



Institute
for
European
Environmental
Policy

Delivering environmental Public Goods: reflections on experience and prospects

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David Baldock, IEEP

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A journey to the European mainstream?

- The early roots of environmental incentives for farmers in the 1970s and 1980s
- Initially at national or regional level
- Then into the rural development strand of the CAP
- The Ciolos era and framing as Public Goods
- The experimental greening of Pillar 1
- Core to new policy in the UK?



Which environmental public goods?

- Farmland biodiversity
- Valued agricultural landscapes
- High quality water, air and soils
- Climate stability-carbon sequestration and lower greenhouse gas emissions
- Resilience to fire and flooding
- As well as social public goods such as rural vitality

Which farming systems?

- Extensive livestock and mixed systems
- More traditional permanent crops
- Organic systems
- HNV systems more broadly
- Beneficial production methods and practices in highly productive systems; technological innovation
- Less conventional systems, such as agri-forestry



How supported through policy?

- Agri-environmental schemes of different designs and scales
- Building tiers from broad and shallow to narrow and deep
- General support through less targeted policies eg LFA/ANC and aspects of coupled payments
- Investment aid
- Advice
- Relatively little market support
- Broader rural development measures

Achievements and shortcomings

- The rapid spread of environmental schemes into diverse areas throughout Europe
- Restraining the underlying tide of increasing pressure on the environment; progress against the counter-factual
- Some measurable progress in improving water quality, protecting and enriching landscapes, protecting and enhancing aspects of biodiversity etc
- Supporting understanding, cultural change and new market options



Some shortcomings

- Insufficient alterations in practice to achieve the level of environmental outcome required
- Too many schemes with vague objectives, poor targeting and little focus on results.
- Deadweight in many schemes, leading to unnecessary expenditure
- Insufficient buy-in by many farmers
- Limited uptake in certain sectors





Some issues

- What are public goods? Not just generic benefits
- Tensions between higher cost and better delivery models versus lower administrative cost and greater inclusivity
- Avoiding too many losers
- Avoiding perverse incentives
- Insufficient innovation

Lessons from the current CAP



- Flexibility & lack of specificity of objectives often lead to choices that maintain status quo – e.g. greening
- Administrative complexity leads to risk averse decision making
- Ringfencing money for environment is positive, but only if the right measures are used
- Rural Development measures are critical to address environmental priorities - must be adequately funded
- Effective implementation requires clear targeting, advice, monitoring and review
- A coherent approach to environmental delivery across Pillar 1 and Pillar 2 is essential
- Stakeholders must be engaged in policy design, implementation and review



Institutional arrangements

- How we deliver is as important as what.
 - Focus on results
 - Fostering social capital and stakeholder involvement in rural areas; starting with scheme design
 - Enabling environment to motivate action
 - Challenges of a more local focus, while meeting overall targets and achieving coherence regionally and nationally
 - More space and support for collective schemes
 - New models for accountability - proportionate control culture
 - Accessible, joined up IT systems



Why is change needed?

The status quo is no longer an option

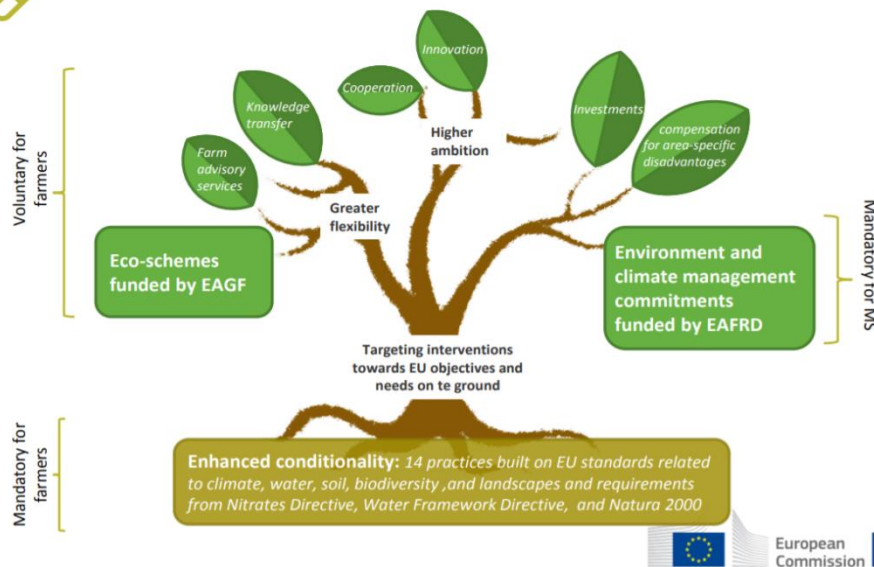
- Environmental and climate challenges remain critical
- Greater ambition in tackling these challenges is imperative or we risk undermining the long term viability of agricultural and forest systems
- A healthy environment is fundamental to vibrant rural areas
- Member States have demonstrated a good track record in using some existing CAP flexibilities to deliver some environmental/climate outcomes but it has not been enough
- Administrative complexity of CAP rules and controls leading to risk averse decision making and strong path dependency in choices made

The Commission's Proposals for the CAP



- Rebalance responsibilities between EU and Member States
- Shift the focus of payments and support away from compliance with detailed rules set at the EU level, towards a **focus on performance**

THE NEW GREEN ARCHITECTURE



*** CAP Strategic Plans ***

CAP proposals: key areas for change

30 actions identified in relation to:

- Budget / funding
- Governance & stakeholder engagement
- Strategic Plans: ensuring accountability through processes for development, approval, monitoring
- Definitions & eligibility
- Support measures/ interventions:
 - Area based payments
 - Investments
 - Cooperation & multi-actor engagement
 - Advice & knowledge exchange

The story goes on

- UK experience will be valuable
- Innovation is occurring eg in results-based schemes
- But more is needed



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