



Independent network on European Agricultural and Rural Policies

Enhancing territorial cooperation for the provision of public goods in the context of the CAP Reform

Agenda for action

- **We need to act now.** *There is an increasing sense of urgency to halt the ongoing loss of Europe's biodiversity and to improve the overall sustainability of agricultural production. There is also an increasing consensus that the delivery of public goods should be an integral element of agricultural production and that farmers providing such goods should be rewarded. The first pillar greening is a first step to integrate public goods into the heart of the CAP.*
- **Territorial cooperation delivers.** *The benefits of cooperation to the environment, to farmers and to civil society are widely accepted. There are an increasing number of interesting examples throughout Europe and on other continents demonstrating the benefits. However, a limited number are known to a wider audience. It is worthwhile to collect and publish more examples and to exchange ideas and experiences. The existing examples already offer us interesting insights in the factors determining success or failure. This knowledge can be used by local initiators of cooperation, but also by governments willing to enhance territorial cooperation for the provision of public goods.*
- **Use the new CAP to support territorial cooperation.** *There are interesting incentives for collaborative action under the new CAP, in the first as well as the second pillar, but they are young and many national and regional governments are still unaware of possibilities for collective action, or are reluctant to use them.*
- **Cutting red tape.** *Collaborative, territorial action offers opportunities for a shift from detailed regulation to forms of self-governance and self-regulation based on 'self-monitoring and self-sanctioning' procedures, while empowering the region's strength and capacities. In the short run, the challenge for EU and national governments lies in designing practical implementation rules for collaborative approaches in a motivating way: guaranteeing good delivery while respecting and trusting the territorial initiatives as a reliable partner.*
- **Mainstream territorial cooperation.** *There are opportunities for broadening the collaborative action, especially concerning EFAs, operational groups under the EIPs and other parts of EU and national policies (e.g. Natura 2000 and Water Framework Directive).*

1. Introduction and background

Paradigm shift

Agriculture, rural areas and society at large are facing a paradigm shift in food production and natural resource management. There is an increasing sense of urgency to halt the ongoing loss of Europe's biodiversity and scenic beauty. In a broader sense, there is growing concern on the overall sustainability of agricultural production and natural resource management. These are major challenges to all government levels, to farmers (managing the majority of the countryside) and to all other stakeholders, including civil society. There is also an increasing consensus that the delivery of public goods (such as biodiversity) should be an integral element of agricultural production and that farmers providing such goods should be rewarded. The first pillar greening is a first step to integrate public goods into the heart of the CAP.

Coordination and cooperation for the delivery of public goods

While many public goods are delivered at the individual farm level, a cross-farm or landscape scale approach appears to be beneficial, allowing for:

- an ecosystem approach to be taken;
- the spatial linkage of environmental features, such as hedgerows;
- the delivery of threshold areas of habitat, for example to maintain farmland bird populations.

This landscape scale delivery requires territorial coordination and/or (increased) cooperation between individual land managers. Surveys and in-depth analysis of trials show that that coordination and cooperation provide interesting opportunities to combine a higher environmental output with a more entrepreneurial approach and lower implementation costs (e.g. Franks & McGloin 2007; Prager 2009; Mills et al. 2012; OECD 2013).

More opportunities for cooperation under the new CAP

The European Commission's regulations for the 2014-2020 CAP period include new formal positions for collective action:

- "Groups of farmers and other land users" are mentioned as potential applicants and (final) beneficiaries under the agri-environment-climate part of the proposals for rural development (article 29).
- There are broader possibilities for EU support for cooperative actions (rural development regulation, article 35), including the organisational costs involved.
- The first pillar (article 46) enables a territorial or collective implementation of half of the 5% EFA greening obligation. This option puts cooperation for public goods into the heart of the CAP.

Aim of this document

In December 2013 and April 2014, the Groupe de Bruges organised two European conferences on "Territorial cooperation for the provision of public goods in the context of the CAP Reform". Based on the results of these conferences, this document is intended to:

- arouse interest for territorial cooperation among land users and governments. A brief summary of existing examples is included in the **annex** to this paper;
- present a demarcation of the types of cooperation envisaged;
- motivate national and European governments and institutions to enhance territorial cooperation and to reduce barriers for a swift implementation of cooperative approaches.

