Step 4: Selecting policy and financing instruments

Once the opportunities to enhance conservation and development goals from an ecosystem services perspective have been characterized, this step aims to select suitable policy and financing instruments to seize the opportunities and help achieve the desired changes. The expected outputs are:

- *A list of relevant existing policy and financing instruments with a description how they work.*
- *A set of proposals for applying existing instruments or creating new ones to seize the ES opportunities that were identified in Step 3.*
- *A selection of opportunities and suitable instruments to pursue further.*

In Step 3, the economic principles were used to identify how gaps could be filled, how imbalances could be addressed or how to make use of new potentials. In sum, the economic principles help identify and structure the opportunities to achieve a behaviour change related to conservation or enhancement of ecosystem services.

Step 4 consists in identifying how to achieve the desired behaviour change based on the ES opportunities, through policy and financing instruments. These instruments can be seen as concrete tools which motivate (or demotivate) stakeholders to undertake certain actions. Table 3 presents a large list of instruments such as subsidies, compensation, user fees, payment for ecosystem services, green credits, or certification. In summary, whereas the ecosystem services opportunities highlight the possibilities of desirable behaviour change, the policy and finance instruments are the tools that help achieve the behaviour change.

It is important to find a good balance between expert-based analysis and stakeholder engagement!

An expert consultation prior to a stakeholder workshop can be very helpful in advancing Task 4A in Step 4. Since knowledge about policy and financing instruments may require a certain degree of expertise and knowledge in the area, expert can help to get an overview of the existing instruments. As alternatives, a literature review can be conducted by the project team or a consultant can be hired.

After this consultation, as part of Task 4B, a **stakeholder workshop** is helpful to match the opportunities identified with the existent instruments, to examine their feasibility and acceptance or to identify the need of new instruments. For this workshop, the information compiled in the experts consultation can be presented in an initial session (here is important to consider short presentations, in a language that participants will understand) and can be complemented by the workshop participants.

This information is the base for the following group session. Groups can be built, for instance, according to the project working topics, or specifically to the ecosystem services opportunities which the project wants to further develop.

Task 4 A: Understanding the policy-scape related to the ecosystem service opportunities

What this task is about

This task serves to understand what is there in terms of policies and financing instruments that influence the protection of biodiversity and ecosystem services and how they work in practice.

Table 3 gives an overview and explanations of **policy and financing instruments that are being applied in biodiversity conservation and which stimulate local community involvement and benefit**. The second column indicates how the respective policy and financing instruments build on the four principles along which you have identified the opportunities in Step 3: steward earns, beneficiary pays, polluter pays, and innovation. Some instruments are based on one of the instruments, but many combine several of the principles. For instance, PES schemes combine contributions from beneficiaries (or in some cases from degraders) with an incentive mechanism for stewards of ecosystem services, and there is usually a fund to channel and redistribute the money. Developing and promoting an ecological product usually has an innovation component, for instance product innovation or innovative financing) and it supports the stewards in developing and benefiting from the ecological product.

Apart from policies and financing instruments that support the conservation of ecosystem services, it is also important to understand **which instruments currently have a negative effect**. For instance, in many cases agricultural subsidies are given for activities with negative impact on ecosystem service provision. The incentives for adverse effects may be so strong that small positive incentives would have little effect on behaviour (e.g. of farmers). In that case it may be more effective to advocate for changes in these instruments, e.g. building in the maintenance of biodiversity or ecosystem services as conditions for eligibility to receive the funds.

Keep in mind that existing policies and instruments that assist conservation but especially those that undermine conservation incentives do not necessarily originate from environmental policies, but might stem from **different sectorial policies**, e.g. agriculture and forestry, energy, transport or trade policy.

Finally, in order to assess the feasibility to work with a specific instrument, it is important to understand **'multi-level governance'**, that is, at which political levels the instruments are initiated and administered. This needs to be considered with respect to the level of project activity. For instance, is the adaptation or application of national level policy instruments in the scope of the project?

There are big differences between countries with respect to which types of policy instruments are already used for conservation and sustainable development

When the ECO-BEST project started in Thailand in 2011, policy instruments for biodiversity conservation were almost exclusively legal instruments, in particular assignation of protected areas and the national park law as legal framework. Almost no positive incentives for biodiversity conservation were in place. One task of the project was to introduce new approaches to conservation band help prepare the capacities and enabling conditions for them to be implementable (trust, institutional arrangements, knowledge, national legal basis, etc.).

We encountered a completely different situation when applying the ESO framework in Mexico in 2015 and in Colombia in 2019. In these countries (as in many other Latin American countries), already many incentive-based instruments such as PES were in place and had to be understood. In these countries, before coming up with new instruments, it was important to assess how existing instruments could be improved or applied to new context or regions.

