



## CONVENTION ON BIOLOGICAL DIVERSITY

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### AD HOC OPEN-ENDED WORKING GROUP ON REVIEW OF IMPLEMENTATION OF THE CONVENTION

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### **OPTIONS FOR RESOURCE MOBILIZATION, INCLUDING INNOVATIVE FINANCIAL MECHANISMS, AND A DRAFT STRATEGY FOR RESOURCE MOBILIZATION IN SUPPORT OF THE ACHIEVEMENT OF THE OBJECTIVES OF THE CONVENTION**

*Note by the Executive Secretary*

#### SUMMARY

At its eighth meeting, the Conference of the Parties, in its decision VIII/13, decided to conduct an in-depth review of the availability of financial resources, including through the financial mechanism, at its ninth meeting, and requested the Executive Secretary, in consultation with Parties, Governments and relevant partners, to explore all options for resource mobilization including innovative financial mechanisms and to develop a draft strategy for resource mobilization in support of the achievement of the objectives of the Convention, taking into account the elements of the in-depth review, and to present a report on these options and the draft strategy to the ninth meeting of the Conference of the Parties through the Ad Hoc Open Ended Working Group on Review of Implementation of the Convention. The present note has been prepared in response to that request.

This note provides the contextual information for resource mobilization under the Convention as well as perspectives on resource mobilization from Governments and non-governmental organizations. It proposes that a resource mobilization strategy build on and complement on-going bilateral and multilateral relevant initiatives, including activities carried out by the Global Environment Facility (GEF) and its implementing and executing agencies. The note further explores options available at national, regional and global levels for advancing resource mobilizations under the Convention, including innovative financial mechanisms.

Further development of the strategy will require additional research and analysis, and would benefit from additional inputs from Parties and stakeholders. Such intergovernmental involvement is required to enable the necessary consensus on a strategy that will support the achievement of the 2010 biodiversity target and beyond. Accordingly, the Working Group may wish to promote guidance or the development of the strategy.

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An essential element of any strategy will be to facilitate the appropriate use of development cooperation finance for biodiversity-related actions that support sustainable development. The International Conference on Financing for Development to be held in Doha in the second half of 2008 will provide an important opportunity to explain and promote the integration of biodiversity into development cooperation finance.

### **SUGGESTED RECOMMENDATIONS**

The Ad Hoc Open-ended Working Group on Review of Implementation of the Convention may wish to adopt a recommendation along the following lines:

*Recalling* that, in decision VIII/13, the Conference of the Parties decided to conduct an in-depth review of the availability of financial resources at its ninth meeting, and requested the Executive Secretary to prepare a draft strategy for resource mobilization'

1. *Encourages* Parties and observers to submit, by 15 October 2007, views on the review of the availability of financial resources and on the elements for the proposed strategy for resource mobilization;

2. *Requests* the Executive Secretary to convene an advisory task force comprising two representatives of each regional group to advise on the further development of the draft strategy for resource mobilization in accordance with paragraph 4 of decision VIII/13, and in further developing the draft Strategy, to also take into account the comments made by Parties and observers during the second meeting of the Working Group and submissions provided by Parties and observers;

3. *Recommends* that, at its the ninth meeting, the Conference of the Parties mandate its President to transmit a message on biodiversity and financing for development to the International Conference on Financing for Development to be held in Doha in the second half of 2008. The advisory task force referred to in paragraph 2 above may prepare a draft of the message for the consideration of the Conference of the Parties.

## I. INTRODUCTION

1. In its decision VIII/13, the Conference of the Parties to the Convention on Biological Diversity decided to conduct an in-depth review of the availability of financial resources, including through the financial mechanism, at its ninth meeting, and requested the Executive Secretary, in consultation with Parties, Governments and relevant partners, to explore all options for resource mobilization including innovative financial mechanisms and to develop a draft strategy for resource mobilization in support of the achievement of the objectives of the Convention, taking into account the elements of the in-depth review, and to present a report on these options and the draft strategy to the ninth meeting of the Conference of the Parties through the Ad Hoc Open Ended Working Group on Review of Implementation of the Convention.

2. In order to consult Parties, Governments and relevant partners, the Executive Secretary circulated notifications soliciting submissions on the subject as well as on environmental funds. Submissions have been received from Argentina, Australia, Canada, Germany and the European Commission on behalf of the European Community and its Member States, Honduras, Mexico, Myanmar, Switzerland, as well as Greenpeace International, Royal Society for the Protection of Birds (RSPB) (the BirdLife partner in the United Kingdom). A compilation of these submissions is being circulated as an information document for the meeting of the Working Group (UNEP/CBD/WG-RI/2/INF/8).

3. The present note is intended to serve as a contribution to the discussions of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention on options and the draft strategy for mobilization, taking into account the elements of the in-depth review of the availability of financial resources. It draws on a number of sources, including national reports, national biodiversity strategies and action plans and information submitted by Parties and partner organizations. Section II provides the contextual information for resource mobilization under the Convention, and section III is a summary of the submissions received in accordance with decision VIII/13. Section IV outlines basic considerations for developing a strategy for resource mobilization, and section V provides options available for advancing resource mobilizations under the Convention, including innovative financial mechanisms. Some final remarks are provided at the end of the present note.

## II. THE CONTEXT OF FINANCING FOR BIOLOGICAL DIVERSITY

4. The loss of biological diversity is increasing at an unprecedented rate. According to the Millennium Ecosystem Assessment, these rates would continue, or accelerate, in the future, and unprecedented additional efforts will be needed to reach the 2010 Biodiversity Target, that is to achieve by 2010 a significant reduction in the rate of biodiversity loss at all levels.

