European Biodiversity Finance Compendium
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Final Report

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Preface

The rapid economic development during last century has brought not only benefits to the humanity – much of this development has been associated with the decline of state of environment and biodiversity. The loss is of concern not just because of the important aesthetic and recreational value of nature, but also because it results in a decline in ecosystem services natural systems can provide.

In recent years there has been increasing recognition among conservation practitioners from the voluntary and government sectors that it is vital to achieve constructive engagement with the private sector (especially small and medium size enterprises, where most people work and which provides the bulk of our goods and services) in order to achieve the European 2010 Biodiversity Target. New financing mechanisms are needed to secure funding for biodiversity conservation both within and outside protected areas.

The experience to date shows, that the public funding had been highly insufficient to halt the loss of biodiversity. A combination of private and public funds are required to turn the tide of biodiversity deterioration.

In Europe, with active Swiss support, the European Biodiversity Resource Initiative – EBRI - was initiated in 2002 as part of the Pan-European Biological and Landscape Diversity Strategy. European Task Force for Banking, Business and Biodiversity has been established to continue its important work.

The efforts of European Task Force have yielded, amongst other things, a number of pro-biodiversity business projects across Europe. The overall objective of these projects is to promote ecologically responsible entrepreneurship in European countries. The main activities on the projects is work with SME’s and local financial institutions, in order to identify pro-biodiversity businesses and to create appropriate financing opportunities for companies. As well, the work done within EBRI process, with a active Swiss government support, resulted in preparation of European Biodiversity Finance Compendium and setting up Biodiversity Financing Clearing House Mechanism (CHM). This CHM has become a reference for all aspects of biodiversity financing.

The current situation implies, that there is a need to continue prioritizing biodiversity investments in biodiversity relevant activities and ecosystem services. Only by combining public and private investments in biodiversity we have a fair chance of making a substantial contribution to halting the loss of biodiversity in Europe.
This Biodiversity Finance Compendium is meant to facilitate the discussions on and practical implementation of biodiversity financing mechanisms and instruments. The word “Compendium” comes from Latin word *compendere* meaning “to weigh together”. It is a concise, yet comprehensive compilation of a body of knowledge, which concerns some delimited field of human interest or endeavour. The information presented in the Compendium builds on the experience gained so far in the framework of the European Biodiversity Resourcing Initiative and related activities and projects.

Federal Office for the Environment FOEN

[Signature]

Bruno Oberle
State Secretary
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1 Introduction

The decline and loss of biodiversity related ecosystem services are creating a threat to the long-term interests of society. The concern for biodiversity is integral to sustainable development, competitiveness, economic growth and employment, and improved livelihoods. Among the services that are currently under the greatest pressure are timber production, water supply, waste treatment, natural hazard protection, regulation of air quality, regulation of regional and local climate, regulation of erosion, and many cultural benefits (aesthetic, recreational, etc.). In the long run, the loss of ecosystem services threatens business opportunities as well.

In spite of growing political commitment and global and European policy trends, so far the practical involvement of the business community in biodiversity conservation has been one of the main obstacles to further progress to halt the decline of biodiversity in Europe in the foreseeable future. The most significant policy trends in Europe are the Pan-European Biological and Landscape Diversity Strategy, the Eighth Conference of the Parties to the Convention on Biological Diversity meeting decision on the participation of business in Convention processes, the Countdown 2010 process, and the EU Business and Biodiversity Initiative.

A new approach and financial mechanisms are required to ensure appropriate means for nature conservation. The challenge is to reorient the economic incentives which drive private investment, production and consumption, and to turn biodiversity conservation and its sustainable use into a viable business opportunity.

Throughout the world, numerous instruments and mechanisms have been developed with the purpose of financing nature conservation activities. These mechanisms range from government-supported mechanisms to mechanisms implemented by the private sector, the financial sector or voluntary organizations.

The information presented in the Compendium is useful for financial institutions as it specifically addresses the implementation of financial instruments for biodiversity conservation, as well as the lessons learnt from their implementation.

The information contained in the Compendium includes knowledge on business opportunities of biodiversity conservation as well as information on existing biodiversity finance initiatives. This will support entrepreneurs and NGOs in undertaking biodiversity financing initiatives and starting discussions with local financial institutions about new biodiversity business initiatives. A specific element in this Compendium is information on incorporating biodiversity as part of corporate social responsibility.

Furthermore, the information in this Compendium is useful for governmental agencies as biodiversity conservation is often of interest to them. Financing biodiversity conservation initiatives is often a constraint; the information in this Compendium could be useful in supporting private biodiversity financing initiatives.
2 An overview of the global and European policy context for biodiversity finance initiatives

The emerging consensus concerning the need to engage business in the conservation and sustainable use of biodiversity is reflected in the Decisions of the CBD. At its eighth meeting (Curitiba, Brazil, 20-31 March 2006), the Conference of the Parties adopted the first decision focusing exclusively on business. Decision VIII/17 covers the engagement of Parties with the business community when developing and implementing national biodiversity strategies and action plans; the participation of business in Convention processes; the compilation, dissemination and strengthening of the ‘business case’ for biodiversity; and the compilation and development of good biodiversity practice.

Two multi-stakeholder meetings, organized by the CBD Secretariat and others in 2005, examined ways to strengthen business engagement in the implementation of the Convention. The meetings considered the following sectors and issues: industries with a ‘direct footprint’ on biodiversity; industries which impact biodiversity primarily through their supply chains; the financial services sector; and industries dealing with issues related to access and benefit sharing.

With respect to the pan-European context, the Pan-European Biological and Landscape Diversity Strategy (PEBLDS) was endorsed at the Third Ministerial Conference ‘Environment for Europe’ in 1995. It provides an innovative and proactive approach to stop and reverse the degradation of biological and landscape diversity values in Europe. The PEBLDS process covers 54 countries in Europe. The overall objective, as agreed to by the European Ministers of Environment and Heads of Delegations of the States participating in the ‘Environment for Europe’ process, is to halt the loss of biodiversity at all levels by the year 2010. The Strategy recognizes full involvement of the economic sectors in conservation activities as a priority action, and supports possibilities for funding and investment by sources not traditionally associated with nature conservation. Regarding biodiversity finance, the specific objective stated is that:

‘...by 2008, there will be substantially increased public and private financial investments in integrated biodiversity activities in Europe, via partnerships with the finance and business sectors, that have resulted in new investment opportunities and facilities as outlined by the European Biodiversity Resourcing Initiative.’

Environment for Europe, Kyiv Resolution on Biodiversity, 2003

The EU Lisbon and Göteborg processes have been the main driving forces for mainstreaming biodiversity in sectoral policies at the EU level. The Lisbon process began in March 2000 and has the ambitious aim of making the EU the most dynamic, competitive, knowledge-based society in the world by 2010. It brings together the worlds of finance, economics and employment, and aims to boost growth and job creation through economic reform, innovation and the use of knowledge. In Göteborg in 2001, EU leaders decided to add the environmental dimensions to the Lisbon process, commenting that ‘failure to reverse trends that threaten future quality of life will steeply increase the costs of society or make those trends irreversible’.

At the Göteborg summit, EU heads adopted the 6th Environmental Action Programme, which sets the objective to ‘halt the decline of biodiversity by 2010’. And in 2002, world leaders agreed at the World Summit for Sustainable Development to ‘the achievement by 2010 of a significant reduction in the current rate of loss of biological diversity’. Hence, the EU’s commitment in the area of biodiversity conservation is more ambitious than commitment at the global level.

Most European countries have prepared their National Biodiversity Strategy and Action Plans, which confirm that biodiversity conservation is a high priority. One of the common themes which emerge is the need to mainstream biodiversity into economic development.
During the tenth anniversary meeting of PEBLDS, the PEBLDS Council also stressed the vital importance of increasing the involvement of business in the implementation of European policy targets, including the 2010 biodiversity target.

In order to make financial resources available, the European Biodiversity Resourcing Initiative (EBRI) was initiated in the framework of the PEBLDS, following the request at the Fourth Ministerial Conference ‘Environment for Europe’ in Aarhus for the financial sector to increase its involvement in sustainable development issues. EBRI was also a European response to the growing interest in the CBD framework for additional financial resources. This initiative accelerated the discussion on how to turn principles into action, and marked the start of a comprehensive dialogue between the financial sector and the biodiversity sector in Europe. EBRI has been mandated with the implementation of the Kyiv Resolution on financing biodiversity.

The work of the European Task Force is to advise the PEBLDS process on the issue of banking, business and biodiversity in a European context, and in particular to advance the establishment of a Biodiversity Finance Facility (BFF) for biodiversity-related investments and a European Biodiversity Investment Partnership for involving the private sector in supporting such investments. ECNC—European Centre for Nature Conservation and the European Bank for Reconstruction and Development (EBRD) have worked together to explore how biodiversity concerns can be mainstreamed into the banking sector at the regional level. The Task Force concluded that biodiversity could be an investor’s market and also concluded that a European Biodiversity Technical Assistance Facility (BTAF) would be required in order to create a pipeline of projects by identifying project proposals and then checking their eligibility from both the biodiversity and financial perspectives, and also offering advice and some technical support when necessary in order to bring promising proposals up to the required level of acceptability for consideration by a BFF.

Early in 2004, an action plan proposed by the PEBLDS Council was adopted to facilitate the implementation of the Kyiv Biodiversity Resourcing target while taking into account relevant CBD decisions, in particular through the establishment of a BTAF and the European Biodiversity Investment Partnership, and to support the establishment of the BFF by European financial institutions. It should also support the monitoring of and reporting on investment in biodiversity-related projects in the Eastern Europe, Caucasus and Central Asia (EECCA) region for the attention of the ‘Environment for Europe’ and CBD processes and other relevant stakeholder groups. To this end, the project would contribute to the creation of appropriate indicators and the implementation of adequate record keeping.

