



CONVENTION ON BIOLOGICAL DIVERSITY

Distr.
GENERAL

UNEP/CBD/COP/7/INF/13
17 December 2003

ENGLISH ONLY

CONFERENCE OF THE PARTIES TO THE
CONVENTION ON BIOLOGICAL DIVERSITY
Seventh meeting
Kuala Lumpur, 9-20 and 27 February 2004
Item 19.10 of the provisional agenda*

INCENTIVE MEASURES (ARTICLE 11)

Synthesis report on information on incentive measures received from Parties and organizations

Note by the Executive Secretary

I. INTRODUCTION

1. In its decision VI/15, on incentive measures, the Conference of the Parties encouraged Parties and relevant organizations to submit case studies, lessons learned and other relevant information on incentive measures, especially on positive and perverse incentives, to the Executive Secretary, and requested the Executive Secretary to continue compiling and disseminating the information on incentive measures received submitted by Parties and relevant organizations, through the clearing-house mechanism of the Convention and other means.

2. The present note provides an overview of the information on incentive measures, including on positive and perverse incentives, submitted by Parties and relevant organizations pursuant to this encouragement by the Conference of the Parties. Furthermore, section III of the note refers to additional information on perverse incentives compiled by the Executive Secretary in preparation for the second workshop on incentive measures under the Convention on Biological Diversity, held in Montreal in June 2003. The mandate of this workshop was to elaborate proposals for the application of ways and means to remove or mitigate perverse incentives as requested by the Conference of the Parties in decision VI/15. The report of the workshop was submitted to SBSTTA in UNEP/CBS/SBSTTA/9/INF/10.

3. Information on incentive measures that was submitted pursuant to earlier invitations of the Conference of the Parties and the Subsidiary Body for Scientific, Technical and Technological Advice is summarized in the following documents:

- UNEP/CBD/COP/6/12/Add.3,
- UNEP/CBD/SBSTTA/7/11,
- UNEP/CBD/COP/5/INF/14,

* UNEP/CBD/COP/7/1 and Corr.1.

- UNEP/CBD/COP/4/18,
- UNEP/CBD/COP/3/24, and
- UNEP/CBD/COP/3/INF/36.

4. This information is also available at the Convention's webpage, at www.biodiv.org.

II. INFORMATION ON INCENTIVE MEASURES RECEIVED FROM PARTIES AND ORGANIZATIONS

A. Information received from Parties

1. Submission by China

5. China submitted information on experiences and practices in incentive measures in China, structured under the following headings: development and revision of relevant laws; development and implementation of economic incentive measures; development of social, cultural and moral incentive measures in favour of biodiversity conservation; monitoring and examination of the implementation of incentive measures. The submission notes that, while some achievements have been made, more efforts need to be made. For instance, while some laws and policies have been evaluated and revised, a comprehensive evaluation of exiting laws and policies has so far not been initiated. A comprehensive scheme of incentive measures for conservation and sustainable use has so far not been developed. A plan for training and capacity building with regard to incentive measure has so far not prepared. China points to lack of capacity and professional skills as important impediments.

Development and revision of relevant laws

6. A number of national laws were revised between 1998 and 2002, in particular the *Forest Law*, the *Law on the Protection of Ocean Environment*, the *Law of Seeds*, the *Water Law* and the *Law of Rural Land Contracts*. In a number of cases, provisions were introduced that foresee the use of incentive measures. Under the revised *Forest Law*, a Compensation Fund was set up for Ecological Efficiency in Forests to develop, foster, protect and manage ecological protection forests for public welfare and forests for special purposes. The Law of Rural Land Contracts, approved in 2002, endows farmers with long-term and guaranteed rights of using rural lands, thus providing legal safeguards for protecting rural woodlands and grasslands.

Development and implementation of economic incentive measures

7. In 2001, China invested 1 billion RMB into the *Compensation Fund for Ecological Efficiency in Forests*, which enables the capturing of biodiversity values into market prices and the ecosystem services provided by forests acknowledged by society.

8. Under the programme “return farmlands to forests or grassland”, farmers who abandon farmlands are provided with in-kind as well as cash subsidies. Support to afforestation efforts is also provided. From 1999 to 2001, 18.67 million mu of farmlands has been returned into forests.

9. China developed a series of additional economic incentive measures and also abolished discriminative practices to encourage participation in conservation and sustainable use, including the grant of preferential taxation for income from activities for the conservation and sustainable use of biodiversity and of small grants for farmers participating in wetland protection and management of nature reserves.

