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**INCENTIVE MEASURES: PROPOSALS ON THE APPLICATION OF POSITIVE INCENTIVE
MEASURES AND THEIR INTEGRATION INTO RELEVANT PROGRAMMES, POLICIES OR
STRATEGIES***Note by the Executive Secretary***EXECUTIVE SUMMARY**

1. In paragraph 11 of decision VII/18, on incentive measures, the Conference of the Parties requested the Executive Secretary to prepare an analysis of existing and new instruments that provide positive incentives, including traditional laws and practices which generate positive incentives, and to develop proposals on the application of such positive incentive measures and their integration into relevant policies, programmes or strategies, for consideration by the Subsidiary Body for Scientific, Technical and Technological Advice. The present note presents a synthesis of the requested analysis and, in an annex, the proposals on the application of such positive incentive measures and their integration into relevant policies, programmes or strategies. The full analysis of existing and new instruments that provide positive incentives is provided in document UNEP/CBD/SBSTTA/11/INF/11.

2. There is a wide range of positive incentive measures available and applied to encourage the conservation and sustainable use of biodiversity. One important insight is that positive incentive measures need to be applied in a flexible manner and be adapted to local conditions. While there are a number of successful examples of the application of positive incentive measures, there are also limitations and/or opportunities for further improvement with regard to some instruments. For other instruments, a general assessment is not possible because of a lack of sufficiently rigorous studies, even while there are reliable studies that point to successful applications of these instruments. Comparative research on the relative cost-effectiveness of the different policy options that are at hand for addressing a specific biodiversity management problem, prior to decision-making, would enable to choose the best option.

3. In accordance with paragraph 8 of decision VII/18, the analysis distinguishes between *monetary* and *non-monetary* positive incentive measures. Positive incentive measures are further distinguished into direct and indirect measures.

* UNEP/CBD/SBSTTA/11/1.

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4. Direct monetary positive incentives involve the use of funds to reward the achievement of biodiversity-friendly outcomes or to support activities that directly promote the conservation and sustainable use of biodiversity. Because of their financial and institutional capacity requirements, payment-based measures are most common in developed countries. However, there are recent initiatives to apply monetary positive incentive measures in a number of developing countries. These programmes are frequently referred to under the alternative headings of payments for environmental/ecological/ecosystem services.

5. A number of instruments can be identified that seek to move areas out of productive use. The biodiversity-related benefits of such programmes clearly increase with the length of time land is removed from productive uses, a feature that may limit the effectiveness of some programmes. Substantial monitoring and enforcement costs are associated with some instruments.

6. Payments can also be part of policies and programmes that seek to improve the environmental performance in sectors such as agriculture, forestry, or fisheries. They generally entail a wide range of environmental objectives and an equally wide range of possible designs, which is why it is very difficult to give a general assessment of their effectiveness and cost-efficiency. For instance, while a number of empirical studies note positive results for biodiversity of agri-environmental programmes, it has also been said that a general judgment of their effectiveness is not possible because of a lack of sufficiently rigorous studies.

7. Ensuring the cost-efficiency of payment programmes and avoiding the overcompensation of recipients is important. Measures and mechanisms that are often identified to help ensuring cost-efficiency include: (i) defining clear targets and terms of reference including baseline standards or benchmarks; (ii) the use of economic mechanisms such as competitive bidding processes; and (iii) the removal of policies and programmes that generate perverse incentives.

8. Biodiversity resources and functions, as well as successful policies and programmes that protect or enhance these resources and functions, often provide ecosystem services of regional or global importance. They provide therefore important entry points for generating incentives through international cooperation and/or finance, as well as through the design and implementation of innovative international positive incentive mechanisms.

9. Payments under indirect approaches are given to support activities or projects that are not designed exclusively to conserve or promote the sustainable use of biodiversity, but have also the effect of contributing to these objectives, for instance, in the context of the generation of markets for biodiversity-related goods and services, or of community-based natural resource management programmes. While it is sometimes argued that such indirect approaches are less cost-effective than the direct approaches discussed above, the concrete performance of an indirect mechanism will again be case-specific.

10. In the general context of market creation, the removal or reduction of tariffs for biodiversity-related goods may act as a monetary positive incentive measure for conservation and sustainable use of the associated biodiversity resources. There is a link in this respect to the ongoing negotiations at the WTO on the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services (paragraph 31 (iii) of the Doha Ministerial Declaration).

