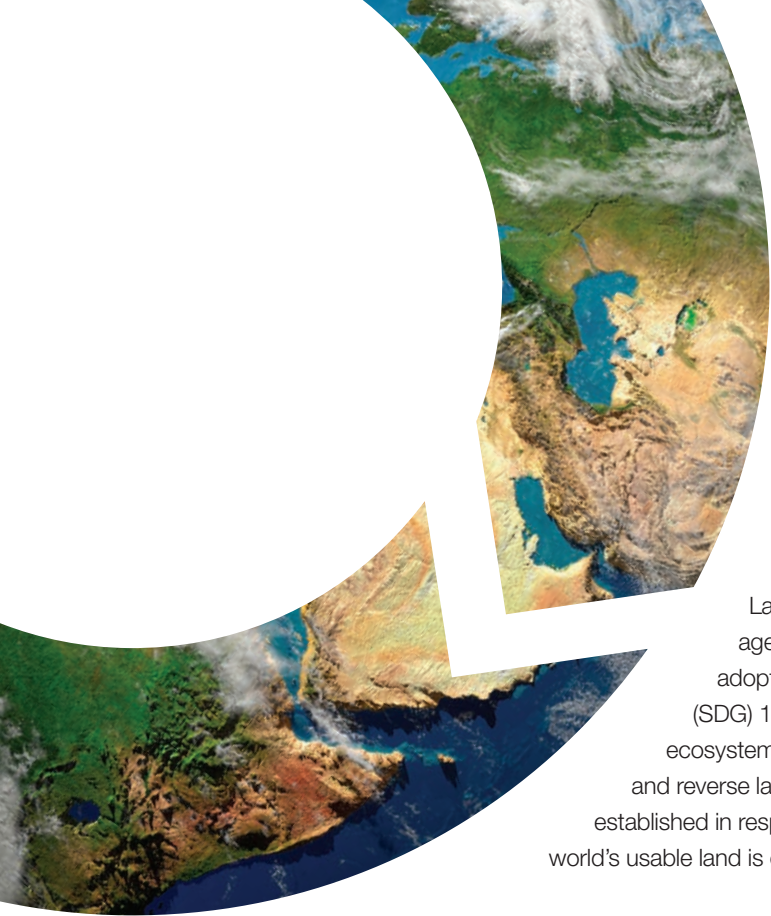




LAND DEGRADATION NEUTRALITY

Messages for policy-makers

Engaging business in shaping a land degradation neutral world



ACHIEVING A LAND DEGRADATION NEUTRAL WORLD

Land degradation neutrality (LDN) is finally on the international agenda now that the United Nations (UN) General Assembly adopted it as a target (see box 1) under Sustainable Development Goal (SDG) 15: “Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss”. The target has been established in response to land degradation occurring at a global scale: 25% of the world’s usable land is considered degraded.



BOX 1.
SDG target 15.3 on
land degradation
neutrality

“By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land-degradation-neutral world”.

UN General Assembly draft resolution (A/69/L.85)

During national LDN strategy development and policy design

1. Enter early into dialogue with business
2. Develop clear and predictable policies and legal requirements that create a level playing field
3. Build synergies between LDN and other environmental and social priorities
4. Enable commercial benefits

When implementing LDN strategies and policies

5. Provide targeted technical and financial support
6. Clarify property and access rights
7. Facilitate ongoing multi-stakeholder dialogue at a landscape level
8. Communicate results

When monitoring impact

9. Develop clear monitoring and reporting frameworks
10. Give business time to adapt

This globally agreed target is expected to trigger the adoption of national voluntary LDN targets. The next steps will therefore include the translation of the global target into national-level targets and the development of country-specific national plans, strategies, policies and regulations that can support the implementation of national targets.

Business should be seen as a central contributor to transforming countries and regions into land degradation neutral economies, as the private sector is a major user—and manager—of land. Governments will also need to develop policies that enable and provide incentives for companies to contribute to LDN.

This paper presents some of the policy options governments can implement to get companies to contribute to LDN, focusing on a number of incentive mechanisms that are of particular relevance.

In addition, the WBCSD has, in collaboration with its member companies, developed 10 messages for policy-makers on measures and principles that could be applied in the development of action plans and strategies to support and encourage companies to adopt sustainable land management practices and restore or rehabilitate land.





POLICY OPTIONS

As the increasing number of companies that engage in reducing their impact on ecosystems demonstrates, there is a business case for business to engage in LDN. However, LDN is an emerging concept that is also a challenge for some companies:

- LDN needs to be further defined and pilot tested for business to be able to develop strategies that build on the target.
- Practical standards and regulations are needed to ensure a level playing field and encourage business engagement in LDN.
- Sectors whose business model is linked to major land conversion may have difficulties adopting LDN as a target. Clear guidance on the possibility to compensate or offset negative impact on land is thus needed.
- Adoption of LDN by companies with long supply chains will depend on their capacity to engage with small-scale producers. The cost of implementing new techniques and standards, as well as unclear land ownership, may constitute obstacles that discourage small-scale

producers from adopting more sustainable land management practices.

