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Green services and state aid requirements:

New urban-rural relationships considered in institutional and sense-making perspectives
Green Services and State Aid Requirements:
New Urban-Rural Relationships considered in Institutional and Sense-making Perspectives

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ABSTRACT

Over the recent years there has been a growing interest in the Netherlands for establishing new public private partnerships in the field of rural development. Under the label of ‘green services’, farmers are financially rewarded by both public and private bodies for their nature and landscape activities, especially near the urban area. Despite a general positive stance of urban and rural actors involved in these projects, it has cost considerable efforts for these projects to take off, in particular due to the EU state aid regime. Though, rather then to describe these formal rules as somewhat exogenous and autonomous forces that caused this difficulty we demonstrate how these state aid requirements are brought to life in the multi-level EU context, in which different actors need to interact. By drawing upon a sociological institutional and a sensemaking perspective we describe and explain how a deadlock may come into existence as well as how agents (inter)acted in order to find a feasible social practice.

Introduction

Though the history and development of cities is often described independent from its rural environment (Reader 2006), the urban-rural relationships in advanced economies are full of political and administrative struggles. Traditionally, the cities perceived the rural areas in their direct environment as open spaces - though food is produced out there - to be used for urban extensions and for the time being occupied by people who are backward in cultural perspective. People in the rural areas, on the other hand often perceived the cities as an area for trading agricultural products (regional and local markets), as spaces with economies of higher pace, and as suppliers of advanced services (education, health service, sports, culture). Recently however, some changes in these mutual perceptions can be recognized. Nowadays, the urban population uses the rural areas more and more as a consumption space for their own reproduction and leisure. As a result, there is an urban demand for green and blue services to be provided by the rural areas. Urban dwellers seem to enjoy the outskirts of the city as a play-ground in a rural idyll. To provide nice landscapes, well accessible walking and biking roads, cattle in the meadows, some wild nature new investments in landscaping and in new facilities (ferries, bridges, side walks, et cetera) are necessary. Governmental means are however limited, especially for those rural areas near the urban areas, as these ‘white areas’ fall between the ‘high nature’, like the main ecological network and the urban environment, on which most financial resources are targeted. Local governments alone cannot provide these facilities. It would require huge investments in the acquaintance and management of the rural area (Van Moorsel and Dijkman 2007). On the other hand, local farmers who already have control over these grounds, perceive a market to offer a supply to this demand, and some of them are ready to renew their business. Their involvement in providing these green and blue facilities could be a solution for the limited resources of government. Of course, the provision of such a ‘multi-functional firm’ is not easy to
organise (in a profitable way) as the demand to the rural area is badly organised; the market for these green facilities is uncertain and risky.

In the Dutch *National Structure-scheme on the Green Environment* (2002) the concept of ‘Green Services’ was introduced. It was suggested that this concept could represent a new policy-arrangement that would enhance a new economic pillar for agribusiness, but foremost had to satisfy the urban demand in the rural areas. The next section of this paper will elaborate the genealogy of the concept ‘Green Services’, and how it got in conflict with existing institutions at different levels of government. Then (section 2), we will introduce two theoretical perspectives that can help to understand why the new arrangement could result in a dead-lock among the actors involved as well as to find tools for passing this dead-end in the process. For this aim we have selected an institutional as well as a sensemaking perspective. In section 3 we will set out our research method. Section 4 will provide a more in-depth view on the multi-level governance context of the ‘Green Services’ policy-arrangement. Here we present an (extreme) case-study near the city of Nijmegen (Landscape development by funding private contracts in Ooijpolder-Groesbeek). This case-study will illustrate what kind of actions and initiatives at different levels of government and governance were necessary in order to find a way (‘modus vivendi’) between top-down policy principles and bottom-up initiatives. Finally, we will suggest some items for discussion concerning short-term pragmatism and long-term sustainability of the new urban-rural idyll and we would like to elaborate our study in a comparative transnational context.

1 Green Services: a short genealogy of a policy-category

From the 1970s onwards nature conservation and spatial policies in the Netherlands have focussed on the preservation of the country side. National policies not only targeted the threats of a further expansion of the urban area but also devoted specific attention to spatial and environmental impacts of the on-going rationalisation in agriculture (Frouws 1998, p.54). The increased pressure on the country side due to the modernisation and intensification of the agricultural sector called for regulatory measures to preserve the rural areas (Eshuis 2006, p.6). To integrate these agricultural practices with nature conservation, landscape management and recreational demands various agro-environmental programmes have been established. In fact, the government introduced financial compensation, in the form of subsidies, based on a compensation principle for suboptimal external production circumstances (i.e. the loss of revenues and additional labour costs), when farmers were ready to take the traditional characteristics of the country side into account.

After an initial hesitance and even distrust of farmers to join these programmes, farmers have become more enthusiastic to participate since the mid 1990s (RLG 2002, p. 22–4). Various authors (De Bruijn 1995, Renting et al 1994, Glasbergen 2000 in Eshuis 2006, pp.6-7) attribute
credits for this change in attitude among farmers to the so-called ‘agricultural nature associations’ that have been established since the beginning of the 1990s in the Netherlands. These associations have called for a decentralisation of different policies and for self-regulation by farmers.

The call for more autonomy and self-regulation at the local level, particularly in the fields of landscape and nature conservation management, was recognized and elaborated by the national government at the beginning of the new millennium. Of course, the call for more public space and participation of private actors and market-oriented locally based initiatives fits well in the neoliberal economic approach of the government concerning the agricultural sector (Van Duinhoven 2002 / Interview with the Minister of Agriculture). In various governmental documents (MNP 2002, Ministry of Agriculture 2004, Ministry of Housing 2001, 2006) the rural country site, has been recognised as an attractive economic product that could broaden farmers’ economic activities and increase their income.

