



The International Union for Conservation of Nature (IUCN) welcomes the opportunity to provide information concerning innovative financial mechanisms (IFMs), pursuant to decision X/3, A, §8(c). IUCN strongly encourages the Parties to the CBD to support the further development of IFMs as a means of meeting the Strategic Plan for Biodiversity 2011-2020 and also expresses its interest in supporting ongoing efforts to ensure that IFMs realize their potential, including through further analysis and on-the-ground testing.

Towards a Green Economy

During the International Year of Biodiversity (2010), major achievements were made in raising the profile of conservation, demonstrate the increasing costs of biodiversity loss, and better understand the economic value of biodiversity and ecosystem services, notably through the release of the global study on The Economics of Ecosystems and Biodiversity (TEEB). However, further effort is clearly needed to make conservation more economically relevant and attractive in particular in the current situation in which the prospects for mobilizing additional resources for biodiversity remain elusive. IUCN believes that IFMs are central to effectively address this critical challenge of mainstreaming biodiversity and ecosystem values into society and the economy.

Innovative financial mechanisms are based on the notion that economic incentives can be used to achieve positive conservation outcomes. As highlighted in the reports of the expert workshop¹, IFMs can take on a variety of forms, involving both the private sector (e.g. markets for green products) as well as governments (e.g. environmental fiscal reform). Overall, their aim is to influence behavior across a range of economic sectors in order to align different interests with those of biodiversity conservation. IFMs can thus be seen as the means by which the transition to a Green Economy can be enabled.

This transition has already started. Today, governments are increasingly using incentives to encourage 'green' business, e.g. through their public procurement policies or economic stimulus packages (TEEB, 2010). Producers themselves are becoming more aware of the environmental impacts of their activities and some companies are actively seeking competitive advantage by going beyond the minimum required by law and aiming for a net positive impact on biodiversity. In many countries, consumers increasingly prefer biodiversity-friendly products and services. For instance, the sale of certified 'sustainable' forest products quadrupled between 2005 and 2007 (TEEB, 2010), while markets for certified fish, organic food and other 'nature-friendly' goods and services are growing faster than their conventional counterparts. Markets for ecosystem services (e.g. watershed protection, carbon storage and sequestration) are also expected to grow rapidly in the coming years (Ecosystem Marketplace, 2009)². These developments are also leading more investors to seek out 'green' assets and opportunities (UNEP Finance Initiative, 2010)³.

The main rationale for supporting the development of IFMs is to support a Green Economy transition by mobilizing a wider range of stakeholders and interest groups to join in the global

¹ <http://www.cbd.int/financial/doc/2011-03-budapest-IFM-report-en.pdf>

² http://ecosystemmarketplace.com/documents/acrobat/ECM%20Beyond%20Carbon_eng.pdf

³ http://www.unepfi.org/fileadmin/documents/CEO_DemystifyingMateriality.pdf

effort to conserve the world's biodiversity. In light of the CBD's ambitious and far-reaching Strategic Plan for Biodiversity 2011-2020, it is apparent that strong engagement from all sectors of economic activity is essential. It is in this spirit of mobilizing a broader range of 'biodiversity beneficiaries' that IFMs need to be developed and applied.

Balancing Efficiency and Equity

It should be clearly emphasized that the quest to broaden and diversify the funding sources for biodiversity conservation should not mean that conservationists 'sell out on nature'. Also, the use of IFMs should not result in any type of 'commodification' of nature. Although markets can be used to encourage more sustainable behaviors by setting prices, they will never be able to capture the full value of nature. A payment for an ecosystem service, for instance, is aimed at influencing the behavior of a land owner or land steward, and is not intended to capture the value of an ecosystem. In fact, transactions for such schemes (e.g. payments for forest-based carbon projects) are often based on the opportunity costs of the foregone activity (e.g. agriculture or forestry) rather than on any estimation of the economic value of a given ecosystem or ecosystem service.

IUCN believes that there are many positive experiences with IFMs that can be used as a basis for further developing the concept at the international level. Through IUCN's collaboration with the private sector, it has become clear that business and conservation interests can go hand-in-hand (TEEB, 2010)⁴. Nevertheless, IUCN's experience has also demonstrated that the implementation of incentive-based mechanisms can often imply a trade-off between the efficiency and equity of outcomes. This trade-off needs to be carefully addressed and balanced. IFMs need to be supported and accompanied by accountable and equitable governance arrangements. Local-level ownership and participation are key conditions for the success of incentive-based conservation schemes. The Living Water Partnership Fund⁵, which IUCN helped to establish in North-western Guatemala, provides a promising example of how positive social, economic and environmental outcomes can be reached through the development of an innovative and locally-owned financing scheme for supporting watershed conservation.

In light of the significant funding gap for conservation and the poor economic health of many donor countries, IUCN strongly urges Parties to give greater political support to IFMs. While there still is a need to further analyze, refine and test different IFMs, notably to ensure that the trade-offs between economic efficiency and social equity are well understood and dealt with, it is essential to move beyond the unsustainable 'business-as-usual' scenario of conservation finance. The objectives of the CBD can simply not be met unless Parties can agree to go beyond traditional sources of financing and adopt a broader and more inclusive approach to resource mobilization.

Gland, 29 July, 2011

⁴ For more information and relevant examples, see TEEB for Business (2010):

<http://www.teebweb.org/ForBusiness/tabid/1021/Default.aspx>

⁵ <http://www.confluenciasagua.net/node/190>