



## Discussion note to accompany IUCN's position paper on the Convention on Biological Diversity (CBD) Strategic Plan 2011-2020: Target 20

### Summary

It is essential that Parties and other stakeholders have the means to achieve the Strategic Plan, yet there is a persistent and critical shortage of financial resources to implement the Convention. IUCN believes that it is both necessary and feasible to mobilize significant new funding for the implementation of the Strategic Plan. Specific funding targets for Parties and others must be based on reliable data on the sources, uses and effectiveness of current expenditure, which is poorly documented. However, as a provisional global target for 2020, IUCN recommends a goal of US\$300 billion from all sources, including current spending. This is equivalent to one hundred times the current level of biodiversity-related aid, as reported by the OECD (OECD 2007). IUCN believes that this ambitious target can be achieved but only by using a variety of instruments and by mobilizing resources at all levels, from national to international, and from all sources, both public and private. In this regard, it will be important for Parties to take a broad view of resource mobilization and to seek new funding from sources beyond international development aid and the existing financial mechanism of the CBD.

### Proposed target

Document UNEP/CBD/COP/10/1/Add.2 proposes the following text (Target 20):

By 2020, capacity (human resources and financing) for implementing the Convention has increased [tenfold].

IUCN proposes the following alternative wording for Target 20:

By 2020, at the latest, capacity (human resources and public and private financing) for achieving the three objectives of the Convention has increased to at least one hundredfold (equivalent to at least US\$300 billion).

### Introduction

It is difficult to assess precisely the resources necessary to achieve the Strategic Plan, in part due to the lack of comprehensive reporting by Parties on what is deployed currently, or the relative effectiveness of different measures. This paper does not attempt to fill this gap but instead aims to demonstrate how, by using creative solutions, some Parties and stakeholders are already mobilizing substantial resources, and how more resources could be generated from both the public and private sectors.

Resource mobilisation in its broadest sense includes capacity building, institutional strengthening and technological transfer. Here we focus on the issue of financial resources but this paper is also relevant to the CBD Strategy for Resource Mobilisation (UNEP/CBD/COP/10/13), as well as discussions of Incentive Measures (UNEP/CBD/COP/10/24) and Private Sector Engagement (UNEP/CBD/COP/10/18).

### The Economics of Ecosystems and Biodiversity (TEEB)

As shown by The Economics of Ecosystems and Biodiversity (TEEB) study, the economic values of biodiversity and ecosystem services are not well reflected in markets, public policies and business decisions. Inadequate recognition of biodiversity values is one of the most profound underlying causes of biodiversity loss. It also represents a major lost opportunity to support economic prosperity and enhance human well-being. The TEEB study draws together knowledge and expertise from the natural sciences, economics and policy to evaluate the impacts of biodiversity loss, the costs and benefits of conservation, and the efficiency and equity implications of actions to reduce biodiversity loss. TEEB identifies numerous case studies and highlights best practice to encourage and assist stakeholders to account for biodiversity and ecosystem

values in their economic decisions. **Target 2** of the proposed Strategic Plan calls for the values of biodiversity to be integrated into national accounts, but this is equally necessary for corporate and even household accounts.

## International biodiversity finance

Most recent discussions of biodiversity finance have focussed on international funding, in particular aid flows. IUCN believes that biodiversity-related aid should increase, but also that other mechanisms and sources of international funding for biodiversity conservation will become far more important in future.

The bulk of international public support for biodiversity conservation is in the form of bilateral development assistance, estimated at almost US\$ 3 billion per year in recent years (OECD, 2008). This does not include multilateral contributions to Global Environment Facility (GEF), UNEP and other organisations active in the field of biodiversity. Biodiversity-related aid is not consistently reported but appears to be very low in some instances, possibly reflecting limited awareness of the role of ecosystem services in poverty reduction. IUCN believes that it is both necessary and justified to increase bilateral aid funds in support of biodiversity.

As the TEEB study has shown, it is not possible to reduce poverty without more attention to biodiversity and ecosystem services. IUCN believes that it is time to broaden the scope of Overseas Development Assistance (ODA) funding to increase international support for biodiversity conservation. Improved understanding of the role of biodiversity conservation in securing sustainable supplies of clean water and in climate change mitigation and adaptation, for example, can help to deliver food security, improved health, poverty eradication and other Millennium Development Goals (MDGs).

Additional international funding for biodiversity conservation comes via multilateral institutions, amounting to several hundred million dollars (USD) on an annual basis. This includes funding via agencies such as the World Bank, other development banks and UN agencies such as UNDP and UNEP, as well as multilateral biodiversity related conventions, including the Convention on Biological Diversity and its funding mechanism the GEF. IUCN believes that the mandates of existing multilateral funding bodies, notably the GEF, could best support the Convention by explicitly aligning the allocation of resources to the achievement of the Strategic Plan. In particular, IUCN urges multilateral agencies and the GEF to fund activities that help internalize biodiversity and ecosystem values in the wider economy and, consequently, help to mobilize additional private financing for biodiversity.

