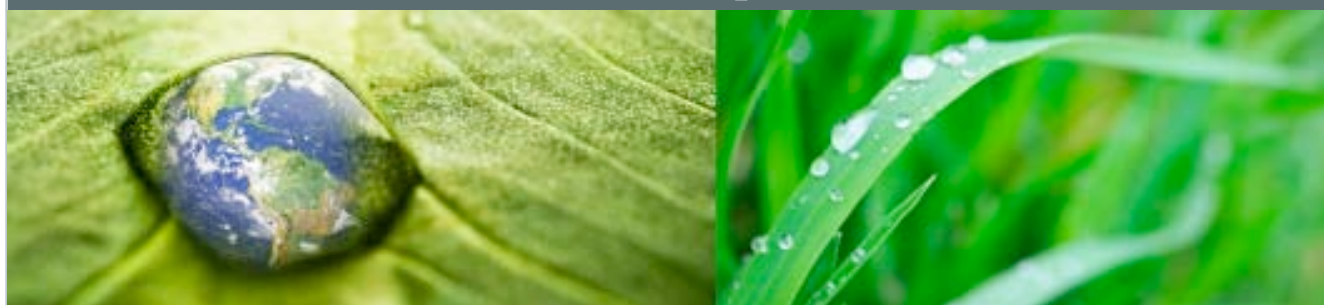


The GDM 2010 Initiative

Towards a Green Development Mechanism



High-level Roundtable Lunch

Thursday, April 22, 2010
Salon Panoramique, WMO, Geneva

The **GDM 2010 Initiative** was launched in the 3rd quarter of 2009 in response to a growing interest to develop an innovative market-based green development financial mechanism under the CBD.

The Initiative is supported by funding from the **Government of the Netherlands** and expert guidance from an international steering committee, including **UNEP**, the **OECD**, **IUCN** and the **CBD Secretariat**.

Its **aim** is to achieve a significant level of support for the design and establishment of a GDM from the Parties to the CBD and other interested stakeholders, and commitment from the CBD Parties demonstrated by a decision for its follow up at the CBD COP10 in Nagoya, Japan.

Overview Presentation

Presentation by Dr. Francis Vorhies, Director of Earthmind and Manager of the GDM Steering Committee

Section 1

FAQ's

Succinct responses to 20 Frequently Asked Questions about the Green Development Mechanism

Section 2

Latest News Coverage

Recent articles on the GDM from Environmental Finance and the CBD's Business 2010 Magazine

Section 3



Towards a green development mechanism

A presentation for
a high-level private lunch discussion

22 April 2010 - Geneva, Switzerland

Organised by the GDM 2010 Initiative

On behalf of the Government of the Netherlands
and the GDM 2010 Initiative Steering Committee

GDM 2010 Initiative



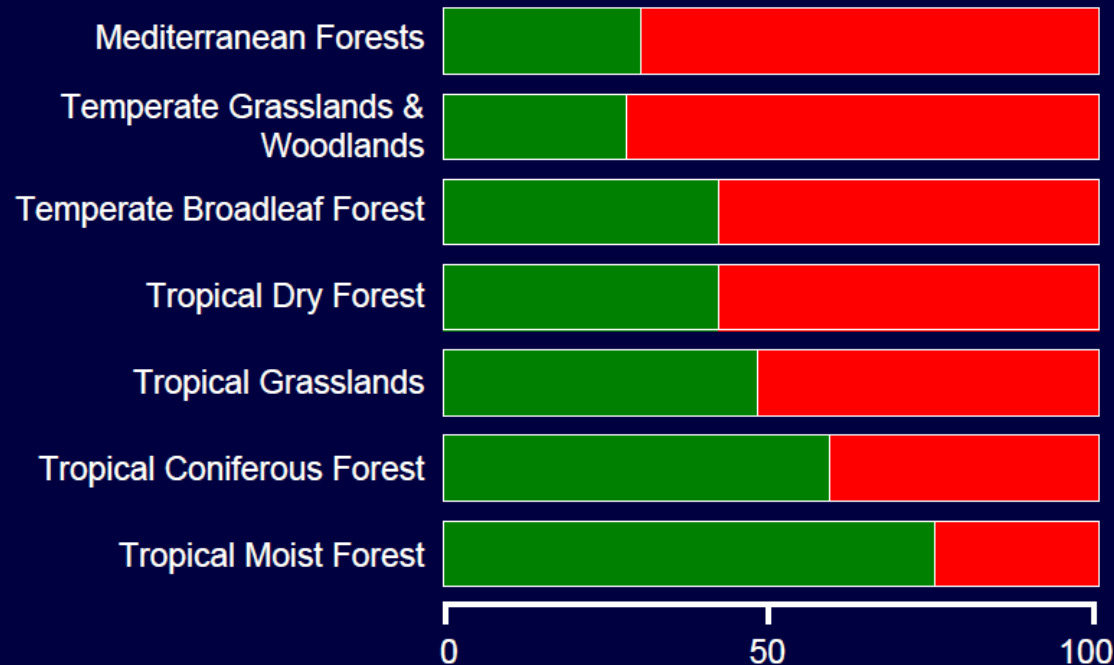
The aim of the GDM 2010 Initiative is to achieve a significant level of support for a green development mechanism (gdm) leading to a decision by CBD COP10 in October 2010 in Nagoya, Japan.



