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### CONFERENCE OF THE PARTIES TO THE CONVENTION ON BIOLOGICAL DIVERSITY

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Item 3.5 of the provisional agenda\*

#### IN-DEPTH REVIEW OF THE PROGRAMME OF WORK ON INCENTIVE MEASURES

##### *Summary of views, experiences and options provided by Parties*

*Note by the Executive Secretary*

#### I. INTRODUCTION

1. In paragraph 1 of decision VIII/26, the Conference of the Parties decided to “initiate a structured, transparent and inclusive preparatory process for the in-depth review of work on incentive measures with a view to identify, for consideration by the Conference of the Parties at its ninth meeting, the further outcomes that would be required from a revised programme of work on incentive mechanisms to meet obligations under the Convention and the requirements of Parties, and possible options for a future programme of work.”

2. In paragraph 2 of decision VIII/26, the Conference of the Parties requested the Executive Secretary to, *inter alia*:

(a) Prepare a brief overview of the decisions of the Conference of the Parties related to incentive measures including references to analytical documents and draft recommendations prepared for consideration by the Conference of the Parties and its subsidiary bodies;

(b) Prepare a synthesis report of information provided by Parties in the third national reports;

and to transmit this information to Parties, other Governments, relevant international organizations and stakeholders with a view to assisting them in the preparation of submissions as invited in paragraph 3 of the decision.

3. In paragraph 3 of the decision, the Conference of the Parties invited Parties, other Governments, international organizations and stakeholders to communicate to the Executive Secretary their experiences in the implementation of the programme of work on incentive measures contained in decisions V/15, VI/15 and VII/18 and provide views on elements such as:

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(a) Lessons learned and key challenges in implementing the existing programme of work, based on practical examples and case-studies from national implementation, where available, including whether the measures initiated or adopted by Parties have maintained or improved the conservation and sustainable use of components of biodiversity;

(b) Options to address the challenges identified;

(c) Priorities for a future programme of work, including requirements for effective national implementation, including financial and institutional support and capacity-building;

(d) Key gaps in the work to date, and gaps and obstacles in the existing programme of work that are impeding its implementation at the national level;

(e) Interface with other international initiatives and instruments in this area;

(f) Linkages to other programmes of work under the Convention.”

4. In paragraph 4 of the decision, the Conference of the Parties requested the Executive Secretary:

(a) To update the synthesis report of the third national reports referred to in paragraph 2 of the decision;

(b) To compile and provide a summary of the above-mentioned views and experiences, including a summary of the options provided by Parties,

and to make them available for consideration by the Conference of the Parties at its ninth meeting.

5. The Executive Secretary prepared the requested documentation and made it available to Parties, other Governments as well as relevant international organizations and stakeholders. An invitation for submissions was transmitted to Parties, other Governments, relevant international organizations and stakeholders by notifications 2007-032 and 2007-33 on 13 March 2007, with reminders being sent on 9 November 2007 (notifications 2007-139 and 2007-140). The Executive Secretary subsequently received submissions from the following Parties: Argentina, the European Community and its member States (including also, as an annex, pertinent information from the Czech Republic, Finland, Slovenia, and Sweden), India, and Oman. Submissions were also received from the following organizations and stakeholders: the Commonwealth Scientific and Industrial Research Organization (CSIRO), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the DIVERSITAS EcoSERVICES Core Project, the Food and Agriculture Organization of the United Nations (FAO), the Organisation for Economic Co-operation and Development (OECD), the Global Forest Coalition, and the United Nations Environment Programme (UNEP).

6. Section II of the present note provides the summary of views on, and experiences in, the implementation of the programme of work provided by the aforementioned Parties. Section III provides a summary of options for a future programme of work identified by Parties. Section IV briefly reports on progress made in implementing other elements of decisions VIII/25 and VIII/26, in particular the requests to the Executive Secretary contained therein.

7. A summary of the submissions received from the international organizations and stakeholders listed above is provided in document UNEP/CBD/COP/9/12/Add.2. The compilation of all submissions is available as an information document (UNEP/CBD/COP/9/INF/8). The updated synthesis report of third national reports is provided in document UNEP/CBD/COP/9/12/Add.1. Terms of reference for a study on how monitoring can support the implementation of valuation tools and positive incentive

measures, as requested by paragraph 10 (d) of decision VIII/25, are provided in document UNEP/CBD/COP/9/INF/9.

