



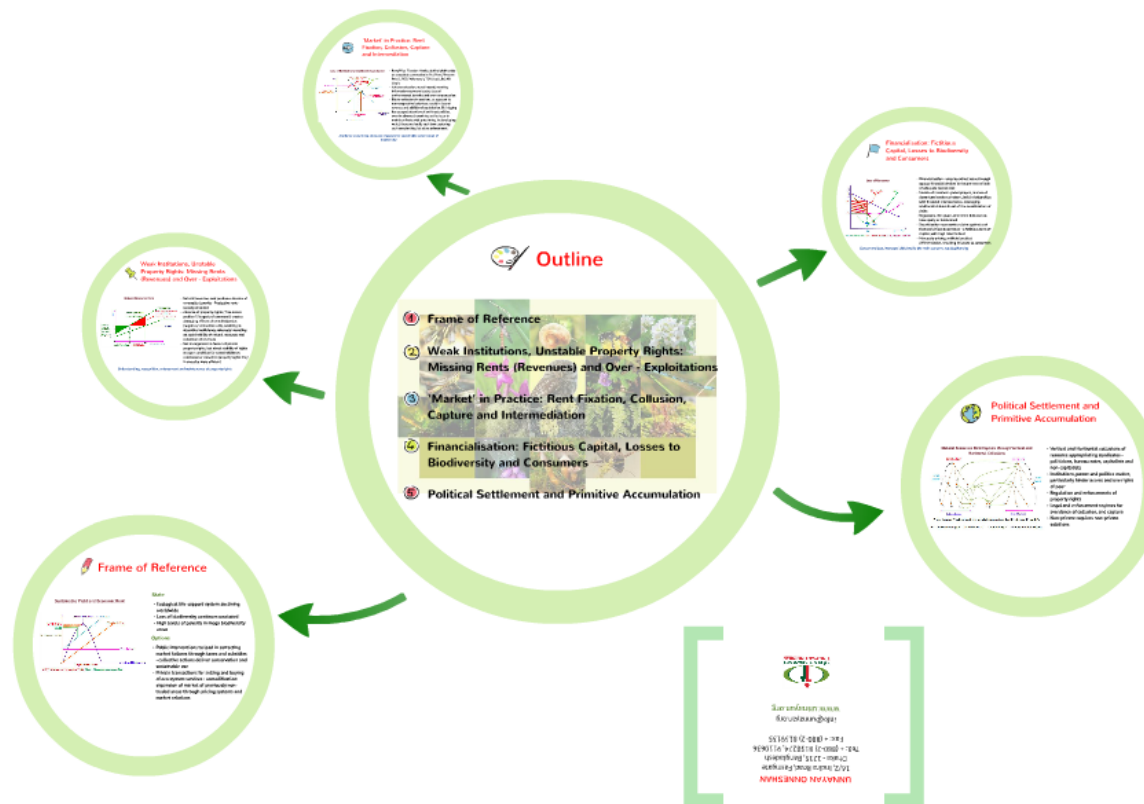
Scaling up Biodiversity Finance
Dialogue Seminar, 9-12 April 2016, Quito, Ecuador