Potentially far more significant than aid flows, there are several proposals currently under discussion to develop new International Payments for Ecosystem Services (IPES). The leading proposal is for *REDD+* (*Reduced Emissions from Deforestation and forest Degradation*), which is being developed as part of the post-2012 climate regime. REDD+ has enormous potential (with the appropriate safeguards) to support biodiversity conservation through the creation of financial incentives for resource users to alter land management and reduce the loss of forest cover. Other international financing proposals that deserve more attention and support from policy-makers include the 'Green Development Mechanism' (GDM) initiative, and 'Proactive Investment in Natural Capital' (PINC).

## Domestic government spending

The greatest potential to mobilize resources for biodiversity conservation lies at national and sub national levels. In many countries, domestic support for conservation far exceeds the value of international aid (both incoming and outgoing). Although reliable, comprehensive and comparable data on domestic public funding for biodiversity conservation are lacking, an indication of the scale of resources *already* devoted to conservation can be obtained from some recent assessments. Moreover, additional resources are readily available, if governments show leadership in reducing environmentally-harmful subsidies.

*Direct spending on conservation:* In the USA, annual spending by federal and state governments on land conservation and recreation was estimated at over US\$21 billion in 2007/08, including the purchase of land or easements, conservation set-aside agreements with private land owners, and the operating costs of relevant agencies (Walls et al. 2009). Conservation spending by local governments in the USA amounted to a further US\$60 billion in 2006, of which about half for land acquisition (often funded by local bond and tax initiatives) and the remainder for operating expenditure for local parks and recreation (*ibid*). In the UK, national government spending on biodiversity was reported as GB£525 million in 2007/08, compared to about GB£54 million spent on overseas biodiversity programmes (Harris and Wellington 2009). The latter figures *exclude* operating costs, i.e. the staff costs of agencies involved in biodiversity conservation.

While equivalent figures for other countries and regions of the world have not been compiled for this report, it is likely that national and local government public spending on biodiversity conservation in other OECD countries is roughly comparable, on a per capita basis or as a percentage of total public spending. Note that the figures cited above do *not* account for indirect government spending, which includes any tax relief that governments grant to private firms or to households for gifts of land or for spending on activities that protect biological resources, as well as the foregone tax revenues associated with limiting certain uses of land and resources.

*Positive incentives including payments for ecosystem services:* In addition to public spending on land acquisition and management, many governments offer subsidies to private land owners, particularly farmers, in return for adopting production practices that help conserve biodiversity or provide other environmental benefits. Such agri-environment payments are not consistently defined (and may overlap to some extent with the government spending figures listed above), but some recent analysis suggests that the total value of such support amounted to roughly US\$11-12 billion per year in the EU over the period 2000-06), and about US\$5 billion per year in the USA over the same period (Johnson et al. 2010). Other schemes include payments for environmentally friendly fisheries and forestry etc.

*Green public procurement policy:* Governments have vast purchasing power given the magnitude of their spending on all kinds of commodities and services, e.g. in relation to energy, food and forest products. In the EU, as noted by TEEB, government purchases exceed EUR1,500 billion per year (TEEB for Policymakers 2009). Both the European Commission and several Member States are developing policies to ensure that government purchasing reflects environmentally sound practices. If effective, such policies could have a dramatic effect on markets, by stimulating demand for biodiversity-friendly goods and services. For example, one estimate cited by TEEB suggests that if public authorities in the EU switched from conventional to organically produced foodstuffs in government canteens and restaurants, it would reduce phosphate pollution by over 40,00 tonnes per year. ([http://ec.europa.eu/environment/gpp/index\\_en.htm](http://ec.europa.eu/environment/gpp/index_en.htm))

*Environmentally harmful subsidies:* Another potential source of finance for biodiversity conservation lies in the enormous sums spent by governments to support domestic industry. In many cases, such subsidies have unintended, negative impacts on biodiversity (TEEB for Policymakers 2009). Subsidies to industrial fishing, intensive agriculture and fossil energy amount to about US\$ 600 billion a year in OECD countries, for these three sectors alone; many developing country governments also spend large sums on subsidies that harm biodiversity. Governments have repeatedly pledged to reduce environmentally-harmful subsidies (which also distort trade and can increase costs to consumers), but have made little headway. Nevertheless, the fact remains that the reform of environmentally-harmful subsidies would make a significant contribution to biodiversity conservation, by reducing the incentives for destructive activities. Moreover, if a portion of the fiscal savings achieved by reducing environmentally harmful subsidies were re-directed to biodiversity conservation and restoration, it would represent a substantial increase in the resources available to implement the Convention. **Target 3** of the proposed Strategic Plan calls for incentives harmful to biodiversity to be eliminated, phased out or reformed.

