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INNOVATIVE FINANCIAL MECHANISMS: GREEN DEVELOPMENT MECHANISM

A submission by the GDM 2010 Initiative

(Also available as UNEP/CBD/COP/10/INF/15)

The GDM 2010 Initiative Report - Toward a market-based financial mechanism to support biodiversity and development

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1. Introduction

Recent efforts to halt or even limit the rate of biodiversity loss have, by common consent, failed. This failure is due in part to the deficiency of available financial resources, notably for developing countries. Hence, the 9th Conference of the Parties (COP9) of the Convention on Biological Diversity (CBD) called for “studies on approaches to develop markets and payment schemes for ecosystem services at local, national and international levels,” and asked Parties “to improve actions and cooperation for enhancing the engagement of the business community... in the implementation of the three objectives of the Convention,” and “to come forward with new and innovative financing mechanisms in support of the strategy for resource mobilization.”¹

In the support of these decisions, the GDM 2010 Initiative² was established with the aim to achieve a significant level of support by COP10 for the idea of a **Green Development Mechanism (GDM)** and to undertake consultations on how such a mechanism might be shaped. GDM is the working title for a proposed innovative financial mechanism that would help to fill the biodiversity funding gap by mobilising private financing to mitigate biodiversity loss, much as the well-known Clean Development Mechanism (CDM) has done to mitigate climate change. It aims to create enabling conditions for increased business and private sector support for the implementation of the CBD, particularly in developing countries.

This information document consists of an introduction, two main sections and four annexes. The first main section (section 2) provides guidance on COP10 agenda items that are especially pertinent to further consideration of a GDM. Section 3 provides an updated list of Frequently Asked Questions (FAQs) based on the consultations that have taken place since COP9. The ensuing Annexes provide additional information on a GDM. Annex A provides an illustration of one promising modality of what a GDM could look like which has emerged from the consultations. Annex B provides a more in depth discussion of the sources of financing that could become available through a GDM. Annex C highlights how a GDM might relate to other CBD-relevant financial mechanisms. Annex D lists key GDM engagements, consultations and media coverage to date.

The aim of this document is to assist the Parties in their decision to support further consideration of the establishment of a GDM. This decision may include inviting interested Parties and stakeholders to consider the need for and modalities of a GDM, which, in its pilot phase, could develop a standard setting and certification process to validate the supply of CBD-compliant management plans for geographically-defined areas, and a market-based institutional framework to enable financing of these plans by businesses, investors, NGOs, consumers and others. Further, the Parties could ask the CBD Secretariat to collaborate with the interested Parties and stakeholders to prepare a report on the prospects for a GDM for consideration at COP11 in 2012.

2. A GDM and the COP10 agenda

As an innovative financial mechanism for biodiversity and development that would engage the private sector in support of the strategic goals and targets for implementing the CBD, a GDM is pertinent to many of the items to be considered at COP10. This section highlights several items on the Provisional Agenda (UNEP/CBD/COP/10/1 and UNEP/CBD/COP10/1/Add.1) where consideration of a GDM is particularly relevant. The priority items address innovative finance, business engagement, and development.

2.1 Strategy for resource mobilization (Item 4.4)

¹ CBD COP9 Decisions 6, 26 and 11, respectively.

² More information including previous GDM papers is available at: <http://gdm.earthmind.net>.

Item 4.4 on the Strategy for Resource Mobilization includes consideration of WGRI recommendation 3/9 (UNEP/CBD/COP/10/4) on Policy Options Concerning Innovative Financial Mechanisms. WGRI 3/9 notes the contribution of the GDM 2010 Initiative which has undertaken extensive consultations since COP9 (see Annex D), including participation in the preparatory International Workshop on Innovative Financial Mechanisms (UNEP/CBD/WG-RI/3/INF/5). WGRI3/9 also proposes that COP10:

“5. *Invite[s]* interested organizations and initiatives to consider the need for and modalities of a green development mechanism, which, in its pilot phase, could develop a voluntary standard and certification process for validating the supply of biodiversity-protected areas and a market-based institutional framework for enabling payments by companies, consumers and other stakeholders;”

Importantly, this text on the GDM is in brackets, as explained in footnote 35, which reads: “Africa requires more information of these initiatives on their mandates, governance structures, source of funding, funding criteria (beneficiaries), link with the Convention on Biological Diversity and its programmes of work.” In addition to the further consultations that have taken place since WGRI3 with Africa and others – including a CBD Information Note (SCBD/ITS/YX/fb/72402) – this information document has been prepared to provide more information on the GDM for consideration by the Parties at COP10.

As indicated in the draft paragraph 5 quoted above, the ambition of the GDM 2010 Initiative is for COP10 to endorse formal consideration of the need for and modalities of a GDM by interested Parties and organisations. This could take the shape of a request to interested Parties and stakeholders to report back to COP11 about the feasibility of establishing a GDM. It could also include a recommendation that interested Parties and organisations establish a pilot phase between now and COP11 to develop the modalities of the mechanism and apply these to a number of pilot projects in a cross-section of regions and ecosystems.

2.2 Promoting business engagement (Item 4.9.B)

As a market-based mechanism to enable financing in support of the implementation of the three objectives of the CBD in geographically-defined areas, a GDM would provide substantive opportunities for business engagement. This includes business demand (i.e. funding) for GDM-certified areas, business supply of GDM-certified areas, and business support for market intermediation. More discussion of the opportunities for business engagement can be found in the Annexes, particularly Annex B on potential sources of financing for GDM-certified areas.

In this context, Item 4.9.B focuses on consideration of WGRI recommendation 3/2 on Business Engagement which includes “*Recognizing* the opportunity and need to incorporate biodiversity objectives into emerging new green development initiatives.” WGRI 3/2 also “*Invites* Parties... to take note of the Jakarta Charter,” which is annexed to the recommendation, and “*Encourages* businesses and the private sector... to adopt commitments to support the achievement of the three objectives of the Convention, for instance, through the approaches set out in the Jakarta Charter.” One such Jakarta Charter approach is:

“2. Mainstreaming biodiversity into business needs to be enhanced through voluntary corporate actions as well as market-oriented enabling policies and approaches such as the Green Development Mechanism, international standards and certification systems and related initiatives. In this context, State-owned corporations can also play a leadership role in supporting the three objectives of the Convention on Biological Diversity by incorporating biodiversity into their operations and procurement policies.”

With respect to promoting business engagement and with reference to their decision on resource mobilization and innovative financial mechanisms, the Parties may want to encourage business and the private sector to engage in further discussion of a GDM and to participate in a pilot phase to demonstrate its feasibility.

2.3 Poverty eradication and development (Item 4.1)

Poverty eradication and development would be key goals of a GDM. Through certifying management plans for geographically-defined areas that address all three objectives of the CBD plus its recognition in the Preamble that “economic and social development and poverty eradication are the first and overriding priorities of developing countries,” a GDM would aim to generate funding for biodiversity *and* development. As discussed in the Annexes, a GDM could generate support for the management of areas that not only conserve biodiversity and ensure that the uses of biological resources are sustainable, but also ensure social equity in the distribution of benefits arising out of conservation and sustainable use, and contribute to promoting development and eradicating poverty in developing countries.

Item 4.1 on progress towards the 2010 biodiversity target and the Global Biodiversity Outlook includes consideration of WGR1 recommendation 3/3 on Integration of Biodiversity into Poverty Eradication and Development. WGR1 3/3 “*Welcomes* ongoing initiatives linking biodiversity, development and poverty eradication” and “*Decides* to establish an Expert Group on Biodiversity for Poverty Eradication and Development.”

In this regard, the Parties may want to recognise the efforts of the GDM 2010 Initiative to link biodiversity, poverty eradication and development to the establishment of a new and innovative financial mechanism. They may also want to ensure that further discussion of a GDM, including work undertaken in a pilot phase, would consider the outcomes of the proposed Expert Group on Biodiversity for Poverty Eradication and Development and, as appropriate, provide input to this Expert Group.

2.4 Other agenda items

As a market-based mechanism to finance biodiversity and development, a GDM is relevant to many of the items on the COP10 agenda. This includes Item 4.9.A on cooperation with other conventions, Item 5.4 on protected areas, Item 5.5 on sustainable use, and Item 6.7 on Article 8(j). For example, Item 6.8 on incentive measures will consider SBSTTA recommendation XIV/15 (UNEP/CBD/COP/10/3), which includes the following paragraph:

“*Noting* the essential role of regulation and the complementary role of market-based instruments, *encourages* Parties and other Governments to promote the design and implementation, in all key economic sectors, of positive incentive measures for the conservation and sustainable use of biodiversity that are effective, transparent, cost-efficient as well as consistent and in harmony with the Convention and other relevant international obligations, and that do not generate perverse incentives, taking into account, as appropriate, the range of positive incentive measures identified in the report for policy-makers of the TEEB initiative, the polluter pays principle and the associated full cost recovery principle, as well as the livelihoods of indigenous and local communities.”

In this respect, the Parties may also want to consider taking into account the TEEB for Policy-Makers Report’s recommendation on international investments: “Contribute to emerging international initiatives to support direct investment in biodiversity public goods and natural capital across a wider array of ecosystems, such as the proposed Green Development Mechanism (GDM).” It would also be useful for the Parties to note that the recently released TEEB for Business Report identifies a range of incentive measures for business and the private sector and also explicitly highlights the GDM.³

3. Frequently Asked Questions (FAQs)

This section provides answers to twenty FAQs about a GDM. It has been updated from a version prepared for WGR13 (UNEP/CBD/WG-RI/3/INF/13). These FAQs are descriptive of how a GDM might look and are based on the many consultations highlighted in Annex D. Further consideration on how a GDM might be structured is presented in Annex A.

³TEEB for Policy-Makers: Chapter 5, pages 3 and 33. TEEB for Business: Executive Summary, page 11; and Chapter 5, page 18. See: <http://teebweb.org/>.

3.1 What is the GDM?

The Green Development Mechanism (GDM) is the working name for an innovative financial mechanism being considered under the CBD that would mobilise private finance by linking biodiversity supply with biodiversity demand through a market mechanism. By establishing a standard and an accrediting process for certifying the management of geographically-defined areas in accordance with the CBD, and by facilitating a functional market for those areas, a GDM would enable the financing of GDM-certified areas by willing businesses, investors, consumers and other interested parties such as private foundations and NGOs.

3.2 Why is a mechanism for green development necessary?

A GDM is necessary because there is currently a serious shortage of resources devoted to the critical challenge of reversing biodiversity loss, particularly in the context of poverty eradication and development. In the words of Ban Ki Moon, Secretary General of the United Nations:

"Our lives depend on biological diversity... We stand to lose a wide variety of environmental goods and services that we take for granted. The consequences for economies and people will be profound. Especially for the world's poorest people... We need new vision. And new efforts. Business as usual is not an option."

A GDM offers a new vision and a new effort. And it could make a substantive contribution to the proposed 2020 Biodiversity Target to increase "capacity (human resources and financing) for implementing the Convention" (UNEP/CBD/COP/10/9).

3.3 How would a GDM differ from other biodiversity funding schemes?

A number of multilateral and bilateral instruments – notably the Global Environment Facility (GEF) – have made significant contributions, but they remain limited in scale and scope. A GDM could complement this limited public sector funding by generating additional funds from private sources. It would do so by establishing a new market-based standard-setting and certification scheme to certify that geographically-defined areas are managed in compliance with the objectives of the CBD. For more specifics on how a GDM relates to a selection of biodiversity funding schemes, see Annex C.

3.4 Would a GDM substitute for Article 20 funding commitments?

No. A GDM would complement, not substitute for, the funding commitments by developed country Parties set out under Article 20 of the CBD. Importantly, as a voluntary, market-based mechanism, a GDM would also not constitute a new vertical fund for official development assistance.

3.5 Should a GDM relate to an International Regime on ABS?

As the focus of a GDM would be on funding CBD-compliant management of defined areas, it will need to ensure that its funding is supportive of all three objectives of the CBD, including the fair and equitable sharing of benefits from the use of genetic resources. In this respect, if a protocol on access and benefit sharing is adopted, then, as appropriate, a GDM would need to be applicable to this legal agreement.

