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Social Actors in the Implementation of EU Agri-Environmental Policy

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Social Actors in the Implementation of EU Agri-Environmental Policy

Eduardo Moyano and Fernando Garrido
IESA-CSIC
Cordoba, Spain

Presented by Jenny C. Aker, University of California-Berkeley
Workshop on Agri-Environmental Politics in the US and EU
May 27-28, 2005

Thank you. My name is Jenny Aker, and I have been given the honor of presenting Eduardo Moyano and Fernando Garrido's work on "Social Actors in the Implementation of EU Agri-Environmental Policy". Unfortunately, neither presenter could attend this conference, so I will present the main results and findings of the paper, as a complement to the earlier paper on US implementation. I hope that I'm able to do the paper justice!

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Outline

- Brief Overview
- EU Agri-Environmental Policy
- Implementation of EU Agri-Environmental Policy: The Case of Spain
- Possible Research Extensions

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Social Actors and EU Agri-Environmental Policy

- While agri-environmental policy is determined by the EU, the selection and implementation of agri-environmental policy at the country level is endogenous
- Therefore, the interaction among governments, stakeholders and participants is key for understanding the implementation and impact of EU agri-environmental policy

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Although the formulation of agri-environmental policy is dictated and "approved" by the EU, the selection and implementation of agri-environmental policy at the country level is endogenous. What does this mean? While the EU sets the overall framework, agri-environment is a site-specific policy: In other words, measures can be tailored to local agronomic and environmental circumstances. This means that members, and regions, can implement the policy in diverse ways.

At the same time, since EU agri-environmental policy is based primarily upon agricultural upon payments–in other words, supports and subsidies to encourage farmers to participate in farm schemes–a significant amount of money is at stake. Figure 1, drawn from the EC/DGARD study on "Agro-Environment Measures", shows the evolution of EU spending on the agro-environment since 1993, from approximately 100 million Euros in 1993 to over 2000 million Euros in 2005. The program's total spending has increased significantly over that time period at the EU level. Bluntly put: A lot of money is at stake, both for the EU and for member countries. Consequently, the EU agri-environmental program can have large impacts upon social welfare.

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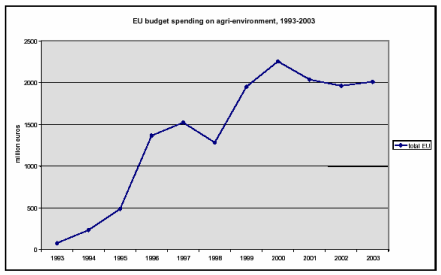
Social Actors and EU Agri-Environmental Policy

Figure 1: Trends of Community expenditure on agri-environment (1993-2003)



Source: EAGGF Guarantee section, budget execution.

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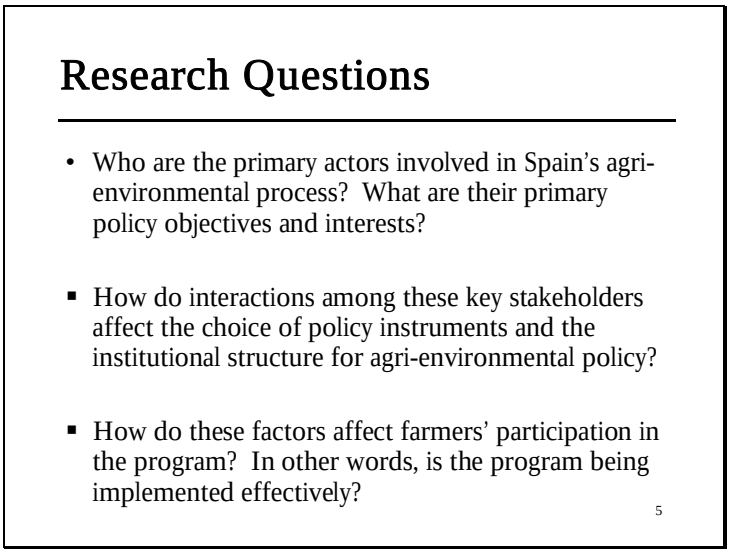

What does this mean? In light of its impact upon social welfare, understanding the ways in which local agri-environmental policies have been implemented is crucial. This can be formulated by looking at three research questions:

Who are the primary actors involved in Spain's agri-environmental process? What are their primary policy objectives and interests?
How do interactions among these key stakeholders affect the choice of policy instruments and the institutional structure for agri-environmental policy?
How do these factors affect farmers' participation in the program? In other words, is the program being implemented effectively?