Financialisation (Market) in Conservation of Nature: Issues and Lessons



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CDD ALLIANCE





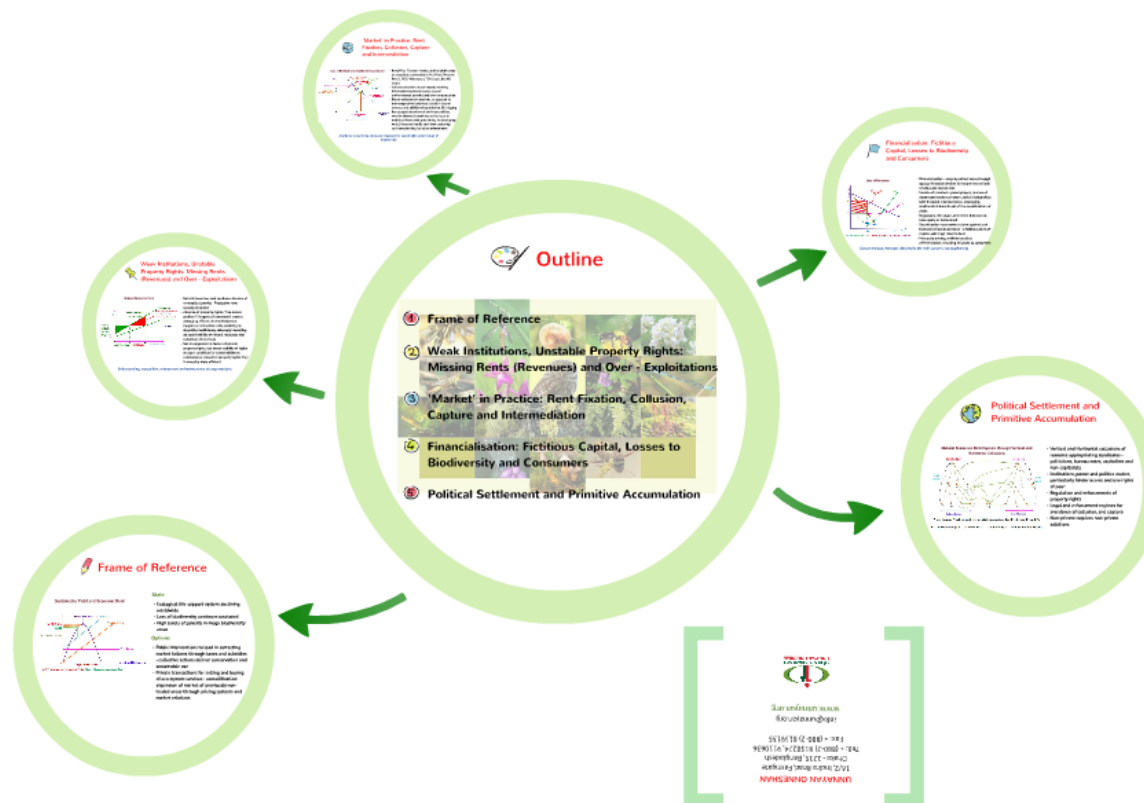
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CBD ALLIANCE
The Convention on Biological Diversity Alliance



Outline

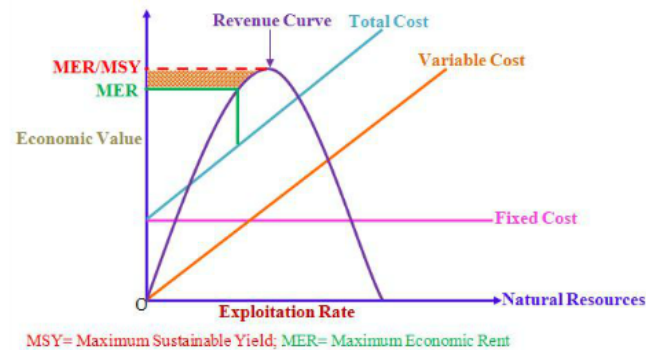
- ① **Frame of Reference**
- ② **Weak Institutions, Unstable Property Rights:
Missing Rents (Revenues) and Over - Exploitations**
- ③ **'Market' in Practice: Rent Fixation, Collusion,
Capture and Intermediation**
- ④ **Financialisation: Fictitious Capital, Losses to
Biodiversity and Consumers**
- ⑤ **Political Settlement and Primitive Accumulation**

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Frame of Reference

Sustainable Yield and Economic Rent



State

- Ecological life-support system declining worldwide
- Loss of biodiversity continues unabated
- High levels of poverty in mega biodiversity areas