The green development challenge

“Biodiversity is in decline globally, in most regions, and in most of the forms we understand...”

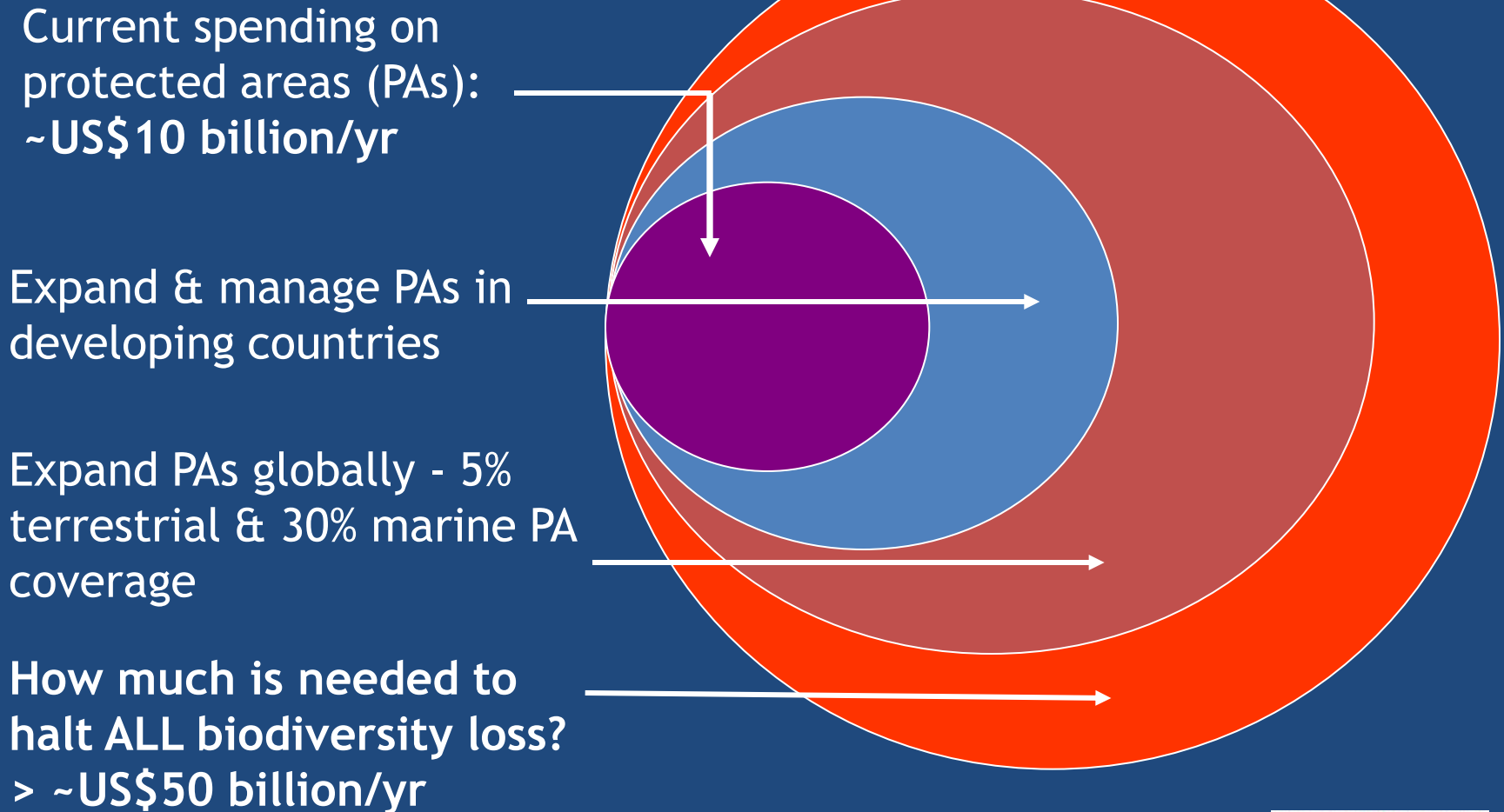
Habitat loss to 1990



Percent of habitat (biome) remaining



The biodiversity funding gap





The green development opportunity

“Biodiversity is... threatened by rapid global change...”

The 2010 International Year of Biodiversity presents a unique opportunity to address biodiversity loss...

The concept of a green economy in the context of sustainable development and poverty eradication can... deliver economic development opportunities

Current environmental challenges... represent opportunities for individuals, local communities, and businesses...”

