

Draft text regarding a gdm from the Bonn workshop

27-29 Jan 10

During the Bonn meeting on innovative financial mechanisms for biodiversity, there were two breakout sessions on a gdm. Each was attended by about 30 people representing government, non-government and private organisations from various regions. This document contains the draft texts (A & B) which were prepared following these sessions.

Also one of the six main breakout sessions focused on biodiversity in international development finance which also related closely to the current discussion on exploring the case for a gdm. The draft text (C) for this session is contained as well in this document. Finally there is the draft policy text (D) regarding a gdm which was submitted for consideration by the CBD Secretariat.

Draft A Gdm - Breakout group 28th January

In the working group on a green development mechanism (gdm), the discussion focused on three key issues:

1. What role should a gdm fulfil?
2. Should development be a core element of any form of gdm?
3. Should a gdm be market based or finance based?

The general findings were that there is:

- A strong consensus that there is a business case for an international initiative;
- A need for urgent action to raise additional international funds to close financing gap; and
- A need to complement investments in protected areas with investments in sustainable use and management in rural 'productive areas.'

Specific remarks and inputs included the following:

- A gdm should at least for the first phase not aim at a biodiversity cap and trade regime, but rather explore options for international payments for ecosystem services (IPES);
- A gdm would only guarantee permanent funding on the basis of a mandatory scheme; and in setting up such a scheme, funding provided by the private sector should not be presented as international offsets as offsets are preferably undertaken on a national or regional level;

- Since there is no common currency for biodiversity (as yet), for an initial phase a finance-based mechanism is preferred over trading or market-based mechanism;
- The International Working Group on Interim Finance for REDD, an initiative from about 40 countries, could serve as a model for the first phase of a gdm, acting under the CBD;
- The need to address the issue of institutions: what are the currently existing biodiversity-related funding institutions delivering, what are gaps, what can be improved and what are then the gaps to be filled by a new initiative such as a gdm;
- Start focusing on the modalities to raise funds; stakeholders do need to get a first idea on where a gdm would get the funds from, before entering into discussions on form and how to spend money;
- A gdm could have several windows, focussing on specific actions/priorities as well as various modalities for sourcing funds;
- Support for starting an international discussion on the possibility of establishing a gdm, without pre-empting the outcome, noting that such a discussion at least is urgently needed; and
- The name 'gdm' raises different reactions; some find it appealing, while some are cautious that it will trigger resistance from earlier experiences with e.g. CDM.

The discussions on the three questions can be wrapped up as follows:

- **Role:** Any of the mentioned roles potential (clearing house, broker, funding mechanism) should be further explored; they may be combined, but, in any case, there needs to be clear profiling and communication, in order to take away confusion on what a gdm *could* be.
- **Development:** There is broad consensus on the need to have development outcomes as a core element of any gdm.
- **Market based:** As the current lack of agreed currency for biodiversity, a gdm should, at first, be finance based.

In this respect, the Parties to the CBD may want to further consider the possibility of establishing a gdm in support of the implementation of the Convention's programme of work.

Draft B

Gdm - Breakout group 29th January

In its second session, the working group on a green development mechanism (gdm) further explored the four possible funding instruments initially highlighted at an expert meeting in early 2009. These are summarised in an annex of the Issue paper prepared for the workshop, namely:

- Biodiversity offsets with international support
- Greening commodity imports
- Biodiversity cap and trade
- Biodiversity footprint taxation

Regarding **biodiversity offsets with international support**, the discussion clarified that a gdm could facilitate the use of biodiversity offsets at the national level through sharing information on best practice, standards and experiences. In this respect, a gdm could play a clearinghouse role and perhaps even a verification role. It could also drive price transparency by strengthening the understanding of the costs of various types of offsets.

Regarding **greening commodity imports**, there was a recognition that this approach fits well with the trend among consumers and retailers for responsible products. However, it will be important to address the concerns of some developing countries that green standards may be seen as a barrier for exports. Further, any tax or payment on commodity imports should be established at the importing country.

Regarding **biodiversity cap and trade**, there is an opportunity to base this in the context of post-2010 Biodiversity Targets. This could provide a basis for identifying a baseline and a target upon which a biodiversity trading might be developed. In this context, and in addition to a focus on conservation, a gdm could support efforts to avoid or reduce impacts and as well as to restore ecological systems and services.

Regarding **biodiversity footprint taxation**, it was noted that whilst ecological footprint indicators can be most useful for raising awareness, their use for the establishment of tax obligations may prove challenging on the part of several countries. Questions remain as to the scope of such a tax (linked to a country's national biodiversity footprint as opposed to its international biodiversity footprint); details on how it may be calculated; as well as its acceptability given that this would imply an increase in public spending.

Other issues

Regarding the **case for a gdm**, it was noted that governments may be reticent to support the establishing of a new 'vertical' international fund. Consequently, it would be important to make clear why a gdm is needed and

how it would complement existing structures, such as the GEF. Its possible roles as a clearinghouse, broker and/or funding mechanism will also need to be further clarified.