Development of social, cultural and moral incentive measures in favour of biodiversity conservation

10. China attaches importance to social, cultural and moral incentive measures for conservation and sustainable use of biodiversity. Individuals or organizations that greatly contributed to biodiversity conservation, education, scientific research, management etc. will be publicly appraised by the media, awarded titles, promoted to senior positions or honored in social service with a certain reputation. For instance, individuals or organizations prominently contributing to biodiversity conservation are recommended to be candidates in Global Top 500 sponsored by UNEP.

Monitoring and examination of the implementation of incentive measures

11. China reported that, in addition to monitoring and enforcement actions with regard to the destruction of nature reserves and the illegal hunting and trading of protected wild animals, responsible sections have strengthened the supervision and inspection of the public investment on biodiversity conservation, preferential taxation and subsidies to ensure financial discipline, deter false claims and the prompt assignment of payments.

2. *Submission by Colombia*

12. Colombia submitted information on

(a) Analytical work on incentive measures carried out by the *ad hoc* group on incentive measures, summarized in the publication “*Incentivos para la Conservación y Uso Sostenible de la Biodiversidad*” published by the Alexander von Humboldt Institute in 2000;

(b) Valuation studies carried out in Colombia;

(c) A number of ongoing case studies on the use of incentive measures;

(d) Information on Forestry Incentives Certificates (Certificados de incentivos forestal);

(e) Additional information relating to available tax deductions generating incentives for conservation and sustainable use of biodiversity.

Ad hoc group on incentive measures

13. An ad hoc working group on incentive measures was formed by representatives of the National Department for Planning (Departamento Nacional de Planeación), WWF, Red de Reservas Naturales de la Sociedad Civil, Alexander von Humboldt Institute, Unidad Administrativa Especial del Sistema de Parques Nacionales Naturales). The group, in collaboration with various experts and stakeholders, developed technical proposals for the design and implementation of incentive measures. This work is summarized in the publication “*Incentivos para la Conservación y Uso Sostenible de la Biodiversidad*” published by the Alexander von Humboldt Institute in 2000. In addition, the group has developed a programme for capacity building on economic valuation and the use of policy instruments, including incentive measures, for the conservation and sustainable use of biodiversity.

Valuation studies

14. Recent work on the valuation of environmental services includes studies that use conjoint analyses. Some advantages of conjoint analysis over other valuation techniques are briefly described in the submission. A first study using this technique, on arborization, was prepared in 1998 in cooperation with the Chamber of Commerce of Bogotá and the University of Massachusetts (*Valoración de los servicios ambientales de un programa de arborización en el Parque Simón Bolívar*). A second study, under publication, addressed the valuation of local common pool resources in different regions and

ecosystems. This study was carried out by the Alexander von Humboldt Institute in cooperation with the University of Massachusetts. Both studies showed that shadow prices for biodiversity services are significantly positive.

15. Colombia also referred to a study on the comparative valuation of biodiversity in different rural production and extraction systems, prepared in 1998 by the Alexander von Humboldt Institute in cooperation with the University of Pontificia Javeriana (*Valoracion comparada de la biodiversidad utilizada en cuatro sistemas de produccion y extraccion colombianos rurales contrastantes*). This study used techniques of integrated assessment.

Case studies on incentive measures

16. In addition, Colombia pointed to a number of case studies on incentive measures currently under preparation by the Alexander von Humboldt Institute:

(a) Economic and institutional analysis of the design and implementation of incentives for collective management in the Chaina valley;

(b) Design and implementation of tradable harvesting quota for turtles, in different regions;

(c) Analysis of the economic and institutional feasibility of tax rebates as incentives for private conservation efforts;

(d) Development of a regulatory framework for incentive systems for ecological farming systems (ECOS).

Forestry incentive certificates

17. Colombia also gave extensive information on the legal framework for forestry incentives certificates (*Certificados de incentivos forestal*). Under this programme created in 1994, forest owners that undertake reforestation with protective character can receive a partial reimbursement of reforestation costs (75 % of costs for local species, 50 % for introduced species).

Information on tax rebates

18. Colombia also provided legal information on available tax rebates that relate to environmental objectives. Expenditures for scientific research are income tax-deductible. In addition, monitoring and control equipment for environment purposes are exempt from the general sales tax.