## The private sector

Even more significant than government spending is the power of businesses and consumers to harness market forces for biodiversity conservation. The role of private markets in conserving nature is already significant but can be scaled up and reinforced by developing appropriate enabling frameworks, both regulatory and voluntary. Examples include the growth of voluntary certification and eco-labelling schemes for a growing range of products and services, nature-based tourism and recreation, private voluntary giving (charity) to conservation organizations, and corporate spending on conservation under government environmental regulations.

*Eco-labelling and certification schemes:* Consumers and businesses around the world have embraced a range of eco-certification and labelling schemes, often developed by NGOs, which seek to promote more sustainable production practices on a voluntary basis. Shifting consumer preferences and increasing concern in business about the sustainability of supply chains in many sectors, including forestry, fisheries, agriculture and tourism, have prompted companies to develop and/or adopt more stringent standards and assurance processes on environmental and social issues. Products that meet such standards account for an increasingly significant share of the overall market. For example, in 2008, the market for organic food and beverages amounted to US\$40 billion or about 2.5% of the global market (TEEB for Business 2010). Supply chain and life-cycle management and certification are increasingly important tools for companies to monitor their impacts on ecosystems but also for achieving recognition from commercial customers and final

consumers. There is a need to scale up and extend such schemes to more countries and sectors, which would help mobilize new and additional commercial investment in biodiversity conservation and sustainable use.

*Biodiversity offsets and habitat trading:* Biodiversity offsets can be seen as a logical extension of the existing practice of environmental impact assessment and mitigation for large development projects. Biodiversity offsets are essentially conservation activities, either mandatory or voluntary, which aim to compensate for the unavoidable, residual harm to biodiversity that remains after avoidance, mitigation and restoration actions are exhausted. In some countries, offsets are required by law for damage or loss of certain ecosystems (e.g. wetlands in the USA, fish habitat in Canada, 'native vegetation' in Victoria, Australia). Such schemes may be accompanied by arrangements that allow developers to purchase biodiversity offsets from third parties, in the form of pre-approved 'credits'. The value of such schemes in 2008 was estimated at more than US\$3 billion, dominated by wetland banking in the USA (Madsen et al. 2010). In addition to mandatory biodiversity offsets, under government regulation, some companies have made voluntary commitments of ecological neutrality which include the use of offsets for unavoidable impacts on biodiversity and ecosystems (<http://bbop.forest-trends.org/>). Some conservationists caution that offsets may be used by industry and governments to allow damaging developments to proceed in return for an offset promise. There is a need therefore for widely agreed and credible standards (which include appropriate safeguards for biodiversity and indigenous peoples and local communities) to ensure that biodiversity offsets deliver as promised. If such standards can be agreed and enforced, biodiversity offset schemes have the potential to mobilize significant new and additional resources for conservation and restoration.

*Nature-based tourism:* This includes adventure-based tourism, eco-tourism and recreation in natural areas and may be the single largest potential source of funding for conservation. In the US, for example, private spending on wildlife-related recreational activities such as hunting, fishing and observing wildlife amounted to US\$120 billion in 2006, or just under 1 percent of GDP (USFWS 2007). The sector is growing rapidly and there is enormous potential to increase the benefits for both biodiversity conservation and local communities. The key is to ensure that a share of the revenues generated by nature-based recreation and tourism is used to maintain and expand protected areas, or other natural areas, on which the sector depends. Many countries use bed taxes, gate fees and other such mechanisms to extract a share of tourists' willingness-to-pay to experience nature, but there is potential to mobilize more money and also a need to direct a larger share of the revenue to conservation actions (Emerton et al 2006).

*Donations (charitable giving):* Private individuals and firms contribute significant sums to conservation activities on a voluntary or charitable basis. In the USA, again, private charitable giving – mainly by individuals – to organisations involved in 'environment and animals' amounted to US\$8.86 billion in 2005, out of total donations of US\$260 billion (Giving USA 2006). Governments have a major role to play in stimulating such donations, notably by offering relief from income, property and estate taxes to private donors.

## Conclusion

Reliable data on the sources, uses and effectiveness of current biodiversity spending is not readily available. However, on the basis of what little we do know it seems clear that a goal of US\$300 billion from all sources, including existing spending, is achievable over the next ten years. National government funding is likely to remain a more important source of support than international funding, but the most significant contribution should come from leveraging market forces through the application of existing tools and best practices. Further development and application of innovative finance mechanisms, such as those briefly reviewed here, can generate significantly more funding for biodiversity conservation, especially if governments and the private sector work creatively together.

The issue of resource mobilization is complex and politically difficult, especially at a time when many countries are experiencing economic recession. However, this is no excuse for inaction. Increased mobilization of business and consumers offers vast potential to generate new resources for implementing the Convention on Biological Diversity. **If the practices and measures described in this paper were implemented, IUCN believes that the necessary financial resources would be readily available to achieve the targets of the Strategic Plan.**

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