In a **separate document**, the Groupe de Bruges explores the opportunities for a European network on territorial cooperation.

2. Definition and scope

Public goods: the economic context

In its report on collective delivery of public goods (OECD 2013) the OECD – based on earlier theories on environmental economics – distinguishes several types of public goods associated with agriculture, based on the extent of rivalry and excludability. The three main ones:

- a. Pure public goods (low rivalry, difficult to exclude) are for instance landscape, biodiversity (including genetic diversity), flood control and soil conservation.
- b. Common pool resources (high rivalry, difficult to exclude) are for example functional biodiversity (use-value), community irrigation systems and catchment areas.
- c. Club goods (low rivalry, easy to exclude) are – among others – biodiversity accessible to ‘members’ and irrigation systems for the use of ‘club members’ only.

If we look at the examples of territorial cooperation described in the annex to this paper, all three types are represented: pure public goods by the examples of landscape and biodiversity conservation by common grazing etc., common pool resources by the Flanders river valley example and club goods by the Spanish irrigation association. In the context of this paper, there is no need to exclude any of these types of public goods, but one should be aware that the role of the government or the market in paying for goods other than pure public goods might be different.

In the context of the new CAP, the EU co-finances national schemes targeting at biodiversity (flora and fauna, rare breeds and crops, sometimes also functional agro-biodiversity and life support functions such as soil biodiversity), landscape (landscape features, cultural heritage), water quality (especially relating to the Water framework directive), water quantity (e.g. storage, increasing water tables), energy and climate (e.g. carbon sequestration). Such goods and services are only compensated for if they exceed the level requested by national legislation. Next to goods or services like these, also more sustainable farming systems (such as organic farming) are supported.

The scale of delivering public goods and services can vary considerably: from managing a few hectares in a nature-friendly way to whole farm approaches including multiple measures to increase sustainability (such as the French concept of agro-ecology). They all qualify for the purpose of this document as long as they fit the definitions put forward in terms of goods and territorial cooperation.

Over the last decades, the concept of ecosystem services has become popular. Although there can be overlap, this concept takes another angle: the benefits or services that ecosystems can provide. Some of them are paid for, but not necessarily by the government. Examples of overlap with public goods are for example functional agro-biodiversity and carbon sequestration. Some functions also have commercial benefits (e.g. pollination, medicinal resources). Also for some currently non-marketable goods, private money can be attracted (‘adoption’ by citizens, plus on the milk price for landscape management).

Why territorial coordination and/or cooperation?

Although this paper focuses mainly on cooperation, it is useful to make a distinction between:

- territorial coordination: the delivery of goods and services is coordinated on a landscape scale in order to optimise their cost-effectiveness. This can be done by a regional coordinator, attuning individual farm level measures, without involving farmers into regional cooperation;
- territorial cooperation between land managers: in this case, the land managers actively cooperate in the delivery by creating a separate organisation (adding democracy to the delivery process), by mutual learning, etc. The bottom-up calibre of cooperation is often stronger than in the case of coordination.

Regional coordination and cooperation can deliver benefits separately but can also add value to each other. Territorial coordination of public goods delivery may well be a first step towards a fully coordinated and cooperative public goods delivery in areas where achieving the latter is likely to be difficult and requires a stepped approach.

Cooperation is of course not a new phenomenon in the agricultural world. Agricultural cooperatives go back for over one century and were formed by partly the same reason as the 'public goods cooperatives': improved marketing. If we look at the existing examples of environmental cooperation, they include:

- elements of a production cooperative: common production of goods that encounter 'market failure', in this way that commercial markets are merely lacking and the government is the main 'buyer'. There are also examples of 'machinery pools' for environmental benefits;
- elements of a services cooperative: providing services such as administrative relieve and knowledge transfer (training) to members.