3.6 What exactly would be traded under a GDM?

All markets allow for trade between willing buyers and willing sellers. A GDM would facilitate the supply of biodiversity-managed areas in the form of GDM-accredited management plans available for businesses, consumers and others to fund. Importantly, the supply would not be the land or the land title, but rather a commitment to manage an area in support of the CBD. Like carbon markets, a GDM would have standard-setting and certification scheme. Unlike carbon, however, biodiversity would not be traded as a commodity – e.g. tonnes of reduced emissions – but rather as units of sustainably managed land – i.e. so many hectares protected by a certified management plan. Unlike the carbon markets, however, a GDM

would in itself not support international offsets, as biodiversity offsets normally are like-for-like, requiring localised offsets.

3.7 Do we need new a GDM standard? Why not use existing standards?

There are, indeed, existing standards which relate at least somewhat to CBD objectives. Most of these standards focus on the production of specific goods and services such as organic foods, sustainable timber and ecotourism, and do not directly focus on the natural areas affected by their provision. Thus a GDM standard could encompass existing standards and certifications for social and environmental responsibility, as appropriate, such as those offered by the Climate, Community and Biodiversity Alliance (CCBA) and the members of the ISEAL Alliance. In this respect, a GDM should use existing biodiversity and development-relevant standards where these are reputable and seen to represent best practice in the field concerned.

3.8 How could developing countries benefit from a GDM standard?

A GDM's aim would be to promote, not inhibit, developing country exports in order to stem biodiversity loss by linking conservation to development. While 'business as usual' is not sustainable, a GDM, through developing a new market-based process, would enable 'biodiversity exporters' from developing countries to secure new international funding for their projects. The WTO principle of 'special and differential' treatment for some developing countries could be applied to allow for longer implementation periods of any new standard. In this respect, a GDM would support the CBD's recognition that "substantial investments are required to conserve biological diversity and that there is the expectation of a broad range of environmental, economic and social benefits from those investments."

3.9 Would a GDM address economic development on the ground?

A central feature of a GDM would be the certification of management plans that both conserve biodiversity and promote development. In this respect, a GDM standard would include an explicit development objective addressing the CBD's recognition that "economic and social development and poverty eradication are the first and overriding priorities of developing countries." It would recognise that biodiversity conservation is best promoted when local communities are incentivised to recognise the benefits of such conservation. Hence, a GDM would aim to provide these incentives through strategies that improve living standards by increasing employment opportunities, expanding trade and providing essential services such as education, health and basic services.

3.10 Could a GDM be a mechanism for financing protected areas?

Possibly yes, in the case of a protected area that provides more than conservation; a GDM could certify the management plan of a protected area – defined by the CBD as a "geographically defined area which is designated or regulated and managed to achieve specific conservation objectives." In addition to conservation objectives, however, a GDM certification process would also address the CBD objectives of sustainable use and benefit sharing. Further, for developing countries, there is the overriding priority of poverty eradication and development. Thus, a GDM-certified area could be considered a 'Protected Areas Plus' (PA+). Such an area could be a traditional protected area, or it could be a so-called 'productive area' that is managed sustainably and responsibly to deliver various goods and services such as agricultural products, housing, industrial estates, minerals, timber, recreation or tourism, within a primary objective of conservation.

3.11 What types of biodiversity supply would qualify under a GDM?

A GDM would develop a CBD-compliant standard and a certification system that recognises various existing environmental and social standards which are acceptable approaches to meeting the objectives of the CBD. Thus, there could be a diverse array of certified hectares supplied that reflect both different ecological systems and different management approaches. Examples range from organic and sustainable

cattle ranching in South Africa, tropical reforestation and sustainable-harvesting of timber in Brazil, community-based aquarium fish harvesting in Indonesia, eco-friendly holiday complexes in Cyprus, to marine protection at a coastal gas facility in Yemen.

3.12 How would the price of a certified area be determined?

As in all markets, price would be determined by exchanges between buyer and seller. Importantly, as every area is unique with respect to its biological resources as well as their conservation status, and as every GDM-certified area would have a unique management plan with its own targets, milestones and indicators, each GDM-certified area would generate a different price to reflect this. In this respect, trades and pricing decisions would be similar to those which take place in property markets for office space, housing and farmlands, or even in art markets. This is different than the commodity markets for crude oil, rice, soybeans or carbon, which all operate on the basis of trading an homogeneous product.

3.13 What could be the timeframe of a GDM certificate or contract?

A GDM-certified management plan would need to be valid for an explicit period of time, and the contract to deliver this plan should as well be for this time period. In consultations on a GDM, the possibility of a 10-year time period has been discussed, and generally supported. Such a timeframe would allow for longer-term planning and commitments than is common under most of today's donor-funded biodiversity projects. It would also enable the management plan to be adapted as needed over time based on unexpected developments to ensure more sustainable outcomes. However, it should not be so long as to unduly increase uncertainty from the perspective of investors in GDM contracts.

3.14 How would GDM compliance be monitored and verified?

Like other certification schemes, verification would be executed by independent third parties. The need for an arbitration procedure to address disputes will also need to be considered. In this respect, it will be important to learn lessons from the experiences of other environmental and social certification schemes, including the CDM, voluntary carbon markets, and schemes for certified forestry, marine and fair trade products. A key issue for further consideration will be the transaction costs of monitoring and verification, especially for suppliers from developing countries.

3.15 Could a GDM encourage 'land grabbing'?

As a mechanism for biodiversity and development, a GDM would not countenance land grabbing in any form whatsoever. Rather a GDM would certify the management plan for a geographically defined area according to the objectives of the CBD. The rights and responsibilities to deliver such a management plan, however, could rest with an indigenous or local community, a local government agency, a protected area authority, or a private landowner. By entering a GDM market, the relevant authority is offering a management plan and would not cede a land title per se. Further, as appropriate, a GDM-certified plan would need to address CBD Article 8(j) to "respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity." This would include respect for national legislation regarding public, communal and private land rights and titles.

3.16 Why would the private sector be interested in a GDM?

A business or investor who finances a GDM project requires clarity on what they are paying for. Hence, a GDM would provide an independent certification of the management plan of a specifically defined geographical area according to internationally recognised standards. It would provide clarity and transparency regarding what area would be managed and by whom, as well as the biodiversity and development outcomes of the plan, and how these are to be monitored and evaluated. Consultations with businesses, investors and business organisations suggest that financing a GDM-certified area would be of interest to the private sector for multiple reasons, including compliance with national regulations, support

to national biodiversity strategies and action plans, compliance with social and environmental requirements of lenders, and demonstration of corporate social and environmental responsibility and leadership. For further discussion, see Annex B.

3.17 Would a GDM require a mandatory compliance regime?

Not necessarily. The market for CDM-certified carbon credits has clearly benefited from the mandatory cap and trade regime established by the Kyoto Protocol. At some point, policy makers may decide to establish an analogous obligation to reduce the loss of biodiversity. However, a voluntary, market-based GDM should generate significant new funding for biodiversity and development. For example, if the world's top 500 companies were to commit just 1/10th of 1% of their annual revenues to financing GDM-certified plans, this alone would generate roughly \$23 billion of voluntary funding annually, and make a major contribution to the proposed 2020 Target to increase financing for the CBD. A GDM pilot phase could help us to understand how to stimulate voluntary demand.

3.18 How could a GDM be governed and administered?

Detailed governance arrangements would depend on the agreed modalities of a GDM. Any arrangement would need to demonstrate legitimacy and transparency. This suggests a multi-stakeholder structure in which all major players are represented. In particular, by establishing a GDM in support of the CBD, and indeed in support of all the biodiversity-related multilateral conventions, there will be a real opportunity to ensure that governments – both developing and developed – as well the private sector and NGOs have a voice in its governance. Regarding the administration of a GDM, this would also depend on the agreed modalities. One possible modality is explored in Annex A. Clearly, a GDM should benefit from the experiences of other international financial mechanisms such as the GEF, the CDM and the Global Mechanism.

3.19 What is the GDM 2010 Initiative?

The aim of the GDM 2010 Initiative is to achieve a sufficiently significant level of support for a decision by COP10 to further consider this proposed innovative financial mechanism. It has been guided by an informal Steering Committee of biodiversity finance experts from the CBD Secretariat, the Dutch Environment Ministry (VROM), Earthmind, IUCN, OECD and UNEP with financial support from the Government of the Netherlands. For more information on the Initiative, see: gdm.earthmind.net.

3.20 What could the Parties do about the GDM at COP10?

At COP10 in October in Nagoya, the Parties have the opportunity to invite interested Parties and stakeholders to consider the need for, and modalities of, a Green Development Mechanism, which, in its pilot phase, would develop a standard-setting and certification process for validating the supply of CBD-complaint management plans for geographically-defined areas, and a voluntary market-based institutional framework for enabling financing of these plans by businesses, investors, NGOs, consumers and others. The Parties will also have an opportunity to decide how to best take this process forward in terms of future actions.

Annex A. An illustration of a GDM

The illustration presented in this Annex on the shape or form that a GDM could take is *not* being proposed for approval by COP10. Rather, we hope that the Parties will support further discussion of a GDM, which would include an examination of the elements presented here. As the various elements outlined in this Annex do not pretend to provide a complete description of a possible financial mechanism for green development in support of the CBD; a fuller description will emerge out of consultations with key stakeholders, based on the experience of a pilot phase leading up to COP11.

Outline

1. GDM objectives
2. Biodiversity components
3. A GDM management matrix
4. Methodologies
 - 4.1 CBD-approved methodologies
 - 4.2 Methodologies of biodiversity-related agreements
 - 4.3 Relevant voluntary methodologies
5. A GDM-certified area
6. Time period for certified plans
7. Reporting
8. A GDM registry
9. GDM supply
10. GDM financing
11. GDM certifiers
12. Governance and administration
13. A GDM consultation and pilot phase

A.1 GDM objectives

A GDM would certify that management plans for geographically-defined areas are compliant with the objectives and priorities of the CBD.⁴ In particular, a GDM standard would focus on the following four objectives:

- Conservation
- Sustainability
- Equity
- Development

‘**Conservation**’ refers to the first CBD objective, “the conservation of biological diversity” (Article 1). In the context of a GDM, it explicitly refers to ‘in-situ conservation,’ which is defined as “the conservation of ecosystems and natural habitats and the maintenance and recovery of viable populations of species in their natural surroundings and, in the case of domesticated or cultivated species, in the surroundings where they have developed their distinctive properties” (Article 2).

⁴ Importantly, CBD objectives are also supported by the work programmes of the other biodiversity-related conventions, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

‘Sustainability’ refers to the second CBD objective, “the sustainable use of its components” (Article 1). This means “the use of components of biological diversity in a way and at a rate that does not lead to the long-term decline of biological diversity, thereby maintaining its potential to meet the needs and aspirations of present and future generations” (Article 2).

‘Equity’ refers to the third CBD objective, “the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding” (Article 1). For a GDM, as appropriate, the management plan should also address the fair and equitable sharing of benefits arising out of the utilization of all components of biodiversity.

‘Development’ refers to the recognition of the CBD “that economic and social development and poverty eradication are the first and overriding priorities of developing countries” and that “conservation and sustainable use of biological diversity is of critical importance for meeting the food, health and other needs of the growing world population, for which purpose access to and sharing of both genetic resources and technologies are essential” (Preamble). Hence, for a GDM, in developing countries, development outcomes need to be an integral part of certified management plans.

A.2 Biodiversity components

A GDM would certify management plans that address the following four components of biodiversity:

- Ecological complexes
- Ecosystems
- Species
- Biological resources

‘Ecological complex’ is highlighted in the CBD definition of biodiversity: “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). For a GDM, an ecological complex is a ‘geographically-defined area’ as this term is used in the definition of a **‘protected area’** as “a geographically defined area which is designated or regulated and managed to achieve specific conservation objectives” (Article 2). In some cases, it may be appropriate to refer to an ecological complex simply as a ‘landscape’, a ‘seascape’, or an ‘area’.

‘Ecosystem’ is a key component of biodiversity and is defined as “a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit” (Article 2). Also relevant to a GDM is the somewhat related term **‘habitat,’** which is defined as “the place or type of site where an organism or population naturally occurs” (Article 2).

