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Innovating governance of natural resources through new policy instruments: the case of “network contracts”

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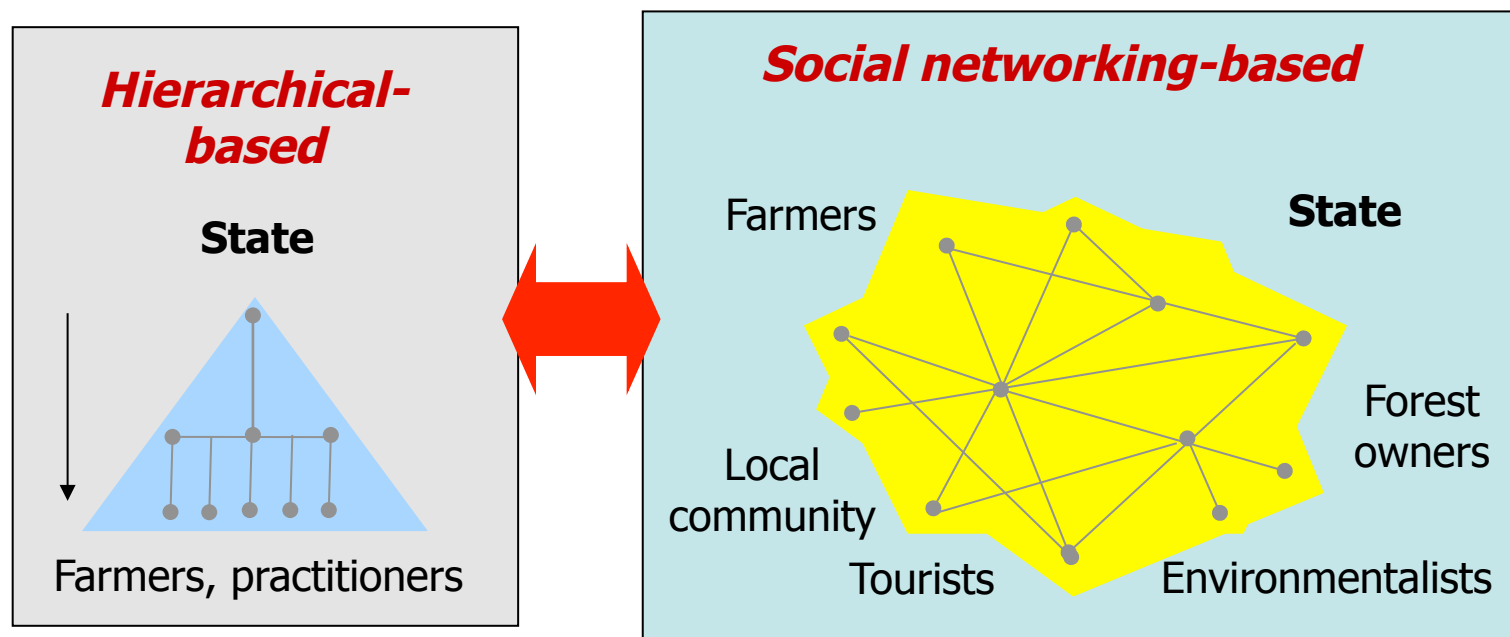
Outline

- 1. Introduction**
- 2. Problem statement and research objectives**
- 3. Method**
- 4. Results**
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1. Introduction

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- A general shift from *government* to (**network-based governance**) (→ **Multi-level, multi-sector, multi-actor**)



- Growing importance of **networks** as organizational/relational tools for **social innovation** in RD

1. Introduction

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Network-based new governance mechanisms

- **advance Social Capital** (e.g. Arabatzis et al. 2010; Cecchi et al. 2008; Nardone et al. 2010; Dax et al. 2013; Horlings and Marsden 2012; Pisani et al. 2014) and
- **can create Social Innovation**, which does include **new social relationships and collaborations** which are likely **to deliver value** (BEPA, 2011; EC, 2015).