The recent declaration ‘Building Bridges to the Future’, adopted by European Environment Ministers at the Sixth Ministerial Conference ‘Environment for Europe’, in Belgrade, Serbia (10-12 October 2007), also stresses the importance of adequate funding for nature and biodiversity:

‘… adequate funding is necessary for environmental improvement. Insufficient institutional capacity hinders the exploitation of emerging opportunities… we commit to make optimal use of all available sources of environmental financing, including through innovating economic instruments and private sector engagement, such as payments for ecosystem services and the promotion of private financial investments for the conservation and sustainable use of biodiversity, at the national and subnational levels, to support environmental improvement in countries of Eastern Europe, Caucasus and Central Asia, and South-Eastern Europe.’

Environment for Europe, Belgrade Declaration, 2007

Further, as a European response to CBD Decision VIII/17 on private sector engagement, in 2007 the European Initiative on Business and Biodiversity was developed. The Initiative was developed in a multi-stakeholder consultation process, involving EU, governmental, business and NGO representatives, and it seeks for a commitment, especially from businesses, which would reach beyond existing commitments in order to reach the European 2010 biodiversity target.
The Initiative was concluded at the High-Level Conference on Business and Biodiversity (12-13 November 2007, Lisbon, Portugal), which was attended by more than 400 high-level representatives from governments, business and civil society. At the Conference, a ‘Message from Lisbon’ was issued, which stresses that: ‘...there is a strong business case for biodiversity, including the competitive advantage gained from conserving biodiversity and using biological resources in a sustainable way, and recognizing that competitive markets also have an enormous potential to mobilize private resources and stimulate innovation’. It is expected that the ‘Message from Lisbon’ will be followed up by the European Commission during 2008 through the establishment of a Technical Facility to support the Initiative.

Given the political context described above, as well as increased commitment to financing biodiversity from the financial sector, there is currently great interest to increase investments in biodiversity, making this the right time to explore opportunities for increasing biodiversity-relevant investments. A combination of public funds with bankable investments as well as technical assistance grants could considerably increase the scope for biodiversity resourcing. Bankable biodiversity-relevant investments are defined as investments by financial institutions and mechanisms that have a certain financial return from investment and an acceptable risk rate. They can take the form of equity participation and various forms of loans, associated when necessary and possible with technical assistance support.

Following successful negotiations between the European Task Force, EBRD, European Investment Bank (EIB) and the European Commission, the pilot project ‘Biodiversity Technical Assistance Units in Poland, Hungary and Bulgaria’ was launched early in 2007. This is the practical measure for implementation of the BTAF. The project has two main objectives:

- to facilitate the creation of a new pro-biodiversity investment market for the business and banking sector;
- to deliver a pipeline of commercially viable projects for future investment loans for the benefit of biodiversity.

Preliminary results achieved during 2007 are promising – three Biodiversity Technical Assistance Units (BTAU) have been created, and the procedures and methods to deliver a small and medium-sized enterprise (SME) pro-biodiversity business market have been established.
3 The current challenges and bottlenecks with respect to biodiversity finance in Europe

The Millennium Ecosystem Assessment was launched in 2000 by UN Secretary General Kofi Annan, and to date it is the most comprehensive state-of-the-art scientific appraisal of the condition and trends in the world’s ecosystems and the services they provide. It has identified six interconnected challenges that are of particular concern for businesses, as they affect the integrity of ecosystems and their capacity to provide their key services. These challenges are water scarcity, climate change, habitat change, biodiversity loss and invasive species, overexploitation of the oceans, and nutrient overloading.

In large parts of Europe, a high proportion of natural areas are influenced by human activities and their sustainable maintenance is only possible with further and constant human intervention. Sustainable management of grasslands and forests in these areas also significantly contributes to the conservation of biodiversity. Sustainable management activities, provided by the private sector, include extensive ecologically-sensitive farming on arable lands, grazing, extensive orchards, organic floodplain meadow farming, sustainable forestry, fishing and reed management, provision of ecotourism products and facilities, and many other activities.

Biodiversity is a public good, but the question is how to combine the public good aspect with commercial investment, capturing the interest of the private sector. In principle, this is no different to the regulation and financing of the protection of other public goods such as air and water, but systems are not in place for biodiversity. The findings of recent research show that the public tools are not generally targeted at biodiversity-oriented enterprises and the access costs are too high.

The current status in most European countries is that the major public policy tools for the conservation and sustainable use of biodiversity are in place and being implemented (Bern Convention Emerald Network, EU Habitats and Birds Directives and Natura 2000 network, as well as national and regional policies), but relatively little has been done to enable SMEs to adapt to these. In spite of political commitments, in most cases there has so far been a lack of commitment from the state or regional governments to act as co-financer to promote enterprises, especially SMEs, that would be ready and willing to engage in conservation activities. The state programmes and policies, including grant aid, are focused on general policy issues rather than on business needs, even though business is expected to deliver the policy goals. This is a widely recognized constraint for the development of pro-biodiversity oriented enterprises.

In addition, a general conclusion is that rural lending by commercial banks is a neglected sector in a number of European countries. SMEs, and especially microenterprises, are considered by banks and other financial institutions as a market segment of high risk and low liquidity (especially in the new EU Member States and South-East Europe), and consequently in many cases they experience restricted access to finance. Financial institutions need well grounded information about the existing project opportunities, and need to build up expertise and experience in developing bankable biodiversity-relevant projects, which would comply with the banks’ investment criteria and programmes, as well as internal procedures in financial institutions.

In can be seen in many cases that there is plenty of liquidity in the market, i.e. capital is not the main constraint. The main bottleneck is finding projects that deliver a reasonable financial return as well as measurable biodiversity benefits (see also Bishop, Kapila et al., 2006).

On the commercial side, banks are setting loan conditions that do not take account of the long-term nature of some biodiversity business development; unsecured loans and high rates of capital expenditure are unavailable to SMEs. In addition, the loan negotiations are difficult and costly.

The possible way forward could be to create a form of Public-Private Partnership (PPP), where private capital could be provided by the commercial banking sector and public capital in the form of grants or subsidies.
The biodiversity sector, including NGOs, needs to be better informed and experienced to develop a strong portfolio of bankable biodiversity projects. This shortfall in knowledge is effectively leading to one of the biggest bottlenecks to increasing investment in biodiversity.

As the main barriers to pro-biodiversity investments are considered to be ignorance and a lack of capacity, it seems that the most pressing need is to organize external assistance in capacity development and knowledge sharing at the pan-European, national and local levels, provided through carefully structured national programmes targeting both entrepreneurs and financial intermediaries.
4 Biodiversity – from business risk to opportunity

From a business perspective, biodiversity has traditionally been seen as one of a range of social and environmental risks that a business must manage in order to retain its social license to operate. This was commonly perceived as a threat posed by economic activity to certain species and habitats. Therefore, some mitigation measures might be needed to address this threat, and consequently extra investment might be needed to compensate for damage or change of plans in order to avoid damage.

In recent decades, however, this perception has been changing rapidly. It has been acknowledged that biodiversity does not necessarily pose a risk to businesses, and even that biodiversity can be an important success factor for increasing product quality, raising the image of a company, and creating new business opportunities.

Biodiversity, like most other sustainability aspects, can be addressed by a company at different levels (see figure below).

![Different levels of corporate responsibility. (Source: IUCN, 2007)](image)

Companies that have responded to the call for a more responsible approach to biodiversity management in their business operations – going beyond compliance and philanthropy and by proactively managing their impacts on biodiversity – have generally done so by adopting different responsibility schemes.

For example, the International Organization for Standardization (ISO), a worldwide federation of national standards bodies, has developed the ISO14000 series of environmental standards and
guideline reference documents, covering Environmental Management Systems to Eco Labelling, and Life Cycle Assessment. Another example is the International Council on Mining and Metals (ICMM), which developed a Sustainable Development Framework of principles for its members, good practice guidance for incorporating biodiversity within a mine’s lifecycle, and the Mining Sector Supplement for the Global Reporting Initiative (GRI) sustainable reporting guidelines.

Most of the existing responsibility schemes address one or all of the three pillars of sustainability: environmental, social and economic. Depending on the scheme, biodiversity is one of the specific aspects addressed within the context of environmental sustainability.

The focus of corporate responsibility has been on larger businesses, because of their size, resources and reach through subsidiaries and supply chains. However, small and medium-sized enterprises (SMEs) – companies with fewer than 250 employees – are major contributors to both income generation and resource use in much of the world. The EU’s 23 million SMEs represent about 99 per cent of all EU enterprises and 57 per cent of the EU’s total economic added value.

Though their impact is individually small, cumulatively SMEs have the potential to significantly impact on – and positively influence – biodiversity. Smaller companies often possess greater understanding of the dynamics of the ecosystem in which they operate and as a result can more easily achieve a win-win for income generation and biodiversity conservation. They are often located where they can readily see the impacts of their operation on biodiversity and livelihoods, and hence the case to address those impacts is easier to make. SMEs’ engagement with biodiversity issues has so far been limited to a select range of sectors and services where the financial case for biodiversity has been demonstrated, e.g. ecotourism and organic agriculture.

Experience to date indicates that several success factors contribute to sustainable SME development in combination with biodiversity conservation, namely:

- Investigating consumer demand.
- Implementing effective marketing activities, such as labelling of products.
- Adhering to recognized standards and obtaining certification.
- Designing and implementing efficient distribution chains.
- Ensuring sufficiently trained and skilled staff.
- Developing specifically required infrastructure.
- Networking with SMEs with similar goals or with SMEs in the same chain of production to ensure cooperation and transfer of knowledge.

In order to ensure necessary funding, the challenge is to create a certain size of market for biodiversity investment, either by the clustering of activities or through supply chains of larger business entities, since access to capital for these companies individually is a challenge, which in many cases cannot be met in a traditional way. Creating Biodiversity Technical Assistance Units or a similar intermediary can be a way to put an institutional structure in place that would provide the necessary assistance to pro-biodiversity businesses and create a mass biodiversity investment market for financial intermediaries.

Global practice shows (see also I. Mulder et al., 2007), that there is a number of emerging biodiversity-related business opportunities that both contribute to biodiversity protection and provide business opportunities, but have not yet been sufficiently explored. Examples include:

- Markets for watershed protection, carbon sequestration and biodiversity services offer additional financial opportunities for landowners and local communities.
- Provision of debt or equity to businesses that have a positive (direct or indirect) influence on biodiversity.
- Biodiversity-related due diligence and advisory services.
- Biodiversity-related insurance cover. With new legislation coming up in Europe, such as the EU Environmental Liability Directive, to hold operators directly responsible for impacts on flora and fauna, insurance and reinsurance firms that are willing to understand the underlying risks associated with this have the opportunity to develop a new range of products (environmental insurance covers).
• Government-induced opportunities. Examples can include fiscal advantages for biodiversity-related investments or a guarantee fund whereby investors are given certain guarantees on their investment that are backed by the government.