- Investing in LDN tends to be perceived as a cost with an uncertain return on investments. Companies need to better understand the business model for restoration and what the lowest investment for the highest return is.

Given these challenges, governments need to actively support company engagement through policies and regulations. These can, for example, be incentive mechanisms that support business engagement in sustainable land management, land rehabilitation and restoration, such as those outlined in table 1. Their effectiveness is dependent on the context; the best options in one country or situation may not be the best in another. The applicability of each mechanism relies on national and local site-specific conditions as well as on the economics of each application. Proper analysis is needed before selecting the optimal incentives to promote LDN.

These mechanisms may not be enough on their own and the adoption of a coherent series of national policy measures is needed. This may, for instance, mean combining legal requirements on land management with financial incentives. In addition to national policy, the adoption of policies for international trade that are supportive of sustainable land management is key. One example is environmental sustainability standards set by importing countries. Furthermore, developing smart policy tools targeting whole landscapes and therefore several interrelated issues at once, such as land, forest, biodiversity, water and social and economic factors, may allow for effective and efficient solutions.

Identifying and removing policies and regulations that encourage unsustainable land-use practices and degradation are other central aspects to consider. The Indonesian law that requires companies receiving land licenses to convert the land into production within six years or have it seized by the state and turned over to an entity that will convert the area is just one example illustrating a major perverse incentive for land degradation.

Table 1. LDN incentives

TOOLS	DESCRIPTION
FINANCIAL INCENTIVE	
a. Tax and fiscal incentives	Environmental or green taxes levied on environmental degradation can be set to correct or modify existing land-use practices. They may offer incentives for companies to refrain from degrading land or they may absorb the cost of land degradation through taxation. Examples include: financing water clean-up projects and reducing effluents at the source through charges on effluents from domestic and industrial water users in Colombia and Costa Rica; China's soil erosion control fees charged to developers for environmental damage.
b. Trading of emissions/pollution reductions	Governments may set emissions or pollution targets and allowances and distribute emissions permits up to the amount of the total allowance. Parties can use their own, buy or sell allowances. Examples include the carbon-trading mechanisms where companies generating carbon offsets through land management sell these to public and private emitters through a voluntary market.
c. Subsidies	Governments may provide direct subsidies, providing incentives for sustainable land management practices or investments in new environmental technologies. Subsidies may be direct monetary payments or non-monetary arrangements such as technical assistance or the provision of seeds and plants. Co-financing investments promoting sustainable land use and production is another option.
d. Contract land set-asides	This mechanism allows landowners to give up the right to use part or all of their land in exchange for payments from the government. In Costa Rica, for example, the national forestry fund—Fondo Nacional de Financiamiento Forestal (FONAFIFO)—pays close to US\$ 50/hectare/year to landowners who preserve existing forests or allow natural regeneration. The main source of financing is a 3.5% tax on gasoline supplemented by, for example, contributions received from state budgets and donations or credits received from national or international organizations.
e. Direct payments for ecosystem services (PES)	Those who benefit from environmental services may agree to compensate the stewards of those services. A hydropower company may, for example, be interested in minimizing erosion and dam siltation by paying upstream farmers to manage the land. The creation of PES projects has often been limited by the high transaction costs of the mechanism. Scale could, however, be reached if governments contribute by creating payment mechanism frameworks that reward ecosystem stewardship and are paid directly to resource managers, as well as by facilitating partnerships and coordination with local stakeholders.
f. Conservation concession	Governments may provide companies with a concession to use an area for conservation purposes. These work in the same way as forestry or mining concessions, guaranteeing that the land will be protected from government intervention during the concession contract period.
g. Standards, certification and green public procurement	Demand by environmentally conscious consumers and retailers exists for sustainably produced products and sustainability standards set by governments. An example of the latter is the European Union's Voluntary Partnership Agreement (VPA) mechanism that allows only VPA-certified timber to enter the European market. Under this scheme, timber that is legally harvested and exported to the European Union is identified by means of licenses issued in signatory countries. Governments can create further demand and develop the market for sustainably produced products by introducing green public procurement policies requiring public buyers to take into account environmental factors when selecting products. This should be combined with practical support (e.g. helplines) to public procurement staff.
h. Loan and guarantee schemes	Introducing LDN may require investments and financing may be an issue for companies and small-scale producers. Governments can enable stakeholder investments in LDN by establishing loan and credit schemes. Public guarantees can also be used to reduce the risk of these types of investments and thereby allow access to private finance (which is generally risk averse) at reasonable market rates.