The Nusa Dua Declaration
UNEP Global Ministerial Environment Forum
February 2010 - Bali, Indonesia



Building the case for a gdm (Feb 2009)

“There is a clear need for an international mechanism that will help to generate trans-boundary payments to compensate hosts of biodiversity for their opportunity costs of conservation...”

There is a clear mandate for a role for the CBD in the development and future implementation of a GDM.”

1st Expert Workshop on a GDM
Amsterdam, The Netherlands

Building the case for a gdm (Dec 2009)



“Mainstreaming biodiversity into business needs to be enhanced through voluntary corporate actions as well as market-oriented enabling policies and approaches such as the Green Development Mechanism...”

Jakarta Charter on Business & Biodiversity
UNEP/CBD 3rd Business and Biodiversity Challenge Conference
Jakarta, Indonesia

Building the case for a gdm (Jan 2010)



“There was a general consensus on the business-case for... investments in sustainable use and management in rural ‘productive areas’.

The International Workshop supported the proposal to consider the need and viability of a new international mechanism (a ‘green development’ mechanism)...”

CBD/TEEB Workshop on Innovative Financial Mechanisms
Bonn, Germany

Building the case for a gdm (Feb 2010)



“A key role for a gdm would be to establish a crediting scheme to identify and verify the biodiversity and/or development outcomes of projects.

In this regard, a gdm should... establish a gdm standard and related methodologies and modalities...

2nd Expert Workshop on a GDM
Bali, Indonesia



New markets for biodiversity

Biodiversity finance has primarily focused on *donor/recipient* relationships:

CBD Article 20: “The developed country Parties shall provide new and additional financial resources to enable developing country Parties to meet the agreed full incremental costs to them of implementing measures which fulfil the obligations of this Convention...”

A gdm would focus on *buyer/seller* relationships:

Bali workshop: “A gdm should support conservation, ecological restoration and biodiversity business activities in relevant sectors, such as agriculture, landscape management, real estate, forestry, fisheries, and tourism.”



The supply of biodiversity

A gdm project will

- Conserve biodiversity,
- Use biological resources sustainably, and
- Ensure equitable sharing of the benefits arising from this use

with respect to:

- Landscapes, ecosystems, species and genetic resources

and, in developing countries, contribute to:

- Economic and social development, and
- Poverty eradication

Potential biodiversity suppliers



- Field-based conservation projects
 - ecological restoration, sustainable resource management
- Landscape-based industries
 - agriculture, mining, forestry, fisheries, energy, tourism
- Protected area systems
 - protected landscapes, managed resource protected areas
- Property managers
 - residential, commercial, industrial, farm

Examples of biodiversity supply

- 5 hectares of 'green' holiday home property development in a small island country
- 50 hectares of community-managed sustainable coral reef fish harvesting in Indonesia
- 200 hectares of tropical forest restoration and sustainable timber harvesting in Brazil
- 20,000 hectares of organic cattle ranching on protected grasslands in southern Africa





Potential demand for biodiversity

- Corporate social responsibility
 - Nippon Keidanren, Airbus
- Corporate biodiversity management
 - WBCSD ecosystems review, Yemen LNG
- Mitigating supply chain footprints
 - 'offsets plus', RSPO, Danone
- Green investors
 - Dutch green funds, Verde Ventures
- Green consumers
 - WWF, organic products



Certifying biodiversity supply

Establish a ‘green development’ standard and verification system for *hectares* of certified biodiversity-protected areas.

CBD Article 2: ‘Protected area’ means a geographically defined area which is designated or regulated and managed to achieve specific conservation objectives.

Build on best practice from the conservation, development, and business communities.

(Note: biodiversity would be traded as certified areas, while carbon is traded as a certified commodity)



From Bonn to Nairobi to Nagoya

May 2008 - Bonn - CBD COP9

Decision 11 Goal 2.6: Establish enabling conditions for private sector involvement in supporting the Convention's three objectives...

May 2010 - Nairobi - CBD WGR13

3rd meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention - *a recommendation to the COP on the gdm*

October 2010 - Nagoya - CBD COP10

10th Conference of the Parties of the Convention on Biological Diversity - *a COP decision in support of the gdm*



Political support for a gdm

Section VIII of **POLICY OPTIONS CONCERNING INNOVATIVE FINANCIAL MECHANISMS (UNEP/CBD/WG-RI/3/8)** provides draft text for a recommendation from WGR13 to COP 10.

In May in Nairobi, **line 7 (b)** of the draft text could be amended as follows:

*“Advance global consideration of innovative financial mechanisms, **including initiating work towards establishing a green development mechanism;**”*



A green development mechanism

A green economy transformation initiative
making markets work for biodiversity & development

Your suggestions and support are most welcome!

