

# **Encouraging Participation in Market Based Instruments and Incentives: Insights from the Expert Interviews**

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**Working Paper No. 3 from the Project “Impediments to the Uptake of Market Based Instruments”**

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## **Impediments to the Uptake of Market Based Instruments: Project Description**

This project is funded by Land and Water Australia under their Social and Institutional Research Program. Support for this project is also being provided by the North Coast Catchment Management Authority (NSW), Central West Catchment Management Authority (NSW), Queensland Department of Natural Resources, Mines and Water, Charles Sturt University and CSIRO.

The project seeks to provide information about how to design and implement incentives and market based instruments to increase participation of farmers.

The project team is being lead by Professor Mark Morrison and Mr Ray Baker. Other members of the project team include Dr Jeanette Durante (Queensland Department of Natural Resources, Mines and Water) Ms Jenni Greig (Charles Sturt University) and Dr John Ward (CSIRO).

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### **Other working papers from this project:**

Jeanette Stanley, Beth Clouston and Ray Baker, *Understanding Land Manager Constraints to the Adoption of Changed Practices or Technological Innovations*, Working Paper No. 1.

Mark Morrison and Jenni Greig, *Encouraging Participation in Market Based Instruments and Incentive Programs*, Working Paper No. 2.

## **Executive Summary**

This working paper presents the results from the expert interview phase of the project, which consisted of 22 semi-structured phone interviews with experts from academia, government, NRM groups and NRM consulting firms. An “expert” was considered to be someone who has had field experience in researching, designing, implementing or evaluating market-based instruments (MBIs) or incentive programs. The expert interviews sought further information on the same three research questions considered in the literature review, namely: (1) what are the characteristics or design features of MBIs and incentive programs that lead to increased participation; (2) what are the characteristics (individual and farm level) of those who participate in MBIs and incentive programs; and (3) how can communication strategies be designed to increase participation?

### ***1. Characteristics of MBIs and Incentive Programs that Increase Participation***

Designing and delivering an MBI program to increase participation of the target audience should consider a number of key features, according to the expert respondents. A carefully designed and delivered program with a greater relative advantage, will garner greater interest, and more likely achieve higher participation over the longer term. These views are strongly supported by the literature.

#### ***Design Features***

The experts identified four key design features of a program that are critical to establishing whether it is worth a land manager’s investment of time and resources in the application process. These are: providing adequate incentive to participate; being flexible in the application process and program requirements; keeping monitoring to an achievable level of activity; and designing contracts that are acceptable to land managers.

The experts all agreed that providing adequate reward to account for high transaction and opportunity costs is critical to the success of an MBI or incentive program. A program with high expectations and little financial recompense is unlikely to be adopted. Important too is getting the cost share right, with many land managers

unwilling to engage in programs if their own commitment outweighs that of the funding body. The experts also identified the importance of non-monetary incentives in the form of labour and advice, and in the provision of awards that acknowledge innovation.

Being too restrictive in the selection criteria for successful applicants, and being too rigid in expectations, is likely to deter participation. In concert with the literature, the experts agree that providing participants with the opportunity to negotiate outcomes and deliverables will encourage increased participation. To garner the highest participation, the targeted practices will be consistent with current management practices.

While monitoring and evaluation is a critical component of any MBI or incentive program, the experts largely agreed that if the expectations placed on the participants are too onerous then participation will likely be affected. By designing simple, up-front monitoring programs, where information gathered is fed back to the community, participation can be increased and evaluation opportunities improved.

And finally, the details of any contract negotiated between a land manager and an incentive provider can greatly influence participation. Experts made particular note of the importance of balancing the need for long-term outcomes with the unpalatable nature of long-term contracts, particularly covenants.

### *Program Delivery*

In addition to getting the design of an MBI or incentive program right is the importance of program delivery. The experts discussed the importance of the program administrator; the need for clarity, transparency and simplicity; and the importance of timing and coordination.

Carefully choosing the program administrator is essential according to both the expert respondents and the published literature. All experts emphasised the need for credible, trustworthy and skilled administrators, and acknowledged the impact of previous policies and programs on how various agencies are perceived. Specifically, government agencies are viewed with distrust while ‘independent’ organisations such

as Greening Australia and Landcare are often seen as more benign. Hence an independent, non-government administrator may mitigate suspicion, but which specific organisation that is depends on the regional specific context.

Providing clarity and transparency about specific design features of MBIs and incentive programs, and keeping the application process simple, are important to engendering trust and encouraging participation. Specifically, experts suggested the importance of clarifying: program objectives, targets, the application process, how applications or bids will be assessed, eligibility, monitoring expectations and the availability of technical advice on an ongoing basis.

There are several aspects to getting the timing and coordination right for an MBI or incentive program, beginning with the provision of enough time for land managers and administrators to familiarise themselves with the scheme. Another key timing issue is ensuring that the application process and the key deliverables are coordinated to avoid clashing with key farming and family commitments. Experts also noted that coordination and timing were challenging given the range of organisations and individuals who might be involved in the different stages.

## ***2. Who participates in MBIs and incentives?***

There is large convergence between the literature and the expert respondents regarding those personal characteristics that indicate an increased likelihood of participation in MBIs or other incentive programs, although some divergence did emerge.

Two socio-demographic variables were raised by respondents to explain participation – age and education – and the respondents’ conclusions were largely in concert with the literature. The expert respondents suggested that younger farmers are more likely to participate, while the literature suggests a little more complexity and implies that stage of life may be a more important characteristic. The expert respondents also indicated that the more educated a farmer, the more likely they were to participate, while the literature suggests that education is not a particularly useful indicator of participation as various studies have revealed highly divergent relationships.

Three behavioural characteristics were discussed by expert respondents as being of some importance. The quality of the relationship that a landholder has with the proponents of the incentive scheme is perceived to be an important influencing factor - the better the relationship, the more the likelihood of future participation. This was strongly linked to issues of trust, which is consistent with the literature. Strongly interlinked and also raised by expert respondents was previous involvement in other incentive schemes. This was seen to be highly influential in a landholder's decision to participate. It was also noted, however, that the features of some schemes (particularly auctions) attracted people who may not have been involved in other forms of MBIs or incentive schemes, such as grant programs. Again, this was consistent with the literature. The 'connectedness' of a landholder as demonstrated by networks, was also raised by several expert respondents as being an important characteristic for influencing participation.

There was significant variance among the expert respondents about the influence of attitudes. Some concluded that the more 'conservation conscious' a farmer the more likelihood of participation, while others suggested that it was the profit-driven farmers who were more likely to participate. Certainly the literature reveals that a conservation attitude has little influence on and may even be negatively related to participation. The expert respondents also suggested that innovative, progressive, and confident farmers are more likely to participate in an MBI or incentive program.

Several farm characteristics were raised by the expert respondents as having a relationship to participation in MBIs and incentive programs. The length of time in farming and the length of time on their properties were both considered to be important predictors of participation. Interestingly, it was suggested that farmers are more likely to participate if they have not been farming long, or haven't owned the property for a long period. Business orientation was also perceived as a characteristic likely to influence participation, with the more business driven and profit driven a farmer, the more likely is participation. This however, was also linked to design features of an MBI, with several respondents commenting that some design features (such as contracts and in-perpetuity conditions) would discourage business oriented farmers. Opportunity cost emerged from the expert respondents as an important characteristic influencing participation. They suggested that if the costs associated

with participation are high, and/or the payments are low, participation is less likely. This was consistent with the literature. An important conclusion to emerge from this was the suggestion that many people who choose to participate in MBIs or incentive schemes probably intend to proceed with the activity anyway and are looking for some assistance and support to do so, raising some doubts regarding the cost-effectiveness of incentive and MBI programs.

This section also explores segmentation and whether there are different groups of landholders with differing preferences for various MBIs and incentive programs. Segmentation involves defining market segments based on common characteristics (eg trust, business orientation). While the expert respondents did not specifically suggest potential constructs for segmenting farmers, they did make some important observations around the importance of segmenting farmers for MBI or incentive program delivery. They suggested that the differences and similarities between individual farmers often influence participation in MBI schemes, and that recognising these characteristics and being able to group them provides a means for designing MBIs to achieve increased participation. The expert respondents also highlighted the need for a mix of instruments to more effectively engage the diversity of farmers that are being targeted for change.

Also noted by a small number of respondents is the importance of diffusion for increasing participation in schemes; as programs are 'tried and tested' by social leaders or trusted innovators, and observed by others, participation is likely to increase.

### ***3. How to Communicate MBIs and Incentives to Increase Participation***

Effective communication is central to the success of any MBI or incentive program. If people are unaware of a program or unfamiliar with its features, then participation is likely to be low. It is therefore critical to develop a targeted communication strategy for the delivery of incentive programs. From the expert interviews, a number of insights were provided about how to communicate an MBI or incentive scheme. These include how a program is advertised, how initial contact is made with the pool of potential participants, the importance of direct contact and extension, the role of

existing networks, the importance of sending the right message and avoiding technical language, and being prepared for potential problems or questions in advance.

The experts referred to a number of methods that they had used to advertise MBI programs with an emphasis on the importance of using a range of approaches. Newspapers, radio, fliers and brochures were the most commonly used with *local* radio and *local* newspapers considered the most effective, particularly if used to promote past stories of success. This is in contrast to some of the literature reviewed which suggested that radio, particularly, was linked to a decreased level of participation. Several experts suggested that advertising was a limited avenue for communicating incentive programs, if used in the absence of other communication strategies.

The experts saw personal contact and established relationships as being highly instrumental in encouraging participation. The experts and the literature both emphasised the importance of formal and informal networks to promote MBIs or incentive programs. The benefits of using existing networks are that it is possible to tap into people already interested in environmental based incentive programs, and utilise pre-existing trust. However, the downside is that this will likely attract the same people repeatedly, potentially limiting the effectiveness of the programs.

Providing extension services to potential participants was a common theme to emerge with the expert respondents, with the view that it was one of the most important facets of an MBI or incentive program. Extension staff can assist in clarifying application processes, dealing with misinformation and facilitating best practice, so investing time and resources into building trust is considered invaluable. The experts stressed the importance of having staff who are skilled, experienced and locally based in order to engender trust and respect.

The experts also emphasised the importance of using the right language in any communication, particularly avoiding jargon and inconsistencies in terminology.

