multi-fund approach in local development is not new, but it requires time and human resources to be invested in information, coordination and learning processes both at level of regional administrative structures and local communities. After twenty years of Leader programmes we can assume that this capital of information, coordination and learning capabilities has been accumulated in those administrative structures dealing with rural policies and in rural communities, but the same cannot be said for the other structures and urban communities. This is the reason why this approach is perceived as burdensome and complex by the "new comers" of local development.

Every policy reform of rural development is in reality carried out in three different phases: 1) the preparation of the reform principles in the Regulations; 2) the definition of the policy strategy by programmes at national and/or regional level; 3) the definition of more operational criteria for applications' eligibility and selection by management authorities. It is worth recalling that innovative principles, although introduced by EU Regulations, can be hampered by inefficient and ineffective policy strategies and operational rules. This means that every reform might eventually fail when concrete rules are set up, because relevant stakeholders contribute to make strong resistances to the process of reform and institutional change. Looking at the 2014-2020 reform of rural development, there are two fundamental factors which can affect the ways the reform is translated into policy strategies and operational criteria:

- first, the general policy scenario for next period, including the relations between rural development and Cohesion policies within the Partnership Agreement, the role of national policies and, last but not least, the redistributive effects of the reform of the 1st Pillar of CAP;
- second, the perception of the reform by main stakeholders, their responses (acceptance or resistance) to the institutional changes which the reform implies. This will contribute to explain success and failure factors of strategies of rural development in the next programmes.

We are going to examine the policy scenario in the third paragraph and then the role of success and failure factors in the fourth one.

3. The new scenario for designing the future rural development in europe: new relations with cohesion policies, 1st pillar of the cap and national policies

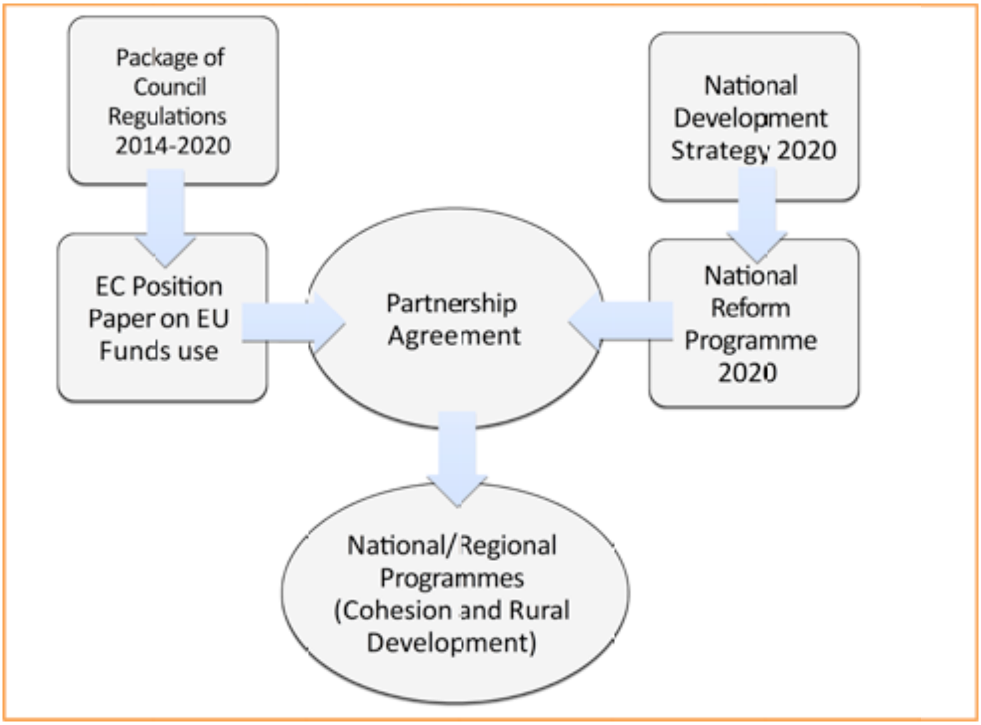
As already mentioned, the first steps in building the future program strategy (in every European country) is the preparation of the PA. This document is more complex than in the previous programming periods, not only because of the multi-fund and multi-goal strategy, with all characteristics we have already stressed in the previous paragraph, but also for the different policy constraints which should be taken into account (Mantino, 2013).

