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The ESD Working Group Experience

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I have been involved in the ESD process since its inception. That process flowed from the Commonwealth Government's wish to integrate economic and environmental concerns. My involvement focused on two of the nine sectoral working groups; agriculture and fisheries. Working in Treasury's environment section, I also kept in touch and discussed developments with our representatives on the other working groups (tourism, transport, manufacturing, mining). Like many others I participated in the intersectoral sessions and commented on some of the intersectoral papers. The process lives on and I am now involved in the joint Commonwealth/State arrangements to generate the response to the hundreds of recommendations that came from the sectoral working groups.

For those who are interested the details of the process have been documented elsewhere. The reality of the experience is that it included meetings across disciplines and interest groups and seemingly endless discussion, and drafting, piles of faxes and reports, and scores of telephone calls.

This brings me to the first point in addressing the question of this workshop:

- the ESD experience brought about a dialogue between people who tend to think differently.

I will come back to this point later but before I do let me outline how I will treat the topic. I have chosen three headings: processes, ideas and outcomes. These should help us gain insights into the experience and draw conclusions.

Processes

Although the working groups set about producing action oriented recommendations, this was only part of the process. Not only were groups of people of different interests brought together to address this common interest, but those people also set about defining where their "uncommon" interests lay.

This can be seen by looking at the working group reports, where the text around the recommendations often defines areas of disagreement or sticking points.

The process was one of defining the scope for improved policies, in a Pareto sense where no one is made worse off. The agriculture working group report sets out some objectives which can be seen in this light, and documents the knowledge the group had about the state of the sector and its environment.

That report shows the attempt to separate out fact, argument and opinion, but there are also many places where it could be claimed that an amalgam is presented. An amalgam representing a collective judgement of the members.

The process was not then truly scientific in the way that conclusions were developed. Consequently the reports should be read and used with this in mind. Indeed subsequent research by scholars may well challenge conclusions of the groups.

The dialogue referred to earlier among agricultural officials, environment officials, industry people, environment groups and other interest groups was sometimes pathbreaking. Pathbreaking in the sense that people were talking to each other whereas they had not taken the opportunity to do so in the past. In the working group on agriculture, this seemed less the case than in other sectoral groups. The activities of Landcare groups may be the reason.

I think there was a good bit of listening done as well as talking, and probably some marginal change in thinking. Some of this change was to understand and to recognise better the concern of a different interest group, though there was also some clarification and hardening of views of interest groups,

* Environment Section, Treasury. Inevitably the content of this paper is influenced from the position I have, although the views are mine and not necessarily those of the Treasury or the Government.

particularly regarding their rights and responsibilities.

While the public sponsored ESD process went on, private sponsored dialogue was going on between interests such as industry and environment groups with third parties acting as go betweens or brokers. This is still occurring especially where governments are clarifying rights and responsibilities for the use of environmental resources. Firms are also thinking ahead of present government rules and regulations and trying to anticipate the community demands on environmental resources.

So in summary what points are there to conclude about the process aspect of the experience and how it has affected our thinking and policy advice:

- It has affected the thinking of those who were involved in the process. They have a better understanding of how to pursue their direct interests and their common interests.
- The impact of the ESD experience on those outside the process is harder to estimate. Can we say for instance that the emphasis on sustainability and the environment in the last two National Agricultural and Resources Outlook Conferences was in any way responding to the ESD experience or was this just a parallel development?

Of course the ESD experience is not yet over as State and Commonwealth officials grapple with the task of developing responses to the recommendations.

Ideas

I use this heading to cover conceptual and analytical issues that run across topics in the working groups, the main ones that emerged from my perspective relate to perspectives on ESD, systems, values and attitudes to risk.

Perspectives on ESD

Some see ESD as an **end state** where ecological sustainability or a sustainable agriculture will be reached. Others see ESD as **development action**

which we undertake in an ecologically sustainable way without a specific vision of an end state. The origins of these views are of interest in themselves but more relevant to our topic is their implication for policy advice.

The former view leads easily to didactic policies which drive in the end state. This was compared at one stage of the discussions on agriculture to the visionary approach of those who fostered the closer settlement and irrigation schemes in the Murray Darling River Basin. The purpose of the comparison was to illustrate that holding visions does not ensure policy infallibility.

The other view of ESD, ie that we should modify our development action from now on, is harder to put into operation in the form of rules or policy. In effect it calls for policy changes to be made with an eye to the full dimensions of ESD.

The recommendations of the groups reflect this dichotomy of view. Some recommendations quite clearly are aimed at achieving a vision while others are directed to modifying activity to meet general goals of ESD.

This is not new with regard to policy advice as industry policy has carried a similar dichotomy, where some aim to force in particular types of industry while others push for competitiveness and flexibility.

In summary our policy advice may not change much unless one view or the other becomes ascendant.

Systems

The dialogue referred to earlier was probably most effective in widening people's perceptions of the economic, physical, or biological systems that they deal with normally. It was not so effective in convincing others about the values which should or should not be associated with different parts of those systems.