‘Species’ is a component of biodiversity, but it is not explicitly defined in the CBD. However, **‘domesticated or cultivated species’** is defined as “species in which the evolutionary process has been influenced by humans to meet their needs” (Article 2). Apparently, the definition of the term ‘species’ has been the subject of considerable debate going back to Charles Darwin’s 1859 observation⁵ that “no one definition has as yet satisfied all naturalists; yet every naturalist knows vaguely what he means when he speaks of a species. Generally the term includes the unknown element of a distinct act of creation.” For a GDM, it may be useful to have a working definition of this term as well as such terms as native, alien, exotic, and invasive species.

⁵ See: <http://darwin-online.org.uk/content/frameset?viewtype=side&itemID=F373&pageseq=59>.

‘**Biological resources,**’ are defined as ‘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). Further, ‘**genetic resources**’ are defined separately as “genetic material of actual or potential value” where ‘**genetic material**’ is in turn defined as “any material of plant, animal, microbial or other origin containing functional units of heredity” (Article 2).

A.3 A GDM management matrix

	Ecological Complexes	Ecosystems	Species	Biological resources
Conservation				
Sustainability				
Equity				
Development				

The four objectives of a GDM can be combined with the four biodiversity components to provide a management matrix for a geographically-defined area. A GDM management plan should, as appropriate, address what it could deliver in each of the 16 cells in this matrix. Depending on the “ecological, genetic, social, economic, scientific, educational, cultural, recreational and aesthetic values” (Preamble) of a particular area, however, some of the cells may be of critical importance to its management, while others may be of less or little importance.

A.4 Methodologies

Various relevant methodologies – including commitments, guidelines and tools – have already been developed and formally accepted by the Parties to the CBD, and thus are already available for use in developing a GDM-eligible management plan. Other methodologies have been developed and accepted by the Parties to other biodiversity-relevant agreements and could be approved for use under a GDM. Still other methodologies have been developed voluntarily and could also be approved for use under a GDM. While the process for approving methodologies is discussed in the section below on governance, this section highlights a selection of the methodologies that would be relevant to a GDM.

A.4.1 CBD-approved methodologies

The text of the CBD itself, as well as the subsequent decisions of the COPs, provides approved aims, approaches, guidance and terminology which would form the methodological basis for GDM-certified management plans. Perhaps of most importance for a GDM is the **ecosystem approach**.

COP7 decision VII/11 recognised “the ecosystem approach as the primary framework for addressing the three objectives of the Convention in a balanced way.” This followed on from COP 5 decision V/6 which adopted the ecosystem approach as “a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way.” In this decision, the Parties also set out 12 “complementary and interlinked” principles of the ecosystem approach. Further, in

response to COP decision VII/11, the CBD Secretariat also maintains an online **Ecosystem Approach Sourcebook**⁶ that provides useful, detailed guidance on how to create management plans.

Further, with respect to the **conservation** objective, **Article 8** of the CBD addresses in-situ conservation and includes commitments such as “regulate or manage biological resources important for the conservation of biological diversity whether within or outside protected areas, with a view to ensuring their conservation and sustainable use” and “development and implementation of plans or other management strategies.”

The objective of **sustainable** use is addressed in **Article 10**, which includes commitments by the Parties to “support local populations to develop and implement remedial action in degraded areas where biological diversity has been reduced” and “encourage cooperation between its governmental authorities and its private sector in developing methods for sustainable use of biological resources.” By COP decision VII/12 (paragraph 1), the Parties also adopted the **Addis Ababa Principles and Guidelines for the Sustainable use of Biodiversity** and called for “integrating and mainstreaming the Addis Ababa Principles and Guidelines into a range of measures including policies, programmes, national legislation and other regulations, sectoral and cross-sectoral plans and programmes addressing consumptive and non consumptive use of components of biological diversity.”

Further guidance on implementation of the CBD with respect to specific objectives, specific ecosystems, and specific economic sectors has also been formally approved by the Parties and should be included in a more thorough compilation of approved methodologies for developing GDM-eligible management plans.

A.4.2 Methodologies of biodiversity-related agreements

Other conventions related to biodiversity have also developed commitments, guidelines and tools, which could serve as useful methodologies for developing GDM-eligible management plans. For example, under the **Ramsar Convention on Wetlands**, its Parties adopted Resolution VII.16, which adopts a set of **Principles and guidelines for wetland restoration** that “provide a step-by-step process guiding the identification, development and implementation of a restoration project.”

Methodologies approved by Parties to other biodiversity-related conventions relating to such topics as conserving the habitats of endangered and migratory species, carbon storage and sequestration, and sustainable land management could be compiled for review and possible approval for use under a GDM.

A.4.3 Relevant voluntary methodologies

There are also a number of reputable voluntary standards, guidelines and tools that could be approved for use under a GDM. A selection of these follows:

- Climate, Community and Biodiversity standards
- Corporate Ecosystem Review
- Ecosystem Service Benchmark
- Fair trade Labelling Organisation standards
- Forest Stewardship Council standards
- Global Reporting Initiative biodiversity reporting resource
- The Gold Standard

⁶ See: <http://www.cbd.int/ecosystem/sourcebook/>.

- ISO 14001 Environmental Management Standard
- IUCN Red List
- Marine Aquarium Council standards
- Marine Stewardship Council standards
- Rainforest Alliance certification schemes

Such methodologies could be submitted to a GDM governance structure for review and possible approval for use under a GDM.

A.5 A GDM-certified area

A GDM-certified management plan would be for a ‘geographically defined area’ as the term is used in the CBD definition of a protected area. In a sense, a GDM-certified area could be considered a ‘**protected area plus (PA+)**’ in that it would deliver conservation plus sustainability plus equity plus, in developing countries, development.

Importantly, a GDM-certified management plan could explicitly define its area with geographic coordinates, and it could also calculate the number of spatial units within the area – for instance in hectares. By measuring the area in hectares (somewhat analogous to tonnes of carbon under the CDM), the supply of a GDM-certified management contract could be measured and marketed.

GDM-certified hectares, however, would not trade at a uniform price as do tonnes of carbon. This is because different hectares would have different biodiversity values and different management requirements. Thus trades in GDM-certified hectares would be more like a market for property than a market for commodities; where each unit of property is unique but nevertheless trades for an agreed price per spatial unit.

In this respect, there may be a further need to develop a method or approach to target areas with high biodiversity. A scoring method or biodiversity benefits index may be needed to rank different areas according to their biodiversity value. Spatial mapping tools⁷ that are under development could help this and could be further explored in a pilot phase. Ultimately, however, the market would decide the value of specific ‘managed’ areas.

A.6 Time period for certified plans

A GDM-certified management plan should be valid for an explicit period of time, and the contract to deliver this plan should extend over the same time period. In consultations on the GDM, the possibility of a 10-year time period for GDM-certified plans has been proposed. Such a time period would allow for longer-term planning and commitments than is common under most of today’s donor-funded biodiversity projects. It would also enable the management plan to be adapted as needed over time based on unexpected developments to ensure more sustainable benefits. However, it should not be so long as to unduly increase uncertainty from the perspective of investors in GDM contracts. Nevertheless, the appropriate time period for a GDM-certified plan will require further consideration.

A.7 Reporting

Reporting would be a critical component of a GDM-certified management plan. Investors in GDM-certified management contracts as well as other stakeholders will want evidence that the plan is being

⁷ For example, see the WorldMap research project hosted by the UK Natural History Museum at: <http://www.nhm.ac.uk/research-curation/research/projects/worldmap/>.

delivered. Reporting guidelines could be developed in partnership with the Global Reporting Initiative, perhaps in terms of an update to its 2007 Biodiversity Reporting Resource.⁸

A robust reporting framework for a GDM-certified management plan would need to include several key elements such as:

- **Baseline assessment** – status and trends of the area in terms of the four biodiversity components and the four GDM objectives
- **Key performance indicators** – to monitor and assess the impact of the management plan
- **Monitoring and assessment plan** – for regular reporting (quarterly or annually, as appropriate) on the impact of the management plan
- **Independent verification** – to maintain the GDM certification over the 10-year time period, perhaps through third-party audits in the third, sixth, and ninth years of the contract
- **Public reporting** – including at least a public annual report on the performance of the management plan

A.8 A GDM registry

It will be critical to maintain a registry of GDM-certified areas. This registry would need to indicate whether or not a GDM-certified management plan has been funded. It should also include details of the plan such as location, suppliers, buyers, and reports on performance over the contracted time period.

In addition to gaining insights from the registry established for the CDM, a GDM could build on other biodiversity-related registries, such as the US-based Conservation Registry.⁹ Further, a GDM registry could link, as appropriate, to biodiversity clearinghouses and databases such as LifeWeb, the UNEP World Conservation Monitoring Centre, the IUCN Red List, the WWF eco regions database, and the Integrated Biodiversity Assessment Tool for business.

A.9 GDM supply

A GDM-certified management plan could be supplied by any community, authority, organisation or individual who is legally competent to deliver a management contract for a geographically-defined area. This would require that the supplier has both the right and the capacity to deliver the contract. This implies some type of right to manage the area under consideration, but – importantly – need not imply actual ownership of the area.

For example, an indigenous community could offer to manage an area for which they have recognised traditional rights, but for which they may not have a registered title deed. On a case-by-case basis, clarity on who has the effective right to manage a particular area would need to be determined. Importantly, recognition of rights and responsibilities with respect to management, access, use, and ownership of a particular area would also need to comply with relevant articles and decisions of the CBD, notably those relating to Article 8(j) on traditional knowledge and practices.

Potential GDM suppliers could come from the public, non-profit and private sectors and include the following:

- Public sector suppliers

⁸ See: <http://www.globalreporting.org/NR/rdonlyres/07301B96-DCF0-48D3-8F85-8B638C045D6B/0/BiodiversityResourceDocument.pdf>.

⁹ See: <http://conservationregistry.org/>.

- Local and provincial governments
- Protected-area authorities
- Natural-resource authorities – forests, lakes, coastal areas, etc.
- Central governments
- Intergovernmental organisations (probably in partnership with others)
- Non-profit suppliers
 - Community-based organisations
 - Non-governmental organisations
 - Private foundations
 - Academic/research institutions
 - Faith-based organisations
- Private sector suppliers
 - Local and indigenous communities
 - Cooperatives
 - Individual land owners
 - Land trusts
 - Green developers
 - Property-management companies
 - Corporate land owners

For example, local governments may wish to attract residents and businesses to their towns and counties by seeking GDM certification for areas under their responsibility, so as to make clear their commitment to conservation, sustainability, equity and development. Protected-area authorities may want to decalre their commitments and plans with respect to the four GDM objectives and, in so doing, secure additional financial support.

Intergovernmental organisations, such as the UN Development Programme, may partner with local community organisations to develop GDM-certifiable management plans for specific areas that have clear development outcomes. International environmental NGOs may want to collaborate with local stakeholders to offer GDM-certified management plans for high conservation-value areas, biodiversity hotspots or habitats for critically endangered species. Finally, businesses may wish to have an independent verification that an area under their responsibility is compliant with the objectives of the CBD.

A.10 GDM financing

To raise funds, the supplier of a GDM-certified management plan could offer a commitment to deliver the plan through a GDM-structured market process. For example, the supplier could offer the plan as a single contract – e.g. a commitment to manage 1,000 hectares for 10 years for a total cost of \$1 million. Or the

commitment could be divided into a number of contracts – e.g. 10 100-hectare contracts at \$100,000 each or 1,000 1-hectare contracts at \$1,000 each. However the commitment is marketed, the supplier will need \$1 million to deliver his/her GDM-certified management plan. Of course, if demand is high, the supplier may be able to raise more than \$1 million and make an additional profit. On the other hand, if this supplier is unable to raise a \$1 million, then the plan may not be delivered and the area may not benefit from GDM-certified management.

Through an international market process, a GDM-certified management plan for a geographically-defined area could secure financing from a number of sources within the private sector. In general, a GDM could stimulate demand in a voluntary market by providing clarity and transparency on precisely where and by whom the funds are to be used and, importantly, the biodiversity and development impacts of these investments.

