

Workshop Report on Innovative Financial Mechanisms

22nd – 23rd March 2011

Budapest, Hungary

Introduction

The Hungarian Presidency of the EU Council organized the International Workshop on Innovative Financial Mechanisms, with financial support from the European Commission, in order to review and assess the state of knowledge, the “pro’s and con’s” of different instruments, and possible safeguards that might be needed to avoid unintended consequences, to prepare for the submission requested under decision CBD COP10 X/3.

During the preparation of the workshop the outcomes of previous exercises were taken into account, particularly those of the “Bonn Workshop” (27-29 January, 2010). Thus the identification of the key topics focused on the following 6 instrument categories already discussed under the CBD:

- Payment for ecosystem services
- Biodiversity offset mechanisms
- Environmental fiscal reforms
- Markets for green products
- Biodiversity in international development finance
- Biodiversity in climate change funding

The objective of the workshop was to bring together experts from EU and selected non-EU countries, from governments, institutions and NGOs to review these instruments against a set of key questions. It was not the aim of the workshop to agree on a negotiated text, but only to exchange views according to the Chatham House rules.

The workshop started with the presentation of the 6 main instrument categories and illustrative case studies. After the presentations the participants further discussed the instruments in two working groups according to set questions which had been developed by Member States experts in a previous meeting. It was followed by a plenary meeting where working groups reported back and presented their discussions and conclusions. Finally, the next steps were discussed.

This Report gives a brief introduction to the presentations and then summarises the discussions relating to the questions. The Report was made by the technical support of CEEweb.

Presentations – short summaries

Introduction to innovative financial mechanisms – Charlie Parker (Global Canopy Programme)

Currently 36-38 billion USD are generated for conserving biodiversity, but actual needs could be in the range of 45 billion for protected areas, to 290 billion for wider protection of biodiversity, or even 355-385 in the context of climate change. There is a shortfall in biodiversity finance of hundreds of billions \$. On the other hand, there is a range of mechanisms that are available, which if used in combination could generate 62 to 141 billion by 2020.

Payments for Ecosystem Services – Unai Pascual (University of Cambridge)

The presentation depicted the basics of PES including the definition, major characteristics and pitfalls. Two practical cases were presented. In Los Negros, Bolivia payments were made for hydrological services to downstream users, with additional payments by a US Agency to farmers for conserving migratory bird species. This scheme is a classical example of layering as both hydrological and biodiversity supporting services values are rewarded.

In Mexico, a payment scheme was created for farmers to protect forests to maintain the provision of clean water. This case demonstrates the trade-offs between equity and efficiency. In this instance, there was a political decision to focus on poverty alleviation, with a relatively lower emphasis on the protection of the natural systems (water, forests).

Payments for Ecosystem Services – Tiphaine Lemenager (AFD)

The presentation proposed to consider a PES as an economic instrument where a voluntary Ecosystem Service (ES) provider is paid to implement practices which guarantee ES sustainability. PES declinations are many.

A way of classifying them to debate on their pros and cons can be organized around two criteria:

- Does the money come from a voluntary or a compulsory payment?
- Is the payer a homogeneous group (usually directly linked to the ES the PES is focussing on –e.g. a group of water consumers) or a heterogeneous group (usually not directly linked to the ES the PES is focussing on –e.g. the donors of a NGO)? In the first case the PES can be considered as a “bilateral” PES. In the second one it can be considered as a “collective” PES.

This classification results in 4 PES families ((i) voluntary and bilateral, (ii) voluntary and collective, (iii) compulsory and bilateral, (iv) compulsory and collective). The presentation illustrated those 4 sub-categories of PES, and explored their pros and cons both on environmental efficiency and potential to find new funds.

A national and international land use rights trading system - Iván Gyulai (Ecological Institute for Sustainable Development)

This presentation described a potential mechanism for sustainable land use at global level to support the optimal delivery of ecosystem services, based on entitlements for all land use types (urbanization, industry, infrastructure, agriculture, forestry, recreation, nature conservation) in different quality categories A,B,C. Land users obtain land use entitlements (land use rights quotas) according to their land use practices. The controlling institution sets a level of fulfilment in each year and those who continue unsustainable practise pay for their negative externalities, while those who exceed the requirements receive income for positive externalities. A controlling institution generates income by selling the land use rights.

