

# Dialogue seminar on scaling up finance for biodiversity - and the role and nature of 'innovative financial mechanisms'

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## Background

Biodiversity<sup>1</sup> and biological resources<sup>2</sup> provide the basis of life-support functions and resilient ecosystems<sup>3</sup> and deliver vital ecosystem services<sup>4</sup> such as food production, water purification, soil fertility and climate regulation. The conservation and sustainable use of biological resources and the fair and equitable access and sharing of their benefits are critical for sustainable development, yet global biodiversity is under threat. As much as sixty per cent of ecosystems are being degraded or used unsustainably (Millennium Ecosystem Assessment, MA, 2005)<sup>5</sup>. In the first years of the period 2000 to 2050, it is estimated that each year we are losing ecosystem services with a value equivalent to around EUR 50 billion from land-based ecosystems alone<sup>6</sup>.

Poorer households, in particular in rural areas, face disproportionate losses from the depletion of biodiversity due to their relatively high dependence on certain ecosystem services for subsistence, income, medical purposes and insurance against hard times. Biodiversity conservation and the sustainable management of ecosystems should be key elements in poverty reduction strategies and policies from the global to the national and local levels<sup>7</sup>, and contribute to internationally-agreed objectives, such as the Millennium Development Goals. The five principal pressures directly driving biodiversity loss (habitat change, overexploitation, pollution, invasive alien species and climate change) are either constant or increasing in intensity<sup>8</sup> and the degradation of ecosystem services is increasingly jeopardizing human well-being and therefore the possibility of achieving the Millennium Development Goals.

Whilst continued biodiversity loss holds such great risks, sustainable ecosystem management has the potential for poverty alleviation and help mitigate and adapt to climate change. Sound management of biodiversity and ecosystem services is often a highly cost-effective way for both mitigation and adaptation to climate change<sup>9,10</sup>.

However, global efforts to stem biodiversity loss and use ecosystem services sustainably and intelligently are undermined by the lack of adequate, timely and predictable financial resources, compounded by a sometimes inefficient use of existing resources. This is further magnified because of the divergence of the location of richness in biodiversity and income (GDP). Many countries rich in biodiversity do not necessarily have the means to absorb all the transaction and opportunity costs involved.

At the ninth meeting of the Conference of the Parties (COP 9) to the Convention on Biological Diversity (CBD), Parties adopted a strategy to enhance international and domestic funding for biodiversity. As part of this strategy, Parties were invited to come forward with new and innovative financing mechanisms. In Nagoya in 2010, COP 10 resulted in the adoption of the 'Nagoya Package' that contains three key elements: the Nagoya Protocol on access to genetic resources and the fair and equitable sharing of the benefits arising of their utilization (the Nagoya Protocol on Access and Benefit- sharing); the Strategic Plan for Biodiversity 2011-2020 and its twenty Aichi Biodiversity Targets; and the decision referring to the Strategy for Resource Mobilization. Under Decision X/3 on the Strategy for Resource Mobilisation, Parties committed to *"substantially increasing resources (financial, human and technical) from all sources, balanced with the effective implementation of the Convention on Biological Diversity and its Strategic Plan for the period 2011-2020, against an established baseline."* In addition, with a view to further elaborating the Strategy for Resource Mobilisation, Parties adopted indicators for monitoring the implementation of the strategy for resource mobilisation. Decision X/3 also invited *Parties*,

*relevant organizations and initiatives, such as the World People's Conference on Climate Change and the Right of Mother Earth, to submit information concerning innovative financial mechanisms that have potential to generate new and additional financial resources as well as possible problems that could undermine the achievement of the Convention's three objectives.* The CBD Secretariat is presently compiling and presenting a synthesis of this information.

Because of the over-arching role that biodiversity plays in sustainable development, the mobilization of resources for biodiversity cannot be considered separate from efforts to increase the efficiency and effectiveness of development cooperation, or the raising of financial resources under related processes such as in particular the other two Rio conventions.