5. By contracting to the Convention, Governments have subscribed to a full range of obligations on conservation, sustainable use and benefit sharing, and are committed to providing substantial investments through all channels to support the achievements of the three objectives of the Convention. A financial mechanism was established to facilitate new and additional financial resources for country-driven biodiversity projects and activities. However, the achievements in implementing the prioritized actions identified nationally and internationally remain limited, and the widespread lack of financial resources is a critical constraining factor. Indeed, as reflected in the synthesis and analysis of obstacles to implementation of national biodiversity strategies and action plans (UNEP/CBD/WG-RI/2/2/Add.1) prepared by the Executive Secretary, Parties report that the lack of human, financial, and technical resources, and the lack of financial incentives, are the most widespread constraints to the implementation of national biodiversity strategies and action plans.

6. At the beginning of the new century, Governments re-assessed the critical status of biological diversity as a common concern, and committed themselves to a more effective and coherent implementation of the three objectives of the Convention, to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on earth. At the World Summit on Sustainable Development, world leaders stressed that a more efficient and coherent implementation of the three objectives of the Convention and the achievement by 2010 of a significant reduction in the current rate of loss of biological diversity would require the provision of new and additional financial and technical resources to developing countries.

7. The Monterrey Consensus of the International Conference on Financing for Development–(2002) represents a crucial step towards achieving the goals of poverty eradication, sustained economic growth and promotion of sustainable development. Many developed countries have responded with timetables to achieve the target of 0.7 per cent of gross national product for official development assistance by 2015 and to reach at least 0.5 per cent of gross national product for official development assistance by 2010. According to the Organisation for Economic Co-operation and Development (OECD), official development assistance to all developing countries will now increase by around 50 billion United States dollars a year by 2010. The General Assembly of the United Nations has agreed to hold a follow-up International Conference on Financing for Development in Doha in the second half of 2008.

8. Some development cooperation agencies are increasingly emphasizing programme-based (rather than project based) finance and the provision of general budget support, linked to the implementation of agreed national strategies such as poverty reduction strategies and strategies for implementation of the Millennium Development Goals. This may mean fewer opportunities for finance to be earmarked by donors for biodiversity, and highlights the importance of mainstreaming biodiversity in broader national planning processes as discussed in the note by the Executive Secretary containing an synthesis and analysis of obstacles to implementation of national biodiversity strategies and action plans (UNEP/CBD/WG-RI/2/2/Add.1). At the same time, there are opportunities to highlight the importance of biodiversity in poverty reduction and overall development efforts, as illustrated, by the “Message from Paris: integrating biodiversity into development cooperation” from the participants in the Conference on Biological Diversity in European Development Cooperation, held in Paris in September 2006, and the integration of the 2010 biodiversity target into the framework of the Millennium Development Goals. The upcoming International Conference on Financing for Development, referred to in paragraph 7 above, will provide an important opportunity to promote the integration of biodiversity into development cooperation finance more broadly.

9. Steady progress can also be found in international efforts to develop innovative sources of financing, such as the Action against Hunger and Poverty and the International Finance Facility. Several countries have already launched innovative measures to enable the financing of development projects. Multilateral development institutions and bilateral donor agencies have developed new policies and procedures in resource allocation as a result of global policy dialogues. The United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) launched a joint Poverty and Environment Centre designed to help developing countries integrate sound environment management into their poverty reduction and growth policies. The United Nations Development Group is exploring new ways of enhancing greater cohesion at the country level in eight pilot countries. In addition, important mechanisms are in place, or under consideration, in the context of the evolving climate change regime, that have the potential to also support the conservation and sustainable use of biodiversity, provided the necessary criteria are defined. These include the Clean Development Mechanism under the United Nations Framework Convention on Climate Change (UNFCCC) and ongoing discussions in that forum on mechanisms to reduce greenhouse-gas emissions

resulting from deforestation. There is also an increased role for charitable foundations and the private sector in biodiversity finance.

10. Overall, and the positive observations listed above notwithstanding, the rapid evolving international financial environment and the urgency of enhancing the implementation of the Convention at all levels seem not to appear to have led to an increase in financial support for biological diversity. Rather, it would appear that the past four years from the second national reporting to the third national reporting have instead witnessed a reduced level of relative priorities accorded by Governments to the implementation of the financial provisions of the Convention. According to the data provided in the Global Biodiversity Outlook 2, biodiversity-related official development assistance has decreased both in absolute volume and in percentage of total official development assistance over the recent years. Also as highlighted in GBO2, the Convention objectives were inadequately integrated into overall national plans and strategies of both developing countries and development cooperation agencies.

11. According to the new statistics from the Organisation for Economic Co-operation and Development (OECD) released on 3 April 2007, the total assistance from major donors, the 22 member countries of the OECD Development Assistance Committee, in 2006 declined by 5.1 per cent from 2005, in constant 2005 dollars. Sixteen of these 22 member countries met the 2006 targets for ODA that they set at the 2002 Monterrey Conference on Financing for Development. However, aid to sub-Saharan Africa, excluding debt relief, was static in 2006, leaving a challenge to meet the Gleneagles G8 summit commitment to double aid to Africa by 2010. ODA is expected to fall back slightly again in 2007 as debt relief for Nigeria and Iraq tapers off. It is expected that other types of aid should then increase as donors fulfil their more recent pledges.

### **III. SUMMARY OF SUBMISSIONS RECEIVED FROM PARTIES, GOVERNMENTS AND RELEVANT PARTNERS**

12. Argentina's submission raised concerns on the GEF Resource Allocation Framework, reiterating the views expressed by the GEF Council member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay, with respect to the process leading to its adoption, transparency, methodology, indicators and data used, as well as possible impacts on the national implementation of the Convention. It highlighted the importance of examining the Resource Allocation Framework during the in-depth review.