The potential benefits of a coordinated and/or collaborative approach are manifold:

1. Increased environmental output:
 - a territorially coordinated approach is more effective for species and habitats that exceed farm level, interlinking of elements and fields and reducing negative externalities such as water pollution (Oerlemans et al. 2007; Franks & McGloin 2007);
 - the approach facilitates increased tailoring of conservation measures. The design can be based on local circumstances and local knowledge. There is room for environmental innovation and for applying specific measures only to motivated farmers and on locations that potentially offer the best value for money;
 - a coordinated approach at regional level offers opportunities for green and blue corridors between large natural areas (conservation sites);
 - in case of full collaboration: an organisation close to the farmers increases participation and geographical coverage, which is beneficial to at least part of the envisaged output;
 - these organisations often provide professional support and education to farmers, bringing a better understanding of the ecological needs and a more professional management.
2. Farmers' advantages:
 - better tailored measures. Farmers are challenged to act as entrepreneurs of public goods;
 - less paperwork;
 - possibility of shared acquisition of specialist equipment;
 - mutual support, sharing of best practice;
 - access to budgets (e.g. from agri-environment schemes) that are not – or less easily – available in case of an individual approach
 - better access to arenas of political decision-making and policy implementation;
 - better opportunities to engage in dialogue with NGOs and civil society and subsequently improve the 'license to produce'.
3. Societal advantages: a collaborative approach to public goods is a logical way to connect farming, nature conservation and civil society (Renting & Van der Ploeg 2001).
4. Budget saving. If the territorial cooperation – as a future final beneficiary – has a major task in implementing the scheme, there are opportunities for a drastic scheme simplification and a reduction of the administrative costs. This matches the CAP's 2014-2020 wish for simplification and less administrative burden for governments as well as recipients.

Naturally, there can also be **disadvantages** from collective action. This applies especially if:

- the regional scale is not necessary or even not appropriate for delivering public goods;
- the farmer is or feels limited in his choices for the delivery of public goods;
- the transaction costs of cooperation are high and/or not covered by external funds.

Demarcation of the cooperative approach

If we wish to create a common language and common targets at the European level, it is useful to introduce some demarcation of the types of cooperation that we are aiming at. For a start:

- a. The cooperation is aiming at the provision of public goods and services, including the reduction of negative externalities to the environment, going beyond legal obligations.
- b. The cooperation is not an incidental one, but has some continuity. For example: the joint restoration of a wetland by farmers and conservationists differs from the joint application for a six-year agri-environment contract for the regional management of grassland birds.
- c. The cooperation happens within a demarcated group of people, either in an institutional way (by forming a legal entity) or by sharing a joint contract or contributing to a territorial plan for the production of public goods and services.
- d. The group has a set of common values, principles and goals for cooperation, and share a common vision on the region involved (also see the document on creating a network).

Cooperation may take many shapes

The demarcation criteria do not imply that there is a one-size-fits-all blueprint for cooperation. The shape will depend on the local traditions and 'social capital', on the nature of the public goods involved and on an assessment of the best 'production and marketing strategy'. Looking at the examples in the annex, we can roughly distinguish three types:

1. Initiatives aiming at mutual learning, encouraging sustainable (agro-ecological) practices, sometimes in combination with the marketing of regional products. There is a demarcated group and territory, but there is no legal entity and/or no regional plan.
2. Initiatives that have (created) a legal basis and are operating on the basis of a plan covering a geographical area.
3. Initiatives that have created a legal basis, have a strategy or plan and are (joint) beneficiaries of agri-environment schemes or packages.

The description in the annex shows that it is sometimes hard to exactly position the existing initiatives, especially as some initiatives have characteristics that overlap categories.

Success and failure factors for cooperation

The examples of cooperation for public goods show the following factors for success or failure (the latter often being the opposite of the first):

- Choose your **'common self-interest'**. For example: sustained access to agri-environment budgets through effective management of cross-farm species and habitats. Or: reduction of implementation costs.
- Try to develop a **shared vision** on the area's future, by interpreting national and regional planning frameworks while adopting a fully inclusive approach among local stakeholders.
- Ensure that the **process is transparent, information is shared** and that the collaborative **structure is flexible** to meet local needs..
- Cherish your **social capital**. Build on existing cooperation between farmers and/or local organisations. Attract motivated board members with **leadership qualities**, respected ambassadors and professional staff.
- **Create trust** among farmers and between farmers, conservationists and governments.
- If 'embedded trust' is lacking, **'externalised trust'** (for instance by respected consultants) may function well instead.