Options

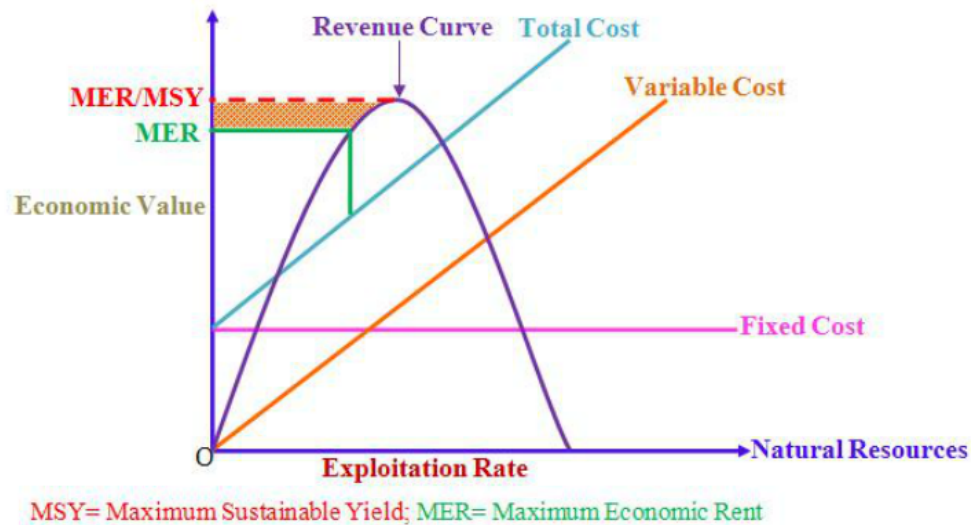
- Public interventions to lead in correcting market failures through taxes and subsidies
 - collective actions deliver conservation and sustainable use
- Private transactions for selling and buying of eco-system services - commodification:
 - expansion of market of previously non-traded areas through pricing systems and market relations





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Sustainable Yield and Economic Rent



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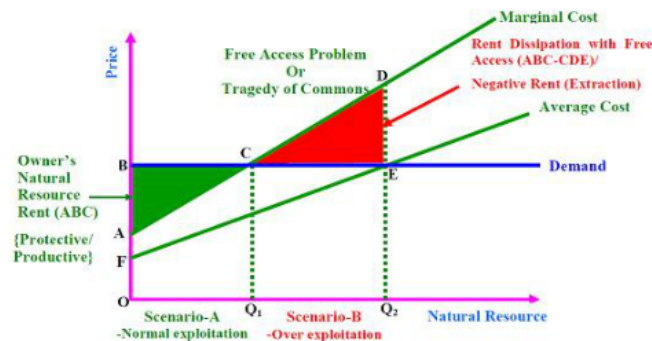
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Weak Institutions, Unstable Property Rights: Missing Rents (Revenues) and Over - Exploitations

Natural Resource Rent



- Natural resources rent produces streams of renewable benefits - Productive rent - socially desirable
- Absence of property rights ('free access problem'/'tragedy of commons') creates damaging effects of rent dissipation (negative/ extractive rent), resulting in allocative inefficiency, adversely impacting on sustainability of natural resources and collection of revenues
- Not an argument in favour of private property rights, but about stability of rights as a pre-condition for sustainability as communal or collective property rights may in cases be more efficient