• Access to capital. Especially for banks and other FIs in emerging markets, they can increase their chances of funding by international financial institutions (e.g. International Finance Corporation – IFC), which require increasingly strict environmental and social risk guidelines, if they provide evidence of having the capacity in-house to deal with environmental risks.

The development of biodiversity business also depends on having an appropriate enabling environment, namely the framework of laws, regulations, taxes, incentives, social norms and voluntary agreements within which companies operate. For businesses to value biodiversity, it must ultimately become more profitable to conserve biodiversity than to ignore or destroy it. A combination of increased rewards for conservation, increased penalties for biodiversity loss and increased information on the biodiversity performance of business will help to create a biodiversity-friendly economy.

ECNC-European Centre for Nature Conservation, in the framework of the European Task Force for Banking, Business and Biodiversity, has for several years been supporting the development of innovative investment approaches and instruments that will be useful for both entrepreneurs and their partners in local financial institutions in order to develop pro-biodiversity business investment opportunities. The EBRI ensured that the issue of biodiversity investments and the role of finance institutions are now on the European political agenda and the agenda of several European banks.

A Biodiversity Finance Clearing House Mechanism was developed, initially located on the PEBLDS website and now on the website of ECNC-European Centre for Nature Conservation. It contains significant volume of up-to-date information, covering different aspects of biodiversity finance, including case studies and links to funding sources. The Clearing House Mechanism can be accessed by the following link: [http://www.ecnc.org/BiodiversityFinanceC/Index_711.html](http://www.ecnc.org/BiodiversityFinanceC/Index_711.html)
5 Financial mechanisms and instruments for biodiversity conservation

5.1 Introduction
Throughout the world, numerous instruments and mechanisms have been developed with the purpose of financing nature conservation activities. These mechanisms range from governmental-supported mechanisms to those implemented by the private sector, the financial sector or by voluntary organizations.

Often, the distinction is made between innovative finance mechanisms and conventional finance mechanisms for nature conservation purposes. This distinction is not made in this report, even though the goals of these finance mechanisms may not be similar: governmental funds for nature conservation have as their goal conservation, whereas financial capital for investments in pro-biodiversity businesses has two goals, namely profit and biodiversity conservation. Finance mechanisms for biodiversity conservation are defined as institutional arrangements that result in the transfer of financial resources from those willing to pay for sustainably produced goods and/or ecological services, to those willing to provide these goods and services in return (adapted from Verweij, 2002).

A very useful overview of these mechanisms can be found in Koteen (2004; see also Annex 3). They are broadly divided into the following categories:

- Government revenue allocations
- Grants, donations and loans
- Tourism revenues
- Revenues from the sale and trade of wildlife
- Habitat acquisition and management
- Natural resource extraction revenues
- For-profit investment.

Within these categories, one type of financing mechanism is treated separately here as it has been very dominant in the conservation finance arena in the past: Conservation Trust funds (which fall under ‘Grants, donations and loans’).

Conservation trust funds
Many conservation trust funds which support a range of nature conservation activities exist throughout the world. They range from large funds, funding a range of different activities in one or more countries, to theme and site-specific funds that target a specific ecosystem or species (Lambert, 2002). Trust funds can be implemented by governments, NGOs, the private sector, as well as partnerships between these types of institutions. Examples of the implementation of trust funds will be given in the relevant sections in this report.

Trust funds can be active for a short time but also for a longer period, which is often a requirement for biodiversity conservation purposes. Effectively operating trust funds need to be legally restricted to a specific purpose, to be kept separate from other sources of money and to be managed by an independent board of trustees or directors (Meijerink et al., 2008). Depending on the legal system of the country, trust funds can be established as foundations, non-profit corporations, common-law trusts, or special institutions (Meijerink et al., 2008). Trust funds can be active for a short time but also for a longer period, which is often a requirement for biodiversity conservation purposes. Effectively operating trust funds need to be legally restricted to a specific purpose, to be kept separate from other sources of money and to be managed by an independent board of trustees or directors (Meijerink et al., 2008). Depending on the legal system of the country, trust funds can be established as foundations, non-profit corporations, common-law trusts, or special institutions (Meijerink et al., 2008).

Trust funds can be divided into cash funds, endowment funds and revolving funds. In a cash fund, the money is received from donors, fines or royalties either in one instalment or in several tranches. The money is spent on a grant basis, depending on its availability and approval of the submitted projects. When the fund is exhausted, it either stops operations or is replenished by new donations (Lambert, 2002). An endowment fund is filled by the interest earned on investments in bonds, private bank accounts or real estate. This may well be a good strategy for long-term financial investment for biodiversity conservation, but such a fund requires a minimal critical mass to be effective because
otherwise the interest earned is not sufficient to fund projects effectively (Lambert, 2002). Through revolving funds the cash is disbursed on a loan basis. The use of loans is, however, often assumed to be more insecure than investments in bonds or real estate (Lambert, 2002).

5.2 Case studies of financing mechanisms for ecosystem services and biodiversity conservation

The following paragraphs present cases of finance mechanisms implemented for biodiversity conservation. The information stems from various sources that were found during a literature review. It should be noted that, more often than not, the financing mechanisms are implemented by a partnership between various organizations. The examples presented here are placed in the category in which the institution plays the largest role in its implementation.

5.2.1 The governmental sector

The Global Environment Facility (GEF)

The GEF is the financial mechanism of the CBD, to finance activities that provide access to private sector funds. The GEF supports projects financing private-sector activities, such as the Terra Capital project in South America, the Asian conservation fund in the Philippines, and the small and medium-sized enterprise (SME) project. The Kijani Initiative, which is divided into the Kijani Business Services and the Kijani Capital Fund, also received support for biodiversity business activities in Africa (Frentz, 2006).

The Prototype Carbon Fund (PCF)

The Prototype Carbon Fund is a World Bank administered carbon finance initiative. It provides financing for carbon sequestration activities and activities that reduce carbon emissions. The PCF supports afforestation projects in Romania and Moldova. These afforestation projects are supposed to deliver carbon trading benefits, and at the same time will improve habitats for wildlife (Frentz, 2006).

EU subsidy scheme within the Common Agricultural Policy

Within the EU CAP policy, the cross-compliance instrument has the goal of ensuring that farmers improve the environmental performance of their farm. If they do not comply, they risk losing (part of) their subsidy payments. The following two standards have to be taken into account by the farming community: the Statutory Management Requirements, which include, among others, the wild birds, habitats and nitrates directives, and the nationally specific Good Agricultural and Environmental Condition standards, which have been defined by Member States in relation to soil and habitat conservation. In addition to the cross-compliance instrument, farmers may be rewarded for adopting biodiversity conservation or environmental farming practices.

Biodiversity conservation payments through Swiss agricultural policy

Swiss agricultural policy contributes to biodiversity conservation and the sustainable use of natural resources by directly remunerating farmers who apply pro-biodiversity farming practices (Global Biodiversity Forum, 1998).

Examples of trust funds within the governmental sector

The Bolivian CONAMA and the Bhutan Trust Fund for Environmental Conservation are large national environmental funds, which serve a full range of activities related to environmental objectives. These funds have become real institutions (Lambert, 2002). The Brazilian Biodiversity Fund (FUNBIO) is a non-profit civil association which was founded in October 1995 to ‘complement governmental action to conserve and sustainably use the country's biological diversity, in accordance with the worldwide Convention on Biological Diversity (CBD), and the National Biological Biodiversity Programme’. FUNBIO operates a fund that provides financial and material support to initiatives related to conservation and sustainable use of biodiversity resources in Brazil. The fund is ensuring its long-term goals through an ‘efficient and transparent promotion mechanism capable of attracting the private sector as a partner in the Fund's objectives’. (FUNBIO, 2008)
The Dutch Green Fund
A very innovative environmental financing mechanism is the Dutch Green Fund. ‘Via this instrument, the Dutch government encourages private investors to invest their money in the green funds operated by seven Dutch banks and benefit from tax exemption on return on green investments.’ (Frentz, 2006)
The banks that operate these green investment funds offer loans below market interest rates, which is in the interest of companies investing in environmentally-friendly projects. The Dutch Green Fund is a foundation established by the Ministry of Agriculture, Nature and Food Quality and the 12 Provinces. The benefits of using the Dutch Green Fund are threefold: the company obtains a cheaper loan, private investors can invest their money at attractive rates, and the environment benefits from these activities (Frentz, 2006).

Payments for green and blue services and Farming for Nature
In the Netherlands, several financial mechanisms have been developed that remunerate farmers for their delivery of ecosystem services to society. In the Province of Noord-Brabant, the Green and Blue services instrument provides funding for nature conservation to farmers who are situated outside the Ecological Main Structure and are therefore not entitled to agri-environmental payments within the CAP.

The Farming for Nature instrument supports farmers who switch from intensive farming practices towards more extensive farming practices by compensating the income forgone through agri-environmental measures. Thus, the farmers are paid for delivering green and blue services to society: landscape, biodiversity and water-related services. The compensation scheme is agreed for a long-term period and the compensation payments are paid annually.

5.2.2 The private sector
The Terra Capital Fund
The Terra Capital fund is a venture capital fund dedicated to support pro-biodiversity enterprises in Latin America. Terra Capital’s investors include the US government, MIF, IFC, the Swiss Government, and the Triodos Bank. The GEF provided a grant of US$5 million. The expected average annual return on investment is 20% (IUCN, 2000). The targeted sectors are organic agriculture, sustainable aquaculture and reforestation, non-timber forest products and nature tourism. The obstacles encountered are the potentially unreliable accounting (audited or not), the time needed to develop the capacities of the enterprises, required guidance for the preparation of business plans and the need for monitoring, field technicians and certifiers. Also, it may be difficult for an enterprise to exit the market. The benefits of the Fund are the competitive financial returns, poverty alleviation and social benefits, tangible positive environmental impacts, the formation of private/public sector partnerships, and the personally rewarding nature of the activities for the management team (IUCN, 2000).