... where governance is *“the capacity of public administration to lead and manage networks by involving all actors of civil society in decision-making processes”* (EC, 2001)

1. Introduction

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Some evidences of growing **relevance of networks as intangible, crucial factors of the production process:**

- **Horizon2020 strategy:** “*Social Innovation and enhanced governance crucial for **transition towards sustainable development** and for **enhancement of smart and inclusive growth**” → specific calls on research and innovation actions*
- **‘Good governance’ principles** include networking, collaboration, coordination, participation
- Specific measures (**Measure 16**) in the **EU Rural Development Programme 2014-2020** (art. 35 – Cooperation)

1. Introduction

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Evidences of growing relevance of networks as intangible, crucial factors of the production process:

- **Increasing number of papers on SNA** in relation to natural resources management and rural development (e.g. Murdoch, 2000; Crona and Bodin 2006; Lubell and Fulton 2007; Prell et al. 2009; Rico Garcia-Amado et al. 2012; Brunori et al. 2012; Ingold and Fischer 2014; Nogueira and Pinho, 2014; Peters and Gregory, 2014; ...) → tripled from 2005 to 2014
- **(New) institutional instruments to promote/reinforce collaboration ties** and attitudes among actors:
 - “Producers Organizations” (*Organizzazioni di Produttori*) (CE, 2009)
 - **“network contracts” in Italy**

1. Introduction

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Network contracts in a nut shell...

- *established in 2009 (D.L. 5/2009 - art. 3; 4 further modifications in few years)*
- *main goal: to support SMEs to associate and become more competitive in global market.*
- *main requirement: design a long-term program of continuous improvement, where annual objectives must be jointly pre-defined in connection with 2 overall goals of “innovation” and “enhanced competition on the market” for all network participants*
- *spread: up to more than 2,150 registered contracts (4 May 2015) (approx. 10,765 businesses) (Infocamere, 2015)*

2. Problem statement & RQs

Exponential growth in number of NC in few years

→ *from 25 in 2010 up to 2,150 in 2015... Why?*

NC implementation not yet explored in the primary sector and RD in Italy, characterized by SMEs

→ *What are the specificities for agriculture, agri-food, forestry and connected economic activities (e.g. ES provision)?*

High expectations on NC potentials in enhancing coordination capacity, building up **critical masses of producers/traders** oriented at a common strategic goal, etc.

→ *Which differences with respect to other forms of collaboration (e.g. public-private partnership in LEADER LAGs, agro-food territorial districts, PO , etc.)?*

→ *What risks/challenges (to prevent policy failures)?*

3. Methodology

Qualitative approach based on:

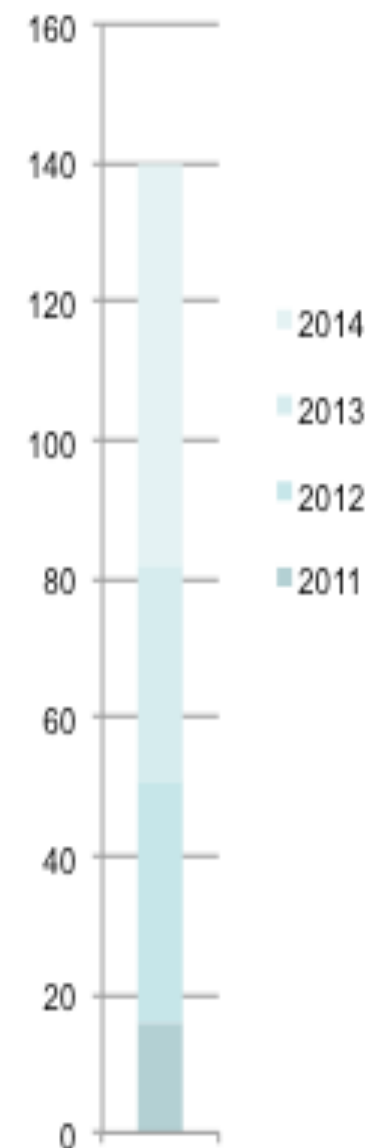
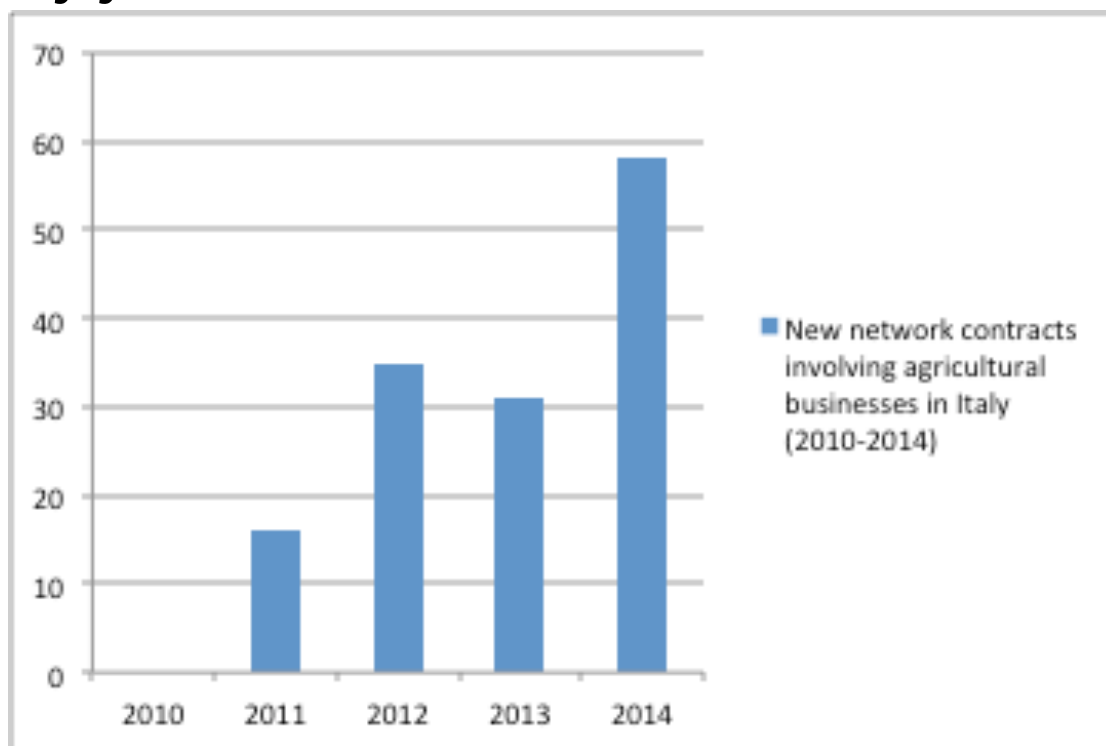
- **Literature review and document search and analysis** (the Law and its modifications; 20 full texts of registered network contracts analysed in their detailed contents)
- Online search in the special section on NC of “**Registro imprese**” (key words “*agri**”, “*legno*” and “*industria alimentare*”, cross-checked with ATECO 2007 codes on economic activities).
- Identified characteristics of **NC contrasted with other forms of collaboration** among economic actors (e.g. LEADER Local Action Groups)

4. Results

New NC involving agricultural businesses in Italy (2010-2014)

by year ↓ ...