## 1. Introduction

The central concern of this research project is how to increase landholder participation in market based instrument (MBI) and incentive programs. The experience of many natural resource management groups is that it can be difficult to achieve high levels of participation, particularly for MBIs but also for other incentive programs. With limited participation the potential efficiency gains, as well as the environmental outcomes that are sought, may be restricted.

This is the third working paper produced as part of this project. The first two working papers presented the findings of the literature review. The first working paper “Understanding Land Manager Constraints to the Adoption of Changed Practices or Technical Innovations: Literature Review” (Stanley, Clouston and Baker 2006) discussed the findings from the adoption literature regarding the socio-economic and attitudinal factors that lead to landholders adopting new on-farm technologies or environmentally friendly farming practices. The second working paper “Encouraging Participation in Market Based Instruments and Incentive Programs: Literature Review” (Morrison and Greig 2006) focused on the literature examining participation in MBIs or incentive programs. It reviewed the previous literature on how design features of MBIs and incentive programs and communication strategies influence participation. The literature on the relationship between landholder and farm characteristics and participation was also examined to identify who tends to participate in MBIs and incentive programs and how preferences for different MBI and incentive design features change across landholders. The existing literature on farmer segments was also reviewed. Understanding farmer segments is a central part of this research given the potential to tailor the design and mix of MBI and incentive-type tools for landholder segments found in different catchments and sub-catchments.

This working paper presents the results from the next stage in our methodology: 22 interviews with experts from academia, government, NRM groups and NRM consulting firms<sup>1</sup>. The expert interviews sought further information on the same three research questions considered in the literature review, namely (1) What are the characteristics or design features of MBIs and incentive programs that lead to

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<sup>1</sup> A copy of the survey instrument is found in Appendix A

increased participation; (2) what are the characteristics (individual and farm level) of those who participate in MBIs and incentives; and (3) how can communication strategies be designed to increase participation.

In many instances the findings from the expert interviews reinforced the findings from the literature review; additionally, the experts offered many new insights. Design features such as providing ongoing technical advice and alternatives for monitoring; communication alternatives involving local advertising and farming networks; and farmer characteristics such as business orientation and social connectedness were identified. The expert interviews also provided a finer level of detail to many of the issues highlighted in the literature review. While the literature review provided detail about the design features that are important for participation, the expert interviews provided insight into how these features should be structured and challenges with implementing them.

Valuable insights were also gained into how to improve communication strategies. Similar to the literature review, experts noted that advertising differs in its effectiveness, and that there is a need for a diverse range of communication methods to reach the target audience. The experts emphasised the importance of utilising existing networks while also cautioning for the likelihood of continuing to attract the same people if this is the only method used. The important role of extension, particularly in the application stage of a scheme, was also emphasised.

The experts also provided comment on the personal and farm characteristics of people who are likely to participate. Age and education were both mentioned as influencing participation, while behavioural variables such as previous participation in incentive schemes, and the 'connectedness' of a landholder were highlighted. The attitudinal variables discussed as influencing participation in an MBI or incentive program were the 'conservation consciousness' of farmers, their profit-drive and whether they are innovative, progressive and confident. A land manager's length of time in farming and the length of time on their properties, as well as their business orientation, were considered to be characteristics likely to influence participation.

It is important to recognise in the context of the rest of this report that several experts commented on the potential risk of overstating the role of MBIs and incentive programs in the natural resource management arena. The analysis of market based instrument performance and adoption pathways has improved. However, simple rules and evaluation protocols to identify the relative advantages of MBIs and incentive programs over other instruments for resolving specific environmental problems, have not yet emerged. The expert interviews revealed a widespread concern that MBIs and incentive programs are not to be widely viewed as a policy panacea, arguing that their advantages have been frequently overstated and over promoted. Stavins (2003) and Tietenburg and Johnstone (2004) have published similar concerns.

Several experts contend that recent developments in instrument design have recognised that successful MBI schemes do not necessarily substitute for regulatory approaches, but form part of a strategic complementarity of policy instruments. Respondents asserted that this has resulted in unrealistic expectations for MBI performance. Expectations need to be managed with clear, empirically based guidelines to avoid inappropriate policy selection attended by long term social cost and perverse outcomes.

Further, respondents expressed concern that an over-emphasis on MBIs and incentive programs would create a tension between existing collaborative, community and voluntary models of resource management and the generally competitive nature of tenders and anonymous market exchange.

## 2. Sample Description

Interviews were conducted with experts in Australian MBIs and incentive programs. An “expert” was considered to be someone who has had experience in researching, designing, implementing or evaluating these programs in the field.

A list of experts was initially constructed through the review of literature and through key stakeholders in this research. This list targeted individuals working as academics, regional practitioners, consultants and working in government. Further, experts being interviewed were invited to recommend other experts who would likely have valuable insights into the areas covered in the survey (i.e. snowballing). Experts were invited to take part in an individual interview, although two of the participants were interviewed together. Two experts declined and two others were unable to be contacted. The interviews continued until theoretical saturation occurred.

A total of twenty-one individuals were interviewed over a period of six weeks. The composition of the sample is shown in Table 1.

**Table 1: Experts by group**

<b>Academics</b>	<b>Government</b>	<b>Practitioners</b>	<b>Consultants</b>
9	2	7	3

A number of these experts had experience in multiple fields. For example, many of the academics indicated they had previously worked as practitioners and/or in government; and two of the consultants had previously worked in government.

The experts also come from a variety of backgrounds – many having involvement with MBIs at a number of levels, including local, state and federal levels. The MBIs or incentive programs they have been involved with also vary widely, in terms of:

- size of the program
- environmental issues being addressed and desired outcomes
- funding body
- locality and

- participation levels.

The programs that the experts were involved with were in various stages of being ‘rolled out’, from pilot phases to evaluation stages. Some of the experts were directly involved in the program, while others were associated only as an ‘outsider’ conducting research or evaluations. Furthermore, some experts could only comment on particular stages of the programs, such as the design stage, or the evaluation stage, rather than being able to comment on the program as a whole.

### *Survey Instrument*

The semi-structured interviews were conducted over the phone at a pre-arranged time. The interview schedule (see Appendix A) consisted of 15 questions, covering the expert’s previous experience, characteristics of MBIs and incentive programs, who participates in such programs, implementation and promotion, and monitoring and evaluation of MBIs and incentive programs.

### **3. Characteristics of MBIs and Incentive Programs that Increase Participation**

Selecting appropriate design features is critical for encouraging participation in MBIs and incentive schemes as the features establish the relative advantage of each program. Landholders may have several different incentive programs that are available to them, each with different features and different levels of attractiveness. The following quotes give an indication of the fairly busy market place for many MBIs and incentive programs:

Farmers...have got so many impossible schemes coming their way, [so] that one more improbable scheme is unlikely to get their interest up, and in so far as they participate in it, they will do it in a one-shot fashion (E18)

Sometimes you'll have a fairly crowded market, in terms of there's a lot of instruments being offered to people; and often they'll be offered by a range of different organisations, sometimes within the same organisation ... if you've got something that's a bit different you've got more chance of standing out (E1)

A carefully designed program with a greater relative advantage will garner greater interest, and more likely achieve higher participation over the longer term. The expert interviews provided insight into the types of design features that increase relative advantage. Perspectives from the expert interviews on how to modify these design features to increase participation are also discussed. The opinions expressed by the experts were largely in convergence with the published literature (e.g. Windle *et al* 2005 and Rolfe *et al* 2006).

In addition to design features, information was provided on how program delivery can be modified to increase participation.

#### ***Design Features***

There are a number of design features which were highlighted by the experts as being central to the successful uptake of an MBI or incentive program. These were the provision of adequate incentive or reward to warrant a land manager's investment of time and resources into an application; the flexibility of program requirements and whether these allowed for different needs and contexts; the monitoring requirements of the program and whether these were considered too onerous; and the acceptability of the contract details.

### *Adequate Incentive to Participate*

Providing adequate incentive to warrant landholder participation in an MBI or incentive program was noted by over half of the experts interviewed as an important design feature, with many experts noting that the rewards offered should be high relative to incurred transaction and opportunity costs. This is in concert with the literature - Wossink and van Wenum (2003) in the Netherlands, Horne (2006) in Finland, Ducos and Dupraz (2006) in France, and Esseks and Kraft (1988) in the USA as well as Clayton (2005) and Rolfe *et al* (2006) in Australia all concluded that the level of payment provided by a program would influence participation:

There's got to be ... a reasonable amount of money to make it worth putting in a bid. There can be quite high transaction costs I think for some of them to even develop a bid. I think it depends on what they have to do, and whether it involves ... a small management change or a large one, whether it involves operating costs or sort of capital costs (E7)

The cap-and-trade one we were involved with, we recommended they did not go ahead ... there weren't sufficient surpluses for it to be worthwhile ... after you took transaction costs into account, you'd likely be going backwards (E16)

...the amount of money that's at stake is important ... they've got to be able to sort of think that they can get a reasonable amount of money to make it worth putting in a bid (E7)

The critical thing there, from my experience, is getting cost sharing right, and to include ... both the cost of doing some sort of physical activity, but also the longer term management costs and then the opportunity costs; and too often fixed grants don't include the opportunity costs (E1)

While providing adequate cost and distributing the costs appropriately is important, a related challenge is establishing an appropriate metric. The metric is the algorithm or method used to evaluate the environmental contribution of proposed management changes. This plays a central part in determining the amount of remuneration that a landholder will receive for participating in a MBI or incentive program.