Perrier Vittel
Vittel, a company based in Switzerland, has also discovered that investing in the quality of ecosystem services pays off. In the 1990s, Vittel offered contracts to local farmers, who were to alter their practices in return for compensation payments. The main objective was to reduce nutrient and pesticide run-off into the water. ‘The total cost for Perrier Vittel was US$24.5 million (for the first seven years), which presumably, is less than it would cost to locate a new source of pristine water or the amount the brand name would suffer should their water be found to be of lesser quality’. (Meijerink et al. 2008)

Certification of products: FSC, MSC, as well as local initiatives
Producers in regions with a high biodiversity have established brands to sell their products for a higher price than conventional products. In this way, consumers pay for the nature management activities of the producer. These financing mechanisms only work if the consumers are willing to pay a surcharge on the price of the conventional product. Often this is only feasible for regional products where the chains of production are not too long. In the globalized world we live in today, it is difficult for consumers to understand the value of a branded product that is produced far away. For sustainable wood and fish products, however, global brands have been developed: the Forest Stewardship Council brand and the Marine Stewardship Council brand (FSC, 2008; MSC, 2008, and LIFESCAPE – YOUR LANDSCAPE, 2008).
5.2.3 The financial sector

The Equator Initiative

The Equator Initiative brings together the United Nations, civil society, business, governments and communities in a partnership. Its main goal is to ‘help build the capacity and raise the profile of grassroots efforts to reduce poverty through the conservation and sustainable use of biodiversity’. (Equator initiative, 2008) Community activities that link economic development with biodiversity conservation are supported through awarding outstanding local actions, facilitating dialogues between various stakeholders, doing research and disseminating its results, and implementing an investment programme, Equator Ventures. Equator Ventures is a partnership between UNDP’s Equator Initiative and the Verder Ventures programme of Conservation International.

Within Equator Ventures, financial development is supplied in combination with capacity development to small and medium-sized enterprises that depend on biodiversity (agroforestry, ecotourism, non-timber forest products). Equator Ventures is capitalized by grants and loans from the public and private sectors. The development of good business practices and solid credit histories are key in the Equator Ventures programme, and will demonstrate that investing in pro-biodiversity SMEs is worthwhile. Loans are provided to ventures between US$30,000 and US$500,000 while complementary grants support business development and capacity-building activities. The Equator Ventures project started in January 2005 with a US$1 million fund (Equator Initiative, 2008).

Micro-credits linked to biodiversity conservation and ecosystem services

Micro-credit systems originally had the sole purpose of eradicating poverty by lending poor people small amounts of money with which to support their own development by investing in structural economic activities. It seems that nature conservation objectives are increasingly being taken into account in giving micro-credits to people. The Kijabe Environment Volunteers (KENVO) project from the Equator Initiative and the bio-rights system (described below) are examples.

Verde Ventures

Verde Ventures is a fund with the goal of strengthening pro-biodiversity SMEs. Verde Ventures has US$6.75 million available, raised from public and private sources including the International Finance Corporation/Global Environmental Facility, the Overseas Private Investment Corporation (OPIC) and the Starbucks Coffee Company. Up to now, ‘just under $4 million of this capital has been invested with a 100 percent repayment rate’. (Equator Initiative, 2008) The results of the funding activities of Verde Ventures are that its partners have directly secured ‘the protection and restoration of over 580,000 hectares (1.2 million acres) of key habitat and 95 IUCN Red Listed species, and have supported 14 projects that together employ more than 9,000 local people in 7 countries’. (Equator Initiative, 2008) More information on this programme can be found in Annex 4.

The European Investment Bank Ecosystem and Biodiversity Fund

The EIB is currently assessing the interest to set up an ecosystem and biodiversity fund, with the aim of capitalizing this fund in 2008 (Environmental Finance, 2008). The money for this biodiversity fund should become operational in 2008. The sectors the fund would invest in are agriculture, non-timber forest products, forestry, ecotourism and fisheries, as long as the investments have a positive impact on biodiversity. It is envisaged that fund will hold no more than €50 million, from which companies as well as ‘land-based assets’ would be supported (Environmental Finance, 2008) when a commercial return is expected. Eighty per cent of the investments would be targeted within the EU and the internal rate of return would be around 10% (Environmental Finance, 2008).

5.2.4 The voluntary sector

The New Ventures programme of the World Resources Institute

The New Ventures programme of the World Resources Institute ‘promotes sustainable growth in emerging markets by supporting and accelerating the transfer of capital to businesses that deliver social and environmental benefits at the base of the economic pyramid’. (New Ventures, 2008) SMEs are supported through New Ventures by scaling up sustainable business models by investigating value-chain transformation in relevant sectors, engaging the business sector, channelling investments to successful SMEs, and supporting the dialogue on SME business models through an online portal.
The SMEs targeted by New Ventures often seek capital in the range of US$100,000 to US$5 million, and are often active in the ecotourism, renewable energy and water management sectors.

The Swiss Foundation for the Conservation of Cultural Landscapes
This foundation, which is financed by federal, cantonal, communal and private donations, supports specific nature and landscape conservation projects (Global Biodiversity Forum, 1998).

DOEN Foundation
The DOEN Foundation aims to achieve a ‘livable world in which everyone has a place’ (Doen Foundation, 2008). The Doen Foundation provided subsidies, loans and equity investments to promote sustainable development, culture, welfare and social cohesion. The funds become available through the revenues it receives from the Dutch National Postcode Lottery, the Sponsor Lottery and the BankGiro Lottery.

Bio-rights
The bio-rights mechanism is implemented by Wetlands International and other NGOs. Bio-rights are sustainable micro-credits that are paid back in kind by, for instance, managing a forest or wetland area. The interest is paid in the form of conservation activities. The micro-credits become grants, and therefore revolving funds, when the person who holds the loan proves that he has committed to payment in kind in the long term (e.g. forest management). The difficulty with this mechanism is monitoring whether the nature areas are actually managed. The design of effective and efficient monitoring schemes will have to be developed. Private companies might not be interested in this financing mechanism at the moment, because there is no return from the micro-credit as the loan becomes a grant. However, if the avoidance of deforestation or other management related to carbon sequestration enters the system and credits can be earned by doing so, companies may want to get involved. A problem with this finance mechanism might arise if the price for wood becomes so high that felling trees becomes more profitable than managing them (Bio-rights, 2008).

The Regional Account: a trust fund in the Netherlands
The Regional Account system in the Netherlands is an alternative to a trust fund. It is a regional investment fund that uses part of the interest rate (0.15%) from the participants’ bank accounts for rural development and biodiversity conservation purposes. The participants include public authorities, private persons and the private sector. Donations from private companies and the general public also make up part of the fund capital. The capital raised is targeted for (co-)financing projects that implement activities in support of the landscape identity of a part of the Netherlands. Therefore, the Regional Account is an instrument that internalizes the cultural and natural identity of the region in the regional economy. The main goal of the Regional Account is to gain financial resources for the sustainable development of a region in the Netherlands. Each year, at least €200,000 are available to support approved projects.

Auctions for landscape management
In the Netherlands, landscape management is a costly activity. Often, farmers and other landowners are not paid to keep the landscape structure intact. Therefore, landscape elements are degraded, and this decreases ecological connectivity. Triple E, a consultancy firm in the Netherlands, has developed the Landscape Auctions finance mechanism, which will ensure the payment of landscape management in the future. Through this instrument, the management of landscape elements in a certain area is auctioned to the public, as well as to interested companies and governmental bodies. When auctioned, the landscape elements will be managed for 10 years (Triple E, 2008). There is one NGO which acts as an intermediary between the landowner and the person paying for the landscape management. A contract between the landowner and the intermediary will ensure that the landscape elements are properly managed. If a higher price is bid than the demand price in the catalogue, the difference is put in a fund to ensure the management of other landscape elements.
5.3 **Summary and conclusions on the use of financing mechanisms for ecosystem services and biodiversity conservation**

The following main conclusions can be drawn after reviewing the various types of financing mechanisms for ecosystem services and biodiversity conservation (adapted from Meijerink *et al.*, 2008):

- There are a multitude of financing mechanisms available, many new biodiversity finance instruments have been added recently, and many are still being developed.
- No specific finance mechanism exists that is relevant for all situations in the field of financing pro-biodiversity activities. All biodiversity finance mechanisms need to be tailored to specific situations, to take into account the ecosystem service related to the finance mechanism, and the governance regime in place, as well as any other institutional factors of importance. Furthermore, the biodiversity finance mechanisms differ with regard to their scope and the types of beneficiaries that they target.
- Often, different financing mechanisms are implemented to achieve the overall fund-raising targets.
- It is often seen that various ecosystem services are combined in the activities of one finance mechanism.
- In most cases, brokers are necessary through whom the beneficiaries pay for the ecosystem services. These brokers can be various types of institutions: governmental bodies, international organizations such as UNDP or NGOs.
- The private sector is getting actively involved in biodiversity finance mechanisms. Much can be expected from the private sector with regard to the further development of biodiversity finance mechanisms.
6 Lessons learned in the implementation of biodiversity investment funds

6.1 Lessons learned in the implementation of trust funds
This chapter presents the lessons learned to date from the implementation of biodiversity financing mechanisms. Most evaluations of financing mechanisms were applicable to the functioning of environmental trust funds. This is why their evaluation takes up a large part of this chapter.

The success of trust funds is affected by the following factors:

- the immediate financial absorption capacity of the NGOs, governmental agencies, and communities;
- the amount of funds available;
- the experience NGOs or state agencies have with revolving funds;
- the relationship between the NGO community and the government;
- the situation of the local financial market, etc. (Lambert, 2002).

Factors that may negatively affect the effectiveness of the fund are that funds often have high administrative costs and their investment strategies may be conservative. Also, it may be that the objectives of the fund and its donors are not in line with biodiversity conservation needs (Lambert, 2002).