Thank you.

gdm@earthmind.net

gdm.earthmind.net



GDM FAQs

Frequently asked questions about the green development mechanism

Prepared by the GDM 2010 Initiative
gdm.earthmind.net
gdm@earthmind.net

Overview

Recent efforts to halt or even limit the rate of biodiversity loss have, by common consent, failed. And while specific estimates vary, it is clear that overall, insufficient resources are currently devoted to meet the critical challenge of reversing biodiversity loss and conserving our valuable ecosystems and their services.

The green development mechanism (gdm) is a proposed innovative financial mechanism under the Convention on Biological Diversity (CBD) that will help to fill this funding gap by mobilising private sector financing to mitigate biodiversity loss, much as the well-known Clean Development Mechanism (CDM) has done to mitigate climate change. It aims to create enabling conditions for increased private sector support for the implementation of the CBD, particularly in developing countries.

A consultative process is already under way, and though the gdm remains a proposition under discussion, it is quickly gaining ground. From an initial concept first discussed at a side event during the CBD COP9 in Bonn, Germany in May 2008, the gdm has been substantiated through a series of international events, expert workshops and dialogues that have garnered the constructive inputs of experts and policy makers. Most recently the 2nd expert workshop on the gdm took place just prior to the UNEP Governing Council in Bali, Indonesia, in February 2010. These consultations have helped to provide substance to fill out the gdm concept and inform answers to the following frequently asked questions:

1. What is the green development mechanism (gdm)?

The green development mechanism (gdm) is the working name of a proposed innovative financial mechanism to create enabling conditions for increased private sector support for the implementation of the CBD, particularly in developing countries. It would seek to mobilize private sector finance to mitigate biodiversity loss, much as the CDM has done to mitigate climate change. Whereas biodiversity

GDM FAQs

finance has traditionally come from official development assistance and philanthropic grants, a gdm would seek to mobilise private finance by linking biodiversity supply with biodiversity demand through a market mechanism. By establishing a standard and accrediting process to certify the supply of biodiversity-protected areas and by facilitating a functional market, a gdm would enable the sale of certified biodiversity conservation to willing buyers, including businesses and consumers.

2. Why is a green development mechanism necessary?

It is needed because recent efforts to halt or even limit the rate of biodiversity loss have, by common consent, failed. In inaugurating the 2010 International Year of Biodiversity, the UN Secretary General, Ban Ki Moon, said that "Our lives depend on biological diversity... We stand to lose a wide variety of environmental goods and services that we take for granted. The consequences for economies and people will be profound. Especially for the world's poorest people. Especially for the Millennium Development Goals... We need new vision. And new efforts. Business as usual is not an option."

3. Why don't existing biodiversity financing arrangements adequately address the issue?

While estimates vary, it is clear that overall, insufficient resources are currently devoted to reversing biodiversity loss. A number of international instruments and funds - notably the Global Environment Facility - are making very constructive contributions, but they remain limited in scale and scope. Though a gdm on its own will not solve the funding crisis, it could complement existing funding initiatives by generating significantly more funds from private sources.

4. How will the gdm differ from existing funding schemes?

A gdm would seek to mobilise additional resources by supporting market processes for conserving biodiversity and in so doing enable new opportunities for private sector engagement - from both businesses and consumers. It would shift the funding paradigm from one dependent on traditional official development assistance (ODA) to a dynamic, durable, but regulated, market-based system which links willing buyers and sellers.

5. Will a gdm involve the establishment of a new 'vertical fund' into which Governments will be required to contribute?

No. The gdm proposal does not seek additional official funding. However, it will build on existing officially-supported instruments and Governments may be invited to support the gdm by funding enabling capacities to establish the mechanism in a pilot phase. Governments may also wish to actively promote the scheme through domestic incentives to encourage an increased private sector demand for biodiversity conservation.

6. Is the gdm some sort of substitute for an international regime on access and benefit sharing of genetic resources (ABS)?

No. Though the focus of the gdm is on funding biodiversity-protected areas or landscapes, it will need to ensure that its activities are compatible, as appropriate, with all three objectives of the CBD, including the fair and equitable sharing of benefits from the use of genetic resources. In this respect if a political solution to the ABS challenge can be agreed by the Parties to the CBD, then a gdm could have a role in promoting its implementation.

7. What sort of mechanism is envisaged under a gdm? What exactly will be traded? Is it analogous to the carbon market?

All markets allow for trade between willing buyers and willing sellers. Current thinking about the gdm, is that it will facilitate the supply of biodiversity-protected hectares - i.e. 'certified protected areas' - in the form of gdm-accredited areas available for businesses, consumers and others to 'buy'. The sale would not be the land per se, but rather the biodiversity management of the land including its conservation and sustainable use of its resources. Like the carbon markets, standards and certification schemes are envisaged. Unlike the carbon market, however, biodiversity would not be traded as a commodity - e.g. tonnes of reduced emissions - but rather as units of land - i.e. so many hectares protected with a certified biodiversity management plan. Also, importantly, unlike the carbon markets, a gdm would generally not support international offsets as biodiversity offsets normally are 'like-for-like' requiring localised offsets.