Probably the metric is the trickiest challenging bit (E5)

...the metric has to be thought through really well, and be well-developed (E13)

You've got to have an accurate model of the change in land use or the services you're being provided for the dollar you're investing...So if you put a dollar into one farm versus another farm ... you can compare apples with apples (E9)

The critical thing is always the metric. Because the metric defines what your outcomes will be ... there has been some incredibly complicated metrics, very expensive to design, we've designed some much more simple ones. I think what we don't know is what the trade-off is between very complicated and very simple (E7)

Several experts also suggested being flexible in the application of a metric, despite the potential for greater complexity:

Being able to bend and change the rules to get the outcome that is really sought, rather than be trapped into the metric (E3)

You can make the metric a lot more versatile ... you can include things like if they want to do management improvements or something so it can contain quite a lot of components; if it's just another column in a spreadsheet, that can make it more complex, but it might ... allow some give-and-take for landholders (E7)

Others experts noted that creating incentives is not really just about providing sufficient money. They suggested that providing non-monetary benefits in addition to financial remuneration can have a substantial effect on participation. This could involve the provision of extra advice or information to help with farm management, assistance with implementing management changes such as labour, or potentially innovative ideas for rewarding landholders or their communities:

The MBIs had to help them with their farm management, not just be seen as something nice to do for the environment. Even though they're being given money...the major constraint...is time and labour – 'OK, you give me this money, and I can buy all this material, but when am I going to get the time, and who's going to do the fence? ... Where it has worked well is where there's been a team of Green Corp or Australian Conservation Volunteers that are able to go out onto properties and do the work for the farmer (E4)

...we would send people out to speak to landholders, they would be given a land management map and information about how to manage...it was free of charge, regardless of whether they took part in the incentive process (E10)

...strong, actually communicative, ideas and rewarding people, so you give people awards for when they do really well ...moving beyond saying 'here's your payment', but 'here's a payment and you did really well'... [so] rather than just going in and delivering the money, you add colour and flair and excitement on top of it (E3)

One expert also recommended moving beyond just providing remuneration for *successful* bidders in tenders. He noted that those who were unsuccessful often did not re-bid in subsequent rounds, thus potentially reducing the efficiency of the market in the long run. Clayton (2005) also suggested that those who were unsuccessful in their application were much less likely to re-tender. The interviewed expert's suggestion

was to give unsuccessful bidders a small payment to compensate for their lost time in submitting bids:

One of the things to consider is to reward people with payments for entering bids, so that you ... you give a signal that it's worthwhile to participate even if ... even if people mightn't be successful (E5)

### *Flexibility in Program Requirements*

A common theme across the experts was the consequences of being restrictive in possible management practices and the advantage of flexibility and being open to negotiate outcomes. This confirms findings from previous research reported in the literature review where several researchers concluded that flexibility in the type of outcomes that can be achieved influenced participation (Wossink and van Wenum 2003; Horne 2006; Ducos and Dupraz 2006; and Esseks and Kraft 1988; Rolfe *et al* 2006). Being too restrictive in the criteria for selecting successful applicants, or being too inflexible in the expectations for successful participants, both have the potential to limit participation:

They don't want to have anything that limits their private property rights, basically. So, they will say no, and there is no amount of money that you can offer them (E2)

We found that ... the farmers said the criteria were just too inflexible ... the farmer was expressing interest, and yet they weren't eligible, so they thought 'oh, well blow that, I'm not going to go for that again'. So, you immediately you loose your customer... (E4)

The type of programs landholders really strongly object to ... are the lock-up management actions – that you put a fence around a block of country and it's locked up; there's no utilisation of it, really not appropriate for landholders, they don't like it at all (E15)

In contrast, providing the opportunity to negotiate management outcomes is likely to increase participation:

Make the programs much more flexible (E3)

Have it as least restrictive as possible so you can reach the widest number of people that can participate...if the criteria's too restrictive ... that will be an impediment to their involvement (E15)

One of the reasons that flexibility influences participation is that it generally means that fewer changes in management practices will be required. As previously noted in

the literature, participation is much more likely when there is consistency with existing management practices:

Most important is that it fits into the management process of the farmer or the landholder, so that it fits into their time frames, their understanding of how things work, that it fits into their productive processes... whether it fits into their daily routines (E2)

Once you start going further inland, you know, there's still fairly severe land degradation problems; it's got to tie in with the farm business basically (E4)

It depends on what they have to do, and whether it involves ... a small management change or a large one, whether it involves operating costs ... if it's a slight tweaking to their current system, it might be easier for them to try it before making major changes (E7)

It needs to be achievable, and it needs to be able to fit into their, I suppose, their current practices and practices they may wish to change to, so it's actually achievable (E15)

Interestingly, one expert commented that the benefits associated with being flexible and using skilled negotiators can improve uptake and outcomes:

There are examples there where by using a benefits index, and then being prepared to negotiate with landholders, and work within their time frames rather than requiring everything to be done in a tender framework, where you have to have your tender in by a specific time, whether that time suits you or not, is quite powerful...the other point I guess is that the quality of the people administering a scheme matters a lot, and a skilled negotiator can outperform a straight tender process (E3)

### *Monitoring*

Apart from management practices, another important feature for most MBIs and incentive programs is monitoring requirements. Ongoing program monitoring is essential to avoid moral hazard (free riding or incentive of non-compliance with contracted obligations) and adverse selection (selection based on misrepresented costs of mitigation or supply). However, if monitoring requirements are too onerous it can discourage participation in the scheme, or result in a lack of genuine evaluation opportunities when adequate monitoring is not attempted:

I think if you had a very onerous monitoring system, you could put some people off. I don't think it encourages participation, but I think you could do the reverse...They don't give a hoot whether you evaluate how effective the program is or not, that's just an extra burden to them (E7)

... you might come back ten years later and find, well, the farmer got the money, but did a really botched job of the works, or didn't complete the works ... yeah, so that technical advice, sound technical advice and someone who's experienced, it's really important (E2)

To my knowledge, there's no systematic attempt, in any jurisdiction, to have an ongoing program to secure, in the long-term, that these benefits are actually being delivered...not just from a punitive point of view, but also from an adaptive management point of view, to enable improved performance over time...(E6)

...we need a better system of tracking what happens to these projects if the farm is, or the land is sold... it's very difficult in the tender situation to provide enough guidance within the bounds of probity to people who've never taken part in anything like this (E10)

A couple of alternatives were suggested for mitigating against this potential problem. One expert suggested being up-front about the monitoring process and making it simple. Another suggested selling it as a way of providing information to the community on outcomes that have been achieved:

The design of the monitoring is crucial, it's got to be up-front, it's got to be stated, and it's got to be easy for them (E7)

We had an environmental monitoring regime as well in one point in the river, so we could have feedback to the community. Say 'look, you're going to all this effort, it does cost money, but we are getting environmental outcomes', so I think that's quite important to demonstrate that there is a reason for implementation of the scheme (E8)

Several respondents referred to the need for comprehensive performance criteria to evaluate instrument performance. This is in accord with Tietenburg and Johnstone (2004) and Ward et al. (2005), who note that optimality measures of market efficiency be extended to include equity, flexibility, innovation and an assessment of dependability under risk and uncertainty:

The second (point) is to be very aware of how you do dual assessments of the effectiveness of each scheme; quite a few of them are rated as being highly successful when really the innovation is not the tender process, but is in fact actually introducing an environmental benefits index of some sort. In fact I've seen examples of where people negotiating skilfully have been able to outperform a standard tender process (E3)

...no I think what happens is all that information ... it just ended up going to the Commonwealth, to the Department of Environment and Heritage... so there's more this sort of add hoc, one-off evaluation surveys (E4)

It needs to also take into account these transaction costs as to whether they are effective in improvement over and above the more traditional regulatory approaches...(additional) research input to assist the future design ... to actually have a clearer idea of exactly the size of these transaction costs, particularly within

government agencies, there's a lot of hidden costs that are generally not really uncovered in these sorts of processes; those semi-hidden transaction costs can be, I suspect, quite considerable; and different sorts of instruments probably attract different costs (E6)

### ***Contract Details***

The experts also provided some insight into how aspects of the contract can influence participation. As was noted in the literature, landholders are “*suspicious of wanting longer-term contracts*” (E7). In addition covenants appear to be unpopular with a lot of farmers – “*covenants are a major turn-off*” (E5). This is in direct support of the literature review where it was highlighted that contract length influenced participation, with farmers favouring shorter contracts (Wossink and van Wenum 2003; Horne 2006; Ducos and Dupraz 2006; and Esseks and Kraft 1988). These reactions reinforce the perspective that landholders are reluctant to compromise their longer term control over management practices.

Finally, there were a couple of conflicting perspectives given on how payments should be structured. One expert recommended “*having a longer period of payment schedule*” (E10), while another supported up-front payment: “*we've been able to pay for infrastructure development right up front, instead of spreading it out over six years, knowing the landholder's taking the cost*” (E20).

### ***Program Delivery***

In addition to information about design characteristics, the expert interviews provided insight into how program delivery can influence landholder participation. Four main factors related to delivery were suggested to influence participation, including the chosen administrator or manager of the program; the clarity/transparency of the program; simplicity, particularly in the application process; and the timing of the application process.

### ***Program Administrator***

About half of the experts interviewed noted that carefully choosing the program administrator is essential for the success of MBIs or incentive program. The literature also supported this view concluding that the identity of contract administrator influenced participation (Horne 2006). Moreover, a substantial impediment to scheme

adoption identified by several respondents was the need to account for the detrimental effects of failed prior programs. Certainly the poor performance of past schemes or inept administration may result in regional antagonism and scepticism:

It's really clear from my survey that some land owners will just not even engage... they're not going to do it; and they don't want to have anything to do with government; they don't want to have anything that limits their private property rights (E2)

Things like vegetation clearing are really emotional topics... so some people are averse to having any contact with any group, they see it as the next step to taking away their private property rights, so they're suspicious of government programs (E7)

...there can be sceptics about, you know, well, you guys are just the latest round of people on the block. They can be financially and emotionally drained from climatic and other conditions, and therefore are not in a position to take part. (E10)

Virtually all experts agreed that the administering group needs to be trusted and regarded as credible. Certainly the success or otherwise of a scheme is likely to be a function of the scheme administrator's skill and/or motivation:

Because not only are farmers variable in behaving in different ways, so are the people who run programs. And one of the mistakes we often make is to design programs as if the administrators all have the same degree of competence and skill. They haven't, and they're just as variable as farmers (E3)

I just find that people are very comfortable handing out grants, and anything else is novel and the concept is difficult to sell, and often I find that project officers and staff in NRM group offices aren't adequately skilled to design and implement, or even, you know, to administer and monitor (E13)

To encourage instrument success and adoption, authorities administering the instrument may need to re-establish their community credibility. Pragmatically, employing the services of an agency seen to be independent of the authority may mitigate prevailing scepticism. Rolfe et al (2005), Breetz et al (2005) and Horne (2006) all recommended the use of non-government administrators because they are perceived as independent of the regulating bodies. The expert respondents concurred:

That was something that we thought was useful ... that landholders perceived ...the organisation as having some objective distance from a state agency, if you like. They don't much like being told what to do (E14)