## **II. SUMMARY OF EXPERIENCES IN, AND VIEWS ON, THE IMPLEMENTATION OF THE PROGRAMME OF WORK ON INCENTIVE MEASURES**

### **A. *Argentina***

8. Argentina expressed the view that the work on incentive measures should be put on a new basis, starting with parameters which are clear and widely accepted by Parties. The necessary criteria to determine how incentive measures affect biodiversity remain the subject of substantial multilateral debate. The absence of mechanisms for consensus on, and monitoring of, incentive measures carries the risk that measures will be implemented under objectives which differ from, and sometimes run counter to, those related to the conservation of biodiversity.

9. It would be important to consider the issues currently under negotiation at the Committee on Trade and Environment of the World Trade Organization (WTO), in particular under paragraph 31 (i) of the Doha Ministerial Declaration, on the applicability of WTO rules among Parties to multilateral environmental agreements.

10. Paragraph 32 of the Doha Declaration highlighted an issue which would be of relevance to the current debate in the Convention on Biological Diversity, namely, the effect of environmental measures on market access, and those situations in which the elimination or reduction of restrictions and trade distortions can benefit trade, environment and development. It would be imperative that measures of this kind, which are part of MEAs, do not act as subsidies that damage the development of third countries, or as disguised barriers to trade and development. For developing countries, it would be essential that these environmental measures, in practice, do not act as barriers to access the market in the developed countries.

11. Argentina noted that, under the Convention on Biological Diversity, market access has not been widely discussed as one of the most important positive incentives for the protection of biodiversity. The commitment to pursue environmental objectives and to address at the same time developmental concerns would necessarily imply addressing issues of access and trade liberalization. This point would be important, because the subsidization of agricultural production in key countries and their high tariffs on certain products are causing damage to the biodiversity in developing countries, as they are forced to focus on those few products that can enter the markets of developed countries. Countries would need to be allowed to improve their trade capacity in those sectors where they have comparative advantages under natural conditions.

12. In this regard, the guidelines issued under the Convention on Biological Diversity should encourage that, in the appropriate forums, the existing imbalances in agricultural markets that have negative impacts on biodiversity be corrected. An analysis should be made of how the reduction and/or elimination of tariffs and the removal of non-tariff barriers may act as a positive incentive for biodiversity.

#### *1. Perverse incentives*

13. Argentina expressed the view that not enough emphasis has been given to date to the issue of perverse incentives for the conservation of biodiversity. The future work on incentives should begin by developing guidelines to urge members to eliminate perverse incentives that destroy biodiversity, while avoiding controversial aspects that were treated in the past.

14. Perverse incentives in agriculture, fisheries and forestry would sustain the intensive exploitation of natural resources and are a major cause for biodiversity decline. They would include those subsidies that prevent a better agricultural production, as well as guaranteed prices or export subsidies, which cause increased production of certain products over others. The implementation of incentive measures cannot be seriously considered without first eliminating the effects of incentives that encourage the destruction of biodiversity.

## *2. Positive incentive measures*

15. Argentina underlined that the proposals on positive incentive measures should take into account the obligations under other international agreements. Noting the relationship between positive incentives and the disciplines on subsidies in the WTO framework would not mean that positive incentives could not be granted, as the WTO Agreement on Agriculture would support such measures provided that some conditions are met. Such provisions should also be incorporated into the criteria for positive incentive measures. The use of trade-distorting incentive measures would encourage overproduction, which would be against the objectives both of WTO and the Convention on Biological Diversity. In this context, Argentina did not understand the reluctance of some delegations to incorporate references to applicable international obligations, including those from WTO. Such references, far from weakening conservation objectives, would ensure that such incentive measures will have a positive impact and not be influenced by the need to maintain subsidies that may otherwise be dismantled. They would also take into consideration the basic legal principle of international law, according to which the provisions of an agreement should not mean the breach of other legal obligations.

### ***B. European Community and its member States***

#### *1. Lessons learned and key challenges, and options to address these challenges*

16. The European Community and its member States referred to relevant information already provided in a submission in 2004 <sup>1/</sup> and in their third national reports, <sup>2/</sup> as well as their contribution to an OECD-analysis of the use of economic instruments for biodiversity. <sup>3/</sup> Further information and observations from several member States of the European Community were also provided in the submission and are summarized below.