TOOLS	DESCRIPTION
NON-FINANCIAL INCENTIVES	
a. Establishment of special economic zones	The designation of special economic zones, involving local stakeholders (e.g. non-governmental organizations and communities), can be a powerful tool to enable and promote investments in sustainable production and business activities that contribute to LDN.
b. Compensation for proven investments in land conservation	Governments may provide non-financial compensation based on investments in sustainable land management by private land users. For instance, China's four wastelands auction policy allows the government to give farmers land-user rights if they engage in land management practices that control soil erosion and maintain soil and water quality. The policy offers national benefits by reducing erosion and local benefits by increasing local ownership of the land.
c. Supporting the adoption of natural capital valuation	Natural capital valuation incorporates environmental assets and their sources and sink functions into national and corporate accounts. It ensures better informed decisions by governments and companies by measuring the sustainable income level that can be secured without decreasing the stock of natural assets. Governments can promote and support companies in the adoption of natural capital valuation by, for example, promoting the adoption of the Natural Capital Protocol (currently under development, to be launched in 2016).
d. Allowing compensation and offsetting	Offsets and compensation are currently mostly used in the context of biodiversity conservation but could in fact also be applied to enable LDN. Offsets (as in biodiversity offsets) are sustainable conservation actions intended to compensate for the residual, unavoidable harm to biodiversity caused by development projects, so as to aspire to no net loss in biodiversity. The mitigation hierarchy—avoid, minimize, restore, offset—should always be considered in this regard.
e. Recognizing business as a contributor to LDN	Public recognition for companies with good environmental behavior or other forms of positive publicity may act as a catalyst for increased business commitments and action.

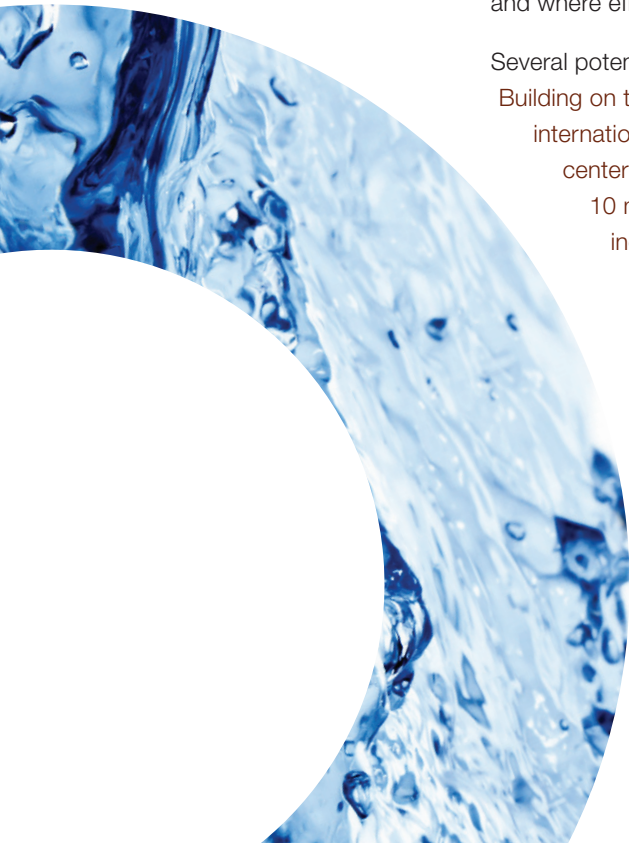
Sources: WBCSD (2012), Global Mechanism of the UNCCD (2012), UCN (2014), ELD Initiative (2013), FONAFIFO website.



MESSAGES FOR POLICY- MAKERS

To move beyond declarations, a pragmatic approach that enables countries to promote a gradual transition towards land degradation neutrality with the necessary involvement of domestic and foreign private sector investors and companies as well as civil society is required. This is particularly important in developing countries where investments in LDN-smart activities may prove to be more challenging or risky than in developed countries, and where effective public-private partnerships are often needed.

Several potentially relevant incentive mechanisms are presented in the previous chapter. Building on these, and informed by interviews with 16 multinational companies and international institutions, non-governmental organizations (NGOs) and research centers, the WBCSD has, in collaboration with member companies, developed 10 messages on measures and principles that would help and provide incentives for business engagement in LDN. The messages are also informed by the WBCSD publications *Land Degradation Neutrality: A business Perspective* (2015) and *Picking up the Pace: Accelerating public policies for positive outcomes* (2012).



DURING NATIONAL LAND DEGRADATION NEUTRALITY STRATEGY DEVELOPMENT AND POLICY DESIGN

1. ENTER EARLY INTO DIALOGUE WITH BUSINESS

Companies can provide critical knowledge and insights to help define the problems associated with and drivers of land degradation and to identify effective and innovative solutions, such as baseline data and insights into policy measures that could enable and provide incentives for investments in sustainable land management, land restoration and rehabilitation. As such, it is important to enter into dialogue and consultation with business as early as possible in the LDN strategy development and policy design process.