There are a number of substantive reasons why businesses in particular might want to finance GDM-certified management plans. These include:

- Government regulations
- Government relations
- Investor requirements
- Supply chain sustainability
- Corporate social responsibility

Businesses may finance GDM-certified plans in response to a biodiversity-related official regulation. For example, Section 404 of the US Clean Water Act regulates the discharge of material into wet ecosystems with a goal to "restore and maintain the chemical, physical, and biological integrity of the nation's waters."¹⁰ Financing a GDM-certified wetland area might serve to mitigate potential business impacts on a wetland. Or businesses may finance GDM-certified plans in response to an investor's obligation. The Japan Bank for International Cooperation, for example, requires of its borrowers that "plans for projects with particularly large potential adverse impact must be accompanied by detailed environmental management plans."¹¹ Such plans could encompass GDM-certified areas. For further discussion of the potential interest of business in a GDM, please see Annex B.

Investors – both institutional and individual – may also want to finance GDM-certified management plans. For example, a private green investment fund, such as those operating under the Netherlands Green Funds Scheme, could invest in GDM-certified areas as part of an investment in the supply of responsible products, such as ecotourism or sustainable agriculture. An individual investor might buy certified hectares for his/her private holding or even as a gift for a family member or friend.

Both conservation and development NGOs might finance GDM-certified areas that deliver priority biodiversity and development outcomes, and indeed, they in turn might campaign to raise funds to finance these areas. Likewise, multilateral and bilateral environment and development assistance might also finance GDM-certified areas or, as discussed further in Annex B, they might provide technical assistance support to potential suppliers of GDM-certified management plans to assist them in developing these plans and marketing them to business and the private sector.

¹⁰ See: <http://www.epa.gov/oecaagct/lcwa.html>.

¹¹ Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations (July 2009), p. 16. See:

http://www.jbic.go.jp/en/about/environment/guideline/business/pdf/pdf_01.pdf.

Clearly, a large number of stakeholders could be active in financing GDM-certified areas. Further assessment of the 'business case' for GDM financing under a voluntary market, however, will need to be a key focus of a pilot phase of a GDM.

A.11 GDM certifiers

As the vision of a standard-setting and certification scheme for green development takes shape, the need for a number of GDM intermediaries will become clear. These would include intermediaries to facilitate the transfer of funds from demanders to suppliers, such as brokers or underwriting agents. There will also be demand for due diligence services, the drafting of contracts, agreements on private and legal channels for arbitration of grievances, and clearinghouses of information on the values and outcomes of management contracts, to name a few. These could be supplied by various public, private and non-profit organisations.

Most importantly, like any other certification scheme – whether for reduced emissions, organic agriculture or sustainable timber – there would be a need to establish a global network of approved certifiers who could undertake independent third-party certifications of proposed CBD-compliant management plans and who could then audit the delivery of these plans over the ten-year time period. Private sector and non-profit organisations that are currently offering certification services could be approved by a GDM secretariat if they meet an agreed set of requirements.

The need for GDM intermediaries including certifiers also raises the critically important issue of transaction costs. A clear challenge for a GDM would be to ensure that these are managed in such a way that they do not inhibit transactions between potential suppliers and demanders – especially from poorer communities – but at the same time ensure that such transactions are CBD-compliant.

A.12 Governance and administration

An international mechanism for green development in support of the objectives of the CBD, and indeed based on the methodologies approved by the Parties to the CBD as well as the Parties to other biodiversity-related agreements, will require governance arrangements that are multi-stakeholder and approved by the Parties to the CBD, perhaps at a subsequent COP.

This governance structure should be responsible for:

- Approval of GDM operational modalities
- Approval of GDM methodologies
- Appointment of the manager of the administrative body
- Approval of the administration's work programme and budget
- Review of the administration's finances
- Review of GDM risks

In addition, a GDM would probably need an administrative body to undertake the following activities:

- Approval of GDM certifiers
- Registry of GDM-certified management plans and contracts
- Preparation of operational modalities and methodologies for approval by the governance structure
- Preparation of the annual work programme and budget for approval by the governance structure

- Ensuring independent auditing of the administration's finances
- Identification of GDM risks for review by the governance structure
- Securing funding and partnerships, as appropriate, for the development and management of a GDM

During a pilot phase leading up to a report to COP11, Parties and other stakeholders could be consulted about possible modalities for the governance and administration of a GDM.

A.13 Further consultations and a pilot phase

Following COP10 in October 2010, a two-year consultation phase could further develop the elements of a GDM illustrated in this Annex and explore other modalities. This two-year time period could also be used to undertake a number of GDM pilot projects in different regions and ecosystems to better understand the opportunities and challenges of establishing a GDM.

COP10 may wish to suggest to Parties and stakeholders interested in further development of a GDM to ensure, in collaboration with the CBD Secretariat, that there is a need for further regional consultation, particularly in Africa, Asia and Latin America, so that the design of a GDM can be shaped by regional guidance.

Additionally, based on further consultations and a pilot phase, the Parties may want to ask interested organisations to prepare a report for COP11 to facilitate consideration of the establishment of a Green Development Mechanism. Such a report might articulate a GDM standard-setting and certification scheme, the opportunities and challenges of developing a supply of GDM-certified management plans – particularly from developing countries – which would be eligible for financing, and, crucially, the opportunities and challenges of establishing demand for GDM-certified areas in a voluntary market which will result in a significant increase in international financing available for implementing the CBD on the ground.

Annex B. Potential sources of GDM finance

As a proposed innovative financial mechanism that would help to fill the biodiversity funding gap by mobilising private-sector financing to mitigate biodiversity loss, a critical issue is to identify possible sources for GDM finance. This section expands the discussion of finance in Section 2 on FAQs, and in Annex A, on an illustration of a GDM.

A core reason why a GDM would be attractive to business and other private sector stakeholders is that it would certify CBD-compliant management plans and in so doing enable a funder to know how the funds will be used and by whom. Importantly, this would include objectives, targets and performance indicators for the likely biodiversity and development impacts of these funds.

Outline

1. Business
 - 1.1 Government regulations
 - 1.2 Government relations
 - 1.3 Investor requirements
 - 1.4 Supply chain sustainability
 - 1.5 Corporate social responsibility

2. Toward a funding target for a GDM
3. Investors
4. Other potential funding sources
5. TEEB evidence on the market for biodiversity

B.1 Business

There are a several reasons why a business might want to finance GDM-certified management plans. These include:

- Government regulations
- Government relations
- Investor requirements
- Supply chain sustainability
- Corporate social responsibility

This section provides a brief discussion and an example for each of these.

B.1.1 Government regulations

Businesses may finance GDM-certified plans in response to a biodiversity-related or development-related national regulation. In Mexico, for example, businesses may mitigate their biodiversity impacts by paying into a compensation fund managed by the National Forestry Commission, which could in turn finance GDM-certified reforestation projects. In the US, requirements under Section 404 of the Clean Water Act could be met by financing a GDM-certified wetland to mitigate business impacts on the nation's wetlands. In general, financing GDM-certified areas may be attractive to businesses in countries ranging from Ghana to Madagascar where environmental impact assessments require them to mitigate impacts.

In this respect legislation in the European Union is particularly noteworthy as it mandates compensation for impacts on habitats which could provide incentives to finance GDM-certified areas:

“A network of protected sites (Natura 2000 sites) has been established under the Habitats (1992/43/EEC) and Birds (1979/409/EEC) Directives. Impacts in these protected areas are strictly regulated... The implementation of these Directives in some countries also requires compensation for damage to habitats of threatened species...

“The more recent Environmental Liability Directive (ELD; 2004/35/EC) harmonizes previous liability regimes and implements the polluter pays principal: making the parties responsible for environmental damage financially responsible for preventing and remediating that damage.”¹²

Furthermore, tax regulations may also provide incentives to invest in GDM-certified areas. In some cases, such investments might be considered charitable and qualify for tax exemption. In other cases, such investments may be expensed as a cost of doing business.

B.1.2 Government relations

¹²Madsen, B., Carroll, N., and Moore Brands, K. (2010). State of Biodiversity Markets Report. ee: www.ecosystemmarketplace.com/documents/acrobat/sbdmr.pdf.

In the areas of biodiversity and development, there are many strategies and actions that national governments are striving to implement and to which actions by businesses, such as financing GDM-certified areas, could play a significant role. Such support by business goes beyond government regulation, and offers opportunities for business to have collaborative, positive relations with governments. In particular, activities in support for a country's National Biodiversity Strategy and Action Plan (NBSAP) could be a basis for strengthening a company's relations with the government.

In Yemen, for example, the largest new business in the country, Yemen LNG, has drafted and implemented a Biodiversity Action Plan (BAP) in support of the country's NBSAP. The BAP notes that:

“In the Republic of Yemen, there is no specific national law or requirement relating to biodiversity, species, habitat and ecosystem that mandate enterprises who want to establish themselves in Yemen to draw up a BAP. However, on February 21st, 1996 the Government of Yemen ratified the International Convention on Biological Diversity... In doing so, the Yemeni Government is committed to significantly reduce the rate of biodiversity loss before 2010 and to prepare and implement a national biodiversity action strategy and plan (NBSAP).”¹³

In response to the NBSAP, Yemen LNG has committed to a number of biodiversity actions that go far beyond regulatory requirements. These include the following, all of which could benefit from GDM-certified area management plans:

“Biodiversity Action 17 - Supporting implementation of the protected area 1 Bir Ali – Burum as part of the National CZMP Project sponsored by EPA...

“Biodiversity Action 20 - Implementation of a community solid waste cleaning pilot project particularly to clean the coastal area of the city of Bir Ali...

“Biodiversity Action 23 - Implementation of a coastal expansion project for the area between Bir Ali and Balhaf to encourage turtle nesting activities.”

B.1.3 Investor requirements

As important for business as regulations – notably for large-scale business projects in developing countries – are the social and environmental requirements mandated by investors. For example, the Japan Bank for International Cooperation (JBIC) requires of its borrowers that “plans for projects with particularly large potential adverse impact must be accompanied by detailed environmental management plans.”¹⁴ Such plans could include GDM-certified areas.

Perhaps the most influential biodiversity and development-related investor requirements are the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability:

- 1: Social and Environmental Assessment and Management Systems
- 2: Labor and Working Conditions
- 3: Pollution Prevention and Abatement
- 4: Community Health, Safety and Security

¹³Yemen LNG Company Biodiversity Action Plan. (October 2008). See:

<http://yemenlng.com/ws/uploads/bap-31-10-08.pdf>.

¹⁴ Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations (July 2009), p. 16. See:

http://www.jbic.go.jp/en/about/environment/guideline/business/pdf/pdf_01.pdf.

5: Land Acquisition and Involuntary Resettlement

6: Biodiversity Conservation and Sustainable Natural Resource Management

7: Indigenous Peoples

8: Cultural Heritage

Though all are directly relevant to the four core objectives of a GDM – conservation, sustainability, equity and development – Performance Standard 6 is particularly important. For example, the following two paragraphs clearly provide a basis for financing GDM-certified areas:

“8. Mitigation measures will be designed to achieve no net loss of biodiversity where feasible, and may include a combination of actions, such as:

- Post-operation restoration of habitats
- Offset of losses through the creation of ecologically comparable area(s) that is managed for biodiversity
- Compensation to direct users of biodiversity

“14. The client will manage renewable natural resources in a sustainable manner. Where possible, the client will demonstrate the sustainable management of the resources through an appropriate system of independent certification.”¹⁵

The IFC’s Performance Standards – which will be updated in 2011 – are particularly influential because they have been adopted by the Equator Principles Association, which represents 67 multinational banks responsible for most of the project finance in developing countries. The recently adopted Governance Rules of the Association state the following, and provide a solid investment basis for financing GDM-certified areas:

“b) The aim of the Principles is to introduce good practice for financial institutions in the management of social and environmental risks when providing Project Finance loans or Project Finance Advisory Services.

“c) The Principles are a framework to require the implementation of standards of good practice in relation to the social and environmental issues arising in projects that are the subject of Project Finance. The EPFIs having so decided, the Equator Principles specify that the current standards required shall be either:

i) The Performance Standards and the Environmental, Health and Safety Guidelines of the IFC where projects are located in countries that are not High Income OECD countries (as defined by the World Bank Development Indicators Database), or

ii) Local or national law relating to social and environmental matters where projects are located in High Income OECD Countries (as defined by the World Bank Development Indicators Database).