13. Australia identified in its submission a range of funding initiatives, for instance, community awareness and engagement, implementation of communication strategies, Indigenous landcare facilitators, grants involving knowledge transfer and exchange through mechanisms such as museums, tertiary education institutions and universities. Its major national funds include Australian Government Water Fund, Tasmanian Forest Conservation Fund, Natural Heritage Trust, Australian Government's Envirofund, and Regional Natural Heritage Programme.

14. Canada's submission provided a comprehensive list of funding activities, initiatives and programmes:

- (a) Government-funded biodiversity education;
- (b) Biodiversity fundraising through re-occurring funding raising events;
- (c) Object purchasing, such as licence plates, stamps, posters, pins and beer;
- (d) Biodiversity grants/project funding programs;
- (e) Land trusts and stewardship programmes;
- (f) Conservation easements and tax incentives;

- (g) Interesting financial mechanisms from non-Canadian sources;
- (h) Suggestions for innovative mechanisms; and
- (i) International financial mechanisms.

15. Germany and the European Commission, on behalf of the European Community and its member States, provided in their submission both views and experiences on a range of issues related to the implementation of Articles 20 and 21, *inter alia*:

(a) Guidance from the Conference of the Parties to the GEF, including on the application of the Global Benefits Index (Biodiversity), to improve the Resource Allocation Framework;

(b) The considerations and mechanisms guiding the international development cooperation agenda, as expressed in, for example, the Paris Declaration on Aid Effectiveness, and including the emphasis on recipient country ownership, harmonization and alignment;

(c) Mainstreaming and prioritization of biodiversity in the recipient countries' national plans and programmes, such as Poverty Reduction Strategy Papers and sector development plans, and the adoption of a Strategic Environmental Assessment;

(d) A high percentage of biodiversity-related funding is devoted to sustainable use and addresses biodiversity-related livelihoods and food-security concerns within economic and other sector projects and programmes, particularly those related to natural resource management;

(e) Adequate and sustained funding can only be mobilised, if biodiversity considerations are fully integrated into national, regional and international economies and budgets. The Environmental Fiscal Reform approach has the potential to both provide for a way for governments to raise revenue and to contribute positively to sustainable biodiversity management and other policy objectives, such as revenue generation, poverty reduction, good governance and growth;

(f) Funds need to be generated from the provision of ecological services and from marketing the benefits of sustainable management;

(g) The private sector to promote greater understanding of biodiversity and mobilizing support for the achievement of the Convention's objectives;

(h) Cooperation and synergies between the three Rio conventions to increase the effectiveness of the use of financial resources, and the recommendation of the United Nations High-Level Panel's report on system-wide coherence of further coordination among the relevant United Nations agencies in the field of environment;

(i) National biodiversity strategies and action plans should indicate priorities for funding;

(j) "The Message from Paris: integrating biodiversity into European development cooperation" of 19-21 September 2006; and

(k) Experience with the establishment and management of environmental funds.

16. The Honduran submission was focused on its environmental management fund and protected areas fund.

17. Mexico made eight proposals in its submissions on the financial mechanism, including:

- (a) Specification of a list of eligible countries under the financial mechanism;
- (b) Approval and disbursement procedures;
- (c) Proposals resulted from in-country prioritization processes;
- (d) Criteria for financing regional and global projects;

- (e) Capacity building;
- (f) Participation of the Convention Secretariat in the review of the resource allocation framework;
- (g) Consideration by the working group of indicators used in the benefit index; and
- (h) Management efficiency.

18. Myanmar suggested in its submission that a special request be made to encourage the developed countries which have the potential to provide financial contribution in order to strengthen the financial resources of the convention, and priority should be given to the least developed countries which are rich in biological resources.

19. Switzerland's submission included examples related to its involvement as part of the European Biodiversity Resourcing Initiative- which is developed within the frame of the European Bank for Reconstruction and Development and within the Pan European Strategy on biological and landscape diversity. Switzerland elaborated on challenges addressed by the Initiative, and further development in pro-biodiversity business investment through biodiversity financing facilities and a biodiversity technical assistance facility.

20. Greenpeace International's submission advocated, drawn on a review of options to generate additional funds for a global network of terrestrial protected areas, that international environmental taxation mechanisms are the most suitable option to fill the funding gap. On the basis of global applicability and international administrative capacity, Greenpeace International considered that carbon tax, timber tax, and currency transaction tax have the most potential to raise income for a global network of protected areas.

21. According to the submission from RSPB (the BirdLife Partner in the UK), environmental funds are one of the most important mechanisms for ensuring sustainable financing of protected areas in developing countries, and the establishment and funding of environmental funds should form a key part of the Convention's future strategy for resource mobilization.

#### **IV. INPUTS FOR A STRATEGY FOR RESOURCE MOBILIZATION**

22. A strategy for resource mobilization in support of the achievement of the objectives of the Convention will need to build on and complement on-going domestic efforts to raise funds from public and private sources as well as bilateral and multilateral relevant initiatives, including activities carried out by the GEF and its implementing and executing agencies. The financial provisions of the Convention should serve as the basis of the resource mobilization strategy, and the relevant decisions, which are already adopted by the Conference of the Parties and are of continuing relevance, can be used as direct inputs to the strategy. The strategy should also be built upon national experiences as demonstrated in submissions as well as national reports, strategies and action plans and take into account emerging funding opportunities and any foreseeable factors that may have material impacts on resource mobilization to support the Convention's implementation.

