

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES  
OF WILD FAUNA AND FLORA

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Fiftieth meeting of the Standing Committee  
Geneva (Switzerland), 15-19 March 2004

Strategic and administrative matters

ECONOMIC INCENTIVES AND TRADE POLICY

1. This document has been prepared by the Secretariat.
2. At its 12th meeting (Santiago, 2002), the Conference of the Parties adopted Decision 12.22 directed to the Secretariat, which reads as follows:

*The Secretariat should, contingent on the availability of external funding and in collaboration with the Parties that wish to participate and with CBD, FAO, Fauna and Flora International, ICTSD, IFC, IUCN, OECD, TRAFFIC, UNEP-ETB, UNCTAD-BIOTRADE, the World Resources Institute, the World Bank and WTO:*

  - a) *organize a technical workshop on wildlife trade policies and economic incentives applicable to the management of and trade in CITES-listed species, in particular in order to develop a methodology to review those policies and to make targeted recommendations on the use of those incentives;*
  - b) *report at the 49th meeting of the Standing Committee the findings and recommendations of the workshop;*
3. The Secretariat had insufficient time and funds to organize the workshop before the 49th meeting of the Standing Committee (Geneva, April 2003), but it provided a brief oral account of the related activities it had been able to undertake to that point.
4. The Workshop on Economic Incentives and Trade Policy was held in Geneva from 1 to 3 December 2003, with financial support provided by the Governments of Switzerland and of the United Kingdom of Great Britain and Northern Ireland, and UNEP's Economics and Trade Branch. There were about 40 participants from Governments, inter-governmental organizations, non-governmental organizations and academia. Countries that participated in the CITES workshop of the mega-biodiversity exporters held in Brussels in February 2001 were sponsored to attend this workshop. Parties and strategic partners that wish to participate were also invited
5. The participants agreed to present their findings and recommendations at the 50th meeting of the Standing Committee (Geneva, 15-19 March 2004) by means of two sets of recommendations from the working groups established during the workshop.
6. The Recommendations from Working Group 1 on methodologies for national wildlife trade reviews are contained in Annex 1. The recommendations from Working Group 2 on economic incentives are contained in Annex 2. A summary report of the workshop and the background paper on methodologies for wildlife trade reviews will be provided as

information documents. They are also available on the CITES website at:  
<http://www.cites.org/eng/prog/economics.shtml>.

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Workshop on Economic Incentives and Trade Policy  
Geneva (Switzerland), 1-3 December 2003

Recommendations from Working Group I on methodologies for national wildlife trade reviews

Decision 12.22, paragraph a), calls on the Secretariat to “organize a technical workshop on wildlife trade policies and economic incentives applicable to the management of and trade in CITES-listed species, and in particular in order to develop a methodology to review those policies...”. Working Group I discussed the development of a methodology to review national wildlife trade policies based on a paper prepared by Fauna and Flora International. The paper has been discussed and amended in the light of those discussions (Document attached as an Annex to these recommendations).

Decision 12.22 requests that following a report on the workshop to the Standing Committee, the Secretariat, in cooperation with the interested Parties, conduct a review of national wildlife trade policies according to the following recommendations.

1. The reviews are intended to focus on a Party’s national wildlife trade policy, including their policy to implementing CITES. There will be an emphasis within the reviews on taking into account “economic incentives, production systems, consumption patterns, market access strategies, price structures, certification schemes, CITES-relevant taxation and subsidy schemes, property rights, mechanisms for benefit sharing and reinvestment in conservation, as well as stricter domestic measures that Parties apply or are affected by” (Decision 12.22, paragraph d).
2. It is important that the review of national wildlife trade policies is and remains a voluntary process that respects the national sovereignty of Parties. The reviews will be carried out by the Secretariat in cooperation with the Parties and the Parties will have ownership of the reviews. The reviews are designed to assist Parties and represent an exercise in capacity building. They are not be linked to compliance procedures. The nature and scope of the reviews will differ according to the country or countries conducting them and according to the type of trade policy. The methodology should be developed in a flexible way and be treated as offering a menu of options from which countries can choose when conducting their reviews.
3. The overall objective of the policy reviews is to improve national wildlife trade policies by creating greater understanding of and transparency in the various wildlife trade policies and practices. Another purpose is to increase the understanding of the impact of those policies on the functioning of CITES and the conservation of CITES-listed species. The reviews should lead to improved implementation of CITES provisions and recommendations, in some cases through the adjustment of existing policies. The reviews are not intended to include criticism of the goals of the policy under review. These goals are set by national governments and remain a national prerogative.
4. The CITES review of national wildlife trade policies can learn some important lessons about implementation from UNEP’s Reference Manual and Country Projects on Integrated