#### ***Czech Republic***

17. The Czech Republic uses both positive and negative incentive measures for the protection of nature and landscape. Positive incentive measures include financial subsidies, grants, and loans on water protection, air protection, nature and landscape conservation, utilization of natural resources, waste management, technologies and renewable energy sources, while negative incentive measures include entry fees for cars in national parks and logging charges. Moreover, a number of instruments provide compensation for losses associated with nature and landscape conservation: financial compensation for losses resulting from the establishment of protected areas or from other conservation policies restricting agriculture and forestry, as well as compensation for damages resulting from protected wildlife. Since the Czech Republic's accession to the European Union, the range of programmes with measures for nature and landscape conservation has widened considerably, mainly under the Common Agricultural Policy. The State Environmental Fund of the Czech Republic is the key public financial instrument providing positive incentives, with funds coming from pollution charges and fines for non-compliance with environmental law. Work on valuation and on analysing adverse impacts of public subsidies on the environment, was also undertaken.

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<sup>1/</sup> See UNEP/CBD/SBSTTA/11/INF/15.

<sup>2/</sup> See UNEP/CBD/COP/9/12/Add.2.

<sup>3/</sup> See. UNEP/CBD/COP/9/12/Add.1.

18. Experience with the River System Restoration Programme, a national subsidy programme for inland waters restoration measures, indicated the need to complement investment programmes with non-investment programmes. Most financial resources under this programme were used to build sewage systems and waste water treatment plants. These measures were subsequently complemented with the Landscape Management Programme, with the purpose to implement landscape protection measures, as well as measures in protected areas.

### *Finland*

19. Economic instruments for biodiversity have already been applied in Finland, but so far to a limited extent only. However, their application is becoming increasingly important in various sectors, and there is a clear need for more work. A study undertaken by the Ministry of the Environment in 2006 identified concrete options and recommendations for applying economic incentives and measures to promote the conservation and sustainable use of biodiversity in Finland, related to research, the creation of markets, direct incentives, policy instruments, administration and infrastructure, as well the role of biodiversity in the economy and related business opportunities. The National Action Plan 2006-2016 established the principle of sectoral responsibility for the conservation, management and sustainable use of biodiversity. Biodiversity considerations have been incorporated into relevant laws and will also be incorporated into strategic sectoral planning.

20. Financial subsidies for biodiversity preservation are already provided in agriculture and forestry. An example is the provision of compensation for damage caused to reindeer husbandry by golden eagles, based on the number of nests producing eagle fledglings. Under the METSO forest biodiversity programme for southern Finland, new tools are tested which are based on the voluntary participation of landowners, such as natural values trading, competitive tendering, nature management areas and cooperation networks. An assessment of the METSO programme was undertaken in 2006, with the following key results:

(a) Coordinating the management of protected areas and commercially managed forests is crucial for attaining the objectives;

(b) Voluntary means are vital. Favourable attitudes thereon need to be maintained and further encouraged among relevant stakeholders;

(c) Increasing the areas of forest under protection and controls over the use of commercially managed forests will likely not have significant negative economic impacts overall, with repercussions mainly affecting forest industries but not significantly affecting forest owners;

(d) Public funds must be sustainably available, mainly for land acquisition and compensation payments. Voluntary conservation means are evidently the most cost-effective option, at least in the short-term future.

21. Widespread practical application of voluntary conservation instruments and the development of forest conservation incentives are an essential condition for promoting nature conservation in future decades. New agricultural, rural development and agri-environmental financing instruments for biodiversity purposes need to be applied. There is also scope for improving the role of economic incentives in species conservation.

### *Slovenia*

22. Lessons learned by Slovenia relate to the implementation of common European Union policies at the national level that include, in accordance with the European Union regulations, the use of incentive measures. Both the volume of incentive payments and the number of incentive measures substantially increased under the rural development pillar of the Common Agricultural Policy and the nature

conservation measures of the LIFE funding. Positive results, in form of reversed trends of biodiversity loss, have been subsequently noted at several sites of outstanding importance for biodiversity conservation.