The national Structure-scheme on the Green Environment (2002)\(^2\), in particular introduced the concept of ‘Green Services’ (GS)\(^3\). The concept of GS clearly moves away from perceiving the demand for landscape and nature as bad external conditions for agricultural production, which should be compensated by governmental subsidies. Instead of that, the concept of GS aims to appreciate the measures taken by farmers as a commodity desired by society that should be rewarded (by both private as governmental bodies) with a market-related price. Besides this reframing of the role of farmers in the rural area, the concept of GS also aimed to move away from the rigid subsidy schemes that have been developed by the national government and to allow for more bottom-up initiatives in which actors in the field themselves can decide on how much they want to pay for what measures. Public authorities, non-profit organisations or private parties should be able to set up private business contracts with farmers for the provision of these service (RLG 2002, p. 19).

Inspired by the concept of GS, and enhanced by financial promises by the national government, numerous initiatives have been developed. Local and provincial bodies have initiated and/or supported various initiatives. In 2006 over 40 initiatives had been elaborated (Van Moorsel and Dijkman 2007). All over the country the concept is picked up with much enthusiasm and various provinces had been actively involved in promoting the concept by drawing up policy documents on the role of these GS.

Though GS was launched by the national government, the local initiatives were confronted with legal and policy obstacles as soon as they claimed financial support by the national authorities. Although the projects searching for support seemed to fit very well in the national policy framework concerning GS, the reserved money at the national level did not flow to the regional and local budgets. It was argued that especially EU requirements concerning state aid prohibited

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\(^2\) Structuurschema Groene Ruimte. So-called Structure-schemes are national spatial policy documents that target a specific domain, e.g. the environment, transportation, defence, etc. in which the government set out desirable developments and its spatial impacts.

\(^3\) References to Green Services were also made in the MNP4 and appeared in Parliament.
the national authorities to deliver finances for GS irrespective of the juridical construction on which the local governance activities was based (MNP 2002).

Of course, the application of these EU state aid requirements to the concept of GS was heavy contested (see case-study in section 4). Though for national authorities, in particular the Ministry of Agriculture, there was no doubt that this was the right thing to do. Given their experience with the accurate examination of the European Commission during the state aid notification and the high risk of not meeting the state-aid requirements, i.e. a repayment of the financial ‘support’, there was good reason to expect that these civil servants would implement the GS-policy category as prudent as possible, especially given the rather high financial penalties from ‘Brussels’ that national government had experienced recently (ESF, animal diseases). The application of these EU state aid requirements however, produced much ambiguity to those in the field and turned out to be a shock event for the ambitions, credibility and trust in the local rural communities and political arenas (Weick 1995).

We argue that the multilevel context in which these EU state aid requirements are applied, is likely to enlarge the ambiguity around the formal rules. Positioning itself between the Commission and those in the field, the Ministry of ANF was forced to mediate between EU demands and regional and local expectations, but also was in the position to lay down their interpretation of these requirements. The resulting complex network of interdependencies between the different governmental spheres produced finally a dead-lock. The case-study below will focus on this dead-lock as well as how agents have (inter)acted to initiate new meanings in order to find a social practice that could save the credibility for the GS project in the local communities. This rather (extreme) case will be based on a theoretical framework to be set out in next section. Two perspectives will be used. One will draw on theories of institutions, to describe the production of dead-locks. The other focuses on sensemaking to explain how new ‘meanings’ are created and how this blockade has been broken.

2 Understanding EU requirements: an institutional and a sensemaking perspective

The theoretical framework developed here moves away from perceiving the EU state-aid requirements (and formal legislation in general) as somewhat exogenous and autonomous forces that caused the ‘destructive’ ambiguity. On the contrary, we will outline an argument in which law is perceived as gaining ‘meaning through its interpretation and its implementation’ (Edelman,

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4 Interview
5 For critical notes on the understanding of formal rules in the new institutional literature see Suchman and Edelman 1996 and Black 1997
Here it is argued that formal rules are neither explicit nor authoritative independent variables.

In our opinion, (the operation of) law primarily needs to be understood through the meaning actors attribute to these rules and by what they consider as compliance, though they accept the law as legitimate\textsuperscript{6}. Therefore, it is relevant to announce already that the actors involved in the case-study do not resist as such the existence of EU state aid restrictions. They contest only the assessment of these rules in this specific context.

Below we will present a dynamic and social perspective on this process (Manning 1992), in which different actors (need to) interact and make these formal requirements work. As the application of formal rules often takes place in the context of, or is related to concrete projects or activities, it is of importance to take into account the related processes in which actors interact with and are mutual dependent (each actor needs some resources in the hands of another actor to realize his/her own goal) (Crozier and Friedberg 198X, Termeer 1993).

To understand these processes we will draw on both a sociological institutional and a sensemaking perspective, which in our view are complementary perspectives. Both perspectives are explicitly concerned with how actors ‘conceive their contexts and (…) how they will act in relation to them’ (Nicholson 1995, p.155, cited in Weick 2003, p.185), though they differ on the (active) role of actors/agents in this process. While the institutional literature calls attention in particular for the routine-like behavior of actors, the sensemaking literature provides mainly an understanding for situations in which actors, as agents, feel urged (for whatever reason) to opt for non-routine behavior.

