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**AD HOC OPEN-ENDED WORKING GROUP ON  
REVIEW OF IMPLEMENTATION OF THE  
CONVENTION**

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Item 6.7 of the provisional agenda

**SECOND INFORMAL DIALOGUE SEMINAR ON SCALING UP FINANCE FOR  
BIODIVERSITY**

*Note by the Executive Secretary*

1. The Executive Secretary is circulating herewith, for the information of participants in the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, at its fifth meeting, the co-chair's summary of the second informal dialogue seminar on scaling up finance for biodiversity held in Quito, Ecuador from 9 to 12 April 2014.
2. Ninety participants attended the dialogue from all regions and included representatives of Parties, civil society organizations, intergovernmental organizations, academia, and indigenous and local community organizations. Participation was based on nominations received from Parties and observers through the Executive Secretary. The conveners were the Governments of Ecuador, Norway, India, Japan, the Republic of Korea, Sweden, Uganda, the European Commission and the Secretariat of the Convention on Biological Diversity (CBD). It was organized by the Resilience and Development Programme (SwedBio) at Stockholm Resilience Centre with assistance from the local partner IUCN-Sur, and the Secretariat of the Convention on Biological Diversity, with the financial and in-kind support of the Governments of Ecuador, Sweden, Norway, Japan and the European Commission.
3. The purpose of the dialogue seminar was to explore ways to scale up the mobilization of financial resources to support the achievement of the 2020 Aichi Biodiversity Targets, contributing to shared understanding and seeking to clarify areas of convergence and divergence of views. The context of these discussions is the strategy for resource mobilization under the Convention on Biological Diversity and related decisions, such as decision XI/4 and Aichi Biodiversity Targets 2, 3 and 20 on integration of values of biodiversity into national planning and reporting processes; eliminating or phasing out harmful incentives and mobilization of resources for effective implementation of the Strategic Plan for Biodiversity 2011-2020 respectively.
3. The document is presented in the form and language in which it was provided to the Secretariat.

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# Second Dialogue Seminar on Scaling up Finance for Biodiversity

– resource mobilization and the value of biodiversity,  
mainstreaming, financing mechanisms and safeguards

**Dialogue seminar | 9-12 April 2014 | Quito, Ecuador**

## Co-Chairs' Summary Report

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## **Preface**

The Dialogue Co-chairs – Maria Schultz (Sweden) and Sabino Francis Ogwal (Uganda)– have prepared this summary report of the dialogue seminar “Scaling up Biodiversity Finance” and take full responsibility for it. The report has been produced with the help of Niclas Hällström, What Next Forum, and the rapporteurs Thomas Hahn, and Claudia Ituarte-Lima, Stockholm Resilience Centre, with contributions from participant rapporteurs from the Working Group sessions, Annika Buchholz from IUCN-Sur, and the volunteers Gusten Hollari Holmberg and Alejandra Tapia. The co-chairs have edited the report, together with members of the steering group of the seminar, which represented the convener countries. Participants in the steering group were: Ravi Sharma, Principal Officer, UNEP – Secretariat of the Convention on Biological Diversity; Bente Herstad, Norad, Norway; Tone Solhaug, Ministry of Climate and Environment, Norway; Wilson Rojas and Christina Quiroga, Dirección Nacional de Biodiversidad, Ministerio del Ambiente, Ecuador; Director Naohisa Okuda, Ministry of the Environment, Japan; Laure Ledoux, European Commission; Sekwoo Kang, Republic of Korea; Sabino Francis Ogwal from National Environment Management Authority, Uganda; and Maria Schultz, Director of the Resilience and Development Programme (SwedBio) at Stockholm Resilience Centre, representing Sweden together with Lars Berg, Swedish Ministry of Environment.

## Executive Summary

The Second Dialogue Seminar on Scaling up Financing for Biodiversity took place from 9-12 April, 2014 in Quito, Ecuador. The conveners were the Governments of Ecuador, Norway, India, Japan, the Republic of Korea, Sweden, Uganda, the European Commission and the Secretariat of the Convention on Biological Diversity (CBD). It was organized by the Resilience and Development Programme (SwedBio) at Stockholm Resilience Centre with assistance from the local partner IUCN-Sur, and SCBD, with economic and in-kind support of the Governments and agencies of Ecuador, Sweden, Norway, Japan and the European Commission. Nearly 90 participants attended the dialogue from all regions and included government representatives, members of civil society organisations, intergovernmental institutions, academia, and indigenous peoples. Participation was based on nominations received from Parties and Non-parties through the CBD Secretariat.

The **purpose** of the dialogue seminar was to explore ways to scale up the mobilization of financial resources to support the achievement of the 2020 Aichi Biodiversity Targets, contributing to shared understanding and seeking to clarify areas of convergence and divergence of views. The context of these discussions is the CBD strategy for resource mobilization and related decisions, such as decision XI/4 and Aichi Biodiversity Targets 2, 3 and 20 on integration of values of biodiversity into national planning and reporting processes; eliminating or phasing out harmful incentives and mobilization of resources for effective implementation of the Strategic Plan for Biodiversity 2011-2020 respectively.

The **specific objectives** of the dialogue seminar were to contribute in building trust and mutual understanding of different views and perspectives on values of biodiversity; review ways and means to mainstream and integrate different kinds of values of biodiversity in national planning, decision-making and multilateral processes; and seek enhanced understanding of various ways of operationalising mechanisms for mobilizing financial and non-financial resources, including principles and safeguards for their implementation.

The seminar contained sessions on:

- (1) Mainstreaming biodiversity;
- (2) Overview of financing mechanisms;
- (3) Governance, safeguards and equity;
- (4) Incentives and options for financing:
  - a) Payment for Ecosystem Services (PES), compensation schemes, subsidies, and Biodiversity Offsets, in terms of opportunities and risks;
  - b) Private sector including the financial sector;
  - c) Fiscal reforms and international levies; and
  - d) Synergies for biodiversity financing, in terms of climate change, SDGs, and ODA;
- (5) Open space part with topics suggested by participants; and
- (6) Outstanding issues, synthesis and the way forward.

Upon request by participants, a session on Access and Benefit Sharing (ABS) and a presentation by the COP12 host Republic of Korea on the preparations for COP12 were added. Each session was followed by plenary and group discussions for enhanced clarification and understanding, and to allow

opportunity for the participants to freely discuss any issue of relevance to the sessions. The co-chairs gave a recap at each day's opening.

There was a considerable level of common ground on many of the topics covered in the dialogue. It was widely recognised that biodiversity is a fundamental basis for our economies, our societies and people's prospects for well-being, is a central argument to ensure financing for biodiversity. It was acknowledged that valuation of biodiversity can be done using a number of methods, from dialogues with relevant actors that communicate and demonstrate qualitative values to valuation in quantitative and economic terms. Participants thought that monetary valuation can facilitate visibility, but that it is not always possible since not all aspects of biodiversity values may have monetary values attached to them, and it may also be seen as inappropriate if relevant knowledge is lacking or due to ethical reasons related to different worldviews and cosmovisions. Economic arguments were seen to complement but not replace other arguments for increasing financing for biodiversity. Methods such as community based monitoring and information systems were also recognised as valuable tools for assessing and monitoring biodiversity values. It was also clear that valuation of biodiversity is complex and multifaceted, thus requiring input from experts and experiences from different disciplines and practices. Indigenous peoples and some countries spoke about the need to recognise non-Western knowledge systems, rights of Mother Earth and 'Buen Vivir'. Several participants expressed the need for a values-driven development, in terms of moral and ethical stance, and maintained that biodiversity has intrinsic value.

The seminar discussed how much biodiversity finance is really needed for implementation of the Strategic Plan, taking into account the current work by the High-level Panel on Global Assessments of Resources. It was emphasised that the task is not just to make more biodiversity-specific funding available, but ensuring that other activities do not harm biodiversity. This means that biodiversity should be integrated into budgeting, development plans and sustainable practices in other sectors. Efficiency in the utilisation of available financial resources is also important. Institutional and policy failures, worldwide, were noted to often be a larger obstacle than the lack of new resources. The important role of fiscal reforms was discussed, including redirection of harmful subsidies to positive subsidies for biodiversity, working with green incentives and taxes – both income taxes and new forms such as financial transaction taxes and air ticket levies, as well as curbing tax evasion. The important role of business was recognised – both in terms of Corporate Social Responsibility (CSR) activities, and also the need to change business models, to avoid causing harm and for development of sustainable practices.

There were extensive discussions around mechanisms such as Payments for Ecosystem Services (PES), biodiversity offsets, compensation and markets. It was recognised that there is a need for clearer terminology as controversies and disagreements around these issues relate both to language as well as real divergences based in different worldviews. As an example, the word *compensation* is in some contexts used for PES and in some contexts used for offsets; the differences depend both on language and country context.

It was recognised that most PES systems are publically driven and publically financed. It was also pointed out that PES systems need to build in the issue of opportunity costs and sustainability, for such schemes to succeed in the long term.

The majority of biodiversity offset schemes are strictly government regulated, with the level of compensation determined by the regulatory authorities rather than by market mechanisms. It was discussed that biodiversity offset schemes succeed best if there is a legal regime that makes them mandatory for companies or individuals, and that voluntary offsets may fail in practice. It was furthermore proposed that the term 'offsets' be avoided when talking about non-market biodiversity compensation (in order to avoid misguided associations with carbon trading offsets). It was discussed that compensation, if acceptable, should follow as a last resort after a strict application of the 'mitigation hierarchy', and that compensation needs to take place as close as possible to the area of exploitation. It was noted that in contrast to carbon offsets, it is difficult to find a common metric or unit in biodiversity offsets. It was also suggested by some that more knowledge on the different ways to calculate measures related to offsets is needed. It was observed by some participants that compensation schemes could, if well implemented, be a useful tool for implementing the polluter pays principle and for avoiding net loss of biodiversity. Several examples of biodiversity compensation schemes as applications of the 'polluter pays principle' were given in both presentations and group discussions. It was concluded that in order to work, they need strong public institutions and regulations to safeguard biodiversity, ecosystem services, and related social outcomes. Concerns were raised that compensation schemes could incentivize excessive allocations of permits to exploit and an avoidance of critical questions around what is 'unavoidable' and alternatives to extraction, that they may not provide new financing for biodiversity (only 'no-net-loss'), and that they could have adverse impacts on local peoples' livelihoods.

The term 'markets' and different kinds of markets were discussed, as were the different degrees of commodification and also financialisation, i.e. secondary markets and trading with derivatives. Some participants highlighted opportunities around markets and new financial products as ways to raise additional financing for biodiversity. Others expressed concern regarding offsets trading markets and financialisation of biodiversity, pointing to risks related to speculation, quality assurance, and impacts on local peoples' livelihoods. There was widespread recognition that these issues need deepened understanding and further discussion and debate.

It was also discussed that the term 'innovative finance mechanisms' (IFMs) is misleading since very few of the mechanisms are in fact innovative – most have been in use for a long time, and most countries already apply one or several. It was suggested that other terms should be used instead, such as biodiversity finance mechanisms (BFMs) or environment policy/economic instruments more generally. It was widely recognised that these financing mechanisms play an important role in reaching the financing targets. It was highlighted that these mechanisms need to be country specific depending on the nature, culture, politics and economies in the different countries. Participants pointed out the importance of understanding the scope and scale of each of finance mechanism, their advantages and disadvantages. It was also suggested that an extensive overview be compiled of the many different kinds of mechanisms and instruments that exist, and how they have been applied and worked.

The importance of safeguards for any mechanism was presented and discussed at length, partly elaborating on the safeguards paper that resulted from needs expressed in the first Quito meeting (which has been further elaborated and will be presented as a document for WGRI-5 and COP12, responding to the

request of CBD-COP Decision XI/4). It was noted that it would be valuable to learn from experiences from the safeguards under climate change, and to also include safeguards for voluntary standards.

ODA was discussed, both in terms of its role as a catalyser to enable funding from other sources and as direct budget support for biodiversity. Several experiences from ODA illustrated win-win situations regarding financing for climate change and biodiversity. At the moment only 1% of the ODA (globally) goes to biodiversity and therefore there is a need to find ways of mainstreaming biodiversity in development cooperation. GEF demonstrated how the different GEF windows contribute to the Aichi Targets.

In relation to Sustainable Development Goals (SDGs), it was expressed that it would be positive to have a distinct SDG goal on biodiversity, although many seemed to think that mainstreaming of biodiversity into other goals would be even more important. However, participants also noted that both alternatives together would be preferred. In the development and later implementation of the new Post 2015 agenda and potential SDGs (and associated targets and indicators), the importance of integrating Aichi Targets was highlighted for efficiency in resource use and efficient implementation of SDGs.

It was suggested that there might be a need to complement the Strategy for resource mobilization and also to extend the time frame for the Strategy for resource mobilization beyond 2015. Some suggested that the list of mechanisms could be updated with the new measures. It was also expressed that delegates did not want to repeat negotiations, and that the most important activity is implementation at this point.

The possibility of a third Quito seminar was discussed and participants proposed the need for an Ad Hoc Technical Expert Group (AHTEG), or similar, after COP12. The possibility to issue a formal mandate for this at WGRI-5 and COP12 was discussed. It was concluded that the dialogue had been rich in knowledge exchange, that it had enhanced understanding of the issues, and that it had improved the prospects for successful formal negotiations.

## **About the Dialogue Seminar**

### **Background**

The first Dialogue Seminar on scaling up finance for biodiversity was held in Quito, Ecuador in March 2012. That seminar was convened by the Governments of Ecuador, Japan, Norway, Sweden, and India together with the Secretariat of the Convention on Biological Diversity (SCBD), with financial support from Sida, Norad and Japan. The Resilience and Development Programme (SwedBio) at Stockholm Resilience Centre led the organising of the meeting with support from IUCN-Sur in Ecuador.

The first Dialogue Seminar discussed the importance of scaling up finance for biodiversity as well as the instruments and mechanisms available to achieve the Aichi Biodiversity Targets. Organized to provide an informal setting for an open exchange of views among the wide range of participants – which included government representatives, members of civil society organisations, intergovernmental institutions, academia, and indigenous peoples – the



seminar enabled the multi-stakeholder group to identify areas of both convergence and divergence. Held under the Chatham House Rule,<sup>1</sup> the seminar contributed to building trust among the participants thereby establishing a more favourable climate for negotiations in preparation for the eleventh meeting of the Conference of the Parties (COP 11). Areas of convergence included the need for country-specific financing mechanisms and policies, safeguards, and appropriate governance structures to avoid unintended outcomes. More detailed elaboration of the seminar discussions is available in the Co-chairs' summary report of the Dialogue Seminar ([www.cbd.int/financial/quitosseminar](http://www.cbd.int/financial/quitosseminar)).

Informed by the success of the 2012 Dialogue Seminar, a number of Parties expressed their interest in exploring a second Dialogue Seminar in preparation for the twelfth meeting of the Conference of Parties.

After inquiries and several face to face meetings with different actors, this Second Quito seminar was planned for "Scaling up biodiversity finance – with a focus on the value of biodiversity for policy choices, mainstreaming and funding". Conveners of 'Quito II' were the Governments of Ecuador, Norway, India, Japan, Republic of Korea, Sweden, Uganda, the European Commission and the CBD Secretariat.<sup>2</sup>

### **Dialogue purpose and objectives**

The purpose of the dialogue seminar was to explore and contribute to understanding and seek to clarify areas of convergence and divergence regarding ways to scale up the mobilization of financial resources to support the achievement of the 2020 Aichi Biodiversity Targets, particularly in the context of the strategy for resource mobilization and related decisions, such as decision XI/4 and Aichi Biodiversity Targets 2, 3 and 20<sup>3</sup>.

The specific objectives of the dialogue seminar were the following:

- Through dialogue, to contribute in building trust and mutual understanding of different views and perspectives that are difficult to achieve in formal negotiations;

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<sup>1</sup> The Chatham House Rule aims to encourage openness and the sharing of information by providing anonymity to speakers and allowing them to express views that may not be those of their organizations (Chatham House, 2013).

<sup>2</sup> Dialogue organisers were the Resilience and Development Programme (SwedBio) at Stockholm Resilience Centre with the local partner, IUCN-Sur, and assistance from the SCBD. Economic and in-kind support was provided by the Governments of Ecuador, Swedish International Development Cooperation Agency (Sida) through SwedBio at Stockholm Resilience Centre, the Norwegian Ministry of Climate and Environment and Norwegian Agency for Development Cooperation (NORAD), the Government of Japan and the European Commission.

<sup>3</sup> Target 2 requires that by 2020, at the latest, biodiversity values have been integrated into national and local development and poverty reduction strategies and planning processes and are being incorporated into national accounting, as appropriate, and reporting systems. Target 3 states that by 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts, and positive incentives for the conservation and sustainable use of biodiversity are developed and applied, consistent and in harmony with the Convention and other relevant international obligations, taking into account national socio-economic conditions. Target 20 is on resource mobilization and requires that by 2020, at the latest, the mobilization of financial resources for effectively implementing the Strategic Plan for Biodiversity 2011-2020 from all sources, and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilization should increase substantially from the current levels. This target will be subject to changes contingent to resource needs assessments to be developed and reported by Parties.