The first set of rules and constraints is represented by the package of EU Regulations and the EC Position Paper containing country-specific recommendations on the future use of EU Funds, to be considered in the PA and RDPs design (see the left-hand side of the Figure 1). EC services prepare the Position Paper for each country by taking into account of the progresses and lessons coming out of the 2007-13 programmes. On the basis of these results, the EC Position Paper would provide country-specific guidelines on priorities and governance of EU Funds. This is a new institutional step in the whole decision-making process: in the past EC services evaluated national strategies after the programme proposal was conceived and officially submitted by member states. This implies the European Commission is going to play a major role in influencing national and regional strategies in the programming phase 2014-2020. The PA should also take into account of the National Reform Programme (right-hand side of the figure 1), where strategies have been defined for economic development, in agreement with the European Commission.

In conclusion, rural development policies, while should be conceived and implemented with a regional and territorial logic, will be constrained by European strategic guidelines and implementing rules. The development of rural areas in the future programmes cannot follow a separate approach, it should be part of the whole set of development strategies which are being planned in each country. This will be increasingly true in many fields, e.g. the case of research, renewable energies, climate change, water and irrigation infrastructures, digital services, etc. This new frame somehow forces the European Funds working together and also affects internal governance of cohesion and rural development policies, both at national and regional level, via the programming role of the State, the regional and local communities (Mantino, 2010).

Future strategies for rural development will be also influenced by the financial frame for 2014-20. When we look at the current draft budget allocations that have been recently

Figure 1. Programming system of EU Funds (Cohesion and Rural development) in 2014-2020.



Source: information drawn from the regulations package.

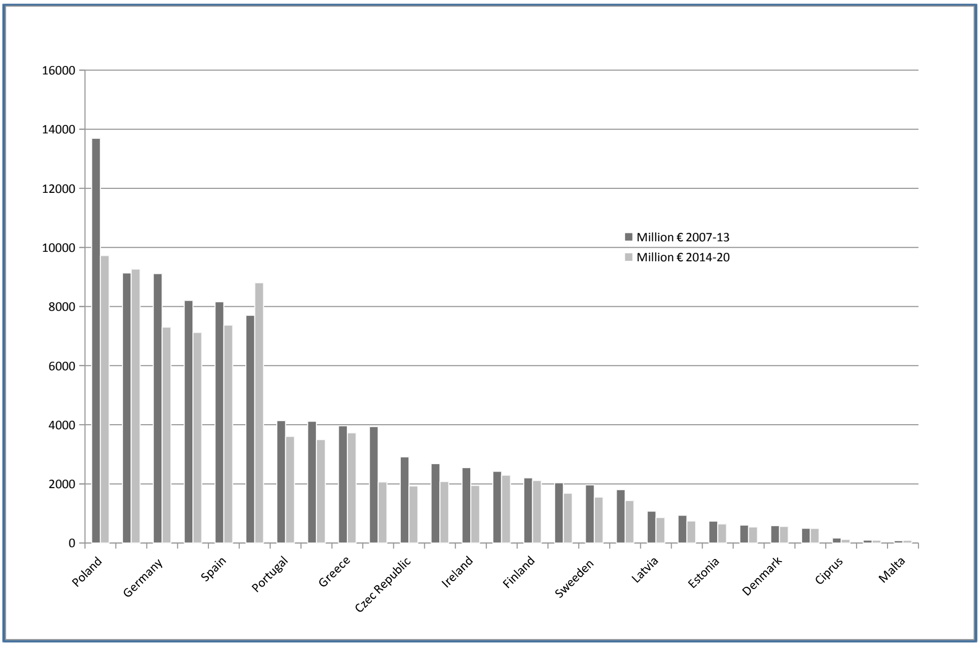
circulated by EC concerning the rural development in the 2014-20 period, total resources devoted to rural development decrease from 95,5 billion € of the 2007-13 period to 84,7 billion € (- 10,6 billion €, - 11,1% at 2011 constant prices). Most of the bigger countries (especially Poland losing almost 29%, then Germany, Spain and Romania) seem to lose in the global allocation, with the exception of Italy and mainly France (Figure 2).

In particular, Italy will gain in the rural development budget, and in the Cohesion policy. The current estimate of the Ministry of Economy is that this country will move from the present 28,7 billion € to 29,5 billion in the 2014-20 period. Also, Italy is going to receive, according the MFF agreement, a specific endowment of 500 million € for interventions in rural areas to be funded by ERFD.