\textbf{2.1 Sociological institutionalism: ‘what is appropriate?’}

Though we draw upon a social and dynamic perspective to understand the operation of these formal requirements, we have to take into account that actors are likely to enter these interaction with an idea or conception concerning these laws which is based on their previous experience, on certain norms or cognitive templates. Surely, actors may enter this process as blanks, not knowing how to interpret or to comply with a formal rule, though it is likely that have at least have some hunch of what these rule mean

Actor’s reliance on existing templates is convincingly put forward in sociological institutional literature, one of three types in neo-institutionalism, besides the rational choice (inspired) or

\textsuperscript{6} cf. Jönsen and Tallberg 1998 and Wiener 2004 for a critic on the understanding of compliance in especially the literature on international relations

\textsuperscript{7} The original quotation concerns enactment processes – the main activity in sensemaking - and reads as follow ‘conceive their contexts and make choices about how they will act in relation to them’ (Italics ours). It is precisely this aspect ‘make choices about’ on which the institutional and sensemaking literature differs from each other.
economic institutionalism and the historical institutionalism, that have witnessed a revival in the social sciences since the late 1970s (Hall and Taylor 1996). Though the former section concerning the genealogy of the GS concept fits well in an historical institutional perspective, it is supposed here that our object of study – GS in a setting of state aid requirements – should be approached mainly from a sociological perspective on institutions.

The main argument of the SI literature is that much of our behavior is affected by institutions which ‘…include not only formal rules, procedures or norms, but the symbol systems, cognitive scripts, and moral templates that provide the “frames of meaning” guiding human action.’ (Hall and Taylor 1996: 947). Agents often fall back on these frames to understand the world and to ‘find out’ / resort how to behave. When it comes to the operation of formal rules and requirements, the SI perspective provides an interesting insight by drawing our attention to the idea that, when actors are faced with a situation or in this case a formal requirement, they ‘…must find a way of recognizing it as well as of responding to it, and the scripts or templates implicit in the institutional world provide the means for accomplishing both of these tasks’ (Hall and Taylor o.c.: 948). The ‘effect’ of these frames (in particular on the behavior of actors) is often described or summarized by March and Olsen’s (1989) famous ‘logic of appropriateness’, which links the behavior of actors to their role in a specific situation (contingency); the behavior of actors then needs to be understood in terms of ‘doing the right thing’ (Risse 2000: 3-4).

The role of these ‘frames of meaning’ in disposing actors to behave according to ‘given’ norms and values, is explained in various ways in the sociological literature. First and foremost, it is argued that we do so simply ‘because other types of behavior are inconceivable’ (Scott 1995: 44). These meanings can become so evident or taken-for-granted that actors are no longer eager to reflect on them (Termeer and Kessener 2007: 3); actors may just simply see them as ‘facts’ and feel no need to ‘go behind them’ (March and Olsen 2004: 7). However, the sociological institutionalism should not be seen as a perspective that merely emphasizes the role of institutions in constraining the behavior of actors, as may have been become clear from the above. On the contrary, SI (and the neo-institutionalism in general) is keen to stress that the ‘frames of meaning’, norms and values are extremely relevant in enabling actors to act. Institutions are maintained and followed as they reduce the uncertainty in our daily lives by making our behavior

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8 There are various categorizations found in the institutional literature. In the political sciences we often find a categorization between rational choice, historical and sociological institutionalism (Hall and Taylor, 1996), although various authors argue that historical institutionalism is not a perspective in its own right as it draws on either rational choice or sociological institutionalism or a combination of both (cf. Aspinwall and Schneider, 2001). Within the political sciences the debate is much about to what extent institutional forces affect the strategic behavior of actors. In the organizational literature we often find a distinction between the elements on which institutions are built. Here we find a distinction between the regulative, normative and cognitive forces that institutions exert (Scott, 1995, 2001).

9 Sociological institutionalism (SI) developed itself largely from the field of inter-organizational relationships and basically questioned the realistic or rational view of the modern organization. It turns our attention to activities and practices that are traditionally associated with ‘culture’
and that of other’s predictable and by helping us to assign meaning in social life (Hall and Taylor 1996: 948, Scott 2001, Peters 1999). Under new circumstances the argument goes, actors will return to what they know or what they consider and have experienced as successful (Scott 1995: 45, Black 1997: 60). New situations, to put it differently, are often met by routines.

2.2 Sensemaking
When actors (must) interact with other actors it is likely that their own interpretation of these rules get confronted with others’ interpretations and that they, depending on the strongest of their moral and cognitive ‘beliefs’ and on the specific (experienced) power configuration / dependency within the so-called network, will (have to) change their interpretation of these formal requirements. Actors may react in this situation in various ways.

We firstly believe that actors may be inclined to accept the interpretation of others. They may see the interpretation of others as more valid due to differences in competence, status or experience, as they feel that it is in their own interest to leave their beliefs, or as they feel that they lack the competence to convince others of their interpretation of these rules (positive power). As actors may feel dependent on other actors, their interpretation of a rule can be expected to be not only a reaction or an anticipation to these requirements, but also to other actors conception of a situation (Dewulf et al 2005, Allard Poesi 2005). Because actors link their projects, resources and actions in social interactions (Termeer 2006), their understanding of the configuration of power in this network will keep them conscious about what they can gain in the short and in the longer term. That is why ‘the relational quality of power is a potentially great source of systemic stability’ (Clegg et alii 2006: 224).

Of course, actors are likely to take a more active stance when they have a stronger belief in their own understanding of the requirements. Then actors are likely to stick to their interpretation and to question that of others. They may feel less inclined to change their interpretations straight away and to accept the interpretations of others. Under these circumstances a condition thus arise in which it becomes somewhat undecided how we have to apply these requirements (Allard-Poesi 2005) and in which they generate manifold questions on how they should be understood, how one should respond to a rule, how they apply to specific situations, etc. (Scott 2001: 169).