Biodiversity offsets: Their potential role as an innovative financial mechanism – (Elen Lemaître-Curri, Ministry of Environment, France)

Biodiversity offsets are a mechanism to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function or people's use and cultural values associated with biodiversity. The primary goal of biodiversity offsets is to achieve no net loss. It is an application of the polluter-pays principle, and should complement rather than replace public funding, especially when applying to protected species and protected areas. It should be a local measure (near the impact), which can be integrated into a national, regional or local planning (like SEA). Co-benefits with other schemes exist with possibility to design integrated landscape level plans involving offsets (cf. mitigation banking), REDD and other financial mechanisms.

Biodiversity offsets in England – Georgina Cashmore (DfiD)

England's policy design of biodiversity offsetting states that *"Where a planning decision would result in significant harm to biodiversity and geological interests which cannot be prevented or adequately mitigated against, appropriate compensation measures should be sought. If that significant harm cannot be prevented, adequately mitigated against, or compensated for, then planning permission should be refused."* This policy can create bigger, higher quality areas for wildlife, simplify the process of managing the impacts of development on biodiversity and better reflect the importance of biodiversity and the costs of losing it.

Ecological Fiscal Transfers: The Portuguese case – Rui Santos (CENSE)

Municipalities with high percentages of classified areas (protected areas + Natura 2000) bear a proportionally higher cost for biodiversity conservation. The Ecological fiscal transfers can have significant benefits for some municipalities in which the amount of land granted conservation status constitutes a large part of their overall territory. EFT has the potential to combine conservation policies with poverty alleviation objectives, it is feasible, potentially transparent and accountable if information access is guaranteed and has relatively low transaction costs. However, it is not a very strong incentive - current fiscal transfers still do not seem to compensate for the opportunity costs in some municipalities, but the effectiveness of the scheme could be improved.

Biodiversity-positive markets – Francis Vorhies (Earthmind)

CBD COP 9 Decision Goal 4 is "to explore opportunities... such as markets for green products, business-biodiversity partnerships and new forms of charity..." Green products refer to ecosystem goods, such as natural products and nature-based products, which are provided on a sustainable basis. Business-biodiversity partnerships support the establishment of national and regional business and biodiversity initiatives. New forms of charity can be based on the private sector exploiting in some ways the natural resources, "paying their rent for living on the planet".

Green Development Initiative – John van Himbergen (Ministry of Infrastructure and the Environment, the Netherlands)

In support of implementing the CBD, the Green Development Initiative aims to increase financial resources significantly by engaging the private sector through a business-focused, politically-supported voluntary approach at an international level. The GDI proposes to certify land use management on biodiversity and development outcome with commitments or credits that can be bought in order to reward or compensate land users for their activities leading to sustainable use or conservation of biodiversity. The GDI is not proposing to sell land or land rights.

Biodiversity in Climate Change Funding - Katia Karousakis (OECD)

Substantial opportunities exist to harness synergies between biodiversity and ecosystem service co-benefits in funding for climate change, both mitigation and adaptation. This is

especially significant in the light of climate change being the main driver of biodiversity loss (pressure projected to increase to 2050). There are large opportunities to harness biodiversity co-benefits specifically in REDD-plus at local, regional and international level and in adaptation. Climate funding can aid cost-effective targeting of carbon and biodiversity benefits. However, not only forest but other areas should also be considered in order to avoid the risk of loss various types of ecosystem services.

Synergies between Climate and Biodiversity Financing instruments – Axel Benemann (BMU - Federal Ministry of the Environment, Nature Conservation and Nuclear Safety)

With the International Climate Initiative (ICI) the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety (BMU) established in 2008 an innovative instrument for financing climate protection projects in developing and newly industrialising countries including projects for the conservation of biodiversity with relevance for climate change mitigation and adaptation. The Federal Environment Ministry is using an innovative source of funding by using part of the revenues generated from auctioning emission trading allowances (within the European Emissions Trading System ETS). According to the scheme the resources are used both within Germany but also in other (developing) countries. This new form of environmental cooperation complements the German Government's existing development cooperation.

