

Digital sequence information on genetic resources

Non-paper

Annex

Modalities for operationalizing the multilateral mechanism for the fair and equitable sharing of benefits from the use of digital sequence information on genetic resources, including a global fund

Paragraphs 1 and 2 remain unchanged from that contained in recommendation WGDSI 2/1

1. [All] [commercial] users of digital sequence information on genetic resources [held in [public] databases] [are encouraged to][will][should][shall] share [monetary or non-monetary] benefits arising from its use in a fair and equitable manner.
2. [Users of digital sequence information on genetic resources [in all countries]][in developed countries] that generate [monetary benefits][profits][revenue][turnover][sales] from its use [are encouraged to][will][should][shall] [share monetary benefits through][contribute] [mandatory] payments to the global fund [, *placeholder for a threshold/exemption*].

Paragraph 3 as contained in recommendation 2/1

- [3. The following options are proposed:

Option A. Users of digital sequence information on genetic resources [are encouraged to][will][should][shall] contribute to the global fund [X] per cent of the [profits][revenue][turnover] generated by products [and services] placed on the market that have benefited from the use of digital sequence information on genetic resources in their development.

Option B. Users of digital sequence information on genetic resources [that [in sectors that are highly reliant on][directly or indirectly benefit from] the use of digital sequence information on genetic resources in their commercial activities][in sectors that [have benefited from][rely on] the use of digital sequence information on genetic resources] [are encouraged to][will][should][shall] contribute to the global fund [X] per cent [as an indicative rate, depending on their circumstances] of their [profits][revenue][turnover][sales]. [A][An indicative] list of [such sectors][sectors to which such users may belong] is contained in enclosure A.

Option C. A contribution to the global fund of 1 per cent of the retail value of all products [and services] [that have been developed or created using][linked to the utilization of] [digital sequence information on genetic resources][biological resources].

Option D. Users of digital sequence information on genetic resources that actively use digital sequence information on genetic resources [are encouraged to][will][should][shall] contribute a portion of their [revenue][profit] to the global fund.

]

In addition, the following option emerged from discussions in the contact group, with some amendments by the Co-Chairs:

Option E. Users of digital sequence information on genetic resources in sectors that [are highly reliant on][directly or indirectly benefit from] the use of digital sequence information on genetic

resources in their commercial activities [are encouraged to][will][should][shall] contribute to the global fund a proportion of their [profits][revenue], according to their size*.

Large-sized entities [are encouraged to][will][should][shall] contribute to the global fund [X] percent of their [profits][revenue], [as an indicative rate].

Following the first review of the mechanism at the eighteenth meeting of the Conference of the Parties, the Conference of the Parties may decide that medium sized entities [be encouraged to][will][should][shall] contribute to the global fund [Y] percent of their [profits][revenue], [as an indicative rate] and small scale entities may be expected to pay an agreed amount which would be a minimal percentage of [profits][revenue].

[A][An indicative] list of [such sectors][sectors to which such users may belong] [based on the UN International System of Industrial Classification of All Economic Activity (ISIC)], is contained in enclosure A.

*Large-sized entities are entities which on their balance sheet dates exceed at least two out of three of the following criteria:

- a. Total assets: USD 20 million
- b. Sales: USD 50 million
- c. Profit: USD 5 million

*Medium-sized entities are those which on their balance sheet dates exceed at least two out of three of the following criteria:

- a. Total assets: USD 5 million
- b. Sales: USD 10 million
- c. Profit: USD 1 million

*Entities that are neither large- nor medium-sized will be classed as small-sized entities.

Paragraph 4 and enclosure A.3 as contained in recommendation 2/1

[4. Entities active in the sectors mentioned in enclosure A that do not directly or indirectly benefit from the use of digital sequence information on genetic resources in their commercial activities will have the option to provide information in this regard.]

Reproduced from Enclosure A, paragraph 3. [Companies in the aforementioned sectors or subsectors may be excluded when they demonstrate that they do not highly rely on the use of digital sequence information on genetic resources.]

Co-chairs' proposal for paragraph 4 following discussion (but not negotiation) in the contact group (with A.3 to be deleted)

4. Users active in the sectors listed in enclosure A may provide information to demonstrate that they [are not highly reliant on][do not directly or indirectly benefit from] the use of digital sequence information on genetic resources.

The following paragraphs remain unchanged from those contained in recommendation 2/1

5. [All users of digital sequence information on genetic resources[, in line with their individual circumstances,] [are encouraged to][will][should][shall] share non-monetary benefits in a fair and equitable manner, [regardless of their specific monetary contributions, and as agreed between Parties and in the Kunming-Montreal Global Biodiversity Framework], noting that the sharing of such non-monetary benefits does not replace any responsibilities arising from the provisions of the multilateral mechanism with respect to the sharing of monetary benefits through the global fund set out in paragraphs 2, 3 and 4.]

6. Non-monetary benefits should be shared[[, including through][in the form of] capacity-building and development, [participatory and community-based research,] knowledge-sharing, technology transfer[, upon mutually agreed terms,] and technical and scientific cooperation, including to support, among other things, the generation of, access to and use and storage of digital sequence information on genetic resources, as well as the self-identified needs of indigenous peoples and local communities, [and people of African descent],¹ including women and youth from those communities. The sharing of non-monetary benefits [may][will] [continue to be undertaken in the context of existing and] build on ongoing [activities][practices and arrangements] and [may][will] be facilitated through the long-term strategic framework of the Convention on Biological Diversity² for capacity-building and development and its mechanism to strengthen technical and scientific cooperation in support of the Kunming-Montreal Global Biodiversity Framework.]