Trust funds cannot operate effectively and efficiently when there are:

- institutional failures, such as missing markets and non-existent property rights for biodiversity goods and services;
- information failures, such as lack of scientific knowledge, lack of public awareness and lack of sustainability criteria;
- enforcement failures, such as lack of appropriate legal systems. (Global Biodiversity Forum, 1998)

Apart from these shortcomings, trust funds are often able to provide long-term financial resources for biodiversity conservation and often involve a wide range of stakeholders.

Lambert (2006) lists the following GEF conditions for the successful establishment and operation of environmental funds (EF).

**Important factors for establishing an environmental fund**

- The environmental issue to be addressed is significant, and appropriate actions to respond are long term and can be met with the resource flows an EF could produce.
- There is active and broad-based governmental support for creating a mixed, public-private sector mechanism that will function beyond direct governmental control.
- There is a critical mass of people from diverse sectors – government, NGOs, academic and private sectors, donor agencies – who can work together despite different approaches to nature conservation and sustainable development.
- There is a basic fabric of legal and financial practices and supporting institutions (including banking, auditing and contracting) in which the majority of people have confidence.
- There is a legal framework that permits establishing the fund, and tax laws that allow it to be exempt from taxes.
- There are mechanisms to involve a broad set of stakeholders in the design process, and willingness by these stakeholders to use them.
- One or more mentors (e.g. another more experienced fund or an experienced international NGO) are available to provide technical support to the new fund.
- There are realistic prospects for attracting a level of capital sufficient for the fund to support a significant programme while keeping operating costs to a reasonable percentage.
- There is an effective demand for the fund’s products, i.e. a client community interested in and capable of carrying out environmental activities on the scale envisaged.
It is important that all of the first four conditions are met by the environmental fund. If not, the implementation of another financial mechanism should be analysed. It may be that some of the other conditions will not be met. If so, the fund should try to meet those conditions as soon as possible.

**Conditions for efficient operation of an environmental fund**

According to the GEF review of existing EFs, the efficient operation of an environmental fund requires the following conditions (Lambert, 2006):

- Clear and measurable goals and objectives, and a results-oriented management culture that learns from experience and is open to changes in approach based on feedback.
- A governance structure with appropriate checks and balances, conflict of interest provisions, and succession procedures.
- Members of governing bodies who are prepared to commit their time, engage in fund policymaking and leadership, and build support with varied constituencies.
- Linkages between the fund and any national environmental strategy or action plan.
- An ability to attract dedicated competent staff, especially a strong executive director. Basic technical and other capabilities that permit the fund to become a respected and independent actor in the community. Access to and effective use of training, mentoring and technical assistance resources to build capacity.
- Harmonious and productive board-staff relationship.
- Constructive relationship with relevant governmental agencies, intermediary organizations that provide services to clients, and other organizations in the environment community. The fund should avoid becoming an executing agency itself.
- Financial and administrative discipline, combined with programme flexibility and transparency, and procedures that support this and are consistently applied.
- Mechanisms for continuing to involve a wide range of stakeholders in the fund’s programmes and direction, tempered with enough strategic direction and leadership to avoid programme fragmentation.
- Asset management competitively selected, a diversified portfolio of investments, financial expertise to provide regular reporting, and oversight by fund boards comparing actual performance to benchmarks.

Experience to date shows that fund-like vehicles may be quite flexible in their investment criteria and instruments. Initiatives of this type supported by donors have shown stronger performance than private equity funds.

### 6.2 Lessons learned from investments in pro-biodiversity businesses

On-the-ground project experience has shown that some of the issues surrounding biodiversity-oriented investments and especially SMEs are extremely complex. For example, the rationale, policy instruments and practical measures required to achieve the right financing package for both commercial success and innovation, while ensuring the sustainable use of biodiversity, will call for a transition approach with risk reduction on the banking side and subsidized support on the public side. The creation of markets and access to them, and awareness of opportunities available will be other key issues. Incorporating biodiversity assessment and monitoring (indicators) systems into SME biodiversity-business operations will require practical and flexible solutions.

From the activities of previous and ongoing projects, the following lessons have been learned regarding attempts to secure bank financing for biodiversity protection:

- Political commitment from respective national governments can significantly assist or hamper development of pro-biodiversity projects.
- The learning process between the banking and biodiversity sector should be facilitated by well-prepared, clear and specifically targeted background or education materials.
- The negotiation process takes much more *time* than expected, therefore projects aiming at developing biodiversity financing means should take the *time factor* into account when planning duration.
• Timing is also of crucial importance in light of the release of other available financial sources for SMEs (other bank products, grants, pay-offs, EU sources, etc.); a preliminary market analysis is essential before the development of a loan.
• SMEs also require knowledge to widen their ideas about activities on biodiversity, development of education materials for SMEs on biodiversity also helps progress to a great extent;
• SMEs need encouragement, motivation and positive examples;
• SMEs need a lot of technical assistance in developing project ideas from the biodiversity point of view, developing applications for the banks. This means after loan products are developed and exist at banks, there will still be a need for mediators who assist SMEs in the application procedure.
• Biodiversity loans require preferential banking conditions (low interest rate, flexibility in own capital, collateral, investment types, company types, etc.) in order to be able to compete with other available sources.
• It is crucial to have a local partner bank in the country with extensive local and regional representation and capacity to help the process.
• It may be necessary to create cooperation between banks in the field of risk/guarantee sharing.

6.3 Lessons learned from other finance mechanisms
Apart from the important factors and conditions mentioned above with regard to environmental funds, and investing in pro-biodiversity SMEs, some general conclusions about the development and implementation of finance mechanisms for biodiversity conservation can be made. The most important conclusions are (adapted from Verschuuren et al., 2007):
• Even though awareness about biodiversity conservation is growing, raising the awareness of all stakeholders (consumers, governments, etc.) is still necessary for them to increase their engagement and involvement in biodiversity finance mechanisms.
• Enforcement mechanisms (rules and regulations) that ensure the effective and efficient implementation of biodiversity finance mechanisms need to be implemented well.
• Test the finance mechanism in a pilot project to assess its potential successfullness with all stakeholders.
• Establish an effective communication plan to communicate about the finance mechanism to all stakeholders.
• Set up the finance mechanism well; describe why and how the finance mechanism is developed and how payments are organized.
• Prior to developing and implementing the finance mechanism, assess the size of the transaction costs. Transaction costs can be very high in certain finance mechanisms.
• Avoid adverse effects which may take place in other areas as a result of the implementation of the finance mechanism.
• A pro-biodiversity enterprise looking for finance opportunities should be economically viable before a bank will want to invest in it. This should be documented by well developed business plans per enterprise including information about the cash flows and risks.
• Attract banks with well-documented information about the return on investments in pro-biodiversity enterprises as banks are risk-adverse and only invest when the return on investment is high enough.
• Assess the potential for combining green funds with other (more profitable) funds, such that the profits will be bigger and the investment more interesting.
• The institutions implementing the finance mechanisms should work with strict criteria for the sustainability of projects when they invest in sustainable projects as part of their Corporate Social Responsibility strategy.

An important conclusion from the biodiversity finance mechanism debate is that it would be good to develop finance mechanisms that ensure that the beneficiaries that benefit from the ecosystem services pay for them, instead of the system where only the polluters pay. In this way much more capital may become available for biodiversity conservation projects through the implementation of finance mechanisms.
7 Institutions involved in biodiversity financing initiatives

There are numerous institutions involved in developing and implementing biodiversity financing mechanisms, ranging from NGOs, governmental agencies to national and international finance institutions. This chapter presents an overview of the institutions involved and clarifies their role in implementing the mechanisms.

7.1 The governmental sector
In this section, governmental organizations are listed that have developed, supported or implemented biodiversity financing initiatives.

UNEP Financial Initiative
The UNEP Financial Initiative (UNEP FI) is a global partnership between UNEP and the financial sector. UNEP works together with more than 160 institutions (banks, insurers and fund managers) ‘to understand the impacts of environmental and social considerations on financial performance’. The UNEP FI has decided to establish a ‘biodiversity / ecosystem services work stream’. The CBD is part of the advisory group.

http://www.unepfi.org

UNDP – Global Environment Facility
The GEF was established to combine international cooperation and finance actions targeted at decreasing biodiversity loss, climate change, degradation of international waters, ozone depletion, land degradation and persistent organic pollutants. The GEF works mostly with grants targeted at developing countries and countries in transition. GEF members are governments, development and research institutions, the private sector and NGOs.

Convention on Biological Diversity (CBD)
The CBD has been working to engage businesses in the implementation of the Convention. One of its actions is the publication of a newsletter, Business.2010. The CBD will also publish a guide on the Convention for businesses and a training module for its National Focal Points.

http://www.cbd.int/business/default.shtml

European Commission
The European Commission is forming a Business and Biodiversity Initiative (B@B) which investigates creating an enabling environment for business and biodiversity initiatives. During the Portuguese Presidency of the EU Council and European Commission, a high-level Conference on Business & Biodiversity took place in Lisbon, Portugal from 12 to 13 November 2007. More than 400 leaders from business, governments, the European Union and non-governmental organizations (NGOs) meeting in Lisbon have signalled a major shift in thinking on the role of business in biodiversity conservation. Convergence between public and private sectors on the critical importance of biodiversity and what needs to be done now to stem a steadily worsening global crisis, emerged at the Conference. The Message from Lisbon is to be followed up at the EU Council in December 2007, the Convention on Biological Diversity’s meeting in May 2008 in Bonn, and the IUCN World Conservation Congress in October 2008 in Barcelona.

A ‘Message from Lisbon’ was released calling on business, governments, the EU and NGOs to:
- continue raising awareness of the strong competitive advantage companies can gain from conserving biodiversity;
- promote the use of market, corporate responsibility and regulatory schemes;
- support business with operational tools for biodiversity conservation and measuring their performance in meaningful ways, especially in small and medium sized companies;
- encourage new incentives to develop and strengthen partnerships between companies, governments at all levels, NGOs and academia.

http://www.countdown2010.net/business
UN Equator Initiative
The Equator Initiative aims to reduce poverty through the conservation and sustainable use of biodiversity, by building the capacity and raising the profile of grassroots efforts. It is a partnership bringing together the United Nations, civil society, business, governments and communities. Equator Ventures is one of the actions of the Equator Initiative. Equator Ventures is ‘a unique investment programme focused on blended finance and capacity development for biodiversity enterprises in the most biodiversity-rich locations of the world’.