To answer these questions, the paper looks at the application of the EU agri-environmental policy to a specific country (Spain) and how the opportunity structure (interest groups, government, policies) and preference structure (farmers' attitudes and preferences) affect implementation and farmers' behavior.

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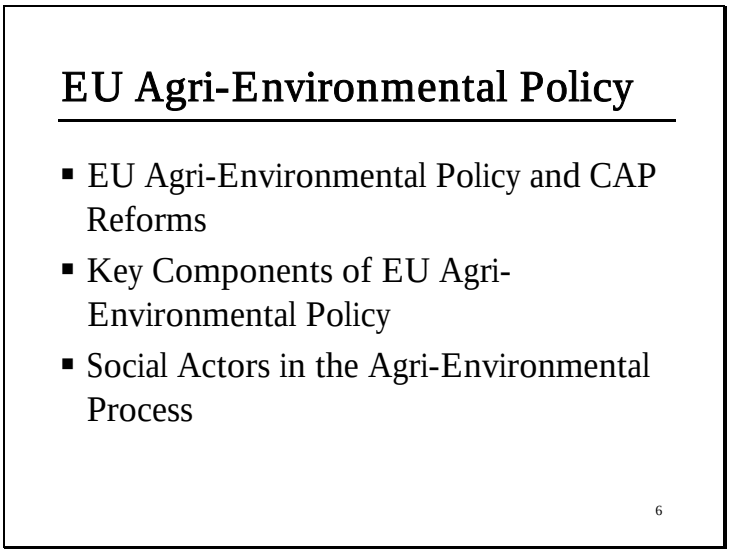

Before assessing the effectiveness of agri-environmental policy in Spain, it is important to review EU agri-environmental policy with regards to three dimensions: 1) its relationship to the CAP reforms; 2) its key components; and 3) the social actors involved.

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CAP Reforms and Agri-Environmental Policy

- The EU's agri-environmental policy is related to the CAP policy reforms
- More specifically:
  - Agri-environmental reforms' logic, content and evolution parallel those of the CAP
  - EU agri-environmental policy is funded by the CAP
  - There is overlap between the actors involved in the CAP and the agri-environmental policy process

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While EU agri-environmental policy dates back to the 1980s with specific member countries, such as Denmark and the UK, the "policy" was officially approved in 1992, with R(EEC) 2078/92. Nevertheless, it is generally recognized that EU agri-environmental policy is not the extension of environmentalisation into the political arena, but rather a political process. Moyano and Garrido argue that EU agri-environmental policy is directly linked to the CAP policy reforms of 1992. Generally, it was the result of changes in priorities of the CAP, which took place when it became clear that the system of protection related to "productive" agriculture had damaging environmental effects.

This linkage between the EU agri-environmental policy and the CAP reforms is strengthened by the administrative and financial structure linking the two. More specifically, agri-environmental policies are funded by the CAP, through FEOGA, and depend heavily on the CAP's institutional framework. The policy is co-financed by the EU and national countries.

And finally, much of the discourse and strategies of the actors involved in the "old" agricultural policy are similar to those engaged in the current agri-environmetnal process.

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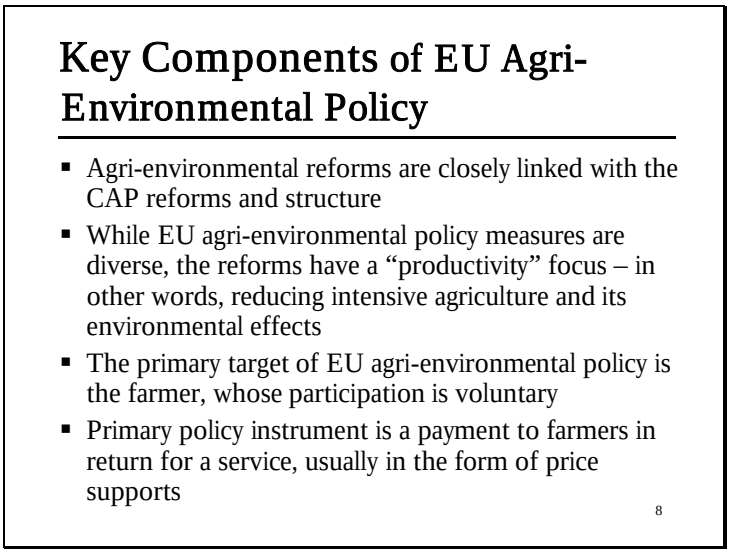

