

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

Andrew Moxey, Pareto Consulting

Scotland's Biennial Land Use and Environment Conference XII

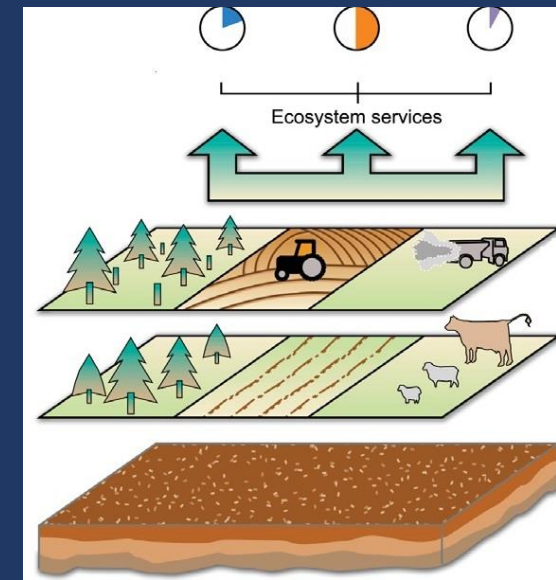
REWARDING THE DELIVERY OF PUBLIC GOODS: HOW TO ACHIEVE THIS IN PRACTICE?

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



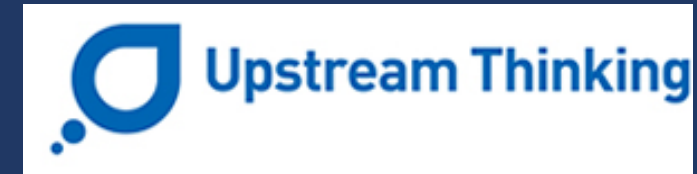
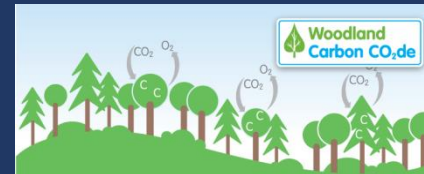
- Visitor payback



- Club goods



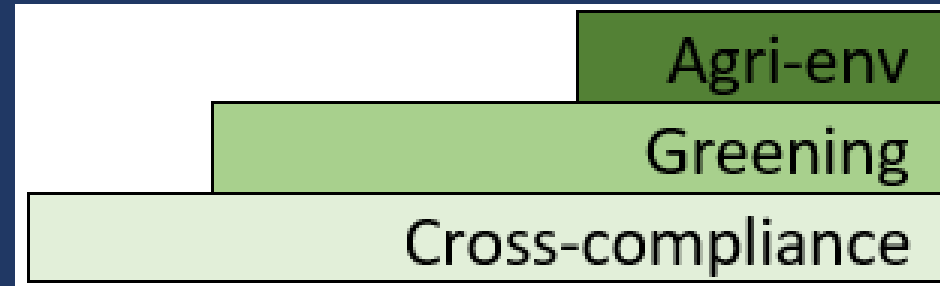
- Payments for Ecosystem Services



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 3rd-party challenges if joint with significant commodity production
- Combine with other support instruments (admin advantages too)?

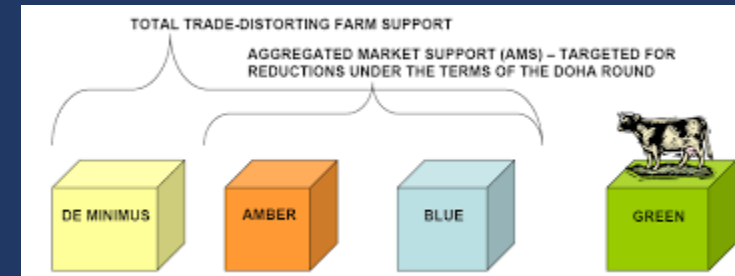
Alternative payment approaches for non-economic farming systems delivering environmental public goods

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...