Biodiversity in international development finance - Maria Schultz (SwedBio)

ODA may not be considered as an IFM. Mainstreaming of biodiversity and ecosystem services in ODA is important though. ODA can provide seed money for IFM. IFM can provide tools under ODA. IFM is one source to meet requirements for new and additional financial resources. Making distinctions between sources (public or private) and mechanisms for delivery are important. There is a potential to learn from ODA e.g. regarding transparency, efficiency, ownership, participatory approaches, rights issues and understanding of tenure and user rights, socio-cultural understanding, importance of gender issues in development, and sustainability. Safeguards need to be developed, including developing structures for compliance, such as inspection panels or ombudsman structures, and compliance measures as complaints procedure and monitoring, reporting and verification of the adherence to the safeguards. There is need for capacity building of developing country local government, Indigenous and Local Communities and Civil society.

Summary of the questions discussed

Question 1: Does the IFM directly or indirectly contribute to the protection of biodiversity & ecosystem services?

Payment for Ecosystem Services (PES)

It is necessary to have a clear understanding of PES to debate the pros and cons of the mechanism. According to a definition proposed by an AFD study, PES is an economic instrument, where a voluntary ecosystem service Provider or Producer is being paid to implement sustainable practices allowing the long-term provision of ES. It is essential to make distinctions between the various PES schemes to enable a more thorough discussion.

Through the long-term provision of ES, PES can influence directly land use and thus, it can have positive impacts on biodiversity and habitats. Nonetheless, the currently various forms of PES show that the primary focus is on ecosystem services rather than biodiversity per se. Consequently, to ensure that PES contributes to biodiversity protection safeguards might be needed. Biodiversity criteria, targets or guidelines, should be reflected in the strategic planning's objectives, timing, scaling, scope and geographical level.

Market for green products

The contribution to biodiversity protection of this specific mechanism can address some of the drivers, however its potential is difficult to assess.

Biodiversity offset mechanism

This fiscal mechanism can be applied on local level (maybe on national level), but its application at international level is controversial. A clear mitigation hierarchy is needed so that offsets are only considered after all possibilities of prevention and mitigation are exploited. Safeguards are needed in terms of a regulatory framework for the mitigation hierarchy, and baselines need to be defined for the development of the credit market. Lessons learned from the CDM can be useful in this context.

Environmental fiscal reform

There is a huge potential in EFR through reorienting harmful subsidies to the relevant sectors to benefit biodiversity (Council Conclusions 2010). For this, on the other hand, political will is necessary, as these issues will rely on strong negotiations within the government and with the stakeholders, who currently benefit from a fiscal system causing biodiversity loss.

Biodiversity in climate change funding

Biodiversity in climate change funding can have huge potential, especially if all types of ecosystems (marine, peat lands, wetlands, grasslands, etc.) are included in the funding (not only REDD+). It needs to be proactively looking for win-win solutions and it also needs adequate Monitoring Reporting and Verification (MRV). However, since biodiversity is not the primary aim of these schemes; safeguards are needed to guarantee that biodiversity will effectively be taken into account in the projects.

Biodiversity in international development finance

It would be beneficial to develop a framework, which defines the sources, mechanisms of transfer and use of payments, and includes safeguards.

Question 2: Environmental integrity and need for safeguards

- Would the implementation of the IFM require impact assessment?
- Could it have negative secondary effects on the environment either locally or elsewhere? Is there a need for safeguards and if so, which ones?
- Does it respect the non-use intrinsic values of biodiversity, especially “existence and option values”?