To understand the more general financial frame for the future rural development strategy, even the future financial budget for national agricultural policies will be crucial. Rural development policies are more and more policies funded by EU. This role increased over time for two reasons:

1. the decreasing availability of national resources for the support of the agricultural sector. This is quite evident in Italy, for example, where financial resources devoted to own agricultural policies are shrinking over time, especially after the beginning of the recent financial and economic crisis (2008);

Figure 2. Resource allocation in 2014-20200 period by Member State in comparison with 2007-2013 (European Commission, 2013).



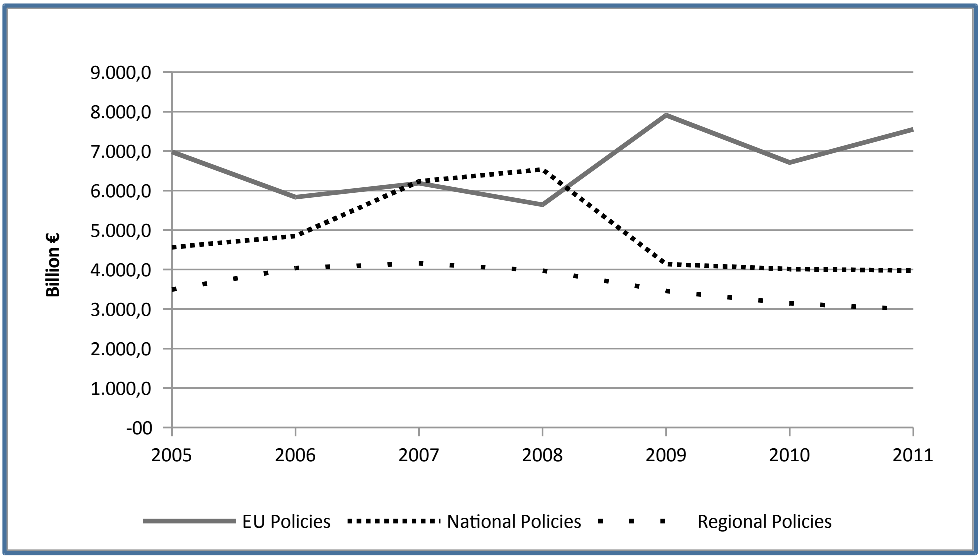
2. the broad range of measures included into the menu. Previous reforms of CAP enlarged the panoply of available measures to Member States, so as to include also typologies of instruments belonging to the tradition of the 1st pillar (e.g. risk management measures).

Looking at the Italian case, the global budget for agricultural policies was strongly reduced in the central years of crisis (Figure 3). This is due to the reduction of both national and regional budgets for agricultural policies, and in particular to the package envisaged by the financial stability programme. While national policies were progressively being cut, EU policies[2] were raising both in absolute and relative terms, so as to become a stable source of public support. It is worth recalling here that in the next future the macro-conditionality related to financial discipline and the Stability and Growth Pact will affect in a relevant way the opportunities to finance policy support in agriculture and rural areas.

The move from the pre-crisis years (2006-8) to three last years (2009-11) was really astonishingly critical for agricultural policy in Italy: national policies devoted to agriculture were globally reduced by almost 1/3 and regional policies by 1/5 of their initial budget. Unfortunately, similar data are not available for other European countries, so we can use State aid expenditures as a proxy of national expenditures in agricultural sector from the data published by the European Commission services (DG Competition) on the EC

[2] EU policies also include the national quota of co-funding that is a sort of constrained allocation for each Member State, to be added to EU quota for Cohesion and rural development policies.

Figure 3. Public expenditures for agriculture and rural development in Italy: regional policies, national policies, EU policies.



Source: Annuario Agricoltura italiana, INEA.