11. A number of measures are often identified to provide non-monetary incentives for conservation and sustainable use of biodiversity. Community recognition, possible within community-based natural resource management, and environmental awards are designed to encourage good governance favourable for the conservation and sustainable use of biodiversity. While awards usually have a monetary

component, the formal recognition by the community or society alone is an important non-monetary incentive for the conservation and sustainable use of biodiversity.

12. Markets for biodiversity goods and services are often created through non-monetary means such as the removal of barriers to trading and the assignment of well-defined and stable property rights. Voluntary certification and labelling will provide consumers with biodiversity information and may in many cases be a key element in market creation. Market creation has often proved to be an effective means for the conservation and sustainable use of biodiversity, but an important limitation is that incentives for sustainable management extend only to the privately appropriable elements of biodiversity.

13. While it is very difficult to generalize about the impacts of traditional laws and practices on the conservation and sustainable use of biodiversity, the maintenance of traditional practices can contribute to these objectives, such as for instance by keeping traditional crops in use. A number of examples show that traditional law and practices may directly promote the conservation and sustainable use of biodiversity.

14. Based on the analysis, a number of requirements for the successful application of positive incentive measures can be identified. These requirements were distilled into the proposals for the application of positive incentive measures annexed to the present note. They revolve around the following elements: design of positive incentive measures; institutional requirements; policy integration; awareness-raising and the generation and sharing of information; financing; and scientific, technical and human capacity building.

DRAFT RECOMMENDATION

The Subsidiary Body on Scientific, Technical and Technological Advice may wish to consider adopting a recommendation along the following lines:

The Subsidiary Body on Scientific, Technical and Technological Advice,

Recognizing that biodiversity and its resources and functions provide important ecosystem services that need to be adequately recognized and taken into account in private and public decision-making;

Also recognizing that positive incentive measures can influence decision-making by recognizing and rewarding activities that are carried out for the conservation and sustainable use of biological diversity;

Underlining that positive incentive measures need to be applied in a flexible manner and be adapted to local conditions;

Recalling paragraph 4 of decision VI/15, on incentive measures;

Recognizing that biodiversity resources and functions, as well as successful policies and programmes that protect or enhance them, often provide ecosystem services of regional or global importance, and that the design and implementation of innovative international positive incentive mechanisms could be envisaged, with a view to rewarding the provision of these services;

Also recalling paragraph 6 of decision V/15, on incentive measures;

Recommends that the Conference of the Parties at its eighth meeting

1. *Endorses* the proposals on the application of positive incentive measures and their integration into relevant programmes, policies or strategies, annexed to the present recommendation,

2. *Invites* Parties and other Governments to take, in accordance with their national policies and legislation as well as their international obligations, these proposals into consideration when considering the application of positive incentive measures for the conservation and sustainable use of biodiversity;

3. *Encourages* relevant national, regional and international organizations and initiatives to strengthen mechanisms that extend training on the design and implementation of positive incentive measures for the conservation and sustainable use of biodiversity, in accordance with domestic needs and priorities;

4. *Invites* national, regional and international funding institutions to support the building or enhancement of domestic capacity as well as training, including through pilot projects, in accordance with the needs and priorities identified by Parties, for the design and implementation of positive incentive measures for the conservation and sustainable use of biodiversity;

5. *Encourages* relevant national, regional and international research institutions to strengthen research activities including research cooperation and exchange at national, regional and international levels, on, as appropriate:

- (a) Comparative analyses of the effectiveness and cost-efficiency of individual positive incentive measures;
- (b) The development of innovative positive incentive measures;
- (c) The design of innovative international incentive measures and mechanisms that reward the provision of ecosystem services of global importance, possibly building on experiences with mechanisms promoted through the Kyoto Protocol under the UNFCCC;

and to communicate the results of this research to Parties and the Executive Secretary;

6. *Invites* Parties and other Governments as well as national, regional and international funding institutions, to support the research activities identified in the previous paragraph;

7. *Requests* the Executive Secretary:

(a) To continue, in cooperation with, and with input from, Parties, Governments and relevant international organizations, the compilation of information on positive incentive measures for the conservation and sustainable use of biodiversity, and to disseminate this information through the clearing house mechanism of the Convention and other means;

(b) To continue to follow the negotiations at the World Trade Organization (WTO) on paragraph 31 (iii) of the Doha Ministerial Declaration, on the reduction of or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services, and to communicate to the WTO the importance of enhanced market access and international trade in biodiversity-related goods and services that are produced in a sustainable manner as a practical measure to generate incentives for the conservation and sustainable use of biodiversity;

(c) To explore, in cooperation with relevant organizations and initiatives, options for the development of innovative international incentive measures and mechanisms that reward the provision of ecosystem services of global importance.