It depends a lot on who the lead agency is, as well – whether it's a respected, reputable organisation or group that that landholder identifies with. There's got to be that level of trust (E19)

Specifically, many of the experts referred to Government agencies when discussing issues of trust and the importance of selecting the right administrator to run a program:

They don't want to have anything to do with government (E2)

We had farmers saying to us they really tried to avoid involvement in any government programs, but if the program's delivered through Greening Australia or, like, a non-government organisation or a Landcare group, you're probably going to have more success (E4)

Who runs them is important. Some landholders, for example, might have some sensitivity about particular government agencies. That was something that we thought was useful ... that landholders perceived ... the organisation as having some objective distance from a state agency (E14)

The attitude in Queensland, up until the last probably six to twelve months has been fairly anti-state government (E15)

Several non-government organisations were suggested as alternative administrators. As noted above, some experts suggested the use of Landcare or Greening Australia. Others have suggested the use of industry groups for delivery. This latter option appears to be fairly positively received, which is consistent with the findings from the literature review:

Because the industry group is helping roll out, all of their landholders are ready and waiting, they all know it's coming, they want the incentive scheme, I think participation there will be very high (E7)

It's done in partnership through the industry peak body, so the ... the design of the process has engaged key players within industry peak bodies to work with us ... then ... it's the responsibility of the industry peak body to work with their members, to advertise it, then engage them so that trust exists ... within that particular industry." (E19)

It is apparent that the group most trusted will depend on the area:

The level of trust in the group that's promoting this, or even in individuals ... that's critical...it could be that in some areas, the local Landcare group's highly trusted, and got great networks, and in some places it hasn't (E1)

If you ... go into an area where you're well-established, and well-credentialed, if you like, with that farming community, you get a much broader uptake (E10)

Alternatively one expert suggested that the administering group was of little relevance, however this was not a shared view:

Who actually hands out the money didn't really matter that much to landowners (E2)

The advantage of having trust and credibility is that landholders are far more willing to work through the design issues and commit to longer term programs:

I got together the key stakeholders ... the relationship I had with those people and then the consequent relationship with the landholder. We got to sit down with the landholder and get them to sign a contract, and say this is your commitment, this is a five-year agreement that has an option to go for a further five years, we have access to the property, these are the works you've got to do, this is your part of the bargain, here's the money we're putting up ... all that (E9)

There was a lot of effort put into the promotion of that, into the advertising, information sessions, you know, you name it, and it was spectacularly unsuccessful, and people were quite antagonistic ... and we had to spend quite a bit of time explaining to people that we weren't part of this state government initiative, right? And it was a lot of time and money spent in the area (E15)

### *Clarity and Transparency*

It was apparent from the expert interviews that providing clarity and transparency about the key design features of MBIs and incentive programs is important for participation:

Obviously transparency, clarity and simplicity are key, and this is all predicated on the landowners knowing, at least in principle, what you want to buy, and how to provide what you want to buy (E16)

The design needs to be very transparent... it needs to be clear, so the participants know what's happening, so there's not as much uncertainty... We should have made the program clearer, the program objectives, the management plans the targets and everything clearer (E17)

One of the most critical components of the design process is to engage the landholder from go to woe, so that their understanding of, you know, all of those process issues, like application through to what will and won't be funded, down to who they apply to, how long it takes and all the rest of it is fairly clear from the beginning (E19)

Apart from the areas just mentioned, experts nominated several specific areas where transparency is particularly important. These included how applications or bids will be assessed, eligibility, and the consequences of failure in achieving agreed management outcomes:

One of the things we found is it's important to let the landholders know exactly how you are assessing their bids (E7)

Participation was very much related to who had areas of biodiversity, so that issue of eligibility was an important one there (E7)

Making the legal implications of joining, setting aside areas, less scary (E2)

Landholders have got to know that it's transparent, and ... that you're not setting people up ... for later problems... If there's a concern that landholders may be punished or negatively impacted if they don't comply with the conditions ... maybe got out of hand with their management or whatever, the big stick approach, and they didn't participate as well in the program, then they're ... yeah, they're quite reluctant to be involved (E15)

One thing that I actually found that was really surprising in my survey is that the availability of technical advice was right up with the most important aspects of a program... anecdotally I also found that landowners will say 'yeah, it's all well and fine to establish a conservation reserve on my land, but what am I going to do with it after it's there... Am I going to have to do all these things to it that I don't know anything about?' ... but if, say, there was an invasion of some sort of tree or weed... they would be expected to do something about it. And they might not have the knowledge ... and they're worried ... because it's ... for a long period of time.... So, they want to be assured... that there's some clarity about the availability of technical advice. And that's worth quite a lot to them (E2)

### *Simplicity*

The next factor related to program delivery that can influence participation is simplicity. Failure to account for the costs of processing complex information of novel instruments and the institutional transition may reduce adoption rates. The literature supported this contention with Clayton (2005), Rolfe *et al* (2005), Ducos and Dupraz (2006), and Windle *et al* (2005) all highlighting the importance of a simple application and contract process. One respondent asserts that instrument development should rely on:

...simplicity in the approach, but flexibility at the same time. Tender processes work really well when the product you're after is easy to identify and straightforward; when it's really complicated... then you're probably better negotiating (E3)

Particularly in the application process, complexity can reduce participation as it makes the process too difficult for many to understand. This is particularly the case for tenders:

It's very difficult in the tender situation to provide enough guidance within the bounds of probity to people who've never taken part in anything like this for them to be ... put in effective tenders, for some people it's very difficult (E10)

If informational requirements are complex and the transactions ... in finding your way through the transactions that are involved is complex that could discourage participation (E11)

Where they see an MBI that has an onerous amount of bureaucracy with it, then it's only the ... very keen who are, you know, not put off by a bit of paperwork, others won't do it (E15)

More assistance available to landholders when they were forming their bids - they had the site visits, but they didn't get any help with the bids... our covenant was pretty poorly explained, and that really put off lots of people (E17)

It is apparent from these quotes that application development is one of the main areas of difficulty for landholders. Indeed a number of other experts suggested that an alternative for increasing simplicity is to assist landholders in preparing their bids and applications for funding:

They go out onto a property with a computer, they put all the information into a GIS, they create a property map for the farmer, ok, let's do this here, there, they work out the cost, it's all in there in one program, how much it's going to cost, bang, that goes into the application, and the job's done, so ... But it needs that one-to-one, you can't just advertise an MBI in a paper, and then expect people to know what to do (E4)

Make your field officers skilful enough so that they can actually almost do all of the paperwork for landholders, so landholders really have to explain their interest and their ideas, and then sign on the dotted line at the end of it (E5)

In the first round we discovered that the landholders left to their own devices weren't that great about putting together detailed documents, and in the second round, a lot of that was done by the field staff, who then gave all the documentation to the landholders (E14)

We, being government, do most of the work, we write the management plans and really all they have to do is think of what their bid's going to be. And that was ... landholders said that ... in media that we've done, and studies that we've done that was seen as a real bonus – they thought it would be a lot more work than it was (E20)

### *Timing and Coordination*

The final theme noted in the expert interviews related to program delivery was about timing and coordination. Several different aspects related to timing were noted. Firstly, several experts identified the importance of taking the time to carefully implement an MBI or incentive. This is important for giving potential participants time to learn about the program and think about it:

Be willing to take the time to walk people through it (E10)

Ideally for implementation I would have had a little more time and a little more, you know, opportunity to build familiarity. ... people may take some time to learn, so I think there may be an opportunity to do a little more sort of simulation, learning experiments might be useful (E11)

Having good lead time, I think, is quite important, particularly with new instruments, people take a while to actually think about it, so having a good lead time and having enough ... being able to allow people enough time to think about it (E14)

The second aspect relating to timing relates to when actual applications are due. These need to be set so that they are not in peak farming periods, or in periods with important family commitments:

The timing for the close of applications for tenders and expressions of interest... there was some school holiday period in there and three people that put that together didn't have school kids, ok, so that's just ... yeah, woops. So we ... we allowed some time, but I don't think we allowed sufficient time (E10)

It's critical to work around the calendars that landholders have, ... the farming calendar, there's no way around that ... if you want to talk to them, and it's the middle of harvest, you've got no chance at all, and so funding really needs to take that into account ... and the bigger the region, the more important that is, because farming calendars can actually vary across that region ... and they can vary from year-to-year as well (E14)

[Farmers] will look at whatever program suits their needs and I know a number of landholders that use all the programs ... what really influences us is the time frame to put in the application form – do we have time or are we calving, or you know, whatever it happens to be (E20)

Thirdly, sufficient time needs to be provided for submission of applications.

You need to make sure the time between when the certified mail is received and when it's sent back is sufficient, and this can be a bit messy if they have to get third party quotes, which was the case with the auction we were involved with, and nearly halved the number of bids they got (E16)

Most of these people are really organised ... you can put deadlines whenever you want, it's just having enough notice. Because these are all business people, they're certainly used to filling out their BAS statements on time (E20)

Allocating appropriate time is one part of being well coordinated in delivery, which several experts noted as being important for encouraging participation. However, this can be difficult when several different partners are involved in delivery:

The major problem that we've had is getting the timing right between the design stages and the NRM groups, because normally these sorts of things are done in partnership with different organisations, like university doing the design work, NRM group doing the field work, government departments doing the assessment. It's very hard to get everybody working at the same time; so what's very important is to have the tools prepared a long way in advance and make sure that everybody's trained and ready ... when you first announce the tender process is open (E5)

## ***Summary***

The program features and delivery of an MBI or incentive program are critical to encouraging participation. A program that fails to consider key design features is unlikely to attract or retain participants. Furthermore, a negative experience caused by a poorly designed or delivered program has the flow on effect of discouraging participation in other, unrelated schemes. Important design features to consider are whether the incentive offered provides enough of a reward to balance out the transaction costs and lost opportunity; whether the program is flexible enough to account for diverse needs and expectations; whether the monitoring component is too onerous; and whether the contract details, such as the inclusion of covenants, is likely to dissuade potential participants. The delivery component of the program is also important, particularly the choice of program administrator; the clarity and transparency of the program expectations; the simplicity of the process; and the timing and coordination of the application period and key deliverables.

