



TWG3 – Public Goods and Public Intervention

Status report

25 November, 2010

CONNECTING RURAL EUROPE

The overall objective of the Thematic Working Group is:

“Through relevant analysis and the diffusion of the group’s results, to contribute to ensuring the rural development interventions enhance the provision of public goods for the benefit of society”.

1 Step 1 of Work Plan

The activities to be carried out under Step 1 of the work plan (Task 1.1 – *Screening of the 88 EU RDPs*, and Task 1.2 - *Identifying the main types of public goods provided through agriculture in the Member States*) were concluded by the end of October 2009.

As main outputs of the activities undertaken, a ‘Conceptual framework on Public Goods’, 88 RDP fiches and 14⁽¹⁾ MS survey reports were produced. A draft Step 1 report providing an overview of the main results of the RDP screening exercise (covering 70 out of the examined 88 RDPs) was presented for discussion during the second meeting of the group held on 06/10/09.

Following comments from members, a revised Step 1 report was produced in November 2009, which was finalised and circulated by the end of December 2009. The final version of the report included data from the missing 18 RDPs and results from Task 1.2 of the work plan.

At the time of the second meeting, a revised version of the “Conceptual framework on Public Goods” was produced and circulated to group members. The document aims to establish a common understanding of the significance of the interaction between the agricultural sector and the provision of public goods. It provides insights into the characteristics of public goods, along with the most appropriate allocation mechanism needed to secure their supply in line with society’s demand. It also examines the case for supporting the provision of public goods through public economic incentives.

1.1 Step 1 report: scope and main findings

The purpose of the report was to investigate how Member States and Regions intend to deliver a range of environmental and social public goods associated with agriculture through their 2007-2013 Rural Development Programmes (RDP). The key questions of the exercise were:

- which RDP measures are being used to deliver public goods associated with agriculture;
- what sorts of management practices provided benefits in terms of public goods;
- what specific activities are ‘incentivised’ to maintain or enhance the provision of public goods;
- how are such measures being implemented;
- what is the budgetary expenditure associated with the delivery of public goods through the RDP measures.

The main findings were as follows:

⁽¹⁾ 19 MS were originally involved in the survey envisaged by Task 1.2. However, insufficiently information was received from 14 MS. Problems in collecting full information from all the MSs involved in the survey were seen to be partly due to the methodological approach employed (i.e. reliance on written and telephone exchanges); the fact that some of the information requested was not available (specifically that on administrative costs of delivery); and the perceived complexity of some questions.

The provision of environmental and social public goods in the EU-27 context faces a variety of pressures and threats, among which some common key issues have been identified. This has influenced the focus of measures within the RDPs, and hence the degree to which they can be seen to be giving priority to different public goods. The main environmental public goods addressed by the majority of RDPs are:

- carbon storage;
- greenhouse gas emissions;
- agricultural landscapes;
- farmland biodiversity;
- water quality.

In terms of policy Axis, the following emerges:

- Axis 2 measures are the main mechanisms used for delivering environmental public goods (including, for example, agricultural landscape and farmland biodiversity);
- Axis 1 measures focus on the reduction of greenhouse gas emissions, water quality, as well as rural vitality;
- Axis 3 and 4 measures are particularly focused on delivering rural vitality and, to a lesser extent, agricultural landscapes.

Some 16 measures from across all Axes have been identified as being used most frequently for delivering public goods across the 88 RDPs. In terms of programme expenditure, natural handicap and farm modernisation measures account for almost 50 per cent of total public expenditure for the programming period 2007-13.

Information on the delivery of four specific measures was also collected, namely on agri-environment payments, natural handicap payments, Natura 2000, and farm modernisation. Overall, not a great deal of difference in the approaches taken to the delivery of the four measures has been identified within each country. In most cases the same organisations are involved in the delivery of all four measures and, in most countries, delivery is at a national level with some involvement from regional bodies and NGOs.

One of the factors influencing the quality of the delivery is seen to be the degree of collaboration between agricultural and environmental institutions and their respective staff capacity. It has not been possible, however, to collect adequate data on the administrative costs of delivering different measures, either because it was not available, or not easily accessible.

1.2 Steps 2 of Work Plan

Step 2 of the work plan (*Analysis of the output from tasks 1.1 and 1.2*) was carried out from November 2009 to January 2010. A first draft of the analytical paper was presented for discussion at the third meeting of the TWG held on 4 February 2010. A final version of the 'conceptual framework' for the provision for public goods was circulated before the meeting, and a revised version of the

report was finalised at the end of February 2010, taking to account of comments from group members.

Step 2 report: scope and first findings

The Step 2 analytical report builds on the evidence documented in Step 1, and provides a more detailed analysis of:

- the potential contribution of individual rural development measures to the provision of specific public goods in different regions of the EU;
- the relationship between public goods and agriculture, and aspects of undersupply of public goods;
- the role of rural development measures in delivering environmental and social public goods;
- the most used measures under the RDPs for the delivery of public goods.

The analysis led to the following ***preliminary findings***.

- The supply of most public goods associated with EU agriculture is affected by increasing pressure on those who manage the land. In this context, forms of land management that are commercially attractive for farmers tend to increase the opportunity cost of supplying public goods, and hence the risk of their undersupply.
- RDPs provide a framework within which resources and available policy measures can address trade-offs between different objectives and thereby enable farmers and land managers to provide environmental and social public goods alongside, or as part of agricultural production.
- Given their focus on land management, the majority of available measures have the potential to deliver beneficial environmental outcomes.
- The agri-environment measure is the most significant in this respect, although other RDP measures can play an important role in delivering a range of public goods.
- The focus in RDPs tends to be on maintaining extensive management practices through the agri-environment and LFA measures (including organic management). While this is likely to help address the threat of abandonment and may prevent intensification, there is considerable scope for more focused/targeted options to be used to enhance and restore degraded areas, or to focus on the needs of specific species/habitats which could constitute specific policy domains.
- Measures for investing in capital infrastructure in relation to agriculture (on and off farm) and investments in rural areas attract significant resources. Also, there is a clear link between some Axis 1 investments and responses to environmental threats identified in relation to soil and water quality in particular (c.f. irrigation, manure storage etc.,) though some investments can also be in conflict with environmental priorities. In contrast, links between Axis 3 measures and threats relating to rural vitality are less clear.
- There is considerable scope for the increased use of advice, training and capacity building measures designed to encourage farmers to change practices and behavior, and to take up actions that are more supportive of the environment.
- Targeting is critical in terms of achieving the specific outcomes regarding the provision of many public goods. Despite progress made, this still remains a priority issue for the development of rural development measures at both the EU and Member State level.

1.3 Step 3 of the work plan and dissemination phase

Step 3 (carried out from March to mid-June 2010) involved a more comprehensive analysis of the socio-economic benefits linked to the provision of environmental public goods as well as economic and social public goods such as "rural vitality". It was undertaken by means of the collection of relevant example/case studies. The results of this activity have been incorporated into a final report that is currently being finalized.

A detailed **communication plan** has been outlined to be implemented starting from autumn 2010. A series of products (including a brochure on "Public goods and public intervention in agriculture") have been envisaged for a wider dissemination and discussion among EN RD stakeholders. Finally, a conclusive seminar is taking place the 10th of December 2010. The scope of the seminar will be to present the outcomes of the work of the TWG3 to a larger group of stakeholders, and to clarify the notion of Public Goods to a wider audience. It will also demonstrate that the conceptual framework of public goods provides for common grounds in discussions about the CAP and Rural Development.