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## EU Added Value – Fact-based policy or politicised facts?\*

*“[...] there is EU value added in all existing areas of activity”*

(Task force on subsidiarity and proportionality, 2018)

### Introduction

The EU budget, particularly the Multi-Annual Financial Framework, is one of the central and most sensitive political battles in EU politics. EU budget negotiations comprise different battles at the same time. Firstly, individual Member States try to defend their perceived national interests while the EU Commission puts great effort in shifting the focus away from national gains to the overall interests of the EU and the added value of acting together. Secondly, citizens especially in the net-payer countries are (highly) reluctant to contribute to the EU budget. A recent study in the Netherlands shows that citizens perceive the costs of

the EU, and the perceived waste involved, as one of the block's main issues.<sup>1</sup> In these heated debates, EU Added Value (EAV) is an important communication tool of the EU to proof to citizens that EU funds are well spent and that they offer a better deal compared to national spending. As a precondition for the legitimacy of the EU budget, EAV helps to create transparency about the benefits of EU cooperation.

The Commission's proposal for the next Multi-annual Financial Framework (MFF, 2 May 2018)<sup>2</sup> kicked off the traditionally heated negotiating process on the EU's finances. Many agree that the MFF needs drastic reforming. European Added Value has been put forward as a guiding

\* This paper is part of three papers on EU Agencies, EU Added Value and the EU's Better Regulation policy that, together, give insight into the state of the EU's efforts to strengthen evidence based policy making in the EU. These papers are: Schout, A. (2018), *EU agencies after 25 years: a missed opportunity to enhance EU governance*, The Hague: Clingendael Policy Brief, and: Schout, A., C. Schwieter (2018), *Two decades of Better Regulation in the EU Commission – Towards evidence-based policymaking?* The Hague: Clingendael Policy Brief. They can be found on [the Clingendael website](#).

1 Sociaal Cultureel Planbureau (2018), *Wat willen Nederlanders van de Europese Unie? Een verkenning met enquêtes, virtuele dialogen en focusgroepen* (Tweede Kamer: bijlage bij 21501-20, nr. 1382. <https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vktlql91rqvv>).

2 European Commission (2018a) *A modern budget for a Union that protects, empowers and defends: The Multiannual Financial Framework for 2021-2027*, Brussels: EC.

principle for reform. EAV is presented by the European institutions as “a key test to justify spending”,<sup>3</sup> “an essential part of the evaluation exercise”<sup>4</sup> and a “key factor that determines whether the Union should act”<sup>5</sup>. Also in setting priorities for the Commission’s work programme, EAV is the guiding principle.<sup>6</sup>

Despite its alleged centrality, EAV is a controversial term. This policy paper explores the extent to which EAV lives up to its expectations as a guiding principle in the MFF discussions. EAV is the rational answer to the many vested interests in keeping the budget as it is. It has acquired a mediating role between the path dependence of the MFF (a “historical relic”<sup>7</sup>) and demands for a more ambitious budget (French President Macron<sup>8</sup>) or for a lower and drastically reformed budget (Dutch Prime Minister Rutte<sup>9</sup>). In addition to flagging EAV as guiding principle, the Commission also moderates expectations regarding EAV by underlining that assessments are not merely the result of a scientific and economy-based process, but are “always the result of a political process”.<sup>10</sup>

EAV is not only relevant to the MFF negotiations. It is also a case study of the use of Better Regulation as meta-policy. Through Better Regulation principles, the EU institutions have obliged themselves to base policy discussions and decisions on “the best available information”.<sup>11</sup> This creates expectations about the factual underpinning concerning EAV. This study examines the actual evidence behind the use of EAV, and whether the available studies are satisfactory in terms of their number and conclusions. We will focus on the actual evidence of ‘added value’ in trying to answer to the question: are the many political references to EAV in the negotiations supported by fact-based evidence?

Section 2 below addresses the problems in defining EAV, discusses some theoretical and political concepts and briefly presents the Commission’s Better Regulation agenda. To explore the extent to which EAV is indeed evidence-based, Section 3 explores three cases: the Common Agricultural Policy (around 39% of the last MFF), Cohesion Policy (amounting to 34%) and Innovation Policy (an increasingly financed sector, around 10% of the latest budget). Each case ends with some general observations about the performance of Better Regulation in regard to the particular policy and the references the Regulatory Scrutiny Board (RSB) makes to EAV. The main findings are presented in the Conclusions. This study is based on desk research and had to be limited, for obvious reasons, to three major policy areas. Given the scarcity of information on EAV, and to make sure that we would not overlook relevant studies in these areas, we furthermore approached a limited number of 11 experts from 4 countries.

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3 European Commission (2010) *Letter to the President of the European Parliament and the President in office of the Council*, 26/11/2010, Brussels: EC.

4 European Council (2004) *Council progress report on financial perspectives 2007-2013: Doc. 16105/04*, Brussels: European Council.

5 Task Force on Subsidiarity, Proportionality and “Doing less more efficiently” (2018) *Active Subsidiarity: A new way of working*, Brussels: EC.

6 Commission Work Programme 2018: An agenda for a more united, stronger and more democratic Europe, Strasbourg, 24 October 2017.

7 Sapir, A., Aghion, P., Bertola, G., Hellwig, M., Pisani-Ferry, J., Vinals, J. & Wallace, H. (2003) *An agenda for a growing Europe: The Sapir report*, Oxford: Oxford University Press.

8 Macron, E. (2018) *Informal European Council* [press conference], 23 February.

9 Rutte, M. (2018) *Speech by Prime Minister Mark Rutte on the future of the European Union*, Strasbourg: EP.

10 European Commission (2011a) *The added value of the EU budget*, Brussels: EC.

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11 European Commission (2015) *Better Regulation toolbox*, Brussels: EC.