What does this mean? This means that the components of EU Agri-Environmental Policy have a strong "agriculture" flavor, and are characterized by the following:

As mentioned above, EU agri-environmental policy reforms are closely linked with the CAP reforms and structure. This has implications for its focus and implementation.
While the EU agri-environmental policy measures are diverse, broadly speaking, the EU defines its objectives in this area as either "reducing environmental risks associated with modern farming", and "preserving nature and cultivated landscapes." While the agri-environmental policy is site-specific, and can be designed at the national, regional or local level, there is general consensus that the focus of agri-environmental policies are "productivity"-focused – in other words, the importance of reducing the negative impacts of intensive agriculture on the environment. This is linked to the policy's definition of the relationship between agriculture and the environment, which is closely linked to the definition used by EU countries in Northern and Central Europe .
Farmers are targeted to carry out agri-environmental commitments, which entail more than the application of "good farming practices". The program is optional for farmers, who may choose to sign a contract to carry out one or more measures to provide an environmental service. This implies, therefore, that an incentive compatibility constraint is required – in the form of payment.

This relates to #4. The primary policy instrument involved in the program – an "incentive" – is a payment to a farmer in return for a service. This can be support for implementing the program, as well as compensation for any losses incurred. In practice, this has usually involved subsidies. This fits into the "Green Box" of the WTO.

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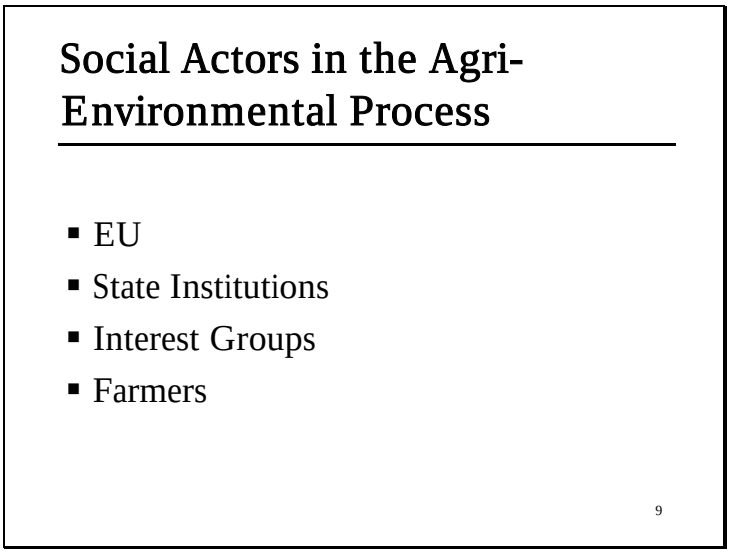

While the actors involved in EU agri-environmental policy are diverse among member states, the general actors include the following:

The EU, which is the policymaking center that sets the overall policy
State institutions or member states, who actually implement the policy. These include national and regional governments that are responsible for implementing the policy.
3. Interest groups (or civil society), who usually involve farmers' groups, which have represent the interests of farmers' groups, but also have their own interests. Depending upon their relative political power, they can exert an important influence in the political bargaining process, both in terms of policy formation (i.e., the amount of the subsidy and the types of activities supported) but also in terms of support to the program (by providing support to farmers to implement the program).
4. And the final group is "farmers", who are the targets of the policy and beneficiaries of the policy interventions.