... and cumulated →

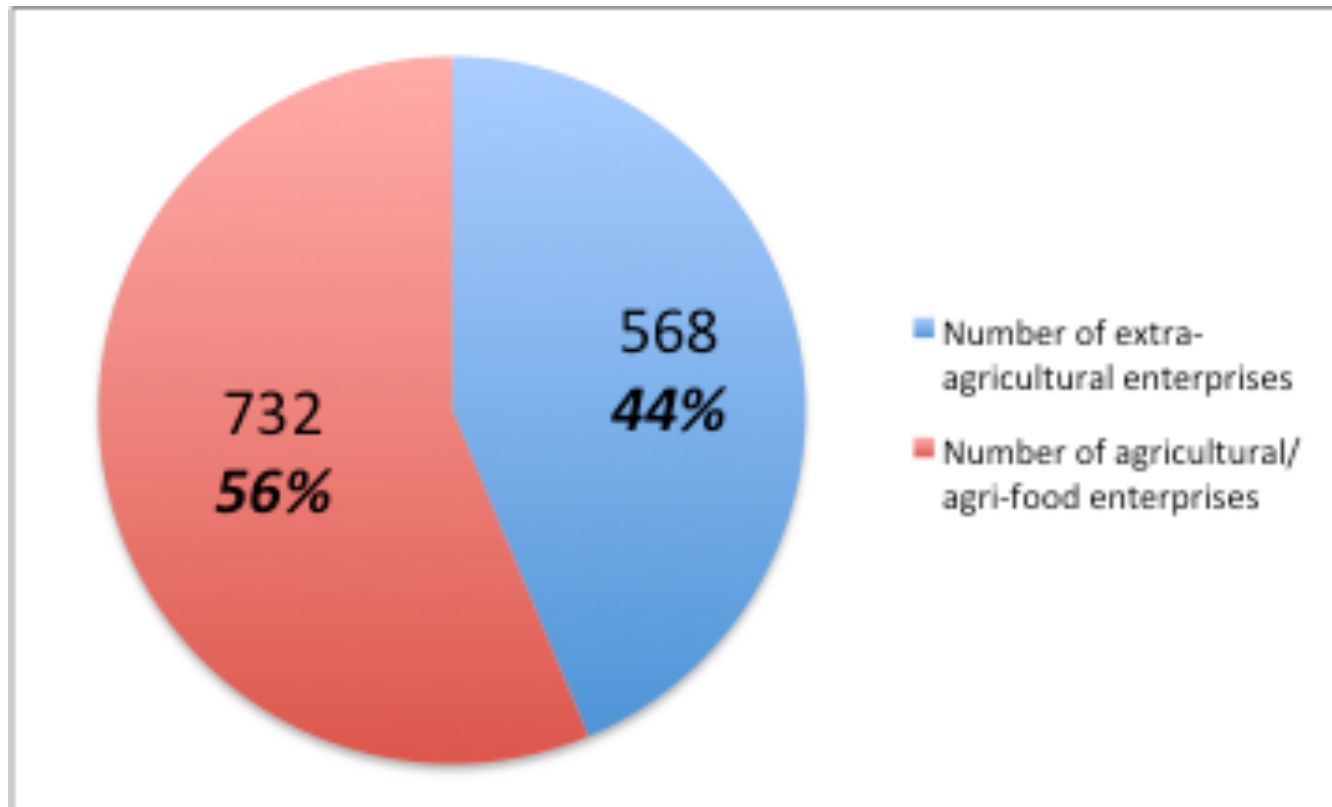


Source: own elaboration from Registroimprese, 2015

4. Results

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Agricultural vs. non agricultural businesses involved in NC in Italy

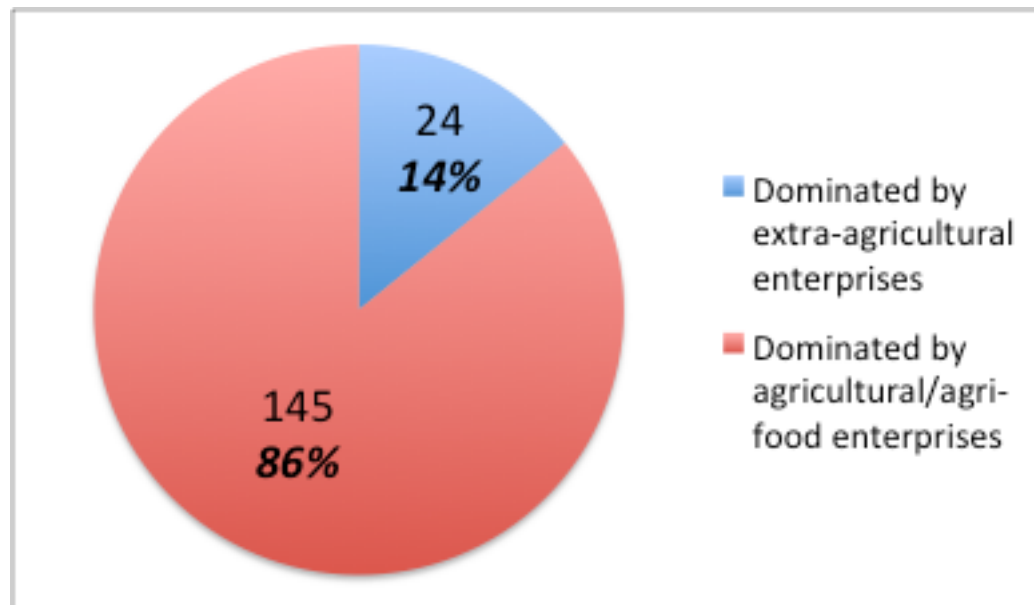


Source: own elaboration from RegistolImprese, 2015

4. Results

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NC dominated by agricultural/agri-food enterprises (> 50%) vs. NC with few agricultural businesses involved



