Discussions between a World Agroforestry Centre researcher, a Nairobi City Water and Sewerage Company worker and a farmer on management of a weir and impacts of upland practices. Photo credit: John Gathenya.
Private sector engagement in landscape-based approaches - lessons from cases in East Africa

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Highlights

- The private sector depends on ecosystem sustainability and is a key stakeholder in operationalizing landscape-based approaches
- A business case is crucial in motivating individual or collective private sector participation in landscape-based approaches and data and tools are needed to support companies’ decision-making
- Effective feasibility of landscape-based initiatives with private sector involvement will require concomitant adjustment of regulatory and institutional boundaries
- The co-investment approach allows for innovative financial mechanisms for public and private investments and is needed for achieving multiple landscape-level objectives
- Private sector demand for landscape-based approaches needs to be increased through information awareness and dialogue

1. Introduction

Climate change, ecosystem degradation, and increasing competition over limited resources pose significant risks to the well-being of different stakeholders, either directly or indirectly. Agricultural landscapes, including forests, are particularly experiencing great environmental stress from the production of agricultural products and commodities and their declining capacity to deliver key ecosystem goods and services is of great concern (Millennium Ecosystem Assessment, 2005). Currently, ecosystem management is mostly in the public domain where different functions, managed under different sectors, are not adequately coordinated. Management approaches are often inadequate due to low budget allocations and lack of data on the true value of ecosystem services. The private sector is more and more concerned with global challenges related to food security, climate change, and ecosystem degradation, and being a key player in landscapes, it does have a key role to play in addressing those challenges. However its full potential has not yet been realized (Bishop et al., 2008).
The private sector is highly diversified ranging from multi-national corporations, to large national actors, to emerging small and medium enterprises and smallholders. Their actions and impact on environmental services differ depending on whether businesses directly rely on and impact landscape resources by virtue of their location (e.g., water bottling companies, tourism camps), as a source of raw-material (e.g., saw mills) or a sink of their effluent (e.g., brewing, leather tanning industries) compared to those that are remote from the landscape (e.g., banks, telecommunications).

Traditionally, private sector involvement in sustainability initiatives has been framed by normative regulatory mechanisms (McIntyre et al., 2009; Henneman, 2013; Maxwell et al., 2014), profitability and value-driven image concerns (Villamor et al., 2007). Normative measures influence business behaviour through regulation by defining and enforcing acceptable criteria or standards at global or country level, or through pressure from consumers or fellow private entities. Profitability motivation works in situations where addressing ecosystem sustainability challenges can at the same time improve business performance by reducing costs, enhancing reputation, satisfying customers (Williamson et al., 2006), creating moral relations with stakeholders (Halal, 2000) and/or creating an exploitable niche advantage over the competition (Torriti & Lostedt, 2009). Image motivations related to building a reputation or brand have been applied mainly in reducing negative impact on ecosystems across product life cycles (Crane, 2000) or through corporate social responsibility actions. Many of these sustainability initiatives have focused on improving the environmental and social performance of specific operations in corporate supply chains (Kissinger et al., 2013a), but they have not been adequate in addressing challenges such as risks arising from water shortage, climate change and community relations as these require additional solutions operating beyond business boundaries (Kissinger et al., 2013a).

The landscape-based approach is a relatively novel and a potentially better way to achieve sustainability by departing from simplistic disjointed actions, towards deliberate involvement of multiple stakeholders and focus on multiple ecosystem functions and their inter-dependencies. It is based on principles of participation, adaptive management, shared learning and inter-sectoral coordination (Milder et al., 2014) aimed at increased productivity, improved livelihoods, and enhanced or large-scale management of ecosystem services (e.g., biodiversity conservation and carbon sequestration) (Scherr et al., 2012).