The literature on sensemaking refers in particular to these ambiguous situations (Weick 1995, 2003) and draws our attention explicitly to how actors in ongoing interactions attempt to make sense of their environment and behavior (Termeer 1993, Drazin et al 1999, Thomas et alii, 1993). As this ambiguity makes it impossible for actors to act, they will attempt to reduce this ambiguity by ‘seeking out’ each others’ interpretations and guesses. Actors will argue and discuss which meaning should be selected and retained to make sense of this situation (Drazin et alii 1999; Scott 2001: 169). Actors’ interpretations need to be actively connected to these ambiguous situations
(Weick 1995:132, 2003: 188, Allard-Poesi 2005) and an agreement has to be found in order to act (Klijn 1996: 58).

One can however imagine that these processes will be somewhat different under a more conflicting political context when the goal is to make a certain meaning stick. Under these conditions it might be better to describe sensemaking not so much as a process of arguing and discussing but as a process of bargaining, in which control over specific resources, knowledge and expertise, procedures, as well as status or reputation and the access of people to ‘the arena’ will make a difference (Weick 1995, Weick et al, 2005: 418), and in which some actors should eventually be able to get others to follow their interpretation of the rules, even when this runs against their own will or interest (negative power). In those situations, it is good to realize that ‘power is above all a relational effect, not a property that can be held by someone or something’ (Clegg et alii 2006: 223). That is why, it is in the moment of sensemaking that actors will experience power.

Though, a situation may also arise in which no agreement can be found. Actors may be able to stick to their own interpretation, without being in a position to ‘convince’ the other to follow their interpretation as well. In fact, an actor’s inflexible stance can enhance the inflexibility of others to compromise, when this inflexibility is perceived as a threat or is experienced as if one is not taken serious. As the bargaining literature has pointed out, this could make all actors inflexible (Stuhlmacher et alii 2000, in Mastenbroek 2007: 76) and lead to dead-lock. Breaking through this dead-lock may then only occur when one of the actors gives in or by one’s effort to change the power relations among the actors involved (Haugaard and Lentner 2006; Goverde et alii 2004; Goverde et alii 2000; Clegg 1989). By changing the interaction in the game for example, or by including new actors (Termeer 1993) the configuration of power can be changed and will make ‘sensemaking’ possible. This, however, seems to be not an easy task.

In sum, the two theoretical perspectives together with the linking theoretical notion of power will help us to focus in the case-study on the following three expected related phenomena:

1) Formal rules will be interpreted and complied by actors, based on existing moral and cognitive templates, and sustained when a) actors take their templates for granted (routine) and b) allow actors to act according to their preferences and ideas of appropriate behavior.

2) Processes of sensemaking between actors become urgent as soon as there is ambiguity concerning the assessment of institutions, particularly in a context in which actors are not able to unravel these formal requirements because of disputed interpretations; and

3) Though institutions are often sustained by a relational quality of power in a policy network, sensemaking processes can contest this quality to an extent that the assessment of the institutions can be effectively resisted, if not radical changed.
3 Research strategy

Rather then to use these expected relationships as testable hypotheses, these theoretical deduced relational notions will sensitize us (cf. Eshuis 2006) to analyze a particular case. This case concerns bottom up (public and private) initiatives in the field of GS in the urban-rural interface near the city of Nijmegen. The case study can be qualified as an ‘extreme’ case in relation to the EU state aid regime. The idea of Green Service as a primordial market based concept (that moves away from the traditional way of subsidizing) appears to be most advocated here. Furthermore there were strong differences of opinions among multi-level actors involved resulting in fierce discussions on how to interpret the EU state aid requirements. By describing this extreme case, we believe that all ingredients of institutional routines as well as the process of sensemaking come clearly to the fore.

Our investigation is largely based on the analyses of official minutes, though some orientating interviews have been conducted mostly with actors in the field. Of course, this could have affected our way of understanding the situation. Next to that, one of the authors participates as an actor in this process.\(^\text{10}\)

Besides the publicly accessible parliamentary documents, the analysis of the minutes consisted of internal memos, project notes, policy documents, formal correspondence, etc. that have been made accessible to one of the authors by some of the key actors in this process.\(^\text{11}\) The internal documents of the Ministry of ANF had not been analyzed, though we believe that the parliamentary documents give an initial insight in this. The position of this ministry is further made (partly) available by the minutes of the other governmental bodies that include formal correspondence with it.

4. Ooijpolder-Groesbeek: Private contracts for Green Services

The area ‘Ooijpolder-Groesbeek’ is situated south of the river Waal (Rhein) between Nijmegen and the Dutch-German border (see map). In formal terms three Dutch municipalities are involved: Ubbergen, Millingen aan de Rijn, and Groesbeek. In physical geographic respect, this municipal territory has two main characteristics: it is a polder area occupied by farms, villages, landscapes of dykes and nature as well as a hilly part (a kame terrace result of an ice contact feature) with arable land, meadows, forests, and residential settlements. This municipal territory is also part of

\(^{10}\) On invitation of the three municipalities in the ‘Ooijpolder-Groesbeek’ area, one of the authors is member of the Board of the Landscape Development Fund called ‘Via Natura’.

\(^{11}\) Notably the Province of Gelderland that was responsible for the Ooijpolder and the Inter-Provincial Organization (IPO) that established the Catalogue Green Services.
a so-called ‘national landscape’, called ‘the Gelderse Poort’, a vital policy category introduced by
the national authorities (Ministry of ANF).

It is important to notice that the national spatial planning authorities decided already in 1972 that
the quality as an open space of this rural area should be protected against large scale extensions
for housing or industry by the city of Nijmegen. Some years later, this decision was contested by
a proposal of the Ministry of Traffic and Water Management that offered a more straight riverbed
(Lobith – Nijmegen) through the polder in order to support rational-economic bulk-cargo
shipping from Rotterdam to Germany, France and Switzerland. However, social political
movements, locally and nationally, resisted this plan effectively. The ‘Ooijpolder’ was
reconfirmed as an area for agriculture as well as for nature and landscape. However, this
confirmed spatial status of the polder area became under attack after two shock events of very
high river floods in 1993 and 1995. Then, the Ministry of Traffic and Water Management
destined a great part of this area as a retention basin in case of unavoidable river floods.
According to a people’s movement, however, the authorities used incomplete information
concerning water supply in the future as well as they argued lacking much relevant knowledge
concerning assumptions in water management used by the German authorities.