Source: own elaboration from RegistroImprese, 2015

4. Results

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Average number of enterprises/NC: 9
(from 18.7 in Calabria to 4.5 in Emilia Romagna)

Average number of agricultural enterprises/NC: 5
(from 9.3 in Campania to 2 in Molise)

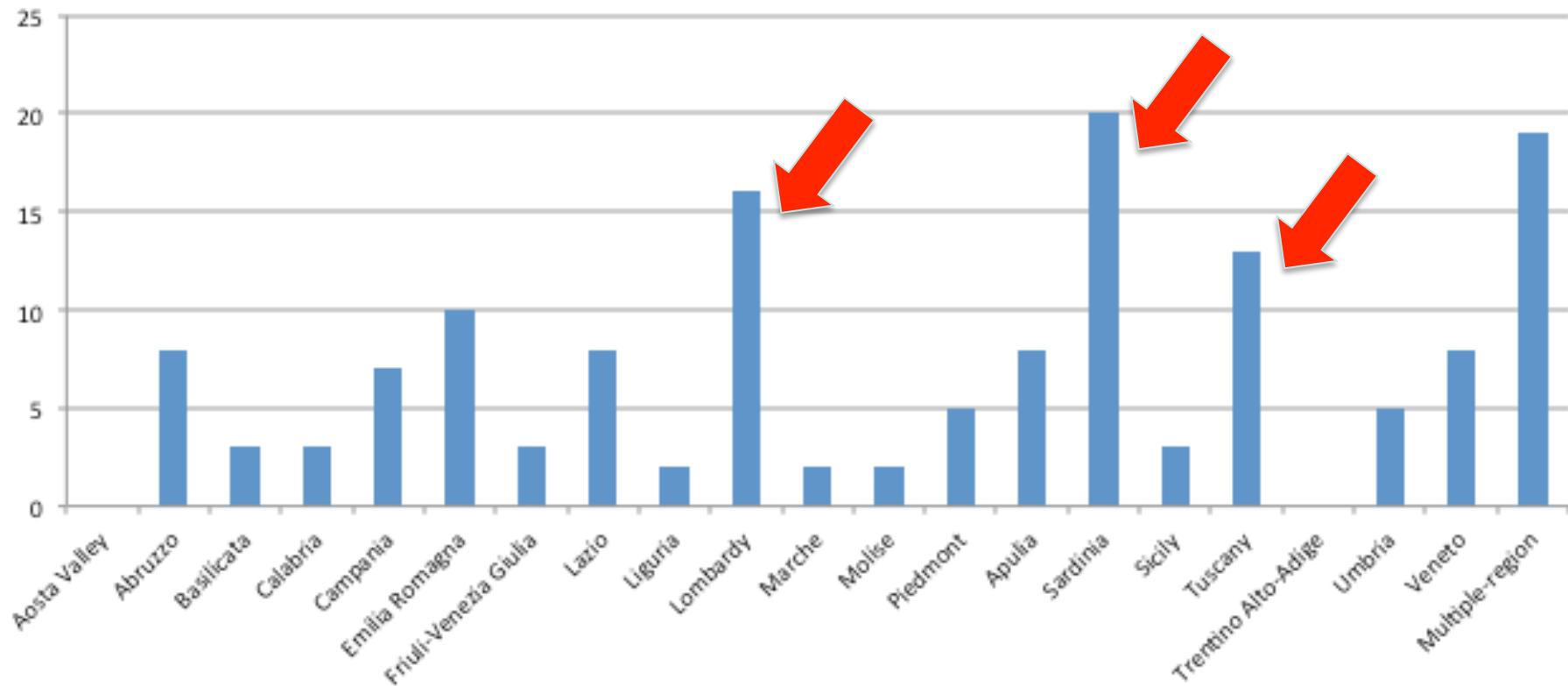
Region	Number of enterprises/NC (average)		
	Total	Agricultural enterprises	Other enterprises
Aosta Valley	0.0	0.0	0
Abruzzo	4.8	2.8	2.0
Basilicata	11.7	2.3	9.3
Calabria	18.7	6.3	12.3
Campania	12.7	3.3	9.3
Emilia Romagna	4.5	2.0	2.5
Friuli-Venezia Giulia	6.0	4.7	1.3
Lazio	6.0	4.3	1.8
Liguria	6.5	5.5	1.0
Lombardy	7.5	4.3	3.2
Marche	11.5	6.0	5.5
Molise	5.5	1.0	4.5
Piedmont	5.4	3.4	2.0
Apulia	7.5	4.0	3.5
Sardinia	8.6	7.6	1.0
Sicily	15.0	4.7	10.3
Tuscany	11.6	5.8	5.8
Trentino Alto-Adige	0.0	0.0	0.0
Umbria	6.0	4.4	1.6
Veneto	13.0	5.4	7.6
Multiple-region	11.3	5.0	6.3
TOTAL	9.0	5.0	4.0