23. An assessment of representative existing incentives, review of case-studies, and identification of new opportunities for incentives, as foreseen in the Convention's programme of work on incentive measures, was undertaken in preparation of the new Rural Development Programme, starting in 2007. Positive measures have been even more diversified and cross compliance implemented, with enhanced mainstreaming of biodiversity. Funds available for positive incentives have been more than doubled. A system for targeted dissemination of information has also been put in place.

24. In addition, Slovenia has national incentives measures in place, in form of a public advisory institution for the implementation of mandatory forest management plans, as well as financial incentives for conservation and sustainable use of forest biodiversity. Assessments of the public functions of forests are carried out, which include the assessment of biodiversity values. An analysis of Natura 2000 forest sites has shown an outstanding state of biodiversity in Slovenian forests as a result of these measures.

25. Key challenges on the national level relate to all priorities of the current programme of work on incentive measures as adopted by decision V/15. As regards the implementation of the Common Agricultural Policy, key challenges on the global level arise from the increased demand for food, bioenergy, biomass, and biofuels. Responses to these challenges will substantially affect the assessment of representative existing incentives, the assessment of the values of biodiversity, and the development of methods to promote information on biodiversity in consumer decisions.

### **Sweden**

26. Monetary positive incentive measures have been used to a limited extent in the forestry sector, while monetary positive incentives in agriculture, due to the Common Agriculture Policy, are more prominent. Sector integration and sector responsibility are important measures for mitigating perverse incentives. Moreover, the Swedish Government currently works on the simplification of regulations in general with the purpose to decrease the administrative burden for business. The consequences for perverse incentives with regard to biodiversity remain to be evaluated, but simplification may potentially contribute to a more transparent system which makes it easier to identify and mitigate or remove perverse incentives.

#### *2. Key gaps in the work to date, and gaps and obstacles in the existing programme of work that are impeding its implementation at the national level*

27. The European Community notes that there have been major difficulties in implementing parts of the programme of work in particular in developing general international guidance on the introduction of positive incentive measures and on the removal of perverse incentives. The European Union continues to see value in work on positive and perverse incentives, and is of the opinion that voluntary guidelines under the Convention on Biological Diversity thereon should be finalized. Further relevant information could be retrieved from third national reports.

#### *3. Interface with other international initiatives and instruments in this area*

28. The European Community and its member States noted that other international institutions and initiatives undertake relevant work on biodiversity-related incentive measures, including the Food and Agriculture Organization of the United Nations (FAO), the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and IUCN.

#### 4. *Linkages to other programmes of work under the Convention*

29. The European Community and its member States note that incentive measures are a cross-cutting issue. They are related to the implementation of all of the Convention's thematic programmes and also to some of the other cross-cutting issues such as access and benefit-sharing, invasive alien species, impact assessments, sustainable use etc.

### **C. India**

#### *1. Experiences in the implementation of incentive measures*

30. India reported on major initiatives undertaken in a number of areas: (i) joint forest management; (ii) eco-development committees in protected areas; (iii) access and benefit-sharing regime; (iv) plant breeders and farmers rights, and (v) social recognition and awards.

#### ***Joint Forest Management (JFM)***

31. The National Forest and Environment Policy made a shift in forest management from near exclusion of people from use of forest resources to protect forest through the people, by recognizing the customary rights and privileges of forest dwelling communities, by involving them in protection, afforestation, and the development of degraded areas, and by sharing of benefits. By 31 January 2008, 106,479 joint forest management committees managed 22.02 million hectares of forest area involving 21.99 million people. They have in most cases full rights over all non-timber forest products, and receive, in most states, a share of the receipts from nationalized minor forest produce and from timber.

#### ***Protected areas***

32. The Wildlife Protection Act envisages the participation of the local population in the protection of protected areas, and a recent amendment provides for the creation of community reserves in which the management and ownership will vest with the locals. In a few instances, forest department officials play a proactive role in enlisting the support of the locals in conservation efforts. In the India Eco Development Project, viable innovative livelihood alternatives were developed with a view to reducing the negative impact of local people, in particular through eco-tourism activities. Visitor fees are collected for the provisions of amenities and services such as guarded tours. However, rights granted to the local population under the Wildlife Protection Act are limited.