- To contribute to finding solutions for scaling up biodiversity financing and to creating a better environment for formal negotiations;
- To review ways and means to mainstream/integrate different kinds of values of biodiversity by implementing appropriate approaches and incentive measures;
- To review diverse experiences in operationalising mechanisms for mobilising financial and non-financial resources and seek to develop a common understanding of the gaps and needs for implementation of the CBD strategy for resource mobilization. This would include views and lessons learned regarding a broad range of innovative financial mechanisms<sup>4</sup> and possible principles and safeguards for their use.
- To explore synergies with UNFCCC as well as with the post 2015 agenda, including on-going discussions on future goals such as the Sustainable Development Goals (SDGs).

The seminar was not intended to draft formal recommendations, but rather seek to enhance understanding among participants, with a view to facilitating discussions at WGRI-5 in Montreal and COP12 in Pyeongchang, Republic of Korea (6-17 October 2014). The seminar included keynote presentations, case studies and small group discussions (see Annex 1 for programme). The 90 participants included representatives from Governments, Intergovernmental organisations, International organisations, Indigenous and local community organisations, Non-governmental organisations, Business and private organisations, Scientific organisations and support staff (see Annex 2 for list of participants). Participation was based on nominations received from Parties and Non-parties through the CBD Secretariat.

## **Methodology for the meeting**

The seminar was based on the Chatham House rule. This means that participants are free to use the information received, but neither the identity nor the affiliation of participants expressing a view may be revealed. For the speakers it was agreed that their presentations would be public, but not what they expressed in discussions. The rule allows people to speak as individuals and to express views that may not be those of their organisations, and therefore encourages free discussion. Speakers are free to voice their own opinions, without concern for their personal reputation or their official duties and affiliation.<sup>5</sup>

The workshop was organised in sessions with short formal presentations followed by either 'buzz' discussions in small groups in roundtable seating, or breakout working groups organized with a mix of nationalities, as far as language barriers allowed. All plenary sessions were simultaneously translated into English and Spanish.

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<sup>4</sup> <https://www.cbd.int/financial/innovations/>

<sup>5</sup> Additional rules for the dialogue included the following principles, based on respect: to listen actively, e.g. 'follow flow and focus'; not to use telephone, sms or email in the meeting room; to contribute to trust; to show respect for others, e.g. to attack issues, not persons; to ask for the turn to speak; to respect time, both as panellist and as participant; and to give the facilitator permission to run the seminar according to her plan throughout each session.

## Summary of presentations and discussions<sup>6</sup>

### Introductory session

#### Opening Statements

The seminar began with opening remarks by the host represented by **Christian Terán**, Subsecretario de Patrimonio Natural de la República de Ecuador, followed by welcome remarks by the two co-chairs Mr. **Sabino Francis Ogwal** from National Environment Management Authority, Uganda, and Ms. **Maria Schultz** from Stockholm Resilience Centre, Stockholm University. Dr **Braulio Dias**, CBD Executive Secretary emphasised in his introductory remarks the importance of dialogue, as well as gratitude to host and convener countries, and to the organisers Resilience and Development Programme (SwedBio) and IUCN-Sur.

#### Introductions

The Facilitator, Ms **Pippa Heylings**, Fundación Futuro Latinoamericano, Ecuador, explained the rules and objectives of the dialogue seminar, and allowed everyone to see the great diversity of participants in the meeting.

A presentation of the background and policy context of the seminar was made by **Ravi Sharma**, Principal Officer, CBD Secretariat, and included a summary of the outcomes of CBD COP11 with a focus on the Resource Mobilization Strategy. He presented relevant CBD agreements related to resource mobilization, monitoring mechanisms and implementing mechanisms. He also reflected on the importance of follow-up such as enhancing the development and implementation of national resource mobilization strategies, baseline and target setting at national level, as well as the development of Innovative Financial Mechanisms (IFMs), and advancements related to capacity building.

**Maria Schultz**, Stockholm Resilience Centre and **Bente Herstad**, NORAD gave a presentation on “The road from the first to the second Quito Dialogue Seminars”. They presented how outcomes from Quito I had been disseminated at, and directly influenced, WGRI-4 and COP11. Through questionnaires and face to face meetings with participants and relevant actors, Quito I had been evaluated, which in turn had guided the dialogue agenda for Quito II. They introduced the agenda and ‘the map’ of the seminar (see Annex 3), and emphasised the need for genuine dialogue. Such dialogue, they explained, is an approach where active listening is encouraged to understand each other's viewpoints, find meaning and agreement. Genuine dialogue has three distinctive features – equality and the absence of coercive influences; listening with empathy; and bringing assumptions into the open<sup>7</sup>. In facilitated dialogues there is an assumption that many people carry pieces of an answer and that together they can craft a suite of unique and appropriate solutions.

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<sup>6</sup> All powerpoint presentations are available as pdf-files online at [www.cbd.int/doc/?meeting=DS-FB-02](http://www.cbd.int/doc/?meeting=DS-FB-02)

<sup>7</sup> “The magic of dialogue; transforming conflict into cooperation”, Yankelovich, D, New York, 1999

## SESSION I: Mainstreaming biodiversity

*Expected outcomes of the session were to enhance understanding of efforts to measure costs, benefits and gaps in financing of biodiversity, at international and domestic level; and to review challenges and successes in identifying values (intrinsic, ecological, genetic, social, economic, scientific, educational, cultural, recreational and aesthetic) of biodiversity, ecosystem services and functions for integration into development and sector plans, and national accounting and reporting systems.*

### **Assessments of costs and benefits of achieving the Aichi targets**

**Carlos Manuel Rodriguez**, Chair of the High Level Panel on Global Assessment of Resources for Implementing the Strategic Plan for Biodiversity 2011-2020 (HLP-2) presented some of the Panel's findings. He recalled that in 2012, the first High-Level Panel (HLP-1) reported on 'Resourcing the Aichi Biodiversity Targets' for COP11. Decision XI/4, COP11 welcomed the initial findings, and invited the Panel to continue its work with a broadened, regionally-balanced composition and to report back to COP12.

The HLP-1 estimated that the costs for implementing the twenty Aichi Biodiversity Targets were at between US\$ 150 and 440 billion per year. However, the Panel also found that these resource requirements may not be met by biodiversity finance alone, and there is potential for considerable synergies among the Targets.

The HLP-2 has a mandate to develop an assessment of the benefits of meeting the Aichi targets – examining both direct biodiversity benefits and wider benefits to society – and identify the most cost effective actions in both the biodiversity sector and across economies as a whole. Some key messages of HLP-2 are already emerging: Meeting the Aichi Targets will deliver huge benefits for people, the economy and the environment. The benefits of conservation and sustainable use can significantly exceed the costs of investments. This is important for sustainable development, for example by supporting the creation of jobs and improvements to livelihoods. Activities should be made in coherence with the post-2015 sustainable development agenda. The social and economic costs of biodiversity and ecosystem services loss will be felt at an accelerating rate in the future and investments made now will reduce resource requirements in the future. Since the opportunity costs may impact poor people, effective action depends on appropriate incentive structures that take account of distributional effects. Barriers to meeting the Targets may have as much to do with a lack of the appropriate institutional frameworks and decision-making processes as with a lack of resources. At all levels, there is a need for significant alignment between the Aichi Targets and other policy agendas, including development, economic growth, poverty alleviation, climate change, agriculture, water and health. More efficient co-ordination of policy, actions and the deployment of resources would enhance synergies and deliver co-benefits. These co-benefits need to be recognised by national planning and accounting systems. Achieving the Targets at least cost will require more efficient use of public budgets, together with the development of innovative financial instruments and incentives. Much can be gained by phasing-out perverse incentives and unsustainable practices, development of green fiscal policies, and sector integration.

**Yves de Soye** (UNDP) presented the UNDP-managed Biodiversity Finance Initiative (BIOFIN). BIOFIN is a global partnership seeking to address the biodiversity finance challenge in a comprehensive, country-driven manner. BIOFIN has been working along two main axes: firstly, the globally-led development during 2013 of a new methodological assessment framework; and secondly, the recently begun implementation of this methodological framework at national level. The latter comprises analysing the integration of biodiversity and ecosystem services in sectoral and development policy, planning and budgeting; assessing future financing flows, needs and gaps for managing and conserving biodiversity and ecosystem services; developing comprehensive national Resource Mobilization Strategies to meet the biodiversity finance gap; and initiating the implementation of these Resource Mobilization Strategies. National work is conducted together with Ministries of Finance, Economics or Planning and Ministries of Environment, in the following 19 core countries (March 2014): Botswana, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Fiji, India, Indonesia, Kazakhstan, Malaysia, Mexico, Peru, Philippines, Seychelles, South Africa, Thailand, Uganda and Zambia. BIOFIN is financed with a total of USD 15 million from the European Union and the Governments of Germany and Switzerland – in addition to USD 3 million of co-financing from the Global Environment Facility, especially for in-country projects in support of the revision of National Biodiversity Strategies and Action Plans.

**Guillermo Zuñiga**, BIOFIN National Team Leader, and former Minister of Finance in Costa Rica, explained that BIOFIN is an instrument to countries to mobilize and manage resources, whether public, private, local or external, for the National Biodiversity Strategies and Action Plans (NBSAPs) in each country. The main question is how important biodiversity and the NBSAP actually are perceived to be when national resources are being allocated in budget processes. In order to be successful in mobilising these resources, biodiversity should be “on the top of President’s desk”. It is necessary to raise the level of attention of the NBSAP and its financing beyond the Environmental Sector, and into other areas such as Ministers as Finance and Planning. The private sector, both productive and financial, should be included. It is necessary that biodiversity and its financial needs become a transverse axis of the national development strategy, and seen as integral to production and national patterns of consumption. The valuation of biodiversity may be very useful to estimate the return of the investment made in different sectors.

## **Discussion**

It was discussed that lack of proper institutions may be a more important obstacle than lack of financial resources and that institutional failures could be even worse than market failures. It was argued by some that with an emphasis on the financial figures presented by the HLP, rather than policy responses in terms of mainstreaming, the negotiations could become more confrontational and less constructive. Questions were raised about who bears the benefits and costs and how money can be raised to support low-income countries. Today ODA is an important source of financing biodiversity conservation in some low-income countries. It was warned against depending on such finance, on the basis that it may be lost if and when a country achieves a middle-income status. The case of Costa Rica was mentioned as an example of a country that had to undertake institutional reforms to protect nature when ODA disappeared, with implications for its forest protection activities.

## Assessing biodiversity values

**Dr. Heidi Wittmer**, Helmholtz-Centre for Environmental Research, UFZ, spoke on *The Economics of Ecosystems and Biodiversity* (TEEB)<sup>8</sup> approach and how it can help to achieve Aichi targets. The TEEB initiative has highlighted the economic relevance of biodiversity and ecosystem services and points to where and why our current economic setting systematically undervalues nature's contributions to human well-being. The initiative has compiled and analysed case studies and tools to practically apply the ecosystem services concept and reveal the value and importance of biodiversity in different governance contexts. Valuation of ecosystem services can be done in qualitative, quantitative, and monetary terms. Since the launch of the TEEB reports, various countries have initiated TEEB studies to demonstrate the value of their ecosystems and to encourage policy-making that recognizes these. TEEB has also produced sector and biome studies. The TEEB reports contain information and examples that can be useful for achieving several Aichi targets. The initiative has prepared guidelines for Aichi targets 2, 3 and 11.

Several countries have now completed TEEB country studies, and others are currently still ongoing. As each country is different it is important to tailor studies to the political, economic and socio-cultural context. Identifying powerful examples where biodiversity conservation can be achieved to the benefit of local communities can help to build the necessary awareness and political momentum to tackle the more complex and medium term goals of including values in national accounting and mainstreaming their significance across all political sectors.

**Fernando Cisneros** from the Plurinational State of Bolivia made a presentation on "Living well (*vivir bien*) in harmony with Mother Nature and its relation to TEEB". Cisneros explained that Bolivia has established the paradigm of 'Living Well' as a vision shared among 33 nations and Indigenous Peoples. This approach binds together the biosphere and cultural order. He explained that 'Living Well' included several dimensions: *Socio-cultural management, Ecosystems management and conservation, Productive management and plural economy, Territorial governance, Matriarchal perspective of life, Reciprocity economy, and Development of capacities.*

Cisneros said further that the main goal of the Plurinational State of Bolivia, during the international negotiations of United Nations, is to promote a plural vision of the world, as a contrast to the current mono-centric thinking of the global capitalist system. The Bolivian approach has the following characteristics: 1) It is cosmo-centric and holistic because it strengthens the balance and complementarity between human beings and nature; 2) It is based on non-occidental (non-Western) principles of society and is rooted in the world views of Indigenous peoples, local communities and peasants; 3) it is polycentric, recognising the diversity and plurality of visions and approaches that exist in the world, including social, economic, cultural and political aspects; and 4) it is non-market focused because the capitalist ideas of accumulation and appropriation are not the pillars of society's thinking.

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<sup>8</sup> <http://www.teebweb.org/>

Bolivia has promulgated the Law No. 300 “Mother Earth and Integral Development for Living Well Framework” in order to extend four sets of rights to promote the vision of *vivir bien*: 1) Mother Nature Rights as a collective subject of public interest; 2) Collective and individual rights of Indigenous people, locals and peasants; 3) Fundamental civil, political, social, economic and cultural rights of people, respected through integrated development, including fundamental access to water and basic services; 4) Urban and rural populations’ right to live in a fair, equal and caring society, with no material, social or spiritual poverty.

Cisneros explained that Mother Nature Rights and civil rights cannot be considered in isolation. A society that is based on ‘Living Well’ must integrate a set of actions, including responsibilities, obligations and duties by both states and governments as well as individuals and society at large, to approach an integrated development of the Mother Earth way of life, poverty eradication, and management, conservation and restoration of earth, water, forests, biodiversity and ecosystem functions.

He also explained that the Living Well in harmony and balance with Mother Earth is enhanced by the approach of ‘Management of Life Systems’ (MLS) of Mother Earth, with several ‘Economy of Mother Earth principles’ supported by a set of technical and financial mechanisms. One of the core instruments to apply the model of MLS of Mother Earth in Bolivia is the “Joint mechanism of mitigation and adaptation for the sustainable and integral management of the forests and Mother Earth”. This is based on the outcomes of a participatory process where different sustainable management for forests initiatives were presented and discussed. In this way, Cisneros explained it is of vital importance that TEEB reports embrace a variety of perspectives, accepting that there is not a unique methodology for conservation, protection and sustainable use of biodiversity.

**Tone Solhaug** from the Norwegian Ministry of climate and environment presented an Official Norwegian Report called *Natural Benefits – on the values of ecosystem services*, which was finalized in 2013. The major outcomes and next steps that had been identified related to a strengthening of the knowledge base and the research agenda, testing the approach at local scales, and further development of socioeconomic tools. Norway is also actively participating in international work on development of accounting systems and indicators (UN-STAT, TEEB, and WAVES). Increased effort towards communication and outreach on ecosystem services and values was further recommended.

**Maria Schultz**, Stockholm Resilience Centre served during 2013 as Inquiry Chair of the Swedish Government Official Report “Making the value of ecosystem services visible”, and made a presentation on the process and findings of the report.

This Swedish government inquiry ran during eight months in 2013, with a budget of 200 000 Euro. Its task was to analyse actions and suggest methods and measures to increase the knowledge base on the value of ecosystem services and the importance of biodiversity, and to better integrate the value of ecosystem services in decision-making at all levels in Swedish society. It used a range of methods from literature studies to dialogues where groups of actors (municipality staff, private sector, civil society, politicians amongst others)

helped to identify key barriers and ways forward for integrating ecosystem services. The inquiry had a reference group with representatives from state agencies and local and regional government, business representatives and organisations of civil society, as well as scientists.

The inquiry put forward 25 proposals on 'integration into decision-making', a 'better knowledge base' and 'learning about ecosystem services'. It also proposed ecosystem service assessments as a method to create a basis for decisions. By identifying both ecosystem services and users, it becomes clear how we depend on and affect ecosystem services in a given situation or location, and the trade-offs between these. This process makes the value of ecosystem services visible. Valuation of ecosystem services can be done in qualitative, quantitative, and monetary terms (with the recognition that valuing ecosystem services depends on the values of the people or society that undertake the valuation).

Valuation of ecosystem services in monetary terms can under certain circumstances facilitate this visibility, but it is less reliable or even inappropriate in complex situations that involve a variety of ecosystem services, or where there are different ethical convictions on what values are possible or appropriate to express monetarily. This applies especially to the kinds of supporting and regulating ecosystem services that determine the long-term capacity of ecosystems for human well-being (e.g. soil formation, water regulation, or pollination).

The 'insurance value' refers to the ability of ecosystems and biodiversity to provide ecosystem services in times of change. This value can be very high for ecosystem services that are difficult to replace, and many assumptions are required to make such a valuation. Uncertainty about ecological relationships and potential threshold effects, needs to be described and communicated in a comprehensible manner.

The inquiry also put forward proposals regarding economic incentives, collaborative processes for learning, research and innovations.

**Lars Berg** from the Ministry of Environment in Sweden presented how the proposals from the Swedish inquiry had provided a basis for measures to mainstream ecosystem services in decision making. These measures were presented in a Government Bill on biodiversity and ecosystem services early in 2014. The government's strategy explicitly outlines a sequence of events that enhances learning about the value of ecosystem services throughout society. Immediate measures include development of statistics, guidance on ecosystem assessment for authorities and international dialogue and scientific research on learning processes. The bill proposed a communication program, including appointment of a National coordinator to enhance skills and increase the knowledge base on biodiversity and ecosystem services in private sector and in municipalities and other public authorities. These measures are expected to enhance knowledge and understanding of the values of ecosystem services to improve the effectiveness of further measures, such as adjustment of national laws, redesign of economic instruments and incentives, standardisation and certification schemes, and tools for public procurement.