2. DEVELOP CLEAR AND PREDICTABLE POLICIES AND LEGAL REQUIREMENTS THAT CREATE A LEVEL PLAYING FIELD

Developing clear and predictable policies and legal requirements that are also realistic and practical to implement ensures higher compliance and adoption by companies. It is also necessary to ensure that regulators apply policies to all companies consistently to avoid the creation of inequality between the players, for example by: confirming that LDN-smart business models do not create a competitive disadvantage for national companies adopting them; verifying that standards and regulations are understandable and achievable for small and medium-sized companies in order to ensure their active participation and involvement; and taking social trade-offs into account in policy design.

3. BUILD SYNERGIES BETWEEN LDN AND OTHER ENVIRONMENTAL AND SOCIAL PRIORITIES

Land is a cross-cutting issue and policies that regulate land use may also impact biodiversity, forest, climate, water, food security, economic and social development, conflict, migration, etc. In this context, consider both synergies and trade-offs in light of other potential impacts. When designing national LDN strategies and policies, take into consideration all the possible cross-cutting benefits and impacts they may generate. Building synergies between interlinked challenges can also help create smart and innovative regulatory responses.

4. ENABLE COMMERCIAL BENEFITS

Implementing LDN can be costly. Design policies to provide an economic incentive for companies to implement sustainable land management, land rehabilitation and restoration, including allowing companies to gain competitive advantage and derive commercial benefits. If it is not possible

to implement incentive mechanisms such as those outlined in the previous chapter, then regulators must try to minimize the cost of compliance and avoid introducing disincentives, for example, by setting a lower tax on land used for conservation than that on productive land.

WHEN IMPLEMENTING LDN STRATEGIES AND POLICIES

5. PROVIDE TARGETED TECHNICAL AND FINANCIAL SUPPORT

Some companies are still unclear about what LDN entails, how it can be implemented, and what the most cost-efficient business models are. It is crucial that governments provide support to companies through the provision of technical experts to help them in the design and implementation of their action plan, including the identification of cost-efficient models. Further, governments need to collaborate in project development, deliver trainings, and provide access to grant funding, preferential loans or public guarantees mitigating project risk to allow companies to access commercial loans. Creating public awareness and helping consumers form an opinion about LDN are also important supportive roles for the public sector to play. Policy-makers can, for example, help business in marketing and promoting land degradation neutral products by supporting the use of pro-LDN standards, certification and green public procurement policies.

6. CLARIFY PROPERTY AND ACCESS RIGHTS

A lack of clear land usage rights or ownership rights is often a disincentive for companies and other land users to invest in sustainable practices with long-term returns and is, in fact, a key driver of land degradation. Clear delineation and enforcement of land usage rights are therefore crucial. In this context, ensure a fair distribution of land and related benefits to avoid land-tenure related conflicts. Also ensure that the responsibility of business and other stakeholders in managing ecosystems is clearly outlined.

7. FACILITATE ONGOING MULTI-STAKEHOLDER DIALOGUE AT A LANDSCAPE LEVEL

Create or adapt relevant institutions to allow multi-stakeholder dialogues on LDN, thereby ensuring that all stakeholders, including business, participate in LDN-related decision-making. Land use has impacts at a landscape level, i.e. outside of the boundaries of the production area, thereby affecting communities and other stakeholders. Although challenging, this can present opportunities to establish compensation mechanisms such as payments

for ecosystem services. In this context, government-led coordination and partnership building are essential.

8. COMMUNICATE RESULTS

Limited information about the potential risks and opportunities associated with LDN and related policy measures create uncertainty for business and lead to slow uptake or poor policy application. Make lessons learned from first movers and pilot schemes publically available and communicate them widely for the benefit of other businesses. Recognition of what individual companies or industries are doing well provides additional incentives for business to engage.

WHEN MONITORING IMPACT

9. DEVELOP CLEAR MONITORING AND REPORTING FRAMEWORKS

Governance and enforcement of regulations are important elements to ensure effective policy implementation and equality. This requires monitoring systems that are clear and practical. In particular, clear performance indicators for companies to monitor and report on their contribution to LDN and other environmental targets are crucial. The aim of such frameworks is to allow the private sector to report against LDN indicators to their national governments and thereafter to the United Nations Convention to Combat Desertification (UNCCD) in order to avoid the creation of alternative reporting mechanisms.

10. GIVE BUSINESS TIME TO ADAPT

Ensure there is enough time allowed for companies to adjust practices and comply with new policy requirements. Enable this by setting reasonable and predictable timeframes and reviewing and revising them where necessary according to monitoring feedback.





ENDNOTES

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