#### **4. Who participates in MBIs and Incentives?**

The characteristics of the individuals who might be targeted to participate in an MBI or other incentive program may influence participation. Individual characteristics emerged as an important factor in the literature and were further supported through the expert interviews. Individual characteristics can be broken into four key areas: socio-demographic characteristics, attitudinal variables, behavioural variables, and farm characteristics. While there is some divergence between the views of the expert respondents and the literature, largely they do align.

##### ***Socio-demographic Factors***

The two most commonly noted socio-demographic characteristics discussed by respondents were age and education. Interestingly none of the respondents discussed the potential influence of gender. Several respondents made reference to “socio-demographic characteristics”.

Largely consistent with the literature, the experts concluded that age would be likely to have a negative effect on participation in MBIs and incentive programs, with the younger the farmer the more likely they are to participate:

Younger people are possibly more... more considerate and more interested in novel approaches than older people... (E13)

The literature (see Vanslebrouck et al, 2002; Wossink and van Wenum, 2003; Rolfe et al, 2006) does however reveal a more complex relationship with suggestions that participation may be more strongly linked to stage of life rather than specifically to age.

Respondents also made links between age and education:

...definitely limited to an age category, which is basically down to knowledge and an understanding of what industry require for good management practices (E19)

Respondents tended to support the hypothesis that education is positively correlated with participation:

It'll tend to be those, again, that are more confident, more literate, think they're capable of making decisions that are informed (E1)

They were usually... the more educated people (E2).

In contrast, the literature reveals more complexity, with some studies revealing either a positive or insignificant relationship between education and participation in MBIs and incentive schemes (Vanslebrouck *et al.*, 2002; Black and Reeve, 1993); and some in fact revealing a negative relationship (Rolfe *et al.*, 2006; Ducos and Dupraz, 2006).

### ***Behavioural Variables***

A number of behavioural factors emerged from the respondents as having a relationship to landholder participation in MBIs and incentive programs. Such factors as previous relationships with the scheme proponent and the existing levels of trust; previous involvement in other MBI or incentive programs; and how well networked a landholder was, were all raised by respondents.

The quality of the relationship between landholders and the proponents of an MBI or incentive scheme emerged from both the literature and the respondents as a factor likely to influence participation. Ducos and Dupraz (2006) suggested that having a poor relationship with government administrators, for example, reduced the likelihood of participation. The expert respondents also noted this with one respondent suggesting that the farmers most likely to participate “*have confidence in the agencies or the groups who are offering these things... they’ve probably had dealings with them before*” (E1). This same respondent noted that landholders “*have to work on the basis of trust and the confidence that people have built over a period of time...*” (E1).

Both the literature (e.g. Wossink and van Wenum, 2003; Vanslebrouck *et al.*, 2002; Clayton, 2005; Ha *et al.*, 2003) and the expert respondents agreed that previous participation in other incentive schemes and environmental organisations are predictors of participation:

They might have been involved in some sort of program before (E1)

...the people that tapped into it usually had prior links with Landcare or Coastcare... yeah, they already had contacts in that field so it was easy for them to actually progress it, whereas those landowners that have never been involved in any

conservation or environmental activities... I think, find it difficult to actually know how to go about it (E2)

Landholders that are involved in other programs such as Envirofund or NHT projects, Landcare, those types of programs, are probably a little bit more open... because they're in the 'good land care tent' to start off with, and they've been exposed to other ideas (E15)

That small percentage of farmers who are already participating are the easy ones. The ones that you want to get now are the ones that fall between the never-say-yes and those that have already participated (E2)

If a farmer goes for one MBI they'd probably go for another MBI (E16).

Interestingly however, several respondents also commented that by changing the instrument – in specific reference to the auction or tender based schemes – it may attract people who might not have participated in other incentive schemes:

...some of them seemed to regard it [tender system] as something quite different, there certainly were a number of landholders, small number of landholders, who had not participated in grants programs or similar... so it seemed to attract some landholders who weren't otherwise attracted to these things (E14)

The tender based system... allows people who weren't in Landcare, those doing good stuff but doing it on their own, to participate (E12)

We've established relationships that we probably wouldn't have picked up through our normal incentive schemes... (E20)

Additionally, some respondents commented on design features that might exclude some individuals (particularly business oriented or profit-driven farmers), such as contracts:

People who have more off-farm income are likely to be more attracted to the longer-term contract... full time farmers, there is a reluctance to particularly section anything off and put it into an off-set situation in perpetuity, for instance, where there is not an in-perpetuity payment (E10)

While it did not emerge from the literature as an important factor, several expert respondents noted the importance of networks in facilitating participation in MBIs and incentive schemes:

The ones that participate in any sort of scheme are going to be a little bit different, they'll be more confident, more knowledgeable, more connected (E1)

Generally speaking those players that appear to be most likely to take up say, the MBI approach are usually those people that network anyway (E19)

### ***Attitudinal Variables***

In respect to the influence of attitude on participation in MBIs and incentive schemes, there was significant divergence amongst the expert respondents.

One expert noted:

The ones that are more keen are the ones that have got a real interest in wildlife conservation or trees... it comes back to their values, we've found. So, the ones that are into biodynamic farming, you know real conservation, follow conservation or Landcare, they're the ones that tend to snap up [incentives] (E4)

Alternatively, another respondent suggested that profit-driven farmers were more likely to participate in incentive schemes:

... [farmers] being driven by financial considerations are the ones most interested... If people are grazing or farming for a series of personal or altruistic motives, they are less likely to be influenced by things that affect, you know, demand and supply (E13)

The literature is more in line with this position suggesting that an interest in conservation or having altruistic motives was either insignificantly or negatively related to participation in incentive programs (Crabtree *et al.*, 2001; Wynn *et al.*, 2001; Ducos and Dupraz, 2006).

One respondent provided an insight that might explain the perceived lack of participation by conservation minded land owners:

There are people who like doing things voluntarily, and when you introduce a program then they'll stop doing it because they feel almost insulted that people are having to be paid to do what they think they should be doing as part of their normal management. Conversely, there are people that are firmly of the view that they should do the absolute minimum unless they are paid to do it (E3)

Being innovative, progressive and confident emerged from the expert respondents as strong predictor characteristics influencing participation:

Generally you're going to get switched on, innovative farmers (E9)

Farmers that are a little bit, maybe more progressive, and open to new ideas [are more likely to participate in MBIs and incentive schemes] (E15)

I guess it's those traditional early adopters that are still coming along (E19)

Farmers who've participated [in MBIs] are generally progressive in the sense that they're actively seeking opportunities to vary their management... (E16)

Interestingly, this same respondent suggested that:

It's not the same group that are first movers for technological innovation - while there's overlap, it's not the same group; there are others who aren't first movers on that [technological innovations] who are engaging in MBIs (E16)

### ***Farm Characteristics***

Several farm characteristics were raised by the expert respondents as having a relationship to participation in MBIs and incentive programs, such as the length of time farming and in residence on a property, the business orientation of the farmer, the current practices, the time available for non-critical farm practices, farm 'culture, and the opportunity cost of involvement. Interestingly, profitability of the enterprise was raised by only one respondent as a factor influencing participation, as was the industry type. Also, while there has been some focus in the literature on the size of a farm and its relationship to participation, this was not raised by the respondents.

Two interlinked factors that several respondents raised were the length of time a landholder has been in residence on a property and the length of time they have been in the farming industry. Essentially, the longer a farmer has been resident and the longer they have been farming, the least likely is participation:

People, who've just bought a property, they might be really keen to get on and do something. That's often a good time to approach people... look at the property sales list from the local government, approach everybody who's bought a property in the last 18 months, two years (E1);

People who are recent purchasers of property who might be moving into an area more for lifestyle reasons than for production... some of these new settler types are potentially more likely, if they have opportunities to take up MBIs, to do so (E6)

Farmers who haven't been in the industry for generations or for very long periods of time, are more interested than those who have... inherited the farm (E13)

Some of the expert respondents also perceived that the business orientation of a farmer might also influence participation in an MBI or incentive program. This aligns somewhat with the previously discussed perception that profit-driven farmers were more likely to participate:

You know, people who are running a strict business for a farm, they're going to need money more than other people (E17)

The farmers that are more astute at... participating in more elaborate markets already move to environmental markets quite readily. Those that haven't, I suppose it takes a little more to, you know, get them over the hump (E8)

A further issue identified was the amount of time that land managers have available to meet any contractual obligations under an MBI or incentive scheme. Labour is often a key production input in complying with contractual MBI obligations, with two respondents referring to the need for policy design to address the likelihood of insufficient regional labour:

Even though they're being given money to ... because the major constraint that comes up time and time again, is ... is time, and labour – 'ok, you give me this money, and I can buy all this material, but when am I going to get the time, and who's going to do the fence? I can't get a fencing contractor because there's so few of them around now. I'm flat out getting my crops in, or mustering stock, so I haven't got time to plant trees' (E4)

the counter to that is that some of them are also less active land managers, and so they don't necessarily have the skills and capacity themselves to deliver good conservation outcomes, and so they potentially rely on accessing/contracting out services such as fencing (E6)

Moreover, some of the experts commented on farm culture and whether an MBI 'fits' with their current practices and cultural expectations:

Well, for example, if the landholder sees himself as a dairy farmer, it might be a bit of a cultural and perceptual jump to then see themselves as a provider of biodiversity services...and so even though it might be economically rational to respond to market-based instruments and take up new opportunities in the market place, there may be some of those personal, cultural impediments, if you like, or attributes which would prevent them from taking up those opportunities (E7)

They're [MBIs] still relatively new mechanisms, some landholders are more open to taking up the opportunities than others... and as I say, the particular personal identification that an individual landholder has in relation to their production systems, their flexibility of adopting new systems, or new ways of thinking in relation to the sorts of goods and service they might produce could well be an important determinant of whether they take up an MBI opportunity or not (E6)

Another respondent observed that farmers who hadn't participated in previous MBIs or incentive programs "*weren't extremely business-oriented, didn't do a lot of computer planning, didn't tend to try a lot of new ideas*" (E11). Full time professional farmers might also be more likely to participate "*in the [program]... they were a pretty homogenous group, not in the hobby belt or the lifestyle landholder belt...*" (E14).