**Joji Carino**, Director of the Forest Peoples Programme and Coordinator of the International Indigenous Forum on Biodiversity (IIFB) Working Group on



Indicators, made a presentation on Customary Sustainable Use and Local Livelihoods: Integrated Community Monitoring of Biodiversity Values, based on the experience of the Kalanguya people in Tinoc, Ifugao, Philippines.

Customary land uses are captured in three-dimensional maps around which community members – old and young, men and women – transmit knowledge and collectively discuss land uses and land use change, customary tenure regimes and territorial governance. These maps, combined with GIS technologies, show community land rights in the context of broader spatial and development planning and claims by outsiders.

Agro-economic calendars, showing traditional occupations, capture how conservation and sustainable use activities are spread through the different seasons of the year. Community institutions and solidarity are essential elements in the conservation and sustainable use, and foster positive cultural values.

The presentation concluded that:

- a) Indigenous Peoples and Local Communities make significant contributions towards the achievement of the Strategic Plan for Biodiversity.
- b) Community-based monitoring and information systems are essential to understanding the full values of biodiversity and for tracking progress in CBD implementation.
- c) Diverse local livelihoods and economies, embedded in ecosystems-based approaches must become centrepieces in the post-2015 development agenda, towards securing the human rights and well-being of indigenous peoples and local communities.

**Juan Carlos Rivera**, Financial Sustainability Project, Ministry of the Environment, Ecuador presented on their project on financial sustainability of the National System of Protected Areas (PANS). In the context of the Ecuador's public policy for managing the PANS, the goal of the project is to implement a financial institutionalized operative framework. For that purpose, the government has designed a set of three categories, each one constituted by several elements, that aim to address the legal, institutional and regulatory and financial mechanisms that are necessary to ensure the sustainability of PANS. By doing so, the government intends to evaluate the components of the financial systems from year 2008 to 2012 using the Sustainability Scorecard of UNDP as well as to analyse the PANS expenditures from 2003 to 2012. The government also intends to include the PANS into the new national productive matrix.

The Ecuadorian government concluded that PANS has impressively improved availability of resources during the past years, which allowed the country to incorporate new conservation units. It also contributed to increase and improve PANS infrastructure. However, there are some issues that need to be better addressed. For example, the government recognizes that it is crucial that PANS diversifies its revenue portfolio by designing the "PANS Financial Sustainability Strategy" that would aim for financial resilience. This has actualised the economic valuation of PANS. Finally, the country aims to make biodiversity a strategic sector.

## Working Group Session on Mainstreaming biodiversity

In working group discussions on how to assess biodiversity values, several participants stressed that monetary valuation may be relevant to national policy makers, who need to compare biodiversity conservation with projects generating monetary revenues, especially when there is a lack of political will at the highest political level. However, monetary valuation can sometimes result in de-valuation.

On the other hand, identifying or mapping benefits can be very valuable to demonstrate non-monetary values. For local communities, Integrated Community Monitoring was by many seen as a useful tool for valuation. However, some local communities are wary of pursuing any kind of assessment of biodiversity values, since resources that are seen as valuable by outsiders, could be under risk to be extracted or 'grabbed' from the communities.

There was an agreement to better highlight the benefits of action, that are generally very large, to motivate further action. Benefits of action are the same as the avoided cost of inaction which can be estimated in descriptive, quantitative or monetary terms. It was in this context suggested that lessons be learned from the focus on Disaster Risk Reduction and measures for reducing vulnerabilities within the climate discourse. Different strategies are furthermore used in different countries to make benefits of action visible. Participants stressed the importance of involving Ministries of Finance, and highlighted the experiences from BIOFIN in this regard.

## SESSION II: Financing mechanisms: An overview

*Expected outcomes of the session were to review various experiences in operationalising mechanisms for mobilizing financial and non-financial resources.*

**Katia Karousakis**, OECD, presented the publication *Scaling Up Finance Mechanisms for Biodiversity* (OECD, 2013)<sup>9</sup>. This report considers the opportunities for scaling up finance for biodiversity across six so called 'innovative financial mechanisms' as classified by the Convention on Biological Diversity (CBD). These are: environmental fiscal reform; payments for ecosystem services; biodiversity offsets; markets for green products; biodiversity in climate change funding; and biodiversity in international development finance. The publication provides a brief overview of the general purpose and applicability of each mechanism, reviews the finance that has been mobilised and considers the extent to which it could be scaled up. It furthermore examines the key design and implementation issues that need to be considered so as to ensure that the mechanisms are environmentally effective, economically efficient and distributionally equitable. It considers the possible safeguards and enabling conditions that are needed to successfully implement these mechanisms. Drawing on literature and case studies from around the world, this book aims to provide insights and lessons learned for these mechanisms.

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<sup>9</sup> OECD (2013), *Scaling-up Finance Mechanisms for Biodiversity*, OECD Publishing.  
<http://dx.doi.org/10.1787/9789264193833-en>

**Arnold Jacques de Dixmude**, European Commission, talked about Official Development Aid (ODA) as an important provider of resources for biodiversity, emphasising that it is far from being sufficient to meet all the needs. Biodiversity-specific interventions are not expected to grow significantly enough, due to the tight budget framework. On the other hand, actions that are relevant for biodiversity while targeting other sectors are going to take an increasing share in the overall contribution of ODA to biodiversity. Some sectors with 'biodiversity affinity' offer good potential for increasing resources, as they are at higher levels of priority in Europe Aid's policy. These sectors include climate change, agriculture and food security, forestry, marine and fishery resource management.

Within the upcoming multi-year financial framework of the EU (2014-2020), a limited core budget will be assigned to biodiversity from the thematic instrument for environment (~ €210 million for seven years). A new flagship initiative, Biodiversity for Life (B4LIFE), is meant to strengthen the strategic coherence and raise the profile of biodiversity within the broad scope of Europe Aid, in order to enhance mainstreaming in all cooperation instruments.

De Dixmunde closed the presentation by mentioning two relatively recent approaches for development aid delivery, which have gained interest over the recent years, in a context of enhancing development cooperation effectiveness: (i) sectorial budget support and (ii) blending of different types of funding (public-private; concessional-non concessional; grant-loan). These approaches seem to offer a promising potential for resources mobilization for biodiversity as, starting from ODA investments, they respectively promote the securing of domestic public resources and the leverage of further non-ODA resources.

**Mark Zimsky**, GEF secretariat, talked about the GEF-6 biodiversity strategy. This is composed of ten programs that directly contribute to implementing the Strategic Plan for Biodiversity, 2011-2020 and achieving the Aichi Targets through a continuum of measures that address the most critical drivers of biodiversity loss across entire landscapes and seascapes. The programs include direct conservation, threat reduction, sustainable use, and biodiversity mainstreaming approaches. Each program provides a response to threats and opportunities that are spatially and thematically targeted, i.e., providing a focused and calibrated response in a specific ecosystem or location in a landscape or seascape.

**Arild Vatn**, Norwegian University of Life Science, UMB, presented a forthcoming report financed by Norad aiming to give an overview of the various available instruments and their merits. The first example considered a classification of policy instruments for ecosystem services and biodiversity. Specifically a system for classifying types of markets was presented, emphasising what actors are involved and whether the basis for the trade is voluntary or based on a liability ('cap-and-trade'). The latter scheme was also used to categorize different existing markets in ecosystem services and their sizes. It is notable that a rather minor part of payments for ecosystem services (PES) qualify as markets. Public agents dominate heavily as buyers, and their payments do dominantly not take the form of trades.

A second part of Vatn's presentation focused on the experiences from the trading in carbon offsets through the Clean Development Mechanism (CDM) – focusing at explaining the differences in prices obtained between primary and

secondary CDM markets. The study is not finished yet, but aims at studying the impacts of 'securitisation' on prices and resource allocation. A third part focused on the distributional effects of PES and CDM. Regarding who is paid, private land-owners dominate. Examples exist of payments to communities, though. The type of intermediary seems important for the latter. The poorer sections of societies seem to be little involved, due to high opportunity and transaction costs, as well as lack of knowledge. Payments are typically below opportunity costs, while some non-monetary gains may also be obtained – e.g., secured property rights. The landless may lose out, partly due to less availability of land for renting and higher prices.

**Yibin Xiang**, CBD secretariat, noted the significant uptake of financing mechanisms by Parties. 95 Parties, or about half of the CBD membership, have some kind of payment for ecosystem services schemes; 37 Parties (one fifth of the CBD membership) have biodiversity offsetting mechanisms; 93 Parties (48% of the CBD membership) have introduced fiscal reform measures, and 75 Parties (39% of the CBD membership) are known to have measures on markets for green products. Parties have also undertaken to promote charitable contributions, international innovative financing for development and climate change funding schemes<sup>10</sup>.

Given what is already happening in a large number of countries in different regions, Xiang commented that the focus of the discussions on innovative financial mechanisms would benefit from moving from debating on generic nature of each mechanism to exploring how to provide enabling policy frameworks and safeguards for promoting and regulating the application of these innovative financial mechanisms in support of resource mobilization. The different roles of the international community, governments and the private sector could be clarified, and ways and means could be explored on how to establish and strengthen the roles of governments and the international community.

## Discussion

There was a short discussion concluding that clarity on terminology is important and is needed. A clear framing and taxonomy of terms, as proposed by Vatn, was welcomed. It was also concluded that the term 'Innovative Financial Mechanisms' (IFM) is a confusing and misleading term. First, the six IFMs mentioned are not innovative. Secondly, they are a mix of revenue-raising mechanisms, direct financing mechanisms, and mainstreaming schemes. Participants in the first Quito Seminar had suggested that Biodiversity Financing Mechanisms (BFM) was a better term, and the question is whether the biodiversity community should adopt this or use even broader terms. A focused group discussion on terminology was proposed to take place during the seminar. The discussion is summarised under Working Group II in this report. The role of ODA in financing biodiversity and what constitutes new and additional financial resources were also discussed.

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<sup>10</sup> Details of these mechanisms and schemes are available on the CBD website: [www.cbd.int/financial/pes.shtml](http://www.cbd.int/financial/pes.shtml), [www.cbd.int/financial/offsets](http://www.cbd.int/financial/offsets), [www.cbd.int/financial/fiscalreform](http://www.cbd.int/financial/fiscalreform), [www.cbd.int/financial/greenproducts](http://www.cbd.int/financial/greenproducts), [www.cbd.int/financial/charities](http://www.cbd.int/financial/charities), [www.cbd.int/financial/developmentfinance](http://www.cbd.int/financial/developmentfinance) and [www.cbd.int/financial/climate](http://www.cbd.int/financial/climate).

Participants also highlighted the relevance of Access and Benefit Sharing (ABS) as an important mechanism for biodiversity financing, and wondered why more attention was not given in the Dialogue programme to this. Accordingly a session on ABS was included later in the programme.

### **SESSION III: Panel on Governance, safeguards and equity**

*Expected outcome: Clarifications of the need for governance, institutions and legal systems to enhance equity and efficiency. Understanding of the role and need for safeguards (and their limitations) to eliminate unintended and perverse outcomes from financial mechanisms as well as to maximize benefits for both biodiversity and livelihoods.*

**Claudia Ituarte-Lima**, Stockholm Resilience Centre, analysed the safeguards concept. Financing mechanisms for biodiversity need to be situated within broader governance, legal, and fiscal contexts for understanding the actual risks and opportunities that these mechanisms pose. The coherence of biodiversity and social safeguards across international and national institutions, as well as the institutionalisation within the CBD framework through guiding principles for safeguards, can contribute to addressing the underlying causes of biodiversity loss and to supporting sustainable livelihoods. The specific substantive safeguards (e.g. land and forest tenure rights) and procedural safeguards (e.g. participation, transparency and access to information) need to respond to the risks and opportunities of each biodiversity financing mechanism which a particular country decides to use. Yet, safeguarding efforts can be more effective by harmonising different safeguards in scaling-up biodiversity financing (Ituarte-Lima et al 2013).<sup>11</sup> For a more effective design and operationalisation of the Aichi Targets and national safeguards, countries are encouraged to foster dynamic processes grounded in specific local level realities that are linked to national and international processes and that observe, at a minimum, internationally agreed commitments regarding the support to sustainable livelihoods and the conservation of biological diversity, in for example, the CBD, UNFCCC, international human rights law and the United Nations Declaration of the Rights of Indigenous Peoples. In this context, compliance mechanisms with enforceable rights and responsibilities concerning the protection of livelihoods and nature are important for fostering equitable governance of biodiversity and ecosystems in practice.

**Jael Eli Makagon**, Natural Justice (Lawyers for Communities and the Environment), talked about Equity and Biocultural Community Protocols. Finance schemes for conserving biological diversity have the potential to affect Indigenous peoples and local communities in a variety of different ways. For example, payment for ecosystem services can bring an influx of capital into communities which may not have previously had access to such resources. Conservation trust funds can support protected areas that affect rights of access

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<sup>11</sup> Ituarte-Lima, C., Schultz, M., Hahn, T. and Cornell, S. (2013) 'Safeguards in scaling-up biodiversity financing and possible guiding principles', Stockholm Resilience Centre at the Stockholm University, Information document for the CBD-Conference of the Parties 11, (UNEP/CBD/COP/11/INF/7) Revised Version, <http://www.cbd.int/doc/meetings/cop/cop-11/information/cop-11-inf-07-en.pdf>

to lands and natural resources. This raises questions of how to implement such schemes in ways that recognize and respect the rights of Indigenous peoples and local communities.

One tool that can be used to obtain and provide such respect is community protocols. Indigenous peoples and local communities have customary laws and procedures for engaging with external parties. Community protocols are a way of clarifying these laws and procedures in a way that parties such as governments, companies, and NGOs can understand. Community protocols also serve as a process to bring communities together in a participatory manner to address issues that affect them, such as schemes for financing biodiversity.

## **Working Group Session on Governance, safeguards and equity.**

A richness of perspectives and constructive proposals were provided in the working group on guiding principles and safeguards for biodiversity financing mechanisms for contributions to equitable biodiversity governance. (This working group was held in parallel with a working group on terminology.)

Participants highlighted the importance of considering both social and biodiversity safeguards as well as the specificities of these two types of safeguards. Likewise, participants talked about the relationships and characteristics of guiding principles and safeguards which would be suitable for the process of resource mobilization for biodiversity under the CBD.

Participants noted the importance of taking into consideration national and local specificities and expressed that instead of trying to agree on compulsory safeguards for biodiversity financing, international guiding principles of a voluntary nature that would take into account existing international laws and policies would be a better alternative. In this context, countries could then decide the best way to operationalise guiding principles considering both legal approaches and other strategies including those of a political nature. There were different views on the legal nature that national safeguards should have: some considered that compulsory legislation was needed in order to ensure that risks associated with mechanisms for biodiversity financing are effectively addressed and go beyond good intentions, while others considered that compulsory safeguards were not the best way forward.

The opportunities and limitations of safeguards were also addressed. Safeguards were seen as potentially useful established tools for operationalising risk reduction and 'doing no harm' in the process of resource mobilization for biodiversity. Different opinions were expressed regarding the relationships of safeguards to social equity. Certain challenges associated with equity were identified including the complexity of social situations, the difficulty to measure equity and fairness dimensions and its relativistic nature. In turn, it was also noted that precisely recognising such complexities is what made it even more important to consider equity and fairness in the process of resource mobilization: from choosing the adequate mechanisms for a specific social and environmental contexts to the associated design and implementation of the respective safeguards. This could then prevent social conflicts and enhance the possibilities of equitable biodiversity governance in the long run. It was also noted that equity has been a concern under the CBD since its adoption, as part of the 3th pillar/objective of the Convention on access and benefit sharing of the utilisation of genetic resources.

At the international level, proposals to move forward on the topic included developing a toolkit with a catalogue of lessons learned by countries in applying safeguards related to biodiversity financing, and strategies to strengthen national capacity in articulating the CBD provisions and COP Decisions on resource mobilization with national legal systems and customary norms. There is value in systematising experience on safeguards associated with climate financing including REDD+ under UNFCCC and voluntary standards, as well as potential synergies with the SCBD-IDLO (International Development Law Organisation) Initiative on the Aichi Targets.

## **SESSION IV: Incentives and options for financing**

### **Payments for ecosystem services, compensation schemes and subsidies and Biodiversity Offsets: Opportunities and risks**

*Expected outcomes: Understanding of PES schemes and of Biodiversity offsets. Sharing of experiences and challenges, including institutional arrangements and biodiversity and social safeguards. Clarity on their possible effects on biodiversity and livelihoods and deepened understanding of who may benefit or lose depending on specific contexts and circumstances.*

**Malki Sáenz** shared his experiences of Fondo para la Protección del Agua - FONAG. Created in 2000, FONAG is a mechanism to ensure funding and technical action to protect water sources for the Metropolitan District of Quito. The Guayllabamba river basins, Oyacachi Chalpi Grande, Papallacta and Antisana, are the main providers of water for consumption. The main problems are deterioration accelerated by land use change, excessive water consumption in the city, lack of information for the technical management and gaps in the rules for water management. FONAG considers it necessary to maintain long-term actions in order to fulfil its purpose of protecting water by maintaining an information system for decision making, monitor and recover the areas of water interest, contribute to public education and promote inter-institutional actions that can broaden the range of impact. FONAG is constituted by a Board with representatives of the contributing institutions, a Trust that is responsible for managing the assets and investments and a Technical Secretariat responsible for executing technical activities. The return on investments and external sources is used for protecting the water sources.