Various models of landscape-based approaches (e.g., vision-based plans, payments for ecosystem services (PES), Reduced Emissions from Deforestation and forest Degradation and enhanced carbon stocks (REDD+), integrated or collaborative management plans for conserving forests, biodiversity and watersheds, etc.) have been piloted, mostly by non-governmental organizations (NGOs), but the potential of the private sector in these has not been fully realized. Indeed, of 104 integrated landscape initiatives documented in Latin America by the Landscapes for People, Food and Nature initiative, only 24 involved the private sector with 10 out of the 87 initiatives in Africa doing so (Milder et al., 2014). This tendency to leave the private sector out of landscape-based processes is possibly due to lack of skills or limitations in the existing methodologies in managing power relations or presenting information in a language the business sector understands. Private sector engagement can also present risks to landscape-based approaches such as suppression of smaller local business initiatives, derailing of objectives from being multi functional and inclusive to narrow commodity focus, profiteering and greenwashing. Yet, the private
sector has a pivotal role to play, some in adopting climate-smart practices themselves and some in the design of sustainable financing mechanisms for landscape-based approaches due to its specialized strength in identifying and providing start-up finances for for-profit business opportunities, creating jobs and providing business technical expertise, information and linkages to market outlets. There is growing evidence that interdependencies within landscape-based approaches could be in the interest of the private sector in ensuring ecosystem sustainability and mitigating climate change, not always achievable by supply chain approaches (Kissinger et al., 2013a). In spite of this, to date, private sector actors have not been widely engaged as partners in landscape management initiatives, and there have been even less private sector-initiated landscape approaches. This chapter therefore highlights some key recommendations for enhancing engagement of the private sector in future landscape-based initiatives, building upon some cases within East Africa. It focuses on the market-based private sector, or in other words, the business sector.

2. Key recommendations for increasing private sector engagement

2.1 Develop a business case

A good business case, whether it is an increase in profit or reduction in cost or risk, is a major consideration for private sector decisions to engage in landscape-based initiatives. Determining this requires prior analysis based on information that sets standards and assigns value to not only the ecosystem services’ impacts, benefits and risks, but to all the interactions entailed in the model (Hartmann, 2012). Clear data and indicators enable businesses to set measurable aims in order to monitor performance in both financial and ecosystem sustainability terms. Current methods are accumulating data on valuing ecosystems and services thereof. The way these are reported needs to be translated from purely environmental (i.e., non-business) purposes to those aspects of relevance within corporate decision-making frameworks. The inter-connections and inter-relations are currently not valued, but are assumed to be achieved if analysis goes as far as proving that overall efficiency is improved.

Online platforms and hubs are providing support information on opportunities and methods of engagement and their potential costs and benefits (Veolia, 2014). For example, the ecosystem stewardship standards help companies to evaluate their dependence and impacts on ecosystems (U.S. Chamber of Commerce Foundation, 2014), the Applied Information Economics tool (Hubbard Decision Research, 2014) helps to assign quantitative values on parameters in business models that had been considered to be non-measurable and the Natural Capital Coalition has developed a guide recommending ways accountants can frame risks and opportunities in business terms and embed natural capital into corporate decision-making. The British American Tobacco Biodiversity Partnership has developed the Biodiversity Risk and Opportunity Assessment (BROA) tool which assesses risk to biodiversity and ecosystem services dependencies and opportunities at the landscape scale for companies with agricultural supply chains (Kissinger et al., 2013a). Such tools, if fine-tuned to meet business needs, can be applied to support companies’ decision-making processes to take a stronger leadership role and invest more capital in natural resource management. Furthermore, it will be important to make the business case not only for multinationals but also for the local medium- and small-sized local enterprises.
whose potential should not be neglected. Nonetheless, a business case is just one of the steps required and does not necessarily lead to private sector decisions to engage, as other enabling factors (e.g., political, social and environmental) have to be considered as will be discussed in the next section.