I. INTRODUCTION

8. In paragraph 11 of decision VII/18, on incentive measures, the Conference of the Parties requested the Executive Secretary “to prepare, in cooperation with the OECD and other relevant international organizations, an analysis of existing and new instruments that provide positive incentives, including traditional laws and practices which generate positive incentives, their interaction with other policy measures and their effectiveness, including their requirements for successful application, possible limitations and shortcomings, and to develop proposals on the application of such positive incentive measures and their integration into relevant policies, programmes or strategies, for consideration by the Subsidiary Body for Scientific, Technical and Technological Advice at a meeting prior to the eighth meeting of the Conference of the Parties.”

9. Pursuant to this request, this note presents a synthesis of the requested analysis and, in an annex, the proposals on the application of such positive incentive measures and their integration into relevant policies, programmes or strategies. The full analysis of existing and new instruments that provide positive incentives for the conservation and sustainable use of biodiversity, including the identification of requirements for their successful application, is provided document UNEP/CBD/SBSTTA/11/INF/11. Delegates are kindly requested to refer to this document for additional information.

10. By paragraph 8 of the same decision, the Conference of the Parties invited Parties, Governments and international organizations to submit case-studies, best practices and other information, *inter alia*, on “the use of non-monetary positive incentive measures for the conservation and sustainable use of biodiversity as an initial step in the ongoing examination of incentive measures, including traditional laws and practices which generate positive incentives.” The Executive Secretary communicated this invitation to Parties, Governments and relevant organizations by notifications 076/2004 and 077/2004 as well as 026/2005 and 028/2005. Pertinent submissions received further to this invitation were taken into consideration in the preparation of the analysis summarized in the present note. ^{1/}

11. Parties and Governments as well as relevant international organizations and experts were invited, by notification 2005-063, to review the first drafts of this note as well as of the accompanying information document UNEP/CBD/SBSTTA/11/INF/11. Paragraphs 4 and 5 of the information document provide information on Parties, other Governments, international organizations, and experts who responded to this invitation.

12. Like other types of incentive measures, positive incentive measures seek to address a fundamental underlying cause of biodiversity loss – the fact that those in a position to preserve biodiversity and use biodiversity resource in a sustainable manner often lack sufficient incentives to do so. In this context, the proposals for the design and implementation of incentive measures, endorsed by the sixth meeting of the Conference of the Parties as far as consistent with Parties’ national policies and legislation as well as their international obligations, have already underlined that positive incentives can influence decision-making by recognizing and rewarding activities that are carried out for conservation and sustainable use biodiversity, ^{2/} and that public financing is applicable in situations where desirable activities would not be undertaken without support, or to create a differential in favour of such activities where it is not feasible to discourage the undesirable alternatives ^{3/} (for instance through measures acting

^{1/} They are synthesized in an information document and can also be found on the website of the Convention, under “programmes and issues”, “economics, trade and incentive measures”, at www.biodiv.org.

^{2/} See [decision VI/15](#), annex I, paragraph (36) (h).

^{3/} See *ibid*, paragraph 37 and the referred table.

as disincentives such as taxes or charges). The Conference of the Parties also recognized that further work has to be undertaken on positive incentive measures and their performance. ^{4/}

13. The review of the submissions and of the literature ^{5/} showed that there is a wide range of positive incentive measures available and applied to encourage the conservation and sustainable use of biodiversity. One important insight of the analysis is that, while it is useful to share experiences and learn from those of other countries and regions, positive incentive measures need to be applied in a flexible manner and be adapted to local conditions. One size does not fit all.

14. There are a number of successful examples of the application of positive incentive measures, in particular when instruments are clear and targeted in their purpose, are cost-effective, and the processes for their design and implementation are well designed and operational. In all cases there is an important linkage between the success of specific policies and levels of information and awareness within Governments, among stakeholders and with respect to civil society more broadly. Limitations and/or opportunities for further improvement were however also identified. Against this background, comparative research could be undertaken into the relative cost-effectiveness of the different policy options that at hand for addressing a specific biodiversity management problem, prior to decision-making, in order to choose the best option.

15. In line with this assessment, the Millennium Ecosystem Assessment, in its Biodiversity Synthesis Report, has recognized that positive incentive measures such as payments and markets for biodiversity and ecosystem services have been partly successful and could be further strengthened. ^{6/}

16. In accordance with paragraph 8 of decision VII/18, a distinction is drawn between *monetary* and *non-monetary* incentive measures, while bearing in mind that this distinction is in a number of cases not clear-cut.