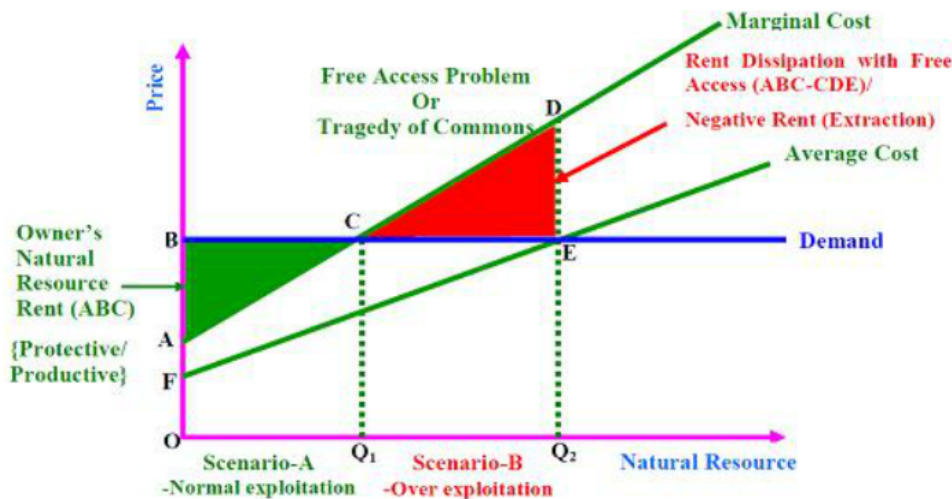
Understanding, recognition, enforcement and maintenance of property rights





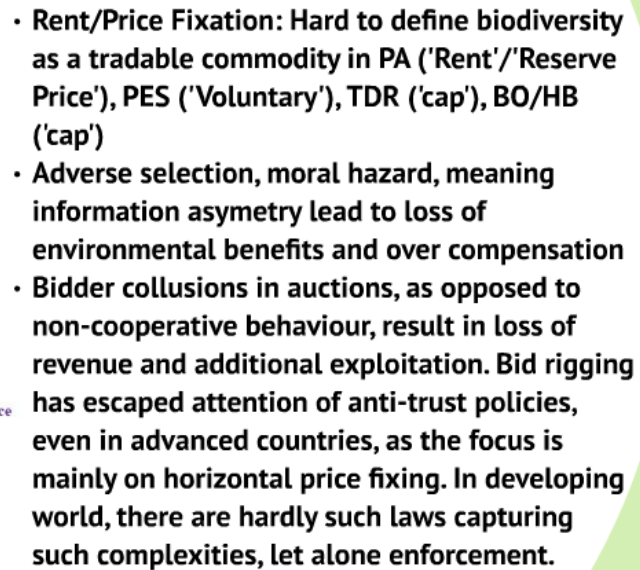
Property Rights: Missing Rents (Revenues) and Over - Exploitations

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Understanding, recognition, enforcement and maintenance of property rights

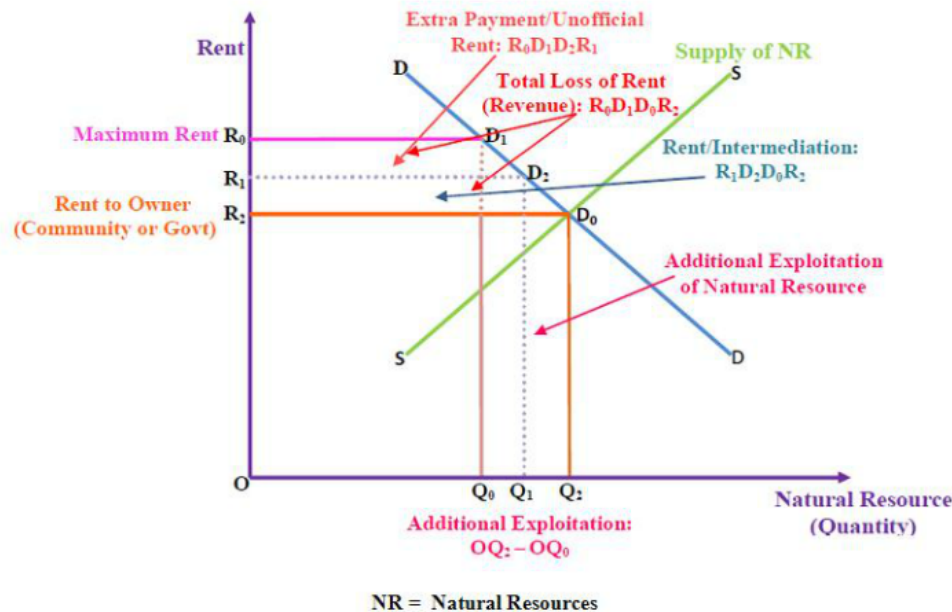


Avoidance could bring adequate resources for sustainable conservation of biodiversity



