



What are the lessons from trialling incentive mechanisms?

John Rolfe
Central Queensland University



What are we trying to do?

- Find better ways of getting environmental gains
 - Allocating public funding more efficiently
 - Alternate ways of engaging with landholders
 - More focused on market-like mechanisms
 - Trying to understand and design better incentives to get lasting changes in behaviour



The importance of economics in NRM issues

- Focus attention in three key areas
 - In situations where there is limited funding, there is a need to identify priorities
 - Taking account of community preferences
 - Designing mechanisms that provide better incentives
 - Guarding against perverse outcomes
 - Looking past the simple outcomes to understand the 'real' impacts of different incentives




Key issues in designing incentives

- Ways of selecting the best proposals – metric design
- Information needed to select proposals
- Designing the process – auction design
- Enforcing the arrangements – contract design




Getting participation from landholders

- Do competitive mechanisms appeal to a different group of landholders?
- Does the limited time period of a competitive round limit participation?
- Can we increase participation by
 - Offering incentives
 - Offering support and skilled advice
 - Holding repeat rounds



What are we purchasing from landholders?

- Most focus on change in environmental practices
- But also need to consider
 - Changes in attitude, knowledge
 - Comfort in dealing with NRM groups
 - Capacity building
- How well do incentive mechanisms achieve many of these indirect benefits



How useful are these incentive mechanisms?

- Key issue is determining relative benefit of these compared to devolved grants and other programs
 - Where are incentive mechanisms more useful?
 - What are the efficiency gains?
 - What are the extra administrative and transaction costs?
- What are the key learnings to help improve the application of incentives?



How can the mechanisms be applied?

- Reasonably straightforward to run an incentive scheme for a single target
- What are the issues in:
 - Multiple targets for a single scheme
 - Interactions between landholders
 - Lag effects over time



The purpose of the workshop

- A lot of knowledge gained from the different trials
- Possible insights from a range of different skills and disciplines
- How can we combine this to get
 - A clearer picture of what works
 - And what does not work
 - Clearer picture of what to focus on in future applications

