



**TWG3 – Public goods and public intervention**

Minutes of the Preparatory meeting

24/04/2009, Brussels



*Connecting Rural Europe*

**Thematic Working Group 3**  
***Public goods and public intervention***

*Minutes of the preparatory meeting (Brussels, 24 April 2009)*

**1. Agenda and participants**

1.1 The preparatory meeting had four main objectives:

- to define the mandate of the TWG;
- to get a common understanding on the definition of public goods (conceptual framework);
- to agree on the draft working plan to implement the mandate;
- to propose and discuss on practical modus operandi.

1.2 Participants:

DG AGRI - H1	Martin SCHEELE (TWG 3 Chairman) Christiane CANENBLEY Caroline RAES
DG AGRI – D1	Charlotte SODE
DG AGRI – D3	Aymeric BERLING
DG AGRI – G1	Peter WEHRHEIM
DG AGRI – G3	Gaëlle LHERMITTE
DG AGRI – L1	Noemie BEIGBEDER
DG AGRI – L2	Francesca D'ANGELO
DG ENV	Michael HAMELL
DG REGIO	Agnes KELEMEN
TWG 3 experts	Hans BRAND Ariel BRUNNER Allan BUCKWELL Nina DOBRZYŃSKA Udo HEMMERLING Helene HOLSTEIN Pille KOORBERG Vyara Konstantinova STEFANOVA George VLAHOS
EN RD Contact Point	David BALDOCK (lead expert) Fabio COSSU Michael GREGORY Kaley HART (expert) Haris MARTINOS

Apologies for absence were received from Jean-Christophe BUREAU and Camillo ZACCARINI BONELLI, working group experts.

## **2. Presentation of ENRD and Thematic Working Groups (by G. Lhermitte)**

This set out the background to the ENRD, its role and governance structure and gave some detail on the mandate of the TWGs. (*See presentation attached*)

In terms of the amount of time allocated for expert work under the TWGs, it was confirmed that approximately 500 days (equivalent to 2.5 FTEs) was available for this purpose.

## **3. Background and Context for TWG 3 (*See presentation by M. Scheele attached*)**

In debates on the future of the CAP, public goods are often talked about as a justification for support. This has become more frequent in past 10 years. If you ask experts what 'public goods' mean in practical terms, however, you get a wide spectrum of answers reflecting different academic and institutional backgrounds. This multiplicity brings confusion into the debate and this then starts to bring a helpful concept into question.

The objective of the group is about developing a clear understanding of what public goods are based on solid evidence. It is not about making political statements but to use the evidence for highlighting the relevance of public goods in practical terms.

The objectives, timescales and proposed deliverables for the TWG were presented. In terms of outputs, the group will develop a conceptual framework to underpin the public goods concept; produce factsheets / background papers as appropriate; facilitate stakeholder exchange and develop a communication strategy.

Drawing on a sound theoretical foundation of the concept of public goods, the TWG aims to:

- develop practical definitions and identify relevant types of public goods in different geographical and natural contexts;
- assess the instruments and delivery mechanisms in relation to their targeting, management, etc and identify innovative approaches for the provision of public goods;

In doing this, particular attention needs to be paid to the specificities of areas, e.g. areas under urban pressure and areas suffering from depopulation where there are risks of land abandonment. In addition the role of local administrations in the delivery of public goods will be considered, and specifically the role of NGOs; both as beneficiaries of funding for providing public goods, and as experts advising others on appropriate land management practices. Identifying good practice in different Member States is a key part of the TWGs remit. The work of the group will also consider the significance of public goods as an enabling factor for integrated rural development.

### ***Key points arising from the discussion:***

The need for **good communication** between the different TWGs was highlighted as there are some obvious overlaps, particularly with TWG 2 "links between agriculture and the wider rural economy" (for example with the work that will consider the socio-economic spillover effects of public goods). This communication between the groups can happen in various ways. The Coordination committee will have an overview of the work of the TWGs, but the TWGs themselves should be encouraged to exchange papers, and invite comments on draft papers from members of other TWGs where appropriate. This should be facilitated via the secure section of the website (due to be available in June/July 2009).

**Required inputs from members of the TWG.:** this will depend on the time that members have to engage in the work of the TWG. As a minimum all members are expected to actively participate in discussions at TWG meetings and to provide comments on papers produced by the experts. If time allows, it would also be helpful if members were able to provide insights on the data gathered through, for example, the screening of the RDPs, and any information on examples of good practice

in relation to the provision of public goods in their Member States – experts will send requests for such information, with an explanation of what is needed. In addition, if members of the group have thoughts regarding the conceptual framework or ideas on areas, or specific case examples that should be investigated in more detail then these would also be very helpful.

#### **4. The Conceptual Framework** (*See presentation by D. Baldock, attached*)

DB outlined the conceptual framework developed by IEEP and the Commission. Key questions covered by the presentation included:-

- What is the rationale for public intervention?
- How is the supply and demand for PGs to be coordinated?
- What is to be learnt from the concept of PGs in the agricultural context?
- How is the approach applied to agricultural policy?