##### **A. *Relevant provisions of the Convention on Biological Diversity***

23. The explicit financial provisions contained in the preamble, Articles 20, 21, 8(m), 9(e), 12(c), 15(7), 16(2) and (3) of the Convention constitute essential guidance for a resource mobilization strategy, and may be summarized as follows:

- (a) Substantial investments are required to conserve biological diversity, and special provision is required to meet the needs of developing countries, including the provision of new and

additional financial resources and appropriate access to relevant technologies. Indeed, the Convention explicitly states in paragraph 4 of Article 20 that the “extent to which developing countries will effectively implement their commitments under this Convention will depend on the effective implementation by developed country Parties of their commitments under this Convention related to financial resources and transfer of technology”;

(b) Each Party undertakes to provide financial support and incentives in respect of national activities;

(c) The developed country Parties provide new and additional financial resources through a financial mechanism to enable developing country Parties to meet the agreed full incremental costs of implementing measures which fulfil the obligations of the Convention;

(d) The developed country Parties may provide financial resources through bilateral, regional and other multilateral channels;

(e) The Parties consider strengthening existing financial institutions to provide financial resources;

(f) The Parties take full account of the specific needs and special situation of least developed countries, and the special conditions resulting from the dependence on, distribution and location of biological diversity within developing country Parties, in particular small island States;

(g) Consideration given to the special situation of developing countries including those that are most environmentally vulnerable, such as those with arid and semi-arid zones, coastal and mountainous areas;

(h) Cooperation is required in providing financial support for in-situ conservation, ex-situ conservation, as well as issues related to research and training, access to genetic resources, and access to and transfer of technology.

### *B. Existing decisions*

24. The Conference of the Parties has considered financial resources and mechanism as a standing agenda item at all its ordinary meetings, and adopted eight decisions on financial resources including decisions I/2, II/6, III/6, IV/12, V/11, VI/16, VII/21 and VIII/13. Relevant elements of those decisions, most of them under advanced implementation, may be used as inputs for the strategy. Inputs additional to those already reflected in the Articles of the Convention and noted above are thus briefly summarized below.

25. Elements from the preambles of the existing decisions include:

(a) The need for a substantial increase of international financial support to the implementation of the Convention and the easier flow of such assistance;

(b) The lack of comprehensive information about trends in development assistance with respect to biological diversity;

(c) More complete information concerning the financial support, from all relevant sources, for the implementation of the objectives of the Convention, including the work programmes established by the Conference of the Parties, assisting in development of further guidance to the financial mechanism and better coordination with other funding institutions;

(d) Funding gaps, at all levels, in addressing the needs for achieving the three objectives of the Convention in a balanced manner;

(e) The level of official development assistance in support of the Convention on Biological Diversity;

(f) Poverty eradication, sustainable development and the achievement of the three objectives of the Convention are closely inter-linked;

(g) The positive outcome of the United Nations International Conference on Financing for Development, which represents a crucial step towards achieving the goals of poverty eradication, sustained economic growth and promotion of sustainable development;

(h) Synergy between the Rio conventions offering opportunities to increase the effectiveness of the use of financial resources;

(i) The importance of identifying alternative sources of funding in support of the Convention;

(j) The need to explore all possible options to mitigate funding gaps and to maximize the availability of financial resources in support of the implementation of the Convention, including through, *inter alia*, environmental funds; and

(k) The involvement of all relevant stakeholders contributing to the implementation of the Convention.

26. Elements from the existing decisions for action by Parties and Governments, international and regional financial institutions and developments, as well as other donors, include:

(a) The importance of financial support for the implementation of national biodiversity strategies and action plans and for capacity-building for implementation of the Cartagena Protocol;

(b) Timely actions to ensure the effective implementation of the programme of work as well as the Strategic Plan of the Convention and associated targets;

(c) Concrete action to review and further integrate biodiversity considerations in the development and implementation of major international development initiatives, such as the Highly Indebted Poor Countries Initiative, Poverty Reduction Strategies, and Comprehensive Development Frameworks, as well as in national sustainable development plans and relevant sectoral policies and plans;

(d) Further opportunities to utilize various initiatives including debt-relief instruments to promote conservation and sustainable use of biodiversity;

(e) The promotion, and fostering of new national and regional environmental funds and strengthening/expanding such existing funds, and knowledge transfer and exchange about these mechanisms, through the creation and/or strengthening of national and international learning networks or communities;

(f) Funded biodiversity related projects made publicly available on their respective websites and to the Executive Secretary; and

(g) Funding procedures, eligibility criteria and programme priorities in relation to biological diversity as well as experience in mainstreaming biodiversity into funding operations.

27. Elements from the existing decisions calling for action by all Parties and Governments include:

(a) Determination of own funding priorities for national biodiversity activities based on the Strategic Plan, and national biodiversity strategies and action plans, and taking into account relevant elements of the Convention's programmes of work;

(b) National budgets and monetary policies, including the effectiveness of official development assistance allocated to biological diversity, with a view to promoting the conservation and sustainable use of biological diversity, paying particular attention to positive incentives and their performance as well as perverse incentives and ways and means for their removal or mitigation;

- (c) The consideration of tax exemptions in national taxation systems for biodiversity-related donations;
- (d) The integration of biological diversity into sectoral development and assistance programmes, and due consideration to biodiversity in development-planning systems, including in poverty reduction strategy papers, where they exist, in order to maximize opportunities for mobilizing financial resources;
- (e) Experiences on developing and implementing financial measures for supporting national biodiversity strategies and action plans, such as biodiversity trust funds and promotion of the private sector in supporting biological diversity;
- (f) Partnerships aiming at promoting financial investments in biodiversity, and biodiversity related partnership arrangements with and among funding institutions and other stakeholders, including with banking and business sectors, in order to promote, *inter alia*, the development and implementation of initiatives such as the Global Initiative on Banking, Business and Biodiversity, in support of the achievement of the objectives of the Convention and agreed global targets;
- (g) A process to monitor financial support to biodiversity; and
- (h) Full implementation of the Monterrey Consensus on financing for development and successful conclusion of the Doha Development Negotiation Round process.

