

News > Innovative financing mechanisms for biodiversity: what can Mexico and Europe learn from each other?

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Advancing the protection and restoration of biodiversity in line with the CBD Aichi Targets and the UN Sustainable Development Goals will require cooperation both within the European Union and through international partnerships. The European Commission Partnership Instrument (IP) provides a framework to enhance strategic collaboration, aiding knowledge exchange to inform policy development.

In an [IP-funded project](#), IEEP and partners from CIRAD Agricultural Research for Development and Ibero-

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The study builds on previous IEEP work on [biodiversity financing](#) and the role of [innovative policy instruments](#) to raise and mobilise funds.

While Mexico and the EU have significantly different socioecological settings, they face common environmental and biodiversity challenges. These include habitat loss due to changes in land use and the need for more funds for conservation measures. Innovative financing mechanisms, such as payments for environmental / ecosystem services (PES), biodiversity offsets, the integration of biodiversity into existing fiscal instruments and mechanisms for leveraging private funding, could complement public budgets under pressure and increase the involvement of private investment in biodiversity conservation.

Payments for environmental / ecosystem services (PES) offer financial incentives for conservation that remunerate land owners or managers for the provision of environmental / ecosystem services i.e. benefits humans derive from nature. In the EU, they are mainly implemented through public measures such as the EU's Common Agricultural Policy agri-environmental measures (AEMs), but there are a number of interesting private and hybrid public-private measures. Both of the reports on Mexican and European instruments argue PES schemes can contribute to biodiversity conservation, but need to be tailored to local conditions. In general, they are successful if they enhance stakeholder motivation and ensure changes are maintained in the long term. The two reports show successful schemes in Mexico can be applied in the EU and vice versa. For example, result-based AEMs, which are increasingly used in the EU and remunerate farmers for the achievement of specific environmental goals, could be applied within the current Mexican framework for agricultural subsidies and credits. In addition, some privately-funded EU PES, such as the Evian mineral water scheme in France, could also be introduced in Mexico. The Mexican Matching Funds programme, which empowers local actors to design and deliver targeted schemes with state funding to match private investment, could also be applied in the EU.

Habitat banking and offsets compensate for residual environmental impacts of developments after mitigation measures, and have been used in some EU Member States and the US. However, there is little evidence of their effectiveness in restoration, and the authors recommend they should be used strictly following the mitigation hierarchy, but not as mainstream policy.

The reform of environmental fiscal instruments has potential to deliver concrete biodiversity benefits. In the EU, a wide range of fiscal instruments are used, such as pesticide taxes in a number of Member States. The EU analysis demonstrates that fiscal reform in favour of conservation can be effective, but increasing its implementation will require continued advocacy to combat political inertia, while improving conservation outcomes will require earmarking funds. Environmental fiscal instruments could be introduced in Mexico too. For example, the Portuguese Ecological Fiscal Transfer (EFT) mechanism, where ecological indicators partly determine the amount of intergovernmental fiscal transfers, could improve the designation and protection of national protected areas (NPAs) in Mexico.

Private-sector and impact investment have been used successfully in the EU and Mexico. The European Commission's and the European Investment Bank's joint Natural Capital Financing Facility funds start-up costs and risks for biodiversity-related investments. Mexico has a number of innovative projects

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Although innovative instruments alone are unlikely to bridge the conservation funding gap, implementing a mix of different policy instruments can increase biodiversity funding targeted to the specific local context. With an increase in the number and variety of available instruments, deploying them effectively and efficiency will require systematic evaluation of their roles and the drivers for their uptake.

Please contact [Daniela Russi](#) or [Marianne Kettunen](#) for more information.

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