Given the political and historical challenge of raising finance for biodiversity, a number of seminars has been arranged with the aimed to raise awareness and explore ways to scale up finance, but yet there is still considerable difference of opinions, and also mistrust, misunderstanding and knowledge gaps regarding the level and the means to scale up financing as well as the role of 'innovative financial mechanisms'. Examples of problems that have hindered discussions under the CBD can be grouped under the following key issues:

- Although there is broad acknowledgment that a funding gap exists, there is no common understanding of what constitutes financing for biodiversity and there are a wide range of estimates questioning its reliability, concerning current spending levels, efficiency, needs and gaps. There is also scope for increasing the effectiveness of existing financing sources.
- There is limited discussion of the other types of resources (e.g., human, technical, physical) that must also be mobilized, and the governance models that can be applied, to best utilize the financial resources made available for the implementation of the Strategic Plan at the national level.
- There is little information or agreement about how best to leverage public investment in order to achieve CBD objectives.
- There are different views on the role of the market related to financing of biodiversity.
- There is lack of common understanding on terminology that is used to discuss finance for biodiversity, and the term innovative financial mechanisms itself is not well understood. The latter has included e.g. Payments for Ecosystem Services but also more traditional forms of finance as Fiscal Reforms.
- Divergent political or economic views. These may refer to but are not limited to:
  - Concerns about 'additionality,' that 'innovative' finance being used as a way for developed countries to avoid their responsibility for contributing to developing countries implementation related to CBD decisions through conventional channels such as ODA;
  - Concerns about 'innovative' finance leading to a *commodification* of nature without an appropriate analysis and understanding of the consequences for indigenous and local peoples rights and livelihood possibilities and also potential risks for biodiversity itself if appropriate safeguards are not in place, in particular concerns about regulatory failure leading to net loss of biodiversity.
- Discussions have often had a broad focus and therefore have not explored individual mechanisms or options in depth. There has also been a lack of information on existing mechanisms/options, including lessons learned, and it has not been sufficiently communicated to a wide enough range of stakeholders. Workshops and meetings have also not had a representation from a wide range of stakeholders.

In light of the above there is a clear and urgent need to have open and productive discussions on prevailing barriers and areas where consensus can be reached, to be able to scale up finance for biodiversity and ecosystem services. There is a need for an improved dialogue and understanding across cultures and between different stakeholders including civil society, local and indigenous knowledge holders, governments, scientists and the private sector.

## Goal

The purpose of the dialogue seminar is to explore and contribute to understanding and seek to clarify areas of convergence and divergence regarding ways to scale up the mobilization of financial resources and the role and nature of 'innovative financial mechanisms' to support the implementation of the Strategic Plan for Biodiversity 2011-2020 and achievement of the Aichi Biodiversity Targets. The seminar is expected to feed into the negotiations on resource mobilization under the CBD in 2012, WGRI-4 in May in Montreal and COP 11 in October in India, (and could also have positive impact for other fora, such as the Rio+20).

The seminar will not draft formal recommendations, but rather seek to enhance understanding among participants with a view to facilitate discussions at WGRI-4 and COP-11. The seminar will include a mix of keynote presentations, case studies and small group discussions.

Participants are expected to be key actors regarding financing for biodiversity including experts active in CBD discussions but also from related processes, as well as national level senior experts and actors from sectors dealing with biodiversity and ecosystem services, intergovernmental and non-governmental organizations, social movements, farmer organizations, local communities and Indigenous Peoples organizations, scientists and the private sector. It is important to get participants from different sectors and disciplines including from development agencies. Government participation would be identified from among nominations received from Parties through the CBD Secretariat. The conveners would identify additional resource persons. The seminar will be based on the Chatham House rule<sup>1</sup>.

## Seminar overview

**Conveners:** Government of Sweden, Ecuador, Norway, India and Japan, and the CBD Secretariat.

**Venue:** Ecuador (The venue of the seminar should be in an environment that allow participants to get to know each other, learn from case-studies and build trust)

**Date and Duration:** 6<sup>th</sup> to 9<sup>th</sup> March, 4 days

**Planning team:** The Resilience and Development Programme (SwedBio), CBD Secretariat, convener country representatives.

Special consultations with and advice have been given from Global Canopy Programme, Third World network, CBD Alliance, IUCN-Sur, UNDP, Global Forest Coalition amongst others.