II. SYNTHESIS OF THE ANALYSIS OF EFFECTIVENESS, POSSIBLE LIMITATIONS AND SHORTCOMINGS OF MONETARY POSITIVE INCENTIVE MEASURES ^{7/}

17. Monetary positive incentives involve the use of funds to reward the achievement of biodiversity-friendly outcomes or to support activities that promote the conservation and sustainable use of biodiversity. In many countries, monetary incentives are also generated through the use of breaks on governmental levies such as taxes, fees or tariffs that grant advantages or exemptions for activities that are beneficial for conservation and/or sustainable use.

18. Because of their financial and institutional capacity requirements, payment-based measures are most common in developed countries. However, there are recent initiatives to apply monetary positive incentive measures in a number of developing countries. These programmes are frequently referred to under the alternative headings of payments for environmental/ecological/ecosystem services. They are generally based on the observation that different forms of use can generate a variety of environmental services, but that users typically do not receive any compensation for such environmental services. As a result, they usually ignore them in making their use decisions. Often, this can lead to decisions that are socially sub-optimal. Recognition of this problem has led in recent years to efforts to develop systems in which users are compensated for the environmental services they generate, resulting in more socially-optimal use decisions.

^{4/} Decision VI/15, paragraph 4.

^{5/} See document UNEP/CBD/SBSTTA/11/INF/11.

^{6/} Millennium Ecosystem Assessment (2005), page 11

^{7/} See section II of document UNEP/CBD/SBSTTA/11/INF/11 for more information.

19. Funds for the application of monetary positive incentive measures can be provided by governmental agencies and institutions at different levels, but also by non-governmental organizations as well as, under some circumstances, beneficiaries of biodiversity-related environmental services.

20. Monetary incentive measures can be further differentiated into direct and indirect approaches. Direct approaches generally involves paying relevant actors to achieve biodiversity-friendly outcomes or, conversely, to not achieve biodiversity-harmful outcomes. Indirect approaches seek to support activities or projects that are not designed exclusively to conserve or promote the sustainable use of biodiversity, but have also the effect of contributing to these objectives.

A. *Direct approaches* ^{8/}

1. *Conservation instruments*

21. Direct approaches typically involve the acquisition, by private or public actors, of certain or all use and development rights of an area in exchange for a payment. A number of instruments seek to move areas out of productive use:

(a) The *outright purchase* of the land through Government funds or by non-governmental organizations, or in combination, with the aim of conservation, is one option;

(b) *Long-term retirement (or set aside) schemes* involve payments by Governments to farmers who agree to remove environmentally sensitive or important habitat farmland from production;

(c) *Conservation leases, covenants or easements* are contractual agreements between private landowners and public or non-governmental organizations that involve specified conservation or sustainable-use practices on land.

22. *Revolving funds* are used as innovative mechanisms to reduce the level of monies that need to be available on a permanent, long-term basis to purchase and protect biodiversity-rich lands and important habitats.

23. Substantial monitoring and enforcement costs are associated to ensure compliance in particular with easements and covenants once they are established, in particular if payments are frontloaded into the first few years of the easement. Ongoing payments, however, may need a substantial administrative overhead.

24. The biodiversity-related benefits of such programmes clearly increase with the length of time land is removed from productive uses, a feature that may limit the effectiveness of some programmes. Additional nature management strategies will be needed in order to restore the areas in a targeted and effective way. A careful selection of eligible areas in target regions will often be necessary to avoid fragmentation.

2. *Improving the environmental performance of resource use*

25. Payments can also be part of policies and programmes that seek to improve the environmental performance in sectors such as agriculture, forestry, or fisheries. They typically involve cost-sharing and management agreements, whereby payments are made to reimburse landholders for the incremental cost of providing non-marketable biodiversity services. Such incentive payments are used in many developed countries, but also to some extent in developing countries, for instance under the 'payments for environmental/ecological/ecosystem services' approach explained earlier.

^{8/} See section II A document UNEP/CBD/SBSTTA/11/INF/11 for more information.

26. Ensuring the cost-effectiveness of payments by avoiding the overcompensation of recipients is an important means to reduce the funding needs for payment programmes, and may also contribute to ensure that no unfair competitive advantage is conferred to recipients in domestic or international markets. Measures and mechanisms that are often identified to help ensuring cost-effectiveness include

(a) Defining clear targets and terms of reference including baseline standards or benchmarks for the eligibility of payments;

(b) The use, if certain conditions are met, of *economic mechanisms* such as competitive bidding processes;

(c) The *removal of policies and programmes that generate perverse incentives*. A low take up by relevant actors under voluntary incentive programmes may result if maintaining their current biodiversity-harmful practices is artificially made attractive for them by other governmental policies and programmes.