#### **Key points arising from the discussion:**

- Scope of the TWG** in relation to the breadth of public goods covered: is the focus purely on environmental public goods, or does the remit of the group extend to consider 'option goods', i.e. ensuring the capacity to produce or accessibility to a private good? To what extent are social public goods included within the scope of the group? It was suggested that food security should be included. While the focus of the group was mainly on agriculture as a means of delivering public goods, it was agreed that broader social public goods should also be included, such as 'rural vitality', including needs in relation to rural services. In relation to environmental public goods, the need to consider climate stability, both in terms of actions for mitigation and adaptation was highlighted.
- How to deal with '**commons**' where there are no individually defined property rights, giving rise to issues of non-excludability and the potential for over-exploitation. Revisions to be made to the Conceptual Framework paper should take this issue into account.
- Distinguishing between providing positive benefits and avoiding harmful effects:** There needs to be some further elaboration on the notion of reducing negative/harmful environmental impacts vs maintaining/enhancing positive environmental impacts to make sure the logic of the argument is expressed clearly in the Conceptual Framework paper and the presentation slides relating to the reference level and setting environmental targets.  
  
In addition, there is a need to further clarify the difference between 'externalities' and 'public goods'. There was also an issue raised about how these concepts are expressed in relation to the reference level and this will be further clarified through revisions to the Conceptual Framework paper. There was also a proposal that the term 'profitable agriculture' (at the bottom of the diagram in the presentation slides setting out the relationship between incidental provision, the reference level and the target level for public goods) needed changing as it does not correspond to the issue in the slide, which was "environmental quality". 'The environmental outcome of normal farming practices' was suggested as an alternative.
- The difference between a public benefit and a public good:** it was clear from the discussion that some clarification is needed about the difference between these two terms to avoid further confusion.
- Development of markets** for the provision of public goods: some argued that it should be possible to find market solutions to the provision of public goods, for example auctions, tradable emissions permits etc.). However, within the Conceptual Framework these sorts of transactions are seen as taking place as a result of policy intervention and therefore do not represent a market situation. The issue needs to be addressed of whether or not it is possible to develop

markets to deliver public goods and set out the arguments about why this is very often not feasible. Revisions to the Conceptual Framework paper will be made to make this point clearer.

- f) **WTO Constraints:** in terms of considering possible innovative solutions for the provision of public goods, the question was raised, to what extent the group is constrained by current WTO Green Box requirements? It was agreed that this should not constrain innovative thinking about new ways in which public goods might be delivered in the future and how these might be paid for. It was highlighted that the debates relating to WTO in the EU is seen from outside as the EU rationalising its protectionism. What the US and Australia are doing in relation to policy intervention for their public goods should also be considered. This should enable negotiators to demonstrate what is happening elsewhere too (but without the public goods debate being hijacked by others for their own purposes as arguably happened with the concept of multifunctionality).
- g) **Payments:** there was discussion about the means of determining the level of payments needed for the provision of public goods. It was suggested that the TWG should consider the value of payments based on averages versus the use of other mechanisms such as price, auctions, tenders etc. The TWG could also explicitly address the compatibility of alternative pricing mechanisms with WTO green box requirements.
- h) **Arrangements** at all levels are critical to the delivery of public goods. In Germany, for example, there are regions with a good culture of cooperation between the environmental and sectoral institutions and other regions where this is not the case. This aspect needs to be considered when thinking about how to achieve solutions in relation to the provision of public goods.

## 5. The Workplan (*See presentation by C. Canenbley, attached*)

Ms Canenbley set out the draft workplan for the TWG.

The difficulty of breaking down RDP budget allocations by the different public goods was highlighted. From experience, the closest it will be possible to get to this is by looking at a budget breakdown by measure.

In addition, it was recognised that the screening of the RDPs would only show what is proposed in terms of delivery, not the impacts as a result of implementation. It was stressed that evidence collected for use by the TWG should be based on solid facts and should not trespass into evaluating the RDPs.

The suggestion was made that the TWG should look at the provision of public goods from a prospective situation, and consider the implications of removing, or of redistributing a substantial amount of Pillar 1 funding. Any future policy intervention may need to operate under different price regimes, and different climate situations. While, within the resources and timeframe available, it will not be possible to model these sorts of scenarios, it was agreed that the TWG needs to embed its findings into different policy contexts and that this should be elaborated in all deliverables at each stage of the process.

## 6. Website Development

The EN RD website will provide a section dedicated to TWGs, with a dedicated extranet facility for use. TWG members will be able to use this for exchanging and consulting documents, for collaborating in the work activities. The website will provide a private forum section so that the members can contribute to web based discussion of any specific topic. This is a specific and flexible tool that will be further developed according to specific requirements and needs over the next 6 years.

The website (<http://enrd.ec.europa.eu>) will be available as soon as possible, and until then any suggestions and communication can be sent to the e-mail address [twg3@enrd.eu](mailto:twg3@enrd.eu) (this address will be used for any relevant communication to the TWG members).