## EAV: Concept and political context

### Concepts

The first dilemma is the lack of a commonly accepted definition<sup>12</sup> of EAV the result being that it has turned into a “fashionable buzz-word”.<sup>13</sup> This hampers the unambiguous identification of ‘added value’. The most used definition comes from the Commission: EAV is “the value resulting from an EU intervention which is additional to the value that would have been otherwise created by member states alone”.<sup>14</sup> In other words, one euro spent at EU level should deliver more than when spent at the national level. Here, the Commission focuses on three key criteria for assessing EAV, namely effectiveness, efficiency and synergy. This makes EAV “the little sister of the principle of subsidiarity”<sup>15</sup>, with the EU intervening only when EU action is more efficient than national policy. Other studies define EAV more broadly as anything “which has been enabled or which could not have been done, without Community assistance”.<sup>16</sup> ‘Added value’ has different meanings, such as the benefits of acting at the EU level *vis-à-vis* the national level, the benefits arising from good management (because quite a number of member states suffer from under-performing governments), the opportunity cost of spending in one policy area rather than another, or as the positive side effects deriving from EU actions additional to the achievement of expected goals. EAV can thus be used at different levels, i.e. for defining broad policies (macro)

or for choosing between projects (micro).<sup>17</sup> Importantly, besides scholars having divergent views, member states too seem to interpret EAV in different ways depending their interests.<sup>18</sup> As a corollary, the European Court of Auditors called on the European institutions to agree upon a common definition as a prerequisite for making EAV a functional tool in decision making.<sup>19</sup>

Three theoretical concepts are closely related to EAV:

- The principle of subsidiarity: this means that the EU should act only where national governments are not able to efficiently provide a specific good. EAV can be a tool to identify the appropriate level of government.<sup>20</sup>
- The principle of additionality: according to this principle EU funds should be provided on top of national funds (and not substitute them).<sup>21</sup> One could say that when both subsidiarity and additionality checks are passed, EAV presence is confirmed.
- European public goods: these are goods that should be provided through European action. Public goods are defined as non-excludable and non-rivalrous<sup>22</sup> and have been used by the Fiscal Federalists identifying, depending on the policy, the most suitable level of governance.<sup>23</sup> The concept of public goods is so close to that of EAV that the two terms are

12 As noted in Becker, P. (2012) *The European Budget and the Principles of Solidarity and Added Value*, The International Spectator: Italian Journal of International Affairs, Rome: IAI.

13 European Parliament (2010) *Reflection paper on the concept of European Added Value*, Strasbourg: EP.

14 European Commission (2011a) op. cit.

15 European Parliament (2010) *Reflection paper on the concept of European Added Value*, Strasbourg: EP.

16 Bachtler, J. & Taylor, S. (2004) *The Added Value of the Structural Funds: A regional perspective*, IQ Net Report on the Reform of the Structural Funds, Glashow: EPRC.

17 Rubio, E. (2011) *The “added value” in the EU budgetary debates: one concept, four meanings*, Notre Europe, Paris: Institut Jacques Delors.

18 Some examples are provided in Zuuleg, F. (2009) *The rationale for EU action: What are European Public Goods?*, Brussels: EPC.

19 European Court of Auditors (2018) *Future of EU finances: reforming how the EU budget operates*, Luxembourg: ECA.

20 Zuleeg, F. (2011) *The EU Added Value test to justify EU spending: What impact for regions and local authorities?*, Brussels: EPC.

21 Described e.g. on the Commission’s website: [http://ec.europa.eu/regional\\_policy/en/policy/how/principles/](http://ec.europa.eu/regional_policy/en/policy/how/principles/).

22 Samuelson, P. A. (1954). *The Pure Theory of Public Expenditure*, in: Review of Economics and Statistics, Massachusetts: MIT Press.

23 Oates, W.E. (1999) *An Essay on Fiscal Federalism*, in Journal of Economic Literature, Nashville: EAA.

used as synonyms.<sup>24</sup> Identifying a public good is crucial due to the relatively small size of the EU budget so that political prioritisation is essential.<sup>25</sup> Moreover, the public goods should be distinguished from club goods (a specific kind of public good “from whose benefits individuals may be excluded”).<sup>26</sup> If a community grows larger, a public good (e.g. a sports facility) can be divided into different kinds of club goods (football field, hockey field) for specific audiences. In the EU context, public goods may be confused with club goods that can be arranged through flexible integration. For example, EU-wide research policy can be seen as a collection of research projects that rather resemble club goods (e.g. cooperation between universities in different countries).

### The political context

Evidently, technical analyses rival with political realities. Policy-makers, stakeholders and other actors tend to mould EAV to legitimate their favoured outcomes. Broadly speaking, fact-based legitimacy and political legitimacy may not coincide.<sup>27</sup> Since ‘truth’ is multifaceted, political actors have the right and duty to select scientifically based arguments to defend preferences.<sup>28</sup> Competition for information brings out differences in perspectives. However, there may be hiatuses between evidence and political choices. EAV literature focuses on (economic) rationality rather than on

pragmatic political objectives and the danger exists that efficiency-based EAV evidence has “little or no impact on big decisions about EU spending allocations.”<sup>29</sup>