It seems to me that the non economists in the groups largely took for granted the economy, the flow of payments and goods and services, while the physi-

cal and biological systems beyond the farm were taken for granted by the non scientific and non environmental members. I found that both scientists and environmentalists tended to pay little heed to the fragility of economic systems and their capacity to deliver ever increasing and equitably distributed incomes.

External effects and feedback or second round effects in the various systems were discussed at length. Salinity in soil water, for example is an external effect, while acidification is an example of a negative feedback effect from activity aimed at increasing output. Similarly there was much discussion of the linkages between farm production systems and natural biodiversity. There is still much to learn about the extent and importance of those linkages.

Looking to economic linkages I found a ready acceptance of general equilibrium rather than partial equilibrium analysis. Indeed some economic models such as ORANI were seen as too narrow in their scope. There was however rather less acceptance of expectations as an important factor in decisions about resource use.

Another area of interest was the principal-agent problem. Government members of the groups often assume this problem away, and forget that rights and responsibilities have to be clear to ensure that government agencies do operate effectively. As a principal, government can not simply assume its agencies and employees will act as it wishes. They may act in their own self interest.

This assumption I believe has led to recommendations which focus on a greater role for governments, rather than modifying their present influences on market behaviour. This appears to be more frequent in the case of fisheries than agriculture but is also relevant in the management of species that are often wild.

Values

For the most part the clash of values, between a human centred view and other views of the world, did not limit the development of recommendations.

However, on some issues this clash did arise, especially when dealing with principles, long term goals and human use of species not traditionally used in commerce. The clash of values spills over into the choice of policy instruments for ensuring development is ecologically sustainable. Some find an instrument which achieves an efficient outcome but which allows for the pursuit of self interest to be repulsive. This makes some reluctant to establish clear rights and responsibilities for exploiting and conserving nature.

Such a reluctance, combined with the traditional role of the crown in holding rights to resources, makes it axiomatic to many that governments have a direct role in managing natural resources. As a consequence, the need for non market based estimates of values for natural resources also appears to be self evident. However, it may be more effective if some of the effort to establish estimates of non-market values of natural assets was put into specifying and allocating rights and allowing private bodies to trade in them.

In summary, policy advice is now more likely to be influenced by reference to a wider set of values than those which lead us to generate an immediate income. However, readiness to do this may be attributable as much to the work of the Resource Assessment Commission in relation to Coronation Hill as to ESD processes, or more fundamentally, changing values of society.

Risk

The general tone of the working group reports is to favour a cautious approach to risk. Support for risk aversion is clearly stated by many as a sound basis for public policy. We shall have to see how this stated preference influences actual policy advice. The view that risk aversion should always be favoured where ecological processes are threatened, has to be tested to see if it can be applied universally or as a general guideline. Attitudes to risk might well change as wealth changes. Indeed this is the argument of developing countries who call for assistance to fight poverty, which is seen as the major threat to the environment.

In summary the ESD experience may have height-

ened awareness of risk and its management, but I don't see any major changes that will lead to substantial and immediate change in thinking or policy advice.

Outcomes

There have been outcomes on our thinking and policy advice and I am sure there will be more. These will come not only in response to the immediate purpose of the recommendations but also in response to further research that the ESD experience stimulates.

For me the earliest and clearest change in thinking can be seen from changes in the area of fisheries policy. There was a change in thinking on the resource management responsibility of managers and the importance of recreational fisheries from the paper *New Directions for Commonwealth Fisheries Management in the 1990s* to the view in the paper by Gorrie and Johns (1991) presented at the 1991 National Agricultural and Resources Outlook Conference.

Thinking in the bureaucracy has probably changed as ESD participants have become rather more aware of others' views and are more ready to seek out the views of others. ESD has probably encouraged across-discipline and - profession thinking. This is probably less so in agriculture than elsewhere, as agriculture has had, at least in some States, a tradition of whole farm advice and there are professions such as agricultural economics which straddle disciplines.

Another area where I believe thinking is beginning to change is in the area of rights. The ESD process has helped to give an impetus to this development which has already emerged in policies for water, fisheries and the environment.

This change in the way we think about rights is matched with other changes, perhaps to more questioning of how other institutions allow us to internalise externalities. Catchment planning is an example of this, but it has far to go before the scope of local government is re-thought as much as it could be, eg in terms of its physical boundaries and its use of taxes and charges.

I referred earlier to thinking on systems. The ESD process has helped in the understanding of feedback effects and longer term consequences, I believe. General equilibrium analysis has moved into wider fields than industry policy and exchange rate debates.

I also referred to the area of government failure and the principal agent problems. This has not led to much change in thinking, but again in fisheries there is some move in this direction. Environment groups are alert to this and have proposed legal and political measures aimed at addressing government failure.

There has also been another area of change in thinking as the environment has been used as yet another reason for assistance to self interest groups. Some may say there is no change, just more creative opportunism.

Moving on to changes in our policy advice, I believe it is too soon to judge this on a wide scale. The ESD recommendations are still being digested by advisers, particularly at the State level, who were not directly involved in the process. No doubt there has been some change in policy advice. I know that is the case for me and is a view shared by some of my Treasury colleagues who were involved in the ESD working group experience. Whether the same is true for others I do not know.

So this topic is itself rather like ESD. We will have to leave it for others who come later to judge for us.

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