



# Markets for Ecosystem Services Workshop Bulletin

A summary report of the High-Level Brainstorming Workshop "Creating Pro-Poor Markets for Ecosystem Services"

Published by the International Institute for Sustainable Development (IISD)



WEB COVERAGE AT [HTTP://WWW.IISD.CA/YMB/UNEP-LSE/](http://www.iisd.ca/YMB/UNEP-LSE/)  
VOLUME 116, No. 1, FRIDAY, 14 OCTOBER 2005

## HIGH-LEVEL BRAINSTORMING WORKSHOP ON CREATING PRO-POOR MARKETS FOR ECOSYSTEM SERVICES: 10-12 OCTOBER 2005

The High-Level Brainstorming Workshop "Creating Pro-Poor Markets for Ecosystem Services" took place from 10-12 October 2005, at the London School of Economics (LSE) and Senate House, in London, U.K., and was organized by the Division for Policy Development and Law and the Division of Environmental Conventions (UNEP/DEC) of the United Nations Environment Programme (UNEP), in conjunction with LSE.

The workshop followed the UNEP High-Level Brainstorming Workshop for Multilateral Environment Agreements on Mainstreaming Environment beyond MDG-7, held from 13-14 July 2005 in Nairobi, Kenya, and the 2005 World Summit, held from 14-16 September 2005 in New York. It aimed to assess the desirability and feasibility of the creation of pro-poor markets for ecosystem services (MES) in the framework of multilateral environmental agreements (MEAs), and to identify the process and institutional mechanisms required to create such markets. Ecosystem services are defined by the Millennium Ecosystem Assessment (MA) as the benefits people obtain from ecosystems, including: provisioning services such as food, water, timber, and fiber; regulating services that affect climate, floods, disease, wastes, and water quality; cultural services that provide recreational, aesthetic, and spiritual benefits; and supporting services such as soil formation, photosynthesis, and nutrient cycling.

The workshop was attended by over 50 participants, representing governments, UN agencies, other international organizations, four MEAs, academia, civil society, and the business community. Participants heard keynote presentations, discussed lessons learned from case studies and opportunities for engaging MEAs, and agreed on a series of next steps for UNEP to, among other things: establish an advisory mechanism initially targeted at MEAs on creating market-based instruments for ecosystem services; identify and develop pilot projects on the use of market-based instruments for ecosystem services to advance MEA objectives; and create awareness through research and communication on the links and potential between MEAs, ecosystem services and market-based mechanisms.

## A BRIEF HISTORY OF THE MILLENNIUM SUMMIT, OTHER UN CONFERENCES AND SUMMITS AND THEIR FOLLOW-UP

A key element of the United Nations strategy to address global economic, social and environmental challenges since the early 1990s has been the convening of UN conferences and summits. These events have resulted in the development of global plans of action to move the world towards a more sustainable future, and have addressed a broad development agenda encompassing poverty reduction, social development and environmental sustainability. The conferences of the 1990s addressed issues of children (1990), environment and development (1992), human rights (1993), small island developing States (1994), population and development (1994), disaster reduction (1994), social development (1995), women (1995), human settlements (1996) and food security (1996). These conferences and summits ushered in a period of heightened international commitment to poverty eradication and sustainable development.

**MILLENNIUM SUMMIT:** At the UN Millennium Summit, held from 6-8 September 2000 at UN Headquarters in New York, world leaders agreed on a far-reaching plan to support global development objectives for the new century, and reaffirmed their commitment to work toward a world of peace and security for all, giving sustainable development and poverty

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The *Markets for Ecosystem Services Workshop Bulletin* is a publication of the International Institute for Sustainable Development (IISD) <info@iisd.ca>, publishers of the *Earth Negotiations Bulletin* © <enb@iisd.org>. This issue was written and edited by Maria Larsson Ortino and Elisa Morgera. The Digital Editor is Francis Dejon. The Editor is Hugh Wilkins <hugh@iisd.org>. The Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. Funding for coverage of this meeting has been provided by UNEP. IISD can be contacted at 161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba R3B 0Y4, Canada; tel: +1-204-958-7700; fax: +1-204-958-7710. The opinions expressed in the *Bulletin* are those of the authors and do not necessarily reflect the views of IISD. Excerpts from the *Bulletin* may be used in other publications with appropriate academic citation. Electronic versions of the *Bulletin* are sent to e-mail distribution lists (ASCII and PDF format) and can be found on the Linkages WWW-server at <http://www.iisd.ca/>. For information on the *Bulletin*, including requests to provide reporting services, contact the Director of IISD Reporting Services at <kimo@iisd.org>, +1-646-536-7556 or 212 East 47th St. #21F, New York, NY 10017, USA.

eradication the highest priority. The Millennium Declaration, which was agreed upon at the Summit, outlined a clear set of responses to these challenges, and established concrete measures for judging performance through a set of interrelated commitments, goals and targets on development, governance, peace, security and human rights. The Declaration addressed issues relating to: fundamental values and principles; peace, security and disarmament; development and poverty eradication; the protection of the environment; human rights, democracy and good governance; the needs of the most vulnerable; the special needs of Africa; and the strengthening of the UN. The Declaration also made a strong commitment to eradicating poverty and securing sustainable development, and reaffirmed the UN as the accepted multilateral body for realizing the world's aspirations for peace and development. The Millennium Declaration's goals were elaborated and developed into the Millennium Development Goals (MDGs) as contained in the September 2001 UN Secretary-General's report on the Road Map Towards the Implementation of the Millennium Development (A/56/326). The MDGs, which have become commonly accepted as a framework for measuring progress in development, comprise eight goals, 18 targets and 48 indicators. The eight goals are: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality by two thirds for children under five; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. Following the Millennium Summit, review conferences were held on the least developed countries (2001), children (2002), food (2002), sustainable development (2002), landlocked and transit developing countries (2003), population and development (2004), small island developing States (2005), disaster reduction (2005), social development (2005) and women (2005). New UN conferences were also held on racism, racial discrimination, xenophobia and related intolerance (2001), HIV/AIDS (2001), financing for development (2002), and the information society (2003).