**Thomas Hahn**, Stockholm Resilience Centre, Sweden, presented a draft research paper<sup>12</sup> highlighting the confusing terminology in the area of biodiversity financing. Payments for Ecosystem Services (PES) and Biodiversity Offsets can be interpreted both as expressions of a neoliberal privatisation approach and as government subsidies or liabilities, depending on the specific case and context. Globally, most PES schemes are government subsidies to compensate farmers or forest owners for the forgone net revenues associated with biodiversity protection. Most existing biodiversity offsets, except e.g. wetland and habitat banking in the USA, are in fact legal liabilities determined

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<sup>12</sup> Available on the CBD homepage. [www.cbd.int/doc/meetings/fin/ds-fb-02/other/ds-fb-02-presentation-00-en.pdf](http://www.cbd.int/doc/meetings/fin/ds-fb-02/other/ds-fb-02-presentation-00-en.pdf).

by agencies, not by markets. (It is misleading to call such instruments 'market-based': a better term is Economic Incentive Schemes.)

To help nuance the discussions, Hahn proposed a framework of 'degrees of commodification of biodiversity'. Rather than a crude 'for or against' discussion, such a framework could help specify what aspects of commodification actors favour or oppose. Depending on the design, one mechanism can correspond to different degrees of commodification. For example, 'liability to compensate biodiversity loss' represents something else than 'biodiversity offset trading.'

Hahn also emphasised that the more complex a mechanism is, the more rigorous regulations are required to adhere to the mitigation hierarchy. High quality compensations may cost more than conservation credits traded on a market, but may also fulfil the CBD goals much better, which still make them cost-effective. Financialisation is not in itself a policy instrument but stems from the financial flows of market schemes with tradable permits or forest bonds. Based on this underlying value, actors in the financial market create derivatives which are re-packaged and sold to enhance the value in secondary markets which could create biodiversity bubbles. Primary providers of biodiversity do not receive this added value but (instead) risk losing the control over their land (ecosystems) which are the ultimate collateral in this speculation if they break the contract with the subordinate issuing the bond. Hahn considered it difficult to see how financialisation could advance the CBD goals.

**Linda Krueger**, The Nature Conservancy, presented Development by Design as a tool for conservation and biodiversity finance. Mongolia is an example of a country with ambitious biodiversity goals as well as increasing development pressures on natural lands, chiefly from mining. The government plans to get the private sector to invest in natural ecosystems using science-based landscape planning and applying appropriate compensation mechanisms that will limit mining impacts (thus reducing management costs) and contribute directly to conservation finance. Mining leases in Mongolia cover 638,000 km<sup>2</sup>, or 41% of the country (in 2012), not including the impacts of associated roads and other off-site infrastructure. The key objective of Mongolia's new mitigation law (passed 2012) and regulations (pending in 2014) is to avoid mining impacts on key biodiversity areas and require compensation for unavoidable impacts. The Nature Conservancy has assisted the Mongolian government through application of its Development by Design methodology, which identifies and reduces conflict between conservation priorities and current mining leases. The Development by Design analysis has helped identify 'no-go' areas for mining, and provides a tool for designing offset investments that mining projects will be required to undertake. This compensation can provide substantial resources to achieve Mongolia's 30% protected area target, as well as enhance connectivity and management of existing protected areas.

**Fabiano de Andrade Correa** at International Development Law Organisation (IDLO) delivered a presentation highlighting the enabling role of law for the implementation of the Aichi Targets, emphasising particularly issues related to Target 3 and examples of national legal approaches with different types of incentive instruments. IDLO and the Secretariat of the CBD launched the 'Legal Preparedness for Achieving the Aichi Biodiversity Targets' Initiative in 2012, which has been working to create a global network of legal experts and organisations to build knowledge and awareness and ultimately build capacity of national lawyers and decision makers on the role of law to achieve key



biodiversity goals. The presentation highlighted that environmental laws with command-and-control mechanisms have traditionally been considered as a type of legal incentive for biodiversity conservation and sustainable use. However, given the increasing use of economic incentives that provide better valuation of biodiversity and address the underlying causes of degradation, there is a need to analyse the legal and institutional implications for the implementation of these instruments at domestic level.

Andrade Correa provided three sets of conclusions: i) a well-defined regulatory framework can be an important precondition to enable the incorporation of biodiversity into decision-making processes, including scientific assessments of ecosystem services and economic valuation of biodiversity; ii) stable and clearly-defined legal frameworks can be key to support innovative incentives - setting out clear rights and responsibilities of stakeholders, property rights, transparent decision-making and administrative processes, opportunities for public participation, dispute resolution mechanisms; and iii) legal principles and safeguards can be key to the equitable implementation of incentive measures, ensuring that social and environmental considerations are not overlooked. Therefore, there is a need to better understand and discuss the role of law for the achievement of Target 3 “Incentives reform”. IDLO has undertaken research on those issues, engaging a team of national researchers to document experiences of legal implementation of incentive measures at domestic level, which will serve as basis for future capacity building work on this issue.

**Nele Marien**, CBD Alliance, discussed how carbon markets have in practice shown many flaws, many of which raise the same concerns for Biodiversity Offsetting or PES. The correction of those flaws is not probable under current economical-political conditions. Carbon markets are based on the accounting of emission units that are not supposed to surpass set regional/global emission levels. A sort of relation or ‘currency’ – even if disputable – is necessary. However, for biodiversity offsets trading, there is not even a theoretical way in which such a system could work. Setting a ‘cap’ for biodiversity is inherently problematic: usually the cap becomes ‘no net loss’, which is insufficient from a planetary boundary point of view. Furthermore, there is no possible single-accounting unit. Biodiversity is always unique and not interchangeable. Different biodiverse ecosystems cannot compensate for each other.

Marien meant that it requires enormous amounts of scientific knowledge, public funds, human resources, etc, to set up a system to determine a metric – or currency – that by definition can only be an approximation of the value of nature. Even more importantly, effective protection of biodiversity must address the real drivers of loss. Biodiversity offsets pose a significant risk of over-allocating permits to exploit, and muddles necessary deeper conversations on models of development, what is ‘unavoidable’, and alternatives to extraction. Furthermore, as is clear from the carbon trading experience, markets require a complex system of regulation, a state that is stronger than industry, and costly, transparent public monitoring systems. This is challenging to all countries, with errors and corruption inherent in trading schemes in both North and South.

Another lesson from carbon markets, according to Marien, is that a low price discourages mitigation. Biodiversity offsets copy this problem, as they account for the cost of replacement of biodiversity only, and do not imply a real levy on destructive activities. For PES the problem is that alternative uses (exploitation) is often much more profitable in a monetary sense, as a pure market PES

becomes expensive for the provider of payments, and the system invites a 'license to trash' if not enough payment is received. Non-market rules and regulations are clearly needed.

## Discussion

The extensive Q&A and plenary discussion tried to clarify distinctions between different forms of PES as well as between biodiversity offset and compensation schemes. Several participants reaffirmed the importance of making distinctions between market-driven, and publically financed and regulated compensation or offset mechanisms. Several participants pointed out that the term 'Market-Based Instruments' is often used in confusing ways for both instruments where prices are determined by the market actors (like emission trading systems) and instruments where prices are influenced or determined by governments (through for example taxes on CO<sub>2</sub>, or PES). In common for all these instruments is a focus on incentives, why it was proposed to use the broader term 'Economic Incentive Schemes' instead as a more generic term, and 'market-based instruments' only for mechanisms relying on market-based price mechanisms.

It was pointed out that according to some scientific evaluations, market-based trading schemes such as US wetland banking tend to compromise quality assurance: the compensated areas have generally not matched the biodiversity quality of the exploited areas.<sup>13</sup> In German 'compensation pools', on the other hand, the exchange is conducted by municipal or multi-stakeholder agencies, not by markets (still, these pools are, confusingly, also called 'habitat banks'). One advantage of letting agencies handle the compensation pool is that the agency can choose appropriate land strategically to enhance ecosystem connectivity.

Advantages and disadvantages of offsets were discussed. It was noted by some that although offsets might not provide resources for additional biodiversity conservation, it could cater for the Polluter Pays Principle (PPP), that exploiters of land are liable to compensate the degradation they cause. PPP, it was emphasised, is an integral principle to the biodiversity convention and the whole Rio framework of 1992.

Others were sceptical to the very idea of compensation or offsets, even if publically financed and regulated. Concerns were raised that the threshold for permitting exploitation on biodiversity-rich land and other 'no-go' areas would be lower if people overestimate the probability that biodiversity loss can be compensated, that legal weighing of interests between exploitation and nature conservation would be replaced by a focus on finding appropriate and cost-effective compensation projects, and also that off-site compensation is problematic for rural communities whose livelihoods depend on the ecosystems they live in.

Some participants mentioned that existing PES schemes do not compensate for the forgone net revenues (the opportunity cost). Hence, they need to be combined with legislation and/or other motivations.

It was also clear that many countries are presently considering different kinds of biodiversity compensation schemes.

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<sup>13</sup> Hough, P., and M. Robertson. 2009. Mitigation under Section 404 of the Clean Water Act: where it comes from, what it means. *Wetlands Ecology and Management* 17(1):15-33.

A cross-cutting conclusion from the discussion was the importance of well-functioning institutions and public regulatory systems for any system to function, and in particular markets. In this context, existing expertise and experience from countries and existing networks of environmental law centres could be useful to draw upon.

It was also pointed out that lawyers should be involved in the work with financing mechanisms and NBSAP development, review and updating processes and implementation right from the beginning. An example was given from Uganda, where lawyers are part of the NBSAP process as well as implementation of ABS national legislations and are involved in the on-going CBD and GIZ initiatives on Capacity Building for implementation of the Nagoya Protocol on ABS and other initiatives on ABS.

## **Working Group Session on Terminology and clarifications in relation to PES, Biodiversity Compensation and Offsets**

A group discussion on terminology was held in parallel to that on governance, safeguards and equity, in response to the emphasis participants placed on the importance of this issue during the earlier discussions. One of the concrete contributions from the session was the conclusion, also expressed in Quito I and earlier in the seminar, that the term Innovative Financial Mechanisms is misleading as few IFMs are in fact innovative – most have been in use for a long time, and most countries already apply one or several. It was suggested to talk about *biodiversity finance mechanisms* or *environment policy/economic instruments* more generally, and compile an extensive overview of the many different kinds of mechanisms and instruments, and how they have been applied and worked. Furthermore, the need for a more clear and nuanced taxonomy/terminology was supported.

One particular mechanism that received much attention in the discussion was biodiversity offsets. Participants reaffirmed suggestions from earlier presentations that biodiversity offsets are and should be seen as distinctly different from carbon trading offsets. In contrast to carbon offsets, there is no common metric or unit in biodiversity, compensation needs to take place as close as possible to the area of exploitation, and compensation should – if determined at all acceptable – only follow as a last resort after a strict application of the ‘mitigation hierarchy’. It was suggested by some, therefore, to use the term compensation instead of the term ‘offsets’ when referring to non-market biodiversity compensation in order to avoid misguided associations to carbon trading offsets.

The group recognised that most of the well-known biodiversity compensation/offset schemes in the world are currently government regulated with no trading or intermediary actors involved, and with the level of compensation determined by regulatory authorities rather than market mechanisms. Several examples were given from around the world of such biodiversity compensation activities as applications of the ‘polluter pays principle’, with the conclusion that in order to work, they need strong public institutions and regulations. It was also noted, as with the case of the Indian Forestry Act of 1980, that many existing regulatory schemes may not be labelled as ‘compensation’ or ‘offset’ schemes as such, while in practice they were.

Concerns were raised by some that even in ideal cases biodiversity compensation schemes may become problematic and unacceptable. They argued that there might be a risk that the mitigation hierarchy be bypassed, allowing exploitation for compensation where exploitation is unacceptable. This, it was argued, already happens in Europe despite relatively strong institutions, which raises concerns for their application in countries with weaker institutional setup. In India there was currently work on a policy for 'inviolable' areas where compensation would not be allowed. The critics also pointed out that even if trading schemes are not the primary goal, the need to establish some form of metric to correlate exploitation with compensation lays the ground for a push towards trading in subsequent steps.

While government administrated non-market compensations dominate, there was a recognition that markets are indeed emerging in several countries. It was pointed out that private investors are becoming involved in land acquisition in anticipation of future offsets markets where the restored land might be sold as offsets when their biodiversity has been regenerated. As restoration is one of the most expensive Aichi targets, some thought this could be a valuable contribution, while critics reiterated what they saw as dangers of trading.

Some participants emphasised the point that 'market mechanisms' are defined by trading through the use of the 'price mechanism', and hence the need for more nuanced use of the term 'markets' and 'market mechanisms'. As the vast majority of Payments for Ecosystem Services (PES) and biodiversity compensation schemes are determined by governments without the use of price mechanisms through markets, they should hence not be labeled market mechanisms. A tax uses the 'price signal' but the price is determined by the government, not by the price mechanism ('free market'). It was also pointed out that a common misconception is to juxtapose markets and state, while in fact markets need a strong state and regulations to function well.

Some participants argued that biodiversity offsets (compensation) were generally not sources of finance, and may not lead to new and additional financing for biodiversity in themselves, since they only attempt to make up for what is being lost.

In looking forward, participants also highlighted the fact that costs and challenges involved in institutionalising the broad range of different biodiversity financing mechanisms would need to be taken into account.

## **Access and Benefit Sharing (ABS)**

**Braulio Dias**, CBD Executive Secretary, introduced the session on Access and Benefit Sharing by concluding that the *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity* was soon to enter legal force. 29 countries had already ratified with many more underway. He was hopeful that the protocol may reach the 50 needed ratifications by summer. He further emphasised the importance of benefit sharing as the third pillar of the biodiversity convention, and said the various components should work as a virtuous cycle with all bits reinforcing each other. ABS would in this regard be an important component also for the scaling up of biodiversity finance.

**Jonathan W. Davies**, National Biodiversity Programme Coordinator, Environmental Protection Agency, Liberia, gave a presentation on scaling-up biodiversity finance using the Nagoya protocol. The Nagoya Protocol is important because it guides the processes of benefit sharing from the utilisation of genetic resources and it provides incentives for conservation and sustainable use of biodiversity.

During the presentation, Davies referred to the different mechanisms that are currently in place to use the Nagoya protocol for scaling-up biodiversity finance. Monetary benefits may include fees for sample gathering, up-front, milestone and loyalty payments, funding for research, fees for use and commercialisation that contribute to conservation and sustainable use of biodiversity, and joint ventures, including shared intellectual property rights. Non-monetary benefits may include collaboration, cooperation and contribution to scientific research and development programmes by enabling sharing of resources and results and the exchange of knowledge and expertise to educate and train.

By discussing these possible mechanisms, he concluded that safeguards are highly important, especially for developing countries, because they could contribute to local economies and provide clarity towards priority needs such as food security or health. He mentioned Liberia as an example of a country that is building its national legal framework to ratify the protocol.

**Hem Pande**, Indian Administrative Service, Secretary and CBD Focal Point, Ministry of Environment and Forest, Government of India, then presented on the Implementation of the ABS Mechanism in India.

India is one of the oldest and richest countries in biological and cultural diversity. The country has identified its potential for IPRs, Benefit Sharing and improvement of local livelihoods. Therefore, India has committed and ratified the different protocols and conventions that surround global biodiversity governance.

In 2003, the country enacted the Biological Diversity Act (BDA). It aims to conserve biodiversity, promote the sustainable use of its components and ensure fair and equitable benefits arising out of the use of biodiversity. To implement the provision of the Act, the National Biodiversity Authority (NBA) was established the same year. The institutional framework on which the implementation of BDA relies is based on a hierarchical structure that operates at different scales, from central authorities to local bodies.

The NBA determines the access to biological resources, but at the same time it must ensure equitable benefit sharing. For that reason, the NBA has set a criterion for benefit sharing. It is determined on case-by-case basis. The quantum of benefits is mutually agreed between involved parties and the NBA. It stipulates the time frame for assessing benefit sharing in short, medium and long-term perspectives. NBA makes sure that the benefits are paid directly to the people that enjoy biodiversity resources and traditional knowledge. The Authority or Body that is in charge of the case must keep 5% of the benefits as administrative and services charges.

Implementing benefit sharing mechanisms must address both monetary and non-monetary benefits that span from direct payments, transfer of technology, enhancing local social capital, collaboration with national scientists to the potential for setting up a venture fund to assist benefit claimers. India has had 844 applications since 2003. Pande considered that the country needs to move

forward by working on creating awareness among all stakeholders, strengthening of institutional structures, particularly at local level and developing a close monitoring system for all Access and Benefit Sharing agreements.