How to go about Task 4 A

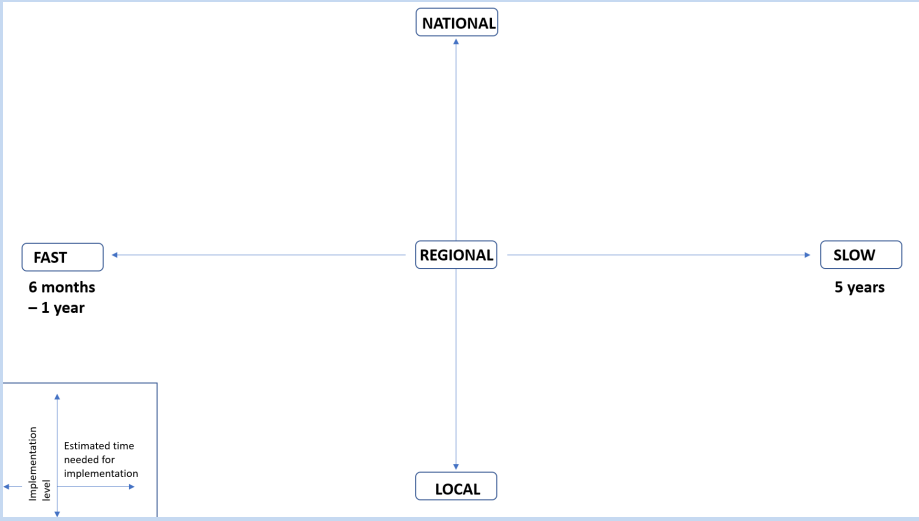
We recommend preparing a **list of policy and financing instruments along Template 4A**. You will see that the guiding questions in the upper part of the template relates to instruments that work in favour of conservation whereas those in the lower part refer to instruments with adverse effects.

If you already know that the topic of your project takes a specific direction (e.g. promotion of trees on farms or fisheries management) then you may already narrow the search to instruments that are related to that topic. Otherwise the opportunities identified in Step 3 may serve to narrow or at least focus your search.

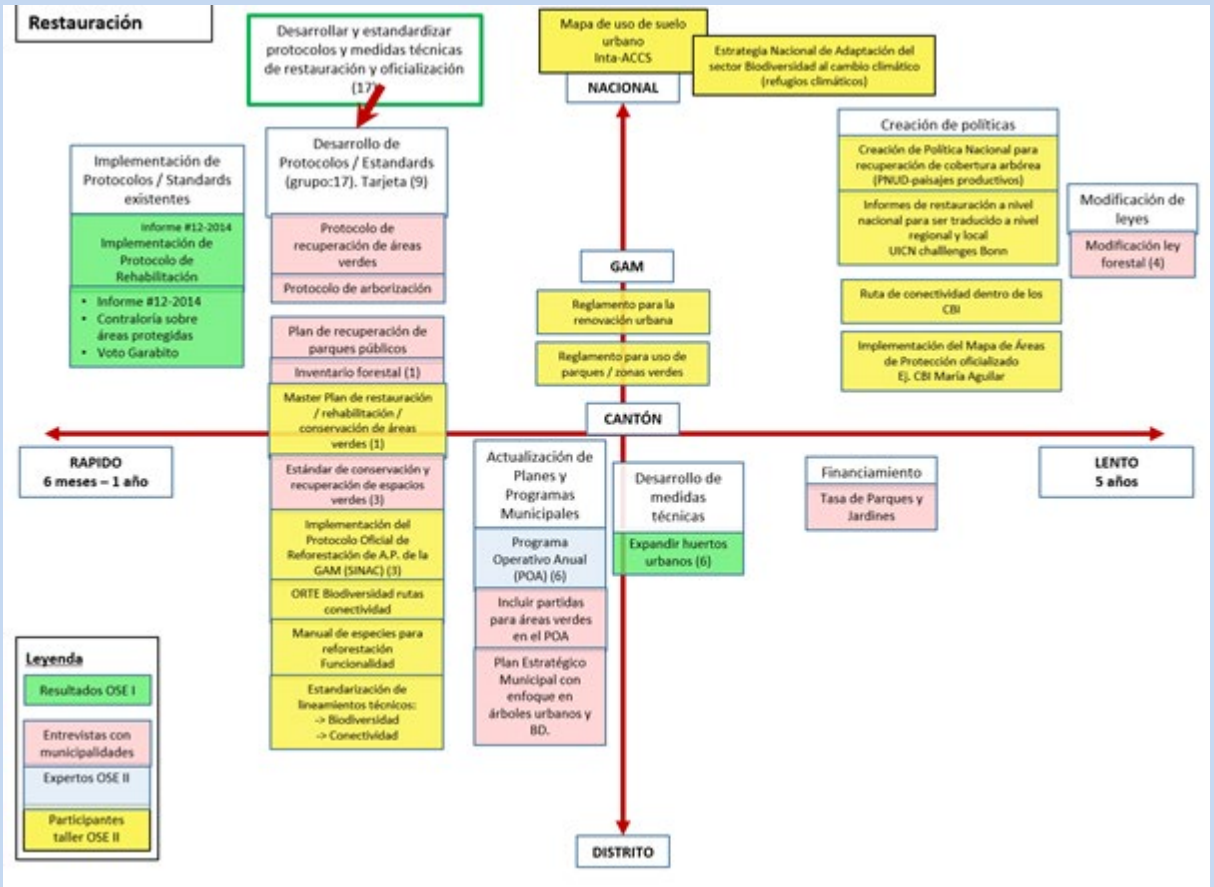
Taking stock of existing policies was one aspect of the context analysis in Step 2. It is useful to reconsider the context document in Step 2 and specify precisely how they work, including how they build on the different principles to regulate conservation of natural resources and ecosystem service provision. You can also review policy documents. In addition, discussion with political partners and local stakeholders can help ensure that you have not forgotten anything relevant.