**FIFTY-EIGHTH SESSION OF THE GENERAL ASSEMBLY:** At its fifty-eighth session, the General Assembly, in May 2004, adopted resolution 58/291 on the "Follow-up to the Millennium Summit," in which it decided to convene in New York in 2005, at the commencement of its sixtieth session, a High-level Plenary Meeting of the Assembly with the participation of Heads of State and Government (2005 World Summit), to undertake a comprehensive review of the progress made in the fulfillment of all the commitments contained in the Millennium Declaration, including the internationally-agreed development goals and the global partnership required for their achievement. The Assembly agreed that the High-level Plenary Meeting would review progress made in the implementation, at the national, regional and international levels, of the outcomes and commitments of the major UN Conferences and Summits in the economic, social and related fields, on the basis of a comprehensive report to be submitted by the UN Secretary-General.

**FIFTY-NINTH SESSION OF THE GENERAL ASSEMBLY:** In December 2004, the General Assembly, at its fifty-ninth session, adopted resolution 59/145 on the "Modalities,

format and organization of the High-level Plenary Meeting of the sixtieth session of the General Assembly", in which it decided that the 2005 World Summit would take place on 14-16 September 2005. The Assembly also decided to hold a High-level Dialogue on Financing for Development from 27-28 June 2005 in New York, immediately prior to the Economic and Social Council (ECOSOC) 2005 High-level Segment, and to hold a separate meeting on Financing for Development within the framework of the 2005 World Summit. The Assembly requested the President of the General Assembly, in consultation with representatives of non-governmental organizations (NGOs), to organize informal interactive hearings with civil society in June 2005 in New York as an input to the preparatory process of the 2005 World Summit. Editor's note: Comprehensive reviews of the ECOSOC High-level Segment and its preparatory meeting and of the June High-level Dialogue on Financing for Development are available online at: <http://www.iisd.ca/sd/ecosoc2005/yimbvol104num7e.html>, <http://www.iisd.ca/sd/ecosocprep1/sdvol104num2e.html>, and <http://www.iisd.ca/sd/ffddialogue/yimbvol104num4e.html>.

Other meetings of relevance to the MDG process and the 2005 World Summit include the Development Forum on integrating economic and social policies to achieve the UN development agenda, held in March 2005 (visit: <http://www.iisd.ca/sd/undc/>), and the ECOSOC Special High-level Meeting with the Bretton Woods institutions, World Trade Organization and UN Conference on Trade and Development, held in April 2005 (visit: <http://www.un.org/esa/ffd/>). Several relevant reports were also released in the first half of 2005, including the UN Secretary-General's "Towards achieving internationally agreed development goals, including those contained in the Millennium Declaration" (visit <http://www.un.org/Docs/journal/asp/ws.asp?m=E/2005/56>), the Millennium Ecosystem Assessment (visit: <http://www.millenniumassessment.org/en/index.aspx>) and the UN Secretary-General's "In larger freedom: towards development, security and human rights for all" (visit: <http://www.un.org/largerfreedom/>).

**HIGH-LEVEL BRAINSTORMING WORKSHOP FOR MEAS ON MAINSTREAMING ENVIRONMENT BEYOND MDG-7:** The High-level Brainstorming Workshop for MEAs on Mainstreaming Environment beyond MDG-7, held from 13-14 July 2005, in Nairobi, Kenya, was organized by UNEP/DEC. The initiative focused on the challenge of mainstreaming environment issues beyond MDG-7 from an MEA perspective and on providing inputs to the MDG process, with a proposal to set up of a plan of cooperation between UNEP, MEAs and the UN Millennium Project. Participants identified several follow-up steps in the short, medium and long terms. In the short term, they decided: to convene follow-up meetings in 2005 on the economic aspects of ecosystem services and on how to move the process forward following the 2005 World Summit, and to create a technical committee to work with UN Development Programme (UNDP) and UNEP to identify potential countries that need technical assistance and capacity building in preparing the environmental component of MDG-based development strategies. In the mid term, they decided to establish a work plan with the Millennium Project to, among other things, create practical means to promote cooperation between MEAs and the achievement of the MDGs, and develop national sustainable development strategies. In the long term, they agreed to mobilize high-level

support for raising awareness and supporting actions relating to mainstreaming environment into the MDGs, and facilitate MEAs working with UNEP and UNDP to support national efforts to develop MDG-based national development strategies.

**“ENVIRONMENT FOR THE MDGs” HIGH-LEVEL EVENTS:** Two “Environment for the MDGs” events, held on 14 September 2005 in New York, were organized by members of the Poverty-Environment Partnership, a network of more than 30 development and environment agencies and organizations formed to address the links between poverty and environment in the MDGs, to support “leadership and action” to reach the MDGs at the 2005 World Summit.

**2005 WORLD SUMMIT:** The 2005 World Summit, held from 14-16 September 2005 at UN headquarters in New York, aimed to undertake a comprehensive review of the progress made toward the commitments articulated in the UN Millennium Declaration, and to review progress made in the implementation of the outcomes and commitments of the major UN conference and summits in the economic, social and related fields. One hundred and fifty-one Heads of State and Government adopted an Outcome Document, containing commitments to undertake concrete measures to continue to implement the outcomes of the Millennium Summit and the other major UN conferences and summits, so as to provide multilateral solutions to the problems in the spheres of: development, peace and collective security, human rights and the rule of law, and strengthening of the United Nations. In the area of development, commitments related, among other things, to: investment; trade; sustainable development; HIV/AIDS, malaria, tuberculosis and other health issues; human settlements; gender equality; financing for development; science and technology for development; and the special needs of Africa, landlocked developing countries, the least developed countries, and small island developing States. Specifically on environment and sustainable development, commitments were made on, among other issues: climate change, biodiversity, integrated water resources management, sustainable consumption and production, forests, chemical and hazardous wastes, and oceans and seas. In the area of strengthening the UN, world leaders also agreed to explore the possibility of a more coherent institutional framework to address the need for more efficient environmental activities in the UN system.