27. Monetary positive incentive measures generally entail a wide range of environmental objectives and an equally wide range of possible designs, which is why it is very difficult to give a general assessment of the effectiveness and cost-efficiency of payment programmes. For instance, in the context of agriculture, the performance of *agri-environmental programmes* in terms of the gains for biodiversity, the cost to achieve those gains, and the distribution of such costs, are said to largely depend on the programme design and implementation as well as on the peculiarities of the agricultural regions targeted by the programme and the general policy framework in place.

28. A number of empirical studies note positive results for biodiversity of agri-environmental programmes. It has however also been said that a general judgement of the effectiveness of agri-environment schemes is not possible because of a lack of sufficiently rigorous studies, and a call was therefore made for (i) updated and refined indicators and data; (ii) improved monitoring; and (iii) comparative analyses of the effectiveness of individual agri-environment schemes.

3. *International incentive measures and mechanisms*

29. Biodiversity resources and functions, as well as successful policies and programmes that protect or enhance these resources and functions, often provide ecosystem services of international importance. They provide therefore important entry points for generating incentives through international cooperation and/or finance, such as through *biodiversity-related official development assistance* (ODA) and through the *Global Environment Facility* (GEF).

30. They also provide entry points for the design and implementation of innovative *international positive incentive mechanisms*, with a view to reward the provision of these positive spillovers. For instance, in line with paragraph 6 of decision V/15, on incentive measures, it has been proposed to study practical international measures regarding the exchange of ecosystem services, possibly building on experiences with the Kyoto mechanisms of the UNFCCC.

B. *Indirect approaches*^{9/}

31. *Payments under indirect approaches* are given to support activities or projects that are not designed exclusively to conserve or promote the sustainable use of biodiversity, but have also the effect of contributing to these objectives, for instance, in the context of the *generation of markets for biodiversity-related goods and services*, or of *community-based natural resource management programmes*, applied in several developing countries. Some voices argue that such indirect approaches

^{9/} See section II B of document UNEP/CBD/SBSTTA/11/INF/11 for more information.

are less cost-effective than the direct approaches discussed above. Again, however, the concrete performance of an indirect mechanism will depend on a number of factors including the programme design and implementation, the peculiarities of the sectors and regions targeted by the programme and the general policy framework in place. Financial sustainability is also an issue.

32. For instance, payments are provided in a number of countries to support the conversion to organic farming. Recent literature reviews generally indicate that organically managed fields and farms have greater biological diversity than conventionally managed sites, and that organic farming generally shows superior environment performance. It is however also argued that it may often be more cost-effective to provide relevant public goods by conventional agriculture plus other agri-environmental measures, than by supporting organic farming. Furthermore, the reduced productivity of organic farming is also said to potentially contribute to further pressure for land conversion for agricultural purposes. As regards the support payments, the OECD cautions that some policies may reduce the competitiveness of organic producers in other countries.

International considerations

33. In the general context of market creation, the ***removal or reduction of tariffs for biodiversity-related goods*** may act as a monetary positive incentive measure for conservation and sustainable use of the associated biodiversity resources. There is a link in this respect to the ongoing negotiations at the WTO negotiations on paragraph 31 (iii) of the Doha Development Agenda, on the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. Depending on whether the definition of environmental goods and services that will eventually be adopted by the WTO will also include biodiversity-related goods and services, such elimination would also contribute to foster markets in such goods and services, in particular in developing countries.

34. Important international programmes providing monetary support to the indirect approach of creating and fostering biodiversity-related markets in developing countries are: the UNCTAD Biotrade Initiative, and the “Equator Ventures” programme under the Equator Initiative.

III. SYNTHESIS OF THE ANALYSIS OF EFFECTIVENESS, POSSIBLE LIMITATIONS AND SHORTCOMINGS OF NON-MONETARY POSITIVE INCENTIVE MEASURES 10/

35. Measures that are frequently identified to provide non-monetary incentives for conservation and sustainable use of biodiversity include, *inter alia*:

(a) Public policies such as ***education, research, and procurement***;

(b) ***Community recognition and environmental awards***; as well as

(c) Measures taken in the context of ***market creation*** for biodiversity-related goods and services including through the establishment of certification and labelling schemes.