Fixation, Collusion, Capture and Intermediation

Loss of Revenue and Additional Exploitation

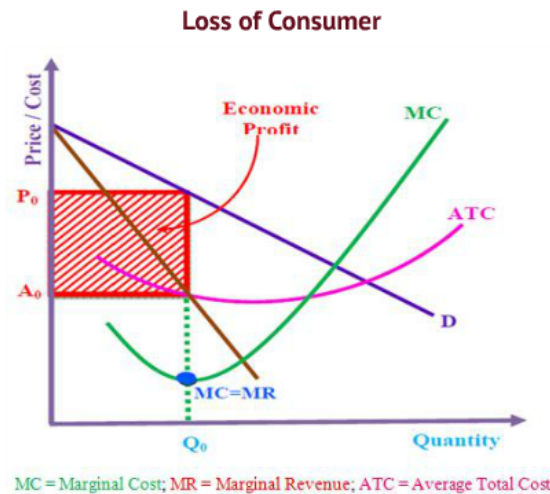


- Rent/Price Fixation: Hard to define biodiversity as a tradable commodity in PA ('Rent'/'Reserve Price'), PES ('Voluntary'), TDR ('cap'), BO/HB ('cap')
- Adverse selection, moral hazard, meaning information asymmetry lead to loss of environmental benefits and over compensation
- Bidder collusions in auctions, as opposed to non-cooperative behaviour, result in loss of revenue and additional exploitation. Bid rigging has escaped attention of anti-trust policies, even in advanced countries, as the focus is mainly on horizontal price fixing. In developing world, there are hardly such laws capturing such complexities, let alone enforcement.

Avoidance could bring adequate resources for sustainable conservation of biodiversity



Financialisation: Fictitious Capital, Losses to Biodiversity and Consumers

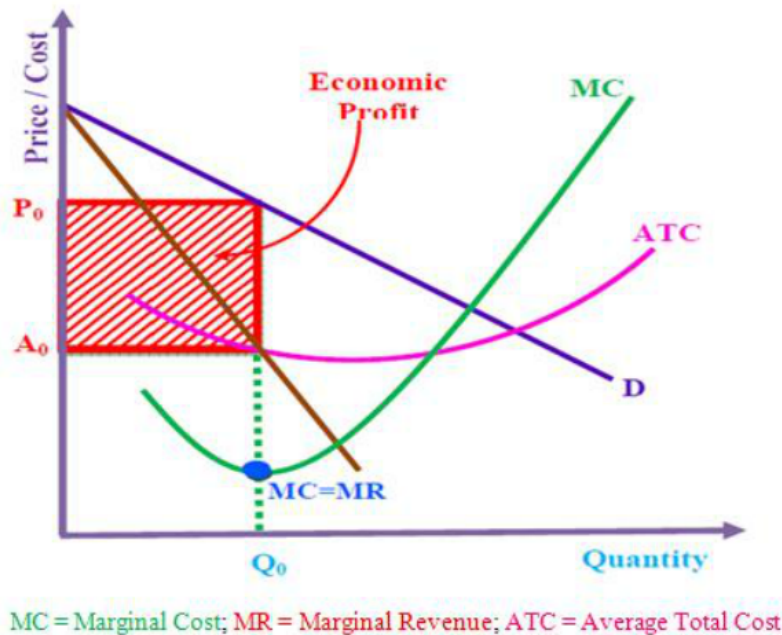


- Financialisation - ways to extract value through opaque financial devices in the pre-text of lack of adequate investment
- Mosaic of investors: global players, in view of down-turn in rates of return, build relationships with financial intermediaries, leveraging additional dividends out of the securitisation of debts
- Regulators, if in place, determine bills not on how equity or debt raised
- Securitisation represents a claim against cash that would flow from future - a fictitious form of capital, with high risks for bust
- Monopoly pricing, artificial product differentiation, resulting in losses to consumers