28. With regard to developing countries, these elements include the incorporation of ways and means to support implementation of the objectives of the Convention on Biological Diversity into dialogues with funding institutions. For developed countries, they include:

- (a) Support for the implementation of the objectives of the Convention on Biological Diversity in the funding policy of their bilateral funding institutions and those of regional and multilateral funding institutions; and
- (b) Development, where possible, of standardized information on financial support for the objectives of the Convention on Biological Diversity, and submission of this information in national reports.

29. Elements from the existing decisions for action by the Secretariat of the Convention, include:

- (a) Coordination, coherence, and synergies in financing for biological diversity among donor Parties and Governments, bilateral, regional and multilateral funding institutions and development agencies in order to avoid duplication of work, identify gaps in activities, and identify necessary activities and funding;
- (b) Possible ways of collaborating with funding institutions to facilitate efforts to achieve greater support for the Convention;
- (c) Further collaboration with funding mechanisms of relevant conventions and agreements and with relevant biodiversity-related programmes of international and regional organizations, and assisting in defining funding strategies and programmes and in the promotion of capacity-building;
- (d) Further collaboration with the Organization for Economic Cooperation and Development on data collection for regular reporting on the status and trends of biodiversity finance;
- (e) Further collaboration with the work on financial issues on Agenda 21 under the Commission on Sustainable Development, contribution to the High-Level Consultation on Financing for Development of the General Assembly, and follow up on the outcomes of the World Summit on Sustainable Development that are relevant to additional financial resources;

(f) Characteristics specific to biodiversity activities to allow the Conference of the Parties to make suggestions to funding institutions on how to make their activities in the area of biodiversity more supportive of the Convention;

(g) Information concerning the impacts of external debts on the conservation and sustainable use of biodiversity, and the possibility of utilizing debt for nature initiatives for supporting the implementation of the Convention on Biological Diversity;

(h) Further possibilities to identify additional financial resources to support the objectives of the Convention and elements in the programme of work;

(i) Opportunities of developing a global initiative on banking, business and biodiversity, taking into account the existing mechanisms and institutions, and other global and regional initiatives or processes, with a view to increasing funding for biodiversity and mainstreaming biodiversity into the financial sector;

(j) Further possibilities for encouraging the involvement of the private sector in supporting the Convention's objectives;

(k) Charitable institutions to support activities that promote the implementation of the Convention;

(l) Monitoring of financial support for the implementation of the Convention;

(m) Possible cooperation with relevant institutions to address the need for centralizing information on biodiversity related activities of funding institutions and other donors;

(n) Efforts to compile and disseminate biodiversity related funding information in order to monitor funding status, identify gaps in funding activities and develop options including information concerning access to funding for biodiversity projects, funding activities and sources, success stories and best practices of utilizing available financial resources

(o) Database on biodiversity-related funding information, available through the clearing-house mechanism and other means of communications, as appropriate.

30. Elements from the existing decisions for action by international organizations include:

(a) The United Nations Environment Programme, through its financial-sector initiatives, the World Bank and other financial institutions, to promote consideration of biological diversity by the financial sector;

(b) Information on financial support for the Convention and on ways in which activities support the Convention;

(c) Activities more supportive of the Convention;

(d) A reporting relationship with the Convention; and

(e) The Conservation Finance Alliance.

31. Elements from the existing decisions for action by the Global Environment Facility include the convening of a workshop on financing for biodiversity with a view to sharing knowledge and experience among funding institutions, and to explore the potential of the Global Environment Facility to act as a funding catalyst.

32. It should also be noted that, as far as follow-up action is concerned, the Conference of the Parties has decided that financial resources and the financial mechanism should be a standing item on the agenda of its meetings.

### *C. National experiences*

33. Most national biodiversity strategies and action plans from the developing countries contained financial considerations, such as:

- (a) Extent of financial constraints;
- (b) Determination of funding requirements;
- (c) Coordinating organizational structure;
- (d) Programme documents to lay out national priorities;
- (e) Process to develop financial strategies or development of a targeted fundraising plan;
- (f) Roundtable meetings or consultative group meetings;
- (g) National accounting of biodiversity revenues and expenditures and forecasts;
- (h) Inventory of all donors;
- (i) Explicit funding targets, narrative or containing specific targeted size or rate of increase;
- (j) National budgetary process, such as establishment of special biodiversity item in the national budget based on annual biodiversity work programme;
- (k) Review of sectoral and national budgets to promote inclusion of biodiversity in sectoral and national budgets;
- (l) Bilateral, regional and multilateral cooperation, including country-level GEF strategy;
- (m) Establishment and enhanced use of environmental funds;
- (n) The private sector and non-governmental organizations as source of assistance, and enabling environments for public-private partnerships;
- (o) Funding measures in specific subject areas under the Convention;
- (p) A list of project ideas/concepts;
- (q) Environmental accounting and environmental impact assessments;
- (r) New mechanisms, such as user fees or other measures to generate resources;
- (s) Market/payments for ecosystem services;
- (t) Consolidation of funding mechanisms required for adequate conservation and sustainable use;
- (u) Capacity building in project development and grants applications;
- (v) Awareness raising in all sectors;
- (w) Exchange of peer countries; and
- (x) System of monitoring and indicators of the effectiveness of investments into biodiversity conservation and sustainable use and elimination of wastes.

34. Strategic approaches demonstrated in national biodiversity strategies and action plans as well as reports of the developed countries include:

- (a) Specific funding targets/estimates, for instance, 1% of GNP for environment-related assistance, 3% of development assistance for biodiversity, or 0.1% of GNP annually for international nature and environment issues in the context of ODA;
- (b) Biodiversity as a specific objective of official development assistance;

- (c) Biodiversity-specific assistance programmes;
- (d) Biodiversity into new major policy documents;
- (e) Biodiversity projects included in the environment assistance program and other aid programs;
- (f) Application of annual environmental audits/environmental impact assessments;
- (g) Incorporation of biodiversity into the criteria for choosing, designing, and evaluating development assistance projects;
- (h) Capacity-building to identify environmental priorities and strengthening environmental expertise;
- (i) Effective, coordinated and coherent implementation of the provisions of the Convention and other related international commitments and agreements;
- (j) Maximization of impacts of bilateral financing instrument by pursuing strategic complementarities and co-ordination of policies and approaches; and
- (k) Exploration of new financing possibilities and new products.