Source: own elaboration from RegistroImprese, 2015

4. Results

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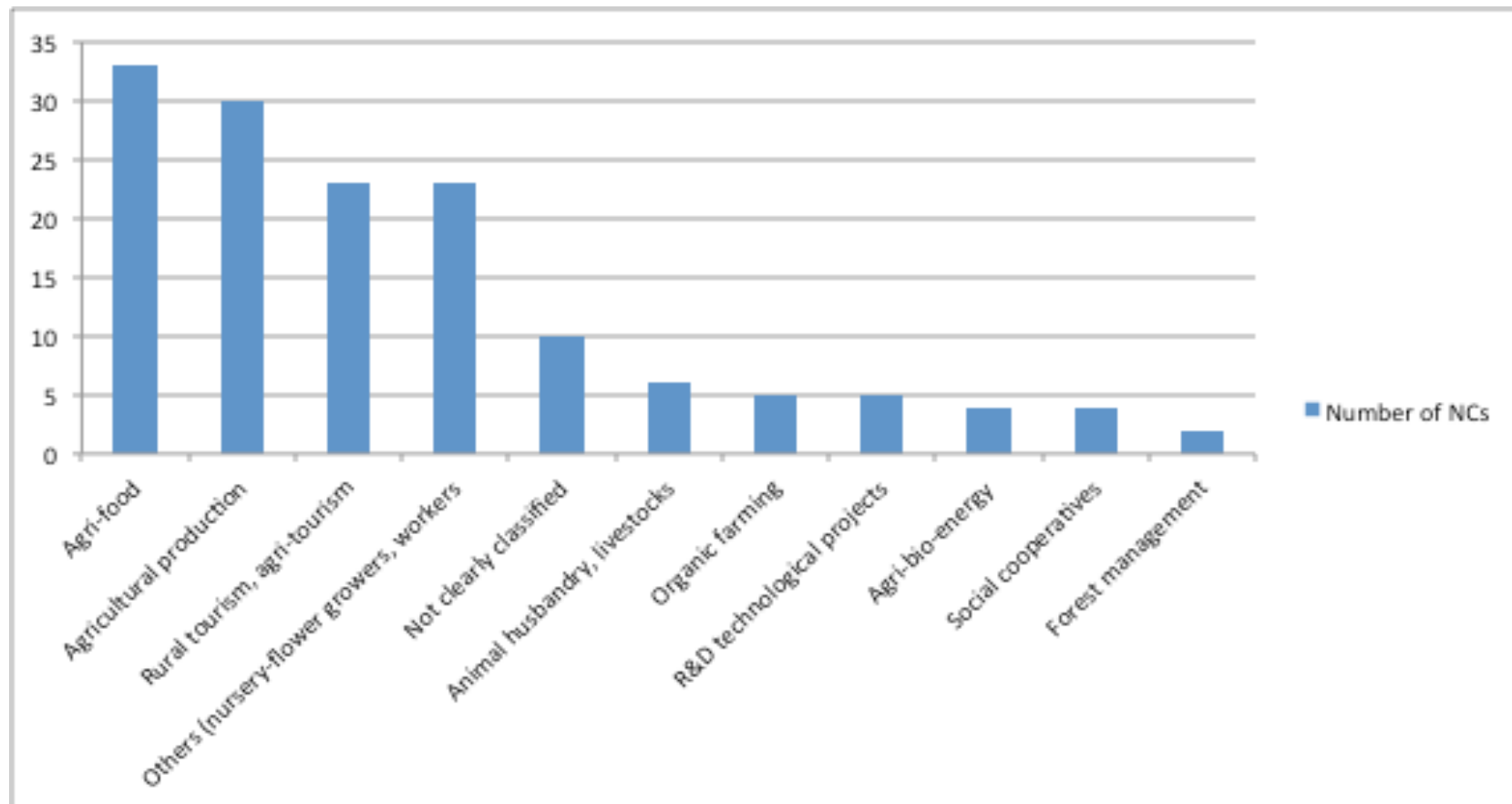
NC involving agricultural businesses in Italy, by Region (2010- 4 May 2015)