2.2 Ensure feasibility in regulatory and institutional frameworks

Regulatory and institutional boundaries define acceptable standards and set the frameworks at national or global scales within which businesses must operate. They supersede all other voluntary drivers of decision-making (Bansal & Roth, 2000). Because landscape approaches entail new inter-connections presenting new governance challenges, only in a few instances will they fit well in existing frameworks and some level of adjustment may be required. For example, in Sasumua Watershed (Box 21.1), regulatory challenges of implementing PES in the existing institutional framework contributed to reluctance of the Nairobi City Water and Sewerage Company (NWSC) to implement PES for controlling sedimentation of its dam in spite of a good potential business case.

The challenge in addressing institutional restrictions is that landscape approaches tend to have context specific requirements yet frameworks operate at much broader scales and influencing their adjustment might take longer timeframes and may require information across different contexts. Background assessment of institutional feasibility is therefore essential for implementing a good landscape initiative. Additionally, early partnering with governments is crucial as they have the mandate to create the needed enabling conditions that will allow landscape-based initiatives to function.

**Box 21.1**

Developing private-financed PES in Sasumua watershed, Kenya: a strong business case challenged by the national institutional framework (Mwangi et al., 2011)

The Sasumua reservoir, operated by Nairobi City Water and Sewerage Company (NWSC), a parastatal company, supplies Nairobi, with 20% of its water. The company incurs high water treatment costs because of sedimentation from cultivated farms (1.1 ha per household) where 67% of its water originates from. Using the Soil and Water Assessment Tool (SWAT) model (Arnold et al., 1999), potential quantities of sediment flow reduction and dry weather water flow improvement from soil and water conservation practices were estimated. Because cultivated farms are under private ownership, adoption of such practices cannot be achieved within the existing water catchment management structure. The potential for a PES approach was explored building upon workshops with all different stakeholders of the Sasumua landscape to plan integrated management practices for watershed management. It was established that a strong business case (about $122,924/year Net Present Value) existed for PES between NWSC and upland farmers, already organized in a Water Resource Users’ Association (WRUA). However, implementing PES was found to be potentially problematic within the existing institutional framework where NWSC already pays fees for watershed management to the Water Resource Management Authority. Although it was established that over 40% of water consumers in Nairobi were willing to pay an extra US$1.25 above their monthly water bill to finance watershed conservation (Balana et al., 2012), the Water Services Regulatory Board and not NWSC has the authority to increase water tariffs. These institutional structures govern the whole country and could not be changed based on only the context of Sasumua.
2.3 Promote a co-investment approach

The co-investment approach is based on models that allow collective or shared responsibility with various stakeholders within the landscape (Namirembe et al., 2013). Situations where the threshold of profit is large enough to motivate engagement of individual private sector entities in landscape-based ventures are rare. Most often, the scope and complexity entailed in implementing landscape-based approaches transcend what single companies or firms can handle. Where multiple market-based entities with strong financing capacity were engaged, co-investment thrived because of collective financing sources created. For example, the Succulent Karoo Ecosystem Programme in South Africa uses collective investments from private firms such as the Development Bank of South Africa, Citigroup Foundation, and DeBeers South Africa, as well as municipal and federal governments (US Chamber of Commerce Foundation, 2014). Another successful example is the Lake Naivasha PES scheme (Box 21.2) which is financed by the Imarisha Naivasha public-private partnership, which includes the Ministry of Water, Environment, and Natural Resources, Kenya, Equity Bank, commercial flower growers, retailers in the UK and foreign aid (Kissinger, 2014).