In the EU’s MFF debates, political realities are evident in *juste retour* discussions.<sup>30</sup> The budgetary consequences of Brexit have sharpened the debates over how to fill the financial gap.<sup>31</sup> Traditional recipients accuse the Commission of not being ambitious enough in claiming a higher EU budget and argue that cuts will be detrimental for regional catching-up and for the completion of the Single Market. On the other hand, the so-called “frugal four”, namely the Netherlands, Sweden, Austria and Denmark, are calling for a smaller EU budget to match the departure of the UK while welcoming a more “modernized” budget by increasing spending in areas such as innovation. EAV is used in such highly politicised contexts. Moreover, EAV advocates plead, or are perceived to plead, for more EU expenditure on a certain policy and may tend to downplay the question of whether the budget is the most appropriate instrument (compared to e.g. regulation).<sup>32</sup> The extensive references to EAV can in part be explained by the increasing public attention for the EU and the perception of the EU as expensive. Moreover, references to EAV are closely connected to arguments for ‘new’ policies such as border control.<sup>33</sup>

24 As pointed out in Zuleeg, F. (2009) op. cit.

25 Medarova-Bergstrom, K., Volkery, A. & Baldock, D. (2012) *Criteria for maximising the European added value of EU budget: the case of climate change*, Brussels: IEEP.

26 Majone, G. (2009) *Europe as a Would-be World Power: The EU at Fifty*, Cambridge: Cambridge University Press.

27 Schout, A. (2011) ‘Framework for assessing the added value of an EU agency’, *Journal of Public Policy*, 31(3), 363–384.

28 This idea and an extensive literature review can be found in Hoppe, R. (1999) *Policy analysis, science and politics: From “speaking truth to power” to “making sense together”*, in *Science and Public Policy*, Vol. 26, Issue 3, DOI <https://doi.org/10.3152/147154399781782482>. Wildavsky, A. (1996) *Speaking truth to power*, New Brunswick and London: Transaction Publishers.

29 Rubio, E. (2017) *The added value of EU spending*, in De Feo, A. & Laffan, B. [eds.] (2017) *Effectiveness and added value of the EU budget*, European University Institute, Robert Schuman Centre for Advanced Studies.

30 High Level Group on Own Resources (2016) *Future financing of the EU: Final report and recommendations of the High Level Group on Own Resources*, Brussels: EC.

31 Remarkably exposed in Darvas, Z. & Wolff, G. (2018) *Rethinking the European Union’s post-Brexit budget priorities*, Brussels: Bruegel.

32 Schout, A. & van Loon, Y. (2017) *European Added Value narrows EU budgetary reform discussions*, The Hague: Clingendael Institute.

33 Stokes, B., Wike, R. & Poushter, J. (2016) *Europeans Face the World Divided. Many question national influence and obligations to allies, but share desire for greater EU role in global affairs*, Washington: Pew Research Center. European Commission (2018b) *Standard Eurobarometer 89, Spring 2018*, Brussels: EC.

## Procedural context: Better Regulation

Better Regulation defines the ways in which EU policies are prepared on the basis of the best possible information (evidence-based) and of consultations (political support).<sup>34</sup> Better Regulation has evolved over the years, and nowadays gives central importance to ex-ante Impact Assessments (Impact Assessments), to ex-post evaluations (also in the form of mid-term evaluations) and to the continuity between them in order to assure a full-policy cycle evaluation. A new Impact Assessment should be based on the ex-post evaluation of the previous programme.<sup>35</sup> This is particularly desirable since most ex-post evaluations are outsourced so that it has been ensured that the assessments are incorporated in follow-up policies.<sup>36</sup> Better Regulation guidelines specifically include considerations regarding subsidiarity and EAV, and stress the importance of considering the appropriate instrument. Impacts should be assessed both qualitatively and quantitatively while “strong efforts” should be made to “go beyond a qualitative description of the different costs and benefits of the EU intervention and seek to quantify them”.<sup>37</sup> However, the timing of Impact Assessments complicates quantification. According to a recent study, Impact Assessments are used more as a tool to choose between various policy options and less, as in the case of the USA, as a way to examine the final policy choice in detail.<sup>38</sup> Impact Assessments and ex-post evaluations (the latter, as a result of recent reforms, from 2017 onwards) are

subject to the scrutiny of the Regulatory Scrutiny Board (formerly the Impact Assessment Board). The Regulatory Scrutiny Board is presented as an independent body ensuring that “all initiatives take into account all available evidence and stakeholder views before political decision makers consider what action to take”.<sup>39</sup>

## Case studies

### Common Agricultural Policy (CAP)

The role of CAP shifted over time through a series of reforms. Nowadays, it features two pillars: income support to farmers and rural development (including incentives to preserve natural landscapes), amounting to a total of around EUR 400 billion in the last MFF.<sup>40</sup> Our analysis focuses on the first pillar (direct payments to farmers) but some information on rural development policy is as far, as available, included as well.

Many studies criticise CAP in relation to its social role and its contribution to sustainable development. Despite acknowledging positive effects in terms of EAV with regard to the stability of the single market in view of harmonisation of agricultural policy and ensuring a level playing field in agriculture, researchers have argued that its core activities could be better carried out at the national level.<sup>41</sup> In 1987, Padoa-Schioppa et al. concluded that CAP was a European anomaly given its unique social dimension of redistributing money.<sup>42</sup> The famous Sapir

34 A detailed analysis of Better Regulation is provided in Schwieter, C. & Schout, A. (2018), forthcoming.

35 De Marcilly, C. & Touillon, M. (2015) *The “Better Regulation” programme: expertise over politics?*, in European issues, 370, <https://www.robert-schuman.eu/en/doc/questions-d-europe/qe-370-en.pdf>.

36 Smismans, S. (2015) *Policy evaluation in the EU: The challenges of linking ex ante and ex post appraisal*, in European Journal of Risk Regulation.