#### ***Access to genetic resources and traditional knowledge and benefit -sharing***

33. The Biological Diversity Act of 2002 and the Biological Diversity Rules of 2004 provide the legal framework for the access to biological resources and traditional knowledge, and for the sharing of benefits arising out of their utilization. At present the formula for benefit sharing shall be determined on a case-by-case basis, which introduce arbitrariness and uncertainty and subsequently result in longer time and higher transaction costs for negotiations. In the future, specific applications will apply for research and commercial purposes, for intellectual property rights, for collaborative research, for transfer of research results, and for third party transfer, and transparent benefit sharing guidelines will help reducing information asymmetries between suppliers and users of biological resources and traditional knowledge, lower the transaction costs and hence increase the access rates.

#### ***Plant breeders' and farmers' rights***

34. Recent legislation protects plant breeders' rights over their new varieties, the entitlement of farmers to register new varieties, and also to save, breed, use, exchange or sell plant varieties which they developed, inherited and maintained over generations.

*Other initiatives*

35. The Government has instituted a number of awards for social recognition of environmental stewardships. Some corporate firms and NGOs are involved in conservation and related activities. India has undertaken capacity building activities in taxonomy, built a traditional knowledge digital library, and helped in establishing Honey Bee Network to protect and encourage the customary use of biological resources.

*2. Lessons learned and key challenges*

36. India's experiments with joint forestry management and the management of protected areas provide several valuable lessons.

(a) The choice of an appropriate unit and scale are necessary for successful implementation of joint forestry management and eco-development committee functions;

(b) Clear, secure and enforceable rights are necessary to motivate the local people to undertake conservation and sustainable-use decisions;

(c) Local people need to play an important role at the planning stage;

(d) The possibilities for poverty alleviation through the development of income generation opportunities are not fully exploited. This observation also applies to protected area cases where access restrictions for local people can be justified;

(e) There is need for synergy among different programmes.

37. Recent reviews of the joint forest management programme noted, *inter alia*: poor level of participation of women; weak legal and organizational framework; ambiguous legal status of joint forestry management committees; a lack of synergy with other programmes; and a lack of adequate resources for conservation and regeneration. Another challenge is that the programme is still largely viewed as a government programme with expectations for continuous funding. Attaining the sustainability of the joint forestry management committees, for instance in form of "village development funds", requires further development of economic activities and livelihood opportunities, for instance through value addition and market development.

38. The greatest challenge is how to integrate, as far as possible, all the three objectives of the Convention on Biological Diversity, as well as the livelihood concerns of the stakeholders in natural resource management.

*3. Options to address the challenges*

39. India has the scientific and technical capability to address the identified challenges, but has limited expertise in the design of incentive based institutional mechanisms to achieve the three objectives of the Convention on Biological Diversity. According to India, there would be a need of political will and administrative reorientation. Local plans for land use, natural resource and inventories management would need to be developed which take local ecosystem conditions into account, involve the private sector, and foresee the generation of local revenues. More resources would be needed for investment in the conservation and sustainable use of the natural resources, and for creating incentive-based institutional structures for ecosystem management.

#### 4. *Interface with other international initiatives and instruments in this area*

40. India notes that the conservation and sustainable use of biodiversity yield certain benefits which accrue to all countries, such as carbon sequestration, the incommensurable values in forests and protected areas, and the conservation of flora and fauna and genetic information. National efforts alone would not be adequate to ensure globally optimal levels of conservation, because the full costs are borne by the individual nation but it reaps only part of the benefits. An international financial mechanism would be necessary to pay part of the conservation costs in megabiodiverse countries.

41. Global warming is likely to have an adverse effect on biodiversity. Conversely, biodiversity loss undermines efforts to mitigate, and adapt to, climate change. Partial financial support from GEF or other global financial mechanisms is needed on relevant activities. Apart from ecotourism, global support, based on the principle of common but differentiated responsibilities according to the respective capabilities of States, is also needed to support wildlife conservation.

42. The mandatory inclusion of country of origin/source, prior informed consent of competent national authority, and access and benefit-sharing provisions in applications for patents based on biological resources and traditional knowledge, as well as the introduction of an international certificate of origin/source regime to trace movement of the resource, as advocated by India and other Like-minded Megabiodiverse Countries, will lead to significant reductions in biopiracy, lower transaction costs of implementing the access and benefit-sharing regime and increased income flows to the providers of the resources and the knowledge.