New models are also emerging where rather than working individually, private entities are coalescing to form a shared image or brand. One example of this is the Roundtable

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Box 21.2

Imarisha Naivasha Partnership for Sustainable Development: a government-led landscape initiative with strong involvement of the private sector (Kissinger, 2014)

The Lake Naivasha landscape is located in the eastern Rift Valley and encompasses some 3,400 km² of the Lake Naivasha watershed. The lake is an area of high biological diversity and of recreational value, a crucial stopover point for migratory waterfowl, a key freshwater resource and a source of livelihood for an increasing population around the lake. The lake supports intensive irrigation-based agriculture for cut flowers, livestock and dairy farming, geothermal power production, aquaculture and a tourism industry. Growing concerns about environmental degradation and the 2008-2009 drought that demonstrated the vulnerability of a range of stakeholders in the watershed, led the Kenyan government to create the Imarisha Naivasha public-private partnership (PPP). While it is a government-led initiative, there is very strong private sector engagement, particularly with the large floriculture sector serving the European flower market. This PPP is composed of representatives of key government ministries, commercial flower growers, water resource users, forest resource users, beach management units, pastoralists, and civil society organizations. It is tasked with the coordination and development of a plan to restore the degraded watershed and establish a sustainable development programme with the participation of all stakeholders. The PPP aims at supporting local industries improve their environmental impacts and channelling financing to key ecosystem services stewards like up-catchment smallholders to reward good practices. Key factors of success of this partnership include the fact that the Imarisha Naivasha PPP has a legal mandate and also a strong visibility which entices the stakeholders to collaborate and participate in the multi-stakeholder forums. Another key strength of the PPP is that it gathers technical capacity among the collaborative partner institutions as well as the ability to mobilize financial resources, and communicate with and influence high policy spheres. The PPP also has strong ability for leadership, negotiation and consensus building.
on Sustainable Palm Oil where companies share production values (Laurance et al., 2010). Such initiatives have the potential to evolve beyond single commodity focus to include other stakeholders in order to address the inter-connections to other landscape functions. Although it might not be possible for landscape approaches to foster inter-relations between business entities, they can loop into such already existing ones in order to motivate participation and investment in landscape actions. This has the potential to bring in investment from players that are not based within the landscape. For example, Wildlife Works Carbon (WWC), a for-profit company, based in Kenya and the USA, which developed the REDD+ Kasigau corridor project in Kenya, was able to secure external private-sector investment at the beginning of the project process. They obtained funding through an agreement with a South African bank, Nedbank, which provided the start-up capital in return for an ‘option’, buying the resulting credits at a concessionary rate and made a similar arrangement with BNP Paribas for the expansion of the project (Bernard & Adkins, 2014).

One downside however is that some co-investment models have not engaged private sector entities and/or have focused more on facilitating management plans where stakeholders share responsibilities. In those instances, entry points for the private sector are not clear as tools or language used have tended to focus too much on local participation, building trust and biophysical enhancement without identifying business models that could at the same time improve human well-being and make the initiative self-sustaining (e.g., Kasyoha-Kitomi and Kakasi (KKK) Forest Landscape Management Plan, Uganda; see Box 21.3).

**Box 21.3**

**Vision-based planning for Kasyoha-Kitomi and Kakasi Forests, Uganda: unclear entry points for the private sector (PEMA, 2005)**

The Participatory Environment Management (PEMA) Project of the World Wildlife Fund (WWF), CARE, Nature Uganda and the Danish Institute of International Studies found that the condition of Kasyoha-Kitomi and Kakasi (KKK) Forest Reserves in Uganda was declining, threatened mainly by encroachment of small-scale cultivation, illegal logging, wildlife hunting and fires. The forest reserves are under direct jurisdiction of the National Forestry Authority. To enhance forest resource management, the project facilitated relevant stakeholders to develop a joint five-year management plan based on a visioning process towards a harmonized desirable future scenario. The plan outlined how responsibilities and benefits would be shared and set in place a multi-stakeholder platform for coordination. However, no specific private sector-focused actions were taken in the planning process and although the major market-based entity, Igara Tea Factory, participated in the planning process, no clear entry point was identified for it. The only other private stakeholders were small and medium enterprises of artisanal timber, herbal medicine and crafts. Financing was assumed to come from contributions of the various member institutions through their own budgets since roles were shared according to mandates. However, the landscape, in general, was rural and the majority of stakeholders were NGOs, community-based and public entities with little budget flexibility. Actions requiring inter-sectoral-budgeting in government were almost impossible to implement. Therefore, in the end, the plan was only partially implemented mainly because of financing and capacity challenges. In this case, private sector buy-in was very low because their role was not clearly defined and the costs and complexity involved made the venture unattractive.
2.4 Foster multi-sectoral linkages and private-public partnerships