3. Submission by the Democratic Republic of Congo

19. The Democratic Republic of Congo provided information on the new *Forest Law* and its use of incentive measures. The law distinguishes forest for productive use and for conservation. Local communities are given the prerogative to exploit local forests that are designated for productive use according to the development needs. Moreover, the distribution of revenues emanating from forest taxes was also reformed, to include local communities as well as forestry agencies.

20. The submission notes that the public bodies responsible for the management of conservation forests suffer from a lack of funds, and that relations with adjacent communities in the past were also bad. To improve this situation, the new law introduced the option of conservation concessions. Under this option, individuals or companies would be allowed to manage conservation forests under the proviso that they abide by the relevant environment regulations, and that they provide technical guarantees pertaining to conservation, tourism and hunting objectives.

21. In addition, the Democratic Republic of Congo plans to introduce preferential taxation for forest products that take differentials in shipment exploitation costs into consideration.

4. *Submission by the Islamic Republic of Iran*

22. The Islamic Republic of Iran informed that it awards a number of prizes in order to encourage public sectors in the conservation of biodiversity. They include: the annual *National Environment Prize*, the Annual *Green Industry Prize* and the annual *Award of International Environment Exhibition*.

5. *Submission by Lebanon*

23. Lebanon informed that its *Code of Environment*, promulgated in 2002, foresees the use of incentive measures such as tax exemptions or reductions for all actors or actions that reduce impacts on biodiversity and natural resources or that aim at their protection. Implementation of these provisions is under way. In addition, the Code also endorses the polluter pays principle, proceeds under which will go into a fund that would finance, *inter alia*, activities aiming at the conservation of biodiversity.

24. In addition, a project is under preparation by the Ministry of the Environment that aims at the conservation of biodiversity through the promotion of ecotourism. The project will include the elaboration of incentive measures as well as the mitigation of perverse incentives.

5. *Submission by Morocco*

25. Morocco said that several incentive measures are proposed in its *National Biodiversity Strategy and Action Plan*, related to: income-generating projects for local populations; redirecting private sector activities to non-timber forest resources; participative approaches; and institutional measures. In particular, fiscal incentive measures are foreseen in order to address the overuse of natural resources; pollution; detrimental urban and tourism activities; and activities that may impact on ecosystems, species or genetic diversity.

6. *Submission by Namibia*

26. Namibia referred to a number of pertinent case studies, analyses and reports emanating in particular from the Directorate of Environmental Affairs (DEA) and some of its institutional partners, available at <http://www.dea.met.gov.na>. These documents contain useful information on the role of incentive measures, in particular, on the role of land use rights, the role of tourism markets and on the use of incentives in wildlife management. A selection of relevant recent documents is given below.

- Long, S.A. 2002. *Disentangling Benefits. Livelihoods, Natural Resource Management Revenue from Tourism: The experience of the Torra Conservancy*. DEA Research Discussion Paper 53.
- Humavindu M.N.(2002). *Economic without market: Policy inferences from natural-based tourism studies in Namibia*. DEA Research Discussion Paper 47.
The study documents policy inferences from valuation studies carried out on nature-based tourism in Namibia. It is argued that significant resource rents do exist, which could be captured by improving pricing policies. A combination of methods is suggested, including user fees, indirect taxation schemes and environmental voluntary funds.
- Barnes, J.A., J. MacGregor and L.C. Weaver (2001): *Economic analysis of community wildlife use initiatives in Namibia*. DEA Research Discussion Paper 42.
The study analyses five community wildlife conservation and utilization initiatives, called conservancies, by means of a cost-benefit analysis. The conservancies were found to be economically efficient and able to contribute positively to national income and

the development process. Tourism is the primary income generator; other consumptive wildlife uses are less important, but serve to spread risk. Flexibility and adaptability are shown to be key factors in ensuring effective rural development and conservation in Namibian conservancies.

- McGann, J.A. 2000. *The Environmental Investment Fund*. DEA Research Discussion Paper 38.

Establishment of the Environment Investment Fund was envisaged in the First National development Plan and approved by the Namibian government in 1995. The report identifies some of the developments that have taken place since then. It highlights some of the proposals made during the consultative phase and examines experiences with other environment funds around the world.

- Krug, W., Haimbodi, N. and Suich H. 2001. *Pricing protected areas in Africa: is Namibia's park pricing policy efficient?* DEA Research Discussion Paper No. 45.