43. Access to environmentally friendly biotechnologies on favourable terms, and assistance in capacity-building in megabiodiverse countries, will promote collaborative research and the development of biotechnology-based industries in these countries under multi-stakeholder partnership arrangements.

#### **D. *Oman***

44. Oman applies some limited biodiversity-related incentive measures. The Sultan Qaboos Prize for Environmental Preservation is granted to the most excellent environmental research. Other awards are given to individuals who provide critical information for successful implementation of species conservation programmes, and compensation payments are provided for wildlife-related damages.

### **III. SUMMARY OF OPTIONS FOR A FUTURE PROGRAMME OF WORK PROVIDED BY PARTIES**

#### **A. *Argentina***

45. Argentina expressed the belief that only on the basis of a comprehensive and balanced approach is it possible to make an effective contribution to the sustainable use of biodiversity. Clear and voluntary provisions should be developed for the implementation of incentive measures which would be compatible with the rules of international law. In particular, guidelines should be developed which encourage the removal of the harmful effects on biodiversity caused by perverse incentives and by restrictions to market access.

46. Future work should be structured along the following criteria:

(a) Annual studies and analyses could be undertaken on the impacts of positive and perverse incentive policies, with a view to eliminate the latter and ensure that positive incentive measures do not have negative effects on markets or biodiversity;

- (b) Proposals must be realistic, clearly defined and voluntary;
- (c) The various proposals should properly refer the obligations of Contracting Parties in other international agreements, including trade agreements;
- (d) In order to provide proposals with greater coherence and balance, the document that provides the basis for discussion should address in the same text measures/policies on positive incentives and negative incentives.

### ***B. European Community and its member States***

47. According to the European Community and its member States, the overall priorities of the programme of work on incentive measures continue to be relevant, in particular with regard to the development of positive incentive measures for the conservation and sustainable use of biological diversity. The implementation of the programme of work would present a “moving target”, because, in increasingly open markets, national incentive structures are affected by changes at the global level.
48. The continuing relevance of the current programme of work would also be confirmed when checking against its expected results as spelled out in paragraph two of decision V/15, with some progress being made in some but not all areas.
49. Issues requiring greater attention in the view of the European Union are assessments of the value(s) of biodiversity and the development and more widespread implementation of tools to inform consumers about the biodiversity-impacts of their decisions. Methods for assessing the cost-effectiveness of different measures could be helpful in the design of systems of incentive measures. Support for such evaluation could be an element of the programme.
50. In order to further sectoral mainstreaming, more attention should also be paid in the programme of work to the concept of ecosystem goods and services, their valuation, their integration into the market prices and the creation of new markets. Ecosystem goods and services are fundamental to the business case for biodiversity. Closely linked to valuation of biodiversity are efforts to put a price upon and commercialise ecosystem services associated with biodiversity. With such efforts becoming more common, there is a need to investigate their potential as well as fall-backs.
51. The need to better inform consumers and citizens about biodiversity impacts of their decisions also points to the important role of communication, information and advice as well as to participatory approaches in the management of biodiversity. Incentives such as certification schemes are relevant examples in this regard.
52. Conscious of the political sensitivity to some Parties, the European Union also sees value in continuing work particularly on positive and perverse incentives. Voluntary guidelines under the Convention on Biological Diversity should be finalized, drawing from experiences already analysed and synthesized by OECD. An alternative strategy for working on positive and perverse incentives could be practical workshops on the mitigation and removal of perverse incentives for public servants involved in the design and implementation of incentive measures.
53. Assuring that measures to mitigate or adapt to climate change do not create perverse incentives for biodiversity is a potentially important focus of work. This would also link to the component in the programme of work on activities related to incentive measures in other international organizations or agreements.

54. In the future, more emphasis should be put on the implementation of the programme of work, benefitting from case studies and other practical experience on its implementation as well as enhanced sharing of information on lessons learned, best practices and difficulties encountered.

### **C. India**

55. In India's view, top priority must be given to the design and implementation of incentive measures, and considerable work is required to further develop the legal, scientific, technical, and institutional framework for their successful implementation. Institutional arrangements need to lower the social cost of achieving the given goals or/and result in the highest social welfare.