## **V. OPTIONS FOR RESOURCE MOBILIZATION, INCLUDING INNOVATIVE FINANCIAL MECHANISMS**

### **A. *Options at the national level***

28. National reports and plans offer a wide range of options for resource mobilization at the national level, for example:

- (a) *Country programming*:
  - (i) Biodiversity programme basis for national budget;
  - (ii) Sector-wide approach (environment and natural resources sector) to budgetary allocations (including donor support);
  - (iii) National biodiversity work programme, which encourages harmonization of development policies ensuring a healthy environment, and incorporates budgetary support provided from government and from extra-budgetary financing through projects;
  - (iv) Multi-year national plans that possess programs containing actions which are directly or indirectly related to the implementation of the Convention;
  - (v) Estimates for funding needs;
  - (vi) Status of the state budget in meeting basic needs for biodiversity conservation funding
  - (vii) Level of money spent on the environmental sector including as percentage of gross domestic products;
  - (viii) Involvement of the bank sector, such as loans in preferential terms for environmental construction;
  - (ix) Environmental funds or Set-aside funds to ensure conservation in perpetuity;
  - (x) Environmental subsidies or voluntary payments;
  - (xi) Special spending programs;
  - (xii) All sources of funding, including international support;

- (xiii) Country GEF strategy;
  - (xiv) Review of funding sources to have a clearer picture of the extent to which biodiversity objectives are achieved through specifically targeted programmes;
  - (xv) Bonding for non-performance or for environmental impacts;
  - (xvi) Budgetary reforms to avoid or mitigate any potentially adverse impacts on biodiversity;
  - (xvii) Tax exemptions in national taxation systems for biodiversity-related donations;
  - (xviii) New and additional national financial resources, and governance framework conducive to the mobilization of private financial resources;
  - (xix) National capabilities and facilities to mobilize domestic financial resources;
  - (xx) Subregional, regional and international cooperation requirements in support of national efforts; and
  - (xxi) Participation of bilateral and/or multilateral financial cooperation institutions.
- (b) *National biodiversity accounts:*
- (i) Monitoring of domestic and external financial support to biological diversity to ensure the rational use of existing resources and to identify gaps in resource allocation;
  - (ii) Annual budgetary allocations by national government for all the institutions operating within the nature protection system and for their programmes and projects;
  - (iii) National expenses for biodiversity-related forestry, nature conservation and protected areas, fisheries, agriculture, agro-environment, tourism, natural resources, education and science, industry, trade, regional development and public works, energy, oceans, transport, urban development, water, mining, botanical gardens and herbarium, health, national defence, etc.;
  - (iv) Annual budgets of provincial and local governments allocated to nature conservation;
  - (v) Break-down in recurrent expenses and capital expenditure;
  - (vi) Trends in public investment in environmental protection and mitigation; and
  - (vii) Strengthening of budgeting methods as regards biodiversity to reflect intangible costs;
- (c) *National coordinating structure:*
- (i) Inter-ministerial coordination processes;
  - (ii) National biodiversity office or unit; and
  - (iii) Specialists in resource mobilizations.

### *C. Options at the regional level*

29. Several options for resource mobilization at the regional level are found in national reports and plans:

- (a) Regional roundtables to facilitate regional resources;
- (b) Regional programmes or projects supported by bilateral and multilateral agencies, in particular the GEF;

- (c) Potential of regional development banks and organizations for facilitating regional resources;
- (d) Leading forces in regional processes; and
- (e) Establishment of regional funding mechanisms.

#### ***D. Options at the global level***

35. The existing decisions from the Conference of the Parties already provide extensive guidance on options for resource mobilization at the global level. However there is a need to promote coordination, coherence, and synergies in financing for biological diversity among donor Parties and Governments, bilateral, regional and multilateral funding institutions and development agencies so as to avoid duplication of work and address gaps in funding activities. There is also a need to promote and facilitate actions leading to the mobilization and channelling of existing and new and additional financial resources for the elaboration and implementation of country, subregional and regional programmes, projects and reports, particularly in developing countries and countries with economies in transition. Such coordination may revolve around existing institutions such as the financial mechanism of the Convention, the OECD Development Assistance Committee, donors' round tables etc. The possibility of using the Conference of the Parties of the convention to convene in parallel donor meetings as an opportunity for Governments and donor agencies to showcase ongoing biodiversity-related funding initiatives and communicate plans for financing biodiversity programmes and projects may be explored. The establishment of an *ad hoc* technical expert group on market-based mechanisms to provide technical advice and assessments of national and international innovative financial mechanisms, for instance, to explore payments for ecosystem services may be also considered.

#### ***E. Innovative financial mechanisms***

36. Many national biodiversity strategies and action plans make reference to innovative financial mechanisms. However, there seem to be no clear criteria against which an innovative financial mechanism can be defined. It may be useful to examine why there should be innovations in financial mechanisms, what is an innovative financial mechanism, what contributes to the development of innovative financial mechanisms, and what are the tools and methodologies for sharing and adapting innovative financial mechanisms in the local context, and based on the information, to consider how to improve sharing of knowledge on innovative financial mechanisms to achieve the objectives of the Convention, how the international community can better assist countries in replicating and adapting innovative financial mechanisms, and how to foster policies that encourage innovative financial mechanisms.