Understanding multi-level governance with experts and local actors

In the Biodiver_CITY project in Costa Rica, ecosystem services opportunities for interurban bio-corridors were identified in a first workshop following Step 3. A second workshop included tasks from Steps 4 and 5. Prior to the second workshop, an expert consultation was conducted regarding the exiting instruments for three main topics identified in the first workshop. The information was classified in the following diagram:



This information was presented during the second workshop with experts and local actors, who were asked to complement and validate the information. This diagram can be helpful in understanding the level of application and estimating the time required for the implementation of instruments. The levels of implementation can be adapted according to the relevant action level for the project. For the Biodiver_CITY project the levels Gran Área Metropolitana (GAM), Cantón (municipio) and Distrito were included.



An expert consultation prior to a stakeholder workshop can be very helpful in advancing Task 4A. Since knowledge about policy and financing instruments may require a certain degree of expertise and knowledge in the area, expert can help to get an overview of the existing instruments. As alternatives, a literature review can be conducted by the project team or a consultant can be hired.

You can also include a discussion on existing instruments in a stakeholder workshop. In this way you may be able to combine a 'bottom-up' search with stakeholders and an expert-based 'top-down' search. Be aware, however, that depending on their background, local actors may not know all the instruments and an overly technical discussion on their functioning may even lead to frustration.

Table 3: Overview of selected policy and financing instruments and how they work according to the four principles

Economic instrument	Steward Earns	Beneficiary Pays	Polluter Pays	Innovation	How it works	Suitability for local community involvement and benefit
User fees & surcharges	☑	☑	☑	☑	Imposes fees or charges for the use or consumption of goods, services or activities associated with the natural environment. These may be used to generate revenue, recover costs and/or manage demand. If the aim is to generate income, all or some of the fees are retained and reinvested in conservation (or channelled to fund the people who manage the land, resources or facilities for which charges are being made). Common examples of user fees include: • Protected area entry fees • Parking, waste disposal and sanitation fees • Timber royalties • Fishing, hunting and trophy fees • Other resource-harvesting fees (firewood, medicinal herbs, wild plants, etc.) • Bioprospecting fees • Charges for the use of tourist facilities (climbing, hiking, camping, etc.) • Restaurant, hotel and land concessions and rental fees.	Although local communities can in principle impose, collect and retain user fees, additional legal and administrative conditions are usually required. It is particularly important to know that: • Clear ownership or other management rights are usually required before user fees can be imposed • While procedures for setting and collecting user fees can be determined via bye-laws or other local instruments, legal frameworks are often enshrined in national law • Where a group of people (rather than an individual) is involved in collecting fees and using revenues, an agreed mechanism needs to be in place for collecting, holding and allocating the resulting income.
Payments for Ecosystem Services (PES)	☑	☑			Landholders or resource managers are rewarded or compensated for managing land and resources in a way that generates specified ecosystem services. Payments are made by the beneficiaries of ecosystem services, and may be provided in cash or in kind (e.g. via monetary payments, contributions of infrastructure, technical training, access to loans, etc.). PES are most frequently made to regulating services such as water quality and supply, landscape enhancement, biodiversity conservation and disaster risk reduction.	PES can provide an effective way of channelling income to the community and generating conservation incentives for local land and resource users. However, many conditions are required for successful, effective and equitable PES schemes, including: • Clear and enforceable property rights • Negotiated, binding agreements • Monitoring of compliance and delivery • Transparent mechanisms for collecting, administering and distributing funds.
Carbon payments	☑	☑	☑		A special form of PES which involves the sale of certified emissions reductions (carbon credits), generated by undertaking land and resource uses which sequester carbon, or which avoid or reduce carbon emissions.	In principle, carbon payments can easily be paid at local community level. Reducing Emissions from Deforestation and Forest Degradation (REDD+) and other voluntary forest carbon sales often explicitly build in community and biodiversity objectives.

