

***Abstract for special Session 7.5 –‘Building an effective PES scheme for protected areas: aligning insights from different disciplines***

***TITLE: Opportunity analysis and evaluation of PES-like instruments for nature conservation in Flanders (Belgium)***

**Long abstract:** Over the past decade there has been a substantial increase in the use of market-based and voluntary financial instruments to address environmental issues. Using price premiums and/or financial incentives, these instruments aim to achieve desirable land use and resource management practices. In recent years PES (Payment for Ecosystem Services) emerged as such an instrument with a promising potential for ‘win-win’ scenarios. However, despite some successful implementation of PES programmes on the international level, there have been so far no uptake of PES in Belgium (and currently no plans to do so in the near future) and only relatively few examples at the European level.

This apparent lack of interest by policymakers for practical PES implementation can be explained by acknowledging that before the use of the PES acronym, there were already some policies applying PES or PES-like systems. How to take into account these policies has generally not been integrated within PES best practice guidance. Moreover PES is often presented and/or perceived by policymakers as a standalone policy instrument aimed to achieve sustainability, suggesting at the same time that a substantial change in the current policy mix and its institutional setting would be necessary to implement PES. This is especially relevant for highly institutionalized countries (such as Belgium), where the socio-economic cost to implement new policy instruments would be considerably high. Instead it would be more efficient to rely on existing institutions and financial instruments in order to increase automaticity. However, at this stage, there is still a lack of tools available to policymakers to evaluate existing financial instruments in order to determine whether 1) they are already PES or PES-like and, 2) whether there is an opportunity to further integrate a PES approach to obtain better results.

In order to address the above questions we compiled a series of 16 key criteria and success factors for PES instruments based on a thorough review of international (practical) experiences and state of the art literature. Based on these criteria and success factors, we critically examined and evaluated a series of financial instruments for nature conservation and development in Belgium (e.g. subsidies for protected areas, agri-environmental measures,...). For that purpose 3 case studies were conducted in a mixed industrial-agricultural-residential zone (‘Gentse Kanaalzone’), in a protected area (‘Doode Bemde’) and in an erosion protection project (‘Melsterbeek’). Additionally, based on the findings in the case studies and the literature, we developed an opportunity analysis to determine in which setting PES would be an efficient and desirable addition (or alternative) to current policy instruments for nature conservation.

Our objective was to provide policymakers with a means to evaluate their existing financial instruments for nature conservation and development based on a PES rationale, and to identify potential avenues for improvement.

From this study we concluded that some existing financial instruments show great potential to mainstream a PES approach, which could also enhance their ecosystem service output. This implies a shift from single target instruments (e.g. erosion control) towards integrative instruments that

include a larger range of compatible targets. Our opportunity analysis allows policy makers to identify these additional targets and quickly evaluate whether these could be achieved through financial incentives within a PES approach. More importantly our opportunity analysis aimed to identify the niche where PES or PES-like instruments can be an effective and desirable option to policy makers. Understanding that niche and its boundaries is key to implement successful PES instruments and embed these in a larger and coherent policy mix. This policy mix ideally consists of several types of instruments adapted to specific contexts and broader economic, environmental and societal targets (e.g. sustainability).

In relation to protected areas, our case study results showed that a PES approach might not be a straightforward policy option as protected areas in Flanders are strongly characterized by the relatively low opportunity costs from their managing agencies. For example, land use is bound to long term land use regulations, severely limiting the range of activities available to managing agencies. Thus, in a strictly economic rationale, these agencies will actually have a relatively low bargaining power when engaging private actors (e.g. hotels). However their bargaining power and the potential for a PES approach rises when there is enough room for alternative management of forest and nature. For example room to increase visitor infrastructure and accessibility to protected areas. Alternatively, valuating the full range of ecosystem services provided by protected areas can form a strong argument for public fund transfers between agencies with complementary missions (e.g. erosion control and dredging). Managing entities of protected areas should therefore carefully consider to what extent and how a PES approach could help them to achieve their goals as direct cash transfers might not be readily achievable.

**Short abstract:** PES (Payment for Ecosystem Services) is often presented as a promising instrument for nature conservation and development. However, at this stage, there are only few documented example of PES programmes in Europe, and none in Belgium. On the other hand, numerous existing financial instruments already implicitly address ecosystem services. Building on PES experiences worldwide, we developed a list of 16 criteria and success factors for PES instruments and constructed an opportunity analysis method to identify the potential of a PES approach. Our aim was to provide policy makers with necessary tools to evaluate their existing set of financial instruments for nature conservation and development in a PES perspective, and to identify avenues for improvement. Moreover our opportunity analysis allows policymakers to better identify the niche in the policy mix where PES instruments can be an effective policy option. We showed that this PES niche might be relatively small in the context of protected areas, although some promising opportunities exist nonetheless.