



**SUMMARY RECORD**

**OF THE WGEAB WORKSHOP ON INNOVATIVE**

**INTERNATIONAL FINANCING FOR BIODIVERSITY**

**CONSERVATION AND SUSTAINABLE USE**

**Paris, 2<sup>nd</sup> July 2009**

## SUMMARY RECORD

OECD Working Group on Economic Aspects of Biodiversity (WGEAB) Workshop

### *Innovative International Financing For Biodiversity Conservation and Sustainable Use*

Paris, 2 July 2009

The WGEAB Workshop brought together more than 40 participants, representing OECD WGEAB government delegates, developing country officials from Brazil, Peru and Uganda, experts from the CBD, IUCN, UNEP, GEF, WWF, as well as other NGOs and the private sector.

The Chair of the WGEAB, Dr. Carlos Muñoz Piña, opened the workshop with welcoming remarks.

#### **SESSION 1: The Need for Innovative International Financing for Biodiversity?**

Session 1 focussed on Biodiversity Financing Needs and Gaps. Two introductory presentations were made by the OECD Secretariat on (i) Biodiversity Financing Needs and Gaps and (ii) Overview of International Biodiversity Financing: Innovative Approaches and Persistent Challenges.

*Questions and discussion* during session 1 focused on the need to better identify and track who is financing biodiversity conservation and where the finance is flowing. Further understanding would also be helpful on what is motivating and driving these financial flows, which could provide useful insights on how to scale this up.

Several workshop participants indicated that ODA flows to biodiversity were based on partner country needs and poverty, rather than on specific biodiversity priorities and criteria. To be effective, priorities and criteria need to be determined by scientific input, and incentives need to address the underlying drivers of biodiversity loss (e.g. agricultural expansion for food and biofuels) and reach actors on the ground. In addition to finance, appropriate national policies must be in place to ensure that targeted finance for biodiversity protection is not undermined by policies in other sectors, e.g. that constitute environmentally-harmful subsidies.

On spatial scales of biodiversity benefits, these can be local, national or global. In many cases, these are inter-connected. It was noted that evidence suggests that up to 90% of benefits from biodiversity are from (global) non-use values (e.g. option and existence values). Due to the different spatial scales of biodiversity benefits, providers of ecosystem services are not always the receivers of the benefits – it was noted that a better feedback loop is needed so that appropriate incentives are passed on to the local users that manage biodiversity.

Questions raised included when does it makes sense to move from voluntary approaches to biodiversity conservation and sustainable use to regulatory approaches, and what level of agreement is needed (e.g. international, like the Kyoto Protocol)? On the former, it was noted that the need to move from voluntary to regulatory approaches will depend on the scale of the environmental problem.

A suggestion was also made for further coordinated scientific effort, akin to the Intergovernmental Panel on Climate Change (IPCC), for biodiversity, to build consensus and serve to identify a clear international

target for biodiversity – akin to the 2 C target for climate change i.e. a critical minimum level of natural capital.

## **SESSION 2: Options for Scaling-Up Biodiversity Conservation and Sustainable Use**

Session 2 focused on options for Scaling-up Biodiversity Demand. Three presentations were made on (i) scaling-up demand and biodiversity offsets [Joshua Bishop, IUCN] (ii) the greening of commodity markets [Jan Fehse, Ecoscurities] and (iii) a Green Development Mechanism (GDM) [Stefan van der Esch, Dutch Ministry of Environment]. An additional presentation was made available by Pablo Gutman (WWF) as a room document on the WWF perspective on innovative international financing for biodiversity.

*Questions and discussion* during session 2 focused on how to scale-up biodiversity demand and challenges associated with this. A number of examples and ideas were proposed as possible means to scale-up demand for biodiversity conservation and sustainable use. These included *inter alia* green certification, standards and other trade-related aspects; biodiversity cap-and-trade schemes; biodiversity offset schemes; biodiversity taxes; and risk premiums.

It was noted that a new source of environmental financing in Germany will be revenues from the auctioning of carbon allowances (i.e. assigned amount units) under the Kyoto Protocol. These revenues will be earmarked to address climate change issues, including Reducing Emissions from Deforestation and Forest Degradation (REDD) in developing countries, and can therefore also provide biodiversity benefits. Could similar innovative mechanisms be introduced to mobilise financing specifically for biodiversity conservation and sustainable use?

The importance of monitoring, reporting and verification (MRV) in the context of voluntary approaches was raised. Specifically, that there are no international harmonised schemes for MRV and no common criteria for biodiversity indicators. It was highlighted that a number of indicators for biodiversity exist, such as Mean Species Abundance, acreage, hotspots, as well as the potential for composite indicators – it is therefore not a question of how to devise indicators, but which ones could be used. The example of the UNEP-WCMC Carbon and Biodiversity Demonstration Atlas was raised which has created regional and national biodiversity maps using 6 different biodiversity indicators.

New financing for biodiversity is needed, but participants stressed that this should combine a mix of old and new approaches to deliver finance (including e.g. bilateral co-operation), and that narrowing options to selecting 1-2 approaches for scaling-up biodiversity finance could still be premature - further exploration and assessment of options would be needed.