UNEP–UNCTAD
The United Nations has published the following book: Engaging UN-Business Focal Points in the Business and Biodiversity Roadmap. The UNCTAD BioTrade Initiative explores ways to better engage small and medium-sized companies involved in the collection, production, transformation and commercialization of biological resources.

PEBLDS (Pan-European Biological and Landscape Diversity Strategy)
The Pan-European Biological and Landscape Diversity Strategy was endorsed in 1995 by the governments participating in the ‘Environment for Europe’ ministerial process, which includes 56 UNECE countries. In the framework of PEBLDS, the Strategy Guide was adopted; it providing information on the European Biodiversity Resourcing Initiative. Part of the Strategy Website functioned as a clearing house mechanism for biodiversity financing information. This Biodiversity Financing CHM is now available on the ECNC website.
http://www.strategyguide.org/fulltext.html
http://www.ecnc.org/BiodiversityFinanceC/Index_711.html
http://www.peblds.org/

The Government of Switzerland
The Swiss Government was the governmental lead organization for the European Biodiversity Resourcing Initiative, the PEBLDS framework, and was and still is extremely actively in the promotion of finance and biodiversity issues. The Swiss Federal Office for the Environment works to integrate environmental concerns into the economy, as the environment provides vital natural resources for business and the public. By protecting the natural resource base, environmental policy secures the foundations of the country’s economic development for the future as well as the present. In developing environmental policy, to ensure that environmental protection is cost-effective, the Federal Office for the Environment seeks to promote increased cooperation with industry and greater use of market-based instruments.

The Government of New Zealand
The NSW Government is introducing a Biodiversity Banking and Offsets Scheme (BioBanking) ‘to address the clearing of native vegetation for urban development and the impact it has on biodiversity values, including threatened species’. BioBanking allows the generation of ‘biodiversity credits’ by landowners who commit to conserve biodiversity on their land. These credits can then be sold. ‘Developers can buy these credits and use them to counterbalance (offset) the impacts on biodiversity values that are likely to occur as a result of development.’

Business Environment Partnership, Scotland (UK)
The Business Environment Partnership (BEP), established in 1998 by Biodiversity Scotland, is able to provide free assistance with environmental management to small to medium-sized businesses throughout Scotland. This is possible through their unique funding structure, involving a partnership of over 40 public and private sector organizations.
http://www.biodiversityscotland.gov.uk/pageType2.php?id=15&type=2&navID=51

Business and Biodiversity within CONE
CONE recognizes the great potential within industrial grounds and can offer advice and assistance to businesses wanting to contribute to biodiversity conservation. Building on a wealth of in-house
knowledge and twelve years’ experience of working with business partners, CONE can provide the following services:

- Site assessment: ecological evaluation of the business site and the potential opportunities for improvement, including potential funding assistance.
- Site development: assistance in implementing improvements to the business site, including project planning, specification preparation and management strategy.
- Assistance with the development of a company Biodiversity Action Plan (BAP).
- Advice on current best practice within the business sector and within other businesses of a similar size.
- Integrating a company’s BAP with the aims of the Northumberland BAP.
- Workforce engagement: training and guidance for key staff involved as well as more general workforce awareness raising.

http://www.workingwithwildlife.co.uk/

Kent’s business and biodiversity project
The Business and Biodiversity project raised awareness among businesses that want to promote biodiversity, and provided advice to businesses wishing to know more. The project was funded and supported by Kent County Council, South East England Development Agency (SEEDA), English Nature, Kent Sustainable Business Partnership and Ashford’s Future.

7.2 The financial sector
This section contains the main financial institutions active on issues with regard to biodiversity financing mechanisms.

The World Bank
The World Bank is the world's largest financier of biodiversity. Between 1988 and 2004, World Bank funding for biodiversity has involved over 426 projects with about US$1.5 billion of IBRD/IDA resources, over US$964 million of GEF funds and an additional US$2.2 billion in co-funding from other donors, governments, NGOs, foundations and the private sector; a total Bank-managed biodiversity portfolio of US$4.7 billion. In the future, it is expected that the Bank’s activities in support of conservation and sustainable use of biodiversity will further emphasize mainstreaming of biodiversity in the production landscape, including agriculture, fisheries, and other rural development activities.
http://web.worldbank.org/

International Finance Corporation (World Bank Group)
IFC’s work in biodiversity aims to enhance the achievement of the triple bottom line of financial profitability, environmental sustainability and social responsibility of private companies that are interested in contributing to the sustainable use of biodiversity resources. IFC’s approach to biodiversity combines conservation, risk mitigation and opportunity to achieve sustainable wealth creation, bringing benefits to communities and the environment, as well as to the private sector.
http://www.ifc.org/
http://www.ifc.org/biodiversity

European Investment Bank
The European Investment Bank was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union. The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB raises substantial volumes of funds on the capital markets which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activity to developments in EU policies. The EIB is currently assessing the interest to set up an ecosystem and biodiversity fund, with the intention to launch the fund in 2008.
http://www.eib.org/
EBRD (European Bank for Reconstruction and Development)
In 2005 the EBRD invested a record €4.3 billion in 151 projects across the 27 countries where the Bank operates (from central Europe to central Asia). The EBRD expanded its investments in energy efficiency and operations to clean up polluted land and rivers and conducted more environmental and social monitoring visits. The EBRD also increased its investment in smaller projects, in keeping with the needs of the less developed countries. The EBRD has been involved in a Banking and Biodiversity Taskforce, together with ECNC-European Centre for Nature Conservation and Rabobank, and published a scoping study to assist in structuring of a Biodiversity Financing Technical Assistance Facility (BTAF) in 2006.


Rabobank, the Netherlands
In its Dutch home market, the Rabobank Group, with its nine million business and private customers, is a market leader in all areas of financial services. Rabobank has an AAA credit rating from the leading rating agencies. Rabobank is involved in the European Taskforce on Banking, Business and Biodiversity, together with ECNC-European Centre for Nature Conservation and the EBRD. Rabobank has also been involved in biodiversity finance initiatives undertaken by UNEP FI, IUCN and the EIB. Furthermore, Rabobank is working together with WWF and with Dutch NGOs on a climate campaign.

www.rabobank.nl

Barclays
Barclays bank has been working on biodiversity in its own environment by building a ‘living roof’ on its office in London. It is specifically designed for nature conservation and the enhancement of local biodiversity. It is a beacon for other businesses and developers to provide similar roofs in the London area and elsewhere in the UK (Dusty Gedge – Barclays CR Report 2005). Barclays’ business case provides: new habitat for endangered wildlife, a positive contribution to local biodiversity/community, more staff engagement and boosting of the brand and the company’s reputation. Barclays also commits itself to the Equator Principles, which are a broad set of voluntary environmental and social guidelines for lending, adopted in June 2003 by ten of the world’s major private banks.

http://www.celb.org/ImageCache/CELB/content/energy_2dmining/ebi_2epdf/v1/ebi.pdf

ASN Bank, the Netherlands
The ASN Bank in the Netherlands has investment funds which have strict environmental social and economic criteria. The bank will not invest in companies if they do not comply with these criteria. With regard to biodiversity, the bank does not invest in companies if they are active in trading and harvesting protected species, or if they harvest or trade unsustainable tropical forest resources.

http://www.asnbank.nl

7.3 Private companies
Very few private companies have been found which are actively involved in investing in pro-biodiversity activities. These companies are listed below.

Yorkshire Water, UK
Yorkshire Water is a private entity, with a multi-million pound investment programme which helps them to make Yorkshire a cleaner, healthier and more enjoyable place to live. River water quality is one of the government’s key ‘Quality of Life’ indicators, as rivers support a variety of wildlife and recreational activity. Investment by Yorkshire Water will improve over 250 miles of rivers in Yorkshire by 2010. The goal is to ensure a lasting effect on the environment, ‘meeting not just current legislation but going further to provide a level of treatment which goes over and above the level required by the European Union’s directives’. Yorkshire Water’s environmental investment programme is being delivered primarily through upgrading sewer overflows and meeting the requirements of the Freshwater Fish Directive.

http://www.yorkshirewater.com/

Triple E
Triple E is a knowledge centre specialized in the relationship between nature, economy and the experience people gain through and from nature. It has developed various financial instruments such
as the ‘landscape auction’. Triple E develops practical solutions for and in partnership with local
governments, businesses and NGOs.
http://www.tripleee.nl/

**Eco Direct**
Eco Direct is a Dutch company through which private persons can invest in FSC and Rainforest
Alliance certified forest plantations. It is supervised by the Netherlands Authority for Financial Markets.
The return is delivered through the expected tradable wood volume that will be harvested from the lot
in which is invested.
http://www.ecodirect.nl/

**Fieldfare**
Fieldfare is a consultancy supporting pro-biodiversity businesses in Eastern Europe. It are a partner in
the pro-biodiversity business project led by ECNC-European Centre for Nature Conservation.
http://www.fieldfare.biz/

**Eko-Innovation**
Eko-Innovation is a consultancy working in Eastern Europe to establish links between SMEs and the
financial sector within the pro-biodiversity business project led by ECNC-European Centre for Nature
Conservation.
http://www.ekoinnovation.com

### 7.4 The voluntary sector: NGOs and knowledge institutions

**ECNC- European Centre for Nature Conservation**
Together with the Government of Switzerland and various other countries and financial institutions,
ECNC has been leading the European Biodiversity Resourcing Initiative. ECNC also holds the
Secretariat and Chair of the European Task Force on Banking, Business and Biodiversity. ECNC has
organized various seminars and training courses on the subject of banking and biodiversity and has
also supported the European Investment Bank and the EBRD in enhancing their operations in the field
of biodiversity. ECNC works together with national banks, such as Rabobank, the Netherlands.