Payment for Ecosystem Services (PES)

Safeguards are needed to make sure that practices implemented through PES will really guarantee biodiversity preservation. Clear criteria and clear actions paying attention to biodiversity have to be designed, and implemented. When PES are implemented at a large scale, biodiversity objectives should not be diluted among many others. It has to be ensured that the environmental intermediaries are qualified regarding biodiversity, as they are the ones who will design the practices to be implemented. Raising awareness of the producers about biodiversity challenges is necessary. Building capacities have to be part of the PES schemes. Prices have to be well-defined to make sure that ES providers will enter the system and respect the long-term contract.

It is easier to implement PES where the environmental pressures are low. It has to be ensured that PES focuses on areas where environmental challenges are relevant.

When the ES buying is voluntary and the PES is bilateral, attention has to be paid to the potential for « green washing » dynamics. When the buyers contributions are compulsory (public payments), it has to be ensured that the money is clearly applied to implement sustainable practices. Sanctions have to be clearly designed to prevent the provider from benefiting from the funds without achieving their commitments. Long-term partners are good intermediaries as they can build the necessary trust with the producers.

Market for green products

Impact assessments reflecting on social, economical and environmental issues may be needed, however, they should depend on the scale of the projects. Reporting and monitoring are both necessary. Safeguards, including cultural understanding (e.g.: Akwe-Kon Guidelines for the conduct of cultural, environmental and social impact assessments), tenure and uses rights, related to people livelihoods opportunities, are essential.

Biodiversity offsets

This mechanism, similarly to the others, needs impact assessment. Safeguards are needed to ensure that the mitigation steps are correctly implemented before considering actual offset activities. Mitigation activities will always contribute more to the preservation of biodiversity than offsets will, as it is extremely difficult to compensate something as complex as biodiversity. For this reason, biologists have to take part in the design of the activities. Besides, safeguards are also necessary, as there is a potential for negative secondary impacts on the diversity of ecosystems if regulation is not in place. This type of mechanism does take into account the non-use value of biodiversity.

Environmental fiscal reform

EFR would benefit from impact assessment as part of the normal legislative process. Negative environmental effects can occur and would be identified in the impact assessment. Reporting and monitoring are needed. There is a need to develop safeguards, principles and guidelines to ensure biodiversity values are fully taken into account.

Biodiversity in climate change funding

Impact Assessment is considered necessary, especially for the design of safeguards. Indirect land use change and additional drivers need to be taken into consideration. To find win-win solutions and sustainable instruments, safeguards are needed and potential 'piggybacking' needs to be avoided.

Questions 3: Potential to generate new funding

- At which level it is able to generate funding (global – regional - national – local)?
- Co-benefits to other schemes?
- Can the potential of the instrument regarding the generation and disbursement of revenues be measured?

Payment for Ecosystem Services (PES)

PES was agreed on having great potentials especially at local and national levels. Depending on the type of ecosystem services considered, it could also have potential at international level. Also, there could be co-benefits with other schemes. However PES transaction costs are often underestimated. An efficient PES will need intermediaries of good quality, which may increase transaction costs.

Co-financing of PES exists between countries (for instance, US supporting migrating bird species in a Bolivian watershed, which can be regarded as combination of national and international PES). PES can also rely on existing public funds (e.g., part of the Mexican budget), and can also create new sources, especially from the ES beneficiaries including water users, wood users, etc.

Biodiversity offset mechanisms

This financial mechanism has the greatest potential for application at the national (sub-national) level (e.g. could help developing countries form their own legislation for compensation). It may have limited potential at international level, but this is more controversial. It can be considered as bringing new funding when compared to „no-action“, as private actors have to fund the costs of offsets.

Environmental fiscal reforms

The potential of this mechanism is largely dependent on the type of mechanism (e.g. re-distribution of taxes could generate new funding on local, regional or national levels). Redirecting subsidies can have potential at a national and even maybe at a global scale.

Markets for green products

This form of mechanism has indeed high potential at national and global levels. However, when scaling up, consideration of the demand side's regulation and safeguards are needed.

Biodiversity in climate funding

Climate funding for biodiversity has high potentials for all levels, especially at the international level. However, there are potential limitations including poor indicators and the difficult separation between climate change and biodiversity spending (double-counting). Also, safeguards are necessary to ensure the direct contribution to biodiversity.