Economic instrument	Steward Earns	Beneficiary Pays	Polluter Pays	Innovation	How it works	Suitability for local community involvement and benefit
						Developing verified schemes and selling the resulting offsets is technically and administratively complex. It is often difficult for communities to access carbon markets without outside technical and financial assistance.
Direct payment (e.g. conservation concessions & contracts, compensation etc.)	☑	☑			People are provided with performance-based payments for undertaking agreed conservation actions. These payments can occur within PES schemes, but they are often made by international agencies, governments, companies or NGOs and not necessarily by the beneficiaries of the ecosystem services. They typically focus on compensating the opportunity costs of foregoing a particular land or resource use in order to secure conservation goals.	Direct payments most commonly go to local communities in high biodiversity areas. Some direct payment schemes have proved controversial, when they involve international conservation agencies paying people in developing countries to give up rights of access or use, or cease certain livelihood activities.
Insurance schemes	☑	☑			Insurance schemes compensate local people for cost or damages related to conservation (e.g., crops or livestock eaten by wildlife).	Insurance schemes can work well at local level, often in combination with other measures.
Voluntary donations and corporate sponsorship	☑	☑	☑		Individuals or companies interested in conservation, or who benefit from ecosystem services, or accept that they play a role in the degradation of ecosystems, voluntarily sponsor activities that enhance biodiversity or channel funds to local communities.	These arrangements often specifically target communities in high biodiversity areas, or are connected with the provision of a particular ecosystem service (e.g. a village where eco-tourism happens, or near a protected area, or within a territory where mining is carried out).
Taxes		☑	☑		Activities that use ecosystem services or run the risk of harming biodiversity and ecosystem services are subject to 'ecological' tax or to relatively higher tax rates.	Taxes can effectively target producers or consumers to meet both livelihood and conservation objectives. The key question is whether community or other local authorities have the political power to decide or to influence tax measures.
Tax reliefs, subsidies	☑				The government supports products, technologies, investments and practices that minimise or prevent environmental degradation, or contribute towards conservation goals by relatively lower tax rates, tax exemptions, or payments.	Tax reliefs and subsidies can be granted to small-scale producers and consumers, combining livelihood and conservation objectives. Subsidies or tax reliefs are often decided at national or state level, and may be outside the scope of local projects.
Ecological fiscal transfers	☑	☑			Redistribute public revenue according to certain criteria, including conservation measures. Payments compensate for the costs of conservation measures (including opportunity costs) and reward the provision of public benefits.	By definition, fiscal transfers redistribute revenues within or between public sector agencies. Their main application at local level is to fund local government administration or line agencies, helping lower-tier governments with the cost of providing nature-related public goods and services. They usually target regions which contain an especially

Economic instrument	Steward Earns	Beneficiary Pays	Polluter Pays	Innovation	How it works	Suitability for local community involvement and benefit
						large protected area, or which host biodiversity of exceptional significance or provide particularly valuable ecosystem services to other sectors and parts of the country.
Benefit/revenue-sharing	☑	☑			A flat fee or percentage of public revenues or private income streams generated from conservation products and services are shared with local residents. The intention is to recognise that local people play a key role in conserving the environment and enabling the revenue streams that are generated by it, and to provide them with positive incentives and tangible benefits to continue to do so.	Benefit and revenue-sharing arrangements commonly targeted at communities in areas of high biodiversity (e.g. in or around a Protected Area). Sometimes payments are made directly to households or individuals as cash dividends, but more often funding is given to local authorities or village committees to spend on development activities.
Prizes, awards & other recognition	☑				Prizes, awards or other honours are used as a way of recognising and rewarding individuals, groups or villages/towns which display particularly good environmental practices.	Prizes and awards are often given to individuals, businesses or local groups.
Fines, penalties & legal liabilities		☑	☑		People who overuse, harm, or pollute the environment are legally obliged to pay for the damage they cause. The aim is to motivate individuals and companies to avoid or minimise environmental impacts or, if damage is already done, to oblige the responsible party legally and financially to compensate for it.	Effective local enforcement depends on the collaboration of relevant authorities and general compatibility with the law.
Tradeable quotas, rights & permits	☑	☑	☑		Sets overall or individual limits on the use, conversion or pollution of the environment. Resource users, land developers or polluters who wish to exceed their quota or right must buy permits from others. The sellers of these permits are those who are not using their own allocation, or who have gained credits from conserving the resource or ecosystem service elsewhere.	Although the users of the quotas, rights and permits are usually larger-scale industries, in principle there is potential for local communities to trade their allocated permits or quota, or to accrue credits through conservation activities.
Auctions & tenders	☑	☑	☑		Auctions are a mechanism to decide which landowners receive a contract that pays them to change land use and carry out landscape conservation measures on their land. So several landowners make competing propositions or bids for the price they ask to implement conservation measures and a buyer (government or private) will decide which one to accept (usually lowest price for comparable measures).	These mechanisms have been applied mainly in developed countries, such as the US, Australia, or Netherlands. An advantage is that local government agencies become clear information about the cost to achieving the desired outcomes.