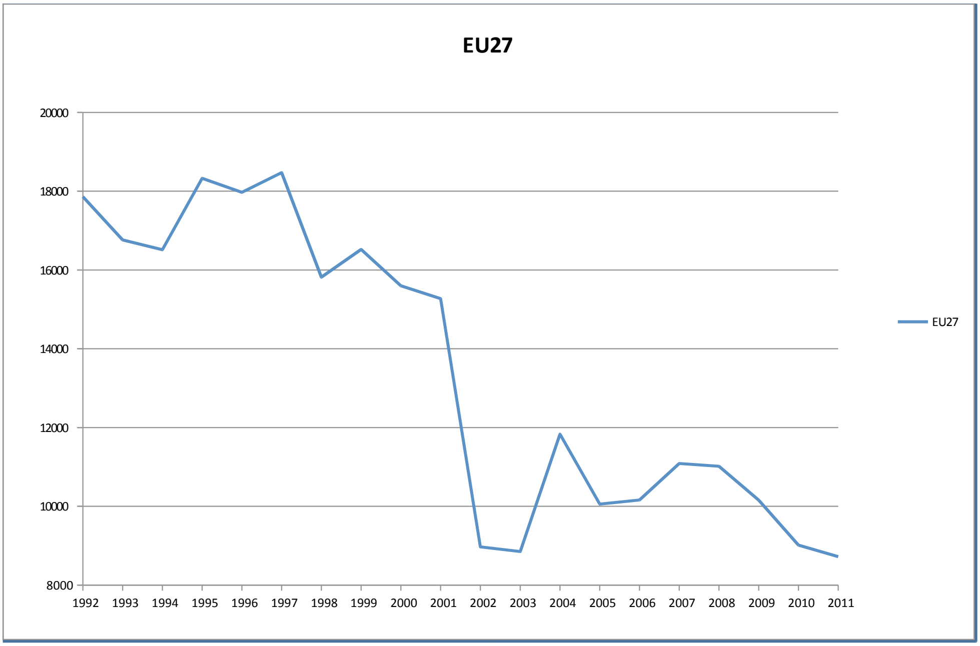
web scoreboard, providing time series of State aid by sector and objective since 1992 to 2011 (at 2000 constant prices). When we look at the time series of State aid for agriculture in EU-27 Member States, we can confirm that national financial support has strongly decreased since the second half of the 90s, then after the last EU enlargement to the Central-Eastern countries there was a new temporary increase and finally a further decrease has taken place since 2008 (Figure 4).

In this context, PA and RDPs resources will be under heavier political pressures from the various stakeholders, in order to counterbalance, to some extent, the cuts of national resources and will be allocated to cover partly previous interventions benefitting from national funds. This will drive policy-makers (national and regional) to design generic and multi-scope strategies, with the consequence of shaping non-focused policy objectives.

The third element of the policy scenario come from the potential impacts of the 1st pillar reform, in particular from the redistribution effects linked with the regionalisation of the direct payments (DP). Recent analyses of different scenarios for Italian agriculture (Pupo D'Andrea and De Vivo, 2013) highlight that: a) regions with the present greatest share of direct payments (Lombardia, Veneto and Puglia: 36,5%), unless a conservative scenario is being adopted, will be beneficiaries of lower shares; b) a redistribution in favour of mountain and hill areas will take place in almost all regions; c) a relevant redistribution will occur across different types of farm, even in the most conservative scenario: reduction of DP for specialist cereal and other field-crops farms and for specialist livestock farms in Northern Italy; reduction of DP for specialist fruit, citrus fruit, olive farm types in Southern Italy.

In conclusion, rural development programmes will be substantially affected by three components of the future scenario:

Figure 4 – State aid for agricultural sector in EU-27, million €.



Source: European Commission, DG Competition, State Aid Scoreboard 2013.

1. they will be more framed in the complex set of general objectives and constraints provided by Europe 2020 economic policy and the related National Reform programmes. This is going to raise a new awareness of complementarities with Structural Funds and searching for synergies between them ;
2. in many countries, due to financial cuts of national and regional expenditures, RDPs are going to become the only and one structural policy addressed to agricultural sector, with the consequent generation of increasing pressures and demand by the agricultural stakeholders;
3. pressures are also coming by regions and areas losing from DP regionalisation, to compensate for the cuts of 1st Pillar with further allocation of RDPs' resources.

4. Policy strategies in some European countries

Strategic choices that Member States are making at the present moment concern the number of programmes and the division of responsibilities between central government and regions, the thematic priorities and the territorial priorities.

The state of the art is quite different according to which Member State is considered. Here we focus on three countries (Italy, France and Spain), where the discussion on possible options for rural development strategies is more advanced than in others[3].

[3] Information used here derive from interviews with responsible officials of rural development policies in each country.