37 European Commission (2017a) *Better Regulation Guidelines*, Brussels: EC.

38 Dudley, S. E. & Wegrich, K. (2016) *The role of transparency in regulatory governance: Comparing US and EU regulatory systems*, in Journal of Risk Research, 19:9, DOI: 10.1080/13669877.2015.1071868.

39 *Ibidem*.

40 CAP factsheet, retrieved from [https://ec.europa.eu/commission/index\\_en](https://ec.europa.eu/commission/index_en).

41 Here are some remarkable examples: Persson, T., Roland, G., Tabellini, G. (1996) *The theory of fiscal federalism: What does it mean for Europe?* Kiel: prepared for the conference *Quo vadis Europe?*; Tabellini, G. (2002) *The assignment of tasks in an evolving European Union*, Brussels: CEPS; Gros, D., Micossi, S. (2005) *A better budget for the European Union: More value for money, more money for value*, Brussels: CEPS.

42 Padoa-Schioppa, T. Emerson, M., King, M., Milleron, J. C., Paelinck, J. H. P., Papademos, L. D., Pastor, A., Scharpf, F. W. (1987) *Efficiency, Stability and Equity: A strategy for the evolution of the economic system of the European Community*, Oxford: Oxford University Press.

Report therefore suggested decentralising the distributive function of CAP to the member states.<sup>43</sup> Therefore, referring to EAV, the Sapir Report, the Bertelsmann Stiftung and others<sup>44</sup> advocate discontinuation of CAP in its current form.

Environmental sustainability, in the second pillar of CAP, is carried out through greening (more funds to farmers making use of eco-friendly practices) and cross-compliance conditions (less funds in case of disrespect of EU law governing environmental, public and animal health, animal welfare or land management). Many studies have criticised these provisions, considering them to be inefficient or insufficient. The main issues criticised are non-relevant objectives and weak implementation,<sup>45</sup> ineffectiveness in making greening friendlier towards the environment<sup>46</sup> and poor preservation of biodiversity.<sup>47</sup>

However, Impact Assessments of the Commission that were conducted in 2011 and in 2018 (regarding the MFF of 2014-2020 and of 2021-2027) draw different conclusions. These Impact Assessments offer mainly qualitative assessments and are unclear as to why the EU level is the most appropriate

level. The 2011 Impact Assessment claims that CAP would “ensure a more efficient use of the budgetary resources of the Member States vis-à-vis the coexistence of national policies”<sup>48</sup> but fails to substantiate this statement. Similarly, the Commission lists a number of advantages, such as developing “a competitive and balanced European agriculture from an environmental and territorial point of view”, and “delivering on key dimensions of sustainability challenges like climate change, water use, air quality and biodiversity via the CAP environmental architecture”<sup>49</sup>, without offering the required corroboration.

As regards the preference for the EU budget as the appropriate instrument and level of governance, neither Impact Assessment goes into detail. For example, the 2018 Impact Assessment simply claims that “most of the challenges identified [...] have cross-border and global nature which require a common action at EU level”.<sup>50</sup> However, referring to the transnational nature does not mean the EU is the most appropriate actor to intervene or that the EU budget is the required instrument. Similarly, the Commission’s EAV study also concludes regarding CAP that “if Member States were thrown back on their own financial resources, many of them would not be in a position to help their farm sectors and rural economies along the path of sustainable development” and stresses that the EU budget is key.<sup>51</sup> Defending financial transfers, the Commission argues that solidarity is a key component of EAV in CAP even though the European Parliament and the Council underlined how “the distribution of direct income support among farmers is characterised by the allocation of disproportionate amounts of payments to a

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43 Sapir, A., Aghion, P., Bertola, G., Hellwig, M., Pisani-Ferry, J., Vinals, J. & Wallace, H. (2003) *An agenda for a growing Europe: The Sapir report*, Oxford: Oxford University Press. See also: Bertelsmann Stiftung (2017) *How Europe can deliver: Optimising the division of competences among the EU and its member states*, Gütersloh: Bertelsmann Stiftung.

44 Hoelgaard, I. (2018) *A modern Common Agricultural Policy (CAP) post 2020*, mimeo.

45 Alliance Environnement and the Thünen Institute (2017) *Evaluation study of the payment for agricultural practices beneficial for the climate and the environment*, Brussels: EC.

46 European Court of Auditors (2017) *Greening: a more complex income support scheme, not yet environmentally effective*, Special Report, Luxembourg: ECA.

47 Pe'er, G., L. Dicks, P. Visconti, R. Arlettaz, A. Baldi, T.G. Benton, S. Collins, M. Dieterich, R.D. Gregory, F. Hartig, K. Henle, P.R. Hobson, D. Kleijn, R.K. Neumann, T. Robijns, J. Schmidt, A. Shwartz, W.J. Sutherland, A. Turbé, F. Wulf & A.V. Scott (2014) *EU agricultural reform fails on biodiversity*, in *Science* 344(6188).

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48 European Commission (2011b) *Impact Assessment Common Agricultural Policy towards 2020*, Brussels: EC.

49 European Commission (2018c) *Proposal for a Regulation of the European Parliament and of the Council*, COM(2018) 392 final, Brussels: EC.

50 European Commission (2018d) *Impact Assessment accompanying the document COM(2018) 392 final*, SWD(2018) 301 final, Brussels: EC.

51 European Commission (2011a) op. cit.

rather small number of large beneficiaries”.<sup>52</sup> ‘Solidarity’ in the context of CAP is open to different interpretations.