8. What do you mean by establishing standards to certify biodiversity supply? Are there not already a plethora of environmental standards?

There are, indeed, many extant standards related to the three key biodiversity objectives - conservation of biodiversity, sustainable use of biological resources and the equitable sharing of benefits. However, most of these standards focus on specific goods such as organic foods or sustainable timber, or specific services such as ecotourism, and do not directly focus on the natural areas affected by the provision of these goods and services. Thus a 'biodiversity standard' could include existing standards for social and environmental responsibility *plus* additional commitments as appropriate to ensure that biodiversity is conserved and used sustainably. In this respect, a gdm should use existing biodiversity-relevant standards where these are credible and seen to represent best practice in the field concerned.

9. How will developing countries be able to meet a gdm standard? Is this not a guise for protectionism?

The vision of the gdm is not to inhibit developing country exports through the imposition of higher standards, but to stem biodiversity loss by decoupling economic growth from ecosystem destruction. 'Business as usual' is not sustainable. Hence, though mobilising financial and technical resources and developing new market processes, a gdm would enable a new class of 'biodiversity exporters' (mostly from developing countries) to meet voluntary 'biodiversity production standards' that promote sustainability and restore biodiversity. Specifically, the WTO principle of 'special and differential' treatment for some developing countries could be applied

GDM FAQs

to allow for longer implementation periods of new standards. Thus a gdm would support the CBD's recognition that "substantial investments are required to conserve biological diversity and that there is the expectation of a broad range of environmental, economic and social benefits from those investments."

10. How would the 'development' criteria of a gdm be defined and delivered?

A central feature of a gdm will be its emphasis on support for activities that both conserve biodiversity and promote economic development in developing countries. This is in line with the CBD recognition that "economic and social development and poverty eradication are the first and overriding priorities of developing countries." Appropriate criteria will need to be developed, but employment creation, trade promotion, and the achievement of the MDGs are likely to be central elements.

11. Are we simply talking about paying for additional protected areas?

Yes and no. Yes, a gdm will encourage the supply of 'biodiversity-protected hectares' which will deliver on the objectives of the CBD in a development context. However, these hectares could be closely linked to so-called 'productive areas' where lands are managed to deliver various goods and services such as water, minerals, timber, agricultural products, tourism, recreation, and building complexes, such as industrial or housing estates, while preserving biodiversity. So no, the gdm would not focus only on funding for established systems of protected areas, though gdm-certified protected areas would also be eligible.

12. What types of biodiversity supply will qualify under a gdm?

A gdm will develop a biodiversity standard and certification scheme that recognises the adoption of various existing standards and schemes as acceptable approaches to meeting the objectives of the CBD in specific landscapes or ecosystems. Thus there could be a range of certified hectares supplied that reflect the diversity of biological processes and resources of a particular landscape or ecosystem, as well as the diversity of approaches to managing the integrity of these landscapes and conserving biodiversity. Examples range from organic and sustainable cattle ranching in South Africa, to tropical reforestation and sustainable timber in Brazil, to community-based aquarium coral reef fish harvesting in Indonesia, to a holiday home conservation estate in Cyprus.

13. How will the price or value of a biodiversity-protected hectare be determined?

As in all markets, prices will be determined by exchanges between buyers and sellers. Importantly as every area is unique with respect to its ecosystems, species and genes and their conservation status, and as every gdm-certified biodiversity-protected area will have a unique biodiversity management plan with specific targets, milestones and indicators, each gdm-certified area is likely to have a different price. In this respect, trades and pricing decisions will be similar to those which take place in property markets for office space, housing and farmlands, or

GDM FAQs

even to those in art markets. This is different than the commodity markets for crude oil, rice, soybeans or carbon.

14. What will be the time frame of any gdm contract or certificate traded?

This is for further discussion and negotiation, but we will need a timeframe that offers both the biodiversity supplier and demander a reasonable assurance that the investment is worthwhile. Also, longer-term contracts will reduce transaction costs for both buyer and seller. Current thinking is that gdm certifications would be for an initial period of 10 years.

15. How exactly will compliance by the supplier be verified and monitored under the gdm?

This issue will need to be resolved as part of a negotiation over modalities. Arrangements will form part of the gdm governance structure. Verification is most likely to be executed by some form of independent third party review akin to current practices for environmental and social certification schemes. There will also need to be some form of arbitration procedure. In this respect, it will be important to learn lessons from the experiences of other environmental and social certification schemes including the CDM for carbon, the voluntary carbon markets, the schemes for certified forestry and marine products, and the schemes for fair trade. A key consideration will be to address the transaction costs of verification and monitoring.

