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

Sabrina Birner, consultant to IFC’s Environmental Finance Group

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 reseeding/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](http://www.gefweb.org)
- 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](mailto:efgifc@ifc.org)