Italy

In this country there will be 21 regional RDPs and also two national programmes: one addressed to risk-management measures and one to the national Rural network. The justification for the risk management national programme lies in the complex management at regional level and in related scale economies at national level. Other priorities requiring a stronger coordination at national level are innovation and knowledge transfer in agriculture, irrigation infrastructures and interventions in agri-food sector with inter-regional scope. The EC Position Paper outlines the need for a greater role of Ministry of Agricultural Policies, but national programmes for these thematic priorities seem unrealistic, given the present distribution of functions between State and regions and the bargaining power of these two institutions.

Food chains will be one of the main priorities of PA in the context of enhancing the competitiveness of agriculture and forestry. Short and long food chains will be supported through the instrument of the integrated projects, which have been adopted widely in the present Italian RDPs. A common approach is going to be proposed by PA to avoid disparities and failures in the different regions.

Territorial priorities have to be included in the strategic design, both at national and regional level. Rural territories will be defined with the same approach adopted in the 2007-2013 period, when they were identified in four main typologies. Within these typologies, the most remote areas represent a relevant priority for the ERDF[4] and EARDF. There will be a national programme funded by ERDF addressing this category of areas. Even RDPs can assume territorial priorities, in particular with a stronger emphasis on mountain areas. This option will not be considered by all Italian regions, only some of 0ly (Emilia-Romagna, Marche and Friuli Venezia-Giulia). The new role of mountain and most remote areas will enhance the territorial dimension in the national and regional programmes. This undoubtedly represents a step forward with regard to the 2007-2013 programming period.

Even the future Leader approach is going to be more territorially targeted, with a more selective approach to the choice of the eligible territories. A multi-fund logic is going to be implemented by the Italian authorities, although with relevant differences in relation to the region.

Spain

In this country the programming structure will be still based on 17 RDPs plus two national programmes (the National Rural Network; irrigation infrastructures). The nature of coordination is going to become more formalised through specific instruments than in Italy. First, the central government is going to prepare an intermediate programming document (the National Framework), placed between PA and RDPs, aiming at setting detailed guidelines to the design and enforcement of measures at regional level. Second, the government is going to appoint a national management authority with the task of coordinating all

[4] A specific earmarking of 500 million € has been approved by European Council for these areas within the MFF agreement.

regional authorities and promoting synergies with Cohesion policies in several crucial topics for national policies, such as water management, soil erosion, flood prevention and forest fire fighting. A stronger effort in this direction is recommended by the EC Position Paper (2012). Spain does not put any particular emphasis on territorial priorities, leaving the regions and autonomous communities free to decide what territorial strategy has to be adopted.

On the whole, Spain does not seem to adopt relevant changes in the strategic programming with regard to the present period.

France

This country, after the beginning of the new government by Mr. Hollande, is more oriented towards a relevant devolution of responsibilities in the design and the management of the European programmes. This trend is also confirmed for rural development, with the option of 26 regional RDPs and only one national programme for the Rural Network. As in the Spanish case, this devolution is somehow requiring more coordination efforts at national level, ensured by a National Framework providing strong guidance to each measure. The regionalised option is still under discussion, but the representatives of the French Ministry of Agriculture state that this is going to prevail as the most likely policy scenario.

Territorial strategy in France is linked to the Leader approach and to macro-regional contexts, especially in mountain areas. Leader approach encompasses urban and periurban areas with a multi-fund logic. Multi-regional programmes underpin territorial strategies for five massif areas (Alpes, Central Massif, Jura, Pyrenees and Vosges) and for four river basins. In conclusion, France is going to give a relevant impulse to the regionalisation process of rural development, while it is maintaining his territorial approach with a broader use of Leader method and cohesion policies addressed to interregional areas.

Looking at three countries, we can summarise the following strategies:

- in Italy there is a confirmation of the regionalised organisation of rural development and cohesion policy, but at the same time the central level is trying to foster an increasing focus on territorial priorities. Some intervention, due to scale economies and greater effectiveness, is being managed at central level;
- in France, there is a strong political pressure towards a more regionalised model, but with a reinforced coordination at the central level by the Ministry of Agriculture;
- in Spain, which remains a regionalised country, this model will be strengthened through more coordination by central level.

Thus, coordination has emerged as the focal point and one of the major institutional weakness in all decentralised countries, not only in Italy and Spain (Mantino, 2010). This has been stressed in EC Position Papers concerning the use of European Funds in the next programming period and will be emphasized in the future, because coordination is going to involve not only administration of agriculture, but also administrative bodies responsible of other policies, and can generate strong resistance in a world fenced by policy specialization and sectoral lobbies.