The paper introduces park managers and policy makers to the economics of park pricing and explains how park managers can maximize revenue from tourism for biodiversity conservation. The paper argues that when setting prices, a number of issues must be considered – economic efficiency, social equity and environment capacity. A revenue maximizing strategy would require pricing differentiation on the basis of visitors' country of origin as well as between different parks. Non-economic considerations must include the carrying capacity of a park, the social carrying capacity of surrounding communities as well as ensuring that the location is not so crowded with tourists so as to reduce visitor satisfaction.

- Lange, G-M. 1997. *An approach to sustainable water management using natural resource accounts: the use of water, the economic value of water, and implications for policy*. DEA Research Discussion Paper 18.

- Ashley, C, Barnes, J, Brown, C & Jones, B. 1997. *Using resource economics for natural resource management: Namibia's experience*. DEA Research Discussion Paper 16.

- Ashley, C. 1996. *Incentives affecting biodiversity conservation and sustainable use: the case of land use options in Namibia*. DEA Research Discussion Paper 13.

The report discusses a number of incentives governing land use options (agriculture, wildlife uses) as well subsequent measures taken by the Namibian government in order to modify and improve these incentives through, in particular, increasing the benefits of local wildlife to local residents and through increasing the costs of rangeland use to livestock owners.

- Ashley, C & Barnes, JI. 1996. *Wildlife use for economic gain: the potential for wildlife to contribute to development in Namibia*. DEA Research Discussion Paper 12.

This paper outlines the current and potential contribution of Namibia's wildlife resources and highlights some of the steps that must be taken if this development potential is to be realized. The paper argues that highly tangible use values are needed for communal land residents within appropriate property rights, and calls for the development of community rights, the support of conservancies and local enterprises, seek to develop wildlife as a complement to agriculture, including the minimization of tradeoffs, and make sure that wildlife use rights include non-consumptive as well as consumptive uses.

7. Submission by Oman

27. Oman has established a programme that offers cash compensation for damages to domesticated livestock by wildlife.

28. Another programme offers free distribution of seeds and transplants to individuals and government agencies.

29. In addition, Oman offers a number of environmental prizes to individuals, government and non-government organization as well as industrial establishments and companies, such as the *Sultan Quaboos Prize for Environment Conservation* (presented by UNESCO to individuals, governmental and non-governmental organizations), and the *Sultan Quaboos Prize* for industrial establishments, companies and individuals.

8. *Submission by Peru*

30. Peru provided information on the work of its technical group on incentive measures that was established in 2001 by presidential decree. Two documents prepared by this group were submitted:

- *Informe de Análisis de Causas Subyacentes de Pérdida de Diversidad Biológica;*
- *Actuales Incentivos Económicos en los Diversos Sectores.*

31. The first document analyses the underlying causes of biodiversity loss in Peru. The report discusses the relationship between poverty and biodiversity degradation and also points to market failures (absence of property rights and open access to natural resources; externalities; perception failures; absence or deficiencies of markets, irreversibilities). In addition, under the heading policy failures, the report also points to a number of perverse incentives emanating from national policies, through the non-internalization of (external) costs and through subsidies.

32. The second document notes that the use of economic incentive measures for conservation and sustainable use of biodiversity in Peru is in early stages, as the environment regulation in the relevant sectors analyzed mostly relies on command-and-control type of instruments. The report indicates, however, that the Forest Code of Peru envisages activities on the detection and elimination of perverse incentives for the conservation and sustainable use of forests, and on the option to support voluntary, independent certification schemes for forest products by giving rebates on relevant fees.

9. *Submission by Poland*

33. Poland submitted a case study on the *Polish experience relating to the implementation of economic incentive measures to promote the conservation and sustainable use of biodiversity in the Biebrza Valley, with special attention to the Biebrza National Park*. This study was prepared for and summarized in the OECD 1999 Handbook on Incentive Measures for Biodiversity: Design and Implementation. It has also been summarized in document UNEP/CBD/COP/5/INF/14.

B. *Information from organizations*

1 IUCN–The World Conservation Union

34. IUCN provided a list of selected pages and documents on incentive measures for the conservation and sustainable use of biological diversity, available at <http://biodiversityeconomics.org/index.htm>. Moreover, it referred to two studies that provide information on market creation for conservation and sustainable of biodiversity:

- Landell-Mills, N. and I.T. Porras. 2002: *Silver bullet or fools' gold? A global review of markets for forest environmental services and their impact on the poor*. International Institute for Environment and Development: London.