16. Can any prospective supplier or buyer enter the biodiversity market freely? Or are there barriers to entry?

As a certified biodiversity supply will require that the supplier has clear rights and responsibilities to deliver the biodiversity-protected hectares, this will imply explicit public, community or private rights over the management of an area and the uses of various biological resources within it. By 'selling' the certified management of an area, the supplier will in a sense be transferring the ownership of the delivery of this biodiversity-protected area to an outside buyer who in turn will need to have the explicit right to undertake such a purchase. Especially where such trades are international, it will be necessary to have transparent and clear rules on what exactly a buyer will and will not be able to buy.

17. What evidence do you have that the private sector wants to engage in this initiative?

There is increasing evidence that consumers and businesses recognise the importance of reversing present trends in biodiversity loss. Some businesses are incentivised by the profit motive, or by the fear of fragility in their supply chains. Others see corporate social responsibility (CSR) as a means to secure customer loyalty and attract new clients. Investment managers are also becoming more discerning in their investment portfolio choice, seeing commitment to sustainability as a powerful proxy for good company management in general. Consumers also increasingly want to buy environmentally and socially responsible products and services. Furthermore, for businesses with large landscape footprints, there may be real opportunities to not only demand but also supply biodiversity-protected areas.

18. Should a gdm to be a compulsory or voluntary arrangement?

Current thinking is that a voluntary market can deliver a significant amount of biodiversity supply for which there would be adequate voluntary demand from businesses, consumers and others. However, whether there will be sufficient demand to fund all the certified biodiversity supply which may come on to the market remains unknown. Furthermore, policy makers may decide that businesses and consumers should somehow be obliged to pay for the biodiversity impacts of their production and consumption patterns and therefore a regulatory framework should be established to ensure adequate and appropriate levels of biodiversity demand. However, a pilot phase of a gdm would most certainly be voluntary and focus on developing the standards and certification scheme for certified supply, and in so doing provide insights on the level and nature of voluntary demand.

19. How would a gdm be governed?

Detailed governance arrangements will depend on the modalities of a gdm. However any arrangement will need to demonstrate legitimacy and transparency. This suggests a multi-stakeholder structure in which all the major players are represented. In particular, by establishing the gdm under the CBD, there will be a real opportunity to ensure that governments - both North and South - as well as the private sector and the biodiversity NGOs have a voice in its design, implementation and governance.

20. What can the Parties to the CBD do regarding the gdm at the May meetings in Nairobi and at COP10 in Nagoya in October?

In May in Nairobi, at WGRI3, the Parties could recommend that the COP initiate work towards establishing a gdm as a new innovative financial mechanism. At COP10 in October in Nagoya, the Parties could decide to start a process to set up the gdm. This process could include developing a gdm standard and certification system for 'biodiversity-protected hectares' and launching a voluntary pilot phase to enable biodiversity trade to take place between certified suppliers and willing buyers. COP10 could also endorse commitments by Governments, intergovernmental organisations, and financial mechanisms, private companies, foundations, NGOs, and others, to support the gdm.

The aim of the **GDM 2010 Initiative** is to achieve a significant level of support for a green development mechanism leading to a decision by CBD COP10 in October 2010 in Nagoya, Japan. It is guided by a Steering Committee of biodiversity finance experts from the CBD Secretariat, Earthmind, IUCN, OECD and UNEP with financial support from the Government of the Netherlands. For more information, please visit gdm.earthmind.net.

Time for a Green Development Mechanism?

There is an urgent need to mobilise finance behind efforts to tackle biodiversity loss. Could a CDM-like offset mechanism be the answer, ask **Julian Metcalfe** and **Francis Vorhies**

Given that 2010 is the UN's International Year for Biodiversity, it is most fitting that an initiative is under way to explore the possibility of a new international mechanism to protect vulnerable species and habitats around the world. Known as the Green Development Mechanism (GDM), the idea is to generate private sector financing for biodiversity, rather than the well-known Clean Development Mechanism (CDM) has done for climate change mitigation.

Like the CDM, a GDM is intended to focus on engaging the private sector in a global environmental challenge – in this case conserving biodiversity. The idea is in its infancy and there are, as yet, no concrete ideas on the table. But just as the CDM aims to decrease the global stock of greenhouse gas through awarding carbon offsets to projects in developing countries, a GDM could aim to increase its stock of biodiversity through 'biodiversity offsets plus' in developing countries. Such offsets might include a local offset to protect native stocks of biodiversity plus a local or international contribution to restoring or enhancing the integrity of biodiversity more generally.

The GDM initiative has been launched under the watchful eyes of a steering group from agencies such as the Convention on Biological Diversity (CBD) Secretariat, the International Union for the Conservation of Nature, the OECD and the UN Environment Programme (UNEP), with funding from the Netherlands government. The aim of the GDM 2010 campaign is to build an inclusive alliance and win support for a GDM among various stakeholders, including the private sector. The ultimate goal is to persuade the parties to the CBD to endorse the idea officially at their upcoming 10th conference, in October in Nagoya, Japan.