IUCN proposed key principles for an international finance mechanism for biodiversity, namely:

1. Support CBD objectives on a significant scale (biodiversity conservation, sustainable use, equitable Access and Benefits Sharing), including *outside* legally protected areas
2. Capture global values (especially non-use e.g. existence, option values)
3. Progressive (funding flows from richer to poorer countries, not the reverse)
4. Compatible with national and global policies (e.g. Millenium Development Goals, WTO, climate change)

5. Address drivers of biodiversity loss (habitat conversion, over-extraction of species, genetic simplification, pollution)
6. Payments to suppliers are conditional on performance and commensurate with the costs of conservation
7. Payments from contributors are commensurate with the benefits they enjoy (or with their responsibility for damages)
8. Provide flexible, effective, on-going incentives sufficient to counter the (ever-changing) drivers of loss
9. Mobilize private demand across a range of sectors/countries
  - a. financially self-sustaining
  - b. limited need for public finance
  - c. include room for voluntary action
10. Cost-effective (low start-up/transaction costs, minimize leakage)
11. Clear, consistent and scalable metrics (from organizational to global)
12. Graduated standards, combining process and performance criteria, supported by credible audit and verification systems

### **SESSION 3: International Financing for Effective Targeting of Biodiversity Benefits**

Session 3 examined the need for, and means of achieving, cost-effective targeting of biodiversity benefits. The OECD Secretariat gave a presentation on “Efficient targeting of biodiversity benefits: spatial cost-benefit analysis and implementation issues”. This was followed by a presentation on “Trends in financing the stewardship of global biodiversity”, by Gustavo Fonseca (GEF), who highlighted experience from the Global Environment Facility, including the use of the Resource Allocation Framework to target biodiversity benefits via the GEF Benefits Index, and improvements for GEF-5, via the System for Transparent Allocation of Resources (STAR). Alice Ruhweza, Uganda, presented on “Using trust funds to channel payments for biodiversity conservation: Lessons from the Mgahinga and Bwindi Impenetrable Forest Conservation Trust (MBIFCT)”. This was followed by a presentation on “LifeWeb: A contribution to environmentally-effective and economically-efficient financing?” by Axel Benemann (German Environment Ministry).

*Questions and discussion* during session 3 focussed on the criteria for targeting biodiversity benefits and the use of appropriate metrics. It was noted that cost-effectiveness should not be the sole criteria for a biodiversity mechanism as many initiatives will also require capacity building and institutional support which would eventually facilitate cost-effective targeting of biodiversity benefits.

It was highlighted that the proposed REDD finance mechanism under the UNFCCC could drive finance to areas with high carbon and high biodiversity benefits and hence that biodiversity finance should compliment this by targeting low carbon-high biodiversity areas.

It was noted that one of the proposals under a GDM (presented in session 2) had similarities to the Green Fund that Mexico has proposed to generate funds for climate change. Under this proposal, each country is asked to make a contribution to the Fund based on agreed criteria (e.g. carbon burden + GDP/capita) for

climate change, and that funds could be drawn upon based on cost-effectiveness criteria (i.e. the cheapest carbon purchasable).

On the issue of metrics for efficient biodiversity targeting, it was noted that several examples of metrics to help target biodiversity benefits already exist. The GEF metric used in the GEF Benefits Index (GBI) for biodiversity is the IUCN Red List of Threatened Species. Other examples include PES programmes applied in a number of different countries (e.g. Australia, Mexico), Wetland Banking in the US, voluntary approaches such as BBOP, and other incentive approaches that use Biodiversity Benefit Indicators. The need for further work on equivalencies was raised.

#### **SESSION 4: Lessons Learned for an Enhanced International Biodiversity Mechanism**

Session 4 focussed on moving forward. Markus Lehmann (CBD Secretariat) presented on the work on international innovative financial instruments under the CBD. He informed participants of a CBD international workshop on Innovative Financing for Biodiversity that is scheduled to take place on 25-27 January, 2010.

Main points of discussion included the following:

- There was consensus amongst the workshop participants that further work is needed to assess the various proposals and ideas put forward throughout the day before any of these are prematurely eliminated. The draft OECD report on Innovative International Financing for Biodiversity highlighted some of the key requirements for an effective financing mechanism for biodiversity (e.g. establishing baselines and additionality, minimising leakage, ensuring sustainable and long-term financing, and permanence) and took stock of three voluntary approaches for biodiversity, namely bioprospecting, conservation concessions, and biodiversity offsets, and assessed their strengths and weaknesses and lessons learned from practical experience.
- Further analytical work is needed to systematically assess and compare different policy approaches and incentives that could be scaled-up to the international level to help finance biodiversity conservation and sustainable use. The principles outlined by IUCN could be used as criteria against which all proposals could be assessed.
- Under the UNFCCC Bali Action Plan, REDD demonstration activities (or pilot activities) are encouraged to obtain experience and lessons learned prior to 2012. This has led to large-scale initiatives, including the World Bank Forest Carbon Partnership Facility (FCPF), the UN REDD Program, and other bilateral programmes which are mobilising millions of dollars for monitoring, reporting and verification; the establishment of REDD baselines; and other capacity building efforts. Similar pilots could be encouraged for biodiversity demonstration activities under the CBD.
- It was noted that the threats to biodiversity are changing over time. Biodiversity mechanisms will therefore need to be flexible and to adapt to changing threats.