“d) The Principles apply where the EPFIs provide Project Finance loans or Project Finance Advisory Services for projects having a total capital cost of US\$10 million or more, to provide that those projects are developed in a socially responsible manner and reflect sound environmental management practices. Negative impacts on project-affected ecosystems and communities should be avoided where possible, and

¹⁵IFC Performance Standard 6. (30 April 2006). See:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_PS6/\\$FILE/PS_6_BioDivConservation.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_PS6/$FILE/PS_6_BioDivConservation.pdf).

if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately.”¹⁶

B.1.4 Supply chain sustainability

To ensure the sustainability of their supply chains, some businesses may want to finance GDM-certified management plans for particular areas, or even to purchase GDM-certified areas. For example, a GDM would be a useful mechanism for large multinational member companies who belong to the Sustainable Agriculture Initiative Platform. These companies recognise that:

“Food industries are the biggest purchasers of agricultural raw materials. In order to rely on a constant, increasing and safe supply of agricultural raw materials, these must be grown in a sustainable manner. In 2002 Nestlé, Unilever and Danone created the Sustainable Agriculture Initiative (SAI) Platform...

“The SAI Platform today counts 25 members, with estimated sales of US\$ 300 billion, which actively share the same view on sustainable agriculture seen as a ‘productive, competitive and efficient way to produce agricultural products, while at the same time protecting and improving the natural environment and social/economic conditions of local communities’.”¹⁷

A related example is the market for Rainforest Alliance Agriculture Certification, which certifies farms that “have reduced environmental footprints, are good neighbors to human and wild communities and are often integral parts of regional conservation initiatives.”¹⁸ This certification and others, including the Fairtrade Labelling Organisation, the Forest Stewardship Council, Green Globe, the Marine Aquarium Council, the Marine Stewardship Council and the Roundtable on Sustainable Palm Oil, address key elements of a GDM standard and could well be recognised as appropriate methodologies for a GDM certification process. In this respect, linking such certification schemes for biodiversity-friendly goods and services to a GDM as a scheme for certifying the CBD-compliance of geographically-defined areas would enable conservation and development on the ground to be linked substantively to international supply chains.

B.1.5 Corporate social responsibility

Though related to government relations discussion above in Section B.1.2, corporate social responsibility (CSR) is a much broader concept which embraces corporate commitment, action and indeed leadership for social and environmental priorities. The European Commission, for example, defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”¹⁹ And in its 2006 Communication on CSR (COM(2006) 136 final), the Commission also addresses the international dimension of CSR, which is of particular relevance to a GDM, stating that it “will continue to promote CSR globally with a view to maximising the contribution of enterprises to the achievement of the UN Millennium Development Goals.”

Various international business organisations today are also addressing biodiversity for the reasons stated in this Annex, including CSR. The World Business Council for Sustainable Development promotes “the development and uptake of best practice mitigation and market-based approaches that support the sustainable management and use of ecosystems services – both on a stand alone basis and in cooperation

¹⁶TheEquator Principles Association Governance Rules. (April 2010). See:

http://www.equator-principles.com/documents/EP_Governance_Rules_April_2010.pdf.

¹⁷ See: <http://www.saiplatform.org/about-us/who-we-are-2>.

¹⁸ See the agriculture programme at: <http://www.rainforest-alliance.org/>.

¹⁹ See: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm.

with other stakeholders.”²⁰The International Chamber of Commerce (ICC) Business Charter for Sustainable Development includes a commitment “to contribute to the development of public policy and to business, governmental and intergovernmental programmes and educational initiatives that will enhance environmental awareness and protection.”²¹ The UN Global Compact and Duke University have developed an Environmental Stewardship Strategy which includes a commitment by business to “translate best practices into processes and practices that are applicable in the diverse geographies in which they operate.”²² There may indeed be opportunities to position a GDM as a useful mechanism for implementing the CSR-related programmes of such international business organisations.

At the national level, there are further interesting opportunities, of which one of the most promising is Nippon Keidanren, the private Japanese economic organisation which represents 1,281 companies, 129 industrial associations, and 47 regional economic organizations. In March 2009, Nippon Keidanren issued its ‘Declaration of Biodiversity’²³ which has already been endorsed by over 300 companies.²⁴ As indicated by the following commitments of the Declaration, a GDM could be most a useful scheme for the member companies of Nippon Keidanren:

“It is time to recognize that biodiversity is an important foundation for a future sustainable society and we are determined to act to contribute to biodiversity in collaboration and cooperation by sharing roles and responsibilities with all people as a member of the international community.

“We aim for the conservation of biological diversity, the sustainable use of the components of biological diversity and the fair and equitable sharing of the benefits derived from genetic resources...

“Act for biodiversity conservation from a global perspective and in consideration of local contexts by recognizing that we are benefiting from ecosystem services beyond national borders and by sharing the recognition with all people that biodiversity is being diminished...

“Act voluntarily and steadily to reduce impacts on biodiversity, and to promote socially responsible activities that will substantially benefit biodiversity...

“Based on a deep understanding of biodiversity, contribute to a sustainable global society by spearheading activities which address social responsibility for biodiversity.”

Whether at the international or national level, demand will develop from the growing call for businesses to mitigate their biodiversity impacts and to demonstrate their social responsibility both at the locations of their operations and across their increasingly global value chains.

B.2 Toward a funding target for a GDM

During the consultation phase leading up to COP10, one of the issues that emerged was whether the business community perhaps through one or more international or national business organisations could set a target for financing GDM-certified areas. As a GDM would provide opportunities for businesses to mitigate their biodiversity impacts and demonstrate their social responsibility leadership across their value chains and not simply at the locations of their operations, a target for an appropriate level of GDM finance might be useful.

One approach to setting such a target for business and the private sector could be to model the “the repeated commitment of the world's governments to commit 0.7% of rich-countries' gross national

²⁰ See the WBCSD Ecosystem Focus Area at: <http://www.wbcsd.org/>.

²¹ See: <http://www.iccwbo.org/policy/environment/id1309/index.html>.

²² See: http://www.nicholasinstitute.duke.edu/globalcompact/?q=ex_sum.

²³ See: <http://www.keidanren.or.jp/english/policy/2009/026.html>.

²⁴ See: <http://www.keidanren.or.jp/english/policy/2009/026partners.html>.

product (GNP) to Official Development Assistance.”²⁵ For business, the target could be a percentage of corporate income or revenues.

Using the data for the Fortune Global 500,²⁶ the total revenues of the world’s largest companies was \$23,085,075,000,000. If the top 500 companies were to adopt a GDM target of .7%, this would generate revenues of \$160 billion. However, an even more modest GDM target would make a substantive contribution to filling the biodiversity funding gap. For example, a .2% target would generate roughly \$46 billion, while an even more modest target of .1% would generate \$23 billion.

Clearly, substantive funding is potentially available from business and the private sector – even in a voluntary market – and a GDM would provide a clear, transparent and accountable way for these funds to be used to deliver biodiversity and development outcomes on the ground. During a pilot phase, one topic which would require further discussion is whether a GDM target would be a useful tool for the private sector and whether it should be set at .1% or .2% of revenues, or even higher.

B.3 Investors

In addition to the critically important role that investors play in setting environmental and social standards, as discussed in Section B.1.3 above, the investment community will also likely see opportunities for making direct investments in GDM-certified management plans or in specific areas with GDM-certified plans. Further, some investors may well finance GDM-certified contracts for resale on secondary markets, while others may specialise in brokering sales between willing suppliers and buyers.

There are various environmental investment schemes – both private and public – which might adopt a GDM certification as a basis for eligibility. One such scheme is the Green Funds Scheme set up by the Netherlands. The key feature of this scheme is a tax incentive to encourage investors to invest their money in green projects. In 2005, for example, the 2.5% tax incentive cost the government only €125 million in lost revenues, but generated €4 billion in funds for green projects.²⁷ To date, however, financing projects have been limited to those within the Netherlands as there has not been a practical way to verify the ‘greenness’ of funds invested abroad. In this respect, a GDM, through its internationally recognised standard, could help the Dutch scheme as well as other such schemes make private investor funds available for international green development projects, particularly in developing countries.

For investors and brokers in the carbon market, there is an interest in ensuring that carbon deals also deliver biodiversity and development impacts. This is evidenced in the demand for Gold Standard²⁸ and the Carbon, Community and Conservation Standard²⁹ certifications which help to mitigate reputational risk by ensuring that carbon credits are generated responsibly. With the uncertainty in the compliance carbon markets, due to continuing negotiations of the post-Kyoto regime, attracting buyers in the voluntary carbon market may open up new opportunities for a GDM. By certifying the management of an area which also delivers carbon credits, a GDM could ensure that these credits also have a net positive impact on biodiversity and development.

Further, in some parts of the world today there are already active markets in rural conservation properties which could benefit by having access to an internationally-recognised certification scheme for responsible property management. In southern Africa, for example, there is a large and active real estate market for ‘game farms’ which are private wilderness areas. The market for game farms interests investors along similar lines to other property markets – commercial, retail, industrial or housing – but with a biodiversity

²⁵ See: <http://www.unmillenniumproject.org/press/07.htm>.

²⁶ See: http://money.cnn.com/magazines/fortune/global500/2010/full_list/401_500.html.

²⁷ See: http://www.senternovem.nl/mmfiles/GreenFunds%20scheme_tcm24-119449.pdf.

²⁸ See: <http://www.cdmgoldstandard.org/>.

²⁹ See: <http://climate-standards.org/>.

conservation as a unique selling feature. A typical marketing advertisement for such a property in South Africa reads as follows:

“Olievenfontein Game farm, 2 hours drive from Pretoria, is a stunning game reserve set in the breathtaking Waterberg malaria free mountains. Lying at 1.500 meters above sea level, it offers spectacular views over the Waterbergs, great game viewing (giraffes, kudu, nyala, eland, zebras, waterbuck, impala, etc) and a fantastic climate. The farm offers absolute peace and tranquillity to unwind and relax and enjoy Africa’s beauty. The size and setup of the farm as well as excellent infrastructure condition means that no additional purchases or renovations are necessary and that the buyer can literally move in straight away (2 cars included).”³⁰

GDM certification could add substantive value to such properties in rural areas – whether for carbon credits, wildlife protection or supply chain sustainability – by verifying their conservation status. More, importantly, a GDM could also provide an internationally-accepted approach to linking their in situ conservation commitments to local development needs as well as to international funding opportunities.

B.4 Other potential funding sources

Though the focus of discussion on a GDM has been on securing finances from business and the private sector, other stakeholders would also be able to engage in a market for GDM-certified management plans – notably NGOs, government development assistance programmes, and multi-lateral organisations. This sub-section provides three examples.

As an example of potential NGO interest in GDM financing is the Verde Ventures investment fund managed by Conservation International.³¹ It focuses on funding “small- and medium-sized businesses that contribute to healthy ecosystems and human well-being,” and emphasises both the biodiversity and development outcomes of its investments:

“Our business partners support human well-being by conserving services that flow from healthy ecosystems and the species and processes that make up these ecosystems. Benefits encompass the livelihoods of communities and households.

“Verde Ventures support has enabled our partners to help protect and restore more than 761,106 acres (308,009 hectares) of important lands. Verde Ventures business partners also employ more than 15,000 local people in 13 countries.”

Clearly, large international NGOs such as Care, Conservation International, IUCN, The Nature Conservancy, Oxfam, World Vision, and WWF could raise funds for supporting GDM-certified management plans for areas which they have identified as critically important for biodiversity or development.

Development assistance agencies and programmes could also support GDM-certified areas, especially as the biodiversity and development objectives of a GDM are fully compatible with the ambitions of many agencies to link biodiversity conservation with local livelihoods. The Swiss Agency for Cooperation and Development (SDC), to cite only one example, states the following commitment:

“In priority countries, the SDC ensures that government tasks related to soil, water and forest use are regulated at the communal level wherever possible. Rules and incentives for optimal, sustainable resource management are drawn up in conjunction with the authorities, the people dependent on the resources, and civil society organisations. Moreover, the SDC works with other international and governmental organisations to establish rules governing the acquisition of large areas of arable land in poor countries.