Breaking stakeholders out of their silos is crucial to promote synergistic landscape-scale collaborations. However, developing multi-stakeholder and inter-sectoral linkages is the hardest part of landscape initiatives entailing drawn-out negotiations between sectors or users over competing demands for ecosystem services and capacity building to bring on board relevant stakeholders. Capacity of such platforms for stakeholder dialogue, negotiation and consensus building is a key strength for operationalizing successful landscape approaches (e.g., Imarisha Naivasha Partnership for Sustainable Development, Box 21.2). It is where NGOs and public sector entities play a critical role in the process of facilitation and ‘soft’ skills capacity development. This should soften the ground for private sector engagement as it addresses a major hurdle and could potentially build trust and mutual understanding with community and public entities. Therefore, understanding sustainability concerns of private businesses early on can provide a starting point for determining the language in which landscape issues should be presented. The landscape process is often dynamic starting with a few linkages that create a nucleus around which new relationships develop and some old ones are dropped. Conducive climate for private sector engagement may well develop late in the process. Therefore, maintaining constant dialogue and some sort of information platform is essential to influence such decisions when the time is right. Negotiation processes are however long, involving a series of meetings and workshops that the private sector often do not want to commit time to. Another key challenge is finding the balance between mutually competing views of public entities (e.g., participation and inclusivity) and private entities (e.g., uniqueness and exclusivity). No single model will work in every setting. Each landscape has its own context, stakeholders and power relationships that will affect what is needed in a particular location.

3. Conclusions

Developing and implementing a landscape approach takes time, effort, dedication and money. Since the private sector depends on, and has a large impact on ecosystem services, it should be a key player whether its interests are direct or indirect. Many private entities are yet to reorient their businesses to address sustainability challenges internally linked to their value chain, and taking on landscape-based functions may be a very distant consideration. However, business decisions to participate in landscape-based approaches can be greatly enhanced if ecosystem sustainability concerns and parameters are translated from biophysical- and community- or public-good language to values that are relevant for business. Demonstrating a business case reflecting potential for a landscape-based approach to be cost-effective compared to simplistic sustainability strategies can fast-track decisions for such entities to engage. This is often challenging, as some unique aspects of the landscape-based approach are not easily quantifiable, but here, research institutions and other entities that provide such information and skills can play a major role.

Regulatory boundaries determine the feasibility of landscape-based approaches irrespective of the strength of the business case. Review of existing regulatory and institutional frameworks may be needed to accommodate new linkages and governance challenges that may develop from them. In this regard, the public sector has a critical role to play in dialogue initiation and process facilitation that ease and support private sector participation in multi-sectoral partnerships.
Most existing landscape-based approaches are supply-driven providing potential business options that the private sector is not necessarily demanding. Motivating private sector buy-in to these options has been challenging due to limited capacity to communicate ecosystem and climate matters in business terms. Creating private sector demand for landscape-based approaches through an externally driven normative setting of standards and targets can only go so far and has the danger of stifling voluntary initiatives. Internal drivers of demand such as image and profitability are also quite limited in motivating participation in landscape-based approaches. Therefore, awareness creation specifically targeting the business sector needs to be strengthened focusing on the benefits of landscape-based approaches in order to stimulate buy-in. Information and data on multiple-functions of ecosystems should be made available and dialogue created to motivate participation. Increased understanding through information and dialogue has the potential to influence all the other drivers towards improved ecosystem management. As shown in the global climate change discourses, such negotiations can be drawn out and expensive, but necessary to create understanding of ecosystem trends around which demand for sustainable management mechanisms can develop.

References