Source: own elaboration from RegistroImprese, 2015

4. Results

Number of network contracts by sub-sector (2010-05.2015)



Source: own elaboration from RegistroImprese, 2015

4. Results: NC vs. other forms of collaboration

Form of collaboration/ Characteristics	Association (LEADER LAG)	District	Network contract
Type of network	Horizontal	Horizontal	Horizontal
Commitment among parties	High	High	Very high
Characterizing type of collaboration	Private-public partnership , with various types of collaboration arrangements among members	Coordination amongst producers/traders in the same area (territory)	Coordination amongst parties, which remain independent each others not necessarily located in the same area
Role of public entities	Typically partners	Not as main partners (only businesses allowed), potential funders	Potential partners in the network
Actor preferences or choices	Interdependent through executive bodies	Interdependent	Interdependent
Degree of flexibility	Low	High	High
Power distribution	Balanced through executive bodies	Potentially equal distribution	Potentially equal distribution
Access to information	Different, depending on members	Symmetric (in theory), sometimes asymmetric (in practice)	Potentially symmetric if properly defined by the contract
Predominant means of communication	Relational, formal	Relational, often informal	Relational
Tone or climate	Formal, open-ended	Informal	Open-ended, mutual benefits
Long lasting	Long	Long	Long ('long-lasting contract')
Examples in primary and related sectors	Local Action Group Prealpi e Dolomiti Bellunesi	Distretto floricolo del Lago Maggiore	Laguna Nord Slow Experience, De Cecco pasta producer

Source: own elaboration (based on e.g. Powell, 1990; INEA, 2008)

4. Results: potentials and challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> • Flexibility • Maintenance of each partner's independency (not hierarchal relations) • Possibility to have public entities as network partners. • Partners not necessarily located in the same area • Fiscal and labour facilities to agricultural enterprises when organized with network contracts. 	<ul style="list-style-type: none"> • Possibility that one of the partners withdraws the contract (if not properly regulated). • In case of withdrawn, the partner does loose his/her own capital (invested in creating the network). • Possibility of opportunistic behaviours by some of the partners.
Opportunities	Threats
<ul style="list-style-type: none"> • Higher rating of networked entrepreneurs when accessing credit. • RDP art. 35 - Measure 16 on Cooperation. 	<ul style="list-style-type: none"> • Existence of many similar forms of collaboration already consolidated in agriculture and RD that might be preferred. • Risks of tax avoidance of non-agricultural businesses that can access to fiscal facilities reserved to farms if they are contracted in a network.

Source: own elaboration.

5. Conclusions

NC are **promising new policy instruments, still poorly studied!** → Interesting potentials, but also some risks.

The 3 main sub-sectors interested by NCs in Italy so far are **agri-food, agricultural production and rural tourism:**

- *Agri-food NCs:* creation or reinforcement of the chain (*filiere*), often connected with territorial marketing and quality/certification of products.
- *Agricultural production NCs:* creation or reinforcement of cooperation amongst producers of the same commodity in order to create critical mass.
- *Rural tourism NCs:* typically multi-actor, inter-sectoral innovative forms of collaboration.

6. Further research needed...

- Evaluation of effectiveness and efficiency of networks functioning/organization as drivers of social innovation in RD in Europe (on the basis of SNA)?
- Simulations of long-term (economic, social) impacts?
- Role of social dimensions (human and social capital) Psychological aspects of collaboration attitudes?
- What tools in other EU, Associated and non-EU countries (comparison, replication)?
- Consequences of potential risks (monopolistic positions, tax avoidance, ...)?
- Empirical evidences of (pilot) implementations of NCs (e.g. in PES, in agri-food chains, ...)?
-???

Thank you for attention!



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