Meanwhile a pilot project ‘Exploration Green Services Ooijpolder-Groesbeek’, depending on the
co-financing of the Ministry of Agriculture, has started to vitalize agricultural economy by the
introduction of a wider scope for rural entrepreneurship. A first step was the creation of a
municipal alliance to produce a common landscape development plan (LDP). The dynamics in
the open space, especially the development of new leisure activities [walkers, inline-skaters,
(motor- and mountain-)bikers, nature observers, hunters, campers, horse(-breeders) farms, bed-
and breakfast, etcetera] required a new perspective for coping with these phenomena. The LDP
include circa seventy selected rather detailed preferable project proposals, though it does not
exclude in advance any new good ideas that might come up during the implementation process.
So, the development plan will be used in a flexible way.

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12 Tweede Kamer, 2002-2003, 28 600 XIV, nr. 153
4.1 Private landscape fund; an in-between institution for governance support

During the policy-making process of the LDP it became clear that a new financial regime had to be elaborated that would support different actors in the realisation of projects on their properties that would fit in total scope of the landscape development plan. In addition, the question was raised how to make a financial-juridical construction that could not be interpreted as a subsidy to particular firms and would not produce a conflict with EU and national state aid requirements or had to run the uncertain and time-consuming EU state aid notification process. In order to create such a feasible financial-juridical construction, the three municipalities invited an independent consultancy office to prepare an advice (KPMG 2004).

Based on its understanding of the EU state aid requirements the consultancy office advised to start an independent ‘landscape fund’ that could enhance public-private partnerships based on accountable and market inspired (and priced) business contracts and that would be ‘filled’ by both public and private money. Governmental contributions of municipalities, the province, and the Minister of Agriculture are expected to be of importance especially at the start of the fund to create a financial multiplier. Though, it is expected that the trustees of the fund will be able to
gather private money to cover financial obligations during the whole contract period (preferably ten years) of each of the landscape development projects. Nevertheless, initial subsidies for some specific projects are still welcome. For example, it is planned to create an open air art project at a strategic point in the polder. This project needs regular subsidies, mainly from governments. Many organisations of civil society, individual farmers, and local and regional administrative authorities supported the idea of a (semi-)private landscape fund that could support governance activities concerning landscape conservation and landscape development. Farmers and other entrepreneurs in the rural areas were expected to benefit from it; the extra income would enable farmers to continue farming which is a precondition to sustain the mixed landscape of cultural and natural grounds typical for this territory.

In order to raise enough *private money* the trustees of the fund (called Via Natura), together with a civil society organisation (ARK, non-profit specialists in landscape projects) and a private firm with expertise concerning organisational innovation in landscape and nature affairs (Triple E), have made a ‘Prospectus Ooijpolder’ that includes circa 30 smaller and greater landscape elements to be maintained for a period of six till ten years. These landscape elements will be put up for auction to private participants. The start of the bidding varies between € 500 and € 20000. The trustees are ready to contract individual bidders, civil society organisations, schools, private businesses, et cetera.\(^\text{13}\)

The auction of landscape (planned September, the 15\(^\text{th}\), 2007) is an historical innovation in the Dutch landscape polity. The advantage is that urban participants can express their solidarity with rural environments in their own region. An often used slogan is that urban dwellers will get now the opportunity to participate financially in the ‘green natural theatre’ around them.

Though the municipal councils accepted the landscape plan as well as the idea of the foundation of a landscape fund in the midst of 2004, the first contracts with farmers were signed only since February 2007. Why could this retardation occur?

### 4.2 State aid requirements

The report of the consultancy agency, suggesting that the fund construction wasn’t a subsidy arrangement, could not convince all governmental actors. Particularly at the national administrative level, the Ministry of ANF, on which the project depended for its financial support (the project would receive 2 million Euro), was not very convinced of the conclusions of the report and stressed that the projects had to meet the state aid requirements in order to receive any

\(^{13}\) However, each participant should pay the whole bid within four weeks after the auction. In other words, no yearly terms are accepted. Of course, the participants have benefits which will have different forms. For example, a yearly guided tour by the farmer, an information session about the total landscape plan, a pick-nick on the spot, a sponsor-record at the spot etcetera could be realistic.
financial contribution. For the Ministry of Agriculture it was clear that the EU state aid requirements applied to this project. At the local level this not only meant that the project had to take these state aid requirements into account, which would imply all kinds of restrictions on especially the height and basis of the payments and the period of the contract, it would also mean that each LDP-project or rather each contract with a farmer, would have to be checked in ‘Brussels’. This would obviously raise the transaction costs and create a lengthy period of uncertainty on whether the project could proceed. As a consequence, the credibility of enlarging the scope of farming by nature and landscape development as a ‘green service’, could become easy under pressure.

That is why local and regional civil servants as well as political authorities supported by civil society organisations [a.o. World Wildlife Fund (WWF)] started a lobby to find a solution, stressing the argument that the green services provided by theses farmers are a ‘service of general interest’, and should therefore not fall under the EU state aid regime. The Ministry of Agriculture however, could not be persuaded to take a different look at these EU requirements; it was unreceptive. The Ministry emphasised time and time again that an EU notification procedure was necessary. Those in the field, on the other hand, took a similar inflexible stance and stick to their interpretation of the rules as they felt not taken seriously by the Ministry: a deadlock was created.