Assessment of Trade-Related Policies. Applying these lessons to the CITES reviews suggests that:

- National governments should be closely involved and a multi-stakeholder approach should be adopted to address priorities;
- Local institutions and experts should be empowered by involving them in the formulation and implementation of the review;
- A country-driven approach should be adopted to design and implement the reviews and policy responses; and
- Local ownership should be secured early in the review process.

5. The main questions to be considered in a review of national wildlife trade policy are set out below.

1.	Goals and guiding principles	What are the goals and guiding principles of the national wildlife trade policy?
2.	Policy instruments	What are the main types of policy instrument used in the national wildlife trade policy?
3a.	Policy implementation Institutions	What are the institutions involved in the implementation of national wildlife trade policy? What are their respective roles?
3b.	Policy implementation Personnel	What types of personnel are involved? What skills do they have?
3c.	Policy implementation Information	What information is needed for policy implementation and how is this need met?
4.	Finance	How are the different parts of the national wildlife trade policy financed?
5.	Legislation	Is the national wildlife trade policy embodied in legislation?
6.	Assessment and feedback	Is there any provision in the national wildlife trade policy for assessment of the success of policy and, if so, for a feedback mechanism to allow for the appropriate amendment to policy?
7.	Policy coordination with neighbouring States	Is there policy coordination with neighbouring states?

## 6. Timetable

On the timing of the review participants noted that it should be flexible and might take anything from six months to two years. One possible model is to organize the review around a national workshop in which stakeholders and policy makers are involved. This could help ensure wide participation in the review. The success of such a workshop will depend, in part, on the degree of preparation that goes on beforehand. Preparation could include the completion of a draft review in consultation with stakeholders. This draft review could then be submitted to the workshop for discussion and amendment. After the workshop the review would need to be revised in the light of the workshop findings.

A draft timetable might be:

Activity	Duration
Identification of agency with overall responsibility for the review; informing all stakeholders of the review; initial characterization of the content of the review; appointment of agencies responsible for preparation of key documents;	3 months
Consultation with stakeholders and preparation of draft review;	3 months
National workshop to assess draft review of national wildlife trade policies;	3-5 days
Incorporation of workshop findings into the review; completion of missing elements in the review (if necessary);	3 months
Final preparation of the review.	1 month

#### 7. Publication of the reviews

Publication of the reviews will need to be handled with care. If a Party wishes to reserve the right to prohibit publication of the review it can do so at the time of volunteering to participate in the review process.

#### 8. Links to other review and planning processes

Many Parties are engaged in other review and planning processes relating to the sustainable use and conservation of biodiversity. These processes may derive from their international commitments (including treaties such as the Convention on Biological Diversity - CBD), or from decisions made at the national level. In order to avoid unnecessary burdens on Parties and to maximize the synergies between different processes, there is a strong case for linking the review of national wildlife trade policies to these other processes. Nevertheless, it must also be recognised that, in some circumstances, establishing such links can itself add to the burdens faced by Parties. Such links should be made where they *facilitate* the implementation of the review of national wildlife trade policies.

#### 9. Funding

The implementation of the review of national wildlife trade policies is dependent on the successful identification of new and additional funding to enable Parties to carry out these reviews. The task of identifying funding is an urgent one, since without funding it will be difficult to carry out reviews of national wildlife trade policy. There is a particular need to make a case for the eligibility of these reviews for funding by the Global Environment Facility (GEF), which is mentioned in Decision 12.22. It may be – and this is hinted at by the language of Decision 12.22 – that the eligibility of the national wildlife trade policy reviews for GEF funding will be improved if an explicit link is made between these reviews, and the National Biodiversity Strategy and Action Plans that are required by the CBD.