³⁰ See: <http://www.africabushspace.com/farmdetail047.html>. (Accessed on 24 August 2010).

³¹ See: www.conservation.org/sites/verdeventures.

Conscious of the difficulties involved, the SDC attaches great importance to traditional methods and local know-how; these are supplemented by consultancy services provided by regional and international centres of research. In practical terms, individual land users or committees are empowered by user rights and appropriate training that enables them to share responsibility for resource management and to derive lasting benefits from their use and conservation.”³²

SDC and other bilateral development assistance agencies could not only finance GDM-certified management plans, but perhaps, more importantly, supplement local know-how and capacities with international expertise to design management plans which would be eligible for GDM certification.

At the multilateral level, a third example of potential GDM financing is the GEF Earth Fund, a public-private partnership initiative, which “is being managed based on the concept of ‘Platforms,’ under which a portfolio of projects will be managed. The portfolio has to be aligned with GEF Focal Areas or their equivalent, while projects within each Platform seek to address specific environmental challenges or to leverage particular business models or financial instruments.”³³ Such a platform could be established with one or more companies to develop and invest in GDM-certified management plans in support of the GEF’s work on biodiversity.

B.5 TEEB evidence on the market for biodiversity

The recently released TEEB for Business Report³⁴ provides substantive evidence of the emerging market for biodiversity and ecosystem services. This market is precisely the market in which a GDM would operate and thus, as it develops, the interest in a GDM is also likely to grow. One overview of this market is the following table, adapted from Ecosystem Marketplace, and included in the Executive Summary as well as Chapter 5 of the TEEB for Business Report:

Emerging markets for biodiversity and ecosystem services

Market opportunities	Market size(US\$ per annum)		
	2008	Est. 2020	Est. 2050
Certified agricultural products (e.g., organic, conservation grade)	\$40 billion (2.5% of global food& beverage market)	\$210 billion	\$900 billion
Certified forest products (e.g., FSC, PEFC)	\$5 billion of FSC-certified products	\$15 billion	\$50 billion
Bio-carbon / forest offsets (e.g., CDM, VCS, REDD+)	\$21 million (2006)	\$10+ billion	\$100+ billion

³² See the section on Natural Resources under the Food Security theme at:

<http://www.deza.admin.ch/en/Home>.

³³ See: <http://www.thegef.org/gef/PPP>.

³⁴ TEEB for Business: Executive Summary, page 11; and Chapter 5, page 33. See:

<http://teebweb.org/>.

Payments for water-related ecosystem services (government)	\$5.2billion	\$6 billion	\$20 billion
Payments for watershed management (voluntary)	\$5 million Various pilots (Costa Rica, Ecuador)	\$2 billion	\$10 billion
Other payments for ecosystem services (government-supported)	\$3billion	\$7 billion	\$15 billion
Mandatory biodiversity offsets (e.g., US mitigation banking)	\$3.4billion	\$10 billion	\$20 billion
Voluntary biodiversity offsets	\$17million	\$100 million	\$400 million
Bio-prospecting contracts	\$30million	\$100 million	\$500 million
Private land trusts, conservation easements (e.g., North America, Australia)	\$8 billion in U.S. alone	\$20 billion	Difficult to predict

Annex C. A GDM vis-à-vis other financing mechanisms

The purpose of this Annex is to indicate how a GDM might relate to other CBD-relevant financial mechanisms. This Annex provides a selection of mechanisms that are particularly relevant to a GDM. In so doing, it serves as an update of an earlier discussion of related mechanisms provided in a discussion paper prepared for the International Workshop on Innovative Financial Mechanisms (January 2010).³⁵ For each of the mechanisms presented, there is a brief discussion of its overall objective, its approach to financing and how it might relate to a GDM.

Outline

1. BioCarbon Fund
2. Bio-enterprise investment funds
3. Biodiversity offsets
4. Clean Development Mechanism (CDM)
5. Climate, Community and Biodiversity Alliance (CCBA)

³⁵ See: <http://www.cbd.int/financial/doc/gdm-exploring-the-case-en.pdf>.

6. Environmental certification schemes
7. Global Environmental Facility (GEF)
8. Global Mechanism (GM)
9. LifeWeb Initiative
10. Payments for Ecosystem Services (PES)
11. Ramsar Small Grants Fund
12. REDD+
13. Satoyama Initiative
14. World Heritage Fund
15. WWF Living Planet Fund (LPF)

C.1 BioCarbon Fund

The BioCarbon Fund³⁶, a public/private initiative established by the World Bank, has as its objective to deliver cost-effective emission reductions, while promoting biodiversity conservation and poverty alleviation. The Fund tests and demonstrates how land use, land-use change and forestry (LULUCF) activities can generate emissions reductions with environmental and livelihood benefits that can be measured, monitored and certified. In so doing, it delivers carbon finance to many developing countries that otherwise might have limited opportunities to participate in the CDM.

Financial modality

The BioCarbon Fund is financed by interest on the trust fund and parallel technical assistance funds from bilaterals and foundations. It operates much like a closed-end mutual fund; purchasing greenhouse gas emission reductions from projects in the developing world, and pays on delivery of those emissions reductions. All of the emission reduction credits are purchased on behalf of the public and private sector participants in the funds, so in this sense, the fund, and thus the World Bank, is acting as a sort of honest broker.

GDM linkages

A GDM is clearly not a trust fund. Though similar to the BioCarbon Fund, it would channel financing to areas that both conserve biodiversity, and support poverty alleviation. Further, from a CBD perspective, carbon storage and sequestration are potential ecosystem services that would also be provided by a GDM-certified management plan.

C.2 Bio-enterprise investment funds

A number of bio-enterprise investment funds have emerged, with the objective of providing proper financing for biodiversity businesses, i.e. businesses that demonstrate the potential to deliver both financial returns and biodiversity benefits. Three well established biodiversity investment funds to date are Verde Ventures from Conservation International (CI), the EcoEnterprises Fund from The Nature Conservancy (TNC), and Root Capital.

Financing modality

³⁶ See: <http://wbcarbonfinance.org/Router.cfm?Page=BioCF&ItemID=9708&FID=9708>.

Each fund has a distinct financing modality, some making investments in biodiversity businesses and others making loans. For example, Root Capital uses future sales contracts from US companies like Green Mountain Coffee Roasters, Starbucks and Whole Foods as a form of collateral. All provide funding based on the ability of biodiversity businesses to deliver both financial returns and biodiversity benefits. Eco Enterprises and Root Capital also take into consideration development outcomes, working particularly with small and growing businesses that generate sustainable livelihoods for local communities in developing countries.

GDM linkages

Similar to biodiversity investment funds, a GDM would channel international funding to area management projects that benefit biodiversity. A GDM certification may also be of assistance to existing funds such as EcoEnterprises, Root Capital and Verde Ventures by providing them with assurance that businesses operating on or sourcing from GDM-certified areas are using biological resources sustainably and managing the land in compliance with the CBD.

C.3 Biodiversity offsets

Biodiversity offsets are measurable “conservation actions intended to compensate for the residual, unavoidable harm to biodiversity caused by development projects.”³⁷ According the Business and Biodiversity Offsets Programme (BBOP)³⁸, the goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground.

Financing modality

Biodiversity offsets generate financial resources for biodiversity directly through a company’s localised commitment to an offset. Indirectly, as offsets follow the application of a mitigation hierarchy, they also encourage financing of a company’s mitigation response.

GDM linkages

Though a GDM is not a ‘like-for-like’ offset mechanism, it relates to biodiversity offsets by offering an opportunity for a company to mitigate impacts – notably broader supply chain or value chain impacts – beyond the direct localised impacts of a company’s operations. In this respect, a GDM could function as a mitigation mechanism complementing and following on from biodiversity offsets in a company’s mitigation hierarchy. Importantly, however, as a GDM is not being considered as a compensation mechanism for localised biodiversity impacts, it would not be appropriate to think of it as some type of alternative international biodiversity offset mechanism.

C.4 Clean Development Mechanism (CDM)

The CDM³⁹ is one of three market-based mechanisms under the Kyoto Protocol that together form what is now known as the carbon market. The other two are Emissions Trading and Joint Implementation. The mechanism is seen by many to be a pioneer- the first global, environmental investment scheme of its kind. Its mission is to reduce carbon emissions worldwide, thereby playing a critical role in reducing future climate change.

Financing modality

³⁷ten Kate, K., Bishop, J., and Bayon, R. (2004). Biodiversity offsets: Views, experience, and the business case. IUCN, Gland, Switzerland and Cambridge, UK and Insight Investment, London, UK.

³⁸ See: <http://bbop.forest-trends.org/>.

³⁹ See: <http://cdm.unfccc.int/index.html>.

The CDM, defined in Article 12 of the Kyoto Protocol, allows a country with an emission-reduction commitment (essentially, industrialised countries) to implement an emission-reduction project in developing countries. These projects can earn saleable Certified Emission Reductions (CERs). Commonly known as carbon credits, each CER is equivalent to one tonne of CO₂, which can then be traded and counted towards meeting Kyoto targets. According to the World Bank, “the global carbon market showed that in 2009 it grew to \$144 billion, up 6% from 2008 despite enduring its most challenging year to date.”⁴⁰

GDM linkages

Similar to the CDM, a GDM would set up a standard-setting and certification scheme, though its use, particularly for projects that implement the objectives of the CBD. In doing so, and creating a tradable asset, a GDM would mobilise private sector finance to mitigate biodiversity loss, much as the CDM has done to mitigate climate change. An essential difference is that, rather than a system of carbon credits, a GDM could pioneer a new system of accrediting the management of geographically defined areas in compliance with the CBD.

C.5 Climate, Community and Biodiversity Alliance

CCBA⁴¹ is a not-for-profit a partnership “seeking to promote integrated solutions to land management around the world.” It has developed a voluntary standard “to help design and identify land management activities that simultaneously minimize climate change, support sustainable development and conserve biodiversity.”

Financing modality

Like other carbon market certification schemes, CCBA provides internationally-recognised standards for projects which deliver carbon credits. The CCB Standards can stand on their own or be combined with other standards, e.g. “a carbon accounting standard such as, for example, the Clean Development Mechanism (CDM) or the Voluntary Carbon Standard (VCS).” In one instance at least, CCBA has also provided a framework for a ‘boutique’ standard for wetlands know as wet carbon.⁴² Through certifying projects which deliver carbon credits along with biodiversity and community outcomes, the CCBA provides a broad sustainability basis for international financial flows.

GDM linkages

Like REDD+, which is discussed below, the CCB Standards are quite closely related to the concept of a GDM. A key difference is that under a GDM, the priority focus would be on implementing the objectives of the CBD for a defined area, while under the CCB Standards, the priority focus is to generate carbon credits. However, as carbon sequestration or storage from a CBD perspective is an ecosystem service, the end result of either approach could be quite similar. Further, as a GDM standard and methodologies are developed these in turn could be quite useful as well for articulating the biodiversity and development aspects of the CCB Standards.

C.6 Environmental certification schemes

Growing consumer environmental concerns have stimulated markets for products and productions practices that conserve biodiversity, and therefore the creation of certification schemes that have as an objective the verification of the stated claims of companies on those products and practices. Taken as a whole, these environmental certification schemes all contribute to biodiversity-responsible business

⁴⁰ See: http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/State_and_Trends_2010_final.pdf.

⁴¹ See: <http://climate-standards.org/>.

⁴² See: <http://wetcarbon.com>.

practices. A few, however, are particularly interesting in their contributions to conserving landscapes and ecosystems, and these are the ones highlighted below:

- **Rainforest Alliance**⁴³ certification is a comprehensive process that promotes and guarantees improvements in agriculture and forestry. Their independent seal of approval, one of the most recognized and ubiquitous in the growing sustainable marketplace, ensures that the goods and services it approves were produced in compliance with strict guidelines for protecting the environment, wildlife, workers and local communities.
- **The Marine Aquarium Council (MAC)**⁴⁴ brings together fisheries and organizations that collect, produce and handle marine aquarium organisms around the world, and commits its members to working towards compliance with a specific set of standards. It has a vision of certifying the entire supply chain, starting with sustainable and responsible management of the marine site, where the fish and marine organisms are initially harvested.
- The **Lasting Initiative for Earth, or LIFE Institute**⁴⁵, is an innovative new scheme from Brazil that has as an objective to assess and certify the biodiversity performance of individual companies. The Institute has created a LIFE Certification that qualifies and recognizes public and private organizations that promote biodiversity conservation and sustainable development initiatives, thus ensuring the protection of the ecosystem integrity. Their vision is to be internationally recognized as a benchmark for promoting the integration of businesses and the conservation of biodiversity by 2020.