In respect to the continuance of the projects at the local level, action however, became crucial. The debate on whether or not the state aid procedure had to run had created much uncertainty and delay and started to undermine the credibility and legitimacy of the initiative. Steps had to be taken.

A first step in breaking the deadlock was the initiative of the Province of Gelderland to talk in a direct way to Brussels on the precise EU state requirements. In co-operation with the Ministry of Agriculture an official multi-level civil servants meeting was organised in Brussels to make sense of the operational criteria the EU-Commission would use to handle the state aid regulations in respect of detailed GS project proposals. While the province expected to have a chance to convince the Commission that these state aid requirements would not apply, as they provide a ‘service of general interest’, civil servants on the national level tended to monopolise their position in these negotiations and actually appeared to sought support for their position (interview). It seems that the national government wanted to set their interpretation of the rules definitely in this game. Though some participants felt that this meeting was fruitful to open a policy window for these projects (i.e. flexible assessment of the state aid rules), the minutes of this meeting were contested for a long time.

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15 Letter of the Minister of Agriculture to the Province (GS) of Gelderland, 15 december 2005.
16 Tweede Kamer 2004-2005, nr. 1560
A second step taken by the provincial authorities was their compromise on the idea that there might indeed be some projects that were more sensitive to the state aid requirements while others would be less vulnerable. The province of Gelderland, on the other hand, stressed that this was certainly not the case for all projects and started to support various projects that they believed were not vulnerable for state aid procedures. The province demonstrated that they were willing to take a risk for these important projects, and by doing so it managed to obtain part of the national governments co-financing. In addition, the new elected local council of the city of Nijmegen has decided to participate, partly as a landowner in the area itself, in LDP projects which are particularly important to promote new leisure and nature facilities for the Nijmegen population.

A third important element in breaking the deadlock has been the establishment of a so-called ‘Catalogue Green Services’ at the national level. Besides the initiative of GS Ooijpolder-Groesbeek, various other projects had been launched by regional governmental bodies, as has been mentioned above. While the debate on GS Ooijpolder-Groesbeek was still on whether the state aid notification had to be run, already five schemes, had been notified to the European Commission and had cause severe difficulties. The novelty of these projects in combination with the very accurate examination of the Commission had resulted in a substantial workload at the Commission’s desk-office, and in a lengthy and uncertain procedure for those that wanted to start with these projects.

To overcome this hold-up the European Commission requested the Netherlands to better organize the notification of these schemes and to work on a complete and definite overview of the services that the Netherlands wanted to implement. The Commissions’ suggestion was welcomed by the Netherlands, that saw a chance to deal with the long trajectory towards the European Commission. At the same time, however, in particular the provinces were eager to create a flexible format that would allow to use the maximum of leeway offered by ‘Brussels’. Rather then to make a definite list on these Green Services, as had been suggested by the Commission, they suggested to develop a ‘catalogue’ that would consist of separate measures/services together with a maximum price, based on which individual schemes could then be developed. The catalogue would be yearly updated.

The provinces took the lead in this process at the beginning of 2006 and build this catalogue in a continuing communication with the Commission. It was based on the various projects, or rather the individual measures that had been initiated over the last years. Though, as the provinces wanted to make a quick start with these projects, the Catalogue had to be ready for use in January 2007, and only those measures were included, at least for now, that were most likely to be approved by the Commission. All ‘Ooijpolder-Groesbeek’ projects were also included in the

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17 Letter of the Minister of Agriculture to the Province (GS) of Gelderland, 15 december 2005
18 Eerste Kamer Innovatie, EK 24 24-1154, 2006
19 Press-release IPO 25 November 2005
Catalogue. Even though those in the field principally objected the application of the EU state aid regime and were hesitant to include their project, it was realised that the establishment of the Catalogue offered the opportunity to make explicit the requirements that must be met and to act more independent from the lengthy trajectory to the Commission. Though the Catalogue follows the state aid regime concerning the maximum height of the payments and duration of the contracts (which is 6 years), the ‘Ooijpolder-Groesbeek’ polity accepted the Catalogue as *modus vivendi* to produce now some visible results in the area.

Interestingly, the development of the Catalogue provided an opportunity to go round the Ministry of Agriculture, that so far played a dominant position in the state aid notification procedure. To many actors the functioning of the Ministry of Agriculture appeared to be a black box and the establishment of the Catalogue provided an opportunity to gain more and especially a more dispersed expertise on the EU state aid requirements. The provinces now took the lead in the notification procedure and had the opportunity to deal in a direct manner with the European Commission and to seek explicitly the limits of what would be possible without interference of the Ministry of Agriculture. And indeed they got beyond of what the Ministry of Agriculture had thought to be possible. The Catalogue has been approved in February 2007.

### 5 An institutional and sensemaking reconstruction

Based on the theoretical framework that we have developed in paragraph two, we have been able to shed light on the process of complying with these EU state aid requirements and to point out the role of actors in bringing these rules to life. Below our various expectations will be discussed more closely.

Our first expectation - *that actor interpretations will be sustained when they take their templates for granted and when these helps them to act according to their preferences and ideas of appropriate behavior* - has been largely reflected by the behaviour of the Ministry of Agriculture. The case description has demonstrated how actors at the national level were relying on their routines and were risk avoidant. Their previous experience with the European Commission and the perceived high risk in not meeting the requirements had led them to take precautious stance. In the past the Netherlands was already forced to return subsidies to the EU, including some penalties after EU evaluation procedures, which is why civil servants felt responsible to act with prudence and to keep a strict overview of those projects.