- Choose a **logical scale** of cooperation, using geographical and/or landscape borders, close enough to land managers. If the scale is too large, part of the advantages will disappear.
- Determine the **scope of the cooperation**: all rural development themes, all agri-environment issues or only the ones that exceed farm level (birds, green corridors, water)?
- Determine whether you (a) wish to become a **legal entity** and opt for the position of ‘final beneficiary’ under the new agri-environment scheme, or (b) are aiming at cooperation for a stronger territorially targeted agri-environment plan.
- Secure effective **advice, facilitation and ecological guidance**. The cooperation should ensure sufficient guidance to its members’ actions, either by its statutes, by its contracts or by its position in the scheme. Ensure adequate enforcement procedures.
- Guidance requires **selectiveness**. Tackle the ‘free riders problem’: do not allow a combination of collective and individual approaches in the same area.
- Organise the **knowledge** required, bridging practice, science and policy, and share with your colleague-initiatives.
- Invest in **communication**, both internal and external.
- Invest in the development and/or continuation of **local identity and shared values** (sense of place) as described in the separate document on the establishment of a network.
- Develop a **long-term focus**, encouraging local ownership of the public goods that will be inherited by the next generation.

3. The policy context

Now that the new EU regulations are finalised, it is up to the member states whether or not to use the options for cooperation or ‘collective approach’ mentioned in the introduction to this paper. At least: for the short term. In the longer run (CAP mid-term review in 2017 and CAP post 2020), there will of course be opportunities to change or fine-tune the options in the first and second pillar as well.

Challenges for national and regional governments

The challenges for an effective and workable collective delivery of public goods in the upcoming CAP period lie in the quality of the cooperatives as professional organisations and in the design of policy and implementation regulations that ensure compliance with the overall principles of administration and accountability together with a practical and motivating position for the cooperatives themselves.

Points of particular interest include:

- Enhancing new forms of territorial cooperation and further developing or professionalising existing ones. In general, it is perceived to be hard to attain budgets for rural development *processes*. However, the new rural development regulation (article 35) offers opportunities, although this is focusing on newly established cooperation or existing groups broadening their activities. Also the LEADER programme offers opportunities to create and support territorial cooperation;
- Development of sound implementation protocols complying with national and EU regulations (accountability). This especially relates to a role for territorial cooperation initiatives under the agri-environment article in the RDR;
- Development of attractive implementation procedures for collective delivery of greening (EFAs) under the first Pillar. The regulation on direct payments only offers a relatively global approach to collective delivery – perhaps the delegated acts will be more concrete;

- A serious role of territorial cooperation initiatives in the first and second Pillar requires sufficient budgets for implementation. The RDR enables a 10% increase in transaction costs, but there will also be a shift in labour from the Paying Agency to the region. For a collaborative approach to greening (first Pillar), the regulation does not include any support in implementation costs.

In spite of this all, many national and regional governments seem unaware of the existing opportunities for cooperative action or seem reluctant to use them. Informing and motivating governments may be a prerequisite to make the above ones work.

Challenges for EU and national administrations

For the short term, there are still some problems to solve as to the position of territorial cooperation initiatives under the agri-environment scheme:

- The enforcement of cross-compliance rules under a collaborative approach. The obligations on Good Agricultural and Environmental Condition are compulsory for any EU payments;
- The implementation of on-the-spot checks. In case the implementation of measures lies with the cooperation initiative, the Commission offers no room for a smaller than the obliged 5% share of government checks. This is a major obstacle to save implementation costs;
- How to deal with individual breaches of contract? If the penalties do not apply to the individual farm or area only, they could have a huge and unfair impact on the payments (agri-environment and Single Farm Payment) to all group members.

The first and third points require adjustment of the Horizontal Regulation and are likely to be solved. The second problem will not be solved on short term. It appears to be hard to invent and include workable rules for self-governance into the CAP. Self-control and self-evaluation, whether or not laid down in certification schemes, will not comply with the Commission's framework for the accounting of public money.

For the longer term, the challenge will be to extend the possibilities for a collaborative approach to other parts of the rural development policy: e.g. services for Natura 2000, for the Water Framework Directive and for non-productive investments.

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Annex: Examples of cooperation for public goods

Cooperation for the equal share of clean irrigation water in Spain

Spain has over 7,000 communities of irrigators, associations of water users. Each association is (collectively) granted a state water concession. The association elaborates the rules for the individual distribution of the water in such a way that the waste and contamination of water are discouraged.

