



ECONOMIC VALUATION OF LAND (EVL): AN APPROACH TO ADVANCE SUSTAINABLE DEVELOPMENT IN THE CONTEXT OF A GREEN ECONOMY

RIO+20 SIDE EVENT CONCEPT NOTE

Date: 14 June 2012 Time: 11:15 – 12:45 Location: Rio Conventions Pavilion

I. CONTEXT

Land lies at the heart of social, political and economic life in most of Africa. Despite the huge diversity of regions, peoples, and economies across the continent, agriculture, natural resource use and other land-based activities remain key to livelihoods, income and employment for all African nations.

The ability of the surrounding land to sustain our existence is an important aspect of sustainability. Clearly, we rely on healthy ecosystems for a multitude of benefits—from clean air, to clean water and climate regulation. What is less obvious, however, is the complex interconnection between the ecosystem and the social and economic systems. How we manage the land directly affects the health of the natural environment as well as the social and economic wellbeing of the population.

The lack of this interconnection is heightened in situations where there are rapid and widespread changes to land use, with in particular the replacement of traditional multi-purpose management systems with monocultural production of cash crops, typically for international markets and often through large-scale land acquisition allocated through non transparent processes and for purposes that are not safeguarding local communities nor the natural assets in the long run. In such cases, the market price of land-based transactions tends not to take into account the total value in terms of the full range of ecosystems services that land generates

The Green Economy is well suited to take advantage of opportunities provided for by Sustainable Land Management (SLM). SLM can be used to prevent land degradation and restore already degraded land, providing that the available institutional framework is suitably engaged. Schemes that support Payment for Ecosystem Services (PES) or that create market mechanisms for land-derived ecosystem services would help offset the investment costs incurred by land users adopting ecologically responsible practices, such as conservation agriculture. In the long run, SLM would generate sustained income and confer not only local but also regional and even global benefits.

Sustainable natural resource management in key land-use sectors, such as agriculture, energy and forestry should be one of the cornerstones of the green economy for sustainable development, food security and poverty eradication. Currently, SLM

investments account for just 1% of Official Development Assistance (ODA). Budget allocations in developing, as well as middle income countries in transition, also remain very low.

Yet, at the same time, the increasing number of large scale land acquisitions and land-based investments (LSLBI) by private and public buyers, particularly in Africa, suggests that Governments, businesses and investors are fully aware of the intrinsic value of land in a context of increasing global demand for food, fiber and fuel. Furthermore, financial markets worldwide are registering a growing appetite for new asset classes like land & water management, biodiversity conservation and ecosystem services, thanks to an unprecedented demand for impact investments. This could provide huge opportunities for SLM-smart initiatives.

Indeed, SLM-smart investments have the potential to reap considerable benefits through the multiple ecosystem services they generate or preserve. For a better understanding of the Total Economic Value (TEV) of land, it is essential to provide clear evidence of the positive impacts of better land management, including improved productivity, environmental sustainability and social equity.

II. RATIONALE

- **Land resources support life**, underpin the economies of nations and the livelihoods of people across the world
- In many places these resources are being degraded by a series of pressures, and **climate change** will only make things worse
- **Unsustainable land uses** and practices take place for many different reasons, and may produce irreversible losses in fragile ecosystems
- The **value of land resources** to national development and poverty reduction is often not understood properly
- Investments in land, sectors or technologies driven by short-term gains may generate huge **negative externalities**, leading to serious depreciation of natural capital

III. BACKGROUND

Economic Valuation of Land (EVL) – a worldwide initiative to promote informed decision-making on the economics of land-based transactions, investments into land and natural assets, and the adoption of sustainable land management (SLM), in general.

Through a multi-disciplinary scientific consortium called OSLO (Offering Sustainable Land-use Options), the EVL initiative undertakes pioneering studies that assess the real returns and net benefits of SLM and responsible land use.

OSLO has been established as a partnership of leading research and academic institutions, international organizations and UN agencies, which have developed an innovative valuation methodology for land and ecosystem services. Key members include the Stockholm Environment Institute (SEI), the United Nations University (UNU), the

Joint Research Centre (JRC) of the European Commission, and the London School of Economics (LSE). Through ecosystem-level economic assessments, the OSLO Consortium can help meet this demand by bringing to light the true value of countries' land resources.

The EVL approach consists of integrating the assessment and valuation of ecosystems services into policy and planning processes, by offering concrete options for more responsible land use allocations based on quantifying the total economic value of ecosystems, assessing the net socio-economic benefits of sustainable land and ecosystem management, and reducing the risks and uncertainties associated with ecosystem-smart policies and investments.