Currently, ECNC is implementing its knowledge on these issues in various projects: the Biodiversity
Technical Assistance Unit project (led by RSPB), a pro-bio business project (implemented in Croatia
and Bulgaria), and the development of a compendium for biodiversity finance mechanisms. ECNC’s
activities include the development and maintenance of the Biodiversity Financing Clearing House
Mechanism. At the end of 2007 ECNC started the ‘Promoting the business case for biodiversity in
Europe’ project, which is funded by the Swiss Government. In this project, biodiversity concerns are to
be mainstreamed in business operations in selected companies.
http://www.ecnc.org/

**Earthwatch**
The Earthwatch Institute (Europe) hosts the Business & Biodiversity Resource Centre (BBRC) which is
supported by the Environmental Action Fund of DEFRA, Natural England and members of
Earthwatch’s Corporate Environmental Responsibility Group (CERG). The Corporate Environmental
Responsibility Group (CERG) provides a range of opportunities to work with businesses on their
corporate responsibility, environmental and human resources programmes. The platform for corporate
engagement with Earthwatch, CERG is a cross-sectoral forum for exchanging ideas, raising
awareness and engaging companies in sustainability issues.
http://www.earthwatch.org/site/pp.asp?c=crLQK3PHLsF&b=470665
www.businessandbiodiversity.org
IUCN Business and Biodiversity Projects and activities
Since 1948, IUCN has been a global partnership of states, governmental agencies, NGOs and experts. Active in over 150 countries, IUCN's mission is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable. The IUCN Business and Biodiversity Programme brings this mission to the private sector. All projects and activities are executed in partnership by a mix of organizations and individuals from Member and partner organizations, Commissions, and the Secretariat. Furthermore, IUCN works on issues of biodiversity finance and developing green enterprises.
http://www.iucn.org/themes/business/
http://www.iucn.org/themes/business/our_work.htm

Countdown 2010
The Countdown Secretariat co-organized the 2007 High-Level Conference on Business and Biodiversity which took place on 12 and 13 November 2007 in Lisbon, Portugal. It promotes the involvement of business in biodiversity in Europe. The IUCN National Committee of the Netherlands hosts the secretariat of the Leaders for Nature Initiative, bringing together various leaders of companies.
http://www.countdown2010.net/

E generation: business learning centre
E generation has been designed to help business by providing a wide range of information including:
• easy access to a wide range of sustainable business information in one place;
• support from local providers through local programmes, helpdesk, FAQs;
• case Studies - to learn from other’s successes;
• choice of learning level from basic to intermediate to advanced;
• provision of a resource bank enabling waste to be exchanged – your waste may be a resource to others;
• information on how to reduce costs through resource efficiency measures benchmarking against best practice.

E generation is produced by a collaborative partnership of South-East organizations in England. The majority funding for e generation came from the Biffaward landfill tax credits scheme. The remainder was from other bodies, such as local authorities.
www.egeneration.co.uk

The Royal Society for the Protection of Birds
The RSPB is Europe's largest wildlife conservation charity, with more than a million members. The RSPB works for the conservation of biodiversity, especially wild birds and their habitats. It leads the Biodiversity Technical Assistance Units project (funded by DG Environment) and their units in Hungary, Poland and Bulgaria implement the activities for this project.
http://www.rspb.org/
http://www.smeforbiodiversity.eu/

Forest Trends
Forest Trends is an international non-profit organization that works to expand the value of forests to society; to promote sustainable forest management and conservation by creating and capturing market values for ecosystem services; to support innovative projects and companies that are developing these new markets; and to enhance the livelihoods of local communities living in and around those forests. They analyse strategic market and policy issues, catalyse connections between forward-looking producers, communities and investors, and develop new financial tools to help markets work for conservation and people.
http://www.forest-trends.org/

Conservation International
Conservation International is a non-profit organization that applies innovations in science, economics, policy and community participation to protect the Earth's richest regions of plant and animal diversity in
the biodiversity hotspots, high-biodiversity wilderness areas as well as important marine regions
around the globe. With headquarters in Washington DC, CI works in more than 40 countries on four
continents.
http://www.conservation.org/English/Pages/Default.aspx

WWF
The level of investment to manage ecosystems properly is far beyond the means of developing
countries, which in many cases are struggling to meet debt obligations and provide basic services to
their citizens. WWF has a long and well-established history of developing innovative conservation
finance tools. In the 1980s, WWF was one of the pioneers of the concept of the debt-for-nature swap.
Since then, it has played a vital role in debt-for-nature swaps that have converted an estimated US$200
million owed by debtor countries in Africa, Asia and Latin America into new sources of funding for forest
preservation and the protection of endangered wildlife. In 1991, WWF introduced the developing world's
first conservation trust fund in the small Himalayan country of Bhutan. Our initial investment of US$1
million seeded a fund that now totals more than US$35 million and is being used to train Bhutanese
scientists and park guards, develop alternative livelihoods, and protect and replant forests. WWF has
been involved in about a third of the more than 40 conservation trust funds established since. These
trusts attract large sums from the donor community and help unite local people, non-governmental
organizations, and governmental agencies behind long-term conservation programmes.

WWF further engages the private sector by developing new financial mechanisms that are both
attractive to businesses and effective conservation tools. WWF helped design and establish the first
conservation corporation of its kind — the Asian Conservation Company — in the developing world, as
well as user-funded conservation programmes across the globe.
http://www.worldwildlife.org/conservationfinance/

The Nature Valuation and Financing Network
The aim of the Nature Valuation and Financing Network is to stimulate the development and exchange
of practical tools and best practice for the valuation of ecosystem goods and services, so that
decisions concerning economic development are made with full awareness and understanding of all
the costs and benefits involved. The website offers features such as a publication database which
provides the opportunity to both download and upload relevant information, a case study database for
identifying related case studies in the field, discussion platforms where members can communicate
within an online forum and national platforms, specifically tailored to a certain country

The main objectives of the Nature Valuation and Financing Network are to:
• develop guidelines and instruments;
• stimulate case studies and collaboration;
• provide databases and certification;
• support a clearing house function;
• support national platforms;
• engage across a range of sectors.

The Foundation for Sustainable Development (FSD) provides financial support for the development of
the website, clearing house mechanism and additional tools such as CaseBase. The coordinator
works for both FSD and the Environmental Systems Analysis Group of Wageningen University. Many
organizations contribute to the Network, such as IUCN, the RAMSAR Bureau, Forest Trends,
Foundation for Sustainable Development, Wageningen International, IUCN-National Committee, the
Netherlands, EC-LNV, Tropenbos Foundation, the Conservation Strategy Fund, USA and the Nature
Conservancy, USA.
http://topshare.wur.nl/naturevaluation

Wetlands International
Wetlands International is the only global non-governmental organization committed to the
conservation of wetlands. Its main goal is to enhance the wise use of wetlands, as they provide a
basis for human survival and development. Wetlands International is currently testing its ‘Bio-rights’
system, which includes payments for ecosystem services. Wetlands International has also established the Global Peatland Fund together with BioX Group, to help prevent further destruction of peatlands by implementing projects to protect and restore peatlands which will generate Voluntary Emission Rights. The vision of the Global Peatland Fund is to support projects that protect and restore peatlands and promote sustainable development, in Indonesia and potentially other developing countries. The Fund will promote cooperation and partnerships between international investors, local governments and communities, NGOs and international institutions to achieve its objectives.

http://www.wetlands.org
http://regserver.unfccc.int/seors/file_storage/faz8ud2phy441lu.pdf

Fauna & Flora International
Fauna & Flora International works with the private sector to try to ensure that business activities are not undertaken at the expense of biodiversity. It believes that constructive engagement is key to influencing the environmental policies and practices of business and achieving sustainable development. Fauna & Flora International operates at three levels with businesses: with the influencers of business such as governments, the finance sector and intergovernmental organizations to ensure they adequately address biodiversity issues and thus promote change through the private sector; directly with businesses whose operations can significantly impact on wildlife areas and species; and with small and medium-sized enterprises to help them minimize their impacts on biodiversity.


7.5 Partnerships
Many biodiversity finance mechanisms have been developed by partnerships between governmental bodies, NGOs, financial institutions and/or private companies. The partnerships that are active in biodiversity financing issues are listed below.

The Conservation Finance Alliance
The Conservation Finance Alliance (CFA) was created to catalyse increased and sustainable public and private financing for biodiversity conservation to support the effective implementation of global commitments to conservation. The CFA was established in February 2002 in order to encourage and enhance collaboration among institutions and organizations involved in the sustainable financing of biodiversity conservation. CFA membership has been growing with the addition now of FUNBIO and Chemonics International, as a first-year observer. The CFA is a collaborative effort to promote sufficient and sustainable funding for biodiversity conservation worldwide.

http://www.conservationfinance.org/

The Energy and Biodiversity Initiative
Nine organizations have formed a partnership to integrate biodiversity conservation in oil and gas development. They are: BP, ChevronTexaco, Conservation International, Fauna & Flora International, IUCN, The Nature Conservancy, Shell, the Smithsonian Institution and StatOil. The Energy and Biodiversity Initiative (EBI) was created to develop and promote practices for integrating biodiversity conservation into upstream oil and gas development. The Initiative seeks to be a positive force for biodiversity conservation by bringing together leading energy companies and conservation organizations to share experiences and build on intellectual capital to create value and influence key audiences.

http://www.celb.org/ImageCache/CELB/content/energy_2dmining/ebi_2epdf/v1/ebi.pdf

WWF and IUCN
WWF and IUCN support the website http://biodiversityeconomics.org/index.html, which aims to be the leading on-line resource for biodiversity economists. This site promotes economic approaches to conservation by sharing documents, contacts and information about upcoming events. Interested parties can add themselves to the practitioner database and submit their own publications. The Business and Consumers section is divided into the following subcategories:
1. CSR. The ‘Corporate Social Responsibility’ subcategory looks into the business case for going beyond legal requirements on biodiversity.

2. SRI. Documents in the ‘Social Responsibility Investments’ subcategory look into attempts by finance institutions to incorporate social and environmental criteria in their investment decisions, e.g. through ‘filters’, indices and other instruments.

3. Partnerships. This subcategory looks into the issues surrounding partnerships for biodiversity, at the individual firm, sector or cross-sector level.

4. Green enterprise. For documents on small to medium-sized enterprises established to address biodiversity conservation, for instance organic agriculture or ecotourism.