36. Furthermore, in many instances ***traditional laws and practices*** also generate non-monetary incentives for the conservation and sustainable use of biodiversity.

37. Policies that put in place so-called ***green procurement*** take environmental aspects into consideration in public and institutional procurement. It is said, however, that it may be difficult to introduce biodiversity issues in a contract for buying goods services or works. Reference is made to the

10/ See section 3 of document UNEP/CBD/SBSTTA/11/INF/11 for more information.

lack of environmental knowledge on the side of contracting authorities and to the fact that green products/services may often be more expensive.

38. **Community recognition and environmental awards** are designed to encourage good corporate and other governance favourable for the conservation and sustainable use of biodiversity, and are used by a number of Parties to the Convention. An important element of community-based natural resource management programmes, applied in a number of developing countries, is to generate awareness and a sense of responsibility, and to subsequently rely on community recognition as an incentive to undertake environmentally-friendly activities. While awards usually have a monetary component, the formal recognition by the community or society alone is an important non-monetary incentive for the conservation and sustainable use of biodiversity.

39. While **market creation** typically aims to create financial incentives for the prospective market participants, in form of the revenue that can be earned for instance through the sale of biodiversity-related goods and services, market creation often occurs through non-monetary means such as the removal of barriers to trading and the assignment of well-defined and stable property rights.

40. **Voluntary certification and labelling** are important non-monetary incentives from the perspective of providing consumers with biodiversity information, and may in many cases be a key element in the development of markets for biodiversity goods and services that are produced in a sustainable way. However, the fact that many of these markets remain relatively small niche markets for the moment, and the fact that there is in many cases a confusing proliferation of labels puts limitations to the effectiveness of this approach. It is important that these instruments do not erect new hurdles for market access for other producers of biodiversity-related goods and services, in particular in developing countries.

41. In a number of cases, Governments have also used market mechanisms in the management of open-access resources. By granting specific use rights and, by permitting the trade of these rights, they created markets on the allowed resource uses that enhanced cost-efficiency, for instance in connection with the management of commercial fish stocks (in the form of **individually transferable quotas**) as well as private ownership of forested lands. Another example is the wetlands mitigation system in the United States, under which incentives were generated for private actors to establish or restore wetland areas that can be used for mitigation banking purposes.

42. While market creation has often proved to be an effective means for the conservation and sustainable use of biodiversity, a number of crucial conditions need to be met, and limitations also exist. In particular, the incentive for the owners to sustainably manage their resources extends only to the privately appropriable elements of biodiversity. Full benefits for conservation and sustainable use are therefore often not achieved without the application of additional regulations or other types of incentive measures.

Traditional laws and practices that generate positive incentives

43. Many of the areas in the world with highest biodiversity are inhabited by indigenous and local communities embodying traditional lifestyles who typically view themselves as guardians and stewards of nature. While this behaviour may inherently contribute to the conservation or sustainable use of biodiversity, it is very difficult, therefore, to generalize about the impacts of traditional laws and practices on the conservation and sustainable use of biodiversity, in particular when considering there are over 370 million indigenous peoples and thousands of different groups with different laws and customs.

44. The maintenance of traditional practices can contribute to the conservation and sustainable use of biodiversity, such as for instance keeping traditional crops in use. Moreover, traditional law and practices

may have applications that directly promote the conservation and sustainable use of biodiversity. For example:

(a) Sacred sites act as conservation areas for vital water sources and also for individual species by restricting access and behaviour;

(b) Areas under territorial responsibility of a specific clan may act as protected areas for the totem species of this clan;

(c) Traditional technologies such as fire use are part of sophisticated management systems that shaped and maintained the balance of vegetation and wildlife.

45. As with landholders generally, local communities are more likely to employ environmentally sustainable practices when they enjoy territorial security and local autonomy. Conversely, insecure property and use rights may act as limitations for traditional law and practices to generate positive incentives for conservation and sustainable use of biodiversity.