**Participants:** 80 participants, see Participant list.

**Background materials:** The seminar conveners will consult with participants prior to the seminar and distribute materials participants might want to share, representing different views. Suggestions for background documents include:

Category one: Print outs with summaries in Spanish

- The synthesis reports prepared by the CBD Secretariat on the basis of the submissions from CBD Parties related to financial resources
- Norwegian report: Can Markets Protect Biodiversity? An Evaluation of Different Financial Mechanisms.
- Tentative Background report on the Rights of Mother Earth by Bolivia.
- Little Biodiversity Finance Book (updated version will not be ready by the seminar)
- Tentative South Centre report regarding the politics of financing.

Category two: Available electronically on the web

- CBD sec produces a methods guidance book regarding the indicators decided at COP10.
- UNEP-WCMC produces a report on indicators for financial resources.
- CBD related Expert group produces GEF needs assessment draft report.

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<sup>1</sup> When a meeting is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed. The rule allows people to speak as individuals and to express views that may not be those of their organizations, and therefore, encourages free discussion. Speakers are free to voice their own opinions, without concern for their personal reputation or their official duties and affiliation.

- Other inputs will include case studies of various financing options, key CBD COP Decisions related to the subject matter, etc.
- The report on the EU workshop on IFMs in March 2010 in Budapest
- Other report and literature.

**Agenda:** See Agenda.

For further information see Notification

<http://biodiversity-l.iisd.org/events/cbd-dialogue-seminar-on-scaling-up-finance-for-biodiversity/>

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<sup>1</sup> Biological diversity (biodiversity) means the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. (Article 2 of the Convention on Biological Diversity)

<sup>2</sup> Biological resources includes genetic resources, organisms or parts thereof, populations, or any other biotic component of ecosystems with actual or potential use or value for humanity. (Article 2 of the Convention on Biological Diversity)

<sup>3</sup> Resilience can be defined as the capacity of a social-ecological system to withstand perturbations from e.g. climate or economic shocks and to rebuild and renew itself afterwards, without shifting into a qualitatively different state. Resilience has increasingly been acknowledged as an important factor in determining ecosystems' capacity to continue generating ecosystem services in a world increasingly influenced by global environmental change. There is a strong correlation between biodiversity and an ecosystem's resilience, and its ability to deliver ecosystem services, although little is known quantitatively about how much and what kinds of biodiversity can be lost before the resilience is eroded.

<sup>4</sup> Ecosystem services are the benefits that people receive from ecosystems. Some of these, such as the provisioning services (or goods) like food, timber and fresh water, are well-known and routinely included in assessments. Others, such as the Regulating services of carbon storage and sequestration, watershed protection, storm protection and pollination, or Supporting services, i.e. the natural processes such as nutrient cycling and primary production, or the Cultural services of recreation and spiritual values, are often overlooked (Millennium Ecosystem Assessment, 2005).

<sup>5</sup> The Millennium Ecosystem Assessment was a report ordered by UN and involved more than 1,360 experts worldwide. Their findings provide a state-of-the-art scientific appraisal of the condition and trends in the world's ecosystems and the services they provide and options for sustaining ecosystem services. MEA (2005) Millennium Ecosystem Assessment, Ecosystems and Human Well-being: Synthesis. Island Press, Washington, DC.

<sup>6</sup> TEEB (2008) The Economics of Ecosystems and Biodiversity: An Interim Report. European Commission. Brussels. (It has to be noted that this is a welfare loss, not a GDP loss, as a large part of these benefits is currently not included in GDP).

<sup>7</sup> TEEB (2008) The Economics of Ecosystems and Biodiversity: An Interim Report. European Commission. Brussels.

<sup>8</sup> Secretariat of the Convention on Biological Diversity (2010) Global Biodiversity Outlook 3. Montréal, 94 pages.

<sup>9</sup> Closing the Gaps p.17; Commission on Climate Change and Development 2009

<sup>10</sup> The Natural Fix? The role of ecosystems in climate change mitigation; Trumper, K., Bertzky, M., Dickson, B., van der Heijden, G., Jenkins, M., Manning, P. June 2009, UNEP-WCMC, Cambridge, UK.