Tools to incentivize investments into sustainable land managment

SUBREGIONAL WORKSHOP FOR SUBSAHARAN WEST AFRICA ON VALUATION AND INCENTIVE MEASURES
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UNCCD United Nations Convention to Combat Desertification

THE GLOBAL MECHANISM

about the Global Mechanism (GM)

- Financial mechanism of the UNCCD
- Tasked to mobilise resources and promote investments in sustainable land management
- Promoting synergistic implementation of the Rio Conventions
- Supports developing countries in designing Integrated Financing Strategies (IFS), including innovative funding opportunities
- Since 2005, the GM is supporting more than 50 developing countries in designing IFSs

common cause

- Sustainable land management helps protecting biodiversity while enhancing livelihoods
- Challenges and opportunities for mobilising financial resources and responsible investments are similar for land and biodiversity

how to engage the private sector

The science of valuing ecosystem services (ES) can inform private sector decision making by:

- making the business case for SLM investment options to businesses and capital investors by providing the total value of land (TEV)
- recognising and measuring the value of ES, create markets for ES that gives economic incentives for investments and adoption of SLM

providing the right incentives & market based mechanisms

- Often a mismatch between stakeholders paying the costs of maintaining land resources (e.g. opportunity cost of not converting a forest to cropland) and beneficiaries (e.g. downstream water users benefiting from the regulation of water flows).
- There are a range of incentives and market-based mechanisms that can:
  - **encourage** companies, communities and other private land users to adopt and invest in SLM; and
  - **enable** the land users to cover the cost of adopting sustainable practices

why incentives?

- Not necessarily economically beneficial for users of biodiversity & land to act in a sustainable manner, e.g. because:
  - Return for investments occur first in the medium/long term
  - Benefits of sustainable practices have a public goods character and/or are not traded in a market
  - The market price of ecosystem services does not reflect the real value
  - Negative effects of NR/land use decisions have implications far beyond the site

Positive incentives needed for investments in sustainable use of natural resources

responses

- **Framework and score card tool** developed by GM and CATIE on incentive & market based mechanisms
- **Studies** at national and sub-regional level: including Cambodia, Cameroon, Dominican Republic, Eritrea, Guatemala, Mozambique, Panama, Tanzania, Zambia & South East Asia;
- **Best practices** and case studies collected

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Framework: 14 incentive and market based mechanisms	
Type	Examples
1. Public payment schemes	A. Permanent conservation easements B. Contract farmland set-asides C. Co finance investments D. Payment for proven investments in SLM E. Subsidies F. Tax, tax breaks, environmental fees
2. Open trading under regulatory cap or floor	G. Conservation banks H. Tradable development rights I. Trading of emission reductions
3. Self organized private deals	J. Purchase of development rights K. Direct payments for ecosystem services L. Conservation concessions
4. Eco-labeling of products and services	M. Marketing labels N. Certification schemes

score card tool

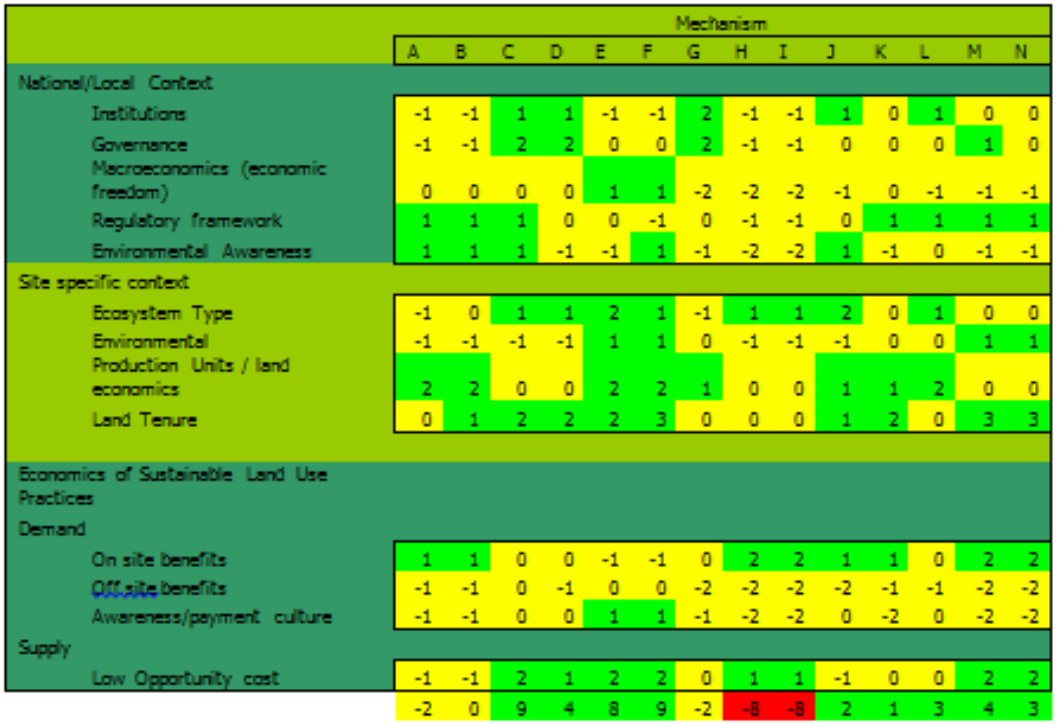
- Assesses the applicability of the incentives and market based mechanisms in the national and site specific context
- The application of the scorecard requires five steps:

1. Define the land degradation problem
2. Evaluate the national and local context using a set of success criteria
3. Compare the context with the requirements of each mechanism and generate a results table
4. Interpret the results
5. Undertake legal, institutional & cost-benefit analysis

		Score
National/Local Context		
	Institutions	3
	Governance	3
	Macroeconomics (economic freedom)	2
	Regulatory framework	3
	Environmental Awareness	2
Site specific context		
	Ecosystem Type	3
	Environmental know how	3
	Local capacities	2
	Land Tenure	3
Economics of Sustainable Land Use Practices		
Demand		
	On site benefits	2
	Offsite benefits	2
	Awareness/payment culture	3
Supply		
	Low Opportunity cost	3

score card tool

- Success factors:
  - institutional capacity
  - regulatory framework
    - good governance
    - macroeconomics
    - environmental awareness
    - land tenure
    - demand and supply of environmental services, etc.



	Mechanism													
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
National/Local Context														
Institutions	-1	-1	1	1	-1	-1	2	-1	-1	1	0	1	0	0
Governance	-1	-1	2	2	0	0	2	-1	-1	0	0	0	1	0
Macroeconomics (economic freedom)	0	0	0	0	1	1	-2	-2	-2	-1	0	-1	-1	-1
Regulatory framework	1	1	1	0	0	-1	0	-1	-1	0	1	1	1	1
Environmental Awareness	1	1	1	-1	-1	1	-1	-2	-2	1	-1	0	-1	-1
Site specific context														
Ecosystem Type	-1	0	1	1	2	1	-1	1	1	2	0	1	0	0
Environmental	-1	-1	-1	-1	1	1	0	-1	-1	-1	0	0	1	1
Production Units / land economics	2	2	0	0	2	2	1	0	0	1	1	2	0	0
Land Tenure	0	1	2	2	2	3	0	0	0	1	2	0	3	3
Economics of Sustainable Land Use Practices														
Demand														
On site benefits	1	1	0	0	-1	-1	0	2	2	1	1	0	2	2
Off site benefits	-1	-1	0	-1	0	0	-2	-2	-2	-2	-1	-1	-2	-2
Awareness/payment culture	-1	-1	0	0	1	1	-1	-2	-2	0	-2	0	-2	-2
Supply														
Low Opportunity cost	-1	-1	2	1	2	2	0	1	1	-1	0	0	2	2
	-2	0	9	4	8	9	-2	-8	-8	2	1	3	4	3

Applicable IMBMs in Tanzania's agro-ecological zones

Zone	Environmental problem	Recommended IMBMs
S&W Highlands	Shifting cultivation	- Co financed investments - Subsides
Northern Highlands	Bush fires	- Payments of ecosystem services - Reduced Emission from Deforestation and Forest Degradation - REDD
Alluvial plains	Population pressure	- Subsides - Reduced Emission from Deforestation and Forest Degradation - REDD

example 2: Zambia

Types of IMBMs	Specific mechanisms	Applicable to Zambia	Priority
PUBLIC PAYMENT SCHEMES	Permanent conservation easements		
	Contract farmland set-asides		
	Co-finance investments	√	
	Payments for proven investments in land conservation		
	Subsidies	√	
OPEN TRADING BETWEEN BUYERS AND SELLERS UNDER A REGULATORY CAP	Environmental or green taxes	√	
	Conservation Banks		
	Tradable Development Rights		
	Trading of emission reductions or removals	√	
SELF ORGANISED PRIVATE DEALS	Purchase of development rights	√	
	Direct payments for ecosystem services	√	√
	Conservation concession	√	√
ECO-LABELLING OF PRODUCTS	Marketing labels	√	√
	Certification schemes	√	

- Direct deals between off-site beneficiaries and on-site providers of ES – reduced transaction costs & direct benefits to providers
- Community based deals

example 1:
Green Resources, a forestation company

- Mozambique, Tanzania and Uganda
- Harvests only plantation forests and is planting strictly on grassland or degraded forestland. It plants at least ten new trees for every tree that it harvests.
- Store CO_2 through its forestation projects and converting plantation forests into renewable energy. CDM projects selling carbon credits on the voluntary markets in Uganda and Tanzania
- Operations in accordance with the Forest Stewardship Council® (FSC) standards. This has attracted finance that would otherwise not be applicable and provided access to new and bigger markets

example 2:
Payments for ecosystem services in Tanzania

- Objective: Decrease soil erosion and overall land degradation lowering the quality of the water of the Ruvu River
- Coca Cola and public water company – willing to pay farmers for implementing SLM practices because it reduces their water treatment costs
- CARE responsible for training and monitoring

findings and recommendations

- Poor culture of recognising the value and paying for ES
- Study process: an opportunity for advocacy and partnership building
- Policy makers, investors, CSOs and public need more knowledge and technical capacity on:

  - the real value of natural capital and ecosystem services
  - the best land use options and the real price of ES
  - the potential that incentives and market based mechanisms have to promote SLM;
  - how to chose the right incentives for a specific problem and how use and implement incentives in an optimal way

THANK YOU

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