Biodiversity in development finance

Development financing in terms of biodiversity can have potential on all levels but it is dependent on the type of mechanism (e.g. greening ODA or new and innovative mechanisms).

Question 4: Economic efficiency

- Financial leakages? How much of the generated funding would be in effect used for biodiversity conservation?
- What are the transaction costs and risk for leakages?

According to the results of the discussion, PES, biodiversity offset mechanism and markets for green products can have positive effects on the behaviour of consumers and producers. The economic efficiency of PES schemes may vary, since the actual cost of the ES is hard to estimate. The environmental fiscal reforms' effects may also vary according to the specific mechanism we look at, whereas development funding was questioned in terms of whether it should be considered as a single mechanism at all.

The question was raised whether any of these mechanisms affect behaviour and have a direct positive impact on biodiversity, beyond the generation of finance 'double dividend'). This could be the case for example of PES, offsets and markets for green products.

Some **preliminary conclusions** can be drawn from the discussion:

- Most discussed IMFs have the potential to induce positive change in the behaviour of actors

- In some cases, exact mechanisms need examining in greater detail

Question 5: Stability of funding time

- Is the concept /tool able to generate **stable funding** over a continuous period of time?
- Is the mechanism **predictable in generating funding** over time?

Payment for Ecosystem Services (PES)

In terms of sustainability, there were some diverging views: In theory, PES can be regarded sustainable. Markets would need to be created and scaled up. Concerning PES' predictability, PES has great potential, but it is largely dependent on demand. If payments are voluntary it may result in quite unstable and unpredictable conditions, although it may still be environmentally and economically efficient. To achieve stability, trust funds can be a good solution. If payments come from compulsory contributions (mainly through state intervention), PES schemes could be more stable, but perhaps less efficient.

PES has been successfully implemented on local on national level.

Biodiversity offset mechanisms

The sustainability of this type of mechanism depends on the scale. Concerning predictability, offset has high potential on national level. Offset mechanisms have been implemented on local and on national level, as well. The feasibility of schemes at International level is more uncertain and controversial.

Environmental fiscal reforms

Sustainability, predictability and timing depend on the specific mechanism. For instance, environmental fiscal transaction has great sustainable potential if implemented. Its predictability obviously depends on the political will, where timing is also dependent on the political drive.

Additional factors may also influence the application of this mechanism. For instance, any kind of taxes affecting trade will be controversial with developing countries (e.g., taxing soya in EU will affect export in developing countries). Also, WTO and other major institutes may oppose such mechanisms. This needs to be discussed further, especially with the CBD.

Markets for green products

The sustainability of this mechanism in general was considered to have high potential. However, it needs to be considered, that markets are rather unpredictable, fluctuation of demand and price can occur. Therefore, predictability can also be questioned due to market mechanisms. It must also be noted, that creating demand for a product can of course increase its value, however, it could lead to "overexploitation", but also to the situation that local communities depending on the product (fruits, plants, etc.) can no longer have access to them due to the increased prices.

It can be argued that markets for green products will never vanish and may therefore be considered stable, but the scale of the market can vary, thus financial flows cannot be predicted. Examples of this mechanism are implemented on national and international levels.

Biodiversity in climate funding

Here, differentiation should be made between long- and short-term mechanisms. Climate change funding will continuously increase but the support for biodiversity will depend on the mechanism and its level of implementation. On a long run, this mechanism has high potential.

As it is dependent on another source, it cannot be regarded highly predictable, but since climate finance is a number one priority and will continue to flow, this source is rather stable. In the long-term, this mechanism has great potential however, short-term mechanisms are quite unclear. Greening climate finance has already been implemented.

Biodiversity in development funding:

Biodiversity in development funding needs to be defined more precisely. For instance, there is a need for the differentiation between “greening ODA” and to consider that as an IFM and other sources for international development funding, such as remittances co-financing, Financial Transaction Tax or turning harmful subsidies into funding green development.