## **The role of the private sector, including the financial sector**

*Expected outcomes: Clarification of viewpoints and highlighting the role of business and the private sector in relation to biodiversity financing. This includes their possible role as sources for financing from tax revenue, profit-oriented market activities, and from non-profit oriented activities (such as voluntary activities). What are the different views on the potential of business for driving transformation and innovation? What are the risks, options and needs for government regulation of the private sector? Enhanced understanding of the financial markets, trading and 'financialisation' of biodiversity. Clarification of the nature of current debates and controversies.*

**Naohisa Okuda**, Ministry of Environment, Japan, presented biodiversity conservation activities of the Japanese financial sector. The financial sector is actively taking on a very important role in biodiversity conservation. Many international schemes for the private sector, like the Equator Principles<sup>14</sup> and Natural Capital Declaration<sup>15</sup> have been introduced. Many of the large Japanese banks, securities companies, and insurance companies developed and signed the Principles for Financial Action for 21<sup>st</sup> Century, adopted in 2011. Signatory financial institutions have implemented activities based on the Principles, including a Socially Responsible Investing (SRI) Fund, interest rate discount, and discount interest in environmental bonds.

An advanced example of a SRI Fund/Eco-Fund is the Sumitomo Mitsui Trust Bank's "Biodiversity Companies Support Fund". The Bank selects companies that contribute to biodiversity conservation and has developed the fund for investing in these companies. More than 20 banks in Japan are providing eco-savings services and are successfully mobilising resources for NGO's nature conservation activities. Dissemination and internationalising of these kinds of activities should be encouraged. Understanding of customers is a key for success for these activities.

**Maria Belén Sánchez Valdivieso**, Banco Pichincha, presented on how the Banco Pichincha, a private bank in Ecuador, has worked for biodiversity as a signatory to the Natural Capital Declaration. Sánchez first highlighted that Ecuador is one of the countries with most biodiversity. The country is ranked 17<sup>th</sup> in the world in the variety of species on the planet's surface. This biodiversity has been and is a strategic resource for Ecuador's economy, so Banco Pichincha has taken into account that development without environmental and social considerations harms us all. However, this is still an unusual position. According to a survey conducted by the National Institute of Statistics and Census (INEC), 77% of Ecuadorian companies do not record expenditure and investment in environmental protection, which leads to 89% of the companies not having an environmental license.

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<sup>14</sup> [www.equator-principles.com](http://www.equator-principles.com)

<sup>15</sup> [www.naturalcapitaldeclaration.org](http://www.naturalcapitaldeclaration.org)

From Banco Pichincha's point of view as a private company, by building capacity within its institution it is expected to make its clients aware of environmental and social risks, demanding environmental compliance in order to access financial products that promote sustainability. Its signing of the Natural Capital Declaration is considered as an opportunity to strengthen Banco Pichincha's management of credit risk from the impacts and dependencies of natural capital. The Natural Capital Declaration is an international finance sector initiative, endorsed at CEO-level, to integrate natural capital considerations into loans, equity, fixed income and insurance products, as well as in accounting, disclosure and reporting frameworks. Sánchez concluded that the signing of the Declaration had been beneficial for Banco Pichincha's work towards social responsibility.

**Eva Mayerhofer**, European Investment Bank, spoke about the role of international financial institutions in the financing of natural capital. She said that to preserve the current stock of natural capital and avoid continued degradation, a significantly larger amount of capital investment is required than what is currently being allocated to conservation. Private sector investment is needed, not to replace but to supplement traditional sources such as public funding, which have been impacted by both the financial and economic crises. Within this context, the European Investment Bank (EIB) and the European Commission are working together to set up a natural capital financing facility (NCFF) so as to identify and create the conditions needed to leverage and redirect private sector funding to natural capital. The NCFF will be testing different business models using direct and indirect financing, debt, equity and bonds. The NCFF will also support the refinement of the required policy framework, the metrics and valuation methodologies required. Mayerhofer explained that the projects under the Facility will:

- a) Promote the conservation, restoration, management and enhancement of biodiversity and ecosystems;
- b) Pioneer new business models for natural capital management; and,
- c) Promote ecosystem-based approaches that increase resilience.

These projects are deemed 'bankable' and 'replicable', but Mayerhofer suggested that due to current market failures (caused by lack of experience, the need to mobilise a large number of stakeholders to operate under complex and unclear regulation, long investment and project payback periods, and uncertainties about target markets, revenue streams and profit margins), at present these projects necessitate credit enhancement by third parties. Blending EU funds with EIB resources, with both institutions sharing the risk, provides a catalytic effect, encouraging the flow of capital towards addressing biodiversity and social challenges by improving the risk-return profiles and thus inciting others to invest.

**Rashed Al Mahmud Titumir**, CBD Alliance, made a presentation on markets and financialisation. He began by asking the questions: Why do we need additional finance for biodiversity? What led to this situation? According to him, on one hand there has been an over-exploitation of natural resources, and on the other hand a lesser amount of investment in conservation of biodiversity due to missing revenues ('natural resources rents'). This shortfall in revenues arises because of flawed fixation of prices of natural resources through bid rigging, collusions, captures and intermediation. He called for

changes in regulatory regimes including resource taxes, which could unleash adequate resources for sustainable conservation. He furthermore advocated for stability of property rights as a pre-condition for sustainability of biodiversity conservation and mentioned that communal or collective property rights may in cases be more efficient.

Titumir further argued that the financialisation of nature carries substantial risk. He warned about ways to extract value through opaque financial devices in the pretext of lack of adequate investment, indicating that that such 'fictitious' capital causes losses both to biodiversity and consumers in the long run. He also cautioned that the lobby for such instruments is powerful. A complex mosaic of global players, in view of the downturn in rates of return on capital, has built relationships with financial intermediaries, leveraging additional dividends out of the 'securitisation' of debts (securitisation represents a claim against cash that would flow from the future – a fictitious form of capital, with high risks of busting). He also underscored that regulators, if they are in place at all, were often circumscribed in their scope to act by lack of jurisdictions and mandate over the complex nature of such securities.

**Arturo Mora**, IUCN-Sur Senior Programme Officer, talked about contributions of the private sector in the conservation of protected areas in Colombia and Peru – the AGUA SOMOS Fund in Colombia (as a private-public partnership) and the Cordillera Azul National Park in Peru (a Management Agreement). He considered their contribution to the Aichi target 20 on Mobilization of Resources in a developing countries context, and also discussed how they illustrated the possible contribution of the private sector to the conservation of nature. Lessons learnt from these examples included that coordination is needed between National Authorities and the Private Sector for the implementation of financial tools for conservation; that the private sector can show interest in biodiversity through corporate responsibility programs and corporate image positioning; that the existence of a regulatory framework that allows the development of these mechanisms is essential in order to attract the investment of the private sector; and that these initiatives only complement the national financial sustainability for Protected Areas Systems. He further explained that they were supporting National Park Authorities and other stakeholders in the implementation of different mechanisms and were disseminating the progress in this regard in other countries of the South American region and at the international level.

**Fernando Cisneros** from the Plurinational State of Bolivia reflected on the role of collective action of indigenous people and local communities in the preservation and sustainable use of biodiversity. The presentation took its departure point from the research performed by the 2009 Nobel Laureate in economics, Professor Elinor Ostrom, whose work emphasised the different types of goods and services: public, private, collective (commons) and associated. Cisneros said that ecosystem functions are public goods and as such they should be managed by the State, collective goods are common property and they should be managed through collective action, and only products obtained from nature by sustainable practices should be organized using markets. He meant that it is a big conceptual mistake to consider that markets alone could manage ecosystem functions. This would be a too homogeneous



approach, and problems could arise by seeking to provide the same solutions to different types of goods and services.

He further concluded that there are significant gaps and omissions in the resources indicators and reporting systems. A conceptual framework that only takes into account public and private efforts, in terms of resource mobilization and the state's reporting of achieved goals, is incomplete because it assumes that local efforts for conservation are taken for granted. Consequently, this gap should be filled by recognising the importance of collective action and the critical role of indigenous people, communities and local population when it comes to conservation and sustainable use of biodiversity. Bolivia has proposed to change the conceptual framework, indicators and reporting systems on which CBD relies in order to provide complementary approaches, in addition to public and private investment in biodiversity, which identifies and evaluates the efforts (in monetary and non-monetary terms) of the collective action of Indigenous people and local communities to preserve and sustainable use biodiversity. Their contributions, if quantified, could very well surpass the contributions of the public and private sectors.

**Krister Pär Andersson**, University of Colorado at Boulder, presented a newly initiated project in collaboration with Bolivia as a concrete attempt at illustrating the role of collective action by indigenous peoples and local communities.

Most countries, he concluded, lack systematic information about the contributions of local communities to the conservation of biodiversity. The problem is that without such information at hand, national governments risk creating policies that undermine the protection activities already undertaken by local communities. It was suggested that biodiversity may be under effective conservation for three basic reasons. First, an area may be protected by a government protected area or national park. Another possibility is that an ecosystem is protected by its geophysical properties – an area may be inaccessible due to remoteness or rugged terrain. A third possibility is that an area is protected due to collective actions on behalf of local resource users. In reality, more than one of these mechanisms may be at work simultaneously. The purpose of the presentation was to describe a plausible methodology at two levels for assessing the contribution of local collective action to the protection of terrestrial biodiversity. The basic level is a GIS analysis to identify areas likely to be protected for the three reasons outlined above. The second level involves community-based surveys which, if implemented, greatly strengthen the validity of the results and enables a deepened understanding of why and how local collective action promotes biodiversity conservation.

## **Discussion**

Participants took part in plenary discussions on the wide range of possible roles of the private sector in relation to biodiversity financing. There was a common view that it is important to engage the private sector further in relation to sustainable production, and that the financial sector should support such investments. The importance of making distinctions between different private sector actors was highlighted. The examples of community action and management of biodiversity in the last presentations were strikingly different from the experiences of for-profit actors, which in turn embodies a vast diversity from small local companies to large, multinational corporations.

Several participants appreciated the contributions that made the collective action of indigenous people and local communities more visible, and thought it important to not only focus on either the profit-oriented private sector or the government public sector.

The importance of corporations as a source of revenue through taxation was recognised and the concrete examples of voluntary private sector contributions from Japan and Banco Pichincha generated considerable interest.

There were different views on the role of the financial sector. Some saw interesting opportunities in new financial products, such as different kinds of environmental bonds, and believed these could provide ways to tap funds from the private sector.

Others argued that financial institutions should support the 'real economy' rather than supporting intermediaries through credit enhancement, which could result in financialisation through derivatives and speculation. It was argued that when public goods are turned into private goods, to attract new investments from the private sector, biodiversity conservation could be at risk.

Another voice expressed concern that financial intermediaries may not adhere to the same safeguards as other institutions and financing mechanisms, which could lead to negative impacts on local people and biodiversity. In response, the point on less stringent safeguards for financial intermediaries was refuted, and the key role of international development banks and their importance for funding smaller projects was emphasised.

In responding to questions on risks and willingness to accept lower interest rates by investors for the sake of biodiversity, it was furthermore argued that additional public finance input needed to be part of the mix: international development banks would not be able to keep their AAA rating unless public money is applied at the outset to ensure returns and catalyse the private sector to enter.

In conclusion, the point was made that while financialisation was not really new, the discussions in the context of biodiversity were, and therefore needed more attention and debate in relation both to the emergence of new instruments and to larger issues around the global economic system.

## **Working Group session on private and financial sectors**

Four parallel working groups further elaborated on the role of the private and financial sectors.

All the groups concluded that there is a need to further involve the private sector in biodiversity, as they have both responsibility and resources. The challenge is on the one hand to actively incentivize more appropriate and biodiversity-friendly business conduct, and on the other hand to effectively tackle corporate behaviours that have negative impact on biodiversity. It was noted that each country has its regulatory and institutional frameworks informed by different worldviews, visions, ideologies and approaches. Hence, each country must decide how it wants to work with the private sector in resource mobilization for biodiversity.

In terms of direct, positive contributions by the private sector, groups again recognized its important role as a source for taxation revenues. This is clearly a

main source of biodiversity financing, but it could be further enhanced by taxation schemes specifically targeted for biodiversity, as well as a curbing of tax evasion and noncompliance. Private trust funds, large conservation organisations and philanthropy were highlighted as sources of private finance to consider further.

Participants recognized a range of incentives and measures that could change business conduct. The role of corporate social responsibility (CSR) was highlighted through many examples from different countries. In Ecuador, for example, sales of a certain car brand provided finance for the government-run 'sociobosque' scheme, and the examples of Japanese banks given in the presentations were highlighted. There was, however, recognition that CSR can only play a limited role for biodiversity financing, even if well implemented. Going beyond CSR, many spoke to the need to change the very model of business, and incorporate an understanding of the importance of biodiversity in all kinds of corporate decision-making. An example from Switzerland showed how the government had actively attempted to improve business conduct by paying consultants to work with companies to develop schemes to include 'natural capital' in their decision-making. Others went further and demanded a radical transformation of the global economy with much stronger legal frameworks ensuring human rights, rights of nature and social equity to trump profit, trade and private investment interests.

The important role of corporate 'champions' that set examples for others was highlighted, as was the role of governments to create positive incentives to 'pull' business in the right direction (for example thorough subsidies and other rewards) and to create clear, legal frameworks for 'green markets'.

There was widespread recognition that rules, regulations and monitoring of the private sector is essential, and that in many cases governments are weak in this regard, with country policies deeply affected by special business interests. This is particularly challenging in relation to transnational companies, where a need for enhanced regulatory capacity and exchange of experiences between countries on different policy instruments was recognized. Concerns over risks of financialisation of biodiversity were voiced and were illustrated by the case of Icelandic fishing and the financial crisis. The idea of including baseline information on the drivers of biodiversity loss in NBSAPs, a Liberian example of bringing in environmental issues from the start in negotiating agreements with foreign companies, and monitoring approaches such as the Corporate Ecosystem Services Review, developed by WRI, were mentioned as concrete examples of measures to consider.

In direct relation to the CBD negotiations, it was recognized that the previous COP decision on a 'business and biodiversity' platform had not taken off well, with a lack of clear mandate and no clear added value for companies to become engaged. Further effort is needed to make it more relevant.

## **Field trip: Departure to La Ciudad Mitad del Mundo<sup>16</sup>**

A field trip was organised by the host country Ecuador. This trip provided opportunity for informal discussions among the participants, as well as

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<sup>16</sup> This summary of the field trip is not in the chronological sequence of the Dialogue seminar. Parts of Session IV took place after the field trip, but the documentation of those parts is included with the remainder of Session IV reporting.

opportunity to learn about the co-existence of local communities with protected areas, and Ecuador's richness in biodiversity and culture. The field trip had two stops: the first was the visit of the Pululahua Geo-Botanic Reserve, a Protected Area in a caldera formed from a former volcano, where the officers of the Ministry of Environment shared information on the rich biodiversity of Ecuador. The second stop included the visit to the "Ciudad Mitad del Mundo" (Middle of the World City).

## **Presentation: An update on COP12 preparations<sup>17</sup>**

Upon request, a presentation on the preparations for COP12 was included into the agenda by the COP12 host Republic of Korea by Mr **Seukwoo Kang**, Republic of Korea. Mr Kang described the Strategy for Resource Mobilization as being a key element of the Pyeongchang Roadmap for the enhanced implementation of the Strategic Plan for Biodiversity 2011-2020 and achievement of the Aichi Biodiversity Targets. Mr Kang pointed out that amongst other activities there will be a seminar on resource mobilization in September 2014 in Seoul.

## **SESSION IV (continued): Incentives and options for financing**

### **Fiscal Reforms and International levies**

*Expected outcomes: Enhanced understanding of possible approaches for fiscal reform at national level to finance biodiversity, as well as innovative approaches to international levies. Consideration of the potential for these kinds of financing options in relation to other mechanisms.*

### **The international dimension of taxation**

**Clara Delmon** (French Ministry of Foreign Affairs) talked about Solidarity levies as an example of an innovative source of financing for development. She presented that innovative financing was designed in order to bring financial solutions to development challenges that remain insufficiently addressed by traditional aid flows. Delmon explained that there are two sub-categories of innovative financing: (1) innovative sources which help generate new financial flows for sustainable development and (2) innovative mechanisms which help maximise the efficiency in the use of the resources and their leverage.

Solidarity taxes, such as the Financial Transaction Tax (FTT) and the air ticket levy, are primary examples of innovative sources. They contribute to a better distribution of wealth and respond to the necessity of addressing global challenges with global players. They are innovative because they (1) allow ring-fencing resources for development (2) provide more predictability and (3) allow new contributions from globalized activities. These two examples have proven to be very effective in the field of global health (1.25 billion Euros raised thanks to the air ticket levy and 706 million Euros raised thanks to the FTT in

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<sup>17</sup> This presentation summary is not in the actual chronological sequence of the Dialogue seminar. It was added to the programme on the morning of 11 February 2014, between separate panel discussions of Session IV. For clarity, all Session IV discussions are reported together.

France). However, solidarity levies only constitute a complement to broader reforms and actions to achieve sustainable development.

The allocation of revenues from this kind of instrument to a specific area of sustainable development, such as biodiversity, is the result of a strong political choice. There is therefore a need to advocate for biodiversity in advance, to the governments that are likely to introduce the instrument.

**Chee Yoke Ling**, Third World Network, talked about international conditions for domestic taxation and international taxation options, including addressing tax evasion. She meant that a clear distinction is needed for sources of finance, mechanisms to deliver finance, and tools to mobilize or generate finance.