Economic instrument	Steward Earns	Beneficiary Pays	Polluter Pays	Innovation	How it works	Suitability for local community involvement and benefit
Biodiversity offsets, habitat/ mitigation banking	☑		☑		Companies whose activities damage biodiversity or destroy natural habitats (e.g. agriculture, forestry, oil and gas, mining, transport or construction) invest in biodiversity conservation elsewhere in order to balance or compensate for damage. Biodiversity offsets are usually pursued as a final step after on-site environmental harm has been reduced and alleviated as much as possible. When a conservation bank (or 'mitigation banking') is established, a landowner who acts to conserve the natural habitat is seen as making a deposit in the bank and receives credits. Another landowner who wants to develop the habitat or otherwise impact on it must purchase a credit from the bank.	Local suitability depends on responsible authorities, but schemes are often determined by national law. There are often high transaction costs in setting up, monitoring and managing the schemes.
Debt-for-nature swaps	☑	☑	☑		A portion of debt is forgiven in exchange for environmental conservation measures.	These have been used at international level when a developed country writes off a developing nation's foreign debt. At local level, the challenge is to convince banks as debt holders to participate.
Deposits & performance bonds			☑		Individuals or companies undertaking activities which threaten the environment or require some form of mitigation, remediation or management plan are required to make a (usually refundable) deposit of funds against the expenditure involved.	Although these have limited application to most community-level activities, they serve to safeguard local environmental quality.
Green products & markets (alternative income & employment sources)	☑			☑	Income streams are developed from products based on the sustainable use of land and natural resources, which use environmentally-friendly production processes, or which replace environmentally-damaging sources of income and employment. This may involve reforming existing products and markets or establishing new ones. Common examples include: • Wild nature-based products (e.g. honey, fruits, natural cosmetics, handicrafts) • Domestication of wild species (e.g. flowers, medicinal plants, commercial species) • Eco-tourism.	Widely used as incentives and sustainable income sources for communities in areas of high biodiversity. It is worth noting that external assistance is often required to assist communities in identifying and accessing new products and markets, sourcing credit and investment capital, and developing commercially viable business plans.

Economic instrument	Steward Earns	Beneficiary Pays	Polluter Pays	Innovation	How it works	Suitability for local community involvement and benefit
Certification & eco-labelling	☑			☑	Eco-labelling and certification are voluntary trademarks awarded to products or services deemed to be environmentally sustainable. The idea is to enable them to charge a price premium and reach new markets – thus providing an incentive for businesses to operate in a way compatible with biodiversity conservation. Common examples include: • Fisheries • Timber • Eco-tourism • Organic agriculture.	Although in principle eco-labelling and certification schemes enable local communities to reach new markets and profits, the high transactions costs of complying with particular standards or creating a 'brand' can be prohibitive. Certification based on local production can be an option for smaller-scale local initiatives.
Credit & loans	☑			☑	Credit and loans or preferential terms and conditions are explicitly granted to green products and enterprises, or may stipulate certain environmental requirements in their terms of agreement.	Small-scale loans and microcredit, in particular, have particular application for local communities. They can provide an important mechanism for accessing investment funds and an alternative to high-interest local lending institutions. They are useful to marginal groups who lack the collateral or other conditions required for conventional loans.
Green investment facilities (conservation bonds, green investment funds, etc.)	☑			☑	These are larger-scale sources of credit and investment for green or biodiversity-based enterprises. While most of these facilities operate on a commercial basis, some provide funding on preferential or concessional terms. Bonds for instance are tradable capital market instruments issued by sovereign governments, states, municipalities or corporate entities to raise upfront funds, backed up by the promise to repay the investor the value of the bond plus periodic interest payments.	In principle these can serve to fund local community enterprises or sustainable farming. In practice, the minimum amount of capital or credit offered may be too large for small-scale or microenterprises. They are often used to fund joint ventures or partnerships between larger (international) companies and local communities, or to promote externally-run businesses which operate fair trade or other ethical practices, or which explicitly aim to involve and benefit local communities.
Land/resource management & usage rights	☑	☑		☑	The allocation of clear, secure and enforceable use and/or management rights is often a prerequisite for the implementation of economic instruments.	These rights are a vital precondition of local communities becoming engaged in conservation activities or enterprises, in order to safeguard their interests and ensure that they engage on a fair and equitable basis.
Environmental training & education programmes	☑	☑	☑	☑	Training and education is often a prerequisite for the implementation of economic instruments. For example, may enable entrepreneurs and producers to take up new practices or technologies, trigger behavioural	These almost always complement and reinforce economic instruments. They are often required in order to enable and empower producers, consumers and investors to take up new activities, opportunities and practices.