37. An innovative financial mechanism should involve a creative idea, that is it should include the, conceiving and implementing a new way of mobilizing and channelling financial resources. This could be, for example, through the incorporation of new elements, a new combination of existing elements or a significant change or departure from the traditional way of doing things. It should offer an effective, creative and unique answer to new problems or a new answer to old problems, and may be further transformed by those who adopt it. An innovative financial mechanism may take the form of new products, new policies and programmes, new approaches and new processes. New products are new marketable funding instruments that can be used to attract public and private investments in biodiversity activities and projects. Given the broad range of future environmental, economic and social gains arising from biodiversity, there are ample opportunities to develop nationally and internationally attractive new products. New policies generally refer to innovations in revenue and spending policies at the national level or in international development cooperation systems. There has been demonstrable progress in innovative revenue and spending policies at the national level, but opportunities remain to be explored in both revenue and spending policies internationally. New programmes for resource mobilization can only

be found in a limited number of countries. Most developing countries and countries with economies in transition tend to present their action plan with a list of project concepts as an instrument for resource mobilization, and a broader strategic framework often appears to be missing. The new strategy for biodiversity being developed by the Global Environment Facility may offer opportunities for developing new programmes for resource mobilization by developing countries and countries with economies in transition. New approaches include the introduction of new forms of financial mechanisms. New processes focus on the improvement of the quality of financial resources mobilization. Depending on the stage of biodiversity management, a financial mechanism may be considered as well established in one circumstance while regarded as innovative in another geographical context.

33. Generally speaking, there is a lack of financial innovations within the Convention process. Nearly all of those financial mechanisms that may be considered “innovative” were introduced in the last century. Replication and adaptation of those earlier innovative financial mechanisms have been relatively slow. New funding products involving billions of United States dollars have been offered under the United Nations Framework Convention on Climate Change, including three special funds (the Special Climate Change Fund and Least Developed Countries Fund, and the Adaptation Fund) within the framework of the financial mechanism and three innovative flexibility mechanisms (the Clean Development Mechanism, Joint Implement and Emissions Trading). The International Finance Facility (IFF), debt conversion, and the solidarity contribution on air travel are other most important mechanisms under debate in the international community. A recent estimate showed that a €5 contribution on all plane tickets worldwide with a €20 additional surcharge on business and first class would yield €10 billion, i.e. approximately one-sixth of the total current level of official development assistance. France proposed to allocate part of the proceeds of the contribution to the fight against HIV/AIDS, specifically to finance, on a long-term basis, the purchase of anti-retroviral drugs. According to the World Bank, official global remittances have increased two-fold in the last five years and now more than double international aid flows, offering opportunities to deliver important welfare gains and reduce poverty.

38. A recent initiative undertaken by UNEP and IUCN may generate interesting opportunities for the development of innovative financial mechanisms in particular at the international level. Following the Millennium Ecosystem Assessment, UNEP sponsored “High-level Brainstorming Workshop on the Creation of Pro-Poor Markets for Ecosystem Services,” and undertook an analysis of the various payments for ecosystem services (PES) pilot projects that are already being implemented around the globe and the resulting insights into the practical applicability of such payment systems. A further meeting in September 2006 identified a number of potential institutional mechanisms that would merit further investigation: (i) a prototype fund; (ii) a virtual international trading platform; (iii) a cap-and-trade regime for biodiversity; or (iv) combinations of these. Their action plan foresees: (i) coordinating applied research with a view to resolve outstanding technical, policy, and institutional challenges and constraints on the development of PES at the international level; (ii) identifying and mobilizing willingness-to-pay, in form of surveys, interviews, and workshops to specify the motivations to pay for ecosystem services, with a view to generate expressed interest on the demand side to participate in PES at the international level; and (iii) bridging the supply and demand, in form of discussions with providers of ecosystem services and other stakeholders in selected countries to address local needs, distributional concerns, and requirements for participating in international payment schemes, and establishing a pilot project with these provider countries, interested potential buyers of ecosystem services and other partner organizations. The GEF has also accumulated tremendous experiences on payment of ecosystem services (PES) and other market-based initiatives, and is fully aware of the policy, institutional, and sustainability challenges and constraints on the development of PES at both national and international levels.

## VI. SUGGESTED FRAMEWORK AND ELEMENTS FOR THE DRAFT RESOURCE MOBILIZATION STRATEGY

39. A strategy for resource mobilization strategy may include such structural elements as context, vision and mission with goals and targets, strategic programming, review and evaluation. A vision statement describes the ultimate state that the strategy aims to achieve. A mission statement identifies purposes or broader goals for developing and implementing a strategy. Goals (roughly formulated aims) and targets or objectives (specific aims reflecting time-frames and magnitude of effect) serve to eliminate the gap between a current situation and a future aspirational state. Many resource mobilization strategies also include programmes which set out the implementation plans. The following are some initial suggestions for a framework and some elements of the proposed resource mobilization strategy provided for illustrative purposes. The draft strategy could be further developed, by integrating, as appropriate options from the previous section under the various headings of the framework.

### ***Context:***

*For example:*

- Agreement at the 1992 Earth Summit on the need for new and additional financial resources.
- Evolution of trends in aid levels and modality of development cooperation
- Evolution of the Financial Mechanism of the Convention
- Emergence of other environmental funds and mechanisms
- Increasing role of the private sector and of foundations, and increased consideration of the concept of payments for ecosystem services
- The need for unprecedented action to achieve the 2010 biodiversity target
- Integration of the 2010 biodiversity target into the MDG framework

### ***Mission/purpose of the strategy:***

*For example:*

- To provide a framework for action at national, subnational, regional and global levels for increasing resources available from all sources for implementation of the Convention and achievement of the 2010 target
- To provide a framework for the review by the Conference of the Parties of the implementation of relevant provisions of the Convention, its relevant decisions, and to assess progress towards relevant goals of the Strategic Plan and the 2010 biodiversity target.