The EVL initiative and the work of the OSLO consortium underlining the novelty of its approach and its potential for solving issues of overexploitation of land, unsustainable use of natural resources, irresponsible rush on land and other limited natural assets such as water and minerals. From the beginning, the OSLO Consortium was determined to develop a comprehensive methodological approach in order to fully factor in the total economic value of land and its wide ranging benefits for human. Absolutely central to this, is a profound analysis not only of the market value of land resources - in terms of food crops, fuel, minerals or pasture - but also of the non-marketed ecosystem services such as catchment protection, carbon sequestration, flood control, nutrient cycles and other local and global livelihood benefits

A number of countries are already moving swiftly ahead with implementing this methodology at national level to generate evidence to unlock investment opportunities. Several countries expressed a desire to discuss such issues in greater detail with a view to undertaking a study or a capacity building initiative using the OSLO approach.

GM and OSLO are members of another related initiative- The “Economics of Land Degradation” (ELD) which aims to make the economics of land degradation an integral part of policy strategies and decision-making. ELD managed to raise sustainable land management to a higher level of priority on global and national agendas and establish a global standard for land degradation. ELD translated economic, social and ecological knowledge into tools to support improved policy-making and practices in land management for the international, local and business communities.

IV. OBJECTIVES AND OUTCOMES

This side event is designed to convince decision makers, both from Governments and the business sector, of the clear advantages of SLM-smart investment policies. The event will demonstrate that considerable financial and socio-economic returns on investment can be generated from responsible land use, both in fertile lands and marginal drylands.

The side-event will provide an opportunity for representatives of GM, the OSLO consortium and ELD partners to inform African stakeholders on the results achieved in the research on economic valuation of land, and on challenges and opportunities ahead.

The side-event will discuss results achieved, to characterize constraints and gaps, to identify opportunities to fill these gaps, in particular from the Bank's perspective. Successful experiences from other regions and well as from Africa such as Tanzania and Zambia will be showcased during the event, illustrating the validity of the integrated ecosystem valuation approach in stimulating investments and promoting responsible land management.

The main outcomes are:

1. Increase political and public awareness of the costs and benefits of decisions impacting land, and land-based ecosystems;
2. Present the main results of on-going programs and case studies on economic valuation of land and how they have influenced SLM policies;
3. Build on the lessons learnt from these programs/case studies to improve current models of economic analysis of land management;
4. Propose ways for the existing models to be used to guide Governments in assessing large-scale land based investments;
5. Make recommendations on the way forward for financing institutions, both public and private, to provide an analytical instrument relevant to LSLBI in Africa.

V. KEY QUESTIONS

The key issues and questions that will guide this discussion are as follows:

1. Does assigning ecosystems an economic value really work?
2. Why shall we care about the value of land?
3. What is driving investments in land?
4. What are the most important outputs for achieved studies on economic valuation of land and how these outputs been used by stakeholders to improve SLM policies and operations?
5. How can we improve existing land evaluation methodologies to better guide Governments in assessing large-scale land-based investments (LSLBI)?

VI. TARGET AUDIENCE

1. High-level decision makers from African member states and their RECs, regional and sub-regional organizations, multilateral organizations, and bilateral organizations representatives;
2. International researchers, scientists, and science and technology specialists from research institutions who are actively engaged in advancing knowledge in economic valuation of land in developing countries with a particular focus on Africa, and;
3. Practitioner community, including private sector, community based organizations and civil society organizations, such as NGOs, media and independent writers working on sustainable land management in Africa.

VII. FACILITATION STRATEGY

The event, to be chaired by the African Development Bank, will begin with examining the important linkages between ecological, social and economic systems and identifying mechanisms for integrating understanding of these important interrelationships into land management decision making processes.

This event will be designed to take participants progressively through the important issues associated with bringing sustainability to land management processes. Two brief presentations will provide the foundation for discussion. The first presentation will introduce important concepts associated with human dependence on ecological processes and ecosystem services and illustrate why these dependences are going to increasingly define the limits of sustainability. This presentation will also introduce the concept of OSLO- Economic Valuation of Land (EVL). The second presentation will describe current approaches to land use planning and land management decisions and will illustrate some of the inherent mechanisms that make it difficult for those processes to provide sustainable outcomes. The presentation will showcase examples of countries that implemented EVL methodology at national level and how it generate evidence to unlock investment opportunities.

MODERATOR

The moderator of the event, Prof John Soussan (Stockholm Environment Institute & OSLO scientific coordinator) will provide a general overview of the reasons prompting this discussion, the general issues; introduce the panelists, explaining their positions and why their experience is pertinent for this discussion.

PANELISTS

All panelists present their views on the issues based on their professional experience to debate the positions and come to concrete recommendations for policymakers. It is anticipated that the panel will include representatives from:

- The OSLO Consortium
- The ELD initiative
- African Governments engaged in EVL initiatives (e.g. Rwanda, Tanzania and/or Zambia)
- The scientific community engaged in the study of ecosystem services
- The private sector (e.g. impact investors, business assurance)