A complication in assessing EAV in CAP is the lack of overall ex-post evaluation.<sup>53</sup> This has implications for the Better Regulation cycle in which it is assumed that new policy proposals are based on the ex-post evaluation of the previous programme. The outcomes of the previous CAP programme could be helpful specifying sources of EAV or alternative instruments. Looking at the role of the Regulatory Scrutiny Board in the Better Regulation process, we see that its opinions on the recent Impact Assessments accompanying the 2<sup>nd</sup> May MFF proposal for the two CAP pillars to not mention EAV nor are the statements on EAV in the Impact Assessments questioned.

### Cohesion Policy

Cohesion Policy consists of three funds: the European Social Fund (ESF set up in 1958) addressing social challenges such as poverty, exclusion and education; the European Regional Development Fund (ERDF created in 1975) to strengthen regional economic and social cohesion through investments in competitiveness; and the Cohesion Fund (CF) for assisting economic integration of poorer countries where GDP is below 90% of the EU-27 average.<sup>54</sup> Cohesion Policy embodies the solidarity between richer and poorer Member States.<sup>55</sup> The assessment of its added value is derived from the alleged positive role in the promotion of economic convergence between regions, its macro-economic anti-cyclical effect,<sup>56</sup> and in its interaction with innovation policies.

The added value identified include<sup>57</sup>:

- Cohesion added value: reduction in economic and social disparities;
- Political added value: enhanced visibility of the EU and increased participation of different actors;
- Operational added value: changes to institutional arrangements or implementation methods;
- Learning added value: exchange of practical experiences, good practices, know-how.

These categories encompass both qualitative and quantitative assessments. While qualitatively scholars support the general notion of EAV, quantitative assessments are mixed. Despite an impressive number of evaluations<sup>58</sup>, quantitative studies do not allow the conclusion that Cohesion Policy is effective in fostering economic convergence between European regions (i.e. providing cohesion added value). The review by Wolff and Darvas<sup>59</sup> challenges claims of clear advantages in Cohesion Policy.<sup>60</sup> It seems relevant to mention that most studies do not refer to EAV; literature specifically on EAV is scarce.<sup>61</sup> Moreover, where EAV is mentioned, doubts exist given a bias due to lack of attention for possible negative effects of regional funds.<sup>62</sup> Some assessments conclude that the GDP gap between richer and poorer regional areas is widening over

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52 European Parliament, Council of the European Union (2013) *Regulation (EU) No 1307/2013*.

53 See also Wolff, G. & Darvas, Z. (2018) op. cit.

54 European Commission (2014a) *An introduction to EU Cohesion Policy 2014-2020*, Brussels: EC.

55 European Commission (2017b) *Panorama: Cohesion Policy looks to the future*, Brussels: EC.

56 European Commission (2011a) op. cit. and European Commission (2012) *Expert evaluation network delivering policy analysis on the performance of Cohesion Policy 2007-2013*, Brussels: EC.

57 Bachtler, J. & Taylor, S. (2003) *The Added Value of the Structural Funds: A regional perspective*, Glasgow: EPRC.

58 European Commission (2014b) *Expert evaluation network on the performance of Cohesion Policy 2007-2013: Synthesis of National Reports 2013*, Brussels: EC, estimates 821 evaluations for ERDF programmes and 721 evaluations for ESF programmes.

59 Wolff, G. & Darvas, Z. (2018) op. cit.

60 E.g. Mairate, A. (2006) *The “Added Value” of European Union Cohesion Policy*, in *Regional Studies*, 40.2, Routledge.

61 Bachtler, J. & Polverari, L. (2014) *Balance of Competences, Cohesion Review, Literature review on EU Cohesion Policy*, Glasgow: EPRC.

62 Tarschys, D. (2005) *The Enigma of European Added Value*, Stockholm: SIEPS.

time<sup>63</sup> or that the overall impact of Cohesion Policy is irrelevant or even negative.<sup>64</sup>

Moreover, the ambiguous relation between Cohesion Policy funds and the principle of additionality is seldom addressed. There is indeed evidence of the funds not being additional: for instance, the Italian Mezzogiorno catching up with the northern regions of the country is almost entirely due to European funds and replaces a national plan.<sup>65</sup> Underlining the risk of crowding out private or national funds,<sup>66</sup> Structural Funds account for up to 80%<sup>67</sup> of the overall public spending in mid-EU member states. Another critical conclusion regarding Cohesion Policy is related to mismanagement of resources and to corruption. A report evaluating the corruption level of the average EU Cohesion country concluded that the results were worse than the average for the EU and Western Europe.<sup>68</sup> Evidence points to the

EU funds increasing the risk of corruption in Central and Eastern Europe.<sup>69</sup>

The lack of consensus among scholars about the impact of the policy is partly explained by the methodological approaches used. Four major methods are used to assess the impact of Cohesion Policy (the former two are more macro; the latter two more micro)<sup>70</sup>:

- Macroeconomic models: examples are HERMIN, QUEST, RHOMOLO or NEMESIS. They are highly dependent on “model specification, statistical methodologies and observations”,<sup>71</sup> they work better at the national than at the regional level and assume that funding is fully absorbed and efficiently spent;
- Econometric regression analyses are regarded as less biased, but are based on assumptions which can hardly apply outside of the theoretical context;
- Micro-economic studies: they are more sector-specific and in-depth but are not applicable outside of the specific context for which they have been designed;
- Case studies: they can allow an extremely in-depth analysis but provide qualitative and often unclear results and lack a counterfactual comparison.