The expert respondents suggested that many of the people who chose to participate in MBIs or incentive schemes were probably going to proceed with the activity anyway and were looking for some assistance to do so:

The sorts of people who would participate in a market-based scheme... would tend to be people that were interested in doing the work anyway... they were probably converted or close to and they were just looking for some help (E20)

...[they] perhaps were going to do the actions anyway, just wanted a bit of help (E17)

... I think it's a really important point, with the range of policy instruments we've got... we don't want another policy option out there that has to be put in place at great expense that gets that same groups of people in already. If you're going to put something else out there, like a market-based instrument, you want to hope it gets a different group of people (E1)

in fact what you'll find, if you keep targeting MBIs to biodiversity conservation, you'll find you'll get the same people applying over and over and over again, for the same thing ... who hold those values. You won't be reaching out to the broader community (E4)

It's unfortunately kind of the same old crowd... basically just looking for any additional support to maintain their best management practice (E19)

One respondent therefore suggested that *“you could question the effectiveness of the instrument if all you've done is spent a lot of money getting people who are doing the same things already”* (E1).

### **Segmentation**

Working paper 2 in this series (Morrison and Greig, 2006) explored the concept of segmentation, arguing that while understanding individual characteristics was important, of more use to practitioners who are designing and marketing incentive programs, is an understanding of how groups of landholders can be grouped based on common characteristics. When it is possible to segment landholders into a manageable number of groups, tailoring, targeting and marketing an MBI or incentive scheme becomes much simpler.

Unfortunately there has been little research in this area and very little that can be applied from the literature to inform the delivery of an MBI or incentive program for natural resource management. However, while the expert respondents did not explicitly detail what constructs might serve to effectively segment farmers, they did

make many references to the importance of recognising differences in farmers and how these differences can affect participation in MBIs and incentive programs:

Some landholders are more open to taking up the opportunities than others, so understanding the factors that makes some people more or less likely to take up these opportunities is crucial, and as I say, the particular personal identification that an individual landholder has in relation to their production systems, their flexibility of adopting new systems, or new ways of thinking in relation to the sorts of goods and service they might produce could well be an important determinant of whether they take up an MBI opportunity or not (E6)

If you're going to put something else out there, like a market-based instrument, you want to hope it gets a different group of people; and that's one of the things we found with the River Tender – it did get a different group of people (E1)

The expert respondents also highlighted the need for a mix of instruments to more effectively engage the diversity of farmers that are being targeted for change:

A real problem with tender schemes is that they only appeal to a subset of people, not to all people. Others would prefer a fixed payment arrangement, and others want to be involved in negotiation. And so the challenge really in terms of the mix, is to design a mixed approach so you get all people involved (E3)

Different communities and different people, sets of people will be triggered by different instruments and it needs to be flexible (E12)

People who are the traditional Landcare type people will go for the 50/50 cost share where they're comfortable... yeah, the more innovative guys will actually go for the more innovative solutions (E12)

Different activities appeal to different groups of people... I think there are going to be different sorts of people come in for different instruments too (E1)

The expert respondents also made reference to the design features that may appeal to different landholder types:

Different kinds of people in different kinds of settings, depending on the problem ... the features that would encourage participation may differ (E11)

You need to design it for an appropriate group of participants ... so there's a design issue in trade off in balancing costs of a more expansive market versus a modest one that targets the right people (E8)

One respondent also suggested that the selection of an MBI or incentive is also driven by the natural resource management problem being addressed:

What's important is to choose the MBI based on the biophysical problems you're addressing and also on the people involved. Don't pick out an MBI and then run

round trying to find somewhere to apply it – look at the problem and then choose it (E17).

This is therefore an additional factor that needs to be considered when selecting an MBI or incentive program.

### ***Diffusion***

Both the literature and the expert respondents agreed that willingness to participate in an MBI or an incentive program often comes from observing others achieve success. Word-of-mouth therefore is a means of increasing participation. Diffusion theory (Rogers, 2003) analyses the process by which adoption or participation is influenced by personal contacts. Essentially, social leaders or innovators ‘lead the pack’ in the trial of a technological innovation or incentive scheme. Through their extensive networks they share their experiences, exerting subtle influence on those around them. If others like what they hear, there is an increased chance of their participating in future schemes. Note that the trustworthiness of the leader is critical; if they are not respected and trusted sources of information then their involvement in a scheme and their subsequent sharing of their experience can be detrimental to future participation by others.

A small number of expert respondents made reference to this sociological process, commenting that participation in an MBI scheme is likely to increase after the initial rounds, once the leaders or innovators are able to demonstrate success and establish the scheme’s credibility:

Where you’ve got people that are, you know, who have been part of a round previously, and they’ve had some good outputs from it, or some money, their neighbours would much more, you know ... be prepared to be engaged with subsequent things (E15)

I think you’d probably have... your typical S-shaped adoption curve, you’d probably get that with market-based instruments in that, you know, most people, in time, if there are benefits for participating, they will come on board (E8)

If you come in cold to an area and try to implement a program over a short period of time ... you often only get those who are really altruistically minded, if you like, initially, or those who have an environmental conscience. The harder line farmers, or the harder to convince ones, come usually in the third round, or the fourth round of a program, where they’re starting to see things across the fence (E10)

## **Summary**

The characteristics of the individuals who might be targeted to participate in an MBI or other incentive program, as well as their farm characteristics, may influence participation.

Two socio-demographic variables – age and education – were raised by respondents to explain participation, while three behavioural characteristics were also considered as being of some importance – the quality of the relationship that a landholder has with the proponents of the incentive scheme; previous involvement in other incentive schemes; and the ‘connectedness’ of a landholder as demonstrated by networks.

Attitudinal variables were more complex with significant variance among the expert respondents on the influence of attitude on participation in an MBI or incentive program. Generally, more ‘conservation conscious’ farmers, more profit-driven farmers, and innovative, progressive, and confident farmers are considered more likely to participate in an MBI or incentive program.

Several farm characteristics were raised by the expert respondents as having a relationship to participation in MBIs and incentive programs. The length of time in farming and the length of time on their properties, as well as the business orientation of a land manager are both considered as characteristics likely to influence participation.

This section also explored segmentation, which is a method for simplifying the MBI or incentive ‘market’ so as to target and tailor a scheme to increase participation. It involves defining market segments based on common characteristics. While the expert respondents did not specifically suggest potential constructs for clustering farmers, they did make some important observations around the importance of segmenting farmers for MBI or incentive program delivery. They suggested that the differences and similarities between individual farmers often influence participation in MBI schemes, and that recognising these characteristics and being able to group them provides a means for designing programs to achieve increased participation. The expert respondents also highlighted the need for a mix of instruments to more effectively engage the diversity of farmers that are being targeted for change.

Also noted by a small number of respondents is the importance of diffusion for increasing participation in schemes; as programs are 'tried and tested' by social leaders or trusted innovators, and observed by others, participation is likely to increase.

## **5. How to communicate MBIs and Incentives to Increase Participation**

Communicating or ‘promoting’ an MBI or incentive program to the target audience is a critical component of its success. Indeed, even the most carefully designed scheme will not attract participants if they are unaware of its existence or unfamiliar with its features and objectives. Hence, it is critical to include a targeted communication strategy in the delivery of the incentive program. From the expert interviews, a number of insights were provided into how to communicate an MBI or incentive scheme. These include how a program is advertised, how initial contact is made with the pool of potential participants, the importance of direct contact and extension, the role of existing networks, the importance of sending the right message and avoiding technical language, and being prepared for potential problems or questions in advance.

### ***Advertising***

The experts interviewed indicated that they had used a number of alternative forms of advertising to increase awareness of the programs they were running. Most frequently mentioned mediums included newspapers, radio, fliers and brochures. Generally a combination of these was used.

Industry groups - a good avenue; the local shop, you know, in the rural area, somewhere you can put up a flier; going on the local ABC radio, particularly during the rural hour or whatever; Landcare groups and contacts; the stock and station agents; ag-farm suppliers, I’ve put fliers up there and left brochures there; advertising in the newspaper, in the farm journals; NSW Farmers have also helped us in a couple of instances, put that in their newsletter (E10)

If they’re not aware, it’s a touch tricky, ... a coordinated program in terms of advertisements, fliers in the mail, and phone calls, it’s probably likely to work (E5)

It was evident from the range of responses that some methods of advertising work better than others. Responses about using radio as an advertising medium were positive. This is contrast to another studies (eg Ha *et al* 2003), which found that amongst those who were aware of the program, hearing about it on the radio (rather than through other means) actually decreased the likelihood of participation. The expert respondents placed an emphasis on using local radio, or radio programs that were specifically targeted at landholders:

Rural radio, we've done ... we've been on the radio here, ABC, people listen to that a fair bit (E9)

The radio, country hour and, you know, morning ... your rural report or whatever" (E10)

One creative idea that was mentioned as quite successful by one respondent was to have landholders who were past or current participants interviewed on radio:

We had a program on Radio National a year ago with a bunch of landholders and scientists talking about the program, that was ... that got really good reviews because it was just landholders talking ... about why they loved their property and what they were doing on it, so it was really good (E20)

Experts who mentioned fliers and brochures discussed them in terms of how they were made accessible to potential participants. Leaving them at local stores, or industry-relevant offices and businesses (such as at the local 'ag department' office or Stock and Station agents) were all mentioned as effective methods of having the promotional material seen, as was distributing them through more direct means such as industry group meetings, in mail outs and delivered via mail drops. Another method to distribute brochures to potential participants is through real estate agents:

Real estate agents were handing out our brochures as a way of ... 'you buy this property, they're ...you know, government's going to help you, or could help you' (E20)

The experts were generally not enthusiastic about the use of newspaper advertisements:

A notice goes in the local paper, which not many people notice; in fact I don't know how many actually really respond to an ad in the paper (E4)

I think ads in the paper and that are pretty useful to a point (E9)

Overall, these comments are reflective of Lynch and Lovell (2003), who found that newspaper advertising was less likely to produce participation than more direct methods of communication. Moreover, similar to radio, using newspapers that were not regionally based was seen as being of little benefit:

Instead of it being presented as national newspaper-type stuff, or state newspaper, so the ... Sydney Morning Herald, you know, you can probably buy that right throughout New South Wales, that type of thing is probably not ... nearly as applicable, or as well taken up by landholders as being local ... local paper (E15)

This is similar to the findings of Darbyshire (1999), who highlighted the importance of using local newspapers.