Participants at the Workshop

## PRO-POOR MARKETS FOR ECOSYSTEM SERVICES WORKSHOP REPORT

The High-Level Brainstorming Workshop “Creating Pro-Poor Markets for Ecosystem Services” took place from 10-12 October 2005. On Monday, 10 October, following an opening ceremony, the first segment of the workshop featured keynote presentations and discussions of the desirability of MES from the environmental and development perspectives, as well as the salient features of such markets to ensure that the MDGs are not achieved to the detriment of environmental sustainability and vice-versa. The second segment of the workshop took place on Tuesday, 11 October, and aimed to identify the process and institutional mechanisms required to support the creation of pro-poor markets for ecosystem services, drawing on the first segment’s conclusions and the outcomes of the 2005 World Summit. On Wednesday, 12 October, participants agreed upon the chairman’s summary and the workshop conclusions, including an indication of future steps. This report summarizes the keynote presentations, brainstorming discussions and the workshop’s outcomes.



Klaus Töpfer, UNEP Executive Director

### OPENING CEREMONY

On Monday, Bakary Kante, UNEP/DEC Director, welcomed participants, and highlighted the need to create MES that can benefit the poor. He indicated that MEAs, as international legally binding instruments, can be useful in ensuring this, and recommended to focus on four areas: carbon sequestration, landscape beauty, biodiversity and water. He also highlighted the need to further link the work of MEAs with the achievement of MDGs, to create pro-poor MES.

Klaus Töpfer, UNEP Executive Director, emphasized the importance of the environment in overcoming poverty and the consequent growing interest in environmental economics. He highlighted the need for pilot projects and targeted investment in degraded and damaged ecosystems, expressed UNEP’s commitment to pro-poor MES, and asked participants’ advice on how UNEP can take this initiative further.

### PRO-POOR MARKETS FOR ECOSYSTEM SERVICES – CRITICAL ISSUES, OPPORTUNITIES AND CONSTRAINTS FOR MEAS

On Monday, Charles Perrings, International Society for Ecological Economics, chaired the first segment of the workshop, focusing on the critical issues, opportunities and constraints for MEAs in creating pro-poor MES. He indicated that the MA provided a means to quantify changes to the physical availability of ecosystem services. He highlighted the challenges raised by the MA: understanding the value to humankind of the changes in the physical availability of ecosystem services; clarifying the connections between poverty alleviation, investment, and environmental services; and taking into account the institutional



L-R: Bakary Kante, UNEP/DEC Director, Klaus Töpfer, UNEP Executive Director, Charles Perrings, President of the International Society for Ecological Economics, and Partha Dasgupta, Professor of Economics, University of Cambridge during the High-Level Brainstorming Workshop “Creating Pro-Poor Markets for Ecosystem Services” press conference

problems of market creation. He underscored the difficulties of creating markets for public goods, and the need to focus on transboundary public goods and to find a mechanism to allocate related ecosystem services more efficiently.

**MDGs and Ecosystem Services:** Jeffery Sachs, Columbia University and Special Advisor to the UN Secretary-General, made a keynote presentation on the MDGs and ecosystem services. He highlighted the scientific, ecological, economic and institutional complexity and uncertainty characterizing ecosystem services, and the failure of market systems that do not adequately address ecological challenges. Stressing that market failures are not necessarily solved through market solutions, he defined market mechanisms as decentralized transactions, distinguishing them from other economic instruments, such as regulatory or corrective compensation and incentive mechanisms. He noted that ecosystem services can be addressed through the redefinition of property rights, corrective taxation, subsidies, individual transferable quotas, zoning and other regulatory frameworks, and stressed that their success depends on the accuracy of the underlying ecological modeling and its susceptibility to correction. He remarked that the MDGs, as the global shared economic development objectives at the centre of donor-recipient negotiations, can give political leverage to the environmental agenda, but emphasized that so far discussions have neglected national needs in this area. Emphasizing that discussions on the MDGs refer to national strategies, he distinguished between global environmental issues that require adaptation at the national level, and other global environmental issues that are better addressed at the intergovernmental level. As to the former, he recommended modeling and systematic mapping of economic instruments supporting a sound ecological approach, to be discussed at the national and regional levels in the framework of the MDGs. As to the latter, he proposed that MEAs undertake a systematic mapping of available economic mechanisms.

In the ensuing discussion, Steve Polaski, University of Minnesota, enquired about other elements, besides public goods and spatial considerations, to be taken into account in mapping economic mechanisms. Gabriel Labbate, UNEP, highlighted the difficulty in combining donors’ short-term timeframes and the intergenerational dimension of environmental issues. Simon

Rietbergen, IUCN - The World Conservation Union, emphasized country-level dialogue, particularly with the ministries of environment and finance. Amanda Hawn, The Ecosystem Marketplace, questioned the relation between social rate of return and win-win solutions. Sachs acknowledged that decentralized market forces do not necessarily take care of intergenerational equitable standards, and highlighted the need, in different situations, for self-sustaining mechanisms or anti-market forces to address environmental problems.

**Discounting ecosystem losses:** Partha Dasgupta, University of Cambridge, gave a presentation on discounting ecosystem losses. He noted that the wealth of many developing and developed countries has decreased even when their Gross National Product and the Human Development Index have increased, and suggested valuing natural capital and finding innovating mechanisms to promote the sustainable use of environmental assets, to ensure that wealth does not decrease. He explained that decisions should be based on both market and social prices, taking into account damages to ecosystem capital assets. He noted that damages are frequently irreversible and that ecological processes are overwhelmingly non-linear, so that an ecosystem can collapse abruptly, often without much prior warning. In considering rates of return, he highlighted how future environmental damages can be made insignificant by using high discount rates. He suggested that discount rates be based on a “wealth index”, taking into account the value of manufactured assets, human capital/skills formation, knowledge, and natural capital such as ecosystems.