*Annex***PROPOSALS ON THE APPLICATION OF POSITIVE INCENTIVE MEASURES AND THEIR INTEGRATION INTO RELEVANT PROGRAMMES, POLICIES OR STRATEGIES**

1. **Scope of proposals.** The present proposals further specify the Proposals for the Design and Implementation of Incentive Measures endorsed by the Conference of the Parties to the Convention on Biological Diversity at its sixth meeting as far as they are consistent with Parties' national policies and legislation as well as their international obligations, by giving focus to the application of positive incentive measures and their integration into relevant programmes, policies or strategies, while bearing in mind that the Proposals for the Design and Implementation of Incentive Measures also apply to positive incentive measures for the conservation and sustainable use of biological diversity.
2. **Purpose of positive incentive measures.** Positive incentive measures can influence decision-making by recognizing and rewarding – through monetary and non-monetary means – activities that are carried out for conservation and sustainable use biodiversity.
3. **Application of monetary positive incentive measures.** Monetary positive incentives could be applied in situations where desirable activities would not be undertaken without financial support, or to create a differential in favour of such activities where it is not feasible to discourage the undesirable alternatives through other measures.
4. **Consistency with international obligations.** The implementation of positive incentive measures should take place in a manner that is consistent with international obligations.

A. Design of positive incentive measures

5. **A package of measures.** A package consisting of a wide range of instruments will often be necessary to effectively address underlying causes of biodiversity loss. The application of positive incentive measures often requires the complementary application of regulations or other instruments to operate in a cost-effective manner.
6. **Targeting and flexibility.** Positive incentive measures should be targeted to achieve outcomes that are most valuable from a biodiversity perspective. Therefore, instruments should be flexible enough to be adapted to address different priorities and specific circumstances as well as the distinct features of the ecosystem or biological resource under consideration; one size does not fit all. In all cases, the geographical scope of the measure should be matched with the spatial dimension of the biodiversity management problem.
7. **Specify clear objectives, targets, and associated indicators.** Objectives and targets that are clear, outcome-oriented, time-driven, and based on an analysis of their effects will contribute to the cost-effectiveness of the measure and to minimize the risk of unexpected reactions by the target actors, and will also facilitate its monitoring and the evaluation of its performance. Indicators can also facilitate the evaluation of incentive measures and provide useful information in determining the need for corrective action.
8. **Specify baseline standards or benchmarks.** Outcome-oriented baseline standards or benchmarks can act as reference levels for the eligibility of target actors to participate in the measure and will thus also contribute to its cost-effectiveness.

9. **Consider traditional law and practices.** The traditional law and practices of indigenous and local communities often generate important non-monetary incentives for the conservation and sustainable use of biodiversity. In these cases, any new incentive measure should synergize with and build upon these traditional laws and practices by encouraging their wider application.

B. Institutional requirements

10. **Development or improvement of institutions.** The effective implementation of positive incentive measures often presumes the existence of a specific institutional context in which they can be successfully implemented. In particular, their successful implementation requires institutions that can, *inter alia*, effectively monitor performance and ecosystem health, resolve conflict, coordinate individual behaviour, and allocate and enforce rights and responsibilities. Attention should be placed on developing appropriate institutional structures to design, implement, monitor and enforce positive incentive measures.

11. **Involvement of stakeholders as well as indigenous and local communities.** Institutions should have mechanisms in place that ensure the full and effective involvement of relevant stakeholders as well as indigenous and local communities in the design, implementation and monitoring of incentive measures. These mechanisms should also include consultative processes among relevant governmental institutions to ensure effective cooperation and policy integration between different branches and levels of Government.

12. **Identification of relevant experts and stakeholders.** In addition to relevant governmental entities and policy makers, experts and scientists, stakeholders should include representatives of the private sector and relevant non-governmental organizations.

13. **Role of non-governmental organizations and the private sector.** The non-governmental and private sectors can play an importance role in identifying opportunities for conservation and sustainable use, and in encouraging or initiating the design and implementation of positive incentive measures, independently from and/or in cooperation with government institutions.

14. **Transparency.** The institutions that design and implement positive incentive measures should operate in a transparent manner. The dissemination of pertinent information plays a key role for the effective implementation of positive incentive measures for conservation and sustainable use of biodiversity.

C. Policy integration

15. **Policy integration.** Policy integration should be undertaken with a view to ensure synergy and consistency between positive incentive measures for conservation and sustainable use of biodiversity and other policies, programmes and strategies, for instance, by avoiding the duplication of activities or by ensuring that existing policies, programmes and strategies do not contradict the measures.

16. **Mechanisms for consultation and cooperation.** The establishment of formal channels and mechanisms for consultation and cooperation among relevant governmental institutions is an important means to ensure effective policy integration between different branches and levels of Government.

17. **Well-defined land and property rights.** Policies, programmes and strategies pertaining to land and property rights are an important area for policy integration. Well-defined land and property rights are an important factor in the successful implementation of positive incentive measures.