In contrast to newspapers and radio, experts indicated that television was used to a limited extent. Only one participant indicated that some advertising had been done on community television, while another suggested that MBIs and incentive programs could potentially be showcased on select television programs:

Even Landline stories I think would be an excellent promotional avenue (E13)

Another practice of limited usefulness for encouraging participation was placing information on a website:

The website, that's sort of back-up information, that's not your primary advertising area (E9)

Web-based information just didn't seem to be that important for our landholders (E14)

There is a limit to how useful advertising is in encouraging participation; advertising is only one aspect of a program, and other features must also be attractive. Similar to findings by Ha *et al* (2003), advertising does not necessarily guarantee good participation rates if other features of the program are not appropriate or well designed. One expert indicated that the program they had been involved in utilised advertisements on radio and community television, in newspapers, leaving brochures in agricultural-related business and offices, and also promoted the scheme through existing conservation-based networks. Despite this extensive advertising campaign, participation in the program had been “*quite low*”.

Furthermore, if a program is poorly designed, extensive advertising can be detrimental to future programs:

There was a lot of effort put into the promotion of that [program], into the advertising, information sessions ... and it was spectacularly unsuccessful, and people were quite antagonistic ... just after that was running, we were also trying to ... go ahead with our pilot, and we had to spend quite a bit of time explaining to people that we weren't part of this (E15)

The expert responses suggest that advertising alone is limited in encouraging participation. Participation rates in MBIs and incentive programs will benefit from more direct methods of communication.

### ***Establishing Contact***

Overall, the experts indicated that communication and promotion of MBIs and incentive programs is most persuasive when it is based on personal contact and relationships. In order for agencies to communicate directly with the pool of potential participants, initial contact must be made, and appropriate relationships for that communication must be established.

Many of the expert respondents discussed recruiting participants through networks – where connections, trust and confidence already existed. Several participants were asked follow-up questions about how to reach those who were outside of these existing relationships – that is, how confidence could be fostered, or connections established. Notably, few respondents had ideas on how to go about making this sort of initial contact. The few who did referred largely to mail outs and telephone calls. Mail outs tended to be through industry newsletters, or by having fliers delivered to mailboxes, as opposed to leaving fliers in public places for people to pick up. This was discussed as an effective way of giving people initial contact with the program, rather than encouraging participation in its own right:

We use newsletters, those sort of things, industry bulletins to get information out there about the tender process (E5)

We did a mail out, a leaflet drop off to every letter box in the catchment area that we were looking at. I think one or two maybe responded to that (E7)

Telephone calls were preferable to mail outs, as it is more effective in encouraging participation as well as establishing contact. However it is only practical for programs designed for a smaller number of participants:

The groups have been small enough where you can actually ring everybody up who's likely to be a participant, that's obviously the most effective (E5)

Moreover, telephone calls are most effective where there is a well-defined issue being targeted, where those being called know the person calling them, and where the caller possesses good local knowledge:

The response varies enormously between whether you're cold-calling them, ... to whether you are somebody, say, working in a catchment group or a NRM group, ... ideally the person who rings is somebody who's close to the issues, and is able to talk to the landholders ... it was knowing people that had areas of good biodiversity on their properties, it wasn't that many, and phoning them directly (E7)

### ***The Role of Extension***

Overall, extension emerged as one of the most important factors in communicating and carrying out an MBI or incentive program. Many respondents noted that participation and the overall success or failure of a program could be determined by the relationships between the landholders and the 'on-the-ground staff' – that is, any staff workers who are responsible for rolling out a program and have contact with the landholders:

I can't stress enough that I think that extension field staff are very important (E14)

Oh, the relationship, nothing else (E9)

It probably isn't that effective to just put it out there as an idea to landholders... some of them will sit and look at it for a while and it was quite a bit of evidence that they greatly appreciated us having field staff who could spend time with them (E14)

Carrying out promotion – having on-the-ground staff responsible for promotion means that promotion is more likely to be local and specifically targeted, and that landholders will be able to associate a 'face' with the 'message':

I think they [field staff] can make quite a critical difference, so it's not just the disembodied message that's out there, they [landholders] can actually make contact with a real flesh-and-blood person who can then ... who can then actively promote it as well (E14)

Expert responses highlighted the importance of extension staff in providing individual help and assistance, so as to make participation as easy as possible for landholders. On the ground staff need to be able to offer help to assist land managers with confusing aspects and processes, thereby making the process much less bureaucratic for landholders. They can also deal with misinformation and help landholders

understand what is, or will be required of them, as they get further involved in the program (Clayton, 2005, Rolfe *et al* 2005, and Essecks and Kraft 1998). These issues are particularly when there are potential participants who have not had previous contact with MBIs or incentive programs:

You've got to be careful about expecting landholders to know straight away ... what best practice is (E1)

Landowners that had never been involved in any conservation or environmental activities had no ... I think find it difficult to actually know how to go about it (E2)

The experts identified different forms of help and assistance to be important:

Something else that we identified that was really very important was the ... was the involvement, or the presence of extension staff, of people who could spend time explaining what the instrument actually was (E13)

A site assessment process that involved property visits by the field staff ... and that had two roles – one was an actual site assessment, to enable us to make a decision about the environmental or the biodiversity conservation value of the site, the other part of that was the field staff ... discussed with the landholders ... what the on-ground project would actually be (E14)

If someone who's a trained and skilled officer goes out there to assess that, they might be able to suggest something that's ... that's better or more cost-effective, maybe they'll find that the farmer's been too ambitious, or not ambitious enough, so just having someone go out on a property to thoroughly assess what the person wants to do, and whether it's feasible or no (E4)

We could offer free expertise to help people deliver the bids, for them to develop their bids (E5)

A number of experts noted the importance of having extension staff that are considered to be a part of the community, that are trusted and knowledgeable (both in terms of technical knowledge and local knowledge) and capable. The majority of experts indicated that the deployment of trained and committed field extension staff was crucial to scheme success.

There's a real place for that one-to-one extension ... so more people on the ground to help farmers ... and who are going to stay there, and be there for at least five years, not this sort of high turn-over of staff, coming and going every one or two years (E4)

Sound technical advice and someone who's experienced is really important ... farmers feel that they want someone who's got a few more years under their belt (E4)

They made sure they had someone, a staff member on the project, who was trained, who went and met people who were interested ... they then came back again later on if things went further, and did an assessment of the property, but did it with the landholder (E1)

Try to get people who they trust to promote..., that Land for Wildlife or local people go out and do site visits, rather than an anonymous government agency(E17)

This can be contrasted with an extension officer who has ‘gone in cold’, and has little connection to the people, represented as an anonymous person who will:

Scream in ... in a department car, and say ‘ok, fill out this form; this is what you need ... if you want this money, this is what you do’, and then scream off again (E4)

This conforms with literature that suggests that using local, trusted extension staff can encourage participation, particularly in rural areas, where ‘outsiders’ are viewed with a degree of suspicion (Clayton 2005; Ducos and Dupraz 2006; Frondel *et al* 2006).

Part of the challenge with extension, however, is finding staff that will remain for more than a few years and understand the community that they’re operating within.

And the other problem we’ve found with our study in irrigation areas is there’s a high turnover of staff – they’re only employed for two or three years, on very low salaries, so of course after three years they’re going to want to go ... move and move up in the world, and the farmers then have to start with someone who’s young and inexperienced again (E4)

I think there’s a real place for that one-to-one extension ... so more people on the ground to help farmers ... who are going to stay there, and be there for at least five years, not this sort of high turn-over of staff, coming and going every one or two years (E4)

So, having field staff who actually lived in the community, and were able to talk to people face-to-face really made a big difference, and there’s a lot of evidence that landholders appreciated that as well ... so it’s not just the disembodied message that’s out there, ... (but someone) who can then actively promote it (MBI) as well (E14)

This is one of the problems we have with a lot of the CMAs – they have staff who’re under a huge amount of pressure, trying to role projects out, so what’ll happen is they’ll go to a list of people they’ve used before, rather than perhaps thinking, ‘well, who are the people we should be approaching for this, in a strategic sense? (E1)

### ***Using Existing Networks***

Networks were also seen by experts to be an effective method for promoting MBIs and incentive programs. Breetz *et al* (2005) also recommended the use of networks to communicate MBIs or incentive programs, while Rogers’ (2003) diffusion theory

suggests that social systems contain individuals who are either ‘opinion leaders’ or ‘followers’, and that these individuals are connected by a channel of formal and informal relationships. Hence the experiences of others act as a strong motivator to become involved in schemes or programs.

The expert respondents perceived networks as providing an opportunity to save resources by using existing and trusted institutions and communication channels:

Using the right networks to spread the word about the opportunity of being involved in the MBI (E10)

Tapping into those sort of grower groups that presently exist, so it more means rather than re-inventing the wheel, just seeing where we can slot in with existing initiatives, and capitalising on those communication channels (E19)

The use of both formal and informal networks was recommended. Formal networks were generally discussed in terms of official groups already involved in conservation and incentive schemes, such as Landcare, or the Land for Wildlife Network and industry groups. Experts identified a number of benefits of using these networks, including that the landholders involved are ‘hooked’ into this network, are aware of how programs can benefit them, and are often already ‘converted’ to some aspect of environmentally-based incentive programs. The downside to using these types of networks is that it can be a case of getting the same people applying repeatedly, and of providing resources for works or changes that would have happened anyway. Experts recommended approaching different groups in order to communicate a program to a wider range of landholders:

Going out to give talks at other farmer group or landholder group things, so it could be, you know, a beef production group or a cropping top-crop group or the local NSW Farmer’s Federation meeting, or something like that. You’ve got to think about all the different farmer networks and hook into them (E4)

Being involved at community level – meetings, whether it be landcare, or VFF or the Farmer’s Federation, sort of level stuff, so you’re speaking face-to-face with people (E20)

The advantage of this is that personal contact can be made with many people at once, as opposed to individual extension. This means that messages can be communicated quickly.