Without prescribing how governments should actually structure a GDM, consultations will continue throughout this year to explore what a GDM might look like, how it might raise resources, how it might use these resources and how it might be governed. Issues such as whether it should be a voluntary or a regulatory mechanism, a financing or a trading mechanism, a philanthropic or an investment mechanism are all open for discussion.

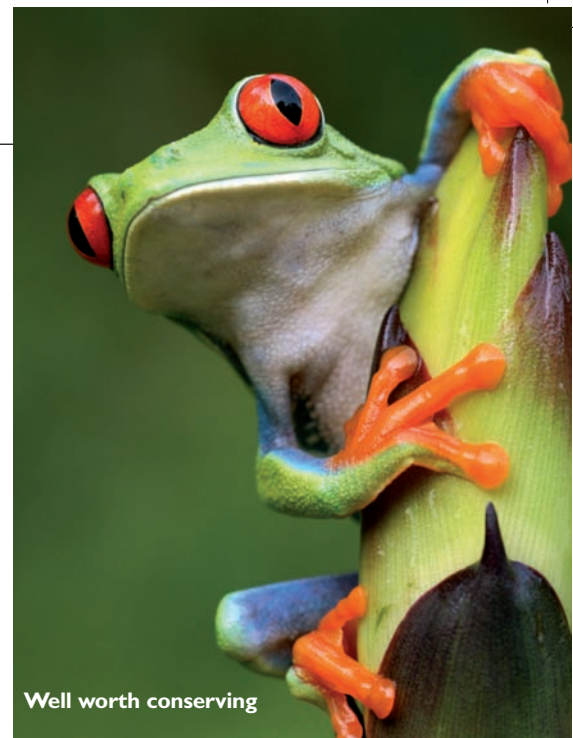
But some of the parameters of a GDM are already beginning to take shape. For example, at a UNEP conference on business and biodiversity, which took place in Jakarta last December, there was clear recognition of the business case for such a mechanism. The Jakarta Charter on Business & Biodiversity confirmed that: "Mainstreaming biodiversity into business needs to be enhanced through voluntary corporate actions as well as market-oriented enabling policies and approaches such as the Green Development Mechanism."

More recently, at a CBD/UNEP expert workshop on innovative financial mechanisms for biodiversity that took place in Bonn in January, there was a good deal of discussion about the ways in which funds could be

The idea is to generate private sector financing for biodiversity, rather like the well-known Clean Development Mechanism has done for climate change mitigation

sourced and used in support of green development. It was at this meeting that the idea of an 'offsets plus' approach for biodiversity began to emerge. This is because, unlike carbon emissions, whose effects are global, biodiversity requires protection in the precise areas where it is under threat. However, biodiversity protection also requires the restoration of areas of critical importance globally for both biodiversity and ecosystem services.

At the Bonn workshop, various possible sources of funding were discussed. Some of the more promising sources of investment – in addition to offsets plus – were national green investment funds, such as that set up in the Netherlands, and securing green payments or taxes on commodity imports to compensate for the contribution of these commodities to the loss of biodiversity. Because of the complexity of biodiversity, clearly a cap-and-



Well worth conserving

trade system as established by the Kyoto Protocol is not going to be an easy option for a GDM.

Strategic use of the funds from a GDM is equally critical, and this is where the concept of 'green development' comes in. Since the launch of the Global Environment Facility in 1992, and the CBD at the Rio Summit in the same year, most of the funding for biodiversity has been directed to protection, particularly through support to the global network of protected areas. Preserving our most critical landscapes and most unique species has understandably been a high priority for scarce biodiversity funds. However, there is much more that needs to be done, especially outside of protected areas and particularly in the context of economic development.

In this respect, the Bonn workshop began to envisage a GDM focusing on two key areas – ecological restoration and biodiversity business – as both are critical to development. Ecological restoration will not only help to reverse the increasing loss of biodiversity, but it will do so by restoring ecological goods and services (such as soil fertility, watersheds, erosion protection and, yes, carbon sequestration) – all of which are critical 'natural capital' for development. Meanwhile, market-based investments in biodiversity businesses – in sectors such as ecotourism, organic agriculture and sustainable forestry – will promote economic development and job opportunities in rural communities.

Importantly, there was also a clear consensus at the Bonn meeting that a GDM should invest its funds in developing countries. As it will focus on high biodiversity countries, many of which are least developed, it will support the transition to a green economy in places where such investment is most needed.

As we develop our thinking on this crucial subject, we would welcome input and comments from interested stakeholders. ■

Julian Metcalfe is senior associate and Francis Vorhies is director at Earthmind, a not-for-profit sustainability network.

