Main research question
What is the role of the Ecological ICMS (ICMS-E) in promoting local biodiversity conservation and social equity in Mato Grosso?

Research finding in brief
The ICMS-E – a state-to-municipal level Ecological Fiscal Transfer (EFT) instrument in operation for over 20 years in Brazil – has been considered a valid instrument to promote conservation. However, despite contributing revenues superior to predominant forest destructive land use practices, the ICMS-E has not stimulated additional biodiversity protection in NW Mato Grosso. More effective conservation can be attained by promoting local institutional innovation, to encourage the allocation of additional EFT revenues to strengthen municipal environmental governance.

Policymix approach
We selected two municipalities – Juína and Cotriguaçú – to evaluate the current and potential role of the ICMS-E in inhibiting further biodiversity loss at the forest frontier. We assess the role of this economic instrument in a policy mix for regional land use and municipal governance. Qualitative interviews with local stakeholders focused on: (i) distribution criteria; (ii) allocation of benefits; (iii) institutional arrangements; (iv) positive and negative aspects of the instrument; and (v) costs of implementation. The field research allowed an in-depth examination of how the ICMS-E is being implemented in the municipalities and the role that different actors and institutions play in this process.

Since ICMS-E revenues are not earmarked, additional revenues generated by the existence of protected areas are used for general purposes, such as road maintenance. The research showed that the ICMS-E can play a more effective role in biodiversity conservation if the municipality has a legal environmental framework that includes programs and policies for conservation; environmental councils; environmental funds that will receive a significant amount of ICMS-E resources; and informal practices of participation that include NGOs and interested parties for decision making. Revenues strategically distributed to address needs of proactive private landowners and indigenous communities can stimulate additional protection. Access to information and capacity building are important tools for building consensus regarding better allocation of ICMS-E revenues and to proactively reinforce biodiversity conservation at the Amazon frontier.

Reference:

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ASSESSING THE ROLE OF ECONOMIC INSTRUMENTS IN POLICY MIXES FOR BIODIVERSITY CONSERVATION AND ECOSYSTEM SERVICES PROVISION

**Project objectives**
POLICYMIX has developed an integrated evaluation framework for assessing economic instruments that considers multiple policy assessment criteria – biodiversity and ecosystem service provision indicators; valuation of their economic benefit and policy implementation costs; social and distributional impacts; and legal and institutional constraints – at different levels of government.

**Methodology**
POLICYMIX focuses on the role of economic instruments for biodiversity conservation and ecosystem services provided by forest ecosystems. The cost-effectiveness and benefits of a range of economic versus regulatory instruments are being evaluated in selected POLICYMIX case studies in Norway, Finland, Germany, Portugal, Brazil and Costa Rica. Comparative analysis evaluates the possibilities for transfer of policy success stories between Europe and Latin America, and promoting learning from policy failures.

**Training and dissemination**
POLICYMIX actively used advisory boards including land users, local managers and national policy-makers, who collaborated with our researchers in the feasibility assessments of economic instruments. A web-based POLICYMIX TOOL encompassing policy impact assessment guidelines, case stories and demonstrations of policy assessment methods is aimed at supporting dissemination and learning.

**Results**
POLICYMIX research discusses improvements in the design, targeting and implementation of economic instruments for biodiversity conservation through better understanding of (i) the linkages and complementarities between impact assessment tools, (ii) complementarities between different policy instruments in a policy mix, and (iii) trade-offs in design of a policy mix between economic, environmental and social impact criteria.

**EC Contribution:**
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**Consortium:**
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**Project Coordinator:**
Norwegian Institute for Nature Research (NINA) (Norway)

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**Key Words:**
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**Partners:**
- Norwegian Institute for Nature Research (NINA), Norway
- Helmholtz Centre for Environmental Research (UFZ), Germany
- Foundation of the Faculty of Sciences and Technology, New University of Lisbon (FFCT-UNL CENSE), Portugal
- Institute for Environmental Studies, Vrije Universiteit Amsterdam (IVM), Netherlands
- International Institute for Environment and Development (IIED), UK
- Finnish Environment Institute (SYKE), Finland
- Rede de Desenvolvimento, Ensino e Sociedade (REDES), Brazil
- Fundação de Apoio a Pesquisa Agrícola (FUNDAG), Brazil
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