5. The success and failure factors in the next rural development programmes

The recent reform of rural development does not involve radical changes in the present basic framework of rules. We could use in this case the concept of «incremental institutional change» introduced by Douglass C. North (1990)[5]. Now the question is the following: what is the likely degree of success of the most relevant aspects of this reform? This question is particularly important for all those novelties introduced by the recent reform (integration of Funds, concept of innovation, cooperative approaches, etc.). The results of this reform strongly depend on three key institutional factors:

- the effects of the reform on perceived transaction costs;
- the system of incentives which the reform foresees and is going to put in place in the national/regional programmes with the aim to compensate the new transaction costs arising from the reform;
- the presence of agents of change who can efficiently exploit the new system of incentives and give a support to main novelties of the reform.

Most of new rules of this reform contribute to change of transaction costs of designing and implementing the future PA and RDPs. The involvement of different Funds, instruments and sector administrations, as a consequence of the integrated approach required by this reform, contributes to increase three types of costs:

1. coordination costs, linked to a common programme for all Funds (PA) and to the need for a consistency between different programmes and integrated projects;
2. information costs, linked to increased complexity of new rules and the need for acquiring information on the modes the other policies usually operate;
3. learning costs, linked to the new rules and to the exchange of expertise in different fields of interventions.

The size of these costs can generate serious constraints in managing and accessing future policies, both for public administrations and for individual beneficiaries, as we have already mentioned in the first paragraph. In this respect, transaction costs are evident in the process of coordination of different Funds in the preparation of the PA. Information costs arise, for example, for experts in one type of policy to access the complex frame of rules pertaining to other type of policies. Learning costs are related to new rules are going to emerge over time in preparing and implementing a very complex document like PA or local integrated projects and food chain projects. Rural development regulation, however, does not only contribute to raise transactions costs, but also to reduce them in two different ways: first, by introducing specific incentives aiming to take into account transaction costs; second, by simplifying some of the previous rules that have been burdensome both for public administration/advisory service and for final beneficiaries. Some example of the latter can be found either in the definition of common rules between categories of investment which are supported by Structural Funds and EAFRD or in the use of standard costs to prepare the individual application for agricultural investment. Both types of simplifica-

[5] This does not mean that institutional changes are not relevant in the reform, but simply that it is going to make «…adjustment to the complex of rules, norms, and enforcement that constitute the institutional framework» (North, 1990: 83).

tions have been strongly requested by public administrations and farmers' organisations during the preparation of the reform proposals.

Which are the main incentives for coordination of different Funds? Actually, regulations do not foresee incentives, but simply prescriptions for policy makers and administrations which are responsible of Funds' management: they have to set up mechanisms and structures with the specific task of coordination. Regulations state that effective structures and mechanisms should be submitted to the European Commission either in national documents (PA) or in regional programmes. These prescriptions do not automatically ensure that they will be effective: these mechanisms can be only formally created, but their substantial compliance with the coordination principle can be hardly verified. If the main stakeholders follow their own "utility function" (as D.C. North would say) and respond to their interest groups, there will be no incentive to cooperate in the real world. But for agricultural stakeholders there are several implicit incentives in cooperating with other economic and social actors in contributing to the preparation of the Partnership Agreement. These incentives are clearly evident now, while the PA is being prepared in the different European countries. First, there is an opportunity of giving voice to agricultural sector's needs also to non-agricultural policy makers that usually neglect them because of the traditional separation among sectors in the public administration. In principle, there is no opposition from Funds other than EAFRD to cover financial needs of those territories where agriculture has still a relevant economic and social role. Second, there is a good argument in favour of cooperation among Funds everywhere public interventions cannot be designed and implemented only by one Fund: e.g. water resources, climate change, biodiversity, renewable energy and last but not least, food chains.