These methods share additional complications such as the lack of quality data, especially on a regional or local scale, the intertwining of Cohesion Policy with other EU or national policies, the mixture of economic and political goals, the varying time lags needed for Cohesion Policies to take effect, and costs.<sup>72</sup>

63 Rosés, J. R. & Wolf, N. (2018) *Regional economic development in Europe, 1900-2010: A description of the patterns*, in Economic History Working Papers, London: LSE.

64 Examples are Dall’Erba, S. & Le Gallo, J., (2008) *Regional convergence and the impact of European structural funds over 1989-1999: A spatial econometric analysis*, in Papers in Regional Science, 87(2), or Hagen T. & Mohl, P. (2008) *Which is the right dose of EU Cohesion Policy for economic growth*, in ZEW Discussion Papers 08-104.

65 Del Bo, C. F. & Sirtori, E. (2015) *Additionality and regional public finance – Evidence from Italy*, in Environment and Planning C: Government and Policy, 34, Thousand Oaks: SAGE.

66 Kokko, A., Tingvall, P. G., and Videnord, J. (2015) *The Growth Effects of R&D Spending in the EU: A Meta-Analysis in Economics: The Open-Access, Open-Assessment E-Journal*, 9 (2015-40): 1–26. <http://dx.doi.org/10.5018/economics-ejournal.ja.2015-40>.

67 Data are available online on the European Commission website: <https://cohesiondata.ec.europa.eu/Country-Level/-of-cohesion-policy-funding-in-public-investment-p/7bw6-2dw3>.

68 Transparency International (2016) *Corruption Perceptions Index 2015 – Transparency International*, <http://www.transparency.org/cpi2015#results-table>.

69 Fazekas, M., Chvalkovska, J. Skuhrovec, J., Tóth, I. J. & King, L. P. (2013) *Are EU Funds a Corruption Risk? The Impact of EU Funds on Grand Corruption in Central and Eastern Europe*, The Anticorruption Frontline. The ANTICORRP Project 2: 68–89.

70 Davies, S. (2017) *Does Cohesion policy work? Meta-review of research on the effectiveness of Cohesion Policy*, Glasgow: EPRC.

71 Busillo, F., Muccigrosso, T., Pellegrini, G., Tarola, O. & Terribile, F. (2010) *Measuring the effects of European regional policy on economic growth: A regression discontinuity approach*, Rome: UVAL.

72 Fratesi, U. (2016) *Impact assessment of EU Cohesion policy: theoretical and empirical issues*, in Piattoni, S. & Polverari, L. [eds] (2016) *Handbook on Cohesion Policy in the EU*, Cheltenham: Edward Elgar Publishing.

Only the first two methods are capable of providing estimates about the impact of Cohesion Policy at macro level. According to Pienkowski and Berkowitz (2015) macroeconomic models, used extensively by the Commission, have a tendency to overestimate Cohesion's benefits with respect to econometric analyses.<sup>73</sup> In effect, the monetary return estimate of Cohesion Policy, calculated by the Commission at €2.74 (return on €1 CF investment in terms of direct and indirect effects by 2023),<sup>74</sup> is the result of the application of two different models, i.e. QUEST and RHOMOLO. The features of these models and the difficulties underlined above make it hard to view this estimate as objective. Econometric models offer more balanced and mixed results,<sup>75</sup> for instance, EAV studies based on an econometric regression find a lower monetary return, i.e. around 1.5.<sup>76</sup>

When linking EAV studies in Cohesion Policy to the Commission's Better Regulation agenda, we note a timing problem. The policy cycle requires Impact Assessments to be based on previous ex-post evaluations (conducted at least one year before the

Impact Assessment)<sup>77</sup> and the resulting recommendations. The latest Impact Assessment, presented together with the proposal for the new MFF, was not based on, at least, a mid-term evaluation of Cohesion Policy (only a mid-term evaluation for the whole MFF has been produced<sup>78</sup> and its attention to Cohesion Policy and EAV is marginal). Furthermore, there are examples of ex-post evaluations not even mentioning the term EAV. This is somewhat surprising given the alleged importance of the concept.<sup>79</sup> Moreover, EAV is referred to only once in the RSB's four Opinions issued in the context of Cohesion Policy. There, the RSB asks to better explain the sources of added value in the European Social Fund.<sup>80</sup>

### Innovation Policy

Innovation policy is mainly conducted through the multiannual Framework Programmes (FPs), with the last one, Horizon 2020, amounting to around EUR 80 billion. The aim is to foster research and support the development of the European Research Area (ERA – initiated in 2000). R&D policy is widely regarded as an area with a high added value, as demonstrated by the Commission proposal to cut funding for CAP and regional policy and to shift emphasis to R&D.<sup>81</sup> The literature on the matter shows a general consensus about the higher added value of R&D compared to that of CAP and

73 Pienkowski, J. & Berkowitz, P. (2015) *Econometric assessments of Cohesion Policy growth effects: How to make them more relevant for policy makers?* Brussels: EC.

74 European Commission (2016a) *Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)*, Brussels: EC.

75 See for instance Fratesi, U. & Perucca, G. (2014) *Territorial capital and effectiveness of Cohesion Policies: an assessment for CEE regions*, in *Investigaciones Regionales*, 29 (2014), Alcalá: University of Alcalá, or Becker, S. O., Egger, P. & von Ehrlich, M. (2018) *Effects of EU Regional Policy: 1989-2013*, in *Regional Science and Urban Economics*, retrieved in <http://doi.org/10.1016/j.regsciurbeco.2017.12.001>.

76 Becker, S. O., Egger, P. H., von Ehrlich, M. (2010) *Going NUTS: The effect of EU Structural Funds on regional performance*, retrieved from <https://www.journals.elsevier.com/journal-of-public-economics/>.

