

# 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**

**G**iven 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.

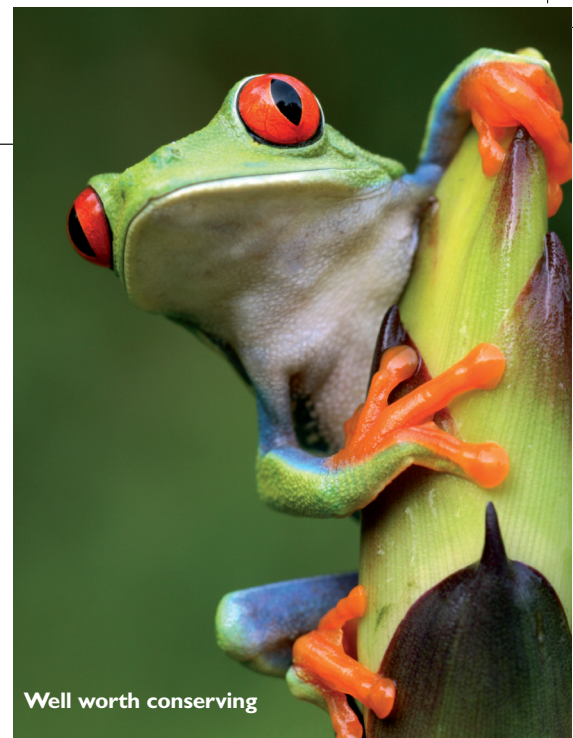
But some of the parameters of a GDM are already beginning to take shape. For example, at a UNEP conference on business and biodiversity, which took place in Jakarta last December, there was clear recognition of the business case for such a mechanism. The Jakarta Charter on Business & Biodiversity confirmed 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

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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.*

*E-mails: [jmetcalfe@earthmind.net](mailto:jmetcalfe@earthmind.net) and [fvorhies@earthmind.net](mailto:fvorhies@earthmind.net)*

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