56. Specific measures would include to:

#### ***Public awareness***

- Undertake public awareness campaigns on the social scarcity values of critical environmental goods, and on the subsequent need for policy action, whether in form of regulation, markets or self-imposed use restrictions;

#### ***Property rights and market development***

- Assign clear, well defined, secure, and enforceable property rights to environmental resources, including further exploration of options such as community property, together with the further development of rules/norms based on customary practice, as well as rights for certain uses, or user rights without ownership rights, depending on the social context.
- Improve market access for non-timber forest resources and strengthen the link between their management and Joint Forestry Management. In particular, address supply chain inefficiencies and information asymmetries, and improve access to quality seeds, for medicinal plants, which constitute a major share of the livelihood means of forest dwellers, and which have a huge export potential.
- Introduce an obligation for biodiversity offsets in approved areas.

#### ***Market-based instruments***

- Introduce market-based instruments such as taxes, cesses, or subsidies when the goods and services are traded or tradable.
- Introduce environmental considerations into existing tax and subsidy frameworks, for instance by introducing tax exemptions for certified organic products.
- Undertake additional government interventions when market are thin or hampered by information asymmetries, in the form of providing access to market information, lowering transaction costs, or fixation of fair prices.

#### ***Positive incentive measures***

- Draw up contractual arrangements with corporate actors or non-governmental organizations which provide long-term leases, income tax exemptions or tax rebates on the excise/sales tax in return for the successful execution of sustainable management plans. Contracts could be awarded on the basis of competitive bidding, in order to introduce transparency and cost-effectiveness. Contingency clauses would permit adaptive management.

- Provide positive incentive measures to local/tribal populations such as: (i) environmental management training; (ii) access to environmentally friendly processing and recycling technologies on concessional terms, (ii) guaranteed long-term share in produce in order to generate incentives for long-term investments and sustainable use.
- Establish non-market institutional arrangement for local public goods (such as hydrological services, regulating local climate, and soil conservation), to negotiate payments by the users/beneficiaries to the providers/suppliers of the services.
- Establish global institutional mechanism for global public goods like carbon sequestration, genetic information, existence values, and incommensurable values, for sharing of the costs of conservation.

#### *Disincentives (negative incentive measures)*

- Shift from heavy reliance on criminal law to more flexible civil law, including by tailoring penalties for non-compliance to the extent of violations.
- Ensure that penalties are higher than the gains from illegal activities, such as the poaching of wild animals, use of mangroves as fuels, cause damage to coral reefs, soil mining, and felling trees.
- Revise and gradually increase prices or fees for environmental resources like drinking water, irrigation water, electricity for pump sets, and certain environmental amenities, with a view of attaining full-cost pricing, and concessional tariffs targeted to the poor;
- Regulate tourism traffic in areas of high ecotourism potential, by way of differentiated entrance fees for viewing wild life in specified areas, sacred groves and other aesthetic amenities. Fees could be used for the provision of basic sanitation and other facilities, and for remunerating local tourist guides.
- Collect access and lease charges for mining or other industrial activities undertaken in forests, and use revenues for forest conservation.

#### **IV. PROGRESS MADE IN IMPLEMENTING OTHER ELEMENTS OF DECISIONS VIII/25 AND VIII/26**

57. In paragraph 2 (c) of decision VIII/26, the Conference of the Parties requested the Executive Secretary to facilitate access to the information provided through the electronic database and the toolkit on incentive measures. Further to this request, and in the context of the revision of the Convention website, its homepage (<http://www.cbd.int>) provides now direct access to the database, and the pages on trade, economics and incentive measures, providing the toolkit on incentives measures, were completely restructured. The new website was re-launched on the occasion of the International Day for Biological Diversity on 22 May 2007. An electronic user manual for the database on incentive measures was drafted and made available on the database page.

58. In paragraph 10 of decision VIII/25, on the application of tools for valuation of biodiversity and biodiversity resources and functions, the Conference of the Parties requested the Executive Secretary to: (a) continue the compilation of information on valuation methods and to disseminate this information through the clearing-house mechanism of the Convention and other means including the CBD Technical Series; (b) explore with relevant organizations options for cooperative activities that strengthen existing information systems on valuation methodologies and existing cases for the purpose of the Convention, (c) explore options for the design and application of flexible and reliable innovative assessment and

valuation tools; and (d) prepare terms of reference for a study on how monitoring can support the implementation of valuation tools and positive incentive measures.

