

Guide to Using the Decision Support Tool

The aim of this Decision Support Tool is to assist the process of context-instrument matching, and to support the selection of the economic instrument(s) that will have the greatest potential to provide effective incentives for interventions that result in improved environmental management.

The effectiveness of an economic instrument in providing a meaningful incentive for improved environmental management is not only determined by the value of the benefit (incentive) it generates. Its effectiveness can also be affected by, for example:

- The extent to which the instrument matches or complements the social, political and economic contexts.
- The extent to which the instrument incentivises an intervention that corresponds with the environmental challenge.
- The extent to which the incentive is recognised as meaningful or worthwhile by the target agents or institutions whose behaviour or management approach needs to change.
- Its cost-effectiveness.
- Its administrative feasibility of implementation.
- Equity, flexibility and transparency.
- Its consistency with other development objectives.

Poor 'context-instrument' matching could result in the selection of an ineffective instrument that does not result in the desired behaviour/management change by the target agents or institutions, or that may even act as a perverse incentive and result in a change contrary to the desired response. It is therefore important that a conscious selection process is undertaken to ensure that the economic instrument is a good fit to the context.

STEP 1: Select the management or rehabilitation action that requires an incentive to encourage implementation

Once a management action/intervention for the restoration and sustainable management of a resource or natural environment in a target area has been identified, the economic instrument that would provide the most meaningful incentive for the uptake and implementation of that specific intervention can be identified.

It is important to remember that incentives target a single, or a set of complementary, interventions for environmental restoration or rehabilitation, i.e. the incentives need to be intervention-specific (e.g. incentives that will encourage stakeholders to control alien plants, or combat soil erosion, or reduce water pollution depending on what the need is in the target area). Therefore the management intervention or action first needs to be identified and then matched with an appropriate economic instrument to create a meaningful incentive in a given context.

STEP 2: Evaluate against criteria

This Decision Support Tool applies a scoring and ranking process for assessing the suitability of economic instruments against a series of criteria. Four **categories** of criteria are applied for assessing the relevance of the economic instruments:

- Environmental** – these criteria describe the objectives/priorities for the environmental interventions that are to be incentivised by the economic instrument. They also describe the context/conditions of the environment in which the management action or intervention is to be applied.
- Social** – These criteria refer to the social context, describing the socio-economic profile and characteristics of the communities and agents that would be involved in implementing the economic instrument.
- Market** – The market criteria relate to the market conditions in the environment within which the instrument will be applied. They also address the market for, or in which, environmental goods and services are traded.
- Governance** – These criteria relate to the institutional arrangement and structures, and their effectiveness in coordinating or controlling activity in society and in the environment.

The applicability of the criteria is evaluated against the context for which the economic instrument is being selected – if the criteria is relevant to the context, select the 'Yes' button, otherwise select 'No'. The relevant scores for the potential of the instruments are then allocated based on the selection made for each of the criteria across the four

STEP 3: Calculate scores and identify instruments likely to offer most meaningful incentives

Points reflecting relative effectiveness have been allocated for each instrument against all the criteria. The points have been allocated based on the conclusions about the application potential of the instrument, drawn from a review of case studies and literature on each of the instruments:

- i. **5 points:** The instrument is perfectly matched with the conditions described in the criteria.
- ii. **4 points:** In theory the instrument has good potential against the criteria, but there is a lack of case study evidence of this potential.
- iii. **3 points:** The instrument has moderate potential; it is not a strong match but can still create a significant incentive under the conditions described in the criteria.
- iv. **2 points:** The instrument is not a strong match with the conditions in the criteria, but there is still limited potential for it to generate incentives particularly in the case of no alternatives.
- v. **1 point:** There is very little evidence of potential for the instrument to create incentives under the conditions of those criteria.
- vi. **0 points:** The instrument is not a match for the conditions described in the criteria.
- vii. **N/A:** The criteria have no relevance to the instrument and should not be considered as part of the assessment of the suitability of the instrument.

These points are not edited during the selection process - the extent to which the instrument matches the site context by answering yes or no to the criteria is what determines the score and rating calculated for each instrument.

Once all the criteria have been given a Yes/No rating, the 'Calculate Score' button is selected to calculate the score for each economic instrument as a likely incentive for the target management action, in a given context. This score can be calculated per category, and then as a summary across all four categories. No weighting is applied in the calculations of the scores. The score per category provides the opportunity to weight one or more of the categories more heavily than the others if needed. For example, an instrument may have scored very highly for one or two of the categories but more poorly against the other categories, and therefore only obtained a moderate overall score. Reviewing the scores obtained by each instrument against each category provides an opportunity to take this breakdown into consideration in the final selection.

The scoring system is designed so that the scores for instruments can be compared and evaluated against each other, and therefore the suitability of an instrument to provide a meaningful incentive can be assessed relative to the other instruments (i.e. the score is not designed to provide an assessment of a single instrument against a total score but rather against the score of the other instruments). In this way the most suitable instrument or instruments are highlighted through an inter-comparison of all the instruments for a target intervention in a given case study or context.

STEP 4: Review information sheets to gain more information on how instruments work and cases where they have been applied

Information sheets have been prepared for all the instruments included in the Decision Support Tool. The information sheets provide an overview of the instrument, as well as examples of case studies in which the instrument has been applied around the World. A link is automatically provided to the information sheets for instruments that score the highest once the score has been calculated.

A full list of the information sheets is also available under the 'Information Sheets' tab on the Home Page.

