



Economic incentives for the conservation of CITES-listed species: Examples from the International Finance Corporation (IFC) Biodiversity Portfolio

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Overview

- Three examples of investments or grants designed to harness market forces to meet biodiversity conservation goals.
- Projects supported by the Global Environment Facility (GEF) and implemented by International Finance Corporation (IFC)
 - _ Poison dart frogs in Peru
 - _ Terra Capital biodiversity investment fund in Latin America
 - _ Proposed Conch mariculture and restoration project in the Caribbean



What is the International Finance Corporation?

- ◆ Member of World Bank Group
- ◆ IFC's mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives
- ◆ In FY02, IFC approved \$4.0 billion of financing for 223 new investments
- ◆ IFC's Environmental Finance Group has a biodiversity portfolio targeting tourism, agribusiness, aquaculture, and forest products.



What is the Global Environment Facility (GEF) ?

- ◆ Provides grants and concessional funding to developing and transitional countries, for projects and programs that protect the global environment and promote sustainable economic growth.
- ◆ Since 1991, GEF has funded over 1,300 projects in 140 countries, with grants totaling \$4.5 billion.
- ◆ Biodiversity is one of GEF's four main funding areas.
- ◆ IFC is a GEF Executing Agency.



Example 1: Converting the international trade in poison dart frogs into a vehicle of biodiversity conservation

Problem: Poison dart frogs (CITES Appendix 2) threatened by loss of habitat and by smuggling for resale to international pet trade.

Key idea: A novel and simple breeding method allows the frogs to be sustainably bred and harvested *in situ* without removing or harming the breeding pairs and surrounding ecosystem.

Project Structure: Establish a business in Peru which legally exports juvenile poison dart frogs.





Example 1, continued.

Benefits: Campesinos earn a living from standing forest and have reason to protect it; no more incentive for smugglers to operate in Peru.

Status: Under implementation (start-up slow due to difficulties in obtaining export permit).

Lessons Learned: Government staff responsible for managing wildlife trade are typically scientists without business training, who control/limit trade; little or no experience with facilitating innovative uses of trade.





Example 2: Terra Capital: a private equity fund

Problem: Potential biodiversity-friendly businesses in Latin America find it difficult to raise investments.

Key idea: Create a private equity fund dedicated to investing in biodiversity-friendly businesses in Latin America.

Project Structure: \$15 million private equity fund.





Example 2: Terra Capital: a private equity fund

Benefits: By developing economic value from biodiversity, the users and owners of biodiversity will have an incentive to protect biodiversity in the long run.

Status: Project closed prematurely due to underperformance of portfolio.

Lessons learned: don't set IRR threshold too high; provide technical assistance for business management. New projects will benefit from Terra Capital's experience.





Example 3: Conch Mariculture

Problem: Stocks of Queen Conch *Strombus gigas* dwindling due to overfishing; CITES AC19 lists Honduras, Dominican Republic and Haiti as “countries of urgent concern;” Honduras and Dominican Republic temporarily cease all exports.

Key idea: The world’s only commercial-scale conch farm offers its services to help restore conch; sustainably-raised conch juveniles now available at large scale.

Project Structure: Establish small-scale conch grow-out farms; research into reseeded/restocking; use of egg farms.





Example 3: Conch Mariculture

Benefits: Fishers earn a living from conch without depleting wild stocks. New conch restoration techniques are developed.

Status: Proposal expected to be submitted to GEF in 2004.

Lessons learned: Opportunity for complementarity between IFC-GEF and CITES.





For more information...

- About the GEF: www.gefweb.org
- About IFC's Environmental Finance Group (EFG):
www.ifc.org/efg
- We are looking for high-quality, private-sector projects in developing countries that offer environmental benefits.
- To propose a biodiversity project to IFC, write to: efgifc@ifc.org