Question 6: Governance and acceptability

- Is the mechanism transparent and accountable?
- What are the opportunities and challenges regarding technical, political and legal feasibility?
- Opportunities and challenges regarding capacity building?
- Opportunities and challenges regarding delivery, institutional framework and other governance issues?
- What are the social impacts of the mechanism?

Payment for Ecosystem Services (PES)

PES is defined to be implemented where the opportunity costs are not too high and where social groups are sometimes marginalized. Here, PES can constitute a good opportunity to offer new incomes to the poor, as they can be part of the ES « provider groups ». On the other hand, it has to be carefully taken into account that social and environmental criteria do not always overlap, and PES is designed to guarantee ES at the first place and not to reduce poverty. Using PES to reduce poverty will not be as efficient in terms of biodiversity protection as doing projects focused on this issue. Nonetheless, in some cases, PES can be a very good scheme to work on both issues.

Market for green products

In terms of transparency, the set criteria should be transparent along with the MRV standard. Regarding technical opportunities, transparency is needed, and the technical challenges should be addressed by clear criteria and MRV. Political challenges include acceptable criteria for parties, business and NGOs, whereas political opportunities involve developing sustainable markets and small holders, which can reach these markets. Legal feasibility may be needed. To use the example of the World Bank’s inspection Panel may be possible. Capacity building may have challenges to reach local communities, institutions, academia and governments. Opportunities may arise to reach the markets for local development, and set up sustainable local markets. Concerning governmental framework, learning from ODA and setting up an institutional framework for developing countries can be proved useful as well as learning by doing. Social impacts should be measured by MRV to analyse who receives the benefits. Simulation of local development, for instance, local sustainable markets may be beneficial.

Biodiversity offsetting

Transparency is a must, whereas the legal framework may need to be adapted. Capacity-building is needed (both institutional and individual) for local authorities and developers, however, this should be built in as an internal ‘mechanism’. Challenges from a political point of view include the resistance from the developers’ side, who may disagree with the higher costs. Furthermore, the willingness of decision makers may vary according to the various pressures from other lobbies and other sectors. Opportunities may occur in relation to the change of planning legislation and to show political leadership. Direct – negative - social impacts in developed countries may not be seen since there is a chance that the provider also includes the cost of offsetting in the price and society can accept the costs. In developing countries, social impacts could occur if offsetting schemes lead to increased prices.

Environmental fiscal reform

Transparency should be clearly defined by law, and national authorities should be normally accountable. EFR should be legally and technically feasible, but might suffer from a lack of political will. Different internal ministerial agendas can lead to inconsistencies and inefficient taxes, where the green taxes do not actually benefit biodiversity and ecosystems, but are nevertheless included in the overall budget. Fiscal reforms are specifics of national systems' and can impede this knowledge transfer.

Biodiversity in climate change funding (answers restricted to REDD+)

Mechanisms are transparent in theory. Challenges include the MRV, whereas the political challenge is related to landscape planning, as there is great demand for land, which raises the land tenure issue. If it is market based, sustainability and predictability remain questionable.

Technical opportunities include the promotion of SFM and various certification schemes (FSC, MSC). Capacity Building also remains a challenge especially regarding MRV, carbon accounting, institutional framework and SFM. In terms of framework and governance issues, REDD+ is theoretically adequate due to e.g. local participation and indigenous involvement, but still needs to be proved in practice. Social impact is in theory positive but like government issues, it needs to be demonstrated in practice.

In terms of social impacts, all financial mechanisms have various strengths, including being able to raise new funds, improve land use practices benefiting biodiversity and providing economic means for local communities. On the other hand, numerous weaknesses can be listed, as well: So-called "people buying" to an aim, which is not clear (paying people to obey the law), can be carried out as merely green washing, can also raise questions e.g. in relation to public goods, biodiversity can be a free rider objective, monitoring difficulties on land use practices (MRV), only local people may benefit and transaction costs can be high.

Challenges include education and awareness raising, raising new funds and implement concrete sustainable practices, raising political awareness at national and international levels on potentials, intensification of state's sovereign related functions (police, justice, land ownership, law enforcement) and long-term payment could be necessary.