### ***Goals and targets***

*For example* (Note: these are extracted from the Strategic Plan and the framework for the 2010 biodiversity target):

*Goal:* Parties have improved financial, human, scientific, technical and technological capacity to implement the Convention (goal 2 of the Strategic Plan and goal 11 of the 2010 framework)

*Targets:*

- All Parties have adequate capacity for implementation of priority actions in national biodiversity strategy and action plans. (objective 2.1 of the Strategic Plan)
- Developing country Parties, in particular the least developed and the small island developing States amongst them, and other Parties with economies in transition, have sufficient resources available to implement the three objectives of the Convention (objective 2.2 of the Strategic Plan)
- New and additional financial resources are transferred to developing country Parties, to allow for the effective implementation of their commitments under the Convention, in accordance with Article 20 (target 11.1.of the 2010 framework)

**Scope:**

The strategy should seek to mobilize resources for biodiversity from all relevant sources: both domestic and through international transfers; both public and private; and from both dedicated funds as well as by integrating biodiversity into other activities.

**The Strategy:**

In the framework proposed below three proposed “strategic approaches” are supported by a number of “supporting components”. These will need to be applied at: national (and in some cases sub-national) and supported by actions at international levels (regional, global).

**I. Strategic approaches for mobilizing resources for biodiversity:****1. Leveraging resources biodiversity by mainstreaming in sectoral and cross-sectoral strategies, plans and programmes:**

*For example:* Integrating biodiversity into sector strategies, plans and programmes (e.g. agriculture, forestry, fisheries, tourism, extractive industries), national cross-sectoral strategies, plans and programmes (e.g. national development plans, national plans for implementation of the MDGs, poverty reduction strategies), and into planning processes at all levels of government (national/federal, state/provincial and municipal)

**2. Developing dedicated funds for biodiversity**

*For example:* Government funds for the core activities required to implement national biodiversity strategies and action plans, including protected area networks, and autonomous biodiversity funds (public, private, and public-private)

**3. Making other mechanisms work for biodiversity funding**

*For example:* Promoting the conservation and sustainable use of biodiversity as co-benefits in other mechanisms, (such as the Clean Development Mechanism, proposed mechanisms to reduce greenhouse gas emissions through deforestation etc) Consistent with applicable international agreements

**II. Supporting components in support of resource mobilization:**

*For example:*

1. **Communication and awareness.** Building awareness and understanding of the importance of biodiversity (with decision makers and the general public) to make the case for financing whether through dedicated funds or mainstreaming
2. **Knowledge management and exchange.** Providing access to information needed on successful cases of resource mobilization, the value of biodiversity and ecosystem services, and on the costs and benefits of biodiversity conservation and sustainable use, to inform the needs and priorities for resource mobilization.
3. **Institution building.** Ensuring national strategies for biodiversity financing are implemented through well developed national structures, including national inter-ministerial committees for the implementation of national biodiversity strategies and action plans.
4. **Capacity building.** Training in resource mobilization, cost-benefit analysis, valuation etc, project development and in mainstreaming.
5. **Monitoring and review.** Monitoring the extent and effectiveness of resource mobilization strategies, to allow for continuous improvement in the application of the strategy.

**VII. FINAL REMARKS**

40. The current note presents only a starting point on the way to develop a visionary and realistic strategy for resource mobilization in support of the implementation of the Convention. Further research and analysis are required to come up with viable options and strategy for resource mobilization.

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Moreover, additional inputs from Parties and observers would be useful to ensure that the strategy responds to countries' needs and secures the necessary consensus.

41. The options for resource mobilization at the national level are quite comprehensive, however the options for regional and global levels are still limited and further discussions and consideration are required by the Ad Hoc Working Group on Review of Implementation and all relevant stakeholders including the Global Environment Facility (GEF) and the Secretariat of the Convention on Biological Diversity. Particularly, the options at the global level include very few ideas and more options should be considered than are presented, including some of the suggestions made by several governments and non-governmental organizations in section III of the note. The strategy needs to effectively include biodiversity resource mobilization in the international policy agenda, which is exemplified in the "Potsdam Initiative – Biological Diversity 2010" (which include financing as part of its ten activities)" due to be discussed in June by the G8 and the five major newly industrializing countries. The role and effectiveness of the many environmental funds that have been developed in the past decade, particularly the ones focused on biodiversity conservation, could also be reviewed and analyzed.

42. As the institutional structure that operates the financial mechanism of the Convention, the GEF must have a significant role to play in developing options and strategy for resources mobilization. The focus of the draft GEF strategy on biodiversity to develop sustainable financial mechanisms is particularly focused at the national level (See also UNEP/CBD/WGRI/2/5). In addition, the GEF's plan to strengthen private-public partnership for biodiversity conservation could be highlighted

43. Given the importance of mainstreaming of biodiversity finance into development cooperation, it may be opportune for the President of the Conference of the Parties to transmit a message on biodiversity and financing for development to the International Conference on Financing for Development, Doha, 2008. Elements of such a message might include

(a) Highlighting that the loss of biodiversity the degradation of ecosystem services is a barrier to achieving the Millennium Development Goals and that, at the same time, many of the actions being undertaken to promote economic development and reduce hunger and poverty could contribute to the loss of biodiversity;

(b) Emphasizing that the Millennium Development Goals, the 2010 target of significantly reducing the rate of biodiversity loss, and other internationally agreed targets related to biodiversity, environmental sustainability and development need to be pursued in an integrated manner; and

(c) Encouraging participants to ensure that financial resources are made available, through domestic, bilateral and multilateral channels, for the conservation and sustainable use of biodiversity in support of the Millennium Development Goals

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