This study provides a global assessment of efforts to create markets for a range of environmental services, based on a review of more than 280 separate examples, mainly

drawn from the developing world, including 72 different payment schemes for biodiversity conservation.

- Pagiola, S., Bishop, J. and N. Landell-Mills (eds.) 2002. *Selling Forest Environmental Services: Market-based Mechanisms for Conservation and Development*. Earthscan: London.

This report includes four detailed case studies of efforts to create incentives for biodiversity conservation through market creation, as well as examples of markets for watershed protection and carbon sequestration.

35. According to IUCN, the experience described in the two reports suggests some initial lessons with respect to the design of effective, efficient and equitable incentives for biodiversity conservation. They include:

- *One size does not fit all* – no single market mechanism is appropriate for all situations;
- *Identify the benefits being provided clearly*: In order to sustain the interest of consumers, suppliers will need to move beyond generic ‘ethical’, ‘fair trade’ or ‘eco’ labels. The challenge is to define and distinguish the particular environmental (and social) benefits on offer;
- *Understand the links between ecosystems and services*: What kind of ecosystem management is most effective in conserving biodiversity and where should it be located? Are there trade-offs between conserving biodiversity and securing other environmental benefits? Without answers to such questions, market-based mechanisms are unlikely to be sustainable;
- *Begin from the demand side, not the supply side*. Beginning from the supply side risks developing enterprises that supply the wrong goods and services, in the wrong places, or at prices that buyers are unwilling to pay;
- *Monitor effectiveness*: rigorous and transparent monitoring is essential to enable buyers to be sure they are getting what they want, and to inform suppliers of problems before they become insurmountable, while avoiding excessive monitoring requirements that can discourage potential suppliers without necessarily providing more reassurance to buyers;
- *Design flexible business models*. Markets for environmental benefits must be sufficiently flexible to respond to changing demand and supply conditions, new technologies and increasing competition.
- *Ensure that the poor can participate*. Realizing the potential of markets for green and ethical goods and services to provide additional sources of income to rural land users often requires that particular efforts be made to ensure that the poor are not excluded.
- *Secure property rights*: special efforts may be needed to clarify property rights and to allocate them appropriately, to ensure that relatively deprived groups are not excluded;
- *Support co-operative institutions*. Co-operative institutions can help the poor to pool their limited resources and get better deals through collective bargaining.
- *Identify products that the poor can sell*. When developing markets for ‘green’ or ‘ethical’ goods and services, extra care should be taken to ensure that new production processes fit the lifestyles of poorer households.
- *Provide access to start-up finance*. New markets often require an up-front investment from new participants. This can be a major barrier for poorer households. Financial support, through direct subsidies or technical assistance, may be necessary to allow them to participate.

2. *Organisation for Economic Development and Co-operation (OECD)*

36. OECD provided information on its ongoing work on perverse incentives. OECD has established an *Ad Hoc* Group on Sustainable Development to, among other tasks, “identify how obstacles to policy reforms, in particular to the better use of market-based instruments and to the reduction of environmentally harmful subsidies, can be overcome, and deepen its analytical work on these instruments”. Work on environmentally perverse subsidies is carried out by the OECD Council, as well as its committees and subsidiary bodies. This work focuses on the following sectors: agriculture, energy, fisheries, manufacturing industries and services, shipbuilding, steel, transport, water and cross-cutting areas of work.

37. In November 2002, the OECD held a Workshop on Environmentally Harmful Subsidies, whose purpose was to develop further understanding of the methodologies used in subsidy measurement, identify information and analytical gaps standing in the way of progress and define a further work on environmentally harmful subsidies. A report of the workshop is available at <http://www1.oecd.org/agr/ehsw/index.htm>. Various measurement concepts and definitions of subsidies were reviewed. Common elements in subsidy measurements are needed to increase transparency and improve comparison over time and between sectors. The Workshop recognized that, in order to determine whether subsidies are harmful for the environment (or their removal is beneficial), the economic characteristics of the sector in question and the regulatory/management framework in place to protect the environment/resource need to be taken into consideration. Beyond empirical and analytical issues, the Workshop also considered proposals on how to identify the need for policy action to remove environmentally perverse subsidies.

38. The process is continued by an OECD Technical Expert Meeting on Environmental Harmful Subsidies, held on 3-4 November 2003.