In some cases Parties may be able to fund the review from their own resources. In other cases Parties wishing to participate in the review will need to cooperate actively with the Secretariat in seeking funds.



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Workshop on Economic Incentives and Trade Policy  
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Recommendations from Working Group II on economic incentives

Decision 12.22, paragraph a), calls on the Secretariat to “organize a technical workshop on wildlife trade policies and economic incentives applicable to the management of and trade in CITES-listed species”, and in particular, “to make targeted recommendations on the use of those incentives”. Working Group II noted that it was premature to make targeted recommendations on the use of economic incentives before the results of the national wildlife trade reviews are known. Further research and in-depth studies in pilot species such as crocodiles, mahogany, the queen conch, sturgeons and the vicuña was recommended as a way forward to identify best practices and benefit from the experience gained. .

Working Group II identified constructive partnerships on the issue of economic incentives with global and regional organizations working on issues related to wildlife trade such as IUCN, TRAFFIC, IIED, the UNCTAD-BIOTRADE Initiative; UNEP-Economics and Trade Branch (ETB) Working Group on Economic Instruments; the Organization for Economic Cooperation and Development (OECD) Working Group on Economic Aspects of Biodiversity (WGEAB); Ramsar, the World Bank; ISO, ITC, IFC, Fauna and Flora International; as well as leading academic and research institutions and experts such as Resources for the Future (RFF) and the European Union-funded project Biodiversity and Economics for Conservation (BIOECON). The Food and Agriculture Organization of United Nations (FAO), the Convention on Biological Diversity (CBD) and the World Resource Institute were invited but were not able to attend.

Gathering experience with countries and with other Multilateral Environmental Agreements - MEAs (e.g. CBD, Ramsar, UNFCCC, etc.), inter-governmental organizations (UNEP, IUCN, World Bank, UNCTAD-BIOTRADE, OECD, FAO, ITC, IFC), non-governmental organizations (TRAFFIC, IIED, Fauna and Flora International, ISO, WWF, etc) and researchers (universities and think-tanks e.g. BIOECON, RFF-Resources for the Future, etc.) was also recommended.

The workshop was organized in close cooperation with UNEP-Economics and Trade Branch (ETB) and benefited from the lessons learnt in the UNEP Working Group on Economic Instruments.

Working Group II made some general remarks and specific recommendations to be considered at the 50th meeting of the Standing Committee.

General remarks

1. The use of economic incentives is the prerogative of the Parties. Each Party decides whether, how and to what extent to incorporate those incentives in its wildlife policies and legislation. However, it is recognized that an integrated approach, which includes the use of well-targeted economic instruments based on a thorough analysis of the underlying socio-economic causes for species loss, will often be key for achieving the goals of the Convention. To this end, Parties should consider using tools that harness positive and

remove or mitigate perverse incentives when developing national or regional strategies for the conservation and sustainable use of wildlife.

