

tive tends to give more weight to the benefits from action rather than the cost of inaction. This approach is also supported by the Offering Sustainable Land Use Options (OSLO) consortium.

Framework for decision-making: A comparison of the economic benefits of action (or costs of inaction) against the costs of action, and decision-making criteria

Previous studies estimate the costs of land degradation at USD 40 billion per year^{10,54}. This is a high cost to pay for land degradation and begs the question of whether or not the potential benefits of reversing land degradation are worth acting upon. Will the adoption of sustainable land management or alternative land-based economic activities lead to greater benefits than costs? A cost-benefit analysis is a powerful tool that can help answer this question.

In this context, a cost-benefit analysis compares the benefits of adopting sustainable land management or alternative land-based economic activities against the associated costs of taking such action (Figure 6). This deviates slightly from the methodology of comparing the costs of action to the costs of



CASE STUDY 6

Expected benefits prior to action did not fully translate into economic benefits after action

(sourced from Kosey et al. 2007⁴⁴)

Three technical studies, including an economic valuation, were conducted in Honduras to inform the provision of a payment scheme for water-related environmental services. Regardless of the quality of these studies and the reliability of their results, the fee charged to fund the payment scheme was only 3.6% of the water users' estimated willingness to pay. This means that not only was the valuation study not used to inform policy, and therefore rendered useless for policy design but also that the necessary budget that should be leveraged for such services is not enough and will lead to under-provision of water-related environmental services compared to what water users would prefer. This means that the expected economic benefits prior to action

(estimated based on the valuation study results) could not fully translate into economic benefits after action. The fee charged to water users was instead decided through the voting of representatives from the different urban water sectors. The level of fee to be charged was in this case decided based on political considerations over economic ones.