In the ensuing discussion, Robert Hepworth, Convention on the Conservation of Migratory Species of Wild Animals (CMS), enquired about non-linear ecological processes. Referring to the examples of fisheries and freshwater lakes, Dasgupta suggested the use of sensitivity analysis, looking at ranges of key commodities that may provide unambiguous responses, to guide decision making in situations of uncertainty. Charles Arden-Clarke, UNEP, asked about best practices at the national level and possible scaling up at the international level. Dasgupta noted the absence of studies at national levels, pointing to the relevant work of the World Bank in this area. Anantha Duraiappah, International Institute for Sustainable Development (IISD), raised the issue of valuing and pricing multiple services.

**MA, MEAs and ecosystem services:** Harold Mooney, Millennium Ecosystem Assessment, made a presentation on the links between the MA, MEAs and ecosystem services. He recalled that the MA focused on ecosystem goods and services, their sustainability and human wellbeing, emphasizing that the consequences of ecosystem changes for human wellbeing provide a link with the MDGs. He praised the MA for explicitly engaging MEAs in the assessment process, bringing together the environmental and the business communities, and forming new coalitions among scientists and the development community. He explained that the term “ecosystem services” is linked to the idea of valuing services, rather than pricing them, as feared by some countries. Noting that understanding and quantifying ecosystem services are at an early stage but progressing rapidly, he concluded that ecosystem services can serve as a mutual meeting ground for strengthening cooperation among MEAs.

In the following discussion, Marceil Yeater, Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), pointed to the need to invest in research and to build capacity. Mooney emphasized the importance of infrastructure development and scientific accuracy, and raised the question of finding financial resources for ecosystem services-related projects.



Marceil Yeater, Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

**Panel discussion on experiences from the field:**

John Forgách, ForestRe, highlighted the interests of corporations in environmentally sound production, emphasizing the necessity to cooperate with the private sector and utilize private funding for environmental protection. He presented the case of the Panama Canal, in which financial markets were used for companies dependent on the canal to pay for reforestation through an insurance deal. Noting the quick success of the private sector approach, Forgách reported that companies participating in the Panama Canal project are developing similar markets in Africa on wildlife management and community development.

Alain Lambert, UNEP, recommended clarifying the definition of beneficiaries and direct and indirect users of ecosystem services. He highlighted the need for strong institutional support to avoid the negative impacts of bad governance in providing ecosystem services. He underscored the importance of working with the media and the need for capacity building both within UNEP and outside. Calling for learning by doing in the field, he stated that a top priority for the Global Environment Facility (GEF) is to work with the private sector.

In the following discussion, Polaski enquired about the need for private goods in attracting private financing. Forgách replied that the private sector is willing to fund projects on public goods, reporting that in the case of the Panama Canal, the intervention of government followed the initiative of the private sector. Labbate enquired about scaling up successful projects, while Lambert emphasized the need for replication rather than scaling up.

Duraiappah raised the question of distributing benefits to local communities. Ivan Bond, International Institute for Environment and Development (IIED), enquired whether public and private finance models can converge and require the same scientific input. Forgách noted the need to work with multiple investors, and reported on the capacity-building components of the Panama Canal project, including involvement of local students. Lambert underscored the role of the public sector in promoting ecosystem services schemes and providing funding. Erwin Bulte, UN Food and Agriculture Organization (FAO), reported on a FAO research project on agro-ecosystem services, highlighting water and health components and a system of incentives, including capacity building. Jeff Sayer, World Wide Fund for Nature (WWF), stressed the difficulty in achieving payments for ecosystem services in the poorest countries. Arden-Clarke suggested

choosing and comparing existing projects' data by the end of 2005, to show the feasibility of MES, and Lambert proposed this as one of the workshop's outcomes.

Kaveh Zahedi, UNEP/World Conservation Monitoring Centre, enquired about drivers for action and change. Forgách considered it as a question of leadership, emphasizing the need to find common ground for the private and public sectors. He recommended that the public sector concentrate on governance and the private sector on banking. Leonard Hirsch, Smithsonian Institution, queried whether individuals or the community as a whole should pay for each service, underscoring the need to ensure that all countries have access to MES. Lambert replied that, in either case, ecosystem services should be charged if the good is being over-used.

**Key lessons:** Chair Perrings invited comments on the links between poverty alleviation, equity and transboundary ecosystem services. Rietbergen enquired about UNEP's long-term vision of the pro-poor MES initiative, with Lambert responding that the next phase, after pilot projects, is to draw policies from practice and share them with convention and development institutions. Sayer drew attention to the role of governments, and Lambert noted that UNEP's role would be promoting and advising governments on the creation of MES. Vera Weick, UNEP, warned against overloading MES with multiple objectives. Brent Swallow, World Agroforestry Centre, proposed focusing on attempts to get acceptable trade-offs for ecosystem services to benefit the poor. Emphasizing species and commodities, as opposed to ecosystem services, Yeater enquired about how commodities can be affected by ecosystem services. Forgách stressed the importance of law enforcement for the good functioning of markets, and recommended the creation of user-friendly and understandable MES.

Several participants considered the issue of bundling of services, with Duraiappah highlighting that this concept is still under discussion and Rietbergen stressing its complexity. Robert Tippmann, EcoSecurities, explained that the UN Convention to Combat Desertification (UNCCD) tries to combine different ecosystem services such as water and carbon sequestration. Chair Perrings raised the issue of synergies among MEAs. Rietbergen highlighted the issue of risks, including risk of loss of corporate reputation for private companies.