Innovative sources of public sector financing can be taxes (taxing sectors that benefit from globalisation, such as through FTTs, and taxing global 'bads' such as carbon emissions), Special Drawing Rights issued by the IMF, and royalties from resource extraction in areas beyond national jurisdiction (such as the deep seabed). Yoke Ling explained that there is massive leakage from corporate tax evasion, perverse incentives such as low taxes and royalties to attract foreign investors especially in the mining sector, illicit flows, and investment/trade rules that are unfair to developing countries and severely curtail domestic resource mobilization. Investor-State disputes that challenge policies and laws promoting sustainable development are growing and triggering widespread criticisms. International actions are required to ensure an enabling environment for domestic mobilization.

In terms of a constructive way forward, Yoke Ling suggested five points: 1) As discussed in Quito I, the term 'innovative financial mechanism' creates confusion and may not be appropriate, so more clarity is needed under the CBD; 2) Adoption of numerical targets at COP12 in 2014 would be a major signal of good faith in implementing the CBD resource mobilization strategy; 3) CBD commitments of developed countries should provide new and additional financial resources for agreed full incremental costs – not just ODA or multiple accounting of ODA. If new sources of finance become real, there must be political commitment to finance biodiversity; 4) For developing countries to mobilize domestic resources, in addition to domestic actions, there must be matching policies and actions by developed countries (such as implementation of the CBD's 3<sup>rd</sup> objective and the Nagoya Protocol; and 5) the development of appropriate rules related to taxation, trade and investment – these are major challenges but are necessary to stop systemic financial transfers from developing countries.

### **Sectoral/national examples**

**Susana Torres**, Ministry of the Environment, Ecuador, presented their Green GDP project. In February 2012, the SCAN project (Sistema de Contabilidad Ambiental Nacional) was established, which is responsible for the compliance of Presidential Commitment No. 9034 "CSA Environmental Satellite Account". Its aim is to calculate the economic impact of natural resource depletion and environmental degradation in order to obtain a set of aggregate national data linking the environment to the economy and vice versa. It works under the methodological framework of the UN System of Environmental Economic Accounting (SEEA); that addresses:

- a) Physical flow accounts: linking environment – economy – environment

- b) Accounts of environmental activities related to flows: environmental protection expenditures;
- c) Natural asset accounts: variation in natural resource stock.

In the Ecuadorian case, the environmentally-adjusted GDP or Green GDP is called PINAE. PINAE is defined as the discounted costs of natural resource depletion and environmental degradation to the net domestic product PIN, as expressed in the formula:  $PINAE = PIN - CAT - CDT$  where PINAE = Environmental gross domestic product of Ecuador, PIN = Net domestic product, CAT = Total cost of natural resource depletion, and CDT = Total cost of environmental degradation.

**Sumaila Rashid**, University of British Columbia and member of the High-level Panel on Global Assessment of Resources for Implementing the Biodiversity Strategic Plan, talked about reform of fishery subsidies. Subsidies, which are the opposite of taxes, can be defined simply as financial transfers from society (government) to private entities in an economy. Subsidies and taxes are economic tools that are used to internalise externalities and increase or decrease the level of certain activities in an economy that would be over- or under-supplied by the market.

The economic rationale for the provision of subsidies is simple. Society subsidizes activities or behaviours that confer positive externalities (e.g., the education of citizens) and which society therefore wants to encourage or increase the level of these activities or behaviours. On the other hand, society taxes those activities or behaviours it wants to discourage, i.e., those that impose negative externalities on its members (e.g., smoking).

As always, these economic tools can be misused. In the case of fisheries, a proper use of these tools is to subsidise aspects of fishing that reduce overfishing, because the market would typically result in overfishing mainly due to the common property nature of fishery resources. However, it is currently estimated that over up to 80% of the global total fishing subsidy estimate of \$35 billion are harmful subsidies that stimulate overfishing<sup>18</sup>.

The billions of dollars in harmful subsidies being currently provided each year by governments around the world can be redirected in ways that help the fish and the fishers alike. One good example is the so called 'fishing for plastic' idea of the European Commission, where fishers are employed using tax payer money to clean the ocean of plastic: the fishers, fish and the ocean all win in this scenario. In the more long term, current subsidies can be redirected to support the education and development of skills among fishers that would increase their options in terms of job opportunities outside of fishing. By turning harmful subsidies to beneficial ones in the manner described here, we will begin to tackle both short and long-term poverty and development issues in our fishing communities while sustaining the ecological (biodiversity) basis of our fisheries.

**Rodrigo Cassola**, Brazilian Institute of Environment and Renewable Natural Resources (IBAMA), talked about Ecological Fiscal Transfers (EFT) for biodiversity conservation in Brazil. Effective biodiversity governance has to

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<sup>18</sup> Sumaila *et al.* (2013): [http://www.europarl.europa.eu/RegData/etudes/note/join/2013/513978/IPOL-PECH\\_NT%282013%29513978\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2013/513978/IPOL-PECH_NT%282013%29513978_EN.pdf).

address the spatial aspects of biodiversity conservation in relation to governmental levels. As biodiversity conservation usually involves costs at decentralized levels of government, whereas benefits reach up to national and global levels, EFTs are a suitable policy instrument to account for these spillover benefits on the side of public actors.

Brazil and Portugal – the countries that have adopted ecological fiscal transfers so far – target exclusively local governments. In the Brazilian case, for example, many states have adopted EFTs as a compensation mechanism for municipalities, an arrangement known as ICMS-Ecológico. The ICMS-Ecológico takes ecological indicators into account – protected area coverage being the most common – to share revenues of a state-collected VAT-like tax with local governments. However, like other federal countries, Brazil has a three-tier federal system of governance – federal government, states and municipalities – and no EFT has been implemented to address the relations between the two upper levels. This is of special concern when it comes to biodiversity conservation and regulatory arrangements of many ecosystem services, as relevant public functions are usually assigned to the state and/or federal level in Brazil.

## Discussion

There was a short discussion about which natural resources are included in national accounts, data gaps and how to treat them. For example, fish stocks are not included in the Ecuador Green GDP due to data gaps. Some countries such as Ecuador have positive experiences of earmarking tax revenues while in Brazil this is against the constitution; the subnational governments have autonomy to decide on tax revenues.

## Sources and Synergies: Sustainable Development Goals (SDGs), Climate finance and international financing (ODA and GEF)

*Expected outcomes: Synergies and Experiences from related areas of relevance for biodiversity financing and role of official development aid (ODA).*

**Valerie Hickey**, World Bank, talked about SDGs and links to CBD financial resources issues. Biodiversity receives a very small (~1%) slice of development assistance flows annually. Though overall flows have grown steadily over the past decade, this has largely been as a result of new actors (e.g. new countries, especially the BRICs, South Korea, and Turkey and private foundations) offsetting the reduction in development assistance from traditional donors. This aid landscape has driven a new approach to development in the post-2015 framework discussions: appealing to new actors (from mobilising domestic resources to leveraging the private sector and diaspora savings); using traditional development flows to develop good policies and credible institutions; innovating new instruments that focus on results rather than input-based payments; and finding efficiencies to ensure development financing flows at speed and scale to achieve development goals.

This new approach holds many lessons for the biodiversity community, the most important of which is that we must mainstream our agenda across the post-2015 framework to access the larger pie, attract new constituencies, innovate results-based financing and find efficiencies to reduce the cost of the conservation and sustainable use of biodiversity.

**Mark Zimsky**, GEF secretariat, presented how biodiversity financing is related to all GEF windows. Examples of GEF-6 integrated approaches were given that will make significant contributions to achieving the Aichi Targets: 'Taking Deforestation out of Commodity Supply Chains' and 'Fostering Sustainability and Resilience for Food Security in Africa'. Other GEF-6 focal areas and programs will also contribute to meeting the targets: International Waters, Land Degradation, Chemicals and Waste, and Sustainable Forest Management.

**Daniel Ortega Pacheco**, from the Ministry of Foreign Affairs of Ecuador, talked about financing for biodiversity and poverty alleviation. Ecuador is developing its national economy aiming to use biological resources as a strategic resource and to fight poverty. He talked about the dilemma between oil and biodiversity, and the challenge to move forward without oil, and noted that other mega-diverse countries are facing similar problems. Ortega explained that there were many lessons learned from the Yasuni project. The Yasuni-ITT Initiative and the Net Avoided Emissions (NAE) mechanism was a proposal by Ecuador to leave oil underground (at the Yasuni National Park, a UNESCO Biosphere Reserve and home to indigenous peoples) in exchange of foreign compensation funds. In order to deliver net avoided emission of CO<sub>2</sub>, the Ecuadorian Government was asking the international community to contribute with funds, equivalent to the economic value of the avoided CO<sub>2</sub> emissions, as compensation for climate change mitigation and biodiversity protection.

Ortega explained that while the requested funds did not come through, the concept of net avoided emissions is still central in the development of the new economy, and that Ecuador was introducing the concept also in UNFCCC and CBD. It could be implemented in real projects, with sector perspectives. By compensating for opportunity costs, the approach goes against traditional approaches with payments for a tangible service. However, in terms of biodiversity, one has to pay in indirect ways. He said that while Ecuador knew that extracting the oil would generate higher immediate revenue than conservation, payments for NAE was preferred. The international community, however, was obviously not ready for the idea.

Ortega also explained the Correa proposal for a tax on oil, which would transfer money to the poorest countries in the world. It might sounds strange that an oil producing country put this forward, but with a 3-5% levy it would be possible to generate USD 50 billion in a year. He also said that although they realised it may be difficult, the proposal had generated extensive discussions.

He concluded that there has to be a clear focus on getting the institutions right to create enabling conditions and incentives that work. Transparency on all levels is important. Highlighting the Monterrey Consensus, he noted that there was a need for additional international funding (without using ODA) and this had to be predictable, additional and appropriate.

**Bente Herstad**, Norad, gave a snapshot of Norwegian ODA to illustrate the link between biodiversity and climate change. Tracking the use of the Rio markers<sup>19</sup>

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<sup>19</sup> The DAC is monitoring aid targeting the global environmental objectives of the Rio Conventions through its Creditor Reporting System (CRS) using the "Rio markers". Every aid activity reported to the CRS should be



in the ODA statistics for 2013, the results show that biodiversity and adaptation are not commonly targeted together, while the opposite is the case for biodiversity and mitigation. The reason is the Norwegian Climate Forest Initiative. With NOK 4.4 billion (USD 730 million) in 2013, it is dwarfing all the other biodiversity programs in Norwegian ODA, which in total amounts to NOK 5.1 billion (USD 850 million). She then described the options and challenges of combining ODA for biodiversity and climate change, the difference of scales of financing for biodiversity, adaptation to climate change and mitigation, the difficulties in tracking the funding, and observed that ODA is just a minor contributor in international finance for both biodiversity and climate change.

Herstad concluded that ODA should be used to enable funding from other sources, that both national and international financing needs to be enabled, and that readiness for climate finance can be used for biodiversity finance by 1) creating an enabling environment for investments; 2) strengthening national systems and institution; 3) strengthening environment and social safeguards; 4) involving national planning and finance ministries; 5) adapting to national circumstances and local realities; 6) the development of national plans such as NBSAP, NAPA, NAMA, and NAP; 7) the use of pilot projects; 8) developing methodology for measuring, monitoring and verification of results; 9) developing measures for scaling up good practices; and 10) further research and outreach.

## **Working Group Session on Fiscal reforms and Synergies with other processes**

### **Fiscal reform**

Group discussions on fiscal reform spanned subsidies, taxation and international trade and investment agreements. Groups noted significant potential in removing *perverse subsidies* and redirecting public funding to appropriate subsidies. The case of fisheries was for example highlighted, as were subsidies for large-scale industrial agriculture in developed countries. In both these cases many subsidies have direct negative impact on biodiversity and would thus constitute 'low-hanging fruits' for actions with large positive impact on biodiversity. Given the strong industry lobby, however, this is not easy, and public outrage and the effective mobilization of citizens would likely be needed. In sharing experiences, there seemed to be valuable examples of different kinds of fiscal reforms from most countries, which pointed to great potential for further sharing and exchange. A positive example of shifting of subsidies was given from Cuba, which has reduced subsidies related to pesticides and fertilizers and instead added incentives and subsidies for promotion of organic agriculture.

Several groups were in agreement that taxation, both nationally and internationally, must be enhanced. One group pointed out that the World Economic Forum (WEF) has in its two last Global Risks Reports emphasised "Increased income disparities" as the top global risk, when impact and

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screened and marked as either (i) targeting the Conventions as a '*principal*' objective or a '*significant*' objective, or (ii) not targeting the objective.

likelihood are combined.<sup>20</sup> Several concluded that the enormous investments needed to transform society to sustainable development need new tax regimes. A major problem, it was pointed out, is that many multinational companies use internal international invoices to have much of their profits declared in tax havens. The idea of a 'unitary tax' where multinational companies have to declare profits in each country of operation, proportional to revenues, was highlighted, with the proposal that the biodiversity community considers connecting to this international initiative.<sup>21</sup>

Other ideas of tax reform were tax shifts from tax on labour to tax on environmental 'bads'. Switzerland is also currently debating a radical proposal for replacing the present value added tax (VAT) system with a tax on non-renewable energy. While unlikely to pass, it has generated considerable debate.

The question on ear-marking taxed funds for specific public goods were discussed, with the conclusion that possibilities differ between countries. In some countries, earmarking is constitutionally impossible, and in most countries it is resisted by ministries of finance.

## Synergies

Group discussions on synergies focused on the SDG/post-2015 process, possibilities for synergies between the different Rio Conventions, and scope for synergies at the national level. It was recognized that the Aichi targets would be essential to attain the future SDGs in whatever way they are finally formulated by the end of 2015. Participants debated whether it would be more important to have biodiversity integrated across the goals, or to have a distinct biodiversity goal. There seemed to be a general agreement that mainstreaming of biodiversity into other goals were most important, but that it would certainly be worthwhile to also strive for a distinct goal.

This group saw considerable potential for synergies between the three Rio Conventions and noted that since 2010 a 'liaison group' has existed between the Secretariats of the Conventions. However, it was unclear as to how the group actually functions, with the conclusion that it would need to be made more transparent if it is to be effective as a means of building synergies that help in reaching biodiversity targets. It was also noted that for example SDG/Post 2015 processes and CBD were handled by different negotiation teams in most countries, and that there was hence scope for better synchronisation and synergies.

## Open Space Working Groups

*In an Open Space session participants had the opportunity to propose themes they thought were missing in the seminar or wanted deepened discussions on. Six group discussion topics were identified, drawing on participants' suggestions.*

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<sup>20</sup> <http://www.weforum.org/reports/global-risks-2013-eighth-edition>

<sup>21</sup> <http://www.ft.com/intl/cms/s/0/798f30d2-3242-11e2-916a-00144feabdc0.html#axzz30ZdgeGfL>

## **Theme: Moving forward practically, including the COP Process**

The group set out to look at possibilities for moving forward in practical, hands-on ways with COP12 in mind, but also looking beyond. The group first asked the question: what is holding us back from moving forward?

It concluded that while there are over 300 PES schemes in operation, there is a need for more sharing of experiences on what works and why. It was suggested that a database with the many programmes and initiatives which countries currently have should be set up – and should be more user-friendly and practically useful compared to the current CBD webpage. The 2013 OECD Report on finance mechanisms<sup>22</sup>, which analysed the six kinds of IFMs as categorised by CBD, looked at about 20 existing schemes, and was thus only a start.

The value of bilateral exchanges was further highlighted. Japan for example offers regional three-month study visits for other Asian countries as a means for bilateral capacity-building. Both Sweden and Norway have shared experiences and focused on how to enhance knowledge through monitoring and reporting activities. The importance of south-south interaction was further emphasised.

It was also pointed out that NBSAP processes could, if done well, enhance learning and policy integration, so the processes themselves may be as important as the final product. In some countries, there were policies preventing the use of external consultants to deliver NBSAPs, in order to ensure in-country capacity building and control of the policy formulation process.

Some also argued that the COP process could focus more on *how* to generate resources, provide guidance on this when applicable, and look more into practical applications within different sectors, without being too prescriptive. How could COP decisions become more practical?

As a way forward some also suggested that there be a focus on regional, smaller meetings to promote further and deeper exchange between countries and with different stakeholders, particularly with further focus on what governments can do to change institutions and influence the private sector.

## **Theme: Trust funds and philanthropic sources**

The group focused on biodiversity funding sources such as trust funds, philanthropic foundations and other kinds of private sources, with an attempt to particularly tackle the questions how these could be scaled up. As a first topic, the group looked at national environmental trust funds, which have been in existence since before Rio 1992. Currently around 500 such funds exist worldwide. The group concluded that strengths with such trust funds include a high degree of predictability and that they are often simple and fast in their operations. It was discussed that risks with these funds might be that governments are sometimes unhappy to not be in control, that governments may give less priority to biodiversity as a result of NGOs dealing with the issues, and that they are often specific and narrow in their mandates and operations creating a risk in relation to mainstreaming: these kinds of funds can not be a substitute to mainstreaming efforts.

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<sup>22</sup> [http://www.oecd-ilibrary.org/environment/scaling-up-finance-mechanisms-for-biodiversity\\_9789264193833-en](http://www.oecd-ilibrary.org/environment/scaling-up-finance-mechanisms-for-biodiversity_9789264193833-en)

As a second category, the group discussed philanthropic sources. It concluded that there are many different private foundations, in many different sizes, from the Gates Foundation to small family foundations. Common to all these is the fact that they have their own priorities and focus – including geographical focus – which may not always be aligned with governments' or the public interest. The group recognised however that there is an untapped potential for biodiversity funding, and that it would be worthwhile for relevant actors from the biodiversity community to engage in the different coordinating platforms that exist for these kinds of private foundations (for example in the USA).