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EU Agri-Environmental Policy Implementation: The Case of Spain

- The implementation of the EU's agri-environmental policy in Spain is influenced by interactions between different stakeholders and the policymaking center
- Farmers' decisions to participate in this program – which is necessary for the program's successful implementation -- are influenced by the *opportunity structure* and their *preference system*

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Implementation of these policies in Spain is an interesting case study for studying the dynamics between political and economic forces.

As mentioned in the introduction, since agri-environmental policy of member states is determined by those member states, policy formation is endogenous. This implies, therefore, that the implementation of the EU's agri-environmental policy in Spain is influenced by (or an outcome of) the interactions between different stakeholders and the policymaking center.

More specifically, farmers' decisions to participate in the program – which is necessary but not sufficient for the program's successful implementation – are influenced by the opportunity structure of the policy and their own preference systems.

What are opportunities structures and preference systems? An **opportunity structure** is defined as the context within which farmers' operate. This includes the policy intervention itself, the institutional aid network, advisory/extensions services, and collective actors (or interest groups). The primary stakeholders who influence the opportunity structure are the policymaking center (the local/autonomous communities) and interest groups (farmers'

groups). Each group influences the policy (amount of the subsidy), the type of official institutional support, and the type of “unofficial support”.

A **preference system** is defined as the farmer’s individual-level preferences that determine his attitudes and hence, his behavior. Moyano and Garrido classify this preference system as having both a substantial and instrumental rationale components. More specifically, an “instrumental rationale” approach assumes that civic engagement is essential to achieving population-level outcomes or implementation of community-based initiatives – i.e., the rationale for participation is motivated by self- or community interest. This rationale further assumes that government and institutions are fundamentally limited in their ability to adequately assess and "treat" communities because they lack sufficient cultural capacity or social networks to reach and influence community residents.

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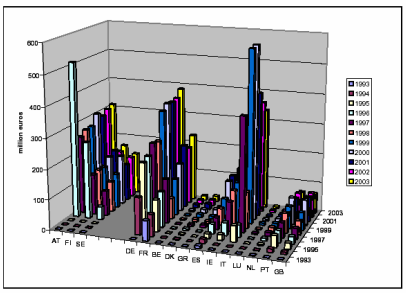
EU Agri-Environmental Policy Implementation: The Case of Spain

Figure 3: Agri-environmental EU expenditure 1993-2003 by Member State



Source: EAGGF Guarantee section, budget execution

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With this in mind, how is the EU agri-environmental policy being implemented in Spain? This graph shows that, while uptake has been uneven across member states, Spain's spending is not insignificant. This figure does not actually show Spain's own contribution to the process, but I was unable to find those figures.

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The Institutional Environment: State Institutions

- The current agri-environmental policy in Spain is a direct result of the EU policy, and there appears to be ***ongoing tension*** between EU and member states on this issue
- The Spanish political structure is ***decentralized***, specifically with respect to agricultural and environmental policies
- Spanish agriculture is characterized by ***structural diversity***
- The farming community appears to be ***"socially dislocated"*** from state structures

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In general, Moyano and Garrido make the point that environmental concerns have not necessarily been the result of local or national interest in the environment. In fact ,they point out that Spain has made little reference to environmental issues prior to 1992. Consequently, the current agri-envrionmental policy in Spain is a direct result of the EU policy. In this sense, the EU's agri-environmental policies are perceived as 'top-down', with decisions made by the EU, and the specific relationship and relevance to Spain and agriculture somewhat unclear.

Spain's fifty provinces are grouped into 17 autonomous communities. The structuring of the Spanish State into Autonomous Communities is one of the most important points of the Constitution. The autonomous communities have wide legislative and executive autonomy, with their own parliaments and regional governments. This means, then, that agri-environmental issues are devolved to the autonomous communities. What does this mean for agri-environmental policy in Spain? First, it means that ACs are deciding upon the content of the programs, and which departments are responsible for implementation. Second, it means that some communities have shown little interest in funding programs, or have delayed approval.

Given the structure of Spanish agriculture, there is a large difference in actual agricultural and environmental needs, perceived needs, and the "potential" offered by the policy. For example, some regions have seen the policy as an opportunity for resolving

agricultural problems, whereas others have viewed it as a means to complement farm incomes in the context of reduction in traditional protection system (and specifically subsidizing some agricultural production in crisis).

