

Challenges for the provision of public goods by farmers

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Three main issues |

- Valuing of demand of public goods
- Designing the instruments
- Participation of farmers



Valuing public goods

- Wide range of tools
- Partial or integrated approaches?
- Money or utility approaches?



Money approaches

- Methodologies based in consumers' observed behaviour:
 - Replacement cost
 - Cost of travel
 - Hedonic prices
- Methodologies based in consumers' hypothetical behaviour:
 - Contingent valuation
 - Choice experiments



Utility approaches |

- These methodologies avoid to use the value of money as instrumental measure
 - Analytical Hierarchical Processes (AHP)



Alternatives?

- Working with experts (Delphi Method)
- Decision taking at local level
- A shortcut: Benefit transfer

□ Valuing environmental services of Basque agriculture and forestry (Murua et al., 2005):

□ Leisure and landscape:	30.1 million €/year
□ Biodiversity:	20.0 million €/year
□ Ecosystem protection (parks)	9.7 million €/year
□ Farm landscape	6.0 million €/year
□ Carbon sinking	5.8 million €/year
□ TOTAL VALUE	71.8 MILLION €/year



Designing instruments

- Determining property rights
- Decentralized/centralized provision
- Transaction costs
- Distributive effects
- Constraints related to trade policies
- Difficulties for the evaluation



Making farmers participate

- Eligibility: Goals of the programs
- Capacity: information, skills, risk, investment capacity
- Willingness: how generate incentives for farmers?



Some challenges for the future

- The provision of public goods (multifunctionality) should be accurately focused, to answer the social demand of public goods
- Conventional instruments (1st Pillar) are neither effective nor efficient
- Agrienvironmental measures and payments for environmental services need further development
- Auctions could be an innovative way to face the provision of public goods among farmers, generating precise incentives