Economic instrument	Steward Earns	Beneficiary Pays	Polluter Pays	Innovation	How it works	Suitability for local community involvement and benefit
					change, or increase consumers' awareness of the range of options open to them and the positive benefits of green products and practices.	

Sources: CATIE (2012), UNEP (2004), UNEP (2009), CFA (2008)

Task 4B: Identifying instruments that fit the opportunities

What this task is about

In this task you match the instruments with the opportunities identified in Task 3C. For some opportunities, several instruments will be potentially applicable, for others only one may emerge. As highlighted in Task 4A, it is important to also look at instruments that currently promote behaviour with adverse effects on biodiversity and ecosystem services.

Suitability of instruments depends on many factors. Task 4C will go into more detail for selecting promising instruments. At this stage, we recommend asking the following questions:

- Is the core logic of this instrument works in line with the opportunity (in particular according to the four principles)?
- Is the instrument in principle accessible for local application or adaptation?
- Are there no fundamental constraints that would render the instrument infeasible?

It may also occur that for an opportunity there are not yet any existing instruments. In that case, good practice cases from other sectors or from other countries may serve to generate ideas of new instruments.

Building on existing schemes can be effective, but does not always work!

In Thadee (Thailand), there seemed to be an opportunity to connect the scheme to an existing agreement between NST municipal authority and Thadee sub-district (the upper watershed), by which the municipality granted free waste disposal (worth 200.000 Baht annually) in return for restoration measures. This was abandoned, however, since this scheme did not work effectively: the right to free waste disposal had become taken for granted while the restoration measures remained unclear and unmonitored. Moreover, local authorities did not respond well to the idea of improving the situation by defining clear actions, time lines, etc.

Education and information: Learning about and connecting with nature, or raising awareness about biodiversity and ecosystem service degradation, often encourage the acceptance of new policies, or increase participation in voluntary conservation and management measures. In the long run, true intrinsic appreciation of and connection with nature may be even more important to the success of conservation measures than economic incentives.

How to go about Task 4 B

Template 4B serves to look systematically at each of the opportunities that you identified in Task 3C link. For a first broad matching it should help to **look at the four principles**. The opportunities in Step 3 were derived and ordered along these principles, and Template 4A asked you to clarify for each instrument which principles they are based on. Hence, looking at the principles can help you identify potential matches.

Then, check whether those potential matches seem **in principle suitable for your (local) context**. The overview table of instruments on the 'resources' page as well as Table 3 above include

information on the suitability of different instruments for local management and policy. In Task 4A you were asked to include this information for your specific context. Of course you can leave out instruments for which you have fundamental concerns.

To get inspiration or concrete ideas about potential new instruments to consider, we recommend a **benchmarking exercise** that looks at instruments that have been applied in other countries. Again, you can look at the overview table on the 'resources page', which provides examples from case studies where each of the instruments have been applied. You can also look at the references and links below. In addition, you can also discuss with national or international experts. The international case studies should inspire and help your team to derive concrete ideas about what could work for you. Bear in mind, however, that devising appropriate instruments often requires considerable innovation, because of the unique features of each setting and case. Experiences in other areas are useful to know about but not often directly transferable.

Template 4B also asks you to give reasons why you think an instrument may be a good match, and to think about possible risks and challenges. It can be very helpful to discuss these points with someone experienced in implementing policy and financing instruments for conservation.

The matches of opportunities and instruments can be co-developed and ground-proved with local stakeholders, for instance in a workshop setting. Ideas and reactions from local actors may provide valuable information with respect to feasibility and desirability of opportunities and instruments. As noted already in Task 4A, however, you need to take care not to expect too much technical expertise from local actors and not to frustrate them with an overly technical discussion.

Workshops on ecosystem service opportunities or policy instruments can become spaces for communication within local actors that would not take place otherwise

In the Biodiver_CITY project in Costa Rica, experts on different topics (urban planning, water resources management, urban restoration) were invited to the workshop for Step 4 and 5. This workshop served as a communication space among representatives from the Ministry of the Environment and Energy, the National System of Conservation Areas, the Urban and Housing National Institute and representatives from the public administration of the national, regional and local levels. In the group session on instruments for urban restoration, the overlapping of functions in existent regulations from different public entities was identified.

Given the extensive legislation on the subject and its different levels of implementation, these actors have related functions, but there are typically few spaces for information and exchange of experiences. The group sessions served to elaborate a protocol that integrates the different regulations and allows a clearer path of action for the actors involved in their implementation.

While it was not yet clear which instrument the project would pursue for implementation, there were clear commitments at the end of the workshop among the participants to follow up on the proposed activities.