In closing the session, Chair Perrings summarized the morning's interventions, highlighting that: Sachs defined markets in a restricted manner and expressed reservations about the use of



L-R: Alain Lambert, UNEP's Division of the Global Environment Facility (GEF) Coordinator and John Forgách, Chairman of ForestRe and IISD Board member

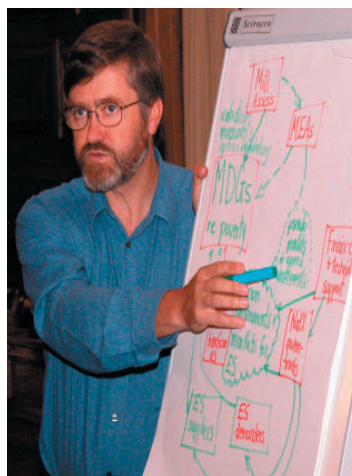
MES; Dasgupta identified, as sources of market inefficiency, the undervaluation of ecosystem services, environmental externalities not reflected in market prices, and the mismatch between market and social prices; and Mooney stated that the MA provided a coherent framework to address natural resource allocation, and defined typologies of ecosystem services, and their consequences on human wellbeing and poverty. Chair Perrings noted a general endorsement of the perception of current market failures related to ecosystem services and of the need to take action, in particular to undertake further research, forge new collaborations and consider transboundary public goods. He suggested that a combination of market-based and regulatory mechanisms, such as cap and trade models, is necessary to establish MES.

### **IDENTIFYING A MID-TERM STRATEGY CREATING PROTOTYPE MARKETS FOR ECOSYSTEM SERVICES**

On Tuesday, the second segment of the workshop brought together senior representatives of MEA Secretariats, UN agencies and other interested parties, to identify the process and institutional mechanisms required to support the creation of pro-poor MES, drawing on the first segment's conclusions and the outcomes of the 2005 World Summit. Swallow chaired the second segment of the workshop, which featured: a panel discussion on experiences from the field in creating MES, a discussion on engaging MEAs, and a brainstorming session on the workshop's output.

Summarizing the outcomes of the first segment of the workshop, Kante underscored the importance of: scientific accuracy; consideration of MES in a broad sense, bearing in mind that other economic tools are also available; valuation of ecosystem services; consideration of property rights, ownership and distribution; provision of incentives for the public and private sectors; and the linkages between poverty reduction, development and ecosystem services. He emphasized that the key role of MEAs in the creation of MES needs to be further explored and clarified, in cooperation with MEAs. Recalling Sachs' focus on valuation, investment priorities, and other economic and regulatory instruments, Kante recommended that such instruments should be seen as complimentary to MES.

Chair Swallow highlighted the linkages between economic instruments, the MDGs and MEAs. He raised the issues of means by which governments can support the development of financial and technical instruments, promote demand, shape the conditions for suppliers and link these with welfare effects. He considered possible impacts on people in the areas concerned, effects on poverty, and possible regulation when directly and indirectly affected people do not participate in MES.



Brent Swallow, World Agroforestry Centre

**Panel discussion on experiences from the field:** Hawn gave a presentation on two projects of the Katoomba Group - an international group of business, research and financial institutions,



Participants at the panel discussion on experiences from the field

and environmental NGOs promoting forest-ecosystem services - creating MES related to land-use change in the US and in Tanzania. She highlighted that institutional investors are interested in a diversified portfolio and long-term returns, and showed that project proponents look at different income streams and the possibility of stacking them. She said that bundling values in a multi-credit market increases opportunities and the value of sales, and suggested using sequencing in assessing whether MES are real and active.

Sayer reported on two WWF projects transferring financial resources to local communities for forest services in Indonesia, where the establishment of funds for social infrastructure development avoided difficulties in allocating compensation to individuals. He noted the difficulty in ensuring long-term benefits to ecosystems, and the importance of law and contract enforcement for the success of these projects. He also remarked that time-consuming negotiations with local communities helped building trust and understanding. Bert Lenten, African-Eurasian Waterbirds Agreement, questioned the stability of payments for ecosystem services, and Sayer said that the WWF projects opened routes for creating MES, in the hope of long-term government involvement. Madhav Mehra, World Council for Corporate Governance, reported on a project in India in which payments for forest ecosystem services created income-generating opportunities for the women of the interested communities.

Ahmed Khan, South Africa, described a government-funded project in South Africa on invasive alien plants management, within the framework of the Working for Water Programme of the South African Department of Water Affairs and Forestry. Underscoring the importance of partnerships and prevention, he noted that a core environmental problem may unlock multiple developmental opportunities, link ecological integrity and social justice, and provide tools for beneficiaries to maximize their returns. Duraipappah enquired about market incentives, and Khan pointed to the creation of employment opportunities in the project's invasive alien plant management crew and road-clearing team.

Mahomed Vawda, South Africa, described another project of the Working for Water Programme, which enhances food security for the poor, makes water available free of charge, provides financial support to farmers, and promotes economic development in rural areas in South Africa. He highlighted both private and public financing for water infrastructure, noting that the introduction of new irrigation systems enhanced the viability of agricultural enterprises. He reported that commercial banks are considering financing communal water infrastructure for commercial agriculture.

Chair Swallow described a project to reward upland poor people for environmental services in South-East Asia, in which public and private agencies empowered, and provided incentives to, farmers for maintaining water, biodiversity and carbon sequestration services. He noted that rewards consisted of enhanced land tenure security, development rights, revenue from carbon credits, infrastructure development and payments from the project's trust funds. He emphasized: sequencing, scoping, and utilizing methods for rapid assessment of marketable ecosystem services; understanding ecological processes of degradation and restoration; redressing inequities in access to public services, and blending people-based and land-based payments. Arden-Clarke enquired about scoping projects, and Chair Swallow noted that this was needed to gather a minimal base of evidence supporting the start of the project. Zahedi enquired about financiers of the biodiversity services, and Chair Swallow replied that they were mostly organizations interested in the contribution of biodiversity services to the value of tourism development areas and non-governmental organizations interested in financing biodiversity conservation corridors.

Bond gave a presentation on IIED projects on MES, highlighting the need to: put in place participatory processes; benefit the poor; reduce transaction costs in understanding underlying ecological conditions; and be clear on which environmental services should be generated by concerned communities. He stressed the need for participants creating MES to understand the reasons for poverty in the relevant area, build partnerships with stakeholders and offer a negotiation support system. He underscored the need for a legislative framework allowing for devolution of resource management in creating MES, and proposed focusing on monitoring and adjusting projects in light of lessons learned. Lambert stressed that MES should aim principally at achieving environmental protection without aggravating poverty, rather than aiming directly at poverty reduction. He called for a combination of economic and command-and-control tools, and cautioned against underestimating the cultural and political dimension of MES.