In addition to formal networks, there was a clear indication from the expert respondents that informal landholder networks are also useful channels for passing on information such as through local schools, sports clubs, and the pub:

Everyone's looking across each other's fences in farming (E10)

Most of the information gets distributed through informal channels and neighbours and contacts (E2)

Consistent with the findings in the literature review (eg Lynch and Lovell, 2003) 'word-of-mouth' was found to be an effective way of promoting MBIs and incentive schemes in order to attract participation:

The biggest thing that influences participation, I think, is, sort of word-of-mouth ... we ran two rounds, back-to-back, ... a third to a half of the people that came on board the second time round did so because their neighbours participated, or ... they actually knew somebody who had participated (E20)

Word of mouth is, however, a double-edged sword. It can be detrimental to future schemes, when people have a negative experience with an MBI or incentive program, and pass that on to their friends and contacts:

I think that [negative experience] has been detrimental to, you know, people hear about tenders or market-based instruments, and it's ... everything's tarred with the one brush (E15)

Targeting specific individuals who are respected in their area, and 'recruiting' them to promote a program may be another alternative for accessing networks:

We tend to get some sort of local champions, or leaders in the area, spend a lot of time working with them, talking to them, so they pick it up pretty quick, so they sort of get that word around the community (E8)

This may be of assistance in dealing with the challenge of having insufficient numbers of staff, or where agencies do not have field staff who meet the requirements of being local, with long-standing relationships with landholders.

In summary the evidence from the expert interviews indicates that networks are potentially a powerful communication tool that can be used to reach landholders and thereby encouraging participation. They must however be used with a degree of caution, though, given their ability to spread negative, as well as positive messages to a large number of people.

### **Field Days**

Approximately a third of participants indicated that the use of targeted information days is a valuable means for raising awareness. These may be in forms such as agricultural field days or specific industry days, where landholders from the pool of potential participants will be in attendance:

The field days were fairly profitable. The, sort of, hands on experience and peer, sort of, opportunities (E10)

An industry Dairy Day. And that's just like an information day that they have for their members, and we've put together, like, a flyer, just for that day as a promotional tool (E19)

These suggest that a range of promotional tools may be used at field days, from fliers to information stands. While field days and similar events expose landholders to new ideas, follow up and personal contact was recognised as still being integral for encouraging participation:

Promotion will get the people who're already interested, but it's only through ... through ongoing education and personal contact that you'll ... you'll really reach the people who need ... probably could do with the help (E4)

These ideas are supported in the literature (eg Lynch and Lovell, 2003; Frondel *et al* 2006).

### **Experimental Economics**

Experimental economics and simulation workshops may also be used to educate landholders about the processes involved in participating in an MBI or other incentive programs. These workshops were referred to by expert respondents as a means of familiarising landholders with the program:

Offer them a workshop, where landholders come in and participate in a proxy game ... where we go through the steps that they'd be involved with and the processes, and give them some confidence about ... what the process and steps would be, so they know as they proceed through (E16)

Other benefits of using experimental economics and simulations were also raised, such as it being a starting point for community-based promotion of the program:

Running laboratory experiments where you can get participants in, even if it's just a small group eager to spread the word through the community, I think there's a great future in that (E8)

The experts also mentioned the potential to trial a program on a small scale before rolling it out as a whole program:

The simulation workshops, they're pretty low cost compared to the auction, as a general rule (E16)

This reflects the findings of Rolfe et al (2005), as discussed in the literature review.

### ***Sending the Right Message***

Promoting benefits available to the landholder in addition to the financial benefit is effective for encouraging participation. Given that the primary motivation for many landholders is to make a living from farming activities, many are more interested in the profitability of their business than in a program that is merely "*something nice to do for the environment*" (E4). They noted that MBIs need to be 'marketed' with this in mind to encourage participation by landholders who rely on their farm enterprise for family income. Specifically, additional benefits to farm management should be highlighted:

Provide benefits other than the market-based instrument outcome itself, so there's add-ons that are of benefit to the person (E10)

We turned it around so we were actually helping them with their property management, by saying 'well, if you fence off this creek, we can provide you with watering points, so that'll help you manage your stock more easily' (E4)

By showing landholders that it's about more than environmental outcomes, more landholders will perceive that the program is relevant to them because it will contribute to farm management:

We promoted it very much as a helping landholders program, helping landholders manage their river frontage ... it is about being as imaginative as we can with advertising and it is about badging it in terms of it's ... not a complete greenie program, in terms of it's not ... just about conservation, it's about rehabilitation and integrated management (E20)

Another communication issue raised by experts relates to the use of tenders rather than fixed grants. In some areas, or with some landholders, there may be a need to explain why incentives are not being delivered as fixed grants. Several experts

indicated that landholders have, in the past, been accustomed to receiving incentive money through fixed grant schemes, which involve less uncertainty and are often perceived by landholders (as well as CMAs and regional bodies) to involve less bureaucracy:

With a MBI where you've got some uncertainty about ... whether your offer is going to be accepted; whereas, if you get involved in a fixed grant incentive scheme, you can get a ... very strong indication of ... whether someone's interested in your place (E1)

They've always been able to just put in a grant and they were pretty ... certain that they would get the grant, if they started the process, yeah. And now, if there would be an auction system for these same grants, they would say 'oh, look, this is ridiculous, ... all we had to do in the past is put a form in and we've been able to get it; why do we have to go through all this ... all this effort now?' So, it's this sort of misconception about maybe the amount of effort that goes into putting a bid together (E2)

One possible way of dealing with these perceptions is to explain the need for the MBI, about why fixed grants are no longer viable in their previous formats, and the realities about why MBIs and other non-fixed-grant incentive schemes are being utilised:

If there was some information out there about why auction systems were implemented, like ... 'ok, guys – there's no more money, we've got a limited amount now, you're not all going to get any, so you're going to actually do some work for it. It's not just going to be handed out anymore' (E2)

Further, to retain participants it is also important to manage expectations appropriately once people are involved in the program:

A downside of a tender-type process is that we raised expectations of landholders, and I think we have to manage very carefully how big a pool of landholders we involve, so there's enough of a success rate so people feel that it's still worthwhile participating. If only 50% or 30% of people get in, or are successful, then other people aren't going to participate, even though there's not much ... work for them in it (E20)

### ***Using the Right Language***

Respondents indicated that the communication strategy, and language used to promote a scheme should be tailored according to the anticipated audience. MBIs and incentive programs have associated jargon, which can add to the perception of complexity or unfamiliarity:

They'll look at it and think, 'oh' - especially if you use the word 'MBI' - 'my God, what's that?' (E4)

We're interested in the transaction costs, but the farmers don't understand that type of language, so we had to use questions about how long it took, what time was involved, if they had to pay anything to get any extra help... (E5)

Actually speak the language of the people that you're trying to target (E10)

We were working with a lot of essentially market gardeners and a lot of people from a non-English speaking background, so we had to be aware that you couldn't just put out your typical sort of communication information, you really had to tailor it for the participants for that market (E8)

### ***Thinking Ahead...***

Being well prepared at the start of a new program was frequently mentioned as being effective in attracting and retaining participation. For example, brainstorming potential questions that might come up allows communicators and extension staff to anticipate issues and familiarise themselves with the right response. Consistency in message across staff is then more likely:

[to] have thought through any likely questions that might come up, so that when they're presented to you, you have a clear response, so people aren't put off by you standing there, shuffling from foot-to-foot thinking 'oh, what am I going to say here, because this hasn't come up before' (E15)

We were able to develop case studies which we were able to take out to the landholder to say 'this is what happened on one of the properties in the first round' ... so that then moves it more from a bureaucratic manager's point of view down to the landholder's point of view (E15)

### ***Summary***

The overriding message portrayed by the experts is that promotion will be much more effective at attracting and retaining participation when it is based on contact with landholders, both individually and through existing networks. More traditional methods of promotion are of some value, but are used to best advantage when combined with more direct methods of communication. It is important that people who are making contact with potential participants are skilled and, as much as possible, are known by the landholders. Specific messages should be carefully designed and easily understood, highlighting the value and benefits of the program in a personal way. Communication needs to continue over the lifetime of a program, but

there needs to be recognition that over-promoting a bad program can create problems, instead of providing the intended environmental outcomes.

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## **Appendix A: Interviewer's Outline for Expert Interviews**

### **Introduction**

We're contacting you because we've been told that you're interested in MBI and that you have had experience in them.

We are conducting a survey of experts as part of a project funded by Land and Water Australia titled "*Understanding landholder constraints to the uptake of market-based instruments*". As somebody who is experienced with market based instruments (MBIs), we would like to ask you a few questions about your experience with how to encourage increased participation in MBIs.

Participation is voluntary, and the survey will take about 20 minutes to complete. The project has approval from CSU's ethics in human research committee.

Would you be willing to participate in this survey? Is now suitable for the interview, or could I call you back at a more suitable time?

### **Types of MBIs**

1. What MBIs or incentives have you previously been involved with either implementing or testing through experiments or surveys. (By MBIs we mean incentive programs such as tenders, stewardship payments or devolved grants, or subsidy schemes such as Landcare.)

### **Characteristics of MBIs**

2. What do you consider to be the most important design features of a MBI or incentive program (note: if needed give examples - duration of contract, constraints, who runs the MBI, type of incentive, application process etc)?
3. What do you consider to be the main features of a MBI that influence participation?

4. Are you aware of any literature that has investigated how the design of an MBI influences participation?

### **Who participates in MBIs**

5. In the MBIs that you have implemented or investigated, did you examine or notice whether certain types of farmers were more likely to participate? If yes, could you please describe their characteristics?
6. Do you think that different types of farmers are more likely to participate in different MBIs? Why?
7. Are you aware of any literature that has investigated the types of farmers that participate in MBIs?

### **Implementing and promoting MBIs**

8. Could you please describe the implementation and promotion process for the MBIs that you were involved in implementing? By implementation process we mean the method you used to let farmers know about the MBI, and encourage involvement in the MBI)  
*(If have not previously implemented as indicated from Q1, go to Q12)*
9. What parts of this process do you consider to have been most effective in encouraging farmer participation?
10. What would you do differently next time to encourage farmer participation?
11. From your knowledge of MBIs, what implementation and promotion strategies would you follow to encourage maximum participation in an MBI?
12. Are you aware of any literature that has examined how to implement and promote MBIs in order to encourage maximum participation?

### **Monitoring and evaluating MBI/incentive programs**

13. In the MBIs that you have implemented or investigated, was there a monitoring and evaluation component that assessed such aspects as the effectiveness of the program, the transaction costs, participation rates, reasons for becoming or not becoming involved, whether the on-ground actions or biophysical outcomes were achieved etc?
  
14. If so, could you provide details including what aspects were monitored and what were the key findings? Are these summarised in an available report?
  
15. Are you aware of any attempts to collect information on the effectiveness of an MBI program?