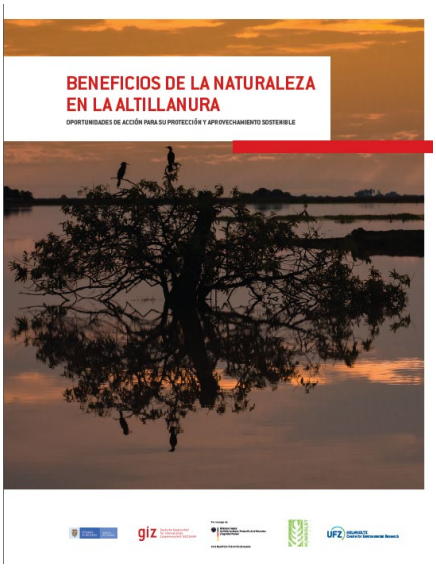
Task 4 C. Selecting opportunities and appropriate instruments

What this task is about

In most cases, your project will not be able to further pursue all the opportunities and instruments that have been identified up to here. There will usually be a need to prioritize and make a selection. However, the information gathered and its analysis and validation with local actors represent in any case a valuable working input that other projects, public or private stakeholders may pick it up later.

A document with a catalogue of the identified opportunities and policy instruments can help other projects or local actors to access the information

In the TONINA project in Colombia, as a result of Step 3 workshops in four municipalities, 7-12 opportunities were identified for each municipality. As part of the project's capacity development and communication strategy, a booklet was designed to accompany the process of joining and taking over the new administrations after the elections (regional and local). The booklet includes a chapter on the opportunities for action, which describes how the identification process was carried out and the opportunities that the project can develop according to the stipulated resources and time. The booklet also presents the remaining opportunities, which can serve as information for other projects.



The **selection** can depend on many different aspects. Checklist 4C provides an overview of typical criteria and specific guiding questions to consider in the selection process.

Check list 4C. Possible criteria for selecting opportunities and instruments

CRITERIA	DESCRIPTION / KEY QUESTIONS
Alignment with project objectives	What is the level of alignment with the objectives and priorities of the project?
Feasibility of implementation	• Does the project have the required financial resources, personnel, etc.? • Are the intervention area and key actors accessible (within the means of the project)? • Is collaboration with other projects or initiatives possible to ensure feasibility of implementation?
Continuity after project	• Can continuity after the project terminates be expected?

Ecological impact	• Which ecological benefits can be expected? • Are there any risks of negative ecological consequences? • Can positive impacts be maintained in the long run? • Can it be ruled that that existing motivations to protect biodiversity would be undermined, or can this be addressed?
Social and economic impacts for local development	• Which social and economic benefits for the local population can be expected? • Can it be ruled out that vulnerable groups will lose? • Will economic inequality be reduced or at least not enhanced?
Acceptance/ prioritization by local population	• Do local actors express a need for the intervention? • Would there be no significant opposition (of powerful actors) or if so, can they be dealt with? • Is there leadership from within the local community? Are organizations or associations interested? • Is the intervention appropriate from a moral perspective and in the socio-cultural context?
Coherence with regulatory and institutional conditions	• Is the intervention compatible with the legal and institutional situation? • Are fundamental requirements for implementation met (e.g. land titles, infrastructure, and intermediaries)? • Is there sufficient institutional and political support? • Are there existing instruments that are already practice-proofed or existing laws which support the intervention? • Which combination of instruments is promising and necessary?
Windows of opportunity	• Is there any window of opportunity for the intervention (e.g. new environmental legislation, an ongoing planning process or strategy)?

It is important to keep in mind that new instruments are typically most effective in combination with existing ones and also with a combination of measures. Most of the time, there are also several sustainability challenges within the same area, and a **mix of several instruments** is more likely to address them successfully than a single one. For instance, a voluntary scheme by which the beneficiaries of ecosystem services support ecological land management or conservation actions can improve on the minimum requirements already established by direct regulation (such as rules for land use within protected areas, limits to fertiliser use, legal restrictions on hunting or logging, etc.).

How to go about Task 4 C

Checklist 4C offers an overview of criteria that you could take into account for selecting the opportunities and instruments that you actually want to advance and help develop. We recommend that, based on the checklist, you first **define the selection criteria** that you want to take into account. For the actual selection, different procedures are possible. You could, for instance, simply have an open discussion within your project team and agree on which opportunities and instruments to pursue. In some cases this may be rather obvious and the discussion will mainly serve to ensure that you have not missed out on any relevant aspect and to confirm your choice.

When there are many options and the selection is not so obvious, a **simple version of a multi-criteria decision analysis (MCDA)** can support your selection process (see Example from TONINA, Colombia in the box). For that, you have to a) define the set of criteria you want to consider, b) assign weightings to each of the criteria according to their importance, and c) assign for each of the options comparable values that represent how well they fare for each of the criteria (e.g. in a voting procedure with your team or experts consultation). If you then multiply for each option the weights with the value and add them up, you receive a final score for each option. Be aware that MCDA results offer guidance, but may not always be the decisive factor for the selection decision. It may not be adequate especially if some criteria are not "substitutable". For instance, if there is a strong moral concern or high risk of negative side-effects or failure, this may be a reason to categorically refrain from selecting this option, even if it scores high on other dimensions. The same may be the case if you simply do not have the resource capacity or the required political support to advance a particular option. You could also define **"no-go" criteria** according to which you exclude options from further considerations (e.g., insufficient institutional capacity, no access to intervention zone, high conflict potential), and conduct an MCDA only for a smaller set of remaining options.