**MEAs and the creation of pro-poor markets for ecosystem services:** Yeater highlighted CITES' experiences in using trade-related instruments for environmental protection, together with issues of law enforcement and corruption. She said CITES' strategic vision includes a goal on responsible trade, based on sustainable use and the need for social and economic incentives, and stressed the link between meeting the objectives of CITES and achieving the MDGs. She emphasized the need for: clearer valuation of wildlife, to attract support from high-level policy makers and increase the likelihood of integration of environmental concerns into development policies; translating the economic value of globally significant species into direct economic benefits to producer countries to finance environmental

protection; and building capacity on the use of economic instruments. She concluded that MEAs can build capacity, provide technical assistance to countries, and contribute to raising funds, but that they cannot provide these funds directly.

Hepworth underscored the need to obtain the support of State parties to MEAs for the creation of MES, and proposed that this issue should be raised at upcoming MEA Conferences of the Parties (COPs). He expressed hope that CMS State parties decide to participate in MES pilot projects. He encouraged exploring the potential of involving private and corporate players, and cautioned against using "ecosystem services" terminology, given the resistance to this language, which has been expressed by some Parties to the UNCCD. Hepworth also suggested that the Biodiversity Liaison Group be one forum where the MES initiative can be tackled as a crosscutting issue for the biodiversity-related conventions, and that UNEP provide an advisory mechanism for MEAs in this process. Lenten emphasized the need for communication of available knowledge on ecosystem services to MEA State parties, suggesting that UNEP/DEC present on this and on the MES initiative at upcoming COPs. Lenten and Rüdiger Stempel, Agreement on the Conservation of Small Cetaceans of the Baltic and North Seas Accord, noted that ecosystem services are relevant, in different ways, not only to poor but also to rich countries, especially in the case of migratory species.

**Brainstorming session:** Rietbergen raised the issue of biodiversity services, and Yeater pointed to recovering endangered species populations and protecting their habitats. Zahedi enquired about barriers to sustainable trade, with Yeater referring to an information barrier, due to the need to clarify CITES' rules to governments and the private sector. Duraappah raised the issue of equity considerations regarding MES within the CITES regime. José Garibaldi, Energeia, drew attention to the importance of markets for carbon sequestration services. Rietbergen highlighted the potential for a North/South divide in discussing MES before having learned more through pilot projects. Randy Stringer, FAO, highlighted that MES are a tool for poverty and hunger reduction, noting that FAO is considering policy convergence with MEAs. Labbate expressed concern that few MES exist, but noted that incentives and compensation mechanisms, in some instances, are similar to markets.

Hawn suggested UNEP support a new global Millennium Food Security Carbon Fund proposed by the Katoomba Group on payments for ecosystem services, and Kante replied that UNEP is generally favorable to such calls for partnerships. Zahedi proposed compiling MEA documents and COP decisions that mention valuation and ecosystem services, as a next step, while Hepworth proposed to look more broadly for references to sustainable use and poverty reduction. Kante informed participants that UNEP has already



Ivan Bond, International Institute for Environment and Development (IIED)



Amanda Hawn, The Ecosystem Marketplace

started reviewing MEA documents, and found several calling for consideration of economic instruments. Yeater highlighted a CITES resolution on socioeconomic benefits originated from sustainable trade that was recently amended to include reference to poverty alleviation. Arden-Clarke suggested discussing MES at the next meeting of the Convention on Biological Diversity's (CBD) Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA) to assess the feasibility of taking this initiative forward within the CBD regime. Kante stated that he plans to attend the next SBSTTA meeting and UN Framework Convention on Climate Change (UNFCCC) COP and that he will use these opportunities to inform State parties of the MES initiative. Sayer called for developing a list of possible roles for MEAs, to be further discussed.

Recalling Sachs' narrow definition of markets, Duraiappah suggested a broader definition including any situation in which demand and supply exist. Weick emphasized the need to find appropriate terminology for target groups. Noting that CMS and CITES are due to revise their strategic missions, Yeater proposed to capture in these processes the MES initiative with language suitable for internationally negotiated texts.

Chair Swallow said that the experiences from the field provided a sample of available evidence on innovative financing mechanisms linked to ecosystem services, which can feed into other learning experiences on MES and MEAs. He highlighted that: the case studies improved scientific understanding of MES; MEAs define opportunities and constraints for MES at the national and local level; and the relationship between the needs of the poor, poverty reduction processes and environmental protection defines imperatives for, and feasibility of, payments for ecosystem services. He remarked that the discussion on engaging MEAs in the creation of MES pointed to the limited room for maneuver within MEA Secretariats, the need for involving MEA State parties in discussions on MES, and the importance of terminology in the context of legally binding instruments. He identified possible future steps for UNEP/DEC, such as raising awareness about MES at upcoming MEA COPs, establishing an advisory mechanism for creating MES in the context of MEAs, and developing MES pilot projects.



Anantha Duraiappah, International Institute for Sustainable Development (IISD)

#### NEXT STEPS

On Wednesday, participants discussed the chairman's summary and the workshop conclusions, including a list of next steps, and agreed to entrust Chair Swallow to finalize both documents based on the comments received and to circulate them to participants by email after the workshop.



L-R: Bakary Kante, UNEP/DEC Director; Chair Brent Swallow, World Agroforestry Centre and Bradnee Chambers, United Nations University (UNU)

**Chairman's Summary:** In discussing the chairman's summary, Hepworth suggested including a definition of ecosystem services and clarifying differences between "regulatory structures" and "regulating services". Lenten reiterated his suggestion to refer not only to the poor in developing countries, but also in economies in transition and developed countries. Arden-Clarke recommended including the definition of "wealth" proposed by Dasgupta. Duraiappah proposed linking the risk of marginalizing the poor not only with pricing, but also with the marketing of ecosystem services.

**Outcome:** The agreed chairman's summary is comprised of five sections: scope for aligning market-based instruments and ecosystem services; challenges and opportunities for building effective market-based mechanisms for ecosystem services; tools for promoting synergies; imperatives for pro-poor market-based instruments; and next steps.

