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# Optimising participation in conservation auctions: Lessons for the design and implementation of competitive tenders

This fact sheet is based on the report “**Barriers to and opportunities for increasing participation in conservation auctions**” by Stuart Whitten, Andrew Reeson, Jill Windle and John Rolfe.

The full report is available from:  
<http://www.csiro.au/science/landscapetenders.html>

**LWA project code: CSE45**

Market-based instruments for achieving conservation outcomes are being implemented by Australian governments and regional natural resource management organisations with increasing regularity. Their benefits are argued to include: increased flexibility in resource management, improved individual incentives and application of specialist site knowledge to management, achievement of outcomes at lower cost, and greater adaptability to ever changing goals.





In testing participation in competitive auctions, the project team engaged a group of landholders in Queensland's wet tropics to test effectiveness of simulation software with the objective of preserving connectivity within cassowary habitat.

As competitive tender market-based instruments (MBIs) move from novel trials to mainstream instruments for achieving voluntary land-use change there is a perception that landholders can be reluctant to participate, with consequent restrictions for the MBIs to achieve their potential. This concern is fundamental to their success as they are reliant on competition between participants to secure the efficiency dividend that they promise.

In narrow economic terms, increased participation will lead to greater economic efficiency and increased environmental outcomes per dollar of public investment on-ground, which is a desirable outcome in itself. However there is a downside to increased participation, in the form of higher administration and transaction costs and a greater proportion of unsuccessful bidders.

Therefore agencies should aim to optimise rather than maximise participation. The optimal level of participation will depend on the amount of money to be allocated (or amount of services to be purchased) and the objectives of the tender. If the available funding is likely to be sufficient to contract with only a small number of landholders, then clearly there is less to be gained from having a large number of bids. However if the value of a bid to the agency can be increased by other bids (for instance by linking together to form a wildlife corridor), then there will be stronger benefits from increased participation rates.

### Lessons

1. Participation in tenders should be optimised rather than maximised.
2. Design tenders to build on existing complementary programs and to avoid potential adverse impacts of competing incentive programs.
3. Clear participation objectives should be established taking into account the need for, and nature of competition and program objectives.
4. Actions to support unsuccessful bidders should be an integral part of participation management.

*Photos throughout unless credited otherwise Willem van Aken (CSIRO).*

A **target for participation** should therefore be set early on in the process of implementing a competitive tender. The ideal number of bids will depend on a number of factors, including how much variation there is among landholders in terms of their costs of providing the ecosystem service, the transaction costs incurred in submitting a bid (for both the agency and landholder) and the likely impact of unsuccessful bids on future landholder actions and engagement. In the case studies examined in this report, around 40–80% of bids were successful. As a very rough approximation, if there are around twice as many bids as can be funded then there will have been strong competition without an excessive number of losers.

### Lesson

5. Quantitative participation targets should be set. Targets will give measurable objectives for each phase of participation and for evaluation during and after tender implementation.

Having set a target for participation, the next task is to **identify if there is likely to be a problem meeting the target**, and the nature of potential involvement. The outcomes will determine what, if any, actions should be undertaken to increase participation rates (or avoid excessive participation).

A five step framework for identifying barriers to participation is presented in the full report describing:

1. **Alignment:** “getting into the landholder decision set”
2. **Opportunity:** “what’s in it for me?”
3. **Engagement:** “easing the way in”
4. **Contracting:** “mutual agreement”
5. **Post-participation:** “impact of experience on future involvement”.

The framework is used to identify factors which are likely to influence participation at various stages in the competitive tender process and develop a series of **recommendations for increasing participation rates**.



### Lessons

6. Alignment of desired management actions and outcomes with landholder goals will increase participation.
7. Alignment and resultant participation can be improved through complementary programs focusing on awareness, demonstration and integration into farm management plans of the desired management outcomes.
8. Active promotion of eligibility is needed to overcome lack of awareness.
9. Participation is reliant on landholders perceiving likely benefits outweighing their net costs.
10. Flexibility in tender and management requirements are likely to increase participation.
11. Participant support targeting skill needs will tend to increase participation.
12. Not all participation is good. If landholders are well informed about the tender, only those with a reasonable chance of succeeding are likely to enter, which will reduce participation and administration costs.
13. A communications plan should be developed and implemented in order to support participant recruitment.
14. Adopt best practice tender design taking into consideration pragmatic participation tradeoffs.

