

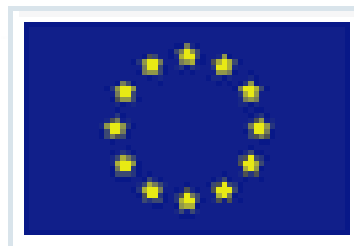
Closing finance gaps

Biodiversity Finance Mechanisms

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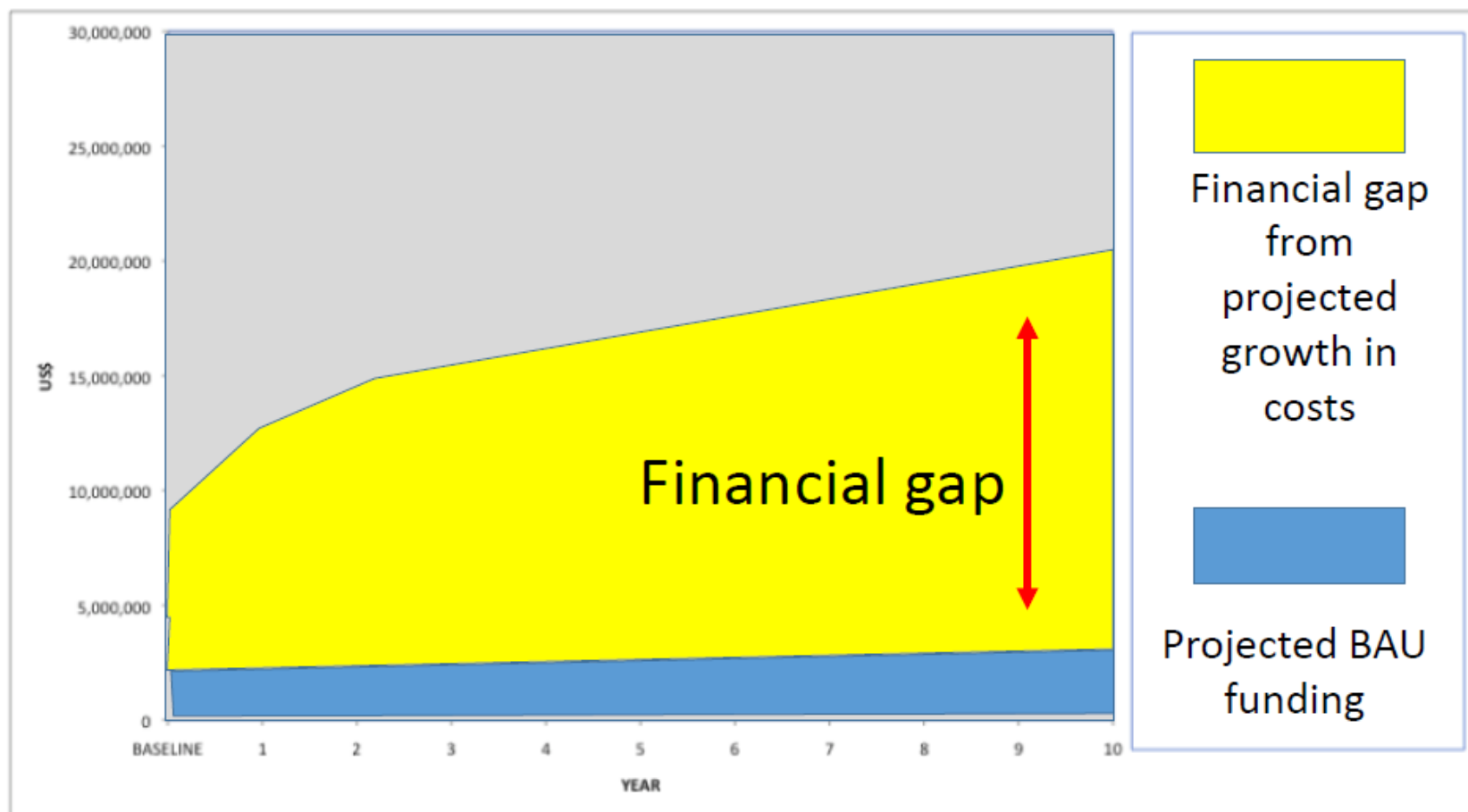
Caribbean workshop on sustainable finance and resource mobilization for biodiversity

Antigua and Barbuda, 18 – 21 May 2015



Closing the finance gap

Financial gap for PAs in Belize



Sources of finance

CBD Strategy for Resource Mobilization (IX/3; see XII/3 Annex IV):

- international financial flows from all sources (public and private)
- Biodiversity ‘co-benefits’ in climate financing
- Budgetary allocations for biodiversity and associated ecosystem functions/services in national and relevant sectoral budgets
 - *“Demonstrate that budgetary allocations for biological diversity and its associated ecosystem functions and services in national budgets are investments contributing to wider solutions to the challenges of food security, water management, disaster risk reduction, livelihoods, poverty reduction and inclusive economic growth, by integrating biodiversity outcomes in development programmes and projects.”*
(decision XI/4, annex IV)
- Environmental fiscal reforms including innovative taxation models and fiscal incentives; see also Aichi Target 3:
 - Eliminate, phase out, reform harmful incentives
 - Establish positive incentives

Sources of finance (cont.)

