

## Event Highlights

### **The 8<sup>th</sup> International Conference on Eco-Compensation and Payments for Ecosystem Services Chengdu, Sichuan Province, the People's Republic of China 13–14 December 2019**

On 13 and 14 December 2019, the 8<sup>th</sup> International Conference on Eco-Compensation and Payments for Ecosystem Services was held in Chengdu, Sichuan Province, the People's Republic of China (PRC). The forum was organized by China Eco-compensation Policy Research Center with the support of the Asian Development Bank (ADB), National Development and Reform Commission (NDRC), Chinese Academy of Environmental Planning (CAEP) of the Ministry of Ecology and Environment (MEE), ADB-PRC Regional Knowledge Sharing Initiative (RCSI), Sichuan Provincial Development and Reform Commission, and Chengdu Municipal Government. Over 350 participants from the PRC government, international organizations, developing member countries (DMC), academic institutions, and the private sector attended the conference. This year's conference was themed "Linking Eco-compensation with Poverty Alleviation".

The PRC has identified eco-compensation as an important policy instrument for poverty alleviation in key ecological function zones (such as, biodiversity rich areas prioritized for conservation), and for protecting the Yangtze River basin (which runs through Anhui and 10 other provinces before entering the East China Sea at Shanghai). Momentum for implementing eco-compensation schemes has been growing. NDRC and three other ministries having jointly issued a policy paper which urges each province to establish watershed eco-compensation mechanisms by 2020. The aim is to establish trans-provincial watershed eco-compensation mechanisms for all of the PRC's major rivers by 2025. Given the recent economic downturn and growing public sector constraints, the PRC is also keen to learn from international best practice on how to effectively engage the private sector and civil society to catalyze their contributions toward ecological conservation and environmental protection.

ADB has been supporting the PRC's eco-compensation agenda through ongoing collaboration with NDRC on a range of projects and activities since 2009. ADB has a global network to pool experience and lessons learned on eco-compensation and payments for eco-compensation services. This annual conference represents one such activity of mutual learning between domestic and international experts, sharing lessons from pilot programs, and catalyzing innovative practices going forward.

### **Highlights**

Below are key highlights of the conference:

- The PRC has a long history of programs combining poverty alleviation and rural welfare improvement targets with environmental interventions, and 20 years of direct experience in eco-compensation programs. A knowledge sharing forum such as this conference represents an excellent platform to showcase and share PRC knowledge and experience with the country, and more importantly to share with other DMCs.
- The concept of a natural capital lab was shared and well received. The concept comprises three components: capturing natural capital value through valuation tools such as gross ecosystem product (GEP), using eco-compensation schemes to determine who should pay and who should be

compensated, and leveraging public and private funding to mobilize sustainable finance through innovative financing mechanisms. ADB and NDRC have worked together to pilot GEP and eco-compensation programs in several provinces and shared this knowledge in previous events.

- The Anhui Huangshan Xin'an River Ecological Protection and Green Development project provided a timely example of sustainable financing mechanism for natural capital investment. Its innovative green financing mechanism offered a dual-pooled sustainable funding model to support a green incentive mechanism and green investment mechanism. This model can be scaled-up in other areas such as the proposed Chishui river trans-provincial eco-compensation scheme, the upcoming Yellow River ecological protection and high-quality development initiative, and other DMCs facing similar eco-environmental challenges.
- The Chishui watershed trans-provincial eco-compensation scheme, covering Sichuan, Guizhou, and Yunnan provinces was also discussed. This scheme will pilot green financing approaches to catalyze business sector engagement in conservation across the watershed spanning three provinces. Separately, ADB, NDRC, and the three provincial DRC representatives also discussed current project planning activities and next steps involving the establishing a public-private partnership fund and eco-compensation scheme across the watershed.
- The business sector offers an under-tapped funding source to support PRC's ecological protection programs. The PRC is interested to learn from international experiences on how to effectively engage the private sector as a means of catalyzing natural capital investment and mobilizing sustainable conservation financing:
  - Recent developments in the payment for performance space, which encourage private sector and third-party involvement to connect buyers and sellers of ecosystem services, were also shared.
  - A strong institutional framework offers stability and consistency in policies and regulations to attract private sector involvement. At the same time, environmental agencies' monitoring, assessment, and enforcement capacity must be strengthened. They must also be given the authority to impose strong penalties to influence enterprise and local government behavior.
  - Public-private partnership arrangements allows the government to shift more implementation risk to the business sector. The ratio of risk-to-reward, supported by appropriate policies and regulatory frameworks, can provide strong incentives to catalyze business sector investment, and to generate interest in "pay-for-success" contracts between the government and business sector.
- Alibaba Group's Tianjin Environment Exchange CEO shared a potential application of its Ant Financial platform to support rural livelihood development and ecological protection. Such innovative technology combined with eco-compensation approaches can be scaled up across sectors and leverage on Alibaba's large base of 500 million users to provide rural farmers access to markets, and to facilitate farmer education on improved farming practices to achieve ecological protection outcomes.

### **Next Steps**

- ADB will explore possible resources to support the PRC national eco-compensation legislation.
- As part of preparation for COP 15 on biodiversity conservation, ADB will work with Stanford University

to refine the concept of the natural capital lab and engage national stakeholders including NDRC and MEE to take it forward for application in the Yangtze and Yellow river basins.

- EARD will consult with potential host cities, Chengde City and Zhengzhou City, to discuss the planning and hosting of the conference in 2020.
- ADB will follow up with NDRC and provincial DRCs from Sichuan, Yunnan, and Guizhou on possible support for the proposed Chishui river trans-provincial eco-compensation scheme project.

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