2. Economic incentives are not a panacea and will simply not work without proper and rigorous design and appropriate administrative back-up. There are no blueprints or universal answers and the use of economic incentives depends on the particular instrument, its design and the context in which it operates. It has to be acknowledged that the best instrument required to solve a particular problem may not be feasible in some countries or locations and Parties may have to rely on more traditional remedies. The international community could endeavour to find ways to help less developed countries begin exploring the use of economic incentives and its attendant instruments by providing support and expertise.
3. An overall reflection that emerged from the workshop was that some of the preliminary recommendations might be very theoretically good, but seemed to be missing a "reality-check" - i.e. can we expect a financially-stretched country, with rampant illegal wildlife trade, and few funds and little institutional and legal back-up to intervene in markets? It appeared that a practical background document specifically addressing the use of economic incentives in the context of CITES and possibly a second workshop were needed to provide some basic guidance to countries about how economic instruments can be used to: a) ensure that the use of Appendix-II species is sustainable; b) promote the recovery of Appendix-I species until they no longer meet the criteria for inclusion in Appendix I; c) halt if not reverse the decline of certain populations; and d) reinvest the financial benefits accruing from the wildlife trade in management and conservation of those species. The background document and the second workshop would need to address the connected issues of livelihood and poverty concerns as well as raising revenues for conservation (revenues for government and for private resource users and landholders). Examination of best practices and steps for implementation, as well as some in-depth case studies for critical species could be very helpful as a basis for more substantive and targeted work.
4. There needs to be greater reflection on the variety of causes of wildlife loss. Over-harvesting is just one of them, and over-harvesting for international trade is just part of that. Better understanding is needed of the linkages between trade and use patterns, changes in stocks owing to local and national interests and habitat changes owing to other human activity. This becomes important when there are competing uses for the land used by the species, or when the species causes local damage. Even when this is not the case, allowing extraction can provide the resources and the incentives needed for people to protect the species. There are several success stories in the world that illustrate this.
5. Well-designed economic incentives should allow remuneration and prices to reflect costs more fully, including conservation costs. However if discriminatory or not well designed, these economic incentives could negatively affect market access or reduce economic welfare.
6. There should be some serious re-thinking of whether the absolute trade ban approach is counter-productive pursuant to the goals of the Convention. Economic theory teaches that an absolute ban may remove any incentive for local people to conserve a threatened species.
7. Participants recognized the need for cooperation and collaboration with international organizations which may assist the Secretariat in designing and implementing targeted recommendations for the use of economic incentives. Cooperation should focus on the exchange of experiences in the design and use of economic incentives for sustainable



management of wild fauna and flora, compilation of case-studies, best practices and lessons learnt, as well as the development of practical principles and operational guidance.

8. The working group recognized that the application of the stricter domestic measures mentioned in Article XIV of the Convention may act as a positive or negative incentive, depending on the context in which those measures are applied.

Specific recommendations on the use of economic incentives:

1. **Tradable quotas:** Tradable quotas could be used by Parties engaged in trade that allocate annual quotas as a kind of quantitative restriction to meet the requirements of Article IV. Parties may consider using this incentive to generate revenues for conservation at the national level.

Tradable quotas are the rights or allowances to undertake sustainable harvesting and non-detrimental exports restricted to a given species and location. These quotas are transferable and can be traded between interested harvesters through a market. Essentially, the quota size does not alter, but the incentives for harvesters do - the one willing to pay the most for a portion of the quota can purchase this in the market. As with traditional quotas, tradable quotas are sensitive to the health of the wild populations and can be increased or decreased by the government.

To the extent that quotas are set on how much of a given species is harvested, those quotas should be (i) transferable between recipients, to ensure that they go to the highest-value use (if there are distributional concerns, the quotas could initially be given to the group a particular country wants to favor, and they could re-sell them); and (ii) possibly sold (at auction or via some other mechanism) to generate revenue. Giving them away on a first-come first-served basis and not allowing re-sale is inefficient and tends to give windfall gains to politically well-connected groups. This is irrespective of how the quota itself is set. If the quota set exceeds sustainability, it is too high whether it is tradable or not and whether it is sold or not. Regardless of the approach adopted by the Party concerned, it is important to establish an equitable ownership allocation process to achieve the final outcome of long-term sustainability.

Tradable quotas can be and have been very successful when the conditions are right and they are well executed. They can also be either ineffective or even disastrous if applied poorly or under the wrong conditions.

It should be noted that the scope for use of tradable quotas is dependent on a number of factors, such as the scale of the harvest, i.e. it may not be viable for small harvests. More investigation of their efficacy under different conditions as well as their constraints on use is needed.

2. **Property rights:** If Parties want to ensure that wildlife trade generates revenues for conservation in some particular way, then 'secure property rights' are a key element. Property rights include the right to use a particular species, to permit or exclude its use by others, to collect the income generated by the species, and to sell or otherwise dispose of the species.

In the absence of secure property rights, such as under open access conditions, it is well documented that poachers harvesting valuable specimens of wild species can enjoy profit margins that make any effort to elude enforcement controls worthwhile.

The assignment of property rights to local communities can help to reduce enforcement costs by providing resource owners with an incentive to protect the species. Those rights could include self-administration of resource use and the right to sell hunting licenses.