- Payment for ecosystem services schemes
- Enabling conditions for biodiversity offset or compensation mechanisms
- Biodiversity criteria in national procurement plans and policies, national strategies for sustainable consumption and production, and similar planning frameworks
- Eco-labelling
- domestic environmental funds

“urges Parties to consider undertaking, as appropriate, a review and assessment of existing legislation and policies governing biodiversity financing mechanisms, with a view to identifying opportunities for mainstreaming biodiversity and strengthening current policies and their complementary safeguards”

(decision XII/3, para 17)

Safeguards for financing mechanisms

Voluntary guidelines on safeguards (XII/3, Annex III)

- Both opportunities and risks need to be taken into account
- Safeguards to promote the positive effects and avoid or mitigate unintended negative effects on biodiversity and livelihoods
 - Recognize the role of biodiversity and ecosystem functions for local livelihoods and resilience, as well as biodiversity's intrinsic values
 - Carefully define the rights and responsibilities of actors and/or stakeholders in biodiversity financing mechanisms, with the effective participation of all actors concerned
 - Safeguards to be grounded in local circumstances, be developed consistent with relevant country-driven/specific processes as well as national legislation and priorities, and take into account relevant international agreements, declarations and guidance
 - Put in place appropriate and effective institutional frameworks, including enforcement and evaluation mechanisms that will ensure transparency and accountability

Addressing harmful incentives: milestones

Timeline	Milestone
2015	National target reflecting Aichi Biodiversity Target 3 and associated action items included in revised national biodiversity strategy and action plan (NBSAP)
2016	Policy or legislative action is being developed on incentives, including subsidies, already known to have harmful effects and already identified as candidates for elimination, phase-out or reform, in form of their elimination or initiation of their phase-out or their reform
2016	Finalization of national analytical studies that identify candidates for elimination, phase-out or reform of incentives, including subsidies, harmful for biodiversity, and that identify opportunities to promote the design and implementation of positive incentive measures
2018	Finalization of policy plans that (i) identify those harmful incentives that are candidates for elimination, phase-out, or reform; (ii) provide for a prioritized list of measures leading to their eventual elimination, phase-out, or reform; (iii) provide for a prioritized list of measures leading to the introduction, or strengthening, of positive incentives for the conservation and sustainable use of biodiversity; (iv) provide for associated timelines and milestones

Adopted by COP-12 (decision XII/3, para 21 and Annex I)

Harmful incentives: addressing obstacles

Possible responses to obstacles encountered in implementing incentive reforms:

- i. increase transparency
- ii. change the terms of the policy debate by challenging misconceptions
- iii. make heard the voices of those who are disadvantaged by the status quo
- iv. recognize that a range of options is available to meet societal objectives
- v. better target existing subsidies and improve subsidy design (including possible conditional subsidies), consistent and in harmony with the Convention and other relevant international obligations, taking into account national socio economic conditions
- vi. seize and create windows of opportunity (e.g., policy reforms, legal and international obligations)
- vii. accompanying or transitional measures.

(see decision XII/3 Annex IV, para 34)

Harmful incentives in the region

Importance of the issue recognized in several national reports...

“Financial instruments have not been employed to benefit the conservation of biodiversity. In many cases, they have contributed to the over-exploitation of these resources.” (emphasis added)

Trinidad and Tobago, 4th National Report (2010)

“It is (...) noteworthy, that although work on incentives and disincentives is seen as a priority issue; the associated strategy focuses solely on incentives. No work has been done on addressing perverse incentives. It is therefore likely that strategies such the policy on promoting integrated pest management being forwarded by the Ministry of Agriculture, might actually be undermined by other policies on provision of subsidies on fertilizers and pesticides. (...) (T)here is a definite need for more focused action on the creation of a ‘bag’ or ‘mix’ of incentives or disincentives during the next phase of NBSAP planning and implementation.” (emphases added)

St. Vincent and the Grenadines, 4th National Report (2010)

Harmful incentives in the region

...and some action taken

- Dominican Republic discontinued loans provided by the Agricultural Bank to encourage the cultivation of yams in a National Park
- St. Lucia discontinued subsidized sales of local timber
- (...)
- Inclusion of a national target, associated indicators, and actions to be taken in the Antigua and Barbuda NBSAP

PES: application in the region?

Private schemes:

- scheme funded by a company (e.g. Vittel)
- Applicability?

Public schemes

- E.g. Costa Rica PSA scheme
- Receipts from percentage share of fossil fuel tax (3.5%) and water levy

See CBD Technical Series no 56 (case studies and lessons learned on incentive measures)

<https://www.cbd.int/doc/publications/cbd-ts-56-en.pdf>

Offsets: application in the region?

'Private' offsets or compensation schemes

- See examples under <http://bbop.forest-trends.org/>

Public offsets: based on a legal requirement and an associated enabling environment

- Physical offsets vs compensation payments
 - E.g. FUNBIO Brazil
- Specific safeguards for offsets; for instance:
offset or compensation schemes to:
 - ensure that they respect the mitigation hierarchy
 - Ensure that they implement current levels of biodiversity protection in the planning system
 - Ensure that they are not used to undermine unique components of biodiversity

Criteria for selecting financing mechanisms

Financial considerations <ul style="list-style-type: none">• How much revenue will it generate?• How stable is the revenue?• What are the initial costs?	Legal considerations <ul style="list-style-type: none">• Is it legally feasible within the current system?• Does it require new legislation?• Is it possible to simply use an executive order?	Administrative <ul style="list-style-type: none">• How difficult will it be to administer, enforce, collect?• Are there enough trained staff?
Social considerations <ul style="list-style-type: none">• What will be social impacts?• Who will pay?• Will the mechanism be viewed as equitable?	Political considerations <ul style="list-style-type: none">• Is there political will?• Will the funds be redirected to the correct purpose?• Is monitoring possible?	Environmental <ul style="list-style-type: none">• What are environmental impacts involved in implementation?• Can safeguards be put in place?