

# Incentives, imagination & inertia: rewarding land management for public goods

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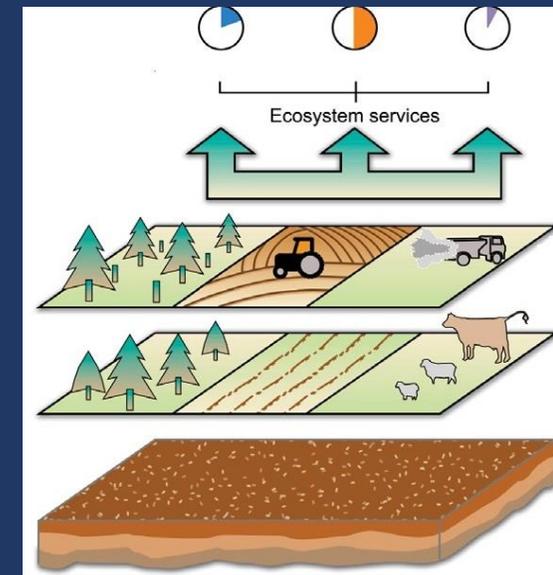
REWARDING THE DELIVERY OF PUBLIC GOODS: HOW TO ACHIEVE THIS IN PRACTICE?

28-29 November 2018, Edinburgh

“The stone age did not end because  
we ran out of stones” (Yamani)

# The policy “problem”

- Range of ecosystem services associated with land and its management
- Full spectrum between pure private goods and pure public goods
- Public goods under-provided by markets
- How to secure greater provision?
- And meet other objectives and constraints?



# Property rights: “Polluter pays” vs. “Provider gets”



*NB. state ownership and management as alternative?*

# Private funding of public goods

- Valorisation



- Visitor payback



- Club goods



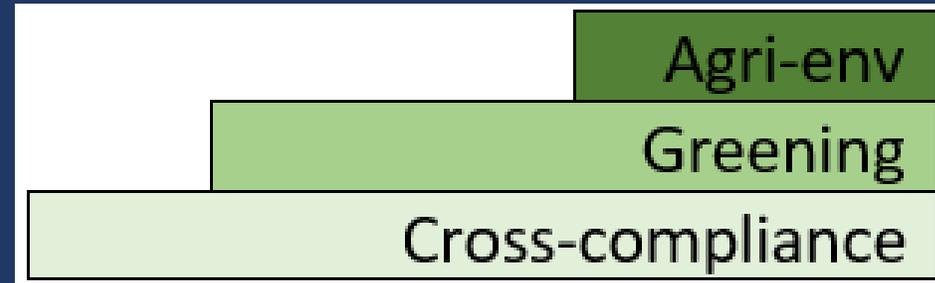
- Payments for Ecosystem Services



*Governance and transaction cost challenges*

# Public money for public goods

- Current CAP Pillar I & II measures



- Variable effectiveness...

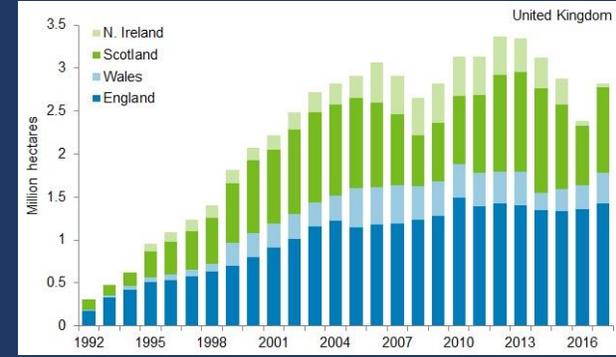
- Complexity, heterogeneity, information asymmetry...

- Scope for better flexibility and targeting



- Assumption that improved agri-env schemes are way forward, but...

# Agri-env payments



- WTO AoA limits payments to cover costs incurred or loss of income
- Where's the private incentive?
- What if there is no farm income to forgo?
- How to define costs incurred under PBR approach?
- How to handle uncertainty, heterogeneity & information asymmetries?

# Need to be creative

- Widen definition of costs? (e.g. full farm costs)
- Widen definition of income forgone? (e.g. off-farm wages)
- Use auctions rather than fixed payment rates?
- Expect 3<sup>rd</sup>-party challenges if joint with significant commodity production
- Combine with other support instruments (admin advantages too)?

Alternative payment approaches for non-economic farming systems delivering environmental public goods

May 2011

Barnes A.P., Schwarz G., Keenleyside C., Thomson S., Waterhouse T., Polokova J., Stewart S., McCracken D.



# WTO AoA box issues



Amber (e.g. headage payments)	UK ceiling (and internal split) unknown Increased usage not in spirit of AoA
Blue (e.g. production quotas)	A possibility Would need to decline over time
Green (e.g. agri-environment schemes)	Decoupled payments open to challenge Constraints on payment rate calculations

*NB. over-riding principle of reducing trade distortions*

# Other concerns, irrespective of instrument

- Perceived constraints and affordances (e.g. land “abandonment”)
- Transitional adjustments: livelihoods, communities & traditions
- Which public goods? How to trade-off/prioritise? Budgets?
- Uniqueness/substitutability? Local monopolies? Land Use Planning?
- Information needs and admin costs? Public accountability?



# Conclusions

- Efficient resource use reflects need for derived services, not past use
- Shifting emphasis to public goods requires appropriate incentives
- One size will not fit all, so redesign requires imagination (and pragmatism)
- Brexit may overcome (some) policy inertia, but constraints remain
- So, much detailed thinking still to be done...