Financing modality

Each of these certification schemes provides financing for biodiversity by certifying businesses, goods or services that, at least in part, take into consideration their impacts on biodiversity. By creating well-established structures, standards and certifications that will help companies to verify their biodiversity responsibility within the marketplace, these schemes enable green investors, buyers and consumers to support these businesses.

GDM linkages

Few, if any, of today's environmental certification schemes address all the objective of the CBD. Nevertheless, most cover some of the dimensions of the biodiversity challenge, to a greater or lesser extent. For example, in the coffee sector, one can find schemes that emphasize landscape or ecosystem protection, such as the Rainforest Alliance certification, others that promote environment-friendly farming practices (organic agriculture) and others that emphasize equity with regards to the use of biological resources, such as FairTrade certification (FLO). A GDM would be able make use of existing standards and certification schemes as appropriate methodologies for use in a CBD-compliant management plan for a defined area.

C.7 Global Environmental Facility (GEF)

The GEF⁴⁶ is the largest intergovernmental environmental finance facility. It serves several multilateral environmental agreements including the CBD. It operates as:

“a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the following focal areas:

⁴³ See: <http://www.rainforest-alliance.org/>.

⁴⁴ See: <http://www.aquariumcouncil.org/>.

⁴⁵ See: <http://www.institutolife.org/interface/en/index.php>.

⁴⁶ See: <http://www.thegef.org/gef/>.

- (a) biological diversity;
- (b) climate change;
- (c) international waters;
- (d) land degradation, primarily desertification and deforestation;
- (e) ozone layer depletion; and
- (f) persistent organic pollutants.⁴⁷

Financing modality

Having invested over \$8.6 billion and leveraged \$36.1 billion in co-financing to fund thousands of projects in over 165 countries since 1991, the GEF has been and remains the largest funder of projects to improve the global environment.⁴⁸ In turn, the GEF receives its funds from donor countries at four-year intervals through the GEF replenishment process. The most recent GEF replenishment (the 5th) was concluded in May 2010 with an agreed overall replenishment of \$4.24 billion to support projects and operations for the next four years (2010-2014). Consistent with Articles 20 and 21 of the CBD, the GEF aims to finance the “agreed incremental costs of activities to achieve global environmental benefits.”

GDM linkages

Like the GEF, a GDM would be an international financial mechanism for biodiversity. However, unlike the GEF, which focuses on incremental financing for global environmental benefits, a GDM could focus on core funding needs for an area that delivers local as well as global environmental and development outcomes. Furthermore, a GDM would focus on securing funds from business and the private sector and thus should complement the critically important funding for developing countries channelled through the GEF. Also, as a GDM would establish a standard-setting and certification scheme to certify areas that are managed in compliance with the CBD, such a GDM scheme would be available for use as well by GEF-funded projects.

C.8 Global Mechanism (GM)

The GM⁴⁹ is a special financial service provider for the UN Convention to Combat Desertification (UNCCD) to mobilise financial resources for sustainable land management (SLM). The GM also advises countries and organisations on the development of investment frameworks for SLM at the country level. In this respect, the GM offers a unique financial brokering role which they explain as follows:

“In practice, the GM forges partnerships with national institutions to promote inter-ministerial dialogue that engages the Ministries of the Environment and Agriculture with the Ministry of Finance. This dialogue centres on priority setting and finance for SLM. The reason for such an approach is to ensure that SLM becomes more central to budget and financial resource allocation processes. Understanding and working within domestic budget processes increases access to emerging international finance – particularly climate change finance and resources available to safeguard food security as well as water harvesting and environmentally-induced migration.”⁵⁰

Financing modality

⁴⁷ See: http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_Instrument_March08.pdf.

⁴⁹ See: <http://www.global-mechanism.org/>.

⁵⁰ See: <http://www.global-mechanism.org/about-us/what-we-do>.

The GM focuses on ‘connecting the dots’ at the country level with respect to securing national budgetary support for SLM. In turn, this provides a basis for securing international funding for various issues related to SLM which can include not only climate change resources but also financing focused on biodiversity conservation, the sustainable use of biological resources, and the security of rural livelihoods.

GDM linkages

A GDM could support and complement the GM in several ways. Importantly, a GDM-certified area would be very similar in practice to the vision of SLM. Hence, there may be opportunities to link a GDM standard for the CBD to the SLM approach of the UNCCD. Further, at the country level, a GDM approach could support the GM’s efforts to coordinate budgetary allocations to ensure increased funding for SLM-related activities. Finally, as a mechanism to secure international funding particularly from business and the private sector, a GDM would offer another source of SLM-related international funding for GM efforts at the country level.

C.9 LifeWeb Initiative

LifeWeb⁵¹ was launched at COP9 in May 2008 where it was highlighted in Decision IX/18 on protected areas. It is conceived as “a partnership platform that strengthens financing for protected areas to conserve biodiversity, secure livelihoods and address climate change, through implementation of the CBD Programme of Work on Protected Areas.” The platform is a web-based clearing-house where developing countries can submit a proposed protected area project which is then posted on the website for prospective donors to consider for funding.

Financing modality

LifeWeb provides a brokering service between prospective suppliers of protected area projects and prospective funders of these projects. To date, funding has primarily come from Germany following its biodiversity commitment made at COP9. Bilateral funding has also come from Finland and Spain and additional funding sources could come from other public, private and NGO stakeholders. For example, several wet carbon⁵² projects from LifeWeb have been considered for funding by the large multinational food company, Danone.

GDM linkages

A GDM would share a key commonality with LifeWeb – serving as a means of implementing the CBD through an areas-based investment approach. Also, the standard-setting and certification approach of a GDM might provide a useful basis for listing certain projects on the LifeWeb website. Finally, the market-based approach of a GDM with its focus on securing funding from business and the private sector might help to secure additional funding for GDM-certified areas marketed by LifeWeb.

C.10 Payments for Ecosystem Services (PES)

A commonly accepted definition of PES is that it is a “voluntary, conditional agreement between at least one ‘seller’ and one ‘buyer’ over a well-defined environmental service – or a land-use presumed to produce that service.”⁵³ PES schemes, of which there are many in practice or under consideration, can provide new sources of income for sustainable land management, restoration, conservation, and sustainable use activities, and thus could have significant potential to help implement the CBD.

Financing modality

⁵¹ See: <http://www.cbd.int/lifeweb/>.

⁵² For an overview of wet carbon, see: <http://wetcarbon.com>.

⁵³ Attributed to S Wunder (2007); for example, see:

<https://www.cbd.int/financial/doc/presentation-wgri-03-training-katia-en.pdf>.

There are no set structures or modalities for PES, and many different types of markets and hundreds of PES programmes exist worldwide. There are public payment schemes for private landowners to maintain or enhance ecosystem services. These are usually country specific with government establishing focused programmes (as in Costa Rica and the United States). There are also formal markets with open trading between buyers and sellers. These can also be either voluntary markets or regulatory markets established through legislation that creates demand for a particular ecosystem service by setting a cap on the damage to that ecosystem service.⁵⁴

GDM linkages

A GDM would be a PES mechanism. A GDM-certified management plan could certify the sustainable provision of the ecosystem services of the area under management. Further, a GDM would more precisely be an *international* PES which would support an international financing for CBD-compliant management of specifically-delineated areas. In this context, proposals for an ‘IPES’ mechanism for biodiversity could include reference to a GDM.⁵⁵

C.11 Ramsar Small Grants Fund

The Ramsar Small Grants Fund for Wetland Conservation and Wise Use (SGF)⁵⁶, formerly known as the Wetland Conservation Fund, was first established at the Ramsar COP4 in 1990. Its aim is “to assist developing countries to implement the Convention and to support the conservation and wise use of wetland resources, with a strong human and social dimension.” Project proposals are to contribute to the Ramsar Strategic Plan 2009-2015.

Financing modality

The SGF allocates financial resources by funding successful project proposals submitted to the Ramsar Secretariat. Funding decisions are made each year based upon the strength of the project design, its relevance to the Convention’s objectives and the capacity of the proponents to complete the project successfully. Eligibility to submit proposals is restricted to the countries on the List of Aid Recipients established by OECD. Successful proposals are granted 60% of the allocated funds up front and the remainder upon submission of an adequate final report. Between 1991 and 2008, the SGF provided a total of CHF7.5 million to 227 projects from 108 countries.

GDM linkages

Both a GDM and Ramsar’s SGF have similar biodiversity and development objectives, with the latter, of course focusing specifically on wetland ecosystems. A GDM, however, has a broader landscape management approach rather than a project finance approach and thus could as well provide a real opportunity for securing new funding for Ramsar-listed wetland sites through the development of GDM-certified management plans for these sites. Also, as a market-based mechanism, a GDM would potentially secure significantly higher levels of funding, particularly from the private sector, than has the SGF to date.

C.12 REDD+

REDD+ (Reducing Emissions from Deforestation and Forest Degradation) is an emerging market-based mechanism designed to reduce the emissions of greenhouse gases. The idea is simple: developing

⁵⁴ For additional information on PES, see: <http://www.cbd.int/financial/payment.shtml> and <http://www.katoombagroup.org/documents/publications/GettingStarted.pdf>.

⁵⁵ ‘Paying for Biodiversity: Enhancing the Cost-Effectiveness of Payments for Ecosystem Services’ (OECD, forthcoming). More information, see: www.oecd.org/env/biodiversity.

⁵⁶ See: http://www.ramsar.org/cda/ramsar/display/main/main.jsp?zn=ramsar&cp=1-63-68-159_4000_0_.

countries willing and able to reduce emissions from deforestation should be financially compensated for doing so. More recently, the ‘+’ in REDD+ has broadened the original objective of reducing greenhouse gases to incorporate and deliver ‘co-benefits’ such as biodiversity conservation and poverty alleviation, thus simultaneously addressing climate change and rural poverty, while conserving biodiversity and sustaining ecosystem services.⁵⁷

Financing modality

The specific structure and modalities of the REDD+ mechanism remain under development, as REDD+ is not yet operational. Nevertheless, some countries are already becoming ‘REDD ready’ by preparing effective and equitable strategies to reduce emissions. An example of one way forward is the TEEB proposal for “phasing in a forest carbon regime”⁵⁸ with three phases as follows:

- **“Phase 1** could focus on supporting the development of ‘Forest Carbon National Strategies & Action plans’ by first-mover countries, building capacity to implement forest carbon actions in these countries.
- **“Phase 2** involves the implementation of forest carbon strategies within participating ‘host’ developing countries, with tropical forests, which meet the basic readiness requirements (e.g. mrV standards, project and national carbon accounting systems, enabling legislation, etc.).
- **“Phase 3** would be the ‘mature’ phase of Forest Carbon, in which national reference levels are subject to a global cap-and-trade agreement, the additionality of actions is guaranteed, and international leakage is addressed explicitly.”

GDM linkages

The concept of a GDM has been described as a REDD+ mechanism for all ecosystems. From a CBD perspective, carbon storage through reduced ecosystem degradation is a service of conserved ecosystems. Hence, the difference between a REDD+ project and a GDM project would, in part, be one of focus – whether the project is primarily to deliver carbon storage or to deliver biodiversity conservation. Of course, projects can do both and so as the REDD+ scheme develops under the UNFCCC, a GDM scheme under the CBD should explore opportunities for synergies.

C.13 Satoyama Initiative

The Satoyama Initiative⁵⁹ is an international project aimed at conserving “socio-ecological production landscapes,” which it defines as “landscapes that have been formed through human habitation and activities...over many years.” These areas are sustainable in that their human activities are carefully regulated so as not to exceed the land or water’s carrying capacity. Satoyama recognises that these human-influenced natural areas, such as agricultural and forested land, are vital to biodiversity conservation. Hence, its core vision is to “realize societies in harmony with nature...built on positive human-nature relationships.”