15. Workshops explaining the competitive tender process, management requirements and bid construction are likely to increase participation. Trial auctions within workshops are highly regarded.
16. A five step structured enrolment strategy is likely to enhance participation:
  - i) a non-binding expression of interest phase;
  - ii) structured information exchange via workshops and site-visits;
  - iii) bid submission using a standardised management plan;
  - iv) offer acceptance (or rejection) and contract signing; and
  - v) commence management changes and payments.
17. Adopt best practice contract design making pragmatic tradeoffs about the participation impacts of each component.
18. Effective management of unsuccessful bids represents an opportunity to increase future participation and encourage enrolment in related schemes.



Targeting an issue which has a **closer alignment with existing landholder aspirations** is likely to increase participation rates. However by definition alignment should never be complete, otherwise there would be no case for incentive payments. Rather, an agency should look to achieve its objectives in ways which most closely align with landholder interests. In some cases an extension-style communication strategy may be of benefit in demonstrating to landholders that a new management practice does align with their objectives.

Competitive tenders offer **opportunities** to landholders, financial and otherwise. Clearly the more money on offer, the more people are likely to get involved. To some extent participation rates are likely to be self-regulating, based on landholder perceptions of the amount of funding available and the number of people likely to take part. For example, if 200 people are eligible to compete for \$200,000 in incentive payments, each will consider their chances of success relatively low, and so will be less likely to take part. However, if only 10 people are known to be eligible, the expected returns are much higher, which will be reflected in higher

participation rates. Competitive tenders can also provide non-financial opportunities such as knowledge, support and recognition in changing management practices. Where this is believed to be important, there will be opportunities to emphasise it in the course of implementation.

**Local bodies with a strong community presence are generally best placed to engage with landholders.** There are two main elements in the engagement process which can affect participation. **Better contact will provide better outcomes**, but it comes at a cost. In particular, a **site visit** by a knowledgeable field officer can provide landholders with clear expectations about the process and greatly facilitates their engagement with it. Running workshops to provide more information about the scheme, and to provide potential participants with the opportunity to familiarise themselves with the auction mechanism, have also proved useful. The second is the background of the field staff and the degree of trust they (and their agencies) have with landholders, and whether they are interested in developing ongoing relationships.



*Landholders in a Wimmera CMA workshop taking part in a simulated tender exercise. Such workshops can help potential participants better understand the tender process and assist with developing a bid. Photo CSIRO.*

It is still unclear exactly how timeframes of contracts affects participation. **Landholders generally prefer short term contracts**, but longer term contracts may be required to realise long term environmental objectives. Perpetual contracts and contracts that cover land title will be less acceptable to landholders generally, but may be more palatable for particular groups with a strong focus on environmental outcomes. In particular, covenants have proved unpopular with production oriented landholders and those who dislike dealing with government.

Participation in any scheme, whether consummated or not, will inevitably **impact on perceptions and expectations of future schemes**. This is particularly relevant for competitive tenders, in which there will inevitably be unsuccessful participants. These people have taken the time and trouble to engage with the scheme and submit an offer. The impact of being unsuccessful may be limited if a landholder is told that they were close to being successful, why their application was not successful, and that another tender will be held in the near future. In many cases there may be alternative schemes available to which they could be directed.

This participation assessment framework was used to evaluate six case study tenders in Queensland, New South Wales and Victoria, covering a variety of management objectives and resultant land management changes. These case studies provided pragmatic on-ground lessons in managing participation in real tender applications and resulted in several further lessons for participation management in tender design. Perhaps the most important of these is that the social and economic context in which any organisation operates is constantly changing, so ongoing learning and adaptation is necessary to maintain success.

### Lessons

19. Alignment is likely to vary across heterogenous target populations. Active consideration of target populations can aid in instrument design and marketing.
20. Information about which areas, sites and activities are eligible for a tender, and which are the highest priority, should be made available as early as possible.
21. Site visits are regarded highly by landholders and the quality of these visits are critical to good participant retention.
22. Field staff need to be well-trained, flexible and able to redirect landholders in order to optimise participation.
23. Support for bid construction should be tailored to participant needs (within reason). This includes effective training of field staff and supporting materials such as accredited suppliers of works or lists of potential subcontractors.
24. Pragmatic contract design can aid in meeting landholder needs for participation and overcoming constraints to participation such as finances.
25. Tailoring contract timeframes and restrictiveness to stakeholder expectations and concerns is likely to increase participation. Such expectations are likely to differ between communities.
26. Incorporate active review, adaptive design and implementation flexibility in order to incorporate learning's and improve future participation.



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