77 Van Golen, T. & van Voorst, S. (2016) *Towards a regulatory cycle? The use of evaluative information in Impact Assessment and Ex-post Evaluations in the European Union*, in *European Journal on Risk Regulation*.

78 European Commission (2016b) *Mid-term review/ revision of the multiannual financial framework 2014-2020: An EU budget focused on results, COM(2016)0603 final*, Brussels: EC.

79 An example is in Cifollilli, A., Greunz, L., Naldini, A., Ward, T. & Wolleb, E. (2014) *Expert evaluation network on the performance of Cohesion Policy 2007-2013*, Brussels: EC.

80 Regulatory Scrutiny Board (2016) *Opinion: Ex-post evaluation of the 2007-2013 European Social Fund programmes*, Brussels: EC.

81 European Commission (2018a) op. cit.

Cohesion.<sup>82</sup> Empirical evidence points to positive externalities and economies of scale in certain areas, even though centralisation has some drawbacks, e.g. related to changes in national R&D strategies and priorities.<sup>83</sup> However, initially, attempts to quantify EAV were rare and the literature was not using solid indicators to prove added value.<sup>84</sup>

This initial lack of attention may have been due to the relative low importance attached to EAV until the Fifth Framework Programme (1998-2002) when EAV served as a merely<sup>85</sup> formal selection criterion not subject to careful scrutiny. With the FP5, the Commission stressed the centrality of the concept and made it a high-end objective, always to be pursued. However, EAV did not become more relevant in the policy selection process: a meta-evaluation was not able to find cases “where it was argued EAV [...] was not being achieved”.<sup>86</sup> In effect, making EAV a strategic goal rendered it even more vague as it condoned every form of cooperation between countries.<sup>87</sup> Thus, EAV in the R&D sector has usually been described through qualitative assessments,

related to the transnational nature of some forms of R&D<sup>88</sup> and including: creation of EU-wide networks, increase in geographic scope, more efficient project coordination, reduction of redundancy, cross-border spillovers and economies of scale.<sup>89</sup>

In recent years, attempts have been made to deepen the evidence-based legitimacy of the Framework Programmes. An influential quantification of the added value of FP7 (2007-2013) reported an impressive return rate of every euro invested by the Commission generating up to 11 euro in a 25-year period.<sup>90</sup> The calculations<sup>91</sup> used the NEMESIS macroeconomic model and, as such, were affected by leverage estimations and *a priori* assumptions (see section above). Despite its value, such a quantitative assessment may have to be treated with caution as EAV in R&D is regarded as “rarely quantifiable”<sup>92</sup> and carrying out effective calculations has been dubbed as a “mission impossible”.<sup>93</sup> Moreover, the €1-to-€11 assessment of EAV raises questions concerning opportunity costs and about whether the EU budget is indeed the appropriate instrument. For example, would EAV have been higher if national funds had been enlarged and used more directly to

82 Examples are Gros, D. (2008) *How to achieve a better budget for the European Union?* Brussels: CEPS; ECORYS, Netherlands Bureau for Economic Policy Analysis & Institute for Economic Research (2008) *A study on EU spending. Final Report*, Rotterdam: EC; Begg, I. (2009) *Fiscal Federalism, Subsidiarity and the EU budget review*, Stockholm: SIEPS.

83 Van der Horst, A., Lejour, A. & Straathof, B. (2006) *Innovation Policy: Europe or the Member States?* The Hague: CPB Netherlands Bureau for Economic Policy Analysis.

84 Underlined in Bertelsmann Stiftung (2013) *The European Added Value of EU spending: Can the EU help its Member States to save money?*, Gütersloh: Bertelsmann Stiftung.

85 Yellow Window Management Consultants (2000) *Identifying the constituent elements of the European Added Value (EAV) of the EU RTD programmes: conceptual analysis based on practical experience*, Final Report for the DG XII.

86 Technopolis Group (2004) *The Impact of the EU Framework Programmes in the UK*, Office of Science and Technology, DTI.

87 Stampfer, M. (2008) *European Added Value of Community Research Activities: Expert Analysis in support of the Ex Post Evaluation of FP6*, Vienna: WWTF.

88 European Commission (2016c) *Ex-post evaluation of the Seventh Framework Programme*, Brussels: EC.

89 Technopolis Group & Empirica Gesellschaft für Kommunikations- und Technologieforschung mbH (2014) *European Added Value of EU Science, Technology and Innovation actions and EU-Member State Partnership in international cooperation*, Luxembourg: Publication Office of the EU.

90 Commitment and Coherence, High Level Expert Group (2015) *Ex-post-evaluation of the 7<sup>th</sup> EU Framework Programme (2007-2013)*.

91 Which were based on two yearly reports, namely Zagamé, P., Fougeyrollas, A. & le Mouël, P. (2012) *Consequences of the 2013 FP7 call for proposals for the economy and employment in the European Union*, Paris: ERASME and Fougeyrollas, A., Le Mouël, P. & Zagamé, P., (2012), *Consequences of the 2012 FP7 call for proposals for the economy and employment in the European Union*, Paris: ERASME.

92 European Parliament (2010) *Reflection paper on the concept of European Added Value*, Luxembourg: Publication Office of the European Union.

93 Yellow Window Management Consultants (2000) op. cit.

support national economic activities? Could efficiency advantages have been achieved by steering universities towards cooperation rather than using the EU budget (e.g. by stimulating cooperation incentives in national research budgets, through benchmarking exercises, and by giving information about the advantages of cross-border cooperation)?