A third category was that of large non-profit organisations, some of which are membership based. Some of these have a biodiversity orientation, and through membership fees and other forms of fund-raising raise considerable funds for biodiversity protection. Many of these organisations use these funds to manage biodiversity themselves in concrete projects. The question was raised whether there was scope for mainstreaming biodiversity concerns into other kinds of organisations as potential source of additional biodiversity funding.

As a fourth and last category the group highlighted crowd-sourcing through on-line donations and use of social media. There are many examples of successful fund-raising for a wide variety of issues through these new types of financing. The group thought it worthwhile to further explore these in relation to biodiversity, while recognising their limitations and often scattered nature.

### **Theme: Scale and localisation – indigenous peoples and local communities**

The group discussed that scaling up the impact of the CBD can effectively be done by scaling it down to the communities. It was expressed that so far, the CBD is seen as a highly technical process or legal instrument and the existing alienation from the people living in close connection to biodiversity has not been addressed properly. The Biodiversity and CBD community should rethink their understanding of biodiversity to further include the close relation of biodiversity issues with the people 'on the ground', who are sometimes overlooked in the discussion or not included in a participatory manner in decision-making processes.

It was expressed that NBSAP focal points have a crucial role for the national biodiversity outcomes and should engage more with local and indigenous communities to enforce their participation in the process. Capacity-building in negotiation techniques and information channels for these communities are important tools, but the recognition of indigenous peoples and local communities as equal and knowledgeable partners is essential, ensuring their participation on equitable, inclusive grounds. This assurance implies a need for the existence of land rights and safeguards, as well as an enforcement of participatory access and benefit-sharing mechanisms.

Further, it was expressed that the role of small-scale local financial resources should not be overlooked and instead these funds should be mobilized and reinforced. Environmental awareness funds are already generated on the local level (for example by small local businesses, local foundations or churches) and can be better recognized and supported.

## **Theme: The bigger picture**

Several participants were keen to have an opportunity to discuss 'bigger picture' dimensions of the threats to biodiversity. It was acknowledged that in terms of biodiversity the world is far beyond the planetary boundaries, and that a far-reaching transformation of the way the global economy works seems needed. While biodiversity loss is some times linked to poverty, the group recognised it is even more a result of drivers of loss that relate to overconsumption and unsustainable lifestyles.

The issue of economic growth generated discussion. Some participants meant that there is no real evidence of the possibility of substantially 'decoupling' environmental impact from economic growth, and that this therefore speaks to non-economic growth centred models. Some argued that for many communities and developing countries, economic growth will be needed for a long time to come, and that the issue of economic growth would need to be discussed from an equity perspective. A key question was whether persistent economic growth is a viable option for rich, high-consuming countries. Others thought that the discussion should be centred on what the economic growth contains, and that not all growth is harmful for biodiversity.

The challenges of tackling present middle- and upper class consumption patterns were recognized and discussed, and many participants pointed to structural barriers. For example, many consumer products are developed with 'planned obsolescence' as a model, i.e. the products are designed to last for a short time to be replaced by new models. It was noted that there could be a role for states to pursue awareness raising that a 'good life' is not necessarily based on consumerism, in the same way as states have done awareness-raising for health or car safety issues. Others added a warning that this should not be a push for diminishing the consumption of those who are still living in poverty.

In terms of production, the group discussed the importance of regulatory frameworks that can have a significant impact on production patterns that negatively affect biodiversity. The need to tackle perverse subsidies for fertilisers and fisheries were mentioned, as well as the potential and promises of standards on solar energy and energy efficiency. The case of the Forest Law Enforcement Governance and Trade (FLEGT) action plan, the agreement between EU and a number of timber-producing countries, with mutual commitments and extensive participation of NGOs, forest-dependent communities, indigenous peoples and the timber industry was given as a seemingly positive example of international cooperation.

However, it was also noted that while initiatives and funding directed towards developing countries were paramount, the need to reduce the ecological footprint and unsustainable production patterns, especially in industrialised countries, would need to be prioritized. In this context, it was also noted that other international rules, such as trade and investment agreements, could have negative impact on biodiversity in forcing countries both North and South to abandon environmentally sound legislation, or impeding them to elaborate new ones.

From a big picture perspective, the complexity and cross-sectoral nature of the challenges would need to be the starting point for all actions and strategies. In this context, the group brought up several examples, notably the 'Working for Water' programme in South Africa that had managed to successfully tackle several sustainability issues simultaneously, and created new jobs while contributing positively to biodiversity.

The power of people as both consumers and organised civil society, finally, was recognised as critically important to mobilise the kinds of systemic, transformative changes that are needed to preserve biodiversity and move towards sustainable development.

### **Theme: Synergies with other issues and areas**

This group continued the discussions in the previous session on synergies. The working group discussed the many challenges and opportunities for enhanced synergy between biodiversity and other sectors. The existing liaison group between the three Rio Conventions should be better understood. It was not clear to the participants in the working group what the liaison group is doing, and if it has had any impact at the national level related to implementation. Discussions also touched on the benefits at the national levels of better synergies between the three Rio secretariats. The possibility of joint secretariats at the national levels to help with joint implementation of projects was discussed.

The challenge of getting the larger policy community to understand that biodiversity is as much a development issue as it is an environment issue is critically important, but difficult. Countries could be helped by learning from each other on how to deal with this. How could ministries of finance engage in and better understand biodiversity issues? At national level, NBSAPs are cross-cutting, and should cover much of the natural resource governance.

Some of the discussions reflected on the experiences from the related field of climate change which carries more weight, and where even Heads of States participate in negotiations. While this gives much power to the issue, it was also recognised by some that it had made the climate negotiations much more difficult at times. The question how to best support one's Minister at high-level meetings to most effectively make the case for biodiversity was highlighted.

### **Theme: Trading and Financialisation**

The group sought to deepen the conversations around first offsets trading and secondly financialisation. Several participants in the group expressed concern around trading in biodiversity offsets beyond what had already been voiced in the seminar. For example, it was noted that in an offsets market neither sellers nor buyers might be really interested in the quality of the 'product' (i.e. the quality of the biodiversity offset itself). The motivation for the buyer is to enable exploitation by obtaining the offset credit (whether good or bad quality) – contrary to the normal interest of a buyer to obtain best possible quality product. The issue of necessary quality of the delivery hence lies largely with the regulator.

In terms of financialisation, i.e. the creation of new financial assets through for example trading in secondary markets, speculation and creation of environmental bonds, the group expressed caution. Compared to biodiversity offsets, green bonds create new financial resources, e.g. for reforestation. As for ordinary bonds, buyers are entitled a predefined interest rate and the full value of the bond upon maturity. The question, the group asked, is how such returns can be generated from enhancement of biodiversity. It was pointed out that there will need to be ways of 'selling' the added natural capital to pay back the buyer of the bond, but there are usually no ordinary markets for this, and the

state may need to commit itself to provide parts of the returns or set up regulations that ensure the necessary cash flows. Questions then arise on why the state could not provide the necessary resources directly, rather than providing resources through new markets for bonds. The group also wondered what would be the consequences for the 'collateral' (e.g. the forest) in case the expected revenue could not be delivered, and what are consequences of secondary trading with these kinds of bonds. It was concluded that promises and risks of these new market mechanisms would need to be understood better and be further discussed and debated.

The group finally discussed financialisation in the form of derivatives and 'securitisation' of biodiversity offset credits and green bonds. While the idea behind derivatives is to hedge against various real risks, several of the group members emphasized the negative experience with such financial instruments in both carbon markets and elsewhere. While the idea behind derivatives is to spread risk, there is ample evidence that securitisation through derivatives reduces transparency and is in itself in that way a creator of risk. The latest financial crisis was thought to offer ample evidence in this regard.

At the same time, securitisation is costly and these costs have to be covered by some means. The group discussed experiences with the privatisation and securitisation of English water services, which seemed to have resulted in increased costs for water delivery. Some group members argued that derivatives should be 'banned' from biodiversity protection. While the issue of reduced transparency/creation of financial risk is one issue, another is the kind of motivation that enters the scene – not that of protecting and using biodiversity, but producing money out of financial speculation. This, it was noted, is very different from measures of integrating and reporting biodiversity in corporate performance.

## **SESSION V: Outstanding issues, synthesis and way forward**

*Expected outcome: A better understanding of ways (potential solutions and possible obstacles) to scale up mobilization of financial resources including 'innovative financial mechanisms'; including clarification, respect and understanding of areas of convergence and divergence; outstanding issues; synthesis and ways forward; and highlighting of 'new and emerging issues' identified during the seminar.*

In the concluding session six participants were asked to briefly reflect on synergies and highlights from the seminar: Laure Ledoux (EC); Fernando Cisneros (Bolivia); Francis Ogwai (Uganda); Seukwoo Kang, Republic of Korea; Joji Cariño (FPP); and Chee Yoke Ling (Third World Network).

Several panellists expressed their satisfaction that we seem to be making progress towards a more common understanding of the issues and the various viewpoints that exist. Compared to Quito I, the discussions had been richer and more detailed, and there was much to bring into the multilateral process. Panellists concluded that the level of comfort and willingness was impressive, and had helped identify the kinds of critical questions that needed to be asked and reflected upon.

One panellist made the point that while there are many differences in viewpoints, there were also interesting similarities. For example, viewpoints

that Bolivia had pioneered for a long time through their “Vivir bien en harmonia con Pacha Mama” seemed partly echoed in some EU statements, e.g. the 7th Environment Action Programme (EAP) which talked about ‘living well within the limits of planet earth’, and also in the reference to the intrinsic value of biodiversity in the EU Biodiversity strategy.

It was expressed that NBSAPs should not only be reviewed but must actually be implemented. Resources mobilization is critical for the successful implementation of NBSAPs.

It was recognized that mainstreaming biodiversity and decision-making beyond the environment community needs to be adapted to each country situation, and reflect different country priorities. Clearly, in the context of the economic crisis, the economic value of biodiversity needs to be highlighted to ensure that sufficient resources are allocated to protect it. There is a wide toolbox of financing mechanisms from which countries can pick and choose. These present both risks and benefits and we need to work on developing guiding principles and safeguards with concrete examples and guidance for countries who want to use them. This should be the focus of our efforts for the next steps, including at WGRI-5 and COP12.

The issue of *terminology* was repeatedly brought up, with the conclusion that there needs to be clearer distinctions between different Biodiversity Financing Mechanisms. The term Innovative Financial Mechanisms as hitherto used was not helpful and could be abandoned in favour of less ambiguous or misleading terms. However, this desire for terminological clarity does not mean that we should not explore new and truly innovative approaches for biodiversity financing.

One panellist reminded that the Convention on Biological Diversity preamble was a remarkable text and one of the most striking outcomes of a multilateral process. Its holistic perspectives and departure point in biodiversity’s intrinsic value resonated with the discussions in the seminar, and was worth coming back to regularly.

Similarly, panellists highlighted the many discussions in the seminar relating to the 1992 Rio Declaration, in particular the precautionary principle and the polluter pays principle embedded in the Declaration. In terms of precaution, the importance of risk assessments, appropriate safeguards and involvement of local communities in decisions around biodiversity financing mechanisms was reaffirmed. One panellist pointed to the experiences of by many indigenous and local communities, highlighting concerns around trends towards land grabbing, need for secure land tenure, lack of social and environmental safeguards and too much focus on carbon accounting at expense of other concerns. The need for further sharing of experiences from safeguards both within the biodiversity community and with for example UNFCCC and the climate change community was highlighted. Several panellists reflected on the many examples in the dialogue seminar of the role of the private sector, the related risks and challenges in relation to extended engagement with it, as well as its potential role in contributing to improved biodiversity financing. Panellists agreed there was a need to better engage with the private sector, but several pointed out the need to be careful and understand the implications of profit maximisation and expectations of high return on investments. The role of financial markets and risks with financialisation called for further critical inquiry. Likewise, the role of the state needed to be better understood. Panel members also highlighted the many examples in the seminar that showed the need for strong public



institutions and regulatory structures to avoid exploitation and improve the likelihood for both market-based and non-market based economic incentives mechanisms to function as intended.

One of the key points and synergies in the seminar was that of the need for integration of biodiversity across sectors. Biodiversity also needs to be well integrated in the current post-2015/SDG process, which put demands on the negotiators in the meeting to successfully engage with their colleagues negotiating this parallel strand. The many important synergies and lessons from climate change were also highlighted and one area suggested for further explored was the interface between adaptation, disaster risk reduction and biodiversity. One panel participant also reflected on the country examples, for example those from Bolivia and Ecuador that had showed attempts at integrating biodiversity and rights of Mother Earth across government policies and even the constitution. The challenges and lessons from these experiences could be further explored and shared with other countries.

Looking forward, one panel member said the dialogue seminar had been of great use in preparing for the COP12, and further proposed an elaboration and extension of the present resource mobilization strategy and a road map for COP12. Another panel member pointed out that resource mobilization really is about building constituencies for biodiversity. Unless we build these constituencies at all levels, including the local levels, support for biodiversity will remain low. Ultimately, several panellists concluded, collective action is needed to effectively respond to the bigger picture of biodiversity loss and drivers behind. In quoting the Millennium Ecosystem Assessment, one participant concluded that “the present ecosystem challenges can be met but requires significant changes in policies, institutions and practices that are not currently underway”<sup>23</sup>. This would need to be addressed.

In conclusion, the possibility of a third Quito seminar was discussed and several participants expressed the need for an Ad Hoc Technical Expert Group (AHTEG), or similar, after COP12. The possibility to issue a formal mandate for this at WGRI-5 and COP12 was considered. It was also concluded that the dialogue had been rich in knowledge exchange, that it had enhanced understanding of the issues, and that it had improved the prospects for successful formal negotiations.

## **CONCLUDING SESSION: Way forward**

The co-chairs Sabino Francis Ogwal and Maria Schultz expressed gratitude especially to IUCN-Sur and the host country Ecuador, to conveners, donors, translators, organizers and the facilitator. They also explained that the outcomes of Quito II will be presented at WGRI-5 by the co-chairs to inform the discussion on resource mobilization. The report of the co-chairs will be included in the pre-session documents for WGRI-5. Walter Schuldt, Ecuador Ministry of Foreign Affairs, on behalf of the host country, emphasised that biodiversity is a strategic resource for Ecuador, and expressed satisfaction that there had been great advances from Quito I to Quito II. Hem Pande, on behalf of

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<sup>23</sup> <http://www.maweb.org/documents/document.356.aspx.pdf>

the COP11 Presidency India, concluded that the dialogue had been rich in knowledge exchange and brought many key issues forward. Mr Seukwoo Kang on behalf of COP12 host Republic of Korea, concluded that the meeting had been an excellent opportunity to map the key issues and that the discussion in Quito would help the work at COP12.

The Executive Secretary of CBD, Dr Braulio Dias concluded that the two Quito seminars have both shown a richness of ideas. He said that hopefully there would be a Quito III and IV in future, since resource mobilization is so important, and that we need to go beyond decisions to implementation. Several decisions at COP12 should be action oriented, and it is important to understand what mechanisms and measures could facilitate governments in their implementation. Dr Dias thought that NBSAPs should have a regional dimension where South-South partnerships could be encouraged to better use ODA and increase speed of action. He also concluded that we are in a learning curve, and that the CBD Secretariat would take seriously all the input that had been provided during the seminar. In concluding, he indicated that coming CBD meetings would be arranged to include dialogues between negotiators for effective outcomes.