Agro-environmental cooperatives in Flanders

In Flanders, agrobethercentrum Eco², a collaboration between Flemish farmer organisations and nature and agriculture administrations, stimulates and supports farmers to collaborate on landscape, nature and water management. Since 2009 some 25 local agro-environmental cooperatives (AEC's) are formed (number is growing each year) on the initiative of local farmers, on a wide range of topics: farmland birds, bees, botanic grassland diversity, erosion control, hedgerow management, water conservation, etc. In these groups, farmers take collective action and organize management work in an efficient way in order to create ecologic and economic benefits. Agrobethercentrum Eco² supports the AEC's in administrative, educational, organizational, legal and technical way.

Cooperation for the management of mountain pastures in Italy

In the Italian Aosta Valley, some 40 farmers are collectively taking care of over 3,000 hectares of mountain pastures. The summer grazing (for which the animals have to be moved) is carried out in close cooperation between farmers and with local breeders, milk consumers and cheese makers. This local network ensures an economic production together with a sustainable management of mountain pastures.

Cooperation for the re-naturalisation of the Tullstorp Stream in Sweden

In the Swedish municipality of Trelleborg, a bottom-up association of landowners and municipality was created to jointly re-naturalise the Tullstorp Stream, merging into the Baltic Sea. In the context of a Leader project, the riverbed was widened, the riverbanks were re-planted and new wetlands were created, resulting in reduced flooding, erosion and nutrient emissions and increased biodiversity in and alongside the river. The association is now broadening its scope to new activities and non-agricultural small-scale businesses in the region. The association has a solid administrative and political network. Its activities are funded under the rural development programme (agri-environment, Leader, non-productive investments) and national programmes.

Cooperation for the grazing of common land in England

The New Forest Verderers are managing common grazing land in England's New Forest. Their responsibilities to manage and preserve the traditional landscape including its flora and fauna go back to a 1877 Act of Parliament. They negotiated a special agri-environment package, the Verderers Grazing Scheme, for the proper management of some 17,000 ha of woodland pasture.

Cooperation for a more sustainable fruit farming in Italy

In the valley of the river Aso, an informal farmers' association New Agriculture is established, aiming at a more sustainable fruit (especially peach) production. Over 100 farmers are participating, reducing environmental impact by applying Integrated Pest Management and establishing green cover. They also form a knowledge network and have been developing common marketing with a local label.

Cooperation for the acquisition of equipment for sustainable production in France

In the French Ardèche region, 52 farmers are cooperating in a so-called Economic Interest Group for the joint acquisition of equipment aiming at reducing the use of chemical inputs and to improve the phytosanitary conditions. The group also provided training to farmers. The cooperation also improved the farmers' image in society and created new jobs and markets. The group is now broadening its activities with the production of leguminous crops and methane from manure.

Cooperation for farmland biodiversity in the Netherlands

Since the 1990s, farmers in the Netherlands started to organise themselves on the production and marketing of farmland biodiversity. Today, there are some 160 of such regional groups, all being legal entities. Many of them broadened their scope to other rural development themes as well. Although they have no formal position under the Dutch agri-environment scheme, many of them function as a coordinator for the elaboration of

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regional management plans for farmland birds. From 2016, the Dutch government will exclusive deal with these organisations: they will be the final beneficiaries of agri-environment support.

Fundatia ADEPT: enhancing farmers' cooperation in Romania

ADEPT is an NGO that started 10 years ago, focusing on the maintenance of pastoral ecosystems in the Tarnava Mare area in southern Transylvania. In doing so, ADEPT enhanced the creation of farmers' cooperatives and helped improve existing ones for reasons of marketing, access to information and access to agri-environment schemes. One example is a village association (39 members) that created a group agri-environment scheme and is using funds received for community projects.

Cooperation for agro-ecology in France

In 2013, the French ministry launched a call for proposals on a new concept: farmers' groups cooperating on agro-ecology (GIEE: *Groupements d'intérêt économique et environnemental*). The initiative is bottom-up, but in order to be officially 'recognised' the groups have to meet a set of criteria, including multi-annual actions complying with regional plans. In return, they have access to earmarked rural development funds and benefit from tax exemptions. Early 2014, some 100 out of 460 applications were granted, involving 3,300 farms. Their actions include self-sufficient cattle farming, water quality, reduction of farm inputs, organic farming, and soil conservation.