



Sustaining Value

2003 UNEP Finance Initiatives Global Roundtable

20-21 October 2003 | Tokyo International Forum | Tokyo, Japan | www.unepfi.net/tokyo

Sustaining Biodiversity:

Benefits for Community-Business Opportunities for Financial Institutions

Moderated Panel Discussion on Tuesday, October 21, 11:15-12:45 hrs

Recommendations from the Panel*

“Biological diversity is a widely under-appreciated resource that is essential for human existence and has a crucial role to play in sustainable development and the eradication of poverty. The preservation of biodiversity is not just a job for governments. International and non-governmental organizations, the private sector, and each and every individual have a role to play.”

Kofi Annan, UN Secretary General, on the 2003 International Day of Biological Diversity

The panelists of the Biodiversity workshop commend the following recommendations for follow up action to the UNEP Finance Initiative:

- The financial sector - asset managers, pension funds, insurance companies, banks, and other major players - has a key role in developing specific products and services for their clients to support a more proactive and productive role in achieving sustainable development. Tax driven instruments deserve closer attention, including the harmonization of tax rules. Financial sector institutions should also deepen their relationships with clients already committed to sustainability.
- There are still too few robust business cases demonstrating the viability of investments in biodiversity conservation. Those that exist tend to be public-private partnerships, are developed for niche markets, or are considered too volatile. However, there are many advantages to diversification, which reduces overall risk. Committed, responsible and experienced lead investors are already playing a catalytic role in attracting others by providing seed money to such investments. The Swiss Re “Re-Source Award” program (www.swissre.com/resource) is a promising example of this approach. Biodiversity markets can be deepened by this kind of selective investment, which includes scrutiny of business plans, provision of funding for capacity building, and publicizing successful cases around the world.
- International financial institutions (IFIs) have a role to play in providing funding for investments to biodiversity-based businesses where companies are committed to environmental and social sustainability. Additionally, IFIs are key sources of funding to support training and

* The recommendations stem from the personal opinions of the Panelists as individuals and do not necessarily reflect the position of their respective institutions, of UNEP or the signatories of UNEP FI.



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capacity building, in such vital matters as familiarising local financial institutions with concepts of environment, sustainability, markets for ecosystems services, and tailored mechanisms to ensure equitable sharing of benefits with local communities. Promising programmes such as BioCAF (<http://www.caf.com/view/index.asp?pageMS=8607&ms=9>), developed by CAF, should be studied and replicated.

- There is a growing market in direct ecosystem payments (e.g. biodiversity protection, carbon sequestration, watershed protection), including payments to low income producers. Yet these markets are not likely to contribute substantially to poverty reduction unless proactive efforts are made to recognize rights and shape markets to provide equal access to low-income producers of ecosystem services. New market institutions are also needed to reduce transaction costs and financial risks. To realise the potential of ecosystem service markets, policy makers and programme leaders require objective technical assistance to identify opportunities and risks of using different market instruments, opportunities to exchange experiences, practical data on costs of production, transactions, establishment and management of different market mechanisms and capacity building to develop sophisticated expertise in analysing, designing and implementing ecosystem service markets.
- Promising new concepts are emerging, one of them being the “biorights” concept (<http://www.bio-rights.org/>). Biorights is a financial mechanism that can assist in reconciling poverty reduction and the preservation of biodiversity in developing countries and countries in transition. The biorights system compensates the opportunity costs of local stakeholders in poor regions that are the direct result of preserving biodiversity of global importance. For the implementation of this concept, there is a need for international finance, including venture capital, and other financing mechanisms. International investments paying for services associated with globally important biodiversity should be matched with national public funding. The innovative system is being tested in Costa Rica, Indonesia, and Mali. Furthermore, the setting up of a biorightfund in the form of a public-private partnership is being considered. Such fund would provide a mechanism to cover risks that are too high for the commercial sector through public funding (e.g. Official Development Aid). Such kind of public venture capital could draw private capital to perform in poverty trapped regions. (For more information on the fund contact: w.h.diemont@alterra.wag-ur.nl)
- The approach towards sustainable conservation and conservation finance should be a bottom-up, participatory process. Furthermore, there should be multi-stakeholder collaborative management with clear rules of engagement for government, community, business (including the financial sector), NGOs and civil society. Institutions - including NGOs - with experience in the multi-stakeholder process can play a central role in sustainable conservation finance.