The agricultural community is poorly organized, and, overall, farm associations have a weak service structure. Specifically, farmers' institutions are not linked with the territorial administrative structures for agriculture.

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What does this imply for the agri-environmental program, and specifically the "opportunity structure" (or operating environment) for farmers, which is crucial to their participation? All of these characteristics of the Spanish governmental institutions have implications for the implementation of the EU agri-environmental policies, primarily by changing the opportunity structure. Overall, Moyano and Garrido emphasize that this institutional framework has resulted in difficulties in implementation of the EU agri-envionmental policies, but for different reasons. These can be boiled down to three effects:

Political buy-in
Multiple policymaking centers
Weak institutional structure

Political buy-in:
The first aspect is strongly linked to the idea of governmental attitudes towards environmental policy. Moyano and Garrido have surveyed local agricultural officials, who are generally critical and skeptical of this policy. More specifically, they feel as if the policies are not appropriate, as they are more closely related with the environmental

realities of the Northern EU countries (i.e., reducing intensive farming) as opposed to Spanish realities. In addition, such officials feel as if the goals of the EU policies were unclear: Is it to raise income (as a replacement of the old CAP) or to respond to genuine environmental problems?

What does this mean for the opportunity structure? It means that resources are spent on "convincing" local policymakers of the importance of this initiative.

Policymaking Centers

While this "site-specific" programming can be positive, the policy instruments are unclear, as are the goals for the policy. This causes further complexity when trying to analyze farmers' attitudes towards agri-environmental policy.

The third aspect, weak institutional linkages, implies the lack of the necessary institutional support for farmers, beyond payments, to actually implement these changes. In addition, it appears to create a vacuum for the mediation and discussion of structural policies (i.e., feedback).

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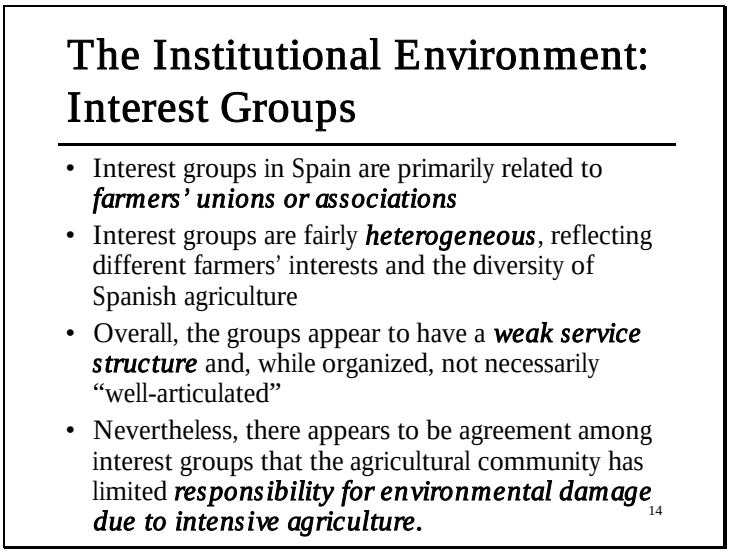

The primary interest groups involved in this policy formulation are the farmers❼ groups, who have the following characteristics.

In general, because the groups are heterogeneous, the groups have divergent attitudes towards the relevance and appropriateness of the EU agri-environmental policies and their specific positions. For example, the ASAJA (Agricultural Association of Young Farmers) is interested in agri-environmental problems from a economically sustainable perspective and modernization; whereas the UPA (Small Farmers❼ Unions) and COAG (Federation of Farmers) is more interested in agri-environmental programs. Perhaps related to the heterogeneity of the farmers❼ interests, such groups also appear to have a weak service structure, and, while organized, not necessarily well-articulated. This can affect their political power base as compared to other countries, such as the U.S. -- because, while they are a small group, they are ❽geographically diverse❾ due to the political structure (autonomous communities).

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Interest Groups and the Opportunity Structure

- ***Incentive and financial compensation measures:*** In other words, payments and price supports, particularly those to encourage participation, will be crucial to their support of the program
- ***A "techno-centric" approach:*** As opposed to more "extensive" practices, science and technology may be viewed as providing the solution to agri-environmental problems
- ***Additional bargaining power:*** Given the state structure, interests groups have the potential for greater bargaining power due to their direct linkages with farmers

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Despite the relative weakness of such institutions, farm associations have the opportunity to ***affect the opportunity structure*** via governmental lobbying and supporting farmer initiatives, primarily by extension programs.