Financing modality

The Ministry of the Environment of Japan and the UN University Institute of Advanced Studies (UNU-IAS) initiated Satoyama. The International Satoyama Partnership will be launched at COP10 and will work with donors to direct resources toward project implementation, enhance stakeholder capabilities, and expand networks among interested parties. The Japanese government and UNU-IAS would help to

⁵⁷ See: The Little REDD Book at: <http://www.globalcanopy.org/main.php?m=117&sm=176&t=1> and UN REDD at: <http://www.un-redd.org/>.

⁵⁸ See the TEEB Climate Issues update (September 2009) at: <http://teebweb.org>.

⁵⁹ See: <http://satoyama-initiative.org/en/>.

facilitate the Partnership. Further, Satoyama plans to receive funding from mechanisms including PES and related projects of the Partnership.

GDM linkages

The focus of Satoyama is closely related to a GDM in that it seeks to protect landscapes that are used sustainably. Further, a GDM standard-setting and certification process might be a useful way to certify the CBD-compliance of Satoyama projects and thus increase the opportunities for international funding. In this respect, it could be useful to collaborate with Satoyama in a pilot phase of the GDM.

C.14 World Heritage Fund

The World Heritage Fund⁶⁰ is a trust fund set up under Article 15 of the UNESCO World Heritage Convention. As such it provides financing directly to World Heritage sites around the globe. Its objective is to protect the world cultural and natural heritage that is considered of outstanding universal value.⁶¹

Financing modality

The World Heritage Fund can generate financial resources for biodiversity by financing the protection of delineated natural areas that are considered of outstanding universal value from the point of view of science, conservation or natural beauty. According to the definition of “natural heritage” under Article 2, this can include the precisely delineated natural areas themselves, or the “precisely delineated areas that constitute the habitat of threatened species of animals and plants of outstanding universal value from the point of view of science or conservation”. The fund receives most of its income from compulsory contributions from Parties, as well as from voluntary contributions, which total just under US\$4 million each year.

GDM linkages

Similar to the World Heritage Fund, a GDM would provide financing for conservation of delineated areas. Just as a GDM could be useful for Ramsar wetland sites, it could be a useful for funding natural World Heritage Sites. In this respect, the resources of the World Heritage Fund might in part be used to help World Heritage site authorities develop GDM-eligible management plans, which could then be marketed to international businesses, investors and others.

C.15 WWF Living Planet Fund (LPF)

Launched in 2003 by the Living Planet Fund Management Company, a subsidiary of WWF International, LPF⁶² offers both institutional and private investors products which aim to generate good financial returns and at the same time “align with widely held expectations of corporate social responsibility.”

Financing modality

LBF provides several investment products including:

- Living Planet Fund – Equity: “includes 50-70 companies worldwide with enlightened, proactive environmental and social management policies”
- Living Planet Fund – Energy: “with a long-term investment strategy focusing on renewable energies”
- Living Planet Fund – Bonds: “a fixed income investment in sovereign and corporate bonds.”

⁶⁰ See: <http://whc.unesco.org/en/108#fund>.

⁶¹ See: <http://whc.unesco.org/en/conventiontext>.

⁶² See: <http://www.wwf-lpf-institutions.panda.org/>.

Also, “part of the management fee retained by the Fund goes to supporting WWF conservation programmes.”

GDM linkages

One of the investment principles of LPF is “due consideration given to companies operating in conservation and sustainability-related sectors.” Hence businesses either financing or supplying GDM-certified management plans for defined areas should be eligible for consideration by LPF. Also, the funds used to support WWF conservation programmes could be used to supporting GDM-certified area management contracts.

Annex D. GDM consultations and coverage

D1. Consultations

Below is a selected list of consultative meetings through August 2010 including events where the concept of a GDM has been formally presented and discussed. These events facilitated consultations with a wide range of stakeholders including governments, intergovernmental agencies, businesses and NGOs. They have helped to shape the concept of a GDM and to build support for setting up a GDM.⁶³

August 2010

1. Meeting with the UNEP Finance Initiative

26 July 2010 – Geneva, Switzerland

2. Presentation to the CITES Secretary-General

26 August 2010 – Geneva, Switzerland

3. Consultation with the Government of the United Kingdom (DEFRA and DFID)

25 August 2010 – London, UK

4. Meetings with carbon market brokers (TFS Green and Climate Change Capital)

25 August 2010 – London, UK

July 2010

5. CSR Geneva Breakfast presentation

23 July 2010 – Geneva, Switzerland; co-organized CSR Geneva

6. Meeting with Shell Biodiversity focal point

21 July 2010 - Gland, Switzerland

7. Oceana Hamptons “Splash” Fundraiser

10 July 2010 – Water Mill, NY USA; co-organized by Oceana and Susan Rockefeller; side discussions

⁶³ More information on many of these events is available on the GDM website at:
<http://gdm.earthmind.net/events.htm>.

8. Consultations with UNDP and national stakeholders in relation to the Niger Delta Conservation Project

06-07 July 2010 – Port Harcourt, Nigeria

9. UNEP Workshop on the Green Economy Report

05-06 July 2010 – Geneva, Switzerland; side discussions

June 2010

10. Presentation to the Duke University Program on Global Policy and Governance

29 June 2010 – Geneva Switzerland

11. Consultations with the Government of Japan (Various ministries including MOFA and METI)

22 June 2010 – Tokyo, Japan; organized by Nagoya University

12. Meetings Nippon Keidanren

22 June 2010 – Tokyo, Japan; organized by IUCN Japan

13. Keynote presentation at the Biodiversity Finance Seminar

21 June 2010 – Tokyo, Japan; organised by the Japan Bank for International Cooperation (JBIC)

14. ICTSD/UNEP Conference on Fisheries, Trade and Development

16 June 2010 – Geneva, Switzerland; side discussions

15. Presentation to the Syracuse University International Internship Program

16 June 2010 – Geneva, Switzerland

16. Presentation at the Partnership and Quality for the Development of Enterprise Conference

11 June 2010 – Geneva, Switzerland; organised by the Foundation for Excellence in Business Practice and the Swiss-African Business Circle

17. World Environment Day Roundtable

05 June 2010 – Geneva, Switzerland; Organised by Geneva Environment Network; side discussions

18. Briefing to WWF International

03 June 2010 - Gland, Switzerland

May 2010

19. Klagenfurt University seminar on protected areas finance

27 May 2010 – Klagenfurt, Austria

20. CBD WGRI3 side event

25 May 2010 – Nairobi, Kenya; hosted by the CBD Secretariat

21. CBD SBSTTA14 side event

21 May 2010 - Nairobi, Kenya

22. Conference on Experiences from Industries on Implementing Sustainability, CSR and Trade with Biodiversity

21 May 2010 – Geneva, Switzerland; organized by the Swiss Import Promotion Programme; side discussions

23. Meeting with the European Commission

18 May 2010 – Brussels, Belgium

24. Consultations with Yemen LNG Independent Review Panel for marine biodiversity

10-11 May 2010 – Sana'a, Yemen

25. GDM workshop at the EU Working Party on International Environment Issues (WPIEI)

04 May 2010 – Brussels, Belgium; Hosted by the Government of the Netherlands

April 2010

26. High-level lunch discussion with Missions to the WTO and the UN

22 April 2010 – Geneva, Switzerland

27. Presentation at the ICTSD/UNEP Geneva Trade and Biodiversity Day

22 April 2010 – Geneva, Switzerland

28. Graduate Institute graduate student seminar

21 April 2010 – Geneva, Switzerland

29. Annual Meeting for the International Association for Impact Assessment:

06-11 April 2010 – Geneva, Switzerland; side discussions

March 2010

30. Consultation with the Government of the Netherlands (Various ministries including Foreign Affairs and VROM)

23 March 2010 – The Hague, The Netherlands

31. Presentation at the WBCSD workshop on TEEB, the GDM and COP10

12 March 2010 - Montreux, Switzerland

February 2010

32. UNEP Governing Council side event

24 February 2010 – Bali, Indonesia

33. 2nd Expert Workshop on a Green Development Mechanism

22-23 February 2010 - Bali, Indonesia, organised by the GDM 2010 Initiative

34. Consultations with CBD LifeWeb

08 February 2010; conference call

January 2010

35. Presentation at the Chronically Underfinanced - Mobilisation of Additional Resources for Biodiversity Workshop

30 January 2010 – Bonn, Germany; German NGO Workshop hosted by the Gustav Stresemann Institute

36. Presentation and working group discussions at the CBD International Workshop on Innovative Financial Mechanisms

27-29 January 2010 - Bonn, Germany; organised by the CBD Secretariat and UNEP-TEEB

37. Presentation to UK Overseas Diplomatic Scholars Roundtable

25 January 2010 – London, UK; hosted by the UK Foreign and Commonwealth Office

2009 and earlier

38. Third Business and the 2010 Biodiversity Challenge Conference side event

30 November - 02 December 2009 - Jakarta, Indonesia; organised by the CBD Secretariat

39. Presentation to Triple Bottom Line Investment Conference Europe 2009

13 November 2009 - Amsterdam, The Netherlands

40. Presentation to the Working Conference on Boosting investments in Biodiversity and Ecosystem Services

11-12 November 2009 - Amsterdam, The Netherlands; Organised by Nyenrode Business University, ECNC and IUCN

41. Presentation at an UNCTAD workshop on The Business of BioTrade

24 October 2009 - Geneva, Switzerland

42. Presentation at the UNEP Financial Initiative 2009 Global Roundtable

22-23 October 2009 - Cape Town, South Africa

43. The Sustainable Agriculture Initiative Platform Advisory Council Meeting

06 October 2009 - Rotterdam, The Netherlands; side discussions

44. Discussion as the Seminar on Biodiversity, Economy and Business

05 August 2009 – Nagoya, Japan; organised JBIC, IGES and JOI

45. Presentation at the OECD workshop on innovative international financing for biodiversity

02 Jul 2009 - Paris, France; OECD Working Group on the Economic Aspects of Biodiversity (WGEAB)

46. 1st Expert Workshop on a Green Development Mechanism

09-10 February 2009 - Amsterdam, The Netherlands; facilitated by the University of Cambridge Centre for Law & Economics for Environment and Development

47. CBD COP9 side event

20 May 2008 – Bonn, Germany; organised by VROM; early discussion of a an international payments scheme for green development

D.2 Coverage

In addition to the increasing recognition through presentations and consultations at international conferences, the GDM has received international news coverage and has featured in new reports. The list includes a selection of traditional print news, web news coverage, audio interviews and references in key reports.

1. ‘TEEB for Business Report’

Specific coverage of the GDM in Chapter 5 on “Increasing biodiversity business opportunities”, as well in the Executive Summary (July 2010)

2. ‘Moving Toward Nagoya: The IYB, COP10 and next steps for biodiversity’

Headline article published by WBCSD Bridges Trade BioResmagazine that highlights the GDM (July 2010)

3. ‘Raising the bar’

IUCN World Conservation magazine article on methods of generating greater funding for nature conservation that highlight the GDM, published by World Conservation (July 2010)

4. ‘Market-based conservation brewing in Nairobi’

News article on the GDM published June 2010 by IPS Inter Press Service and picked up by Tierramerica, myaction8.com, blueplanetnews.org, and galdu.org, among others (22 June 2010)

5. ‘Green development credits to foster global biodiversity’

Opinion piece on the GDM published Nature (17 June 2010)

6. ‘Initiating Work on a Green Development Mechanism’

Article published in IUCN’s Ecosystem News (June 2010)

7. Ecosystem Marketplace podcast on the GDM

A 20-minute interview plus web article (22 May 2010)

8. ‘Investing in reefs and rhinos’

Article published in the Investment & Pensions Europe (IPE) magazine (May 2010)

9. ‘Time for a Green Development Mechanism?’

Article featured on the Environmental Finance homepage and also published in March 2010 issue of the magazine (March 2010)

10. ‘Making the Business Case for a GDM’

Article published in the CBD Business & Biodiversity Newsletter (March 2010)

11. 'TEEB for Policy Makers Report'

Specific reference of the GDM in Chapter 5 on "Rewarding benefits through payments and markets"; highlighted in Box 5.15 (November 2009)