On aligning market-based instruments and ecosystem services, the chairman highlighted the reasons for market failures related to ecosystem services, such as undervaluation of ecosystem services, and listed a variety of available market-based mechanisms to correct such failures. The chairmen recommended using a combination of market-based mechanisms and regulatory structures for markets to work successfully. On challenges and opportunities, the chairman highlighted, among other issues: lack of proper pricing leading to discounting ecosystem services at the wrong rates; the need to assess the value of losses in the physical availability of ecosystems, which was not included in the MA; the limited existing experience in developing MES for regulating and supporting and for cultural services, in particular if they involve trans-boundary public goods; and the need to identify the value-added for MEAs in using market-based mechanisms to achieve their objectives, and to provide the right incentives for buyers and sellers of ecosystem services.

On tools for promoting synergies, the chairman highlighted that bundling ecosystem services may: reduce trade-offs across ecosystem services; offer opportunities for synergies among MEAs to achieve their respective objectives; and reduce the transaction costs of establishing market-based instruments for ecosystem services. On imperatives for pro-poor market-based instruments, the chairman emphasized the need to avoid marginalizing the poor when pricing or marketing ecosystems, provide compensation mechanisms when the poor are users of services previously provided free of charge, and ensure that pro-poor objectives are an integral component of the conservation



and sustainable use of ecosystem services. A footnote clarifies that these mechanisms can also be used in developed and newly industrialized countries, and in countries with economies in transition.

On next steps, the chairman recommended that UNEP: take the lead in the field of ecosystem services and human well-being; work towards the computation of “wealth” indicators, as defined by Dasgupta; work with MEAs and interested partners on pilot case studies on pro-poor market-based mechanisms; and create interdisciplinary processes and dialogues to better employ market-based instruments for the sustainable management of ecosystem services, for poverty reduction and improvement of human well-being. In a footnote to the summary, the chairman clarified that the term “ecosystem services” refers to the MA’s definition, and does not imply privatization or pricing of these services.

**Conclusions and next steps:** In discussing the proposed conclusions of the meeting, including next steps, participants focused on: lessons learned, specific tools to engage MEAs in creating market mechanisms for ecosystem services, and the role of UNEP.

On lessons learned in creating MES, Kahedi highlighted the opportunity to use natural capital to bring people out of poverty and into the economic mainstream. He also referred to the necessity of regulatory instruments, rather than their complementarity with market-based instruments. Hawn suggested emphasizing that market-based instruments are one of the available tools.

On the role of MEAs, Zehadi highlighted the importance of integrating market-based approaches to ecosystem services into MDG-based national sustainable development plans. Stringer underscored that MEAs define opportunities and constraints for State parties to apply market-based approaches to ecosystem services not only at the national, but also at the international level. Hepworth suggested including the promotion of the MA at MEA COPs as a unique opportunity to engage MEA State parties in developing market-based approaches. German Velasquez, UNEP/DEC, suggested that the integration of market-based approaches to ecosystem services in poverty reduction tools be undertaken in light of the examination of MEA strategies and objectives.

On next steps, Kante proposed to refer to the role of UNEP as a whole, rather than only to that of UNEP/DEC, as well as to other actors. Participants discussed the establishment by UNEP of an advisory mechanism to create market-based mechanisms for ecosystem services and agreed that it would initially target MEA parties and secretariats, without excluding other actors. Hepworth proposed that UNEP request MEAs to appoint a focal point for this initiative. Yeater suggested not only to develop pilot projects, but also to identify existing ones. Labbate recommended involving the private sector in the advisory mechanism and in creating an enabling environment for promoting market-based mechanisms

for ecosystem services. Several participants emphasized communication and capacity building both at the national and international levels.

**Outcome:** The conclusions of the High-Level Brainstorming Workshop “Creating Pro-Poor Markets for Ecosystem Services” is comprised of four sections: an introduction, lessons for creating pro-poor MES, mapping a role for MEAs and market-based mechanisms for ecosystem services, and next steps.

In the introduction, participants acknowledged that experiences gained provide direction for strengthening the use of market-based approaches to achieve the goals of MEAs and mainstreaming the environment beyond MDG-7.

On lessons for creating pro-poor MES, participants acknowledged the general agreement that market-based mechanisms could be key in promoting the contribution of ecosystem services to human well-being and should be one of the complementary set of tools for directing to public and private investments toward environmental and sustainable development aims. They stated that stacking of incentives can create stronger incentives for maintenance and generation of ecosystem services; and bundling of ecosystem services provision may be an efficient and equitable way to obtain synergies across ecosystem services. They also noted the need for a minimum public capacity in monitoring and enforcement of market-based approaches, sound scientific evidence and clear understanding of cause-effect relationships, and consideration of links between poverty and ecosystem services in the design and implementation of market-based approaches.

In the third section on mapping a role for MEAs and market-based mechanisms for ecosystem services, participants highlighted the need for an examination of MEAs, their objectives, strategic planning, and policy documents in light of how they can employ market-based mechanisms to further their interests in order to advise MEA COPs of the potential and operational implications of such instruments. They also noted that: MEAs define opportunities and constraints for member countries to apply market-based approaches at the national and transnational level; meetings of MEAs provide opportunities to enhance awareness among high-level national policy makers; and the promotion of the Millennium Ecosystem Assessment’s outcomes can assist in highlighting the importance of ecosystem services and market-based approaches. Participants also stressed the opportunity to integrate market-based approaches to ecosystem services into existing and planned projects of various entities, including the Millennium Project, and into broader development planning, including MDG-based national development strategies, in light of the examination of MEA strategies and objectives.