Consumers lose, investors' dividend is the main concern, not biodiversity

Capital, Losses to Biodiversity and Consumers

Loss of Consumer



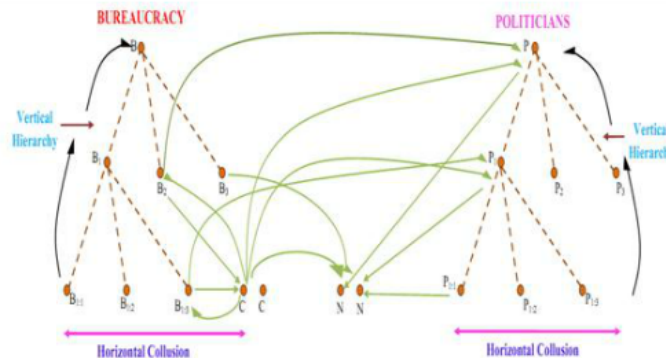
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Political Settlement and Primitive Accumulation

Natural Resources Rent Capture through Vertical and Horizontal Collusions



Note: Similar Vertical and Horizontal Hierarchies for B₂, B₃ and P₂ and P₃

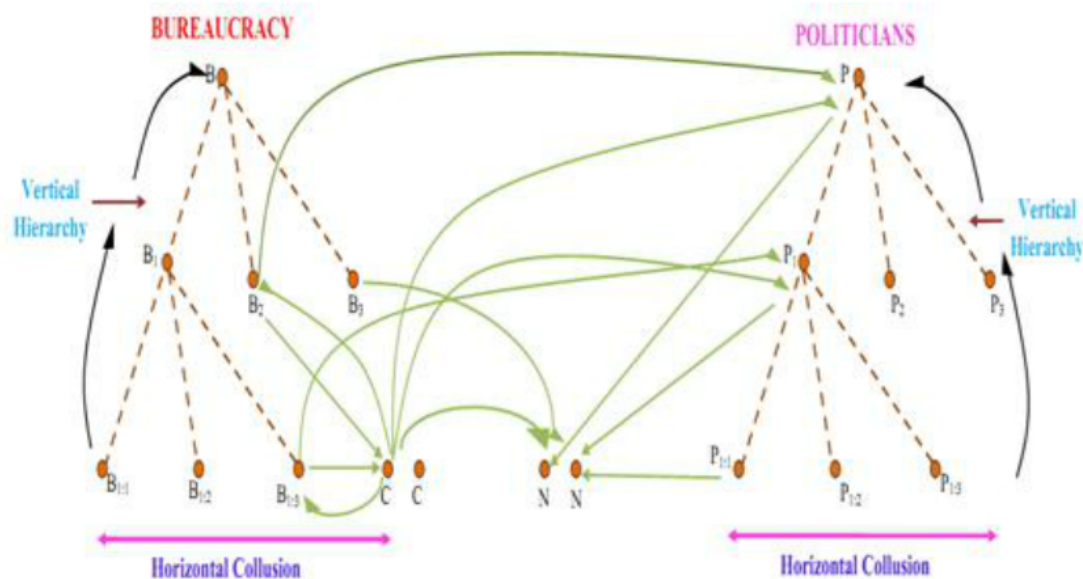
B = Bureaucracy; P = Politicians; C = Capitalists; N = Non-capitalists clients

- Vertical and Horizontal collusions of resource appropriating syndicates - politicians, bureaucrats, capitalists and non-capitalists
- Institutions, power and politics matter, particularly hinder access and use rights of poor
- Regulation and enforcements of property rights
- Legal and enforcement regimes for avoidance of collusion, and capture
- Non-private requires non-private solutions



Critical Settlement and Primitive Accumulation

Natural Resources Rent Capture through Vertical and Horizontal Collusions



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