When markets exist, but do not succeed in conserving a valuable resource, poorly defined, weak or missing property rights can be to blame. Indeed, it is very important to determine which characteristics of secure property rights are missing or weak and explore ways to restore or substitute for the missing elements. That does not mean that a simple solution is always at hand, or that there exists any property rights solution at all, nor does it imply that this is the only way to achieve conservation.

In light of unsustainable harvests of wild species, an initial investigation must address both the status of property rights governing the land and a "stakeholder analysis" to comprehend the reason for the perverse incentives driving over-extraction. The development of policy-driven scenarios to address this problem should flow from a distillation of these twin investigations.

3. **Certification:** Working Group II was advised by the head of Conformity Assessment, International Organization for Standardization (ISO) confirmed that the current that the CITES permitting and certification scheme as set out in the Convention is an example of a regulatory certification scheme, with government Management and Scientific Authorities acting as 'certifiers' for trade of products using 'specified requirements' as detailed in the Convention - these requirements are principally that the trade is to have a 'non-detrimental effect' on the species concerned and that the product is 'legally obtained'. However, it needs to be implemented in a credible way – e.g. standardization of practices for the undertaking of non-detriment and legal acquisition findings. This would necessitate Management and Scientific Authorities acting independently of the commercial interests of traders and consumers.

It appears that some importing countries have concerns about the credibility of some of the current permitting/certification practices, and it has been recommended that some mechanisms, such as peer evaluation, could provide the basis for the development of a more consistent application of the requirements to issue a permit for a specimen of Appendix II species. There are a number of ISO standards which should be considered if the existing CITES scheme were to be leveraged to become a full market recognition or branding-type certification scheme.

It was understood this is effectively happening in some cases by default (re-exporting of caviar with specific branding using the CITES logo is primarily an enforcement tool but has had the positive side-effect of reassuring consumers). Development in this direction needs to be approached in a cautious, planned and well-resourced manner, and be consistent with relevant WTO rules. For instance, a scheme developed in accordance with international ISO standards would satisfy WTO rules and would provide CITES an opportunity to engage market forces to achieve the Convention's goals.

Making a CITES brand name and CITES certification scheme more credible would require the elaboration of some guidance to countries on standardization of practices and peer assessment. ISO mentioned some documents that could be relevant and it would be recommendable to prepare a paper with the most applicable ideas for the CITES Management and Scientific Authorities.

During the workshop the question of discrimination arose e.g. import bans for some countries given that the importing country considers the existing control system in the exporting country insufficient and it was recommended that mechanisms such as peer

assessment could help importing and exporting countries to build credibility in the certification process from the supply side.

It was also noted that although there is potential to use CITES as a "brand name", there is limited evidence that sufficient numbers of consumers are interested in buying products endorsed with such CITES logo, i.e. particularly, there tends not to be a discernable premium that flows back to the producers. This is very relevant in the context of CITES since one "economic" argument for over-exploitation is that the local communities and landowners are receiving too little cash for their products, and hence increasing their income will stimulate conservation. Some concerns were raised about the efficacy of certification as a tool for generating conservation gains.

4. **CITES procedures:** The regulation and control of international trade in specimens of CITES-listed species gives the Parties the ability to raise additional revenue via taxes. It is recommended that Parties coordinate between them the establishment of such taxes so that they do not 'compete away' the monopoly and remove their ability to collect this money. It was suggested that the CITES Secretariat could even act as the means by which the Parties agree on a joint tax scheme.

Looking at ways of making CITES procedures (e.g. permit issuance) pay for themselves; Working Group II also recommended the elaboration of some guidance to countries on cost recovery. Few useful cases and examples of cost recovery were mentioned, e.g. taxes on the exports of crocodile skins, mainly to Japan, earns significant revenue in Papua New Guinea. It was noted that a poorly designed tax will easily cost a country more than it reaps in revenue. Parties may want to explore this possibility if for instance taxes levied on exports can provide an important source of funding for monitoring and enforcement efforts.

The workshop also noted that rules to encourage trade in value-added products might not always be good practice. Parties should not necessarily force local production, as sometimes the export of raw material might be more worthwhile than of processed products if that is where a country's comparative advantage lies. Parties should look at and address the factors preventing value-added production.