

# POLICY BRIEF

*POLICYMIX - Assessing the role of economic instruments in policy mixes for biodiversity conservation and ecosystem services provision*

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## POLICYMIX contribution to Mid-Term Review EU 2020 Biodiversity Strategy



POLICYMIX Policy Briefs bring work in progress to policy makers. Available online: <http://policymix.nina.no>

**About POLICYMIX.** POLICYMIX focuses on the role of economic instruments for biodiversity conservation and ecosystem services provided by forest ecosystems. POLICYMIX evaluates the cost-effectiveness and benefits of a range of economic versus regulatory instruments in a variety of European and Latin American case studies.

**Title of project:** Assessing the role of economic instruments in policy mixes for biodiversity conservation and ecosystem services provision

**Instrument:** FP7-ENV-2009-1: Collaborative project. Small or medium-scale focused research project

**Grant Agreement number:** 244065

**Start date of project:** April 1<sup>st</sup>. 2010 Duration: 48 months

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The EU FP7 project POLICYMIX (2010-2014) focused on assessing the role of economic instruments in a policymix for biodiversity conservation and ecosystem service provision. POLICYMIX evaluated the implementation processes and outcomes for a selection of economic instruments in seven case studies in Europe and Latin America. In particular, the project evaluated payment for ecosystem services (PES), agro-ecological measures (AEM), tradable development rights (TDR) and ecological fiscal transfers (EFT). The Brazilian and Costa Rican case studies provided important insights into enabling conditions of PES, TDR and EFT, the analysis of which is also relevant for EU Member States. The POLICYMIX project aimed to shift policy assessment away from a focus on 'the cost-effectiveness of individual instruments', towards understanding of how instruments interact with one another on biodiversity conservation and ecosystem service provision. POLICYMIX provided important insights into enabling conditions of PES, TDR and EFT, the analysis of which is also relevant for EU Member States. The POLICYMIX project aimed to shift policy assessment away from a focus on 'the cost-effectiveness of individual instruments', towards understanding of how instruments interact with one another on biodiversity conservation and ecosystem service provision. Website: <http://policymix.nina.no/>

## **EU Biodiversity Strategy – which targets and actions did POLICYMIX address?**

### **Target 2 Maintain and restore ecosystems and their services**

#### **Action 7 Ensure no net loss of biodiversity and ecosystem services (e.g. through compensation or offsetting schemes)**

- ⇒ **POLICYMIX** has evaluated conservation effectiveness and costs of tradable development rights in São Paulo State, Brazil.
- ⇒ **POLICYMIX** reviewed biodiversity offsets and habitat banking schemes

### **Target 3b increase the contribution of forestry to maintaining and enhancing biodiversity**

#### **Action 8a CAP direct payments will reward the delivery of environmental public goods that go beyond cross-compliance (e.g., harvest and planting regulations, ecological set-aside, Natura 2000).**

- ⇒ **POLICYMIX** has evaluated trade-offs between payment levels and other characteristics agro-ecological measures under the CAP in Germany, the Netherlands and Portugal.
- ⇒ **POLICYMIX** has analysed the institutional conditions for protecting biodiversity in managed forests in Finland and under different institutional regulatory frameworks

#### **Action 9a Integrate quantified biodiversity targets into Rural Development strategies and programmes, tailoring action to regional and local needs.**

- ⇒ **POLICYMIX** has used conservation planning tools and spatial multi-criteria analysis to evaluate regional biodiversity conservation targets and the spatial targeting of conservation instruments across forest landscape mosaics in Norway, Finland, Portugal, Costa Rica and São Paulo, Brazil.

**Action 11b Encourage forest holders to protect and enhance forest biodiversity; foster innovative mechanisms (e.g. Payments for Ecosystem Services) to finance the maintenance and restoration of ecosystem services provided by multifunctional forests.**

- ⇒ **POLICYMIX** has evaluated the effectiveness of PES in combination with protected areas in Costa Rica, the spatial complementarity of voluntary forest conservation and public protected areas in Norway, and the institutional evolution of PES in a policymix in Finland and Costa Rica.
- ⇒ **POLICYMIX** has evaluated the economic costs of avoided deforestation in Brazil and Costa Rica as a cost-effective means to combat climate change
- ⇒ **POLICYMIX** has evaluated ecological fiscal transfers in Brazil and Portugal as an innovative financing mechanism for compensating municipal government for their costs of conservation, and has evaluated its potential in Germany.

**Action 12 Integrate biodiversity measures in forest management plans**

- ⇒ **POLICYMIX** has evaluated the use of biodiversity indicators such as dead wood, species and site indexes to evaluate the cost-effectiveness of voluntary forest conservation in Norway
- ⇒ **POLICYMIX** has evaluated the opportunity costs to forestry of preserving wilderness areas in Norway
- ⇒ **POLICYMIX** has studied development of PES incentives for afforestation with regards to diversity of species and climate change adaptation needs in Costa Rica
- ⇒ **POLICYMIX** has evaluated the institutional conditions of integrating biodiversity conservation into forest management planning

**Target 6 Help avert global biodiversity loss**

**Action 17c Reduce indirect drivers of biodiversity loss; provide the right market signals for biodiversity conservation, including work to reform, phase out and eliminate harmful subsidies and to provide positive incentives for biodiversity conservation and sustainable use.**

- ⇒ **POLICYMIX** has conducted policymix reviews in its 7 case studies including the role of subsidy removal as a 'policy instrument'. Examples of successful reform of forestry subsidies towards PES include Costa Rica.

**Mobilising resources**

- ⇒ **POLICYMIX** has reviewed the feasibility of diversifying funding from public and private sources, (EFT, PES, biodiversity offsets)
- ⇒ **POLICYMIX** has critically reviewed the assumptions that market-based instruments are inherently more cost-effective than regulatory or information instruments, with an emphasis on transaction costs.
- ⇒ **POLICYMIX** has tested spatially explicit conservation planning tools and impact evaluation methods to assess the efficient use of financial resources for conservation.

**Partnerships for biodiversity**

- ⇒ **POLICYMIX** has evaluated the potential of monetary valuation of ecosystem services to move beyond mere awareness raising of biodiversity values towards contributing to policy design and instrument targeting

### Developing a common implementation framework

- ⇒ **POLICYMIX** has developed a stepwise approach 'policymix analysis' , contributing to a better definition of the role of economic instruments in a clear and logical governance framework for conservation
- ⇒ **POLICYMIX** analysis aims at minimising the duplication of effort and maximising synergies between instruments implemented at different levels and by different actors and stakeholders;

Source: adapted from The EU Biodiversity Strategy to 2020



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