Incentives to coordinate become more visible at the local level, where local strategies and/or pressure groups express a demand for integrated policies, independently from the source of funds. This is the case, for example, of food-chain projects, where changes in competitiveness not only depend from agricultural investments but also from research and territorial infrastructures (e.g. logistic platforms). In any case, cooperative approaches at the local level, being they either under the form of food-chain projects, or farm networks, or integrated projects promoted by groups of farmers and public-private partnerships, are all projects entailing higher transaction costs in comparison with the single and more traditional application for public funds. In that respect, the regulation on rural development allows, in all those cases, to cover transaction costs deriving from information, animation, coordination, monitoring and running costs of the local "agency" or group of farmers involved in the project. The new regulation opens this opportunity to different types of project, other than the local action plans managed by LAGs: now collective projects focusing on agri-environment, climate change, renewable energy, forestry, etc. are envisaged. These collective forms of project design can also contribute to reduce the costs of local selection and monitoring for public administration, while it entails more impact at territorial level. On the contrary, these forms might be perceived as more costly by some part of public administration more prone to path-dependency and less open to institutional change.

Incentives to coordinate can also be placed in a national strategy allocating financial resources to specific areas under the condition to implement a place-based policy. This is the case of the Italian Strategy for the most remote areas[6], promoted by the Ministry of Economic Development, the Ministry of Agricultural Policies and the Ministry of Labour and Social Services, whose main objective is combining different policies and Funds (European, national and regional). This strategy will be carried out under the coordination of the Ministry of Territorial Cohesion and can work only under the condition of a multilevel collaboration. For the other institutions (either national or regional) the main incentives to cooperate are in the political ownership of the initiative and its potential results and visibility.

The new programming system, as we have earlier mentioned, implies a series of transactions costs due to the result-oriented logic and the introduction of a quantified target system. A good example of incentive for public administration is given by the performance reserve aiming to provide financial rewards to most effective and efficient programmes. This reserve has been used in the previous period for cohesion policies and programmes, with some relevant results in Italy because it was linked, in the Convergence regions, to the fulfilment of important targets in the infrastructure and services sector. The incentive systems in this experience largely depended from two key factors: a) the quality of targets defined to measure the programme performance; b) the capability of managing and strengthening the target system at EU and national level. The introduction of the performance reserve also in the field of rural development policies needs to evaluate if the two conditions can be sufficiently developed there. Looking at the past experience in rural development it must be outlined that a strong investment in human resources, methods and technical assistance should be done in the initial years of the programming period. So, in this case the possibility of extending this instrument to rural development is highly controversial.

The reform of rural development has also contributed to reduce transaction costs via some form of simplification of implementing rules: it is the case of the introduction of standard costs to justify simplified procedures for the expenditures accounting and the payment control. This change can be relevant both for public administrations and for final beneficiaries. But it is worth saying that still a certain amount of work has to be done in the process of simplification and harmonisation of rules among the different Funds.

In conclusion, the success or failure of the 2014-20 reform of rural development will significantly depend on what types of transaction costs and incentive systems the new programming system will bring about. These two factors in turn will strongly depend on the way the different actors will perceive the different costs and incentives, their expectations on the role of rural development programmes in a context where budget for agriculture is shrinking everywhere, their positions with regard to non-agricultural institutions and stakeholders within a common framework where all Funds should collaborate to pursue the Europe 2020 strategy and, finally, their capability to build new strategic alliances and cooperation at every level (national, regional and local) with other economic and social actors. Future policy scenarios might bring new and heavy constraints to rural development policies and consequently might also reduce the opportunities of institutional changes. In that case, PA and RDPs will prevail with extensive strategies: policy-makers and public administrations will be driven to design generic and multi-scope strategies, with the consequence of shaping non-focused policy objectives (Mantino, 2012).

[6] These types of areas are generally far from urban centres and from main agglomerations of services.

But at the same time this scenario might force towards different policy strategies. This reform, when carefully examined, can offer relevant opportunities:

a) to counterbalance transaction costs via specific incentives (e.g. financial performance reserve for most performing programmes or support to collective projects for running and animation costs);

b) to reduce transaction costs via more simplified procedures (e.g. simplified payment rules through the direct cost system);

c) to reduce transactions costs via some reorganisation process of the delivery structure (e.g. grouping technical and administrative structures by RD objectives, leaving apart traditional organisation by measure).

In that case, PA and RDPs will prevail with more focused strategies: this means more focused on few and selected strategic topics and more territorially oriented.

It is likely that both type of strategies (extensive and more focused) will be put in place, although it is very hard saying which will prevail at the end. Policy strategies will be defined within the new institutional framework, where innovative and conservative attitudes coexist. As D.G. North says, «…*the actual institutional framework is in fact a mixed bag of institutions that promote such productivity-raising activities and institutions that provide barriers to entry, encourage monopolistic restrictions, and impede the low-cost flow of information*» (1990:64).

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