Regarding the **funding approach of a gdm**, an alternative to relying on a 'polluter pays' approach may be to focus on payments for the benefits of biodiversity and ecosystem services. So as to ensure development outcomes, explicit support should be given to the sustainable use of biodiversity, including for instance organic farming, in addition to biodiversity conservation.

Regarding the **governance of a gdm**, multi-stakeholder participation should be encouraged, including from developing and developed country governments, business and NGOs, in line with the Paris agenda.

Other possible **sources of funding** were suggested by participants, such as green investment funds, a tax on GMOs, a tax on advertising in part responsible for promoting unsustainable consumption, a tax on international arms sales, and a tax on international aviation. Seed money to establish a gdm could also come from the GEF or from other sources of multilateral or bilateral ODA.

Regarding **private sector views of a gdm**, some support a voluntary mechanism as a way to drive biodiversity responsible corporate action whilst others encourage a regulated framework as a way to ensure a level playing field as well as clarity on expected demands on business.

Draft C

Biodiversity in international development finance

Revised draft as of 29 Jan 10, 14:52

The working group on Biodiversity in International Development Finance explored options for identifying financial innovations for biodiversity and ecosystem services within the international flows of funds for development. The outcomes of the discussions can be clustered into three focal areas regarding biodiversity finance in a development context - i.e. financing 'green development':

1. Innovative approaches to the use of funds;
2. Innovative approaches to the sources of funds; and
3. Innovative international finance mechanisms.

1. Innovative approaches to the use of funds

In a development context, it is critical to understand how the financing of green development projects will ensure both biodiversity outcomes (e.g. conservation, sustainable use and benefit sharing) and development outcomes (e.g. job creation, sustainable livelihoods and resource security).

With respect to **biodiversity as a public good**, such funding could support the maintenance of 'eco-infrastructure' and ecosystems services as well as the restoration of ecosystems and the sustainable management of rural landscapes. Such funding - as highlighted by the TEEB reports - would secure the 'natural capital' upon which development, particularly of rural poor communities, depends.

With respect to **biodiversity as a private good**, such funding could invest in biodiversity businesses in sectors such as agriculture, fisheries, forestry and tourism. In so doing, these investments would promote sustainable green economic development in rural landscapes.

2. Innovative approaches to sources of funds

The working group explored a wide range of international financial flows which support development. For each of these potential sources of funds, an important first step could be to explore where existing financial processes and modalities undermine biodiversity conservation and thus should be reformed or restructured. With the removal of biodiversity-perverse financial flows, a second step could be to explore opportunities for 'mainstreaming' or 'internalising' biodiversity considerations into development financing which address critical issues such as economic growth, job creation, trade promotion, health, and education. Such a two-step approach to greening development finance is broadly applicable but not limited to the following four types of development finance:

- **Official development assistance (ODA)** - for example by integrating biodiversity more strategically into existing and new ODA modalities in line with the Paris Declaration such as decentralised cooperation;
- **Public finance** - for example, by removal of biodiversity-perverse subsidies and by co-financing of green development opportunities at all levels of government;
- **Foreign direct investment (FDI)** - by integration of biodiversity responsibility schemes such as assessing FDI impacts on biodiversity and exploring options for addressing these impacts such biodiversity offsets at a national level and green payments for commodity exports; and

- **Migrant worker remittances** - though innovative schemes to support or co-finance remittances so as to encourage green development in the use of these funds when they are remitted back to villages and rural landscapes.

3. Innovative international financial mechanisms

Under the CBD, there are clear opportunities to develop innovative mechanisms to scale up more funding for biodiversity through the various sources of international development finance. In turn, this would result in increased support for biodiversity as a public good through, for example, ecosystem restoration projects as well as increased support for biodiversity as a private good through for example investing in the ecotourism sector in and around protected areas. With a mandate from the CBD, such mechanisms could provide three types of services:

- **Mainstreaming** - to integrate biodiversity into development finance flows resulting in integrated financing for green development;
- **Clearinghouse/brokering** - to identify, facilitate and promote green development opportunities to various sources of development finance; and
- **Funding** - such as a green development mechanism to directly secure international development funds, notably from FDI and private sector value chains, and to invest these funds in public and private green development projects.

Draft D

Draft policy text regarding a gdm

It was agreed that there was a strong business case for mobilising additional resources to address the biodiversity challenge in the context of development. While a number of existing initiatives continue to make valuable contributions to combating biodiversity loss, there remains a significant financing gap which needs to be filled. There was consensus subject to further analytical work that some new international mechanism (a 'green development' mechanism) could serve both as a means of generating additional resources; and as a means of providing further coherence to ongoing efforts and new initiatives. It is recommended that this matter be given fuller consideration at the upcoming WGRI-3 meeting in May in Nairobi.