## Appendix 1: Seminar programme

Wednesday, 9 April 2014

- 9.00 a.m. Opening Session**
- Opening statement by Christian Terán, Subsecretario de Patrimonio Natural de la República de Ecuador.
  - Welcome by co-chairs of the dialogue.
  - Introductory remarks by Dr. Braulio Dias, CBD Executive Secretary.
- 9.30 a.m. Introductory session**
- Explanation of the rules and objectives by the Facilitator Pippa Heylings, Fundación Futuro Latinoamericano, Ecuador.
  - Who are we? Introduction of participants and expectations of the workshop.
  - Presentation of the background, policy context and reporting related to the seminar including CBD decisions by Ravi Sharma, Principal Officer, CBD Secretariat.
  - From Quito I to Quito II – setting the scene and “the map” of the Dialogue Seminar by Maria Schultz, Stockholm Resilience Centre and Bente Herstad, NORAD.
- 10.15 a.m. Break*
- 10.45 a.m. SESSION I: Mainstreaming biodiversity**
- Assessments of costs and benefits of achieving the Aichi targets**
- High Level Panel on Global Assessments of Resources by Carlos Manuel Rodriguez, Conservation International.
  - BIOFIN – The Biodiversity Finance Initiative by Yves de Soye, BIOFIN Manager, UNDP, and Guillermo Zuñiga, BIOFIN National Team Leader and former Minister of Finance, Costa Rica.
- Q & A and discussion
- Assessing biodiversity values**
- Expected outcome:* To review challenges and successes in identifying values (intrinsic, ecological, genetic, social, economic, scientific, educational, cultural, recreational and aesthetic) of biodiversity, ecosystem services and functions for integration into development and sector plans, and national accounting and reporting systems. Enhance understanding of efforts to measure costs, benefits and gaps in financing of biodiversity, at international and domestic level.
- Panel:
- The TEEB approach and how it can help to achieve Aichi targets by Dr. Heidi Wittmer, Helmholtz-Centre for Environmental Research, UFZ.
  - *Vivir bien* in harmony with Mother Earth related to TEEB by Fernando Cisneros, Plurinational State of Bolivia.
  - Approaches in Swedish study and Norwegian study: A

	comparison by Maria Schultz, Stockholm Resilience Centre.
	<ul style="list-style-type: none"> <li>• Customary sustainable use and local livelihoods: Integrated community monitoring of biodiversity values by Joji Carino, Forest Peoples Programme.</li> <li>• Public policies for management of the National System of Protected Areas based on economic information by Juan Carlos Rivera, Financial Sustainability Project; Ministry of the Environment, Ecuador.</li> </ul>
	Q & A and Buzz in plenary: Elaboration of questions to working groups
1.00 p.m.	Lunch
2.15 p.m.	Working groups related to Session I ( <i>including coffee and tea</i> )
3.45 p.m.	Reporting back from working groups
4.30 p.m.	<p><b>SESSION II: Financing mechanisms: An overview</b></p> <p><i>Expected outcomes:</i> To review various experiences in operationalising mechanisms for mobilising financial and non-financial resources.</p> <ul style="list-style-type: none"> <li>• Overview of “Innovative Finance Mechanisms” by Katia Karousakis, OECD.</li> <li>• Biodiversity and Development Co-operation, Example from European Commission by Arnold Jacques de Dixmude, EC.</li> <li>• GEF - Overview and Strategic positioning of GEF by Mark Zimsky, GEF secretariat.</li> <li>• Presentation of overview paper: <i>Efficiency, Opportunities and Challenges of Market and Non-market based Instruments for Payment for Ecosystem Services (PES) and Valuation of Nature (Biodiversity)</i>, Arild Vatn, Norwegian University of Life Science –UMB.</li> </ul> <p>Q&amp;A and discussion</p>
5.15-6.15 p.m.	<p><b>SESSION III: Governance, safeguards and equity</b></p> <p><i>Expected outcome:</i> Clarifications of the need for governance, institutions and legal systems to enhance equity and efficiency. Understanding of the role and need for safeguards (and their limitations) to eliminate unintended and perverse outcomes from financial mechanisms as well as to maximize benefits for both biodiversity and livelihoods.</p> <p>Background material to read before meeting: Safeguard report.</p> <p>Panel:</p> <ul style="list-style-type: none"> <li>• Governance, Institutions and Equity: Principles for substantive and procedural safeguards by Claudia Ituarte-Lima, Stockholm Resilience Centre.</li> <li>• Synthesis of IFMs and safeguards notification by Yibin Xiang, SCBD.</li> <li>• Equity and Biocultural Community Protocols by Jael Eli Makagon, Natural Justice, Lawyers for Communities and the Environment.</li> </ul> <p>Q&amp;A Buzz, small working groups in plenary: Elaboration of questions to work with for next sessions</p>
7.00 p.m.	Reception Ecuador: Room Guápulo

## Thursday, 10 April 2014

8.30 a.m.	Recap from day 1 by co-chairs
8.45-11.15 a.m. (Including 15 min break at 10.00)	<b>SESSION IV: Incentives and options for financing Payments for ecosystem services (PES), compensation schemes and subsidies and Biodiversity Offsets (BO): Opportunities and risks</b> <i>Expected outcomes:</i> Understanding of PES schemes and of Biodiversity offsets. Sharing of experiences and challenges, including institutional arrangements and biodiversity and social safeguards. Clarity on their possible effects on biodiversity and livelihoods and deepened understanding of who may benefit or lose depending on specific contexts/circumstances. Panel: <ul style="list-style-type: none"><li>• Financing Mechanism for Water in the Quito Metropolitan District, Malki Sáenz, FONAG.</li><li>• Degrees of commodification and the difference between government schemes and market schemes by Thomas Hahn, Stockholm Resilience Centre, Sweden.</li><li>• Development by Design as a tool for conservation/biodiversity finance example from Mongolia by Linda Krueger, The Nature Conservancy.</li><li>• In-country studies of innovative legal approaches for biodiversity incentives by Dr. Fabiano de Andrade Correa, IDLO.</li><li>• Biodiversity offsets: lessons from carbon markets and further reflections by Nele Marien - CBD Alliance.</li></ul> Q & A and Buzz in plenary: Elaboration of questions to working groups
11.15 a.m.	<b>Field trip:</b> Departure to La Ciudad mitad del Mundo
12.30 p.m.	<b>Lunch boxes and nature walk and buzz:</b> working group questions and discussions (buzz)
2.00 p.m.	<i>Departure to Quito</i>
3.15 p.m.	<i>Arrival at Hotel in Quito</i>
4.00-5.30 p.m.	<b>Working groups:</b> one on Safeguards and one on Terminology including coffee/tea
5.30-6.00 p.m.	<b>ABS</b> <ul style="list-style-type: none"><li>• Introduction, Braulio Dias</li><li>• Scaling up Biodiversity Finance using the Nagoya Protocol by Jonathan W. Davies, National Biodiversity Programme Coordinator, National Focal Point CBD, Environmental Protection agency</li><li>• Implementation of ABS Mechanism in India, Hem Pande, Ministry of Environment, India</li></ul>
6.00 p.m.	<b>Free evening, no dinner organized</b>

## Friday, 11 April 2014

- 8.30 a.m.** Introduction to COP12 in Korea, by Mr Seukwoo Kang, Republic of Korea
- 8.45 a.m.** Recap from day 2; and recap of Quito I outcomes on private sector, including financial sector, by co-chairs
- 9.00 a.m.** **The role of the private sector, including the financial sector**  
*Expected outcomes:* Clarification of viewpoints and highlighting the role of business and the private sector in relation to biodiversity financing. This includes their possible role as sources for financing from tax revenue, profit-oriented market activities, and from non-profit oriented activities (such as voluntary activities). What are the different views on the potential of business for driving transformation and innovation; What are the risks, options and needs for government regulation of the private sector? Enhanced understanding of the financial markets, trading and “financialisation” of biodiversity. Clarification of the nature of current debates and controversies.  
Panel:
- Biodiversity conservation activities of Japanese financial sector by Naohisa Okuda, Director, Global Biodiversity Strategy Office, Ministry of Environment, Japan.
  - Natural Capital Declaration and national experience by Maria Belén Sánchez Valdivieso, Banco Pichincha.
  - The role of international financial institutions in the financing of natural capital by Eva Mayerhofer, European Investment Bank.
  - Financialisation (Market in Conservation) of Nature: Issues and Lessons by Prof. Rashed Al Mahmud Titumir, Chairperson, Unnayan Onneshan and Member, CBD Alliance.
  - Contribution of the Private Sector in the conservation of protected areas in South America: Case studies from Colombia and Peru by Arturo Mora, MA, IUCN-Sur Senior Programme Officer.
  - The role of collective action of indigenous peoples and local communities for conservation and sustainable use of biodiversity by Fernando Cisneros, Plurinational State of Bolivia, y Krister Pär Andersson (consultant).
- Q & A and Buzz in plenary: Elaboration of questions to working groups
- 10.45 a.m.** **Working groups:** on private sector including financial sector and coffee/tea
- 12.15 p.m.** *Lunch*
- 1.30 p.m.** **Fiscal Reforms and International levies**  
*Expected outcomes:* Enhanced understanding of possible approaches for fiscal reform at national level to finance biodiversity, as well as innovative approaches to international levies. Consideration of the potential for these kinds of financing options in relation to other mechanisms.

Panel:

The international dimension of taxation

- The experience of solidarity levies to fund development - lessons learned and ways to move forward by Clara Delmon, Innovative financing for Development, French Ministry of Foreign Affairs.
- International conditions for domestic taxation and other resource mobilization. Exploration of international taxation options, including addressing tax evasion by Chee Yoke Ling, Third World Network.

Sectoral/national examples:

- Calculating the Green GDP: progress and challenges for biodiversity conservation by Susana Torres, Project SCAN (National System of Environmental Accounting), Ministry of the Environment, Ecuador.
- Reform of fishery subsidies by Sumaila Rashid, High-level Panel on Global Assessment of Resources for Implementing the Biodiversity Strategic Plan.
- Ecological fiscal transfers for biodiversity conservation in Brazil by Rodrigo Cassola, Brazilian Institute of Environment and Renewable Natural Resources, IBAMA.

Q & A and Buzz in plenary: Elaboration of questions to working groups

**2.30 p.m.**

**Sources and synergies: SDGs, Climate finance and international financing (ODA and GEF)**

*Expected outcomes:* Synergies and Experiences from related areas of relevance for biodiversity financing and role of ODA.

Panel:

- Post 2015 agenda and SDGs - Financing for sustainable development (IFMs, domestic resources, fiscal reforms) and links to CBD financial resources issues by Valerie Hickey, World Bank.
- GEF - biodiversity financing related to all GEF windows, Mark Zimsky, GEF secretariat.
- Traditional Financing: Innovative Mechanisms and Poverty Alleviation, Mr. Daniel Ortega, Coordinator – General Rights and Guaranties, Ministry of Foreign Affairs of Ecuador.
- Linking Biodiversity and Climate Financing by Bente Herstad, Norad, Norway.

Q & A and Buzz in plenary: Elaboration of questions to working groups

**3.30 p.m.**

**Working groups on:** Fiscal reforms, and synergies in-between processes. *(Including coffee and tea)*

**5.00 p.m.**

**Reporting by Working Groups** and plenary discussion

*5.30-6.15 p.m.*

**Identification of topics for open space**

*7.00-9.30 p.m.*

*Dinner and cultural event by participants – Invitation by organizers – at Restaurant Barlovento Alta Mar (in front of Hotel Quito)*

## Saturday, 12 April 2014

- 8.15 a.m.** Recap from Day 3 and Recap of seminar agenda and map  
Continuation of identification of topics for Open Space,
- 8.45 a.m.** **Open Space working groups,**  
**Reporting from Open Space Working Groups**
- 11.00 a.m.** **SESSION V: Outstanding issues, synthesis and way forward**  
*Expected outcome:* A better understanding of ways (potential solutions and possible obstacles) to scale up mobilization of financial resources including 'innovative financial mechanisms'; including clarification, respect and understanding of areas of convergence and divergence; outstanding issues; synthesis and ways forward; and highlighting of 'new and emerging issues' identified during the seminar.  
**Synthesis panel**
- Panel: Fernando Cisneros, Bolivia; Laure Ledoux, EC; Mr Seukwoo Kang, Republic of Korea; Francis Ogwal, Uganda; Joji Cariño, FPP; Chee Yoke Ling, Third World Network.
  - Explanation of Co-Chairs' Summary and suggestions of way forward by co-chair
- 11.50 p.m.** **Coffee and tea break**
- 12.30 p.m.** **CONCLUDING SESSION: Way forward**
- Synthesis of the discussions by co-chairs
  - Closing remarks by Ecuador on behalf of the hosts
  - Statement from the COP-11 Presidency on WGR-I5, India
  - Statement from the COP-12 hosts on the COP, Republic of Korea
  - Remarks by the CBD Executive Secretary
- 1.15–3.00 p.m. Lunch*



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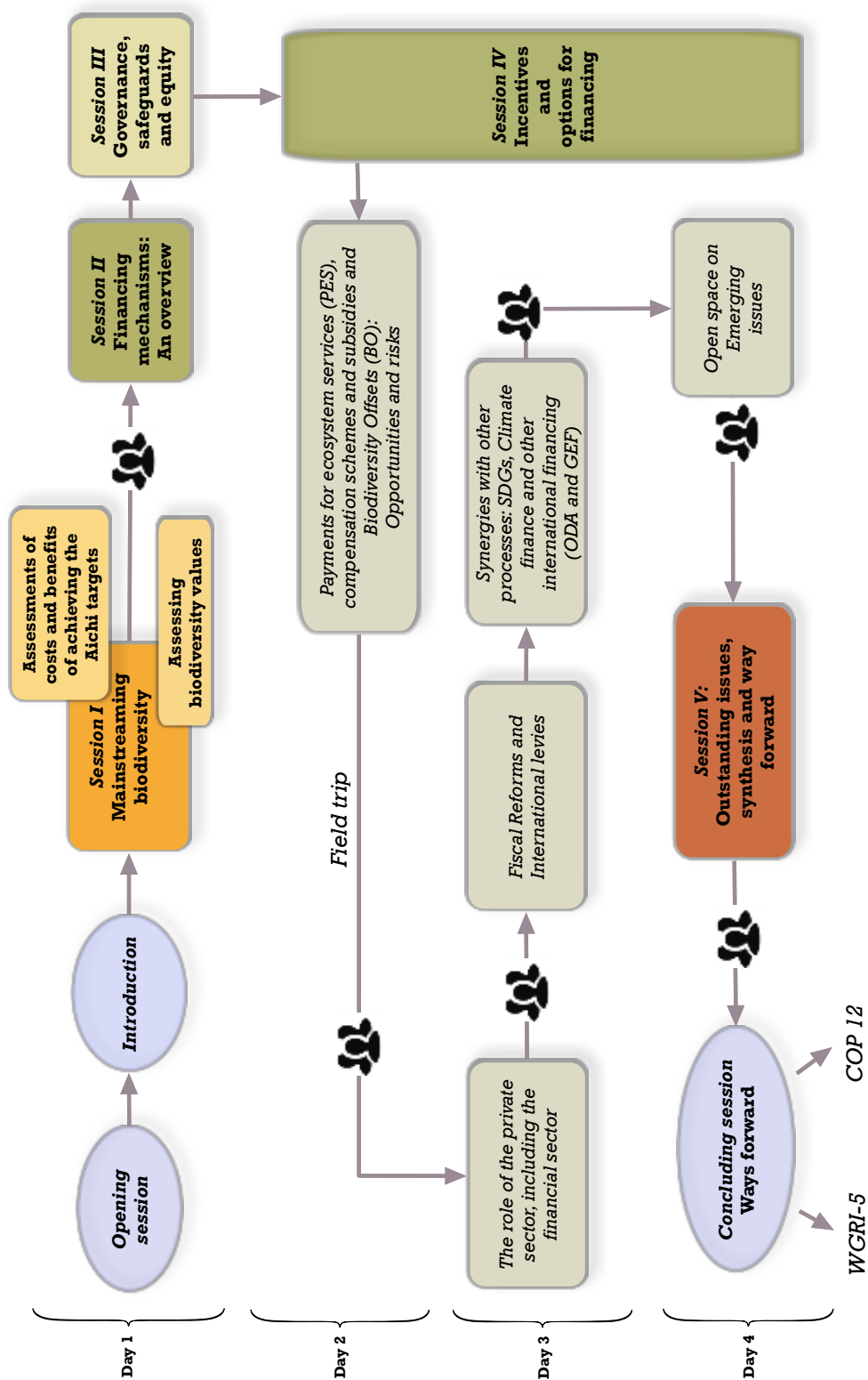
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### Appendix 3: Seminar map

**Dialogue seminar: Scaling up Biodiversity Finance**  
**Quito, 9-12 April 2014**



## **Appendix 4: Evaluation of the dialogue by the participants**

19 participants filled in the evaluation sheet.

### **Responses on “What was positive with this dialogue?”**

Overall, the participants who responded were very satisfied with the organisation and implementation of the seminar, the mix of participants, stakeholders, the discussions, both formal and informal and working groups. Comments in this regard include: “The dialogue was very well organized. I felt very comfortable during the conference”; “Great location”; “High quality of the participant presenters”; “Participants were all knowledgeable and exchanged frank views openly. Everyone was in listening mode which engendered a good learning space”.

There were very positive comments about the substance and value of the seminar, as one participant expressed, “Quito II dialogue provided excellent opportunities to exchange views among wider scope of stakeholders than formal CBD processes”.

Other comments include:

“The positive thing about the dialogue was the way experts deliberated on the challenges to the implementation of the Strategic Plan/Aichi Targets and actions that some countries have taken to address the challenges. Also, the experiences shared that others could build on were positive”;

“The experience of the participants and their contributions to the meeting were excellent, and the diversity of their background allowed seeing the problem from different points of view, leading to a better consensus on actions to take”;

“Massive expertise in the room, open for considerations and critical remarks, working groups (effective and intense), exchange, development of visions and way forward. What do we really need? Look behind the curtains and beyond (just) money. Analyze political and intuitional frameworks”;

“It was a very nice informal exchange between a large group of stakeholders. I appreciated the openness and constructive mindset of all stakeholders and the high diversity of the group”;

“Organisation of the dialogue was well designed and even during the dialogue, lots of efforts were seen in order to conduct further productive dialogues”;

### **Responses on “What could we have done better?”**

Several participants pointed out the number of talks was too great, although it was also expressed that all of the presentations were valuable. Several commented that presentations were rather short, and that at least 15 minutes would have been better to enable presenters articulate some of their points. The suggestion was made that the dialogue should focus on fewer topics but discuss these more in detail, with a sharp focus on country experiences, and more time for plenary discussions. It was also suggested to include more “open space” sessions in the program. Respondents proposed having more time for informal meetings, especially with regards to enabling national government delegates to interact. Furthermore, it was suggested that tools such as secret ballots through electronic devices that allow immediate feedback from the audience could help assessing different viewpoints as well as making faster decisions. It was also commented that due to time limits the efficiency of different biodiversity financing mechanisms were not touched upon enough.