

Payment where it's due

It is vital the private sector steps up – and pays up – to help protect biodiversity. The answer is to make the beneficiaries of ecosystem services pay for the benefits, say

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The financing and management of natural protected areas has historically been seen as the responsibility of the public sector. However, budgets for government protection and management of forest ecosystem services are declining, as are those from overseas development assistance. At the same time, processes of devolution and decentralisation are shifting public responsibility for nature protection, and new sources of financing for local governments to take on biodiversity and ecosystem service protection have not typically been forthcoming.

In addition, conservation must be conceived in a landscape or ecosystem strategy that sets out to link protected areas within a broader matrix of land uses that are compatible with, and support, biodiversity conservation outside of protected areas. To achieve such outcomes, it will be essential to engage private actors in conservation finance on a large scale.

This is against a backdrop of increasing pressure on biodiversity resources. Population growth in the world's remaining tropical wilderness areas is twice the global average. Over a billion people live in the 25 biodiversity 'hotspots'.

The fundamental reason for forest degradation is financial, especially where resources lie outside of protected areas. For these to be conserved, they need to be more valuable than the alternative uses of the land. The failure of forest owners and producers to capture financial benefits from conserving ecosystem benefits – including watershed management, carbon storage and salinity control, as well as biodiversity – leads to over-exploitation of forest resources and under-supply of ecosystem services.

This reality is hard for many people to



Getting the private sector involved

accept, since most ecosystem services are considered 'public goods'. While the individual who manages his or her resources to protect biodiversity produces public benefits, the costs incurred are private. Mechanisms are needed by which resource owners are rewarded for their role as stewards in providing biodiversity and ecosystem services. Experience with market-based instruments in other sectors has shown that such mechanisms, if carefully designed and implemented, can achieve environmental goals at significantly less cost than conventional 'command-and-control' approaches, while creating positive incentives for continual improvement.

The market for biodiversity protection can be characterised as nascent, although many approaches are emerging to remunerate the owners and managers of land and resources for their good stewardship of biodiversity. These include bioprospecting rights, payments for ecotourism uses, and markets in tradable wetland mitigation or biodiversity credits, whereby developers are required to buy credits or offsets generated by biodiversity enhancements that have been carried out elsewhere.

However, most of these markets are small, or run as pilots. What will it take to transform them to impact ecosystem conservation on a global scale?

The driving force of ecosystem service markets is to turn beneficiaries into buyers. The private sector must be called upon to engage in responsible corporate behaviour in conserving biodiversity. Voluntary payments by consumers, retail firms, and other actors, linked to biodiversity protection, can be encouraged through social advertising. Shareholder pressure is beginning to encour-

age some firms to avoid investments and activities that harm biodiversity. Civil society campaigns can also mobilise resources to pay for biodiversity offsets and payments to local partners for conservation.

Of course, policy-makers and public agencies play a vital role in creating the legal frameworks necessary for market tools to operate effectively – such as systems of rights over ecosystem services, and mechanisms to enforce contracts and settle ownership disputes. Ecosystem service markets pose profound equity implications, as new rules may fundamentally change the distribution of rights and responsibilities for essential ecosystem services. Forest producers and civil society need to ensure that rules support the public interest and create development opportunities.

The benefits of investments in ecosystem services will be maximised over the long term if markets reward local participation and utilise local knowledge. Studies of indigenous timber enterprises show that, on average, local communities invest as much in conservation as is available from outside donors or investors. Ecosystem service payments and markets should be designed so that they strategically channel financial payments to rural communities to enable conservation-oriented management to remain, or become, economically viable.

As a result of the deliberations around the Kyoto Protocol last year, payments for forest carbon through the Clean Development Mechanism (CDM) can be used to finance forest restoration and regeneration projects that conserve biodiversity while providing an alternative income source for local people. But, partly due to what we consider a conservative approach to forestry sinks, the scale of forest carbon in the CDM will be too small to have a major impact on climate, biodiversity or livelihoods. We should aim for a much larger programme in the second commitment period, as well as for initiatives within OECD countries to utilise carbon markets for biodiversity conservation in their own internal trading programmes.

Conservation of biodiversity, and of the services biodiversity provides to humans and to the ecological health of the planet, requires financing on a scale many-fold larger than is feasible from public and philanthropic sources. It is essential to find new mechanisms by which resource owners and managers can realise the economic values created by good stewardship of biodiversity. Building new markets and payments systems, strategically shaped to deliver critical public benefits, has great potential to move biodiversity conservation objectives to scale and significance. ■

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