39. In addition, OECD submitted a document entitled “*Perverse Incentives in Biodiversity Loss.*” A preliminary draft of this document was also circulated to participants of the second CBD workshop on incentive measures in June 2003, which elaborated proposals for the application of ways and means to remove or mitigate perverse incentives, further to decision VI/15 of the Conference of the Parties. The final document was also made available to the ninth meeting of the Subsidiary Body for Scientific, Technical and Technological Advice as information document UNEP/CBD/SBSTTA/9/INF/34.

40. The study outlines where (and, when possible, *how*) subsidies and incentive measures impact on biodiversity, by focusing on specific sectors such as agriculture, energy, transportation, fisheries, forests. The study points out that, while there is little doubt that many subsidies and other policies did not consider biodiversity impacts when they were first introduced, a systematic appraisal of policies is nonetheless important to avoid undesirable consequences. Policy changes often require some analytical underpinning in order to ensure that the changes will always cause a net gain.

41. Against this background, the study also discusses options for the removal of perverse incentives. It noted that some effort needs to be made to distinguish between incentive measures that are unambiguously harmful and those that provide some benefit. While many subsidies are harmful to both environment and economy, the positive effects cited in some studies call for a careful consideration. Moreover, in many cases it may be possible to substitute a biodiversity-harmful subsidy for one that achieves the same social objective without the harm.

42. The study noted that reforming biodiversity-harmful incentives, however, requires effort to ensure that outcomes maximize social benefits. The complexity of interactions in the economy, however, calls for the use of numerical tools that are capable of illustrating the wide range of repercussions of policy initiatives. Moreover, given the fact that often the full impacts of incentive measures are not

known at the time of implementation, an occasional review is imperative to ensure that the unforeseen costs to biodiversity become internalized into the public policy discussion.

43. The OECD also submitted a publication entitled “*Harnessing Markets for Biodiversity. Towards Conservation and Sustainable Use.*” This study provides an extensive analysis on how markets can be harnessed to generate (indirect) incentives to conserve biological diversity and to foster its sustainable use. It provides a conceptual framework for policy-makers, potential investors, non-governmental organizations and practitioners in the identification and use of markets for biodiversity products and services that can promote the conservation and sustainable use. The publication is illustrated with examples of successful market creation in organic agriculture, sustainable forestry, non-timber forest products, genetic resources and eco-tourism. It also discusses some of the main policy issues that arise in the market creation process, such as the role of financial mechanisms and community involvement.

3. *United Nations Division for Ocean Affairs and the Law of the Sea*

44. The United Nations Division for Ocean Affairs and the Law of the Sea indicated that the *United Nations Convention of the Law of the Sea* does not specifically address the issue on incentive measures. However, the *Agreement for the Implementation of the Provisions of the United Nations Convention of the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling fish Stocks and Highly Migratory Fish Stocks* contains a number of articles providing incentives to apply the conservation and management measures adopted in the implementation of its provisions, as well as to encourage States, in particular developing States, to become members of the agreement itself.

45. In particular, Article 8 establishes that only those States which are members or participants of an organization or an arrangement established to ensure conservation and management of the stocks under the Agreement, or which agree to apply the conservation and management measures established by such an organization or arrangement, shall have access to the fishery resources to which those measures apply.

46. Moreover, Article 17 establishes that fishing entities from non-members of organizations and non-participants of arrangements shall enjoy benefits from participation in the fishery commensurate with their commitment to comply with conservation and management measures in respect of the stocks. Members of organization and participants in arrangements shall take measures consistent with the Agreement and international law to deter activities of such vessels which undermine the effectiveness of subregional or regional conservation and management measures.

4. *United Nations Environment Programme (UNEP)*

47. UNEP submitted two documents, available online at www.unep.ch/etu:

(a) *Opportunities, Prospects and Challenges for the Use of Economic Instruments in Environment Policy Making*;

(b) *The Role of Economic Instruments in the Context of Biodiversity-related Multilateral Environmental Agreements.*

48. The first document provides guidance to policy makers and practitioners in national environment, finance and sectoral ministries on how to identify opportunities for the use of economic instruments and on how to design and implement them. It provides a checklist or template on how to use existing information given the specific political and institutional circumstances of governments. Even while the document does not exclusively focus on biodiversity, it will eventually provide useful guidance to Parties and governments on how to design and implement incentive measures for the conservation and sustainable use of biodiversity.