Another study<sup>94</sup> conducting a similar analysis of the effects of both FP7 and Horizon 2020 concluded a lower EAV (approximately 1-to-9) for FP7 and around 1-to-6 for Horizon 2020. The study uses other assessment methods, such as a novel bibliometric approach, interviews and surveys. Subsidiarity is not addressed by the study, and additionality is proven through stakeholders interviews<sup>95</sup>. 83% of the projects would have not been initiated without European funds. An earlier study of the ambitious Esprit research funds concluded that project proposals that had not been funded had nevertheless continued (underlining the value of network building over granting subsidies<sup>96</sup>). References to these two principles can be found in most of the Commission's documents although the factual basis is not always clear. The Impact Assessment of the recent Europe 2020 states that "action at the EU level is necessary" without apparent justification of subsidiarity.<sup>97</sup> There is less consensus about the different areas of R&D. EAV in Innovation Policy is unanimously found in case of well-defined and large-scale projects, whereas in other areas, such as societal challenges

or education, opinions are mixed and sometimes negative.<sup>98</sup>

The Better Regulation evaluation cycle performs better than in Cohesion Policy and CAP: the latest Impact Assessment released for Horizon Europe (FP9) was built on a mid-term evaluation of the previous programme, differently from CAP and Cohesion Policy, and the number of Impact Assessments and evaluation is satisfactory. We noted a generally greater effort in conducting studies and producing evidence, which could be explained by the Commission's political interest in the innovation area. Still, the role of EAV in many of these studies appears limited in comparison to the funding involved and the claims of political added value.

## Conclusions

To convince change-resistant national politicians of the need to cooperate at EU level, and to create transparency of the benefits of the EU budget, the EU Commission has put European Added Value (EAV) central stage in its communications of new proposals. EAV is presented as a key analytical decision-making tool in, among others, the negotiations on the multiannual EU budget (MFF). The search for EAV is part of a wider endeavour to ensure that EU policies are evidence-based. Together with the Better Regulation methodology, EAV creates the impression of evidence-based policy making. The review of the available material indicates that the concept of EAV does not (yet) live up to the expectations:

- Despite the alleged centrality of EAV, few studies directly address it in a substantial (fact-based) manner.
- As far as EAV is substantiated, the different models and the varying degrees of quantifications show considerable differences within each of the three

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94 PPMI (2017) *Assessment of the Union Added Value and the economic impact of the EU Framework Programmes (FP7, Horizon 2020)*, Luxembourg: Publication Office of the European Union.

95 On the possible over-reliance of the Juncker Commission on stakeholders interviews, see Schwieter, C. & Schout, A. (2018), forthcoming.

96 <http://www.stuartmacdonald.uk/wp-content/uploads/2014/02/Esprit.pdf>.

97 European Commission (2018e) *Impact Assessment SWD(2018) 307 final*, Brussels: EC.

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98 E.g. Wanzenböck, I. & Frenken, K. (2018) *The subsidiarity principle: Turning challenge-oriented innovation policy on its head*, in Papers in Evolutionary Economic Geography, Utrecht: Urban & Regional Research Centre Utrecht with regard to societal challenges and Bertelsmann Stiftung (2017) op. cit. in relation to education.

case studies. Methodological difficulties hamper the substantive use of EAV. These difficulties include definition problems, the impossibility to usefully quantify EAV, major differences between countries, and the lack of quality data.

As a result, the claims regarding EAV in, for example, Commission documents cast doubts about the Commission's objectivity and sometimes create the impression of political preferences presented as unsubstantiated added value.

Added value is certainly important and reflection is required on strengthening the legitimacy of claims of EAV:

- The role of the Regulatory Scrutiny Board (RSB) in solidifying EAV seems to be in need of reinforcement. The Scrutiny Board appears to be under-resourced and its location within the Commission hampers its external credibility. The RSB also pays little attention to claims made by the Commission on added value and claims on EAV are hardly questioned.
- The policy cycle in the Better Regulation Agenda is not always functioning properly. Major Commission proposals lack impact assessments and ex-post assessments are either absent (see the case of the CAP) or delayed and hence cannot be part of the preparation of subsequent impact assessments (as in the case of Cohesion Policy – more work is put into ex-post assessments in the R&D policy).
- Attention for alternative instruments other than the budget is poor. Generally, EAV studies lack key questions as to whether the budget is the most appropriate tool. A point of concern is also the extent to which compliance with the principles of subsidiarity and additionality – a necessary precondition for EAV and sometimes used as synonyms for EAV – is checked.
- The role of the European Court of Auditors is already developing from auditing of the legality of expenses to ex post assessments. This development is however recent. With the deepening of European integration, a considerable reinforcement of the EU Court of Auditors is in order.

The literature indicates a higher potential for EAV in R&D than in CP and CAP. Yet, the review of the available material suggests that EAV in its current form is (so far) not a suitable concept to act as a key test justifying EU spending. This corroborates earlier and more limited reviews and discussions of EAV. As it is currently organised, EAV is largely a political topic argument under the veil of objectivity. EAV remains, potentially, an important topic but additional investments are required to increase the quality and the quantity of added value studies. As it currently operates, EAV arguments do not enhance trust in proposals nor in the Commission. More fact-based studies are required, as is greater independence of studies. The way EAV is used now indicates that the evaluation culture of the EU and the Commission falls short of the ambitions as formulated. The next EU Commission needs to consider its credibility (as was the case twenty years ago<sup>99</sup>).

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99 Majone, G. (2000), 'The Credibility Crisis of Community Regulation', *Journal of Common Market Studies*, 38/2, 273-302.

### **About the Clingendael Institute**

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