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For more information, please visit <http://gdm.earthmind.net>

SPECIAL FOCUS ON THIRD BUSINESS AND BIODIVERSITY CONFERENCE, JAKARTA, INDONESIA

CONVENTION ON BIOLOGICAL DIVERSITY
CBD'S THIRD BUSINESS AND THE 2010 BIODIVERSITY CHALLENGE CONFERENCE
IN CONJUNCTION WITH UNEP 2009 INDUSTRY GLOBAL DIALOGUE



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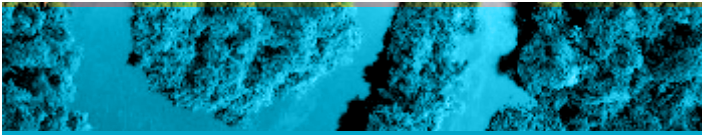
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BUSINESS & BIODIVERSITY

Secretariat of the Convention on Biological Diversity

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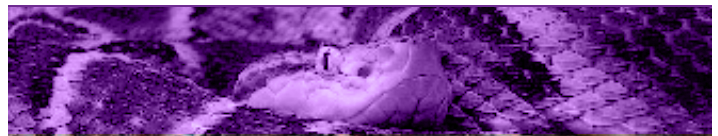
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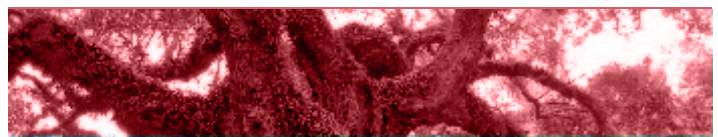
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Making the Business Case for a Green Development Mechanism

CREATING A MARKET-BASED DEMAND FOR CONSERVING BIODIVERSITY AND FOR BIODIVERSITY GOODS AND SERVICES SUPPLIED SUSTAINABLY

by **Julian Metcalfe** and **Francis Vorhies** ● Earthmind, Switzerland

The proposal for setting up a Green Development Mechanism (GDM) was on the agenda of the Third Business & Biodiversity Conference in Jakarta in November/December 2009. It was discussed in plenary sessions of the conference as well as in side events and corridors. Response to the idea was positive as indicated by the Jakarta Charter on Business & Biodiversity which confirmed that: "Mainstreaming biodiversity into business needs to be enhanced through voluntary corporate actions as well as market-oriented enabling policies and approaches such as the Green Development Mechanism..."

The thinking behind a GDM is to develop a new and innovative mechanism for funding green development, particularly with a focus on the private sector. The innovation is not only on how to source the funds, but how to use them – in both cases there is a clear role for business.

On sourcing of funds, the possibility of a "voluntary" phase of the GDM was explored in Jakarta with funds coming from companies in the context of their biodiversity responsibility. For example, a GDM might recognise a company's commitment and practice with respect to biodiversity and in turn offer the company an opportunity to make a contribution through a GDM to green development. This would enable the company to demonstrate, in a very visible manner, its record of responsible supply chain management, something that consumers in industrialised countries are increasingly demanding. There were varied reactions to such an approach by private sector representatives

at the Conference. Some welcome a voluntary approach based on corporate biodiversity responsibility, whilst others called for a more "regulatory" approach to ensure a clear standards and a level playing field for all competitors.

In terms of use of funds, the GDM would focus on financing projects which have clear positive impacts on both biodiversity and sustainable development. These could include ecological restoration projects which enhance ecosystem services critical for development, and investments in business which clearly conserve nature and simultaneously generate economic activities and employment opportunities. Such "biodiversity businesses" could be in sectors such as tourism, agriculture, forestry and fishing. Given that 90% of the world's biodiversity – rich habitats are situated in the developing world, it is vital that addressing biodiversity challenges also responds to the needs of the millions of people whose livelihoods are directly dependent on such resources.

The conference also discussed how a GDM would be governed. There was general agreement that such an international mechanism would need a multi-stakeholder governance structure to include the private sector, governments from developed and developing countries, and NGOs and civil society. The Conference was very receptive to this inclusive approach.

The Conference provided the first formal opportunity to initiate a public debate on the need for, and nature of, the GDM initiative amongst the Parties to the Conference (COP) of the CBD. To inform this dialogue, Earthmind tabled a paper entitled "Towards a business case for a GDM", which was taken up by 170 delegates. Earthmind also arranged an official side event at which the GDM concept was presented and discussed. Reactions to the proposal were very positive, though it was agreed that further reflection, and consultation, was needed. In addition, the conference offered an opportunity for over 40 bilateral consultations with senior representatives from the private sector, government and, civil society.

In launching the 2010 International Year of biodiversity, The UN Secretary General, Mr Ban Ki Moon, said:

"Our lives depend on biological diversity... We stand to lose a wide variety of environmental goods and services that we take for granted. The consequences will be profound, particularly for the world's poorest... We need a new vision and new efforts. Business as usual is not an option... I call on every country, and every citizen, to join together in a global alliance to protect life on earth"

The GDM initiative might just provide a new basis on which to tackle these fundamental challenges.

For a copy of the Earthmind discussion paper on the GDM for the Jakarta Conference and related information, please visit: <http://gdm.earthmind.net/2009-11-jakarta/default.htm>

The Green Development Mechanism will address biodiversity funding needs of developing countries and biodiversity footprints of developed countries