49. The second document discusses paper discusses the use of economic instruments in the context of three biodiversity-related multilateral environmental agreements—the Convention on Biological Diversity, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Ramsar Convention on Wetlands. It provides a definition of the term *economic instrument* as juxtaposed against the terms *economic incentives* or *incentive measures*, and explores synergies between the conventions and suggests some thematic areas where the use of economic instruments can be explored in more detail. In particular, it explores the following questions:

(a) What are the main types of economic instruments available to national policy-makers when seeking to protect biodiversity?

(b) What is the role of economic instruments in implementing biodiversity-related multilateral environmental agreements, such as the CBD, CITES and Ramsar?

(c) What do each of these multilateral environmental agreements say about economic instruments or incentives, and which of their obligations can national policy-makers implement using economic instruments?

(d) What are the main thematic areas where economic instruments can be used by national policy-makers to increase synergies among these multilateral environmental agreements, and achieve their objectives in a coordinated manner?

(e) What are the fundamental conditions – such as the accurate valuation of biodiversity, involvement of local communities or access to capacity building – for the effective introduction of economic instruments?

(f) Looking forward, what are the prospects for further enhancing synergies among biodiversity-related multilateral environmental agreements – at the national and international levels – in the area of economic instruments?

50. The paper is addressed to an audience of policy makers and interested stakeholders. Specifically, it recognizes the role of developing country officials and citizens as custodians of a large proportion of the world's biological diversity, as well as the special challenges they face, and so seeks to address their particular issues and concerns. Practical examples and case studies are therefore drawn primarily (but not exclusively) from developing countries. To the extent possible in a general discussion paper of this kind, the analysis acknowledges that distinct institutional, socio-economic and cultural framework conditions exist in different countries and contexts, and that these conditions have to be taken into account when designing and implementing economic instruments. At the same time, it recognizes that there are valuable lessons that can be learned by examining the use of economic instruments in different settings, and thinking proactively about how to improve their use.

5. *World Intellectual Property Organization*

51. The World Intellectual Property Organization submitted a number of documents that touch upon the role of intellectual property rights as incentive measures for the conservation and sustainable use of biodiversity.

III. **ADDITIONAL INFORMATION ON PERVERSE INCENTIVES COMPILED BY THE EXECUTIVE SECRETARY**

52. At its sixth meeting, the Conference of the Parties of the Convention on Biological Diversity requested “the Executive Secretary, in collaboration with relevant international organizations, to elaborate proposals for the application of ways and means to remove or mitigate perverse incentives, for

consideration by the Subsidiary Body for Scientific, Technical and Technological Advice at a meeting prior to the seventh meeting of the Conference of the Parties” (decision VI/15, paragraph 7).

53. Further to that request, the Executive Secretary convened a workshop in June 2003 to elaborate the proposals for the application of ways and means to remove or mitigate perverse incentives as requested by the Conference of the Parties, with support of the government of the Netherlands. Given the limited amount of information on perverse incentives submitted by Parties and organizations, the Secretariat undertook additional research when preparing the background documentation for this workshop. The gathered information is reflected in the following two documents.

(a) The note by the Executive Secretary on elaboration of proposals for the application of ways and means to remove or mitigate perverse incentives (UNEP/CBD/WS-Incentives/2/2), which reviews important conceptual distinctions and definitions of perverse incentives, summarizes key lessons of the sectoral analyses provided in the accompanying information document (UNEP/CBD/WS-Incentives/2/INF/1), and provides information on contributions and international processes that concentrate on the identification of strategies for the removal and mitigation of perverse incentives;

(b) The accompanying information document (UNEP/CBD/WS-Incentives/2/INF/1), on perverse incentives in selected economic sectors, which provides additional information and a more extensive analysis on perverse incentives in selected economic sectors, with a view to extracting general conclusions for the elaboration of proposals for the application of ways and means to remove or mitigate such perverse incentives. The economic sectors considered in the note were selected with a view to providing practical examples for both relevant types of policies and practices that generate perverse incentives, that is, for environmentally harmful government subsidies as well as for laws or customary practices governing resource use. It focuses on those sectors that gained special prominence in international discussions and processes.

54. Specifically, the note addresses the role of perverse subsidies in the fisheries and agriculture sectors, as well as the role of laws and customary practices generating perverse incentives for the conservation and sustainable use of biodiversity in the forest sector. Each section provides a short review of the discussion and identifies key lessons for the development of proposals for the application of ways and means to remove or mitigate the perverse incentives for the conservation and sustainable use of biological diversity.