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20 Tweede Kamer, 2005–2006, 30 300 XIV, nr. 8
21 Interview
In addition, we are inclined to believe that by calling upon these state aid requirements, the Ministry of ANF could strengthened its involvement and overview on these projects. For matters of space we have not elaborated these issues in this paper. However, we got the impression that the national government more generally wanted to remain somewhat in control over these bottom up processes. Concerns of the national government for example had to do with the democratic control on public resources and public funds, the huge variety of these funds for area development and the creation more in general of a new institutions in an arena which is already full of administrative pressure and rather unbridgeable.

The urgency of processes of sense-making between actors as soon as there is ambiguity concerning the assessment of institutions – our second expectation – has also been reflected in our study. Throughout the process various of these activities have taken place. The KPMG report by order of the province and three co-operating municipalities can firstly be recognized as a device to make sense of these EU state aid requirements, at least for those in the field. The report was very well structured and included a clear ranking of possible solutions and concluded to feasible recommendations. By drawing on the expertise of reputed actors, those in the field made sense of the EU requirements. The efforts of local actors to convince the Ministry can also be recognized as a process of sensemaking. By trying to convince the Ministry that the state aid requirements were not applicable in their case, those in the field tried to find an agreement that would allow them to act.

The lack of success of these efforts turn us to our third expectation - that institutions are often sustained by a relational quality of power in a policy network. This case study has clearly demonstrated how the Ministry of Agriculture was in a powerful position by controlling much of the finances on which the initiative depended. The Ministry was thereby clearly in a position to lay down their interpretation of these state aid requirements to those in the field. Though, being not convinced of the national governments argumentation those in the field did not resign to this interpretation when they failed to convince the Government and a dead-lock was created within the, at the that time, existing network.

It has also been demonstrated that a reconfiguration of the dependencies within the network would be necessary to break through these (expected) deadlocks. To one extent the province itself played an important role in this by taking the initiative to talk in a direct way with the Commission and the decision to finance GS projects not sensitive for state aid regulations in order to keep political credibility for these projects among farmers and civil society association in the country site are clear examples. These investments were a political sign to civil servants and political authorities at higher administrative levels that the regional authority was ready to take a risk because it really supported these projects. At this moment in our research we don’t know yet if the step made by the province has functioned as a catalyst for further sense making or was part of a governmental deal. The KPMG report, thirdly, can also be recognized as a device to build up
a more powerful position in the GS polity. The results of the report were indeed picked up by various members of Parliament who questioned the Minister on his interpretation of the state aid rules, based on its contents. However, the established configuration of power was at that time too strong to get an open policy window for the recognition of area funds as a proper vehicle to innovate urban-rural relations at that moment.

The suggestion of the Commission to work with one list can be finally acknowledged as an event by which the configuration of power was changed. The proposal of the Commission was picked up by the Provinces that saw a way to communicate in a direct manner with the Commission and to make maximum use of the freedom provided by the Commission. The decision of the Provinces to be ready to make a Catalogue may thereby be interpreted as a search for a ‘modus vivendi’, a common solution acceptable for all administrative levels.

The choice for these two branches of literature to describe this process was in part affected by the existing literature on EU compliance / implementation, that on the one hand draws strongly on the international relations literature on compliance (with a recent emphasis on the sociological institutionalism) and is influenced on the other hand, by the implementation literature that can be found in the field of public policy, and takes a more processual outlook. The sensemaking perspective links up with such an approach; it is ongoing and interactive. By drawing in particular on this literature we wanted to pay explicit attention to the interpretation of actors of these rules and how they bring these rules to life, instead of describing their behavior in terms of changing the rules for strategic reasons. In this paper we wanted to point out first and foremost the various different interpretations that actors may have of these rules and how this is resolved.

However, in reality such a distinction is not easy to make, as has been demonstrated by this case study. It turns out to be difficult to separate one’s interpretation from one’s interests. Notwithstanding this imperfection, we believe that our theoretical framework has helped us fairly well to describe the process by which these rules are put into operation and has confirmed our expectations. Our conclusions, however, are still provisional as our research so far was mainly

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24 Intriguingly, it has been suggested that an alliance of most non local actors explicitly contested the results of the KPMG report. Though outside the context of the GS polity, a public debate during the yearly meeting of the members of the Nature Monuments Association (NMA 13th of April 2007), the largest non profit land owner in the field of nature conservation, made this thesis plausible. The author of the KPMG report did not receive much support neither from the top of this Association nor from another key-note speaker the president of the Social-Economic Council, the main advisor in social-economic affairs to the national government in the Netherlands. In line with this event, it seems that the NMA prefers to continue its good relationship with the national government on the basis of buying land in the ecological main framework and income-subsidy for agrarian-nature management by the farmers on its lands. The NMA may not prefer to get involved in a more competitive and probably more marginal market of private donations and sponsorships in urban-rural areas.

25 As can be found, for example, in the literature on institutional change (cf. Beckert 1999, Hay 1998)
based on desk activities (formal documents and academic information) enlarged by some explorative interviews.

After this theoretical analysis, the last section will be devoted to our conclusions concerning the renewal of urban-rural relationships in a multi-level governance arena. Finally, this section will promote attention for an in-depth cross-national comparative research project concerning renewal of urban-rural relationships and how different EU nation-state regimes cope with EU state aid requirements.

6. Provisional conclusions: urban-rural relationships renewed despite the context of state aid regimes?

The case ‘Ooijpolder-Groesbeek’ is a good example of the renewal of the urban-rural relationships at least in the Netherlands. Though the area is part of ‘a national landscape’, the key-activities of the landscape fund (Via Natura) attempt to improve the links between people of the near city and its surrounding landscapes (urban-rural relationships) by exploiting farmers services against market prices. In addition, the regional eco-system will also be sustained because of the new transition zones between the hilly areas and the polder areas which will improve the exchange of fauna and flora. Those in the urban area are encouraged to commit themselves to the rural area and to take responsibility for their surroundings. In particular, urban residents and urban organizations can show their commitment during the planned auction of landscape ingredients put up next September.