Preliminary conclusion of the discussion

- The discussed mechanisms are so far mostly implemented at national level only, nonetheless, some of them arguably have significant potential to be employed at international level.
- However, this potential is largely dependent on design, safeguards and capacity building.
- Furthermore, the scaling up of some of the discussed IFMs for international level, e.g. offsets, might also be controversial.
- International framework for developed country finance to develop national level offset mechanisms in developing countries.
- Transaction costs cannot really be compared as it depends on design and implementation, and need to take total costs of achieving benefits into account
- Indeed, more in-depth discussions are needed for individual mechanisms rather than for the broad six categories.
- Financing mechanisms even within one category may vary according to
 - scale of implementation
 - concrete mechanisms
 - theory vs. practice
- Also, difficulty may arise to evaluate potentials if the mechanisms are dependent on a different source, such as in the case of climate and development finance. Therefore, they could be regarded as unpredictable in terms of their allocation towards biodiversity.

- Greening ODA cannot be regarded as IFM per se
- Further clarification is highly desired especially with regard to conservation finance in development finance:
 - Differentiation should be made between greening ODA and IFMs, such as taxes
 - The issue of mainstreaming biodiversity into ODA is an issue for resource mobilization but should NOT be discussed under innovative financing (Political minefield as it is crucial for trust building process)

Additional IFM options

During the discussion, further optional mechanisms were mentioned:

- **Access and Benefit Sharing** was mentioned as a potential innovative financial mechanism based on Articles 9 and 10 of the Nagoya Protocol.
- Goal and trade was additionally mentioned if protected areas and the target of 17% can be operational at an international level.
- “Cap and Trade” may be included in the Offset Mechanism – by defining first the potential impact (land conversion, etc.) and offset that.
- If they are considered, what is the political feasibility of these various instruments?

CONCLUSIONS

It can be concluded that financial mechanisms have great potential at various levels to benefit biodiversity. However, more detailed discussions and further refinements are needed to aid a more successful continuation.

Several definitions are unclear, and need to be clarified. At this stage, specific examples may be more useful than an exhaustive discussion of definitions, since the borderlines between categories are rather slim. Trust building processes for innovative financial mechanisms vs. traditional non-market based instruments (e.g. greening of ODA) could aid discussions. Different markets (green markets, commodities, which may not be linked to biodiversity at all, etc.) should be taken into account, as well. Additionally, besides the national level, a focus can also be placed on local communities. Furthermore, in the cases of markets, regulatory systems, safeguards and thus a proper design of the instrument is needed.

The way forward

Participants have expressed their appreciation of the meeting – it served as a good opportunity to start discussing the IFM – in light of COP 11. In this respect, it has been suggested by a number of participants that similar meetings, discussions should take place in the future. However, they might need to be focused on special aspects of the IFMs, such as safeguarding, monitoring, etc. or specific instruments.

For further progress in the international discussions, technical meetings and official meetings may be needed to get prepared for WGRI and eventually for COP11.

Planned CBD meetings at regional level and focus on various perspectives may be useful fora for these discussions. Some specific instruments need to be identified as trust builder at international level.

Also, it might be useful for businesses to be more, since analysis may be useful to detect open markets for biodiversity.

It has also been recognised, that while the EU has its own coordinating mechanisms it is very useful to have an open discussion and exchange of views with non-EU countries, (donor and recipient alike). On this regards it was suggested that perhaps PEBLDS (Pan-European Biological and Landscape Diversity Strategy) could serve as a pan-European platform for convening the meeting(s) – similar to the “Biodiversity in Europe” process. This proposal has been acknowledged, although it has been pointed out that while Switzerland would possibly be able to make financial resources available for follow-up meetings, the support of other countries would also be welcomed. It has been reiterated that while linking the further discussion to PEBLDS, it is the countries (parties) who should feel comfortable both with the process and with the outcomes.

Outreach and involvement of countries from other regions (developing countries) would be very useful in order to establish trust and mutual understanding.