Example: Selection process in the TONINA project, Colombia

With the information from information collection in Steps 2-4 as well as the workshops in the four intervention sites of the TONINA Project, between 7 - 12 opportunities were identified for each site. For the selection of opportunities, the GIZ team formulated 6 selection criteria and conducted a simple multi-criteria decision analysis exercise.

Prioritized selection criteria	1. Compliance with projects indicators	2. Feasibility	3. Institutoinal and organizational goals	4. Local development	5. Proccesses continuity	6. Prior topic prioritization in the region
Description	Contribution to compliance of TONINAs project objectives.	Reasibility of development and implementation from the technical, economic and temporal context.	Knowledge of the institutional and sectoral policies and guidlenes .	Degree of perception about the development and well-being that can be generated.	Degree of perception about processes econtinuity.	Degree of knowledge about research and studies carried out on the topic in the region.

Each selection criterion (see table) was evaluated for each opportunity with values from 1 to 3, with 3 being the highest value. The opportunities with the highest scores were the basis for a first selection. 2 - 6 opportunities were pre-selected for each site.

A meeting was then held between the GIZ and UFZ teams (8 people) to make a selection of opportunities. For this exercise, the 4B template was prepared for the intervention sites, with instruments associated with the opportunities initially prioritized by GIZ, describing the reasons in favor and the risks for each one. This information was presented and discussed, being complemented especially by the team working in the region (with local information on feasibility) and then a vote was taken considering the following criteria: 1) Project resources (a maximum of 2 opportunities could be selected per intervention site) and 2) Accessibility of the intervention site. Each participant voted for two opportunities for each intervention site, justifying their decision. Through a guided discussion, the team agreed to select those two opportunities for each intervention site that received the most votes.

Selected references and further guidance for Step 4

Guidance on the selection of economic instruments:

The Guide on 'The Polluter Pays Principle' (Cordato 2010) provides an overview on how to use the principle in environmental policies (Task 4A).

The publication 'Incentive and Market-Based Mechanisms to Promote Sustainable Land Management' (CATIE 2012) presents an analytical framework and tool for how to use incentive and market-based mechanisms (IMBMs) to promote investments in sustainable land management practices (SLMPs) (Task 4C).

The report on 'Economic Instruments in Biodiversity-Related Multilateral Environmental Agreements' (UNEP 2004) provides an overview of economic instruments and explains their potential role for meeting policy goals in the context of the Convention on Biological Diversity, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and the Ramsar Convention (Task 4C).

Chapter 2 of the Millennium Ecosystem Assessment report 'Ecosystems and human well-being, Policy Responses, Findings of the Response' (Chambers, W. B.; Toth, F. L. 2005) presents a basic overview of the wide range of policy instruments and measures (including economic ones) to regulate human interaction with ecosystems (Task 4C).

UNEP (2009) has developed a Training Resource Manual on 'The Use of Economic Instruments for Environmental and Natural Resource Management' that provides detailed descriptions for understanding and selecting economic instruments, and can be used for training purposes (Task 4C).

Chapter 4 of the Conservation Finance Guide (CFA 2008) presents a description of various conservation finance mechanisms (Task 4C).

Chapter 5 of the Ecosystem Services: A Guide for Decision Makers (WRI 2008a) provides an extensive overview of policy instruments (Task 4A).

Full References:

Cordato, R.E. (2010): The Polluter Pays Principle: A Proper Guide for Environmental Policy, Institute for Research on the Economics of Taxation Studies in Social Cost, Regulation, and the Environment: No. 6, Washington. URL: http://iret.org/pub/SCRE-6.PDF (accessed December 2017)

UNEP (2004): Economic Instruments in Biodiversity-Related Multilateral Environmental Agreements, Nairobi. URL: http://www.unep.ch/etb/publication/EconInst/ecoInstBioMea.pdf (accessed December 2017)

Chambers, W. B. & Toth, F. L. (2005): Typology of Responses (Chapter 2). In: Chopra, K. et al. (Ed.): Ecosystems and human well-being, Vol. 3: Policy Responses, Findings of the Responses Working Group (Millennium Ecosystem Assessment Series), Chicago.

UNEP (2009): Training Resource Manual: The Use of Economic Instruments for Environmental and Natural Resource Management (First Edition). United Nations Environment Programme, Geneva. URL: http://www.unep.ch/etb/publications/EI%20manual%202009/Training%20Resource%20Manual.pdf (accessed December 2017).