18. **Distributional effects and poverty alleviation.** Any effect on income distribution should be taken into consideration when designing and implementing positive incentive measures. The implementation of positive incentive measures should contribute to alleviate poverty.

19. **Removal of policies and programmes that generate perverse incentives.** The removal of policies and programmes that generate perverse incentives increases the cost-effectiveness of monetary positive incentive measures and will contribute to policy coherence.

20. **International incentive measures and mechanisms.** Biodiversity resources and functions, as well as successful policies and programmes that protect or enhance these resources and functions, often provide ecosystem services of regional or global importance. The design and implementation of innovative international positive incentive mechanisms could be envisaged, with a view to reward the provision of these services. For instance, practical international mechanisms could be studied on how to reward the provision of ecosystem services of global importance, possibly building on experiences with the Kyoto mechanisms of the UNFCCC.

D. Awareness-raising and the generation and sharing of information

21. **The importance of information and awareness.** Raising awareness by providing information on biodiversity values and management problems can act as a positive incentive measure in its own right and will also be a key precondition for the effective and targeted implementation of other measures for the conservation and sustainable use of biodiversity.

22. **Raising awareness of biodiversity values and systems.** Instruments such as environmental impact assessment, strategic environmental assessments and valuation techniques should be further developed and applied with a view to assess and understand the value of biodiversity resources and functions and associated ecosystem services under differing local circumstances and capacity preconditions, and to therefore contribute to raise awareness.

23. **Information systems for market creation.** The marketing of goods and services that support the conservation and sustainable use of biodiversity should be further encouraged, such as through the development, enhancement and wider application of voluntary instruments that promote information on biodiversity in consumer decisions, including, as appropriate, voluntary standards, voluntary certification and labelling schemes, or awareness campaigns. These instruments should not erect new hurdles for market access for, or put onerous costs on, producers of biodiversity-related goods and services, in particular in developing countries.

24. **Community recognition.** In many cases, the existing value and belief system of national societies as well as of local and indigenous communities offers important entry points for the generation of incentives for conservation and sustainable use of biodiversity. This lever could be used by disseminating information on environmental best practices through environmental awards and prizes, thereby supporting community recognition of environmental excellence.

E. Financing

25. **Adequate funding.** Adequate funding, including start-up funding, as appropriate, should be ensured for the design and implementation of positive incentive measures, and in particular of monetary positive incentive measures, as well as for effective management, monitoring and enforcement, and for capacity-building.

26. **International funding.** The further integration and mainstreaming of biodiversity considerations in bi- and multilateral funding processes and development programmes and strategies will strengthen international incentives for the conservation and sustainable use of biodiversity

27. **Cost-effectiveness.** Due consideration should be given to ensure the cost-effectiveness of positive incentive measures, and in particular of monetary positive incentive measures. To ensure cost-effectiveness of the measure, a number of mutually not exclusive activities could be envisaged:

(a) Comparative research could be undertaken into the relative cost-effectiveness of the different policy options at hand for addressing a specific biodiversity management problem, prior to decision-making, in order to choose the best option;

(b) If the conditions for their successful application are met, using complementary economic mechanisms such as competitive bidding procedures can increase cost-effectiveness and reduce the prospect of overcompensation;

(c) A low participation rate of relevant actors under voluntary incentive programmes may result if maintaining their current biodiversity-harmful activities is artificially made attractive for them by other governmental policies and programmes. The removal of policies and programmes that generate perverse incentives will therefore contribute to increase the cost-effectiveness of monetary incentive programmes.

(d) Innovative funding mechanisms such as, for instance, revolving funds or public-private partnerships could be used, possibly with involvement and financial contributions from non-governmental organizations, the private sector, and/or from any direct beneficiaries of specific ecosystem services.

F. Scientific, technical and human capacity building

28. **Realizing the potential value of biodiversity resources.** It is important to build scientific, technical and human capacity, including through training and education, to promote expertise in, and understanding of, the potential value of biodiversity resources and the design and implementation of positive incentive measures, such as market creation, that allow the realization of these biodiversity values.

29. **Training and education for local producers.** Consideration could be given to implement training and education programmes for small and medium-sized producers, with a view to make them aware of, and enable them to take advantage of, potential market opportunities that support the conservation and sustainable use of biodiversity. These programmes could also include capacity-building and financing for the development and voluntary certification of “biodiversity friendly” products.

30. **Capacity-building for non-governmental organizations.** Consideration could be given to the need for strong and effective non-governmental organizations with the expertise to act as cooperative partners and assist Governments and others through research and policy recommendations as well through the design and implementation of positive incentive measures.