5. Consumer preference. For documents on consumption patterns, lifestyle choice, certification and labelling and related issues.

http://biodiversityeconomics.org/index.html

Forest Trends and Conservation International
The Business and Biodiversity Offset Program (BBOP) is a new partnership between companies, governments and conservation experts to explore biodiversity offsets. This programme:
- demonstrates conservation and livelihood outcomes in a portfolio of biodiversity offset pilot projects;
- develops, tests and disseminates best practice on biodiversity offsets;
- contributes to policy and corporate developments on biodiversity offsets so they meet conservation and business objectives.

The BBOP partners wish to show, through a portfolio of pilot projects in a range of industry sectors, that biodiversity offsets can help achieve significantly more, better and more cost-effective conservation outcomes than normally occurs in infrastructure development. The BBOP partners also believe that demonstrating no net loss of biodiversity can help companies secure their licence to operate and manage their costs and liabilities.

http://www.forest-trends.org/biodiversityoffsetprogram/index.php

Lafarge and WWF
A specific example of WWF’s engagement in businesses is its Conservation Partnership with Lafarge which was launched in March 2000. Lafarge supports WWF’s Forest Reborn project, which aims to restore degraded forest landscapes, thus helping conserve biodiversity on earth.

http://www.wwf.ca/AboutWWF/WhatWeDo/Initiatives/Initiatives.asp?project=lafarge

Conservation International and Ford Motor Company
Conservation International (CI) and Ford Motor Company established The Center for Environmental Leadership in Business (CELB) to engage the private sector worldwide in creating solutions to critical global environmental problems in which industry plays a defining role. They work on two complementary levels, global and local. Their programmes test ideas in the field with businesses operating in places such as biodiversity hot spots and wilderness areas.

Unilever and IUCN
The IUCN Forest Conservation Programme has been working with Unilever and IUCN members in Ghana to develop a system for the sustainable harvesting and marketing of Allanblackia seeds. The seeds can be used to produce edible oil that can substitute for oil palm in the manufacturing of products such as margarine and soaps. Allanblackia oil is a new commodity and there is a need to ensure that its production is developed in a manner that is economically viable, socially equitable and environmentally sustainable. Sustainable harvesting of Allanblackia can act as an important incentive for local communities to maintain and enhance the integrity of the resource, especially since the buyer – Unilever – demands that good practices be followed. Other benefits include enhancement of the integrity of forest landscapes to improve landscape connectivity once Allanblackia is incorporated into farming systems. This innovative public-private partnership between IUCN, its members and Unilever is expected to yield valuable experiences and lessons on how markets can be made to work for both the poor and the environment.

Shell and IUCN

IUCN has worked with several of its members and oil and gas companies in the Energy and Biodiversity Initiative to explore best practice guidelines. As part of a structured dialogue with Shell, IUCN also provided advice over a two-year period on Shell's corporate biodiversity strategy. IUCN’s objective has been to explore the potential for private sector corporations such as Shell to complement the Union’s work with governments which set the national and international regulatory frameworks. Under this umbrella work on ‘extractive industries and biodiversity’, IUCN and its membership developed guidelines for oil and gas exploration and production in key ecosystems, such as mangroves, the arctic and subarctic regions as well as the tropics, and it continues to work on guidelines for mining in arid and semi-arid lands. The Royal Dutch/Shell Group of Companies (Shell) became the first group in the oil and gas sector to declare natural World Heritage sites ‘no go’ areas.

### Annex 1  Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BFF</td>
<td>Biodiversity Finance Facility</td>
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<tr>
<td>BTAF</td>
<td>Biodiversity Technical Assistance Facility</td>
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<tr>
<td>BTAU</td>
<td>Biodiversity Technical Assistance Unit</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
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<tr>
<td>CBD</td>
<td>Convention on Biological Diversity</td>
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<tr>
<td>CHM</td>
<td>Clearing House Mechanism</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>EBRI</td>
<td>European Biodiversity Resource Initiative</td>
</tr>
<tr>
<td>ECNC</td>
<td>European Centre for Nature Conservation</td>
</tr>
<tr>
<td>EECCA</td>
<td>Eastern Europe, Caucasus and Central Asia</td>
</tr>
<tr>
<td>EF</td>
<td>Environmental fund</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>IUCN</td>
<td>World Conservation Union</td>
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<tr>
<td>FSC</td>
<td>Forest Stewardship Council</td>
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<td>FUNIBO</td>
<td>Brazilian Biodiversity Fund</td>
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<td>GEF</td>
<td>Global Environmental Facility</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>ICMM</td>
<td>International Council on Mining and Metals</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>MSC</td>
<td>Marine Stewardship Council</td>
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<tr>
<td>PEBLDS</td>
<td>Pan-European Biological and Landscape Diversity Strategy</td>
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<tr>
<td>PCF</td>
<td>Prototype Carbon Fund</td>
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<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
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<tr>
<td>RSPB</td>
<td>Royal Society for the Protection of Birds</td>
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<tr>
<td>SME</td>
<td>Small and medium-sized enterprise</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNECE</td>
<td>United Nations Economic Commission for Europe</td>
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<tr>
<td>UNEP FI</td>
<td>United Nations Environmental Programme Finance Initiative</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
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</table>
Annex 2 References


Lambert (2002) Governance structures and processes for sustainable development. – Ramsar Convention Bureau, Switzerland. Presentation at Delhi Sustainable Development Summit 2002; Ensuring sustainable livelihoods: challenges for governments, corporates, and civil society at


Annex 3  Financing mechanisms

<table>
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<th>Financing Mechanism</th>
<th>Source of Revenue</th>
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<td><strong>Government revenue allocations</strong></td>
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<tr>
<td>Taxes and bonds earmarked for conservation</td>
<td>Taxpayers, investors</td>
</tr>
<tr>
<td>Real estate and development taxes</td>
<td>Property owners, property developers</td>
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<tr>
<td>Lottery revenues</td>
<td>Gamblers</td>
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<tr>
<td>Premium-priced motor vehicle licence plates</td>
<td>Vehicle owners</td>
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<tr>
<td>Wildlife stamps</td>
<td>Postal customers, hunters, fishers</td>
</tr>
<tr>
<td>Economic instruments to stimulate environmental investment</td>
<td>Investors</td>
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<td>Debt relief</td>
<td>Donors, governments, NGOs</td>
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<tr>
<td><strong>Grants, donations and loans</strong></td>
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<tr>
<td>Bilateral and multilateral agencies</td>
<td>Donor agencies</td>
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<td>Foundations</td>
<td>Individuals, corporations</td>
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<td>Conservation trust funds</td>
<td>Multi-source</td>
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<td>Non-governmental organizations</td>
<td>NGO members and supporters</td>
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<td>Private sector</td>
<td>Private companies</td>
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<td><strong>Tourism revenues</strong></td>
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<td>Protected area entry fees</td>
<td>Visitors to protected areas</td>
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<td>Recreation fees</td>
<td>Users of additional protected area resources</td>
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<tr>
<td>Species related ‘user fees’</td>
<td>Wildlife observers</td>
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<tr>
<td>Hunting fees and green safaris</td>
<td>Hunters, wildlife sportsmen</td>
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<td>Commercial operations in protected areas</td>
<td>Tourism operators, tourists</td>
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<td>Airport passenger fees and hotel taxes</td>
<td>Tourists</td>
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<td>Voluntary contributions from tourists and tourism operators</td>
<td>Tourists, tourism operators</td>
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<tr>
<td><strong>Revenues from the sale and trade of wildlife</strong></td>
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<tr>
<td>Revenue from illegal hunting and wildlife trade</td>
<td>Hunters, wildlife traders</td>
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<td>Wildlife auctions</td>
<td>Game parks, private purchasers</td>
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<td>In situ - ex situ species conservation partnerships</td>
<td>Zoo agencies</td>
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<td>Species product certification</td>
<td>Consumers</td>
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<td><strong>Habitat acquisition and management</strong></td>
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<tr>
<td>Purchase or donation of land or property</td>
<td>Property owners, donors</td>
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<td>Conservation easements</td>
<td>Property owners, donors</td>
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<td>Wildlife conservancies</td>
<td>Property owners</td>
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<td>Conservation concessions</td>
<td>Conservation investors</td>
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<td>Tradable development rights and wetland banking</td>
<td>Property developers</td>
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<td><strong>Natural resource extraction revenues</strong></td>
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<tr>
<td>Fines</td>
<td>Natural resource extraction companies</td>
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<tr>
<td>Royalties and fees</td>
<td>Natural resource extraction companies</td>
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<td>Taxes</td>
<td>Power producers</td>
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<td>Hydroelectric power revenues</td>
<td>Natural resource extraction, power companies</td>
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<td>Voluntary contributions from natural resources companies</td>
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<td><strong>For-profit investment</strong></td>
<td></td>
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<tr>
<td>Market investments promoting species biodiversity</td>
<td>Private investors</td>
</tr>
</tbody>
</table>

(Source: Koteen, 2004)
Annex 4 Features of IFC/GEF SME Programme Verde Ventures

- While the IFC and CI field staff are not necessarily experts in environmental investments, they provide an invaluable local presence with insight on business and regulatory practices, assessment of potential sponsors and on-site supervision of projects. A wide range of external partnerships can offer similar benefits.

- The SME Programme has exclusively made loans and Verde Ventures has relied primarily on loans, as debt avoids the exit problems associated with equity and is easier to negotiate with less sophisticated clients. Loans are also less complicated than equity transactions, helping to reduce transaction time and legal fees for documentation.

- Notwithstanding the preference for debt over equity, all investments have been treated as risk capital no matter what type of security has been pledged. The IFC and CI investment teams believe that the real work begins after disbursement, as they actively engage with the management teams of each enterprise to anticipate problems and to find opportunities to add value on financial and environmental performance.

- Both the SME Programme and Verde Ventures started small, with limited expectations and an ability to shut down if the chosen investment approach was not performing well.

- Verde Ventures identifies one of its key strengths as a strong, independent investment committee. CI’s seven-member committee is larger than most private equity funds and includes only individuals with extensive private-sector background, none of whom are affiliated with donors or investors. IFC has used a much smaller investment committee for the SME Programme but has benefited from advice and input from a wide range of internal colleagues who are unaffiliated with the programme.

(Source: IFC, 2004)