The introduction of a new policy category (for example ‘Green Service’) is just a first step in a social-political context which is already fully occupied by actors following different institutions. Its implementation in detailed project proposals made clear which institutions are touched and to what extent the existing configuration of power needed to be changed. This local and regional approach illustrates perfectly that any new policy arrangement has consequences for existing institutions and has to search for a proper fit with these. Though the Catalogue is an important innovation, one cannot avoid the impression that real changes or abolishing established institutions remain difficult. The Catalogue reflects a compromise, which comes closer to the position of the Ministry of Agriculture then to the position of those in the field (at least in the Ooijpolder-Groesbeek).

Though the Catalogue provides a workable solution, it is well understandable that local anchored actors remain extremely astonished that their public-private initiatives are part of a very complex world of multi-level governance. How is it possible that EU regulation regimes account as soon
as a local environmental association agree with a farmer to improve the traditional landscape by planting a new hedgerow on the fields he owns or allow people to make a walking-tour via a part of his private land? Or, how can it be that, even though many cabinets have stressed the urgency that citizens take responsibility for all types of bottom-up initiatives these new forms of co-financing get only limited policy space? Not surprisingly, citizens feel that the government behaves unreliable because they change the rules during the game or embrace rules that are not transparent (for example state aid requirements). It is interesting to note that the Dutch NGO ‘Vereniging Nederlands Cultuurlandschap’ , in particular, is still actively lobbying at both the national and European level to recover these project from the EU state aid regime26, despite the working solution of the Catalogue.

This bottom-up initiative also sheds a somewhat different light on the ‘governance’ debate within the EU. Where the EU is nowadays often portrayed as a driving force behind new initiatives and new modes of governance (Knill and Lenschow, 2003: 1), and in particular the EU itself has emphasized its role in new modes of governance that enhance the Union’s democracy and legitimacy27, this case study has demonstrated that at the Member State level, quite ironically, especially new types of governance are troubled by the EU’s own legal structure 28.

The multi-level governance arena, however, is a reality that can effectively hinder any innovation desired by administrations, associations in civil society, private businesses and individual people. Though many Dutch authorities still believe to be part of a three-layered political-administrative system, in practice the EU-authorities have an effective impact on the local level already. The EU state aid regulations are a good example of the multi-level governance complexity nowadays. The chains of mutual dependency among the actors are so long and at times so unclear that dead-locks can occur. Then, it is the creativity and the entrepreneurship of actors that can help to pass the obstacles and to change the existing configuration of power that hinders new meanings to be communicated among the dead-lock producing participants.

These entrepreneurial actors can be found on any level of governance, in public as well as private agencies (Kingdon 1984). They are the power brokers that create policy windows for innovative actions. In the casus ‘Ooijpolder-Groesbeek” it were primarily actors at the provincial level and in the private sector (for example World Wildlife Fund, ARK, Triple E, Via Natura) that have

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26 The correspondence between this NGO and the European Commission provides an even more intriguing and astounding picture of the unclear and complex multilevel governmental relationship. In response to questions of this NGO on whether these green services are ‘service of general interest’ according to the Commission, the Commission replied that this question should be directed to the Dutch government that is supposed to have a proper understanding of these requirements (the correspondence between the Commission and the NGO (all in Dutch) can be found at the NGO’s website: http://www.nederlandschutuurlandschap.nl/actueel.htm, last visit 27th of June 2007)

27 In its White Paper on European Governance (European Commission 2001)

28 See also Prechal 1995, Haverland 2000 on the effects of EU directives and its case law on new modes of governance
operated successful as entrepreneurs in the GS polity. That is why a new *modus vivendi* could be found in GS politics.

To what extent the ambiguity and uncertainty has truly been dealt with by the Catalogue, will become clear now since different governmental bodies throughout the country will actively start working with it. It is our impression that the discussion on whether these projects are subjected to the EU state aid regime has lost a great part of its relevance. This was confirmed during a recent conference (14th June 2006) where the Catalogue was presented and discussed. It became obvious that most of the workers in the field showed themselves eager to start with these projects on the basis of the Catalogue. Though, the Catalogue makes a flexible way of working possible and has dealt with the lengthy and uncertain state aid notification procedure, not all difficulties have been resolved yet. For example, an issue of immediate concern is the maximum allowed period of six years for which these contracts can be established. As landowners can only be contracted for societal services that ‘go beyond what is legally obliged’, according to the EU Commission it is wise to keep the contract period relatively short because formal rules (like environmental legislation) are constantly updated. This short contract period though, is feared (by local and regional actors) to discourage farmers to participate in the schemes. In that respect also it is imaginable that this *modus vivendi* will promote its own resistance; the game is never over.

**Further research**

Finally, we would like to address a methodological research issue. To highlight the role of different actors and their interpretation of the requirements it would be of great benefit to place these developments into a more international comparative perspective. In a reaction to the Catalogue, actors from Germany and Belgium have shown interest in the concept of GS, and it would provide an interesting insight in how they will deal with the EU state aid regime. In line with these data it is imaginable that similar projects are already taken place, or that actors have similar ambitions but refrain from setting up these projects based on their idea of the EU state aid regime. Gathering data on these bottom-up processes however, is difficult. Our search for somewhat comparative cases so far had to rely mostly on the Commissions data on state aid notifications and resulted in the finding of only a limited amount of somewhat similar schemes, most notably developed in Germany and the UK. By presenting our preliminary results in this paper we express our aim to find interesting case-studies or ‘best practices’ in other EU-countries that will help us to interpret the Dutch GS-projects so far in a more profound way.

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