For the third element – since the linkages between the interests groups/farmers and the government are weak, then the interest groups could increase their power in this process, either by lobbying farmers or providing/withholding services, which could increase their power.

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Farmers' Participation: Preferences and Opportunities

- Farmers' decisions to participate in the policy are influenced by their *preference system* and the *opportunity structure*
- The *opportunity structure* is primarily affected by agri-environmental policy instruments, which are determined by the governmental institutions and farmers' groups
- The *preference structure* of Spanish farmers is dominated by an "instrumental rationale", implying a central concern with farm incomes

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As the beneficiaries and targets of this program, farmers are the true ❽implementers❾ ☙ i.e., their participation in the program in voluntary. Consequently,

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Farmers' Participation: Key Findings

- ***Larger landowners are more concerned with the environment than small landowners***, and are more likely to participate in the program without income compensation
- ***Agri-environmental programs are less interesting to small farmers***, as subsidies are lower than those provided under the CAP
- ***The environmental effect is dominant in those areas where the negative environmental effects caused by agriculture are evident.***
- ***Behavioral modification (i.e., participation) does not necessarily imply attitudinal change***

As the beneficiaries and targets of this program, farmers are the true ❽implementers❾ ☙ i.e., their participation in the program in voluntary. Consequently, Moyano and Garrido have noted the following:

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Possible Research Extensions

- In light of the decentralized political structure in Spain, a ***cross-regional comparison of the efficiency of the current agri-environmental policy*** would be useful and could provide invaluable insights into the implementation

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In order to do this, a specific benchmark of efficiency would be required – whether environmental or economic.

The bargaining model could be used to better understand how regional policies are developed, and to determine the efficiency of those policy regimes within and across Acs. For example, the cooperative (or non-cooperative) equilibrium group choice is a compromise among stakeholder and participant interest and the center's interests, reflecting the relative power of each group In addition, the model could be used to assess the relationship between Spain and the EU in this context – i.e., how Spain could influence the EU's agri-environmental policy process.

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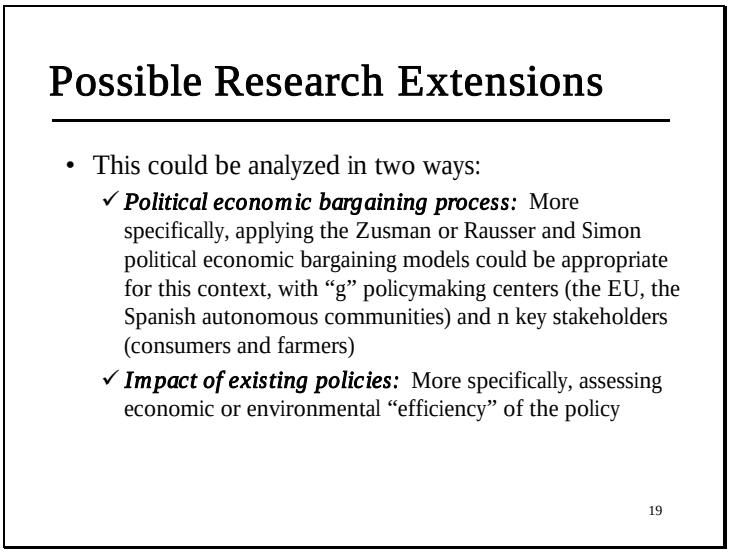

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Possible Research Extensions

- The results of these analyses could also be used to formulate ***policy recommendations*** for Spanish agri-environmental policy and the EU's decision-making process with regards to agricultural and environmental issues, addressing some of the following questions:
  - What is the bargaining process between the member states and the EU for such policies? How can "Southern" states better influence the articulation of such EU policies?
  - Are region-specific payments the most efficient policy regime for Spain? More specifically, does the current structure result in rent-seeking behavior on the part of interest groups? If not, what other policy regimes should be considered?

Benchmarks could include economic and environmental benchmarks.

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