

Designing a Procurement Auction for Reducing Sedimentation: a field experiment in Indonesia

A contract procurement auction is an alternative mechanism for extracting information from environmental service providers on levels of payments or incentives that will cover their costs when joining a conservation program. Supported by EEPSEA, our research focuses on designing a procurement auction method to reveal hidden information on the opportunity costs of supplying environmental services in the context of payment for environmental services (PES).

Payment for environmental services (PES) is a conditional and voluntary policy option that, in this study, provides incentives for maintaining watershed functions. A key condition of PES is transparency regarding the conditions under which incentives or rewards can be granted. Balanced information and the power of transaction are the basis for any environmental service (ES).



The procurement auction in Sumberjaya

“... the first application of a procurement auction method in a rural setting in a developing country”

Reverse Conservation Auction in Developing Countries: A new challenge for method development

This is the first application of a procurement auction method in a rural setting in a developing country. Our study resulted in a set of auction rules for determining how limited watershed rehabilitation funds could be allocated. The setting of this study is a watershed area in Lampung, Indonesia, where soil erosion has broad implications for both on-site and off-site environmental damage.

Our results show that introducing procurement auction as a market-based approach to rural communities does not harm their social relationships and is an applicable method in a rural setting. Our finding is that farmers' bids to be involved in conservation contracts is more dependent on their learning process during the auction than observable factors such as their socioeconomic background, their awareness of conservation, and their social capital state.

Inspiring Others

The innovation of this research has inspired other researchers to test this auction design in Malawi and Tanzania. A journal on this topic has been published in Conservation Biology – one of the most prominent scientific journals in conservation field. Requests and enthusiasms to share the results of this study have come from various national and international institutions, such as Wageningen University, the Netherland; Kasetsart University, Bangkok; ASEAN Centre for Biodiversity; and Food and Agriculture Organization (FAO). Highlights of this research is planned to be published on the Organization for Economic Co-operation and Development (OECD) report with 30 member countries globally as one of reflections and lessons in implementing auction method in developing countries.

ICRAF-EEPSEA Research Team



“.....the 'right' value for contracts form only minimal requirements for the success of any conservation contract”

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