Among the next steps, participants agreed to request UNEP to:

- establish an advisory mechanism initially targeted at MEA parties and secretariats for creating market-based mechanisms for ecosystem services, drawing upon expertise and experience from other relevant organizations including the private sector, and inviting MEAs to name focal points for this initiative;
- identify and develop pilot projects that could demonstrate how market-based instruments for ecosystem services can effectively advance MEA objectives;



Robert Hepworth, Convention on the Conservation of Migratory Species of Wild Animals (CMS)

- raise awareness through publications and side events and briefings at MEA COPs on the links and potential between MEAs, ecosystem services and market-based mechanisms;
- consider its role in creating an enabling environment for pro-poor market-based instruments for ecosystem services at the international and national levels, through, *inter alia*, supporting training and capacity-building programmes and engaging the private sector; and
- facilitate linkages, synergies and information flows among organizations and consortia working on market-based mechanisms for ecosystem services, and national and international policymaking, especially through MEAs.

Participants also stressed the importance to the MEAs of terminology, recommending an agreed understanding and definitions of key terms and concepts.

### CLOSING OF THE WORKSHOP

Kante described the initiative on market-based instruments for ecosystem services in the framework of MEAs as a challenge for UNEP as a whole, and underscored UNEP's strong commitment to it. He called for keeping the momentum created by the July Workshop on "Mainstreaming the Environment beyond MDG-7" and highlighted the need to implement the agreed "next steps" to maintain the credibility of the process. He thanked Swallow for his able chairmanship, LSE for hosting and providing the facilities for the workshop, and the *Earth Negotiations Bulletin* team and the meeting rapporteurs for their work. Praising the rewarding exchange of ideas among participants, Chair Swallow drew the workshop to a close at 11.36 am.



Bakary Kante, UNEP/DEC Director

### UPCOMING MEETINGS

**SEVENTH CONFERENCE OF THE PARTIES TO THE UNCCD:** UNCCD COP-7 will take place from 17-28 October 2005, in Nairobi, Kenya. During COP-7, the Committee for the Review of the Implementation of the Convention (CRIC) will also convene to continue to review implementation and prepare draft decisions for adoption at COP-7. For more information contact: UNCCD Secretariat; tel: +49-228-815-2802; fax: +49-228-815-2898; e-mail: [secretariat@unccd.int](mailto:secretariat@unccd.int); Internet: <http://www.unccd.int>

**THIRD SESSION OF THE MEETING OF THE PARTIES TO THE AEWA:** The third session of the Meeting of the Parties to African-Eurasian Migratory Waterbirds Agreement (AEWA) will take place from 23-27 October 2005, in Dakar, Senegal. For further information: contact: AEWA Secretariat; tel: +49-228-815-2414; fax: +49-228-815-2450; e-mail: [aewa@unep.de](mailto:aewa@unep.de); Internet: <http://www.unep-aewa.org/meetings/index.htm>

**THE NINTH CONFERENCE OF PARTIES TO THE RAMSAR CONVENTION:** The ninth meeting of the Conference of the Parties to the Ramsar Convention on Wetlands will be held from 7-15 November 2005, in Kampala, Uganda. For more information, contact: Ramsar Secretariat; tel: +41-22-999-0170; fax +41-22-999-0169; e-mail: [ramsar@ramsar.org](mailto:ramsar@ramsar.org); Internet: [http://www.ramsar.org/index\\_cop9\\_e.htm](http://www.ramsar.org/index_cop9_e.htm)

**EIGHTH CONFERENCE OF PARTIES TO THE CMS:** The eighth meeting of the Conference of the Parties to the Convention on Migratory Species will convene from 16-25 November 2005, in Nairobi, Kenya, with the theme "On the Move to 2010." For more information, contact: UNEP/CMS Secretariat; tel: +49-228-815-2401; fax: +49-228-815-2449; e-mail: [secretariat@cms.int](mailto:secretariat@cms.int); Internet: <http://www.cms.int/news/events.htm>

**FIRST MEETING OF PARTIES TO THE KYOTO PROTOCOL AND ELEVENTH CONFERENCE OF PARTIES TO THE UNFCCC:** Scheduled from 28 November-9 December 2005 in Montreal, Canada, the first Meeting of Parties to the Kyoto Protocol (MOP-1) is taking place in conjunction with the eleventh session of the Conference of Parties (COP-11) to the UN Framework Convention on Climate Change (UNFCCC). For more information contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); Internet: [http://unfccc.int/meetings/unfccc\\_calendar/items/2655.php](http://unfccc.int/meetings/unfccc_calendar/items/2655.php)

**NINTH SPECIAL SESSION OF THE UNEP GC/GMEF:** The ninth special session of the United Nations Environment Programme's Governing Council/Global Ministerial Environment Forum will be held from 7-9 February 2006, in Dubai, U.A.E. The major agenda items for UNEP GCSS-9/GMEF are energy and environment and chemicals management. For more information, contact: Beverly Miller, Secretary for UNEP Governing Council; tel: +254-2-623-431; fax: +254-2-623-929; e-mail: [beverly.miller@unep.org](mailto:beverly.miller@unep.org); Internet: <http://www.unep.org>

**THIRD MEETING OF PARTIES TO THE BIOSAFETY PROTOCOL AND EIGHTH CONFERENCE OF PARTIES TO THE CBD:** The third meeting of the Conference of the Parties serving as the Meeting of the Parties to the Cartagena Protocol on Biosafety will take place from 13-17 March 2006, in Curitiba, Brazil. This will be followed by the eighth meeting of the Conference of the Parties to the CBD, scheduled from 20-31 March 2006, also in Curitiba, Brazil. For more information, contact: CBD Secretariat; tel: +1-514-288-2220; fax: +1-514-288-6588; e-mail: [secretariat@biodiv.org](mailto:secretariat@biodiv.org); Internet: <http://www.biodiv.org/meetings/>

**FIFTH MEETING OF THE PARTIES TO ASCOBANS:** The fifth meeting of the Parties to the Agreement on the Conservation of Small Cetaceans of the Baltic and North Seas (ASCOBANS) will take place from 18-22 September 2006 at the Egmond aan Zee, the Netherlands. For further information, contact: ASCOBANS Secretariat; tel: +49-228-815 2416; fax: +49-228-815 2440; email: [ascobans@ascobans.org](mailto:ascobans@ascobans.org); Internet: <http://www.ascobans.org/index0401.html>