59. Further to paragraph 10 (a), the Executive Secretary continued the compilation of pertinent information and its dissemination through the clearing-house mechanism. The Executive Secretary published, as CBD Technical Series No. 28, an exploration of tools and methodologies for valuation of biodiversity and biodiversity resources and functions, which includes summaries of thirteen valuation studies applying a range of valuation tools and covering different ecosystems around the globe. This document was launched at the third meeting of the Ad Hoc Open-ended Working Group on Liability and Redress in the Context of the Cartagena Protocol on Biosafety, held from 19 to 23 February 2007. Specific guidance on valuing the benefits derived from wetlands ecosystem services was prepared in cooperation with the Secretariat of the Ramsar Convention on Wetlands, and published as Ramsar Technical Report No. 3 and as CBD Technical Series No. 27.

60. Further to paragraph 10 (b), the Environment Valuation Reference Inventory (EVRI) was recognized as being the most relevant initiative, because it operates the largest and most globally oriented information system of environmental valuation studies - with a total of approximately 2,000 valuation studies originating from all regions. The EVRI is operated and funded by the EVRI Club, an informal association of Australia, Canada, France, the United Kingdom, and the United States of America, with an annual budget of approximately Can\$ 100,000. Canada is currently chairing the EVRI club. Access to the database is currently free of charge and limited to all individuals and institutions residing in member countries of the EVRI Club. With a view to ensure financial sustainability of the initiative, annual access fees are determined yearly based on number of countries that have joined (now at Can\$ 20,000). The EVRI webpage and database is hosted by Environment Canada ([www.evri.ca](http://www.evri.ca)).

61. A letter of the Executive Secretary conveying the invitation expressed by the Conference of the Parties to the chair of the EVRI Club was considered at the annual meeting of the board of EVRI Club members in June 2006, and it was decided that the chair would arrange for further exploration and discussion. In the informal consultations that were subsequently held, it was noted that further populating of the database remains a major focus of EVRI's work and that there is interest to enhance the coverage of valuation studies from developing countries (currently 10% of the inventory). EVRI also has an interest in enhancing the coverage of studies that relate to biodiversity and/or critical habitat, and ecosystem services. The following options were tentatively identified:

(a) On case-by-case basis, flexible arrangements could be made whereby temporary access to the database is granted in exchange for in-kind contributions by selected non-members institutions and individuals, in particular in form of identifying and capturing new valuation studies, in accordance with the quality standards developed under EVRI;

(b) Regular membership through active participation in cost sharing (e.g. joining the EVRI Club) would distribute total cost on more shoulders and would leverage free access for all individuals and institutions residing in these countries. In the case of multilateral bodies joining (for instance, the CBD), the EVRI Club remains open for negotiating tailored win-win arrangements, such as for instance access to the database for developing countries and countries with economies in transition which are members of this multilateral body.

62. Further to paragraph 10 (c), the Executive Secretary established cooperation with the DIVERSITAS EcoSERVICES subprogramme.<sup>4/</sup> A DIVERSITAS workshop on the economics of ecosystem services, held in Paris, France, on 22-23 May 2007, reviewed and assessed the state of the art

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<sup>4/</sup> <http://www.diversitas-international.org/>

in the valuation of ecosystem services and in their economic management. Review reports thereon are currently under development by the EcoSERVICES subprogramme.

63. Further to paragraph 10 (d), the Executive Secretary prepared terms of reference for a study on how monitoring can support the implementation of valuation tools and positive incentive measures (UNEP/CBD/COP/9/INF/9).

64. In paragraph 7 of decision VIII/25, the Conference of the Parties encouraged national, regional and international research organizations to undertake a number of specific research activities on the application of valuation tools. Similar encouragement was expressed in paragraph 6 of decision VIII/26, with regard to undertaking research on the design and application of positive incentive measures. A number of partner organizations and initiatives reported on their pertinent activities a part of their contribution to the preparatory process for the in-depth review of the work on incentive measures (see document UNEP/CBD/9/12/Add.2 for the summaries, and UNEP/CBD/9/INF/8 for the complete submissions).

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