7. [The sharing of non-monetary benefits may be facilitated by enhancing the effectiveness of the clearing-house mechanism under the Convention by including a database to facilitate the exchange of information on digital sequence information on genetic resources and its use, thus enhancing collaboration and cooperation among Parties and providing information on demand for capacity-building.][The sharing of non-monetary benefits may be facilitated through [a][an existing] clearing house under the Convention, which could provide information on demand [from Parties] for capacity-building and allow the showcasing and voluntary reporting of ongoing non-monetary benefit-sharing [against headline indicator C.2]. [The sharing of non-monetary benefits could be further facilitated by the global fund.]] [Specific frameworks for sharing non-monetary benefits should be developed for the sectors listed in enclosure A and based on the needs identified by Parties.]

8. [Database and academic institutions are not expected to make monetary contributions to the global fund.]

The text for paragraph 9 and 9 (a) and (a).bis resulting from the fifth contact group

9. Entities operating [large] public databases [~~databases that make [information on] digital sequence information on genetic resources publicly [accessible][available]]~~ on digital sequence information on genetic resources [are invited to][will][should][shall][,], as appropriate]:

(a) ~~Make information on the multilateral mechanism available to [users][those accessing their] databases[, including information on the [and its requirements][possibilities] [and procedures] for users of digital sequence information on genetic resources related to][and its modalities] for the fair and equitable sharing of benefits arising from its the use; of digital sequence information on genetic resources available to those accessing their databases;~~

(a).bis. Underscore that generating monetary benefits from the use of digital sequence information on genetic resources accessed through the database may require sharing those benefits through the multilateral mechanism.³

Para 9(b) to (e) as contained in recommendation 2/1

[(b) [Inform [users][uploaders] of the requirement][Require users] to comply with applicable national and international access and benefit-sharing obligations with respect to [genetic resources and] digital sequence information on genetic resources[, for user registration through clickwrap agreements];]

(c) Require[, where possible,] the provision of information on the country of origin [and the legal access] of the genetic resources [from which digital sequence information was derived[, as

¹ Terminology relating to indigenous peoples and local communities and the possible inclusion of references to people of African descent will be aligned throughout the document according to the decision on Article 8(j) and related provisions to be adopted at the sixteenth meeting of the Conference of the Parties.

² United Nations, *Treaty Series*, vol. 1760, No. 30619.

³ Paragraph 9 and 9(a) were negotiated in the fifth meeting of the contact group, and the changes made in that session are reflected here.

well as, when applicable, [traditional knowledge associated with those genetic resources][biocultural metadata indicating the use of traditional knowledge];]

(d) [Provide open access to digital sequence information on genetic resources, consistent with current international practices, taking into consideration][When operating an open access database, take into account][Apply] the principles of findability, accessibility, interoperability and reusability (FAIR) and of collective benefits, authority to control, responsibility and ethics (CARE) to data governance, as well the recommendations set out in [section III of] the United Nations Educational, Scientific and Cultural Organization *Recommendation on Open Science*;

[(e) Ensure that any new submissions of digital sequence information on genetic resources will only be accepted when accompanied by a verifiable document indicating permission for publication from the national authorities of the country of origin of the genetic resource from which the digital sequence information is derived.]

The following paragraphs remain unchanged from those contained in recommendation 2/1, except for proposed addition to para 14

[10. Parties funding, sponsoring or hosting sequence databases shall ensure that entities operating such databases will take measures to ensure the effective implementation of the present decision and other relevant future decisions of the Conference of the Parties.]

11. Parties [are invited to][should][must] take administrative, policy or legislative measures, consistent with national legislation, to [incentivize][facilitate][require][ensure] contributions [from users in their jurisdiction] to the global fund[, in particular from large and transnational companies,] in line with the modalities of the multilateral mechanism.

[12. Parties may, by notification or other measures, determine that digital sequence information on genetic resources is under the scope of the multilateral mechanism and require users to use Convention on Biological Diversity sequence databases to share benefits, in line with the modalities of the multilateral mechanism.]

13. Contributions to the global fund may be made directly or through a national authority, as determined by the relevant Government. [Receipts will be issued annually for each year that contributions are made.]

[14. Users that make monetary contributions to the fund in line with the modalities of the multilateral mechanism are considered to be in [compliance][conformity] with the requirements related to the fair and equitable sharing of monetary benefits arising from the use of digital sequence information on genetic resources under the multilateral mechanism **for digital sequence information on genetic resources obtained through public databases.**

15. [Receipts will be issued annually for each year that contributions are made.][For each annual contribution, receipts will be issued [automatically] when payments are made[, serving as certificates of compliance].][Receipts for the required annual contributions from users of digital sequence information on genetic resources will indicate compliance with the multilateral mechanism, provided that the used sequences have been published in a public database with the approval of the national authorities of the country of origin of the genetic resource from which the digital sequence information is derived.] [Certificates will be issued providing proof of compliance of the respective users and excluding them from any additional benefit-sharing claims from the use of digital sequence information on genetic resources.]

16. [Additional] [voluntary] contributions [additional to those provided for in the paragraphs above] to the global fund from businesses, non-profit or philanthropic organizations and Governments are encouraged.

17. Funding in the global fund should be allocated in a fair, equitable, transparent, accountable and gender-responsive manner.

Paragraph 18 as contained in recommendation 2/1

18. [Funding should support the conservation and sustainable use of biological diversity [and, inter alia, benefit indigenous peoples and local communities, including women and youth within those communities,] [in all countries] and the building of capacity and technology transfer on mutually agreed terms to generate, access, use, analyse and store digital sequence information on genetic resources[in developing countries] [to foster the conservation and sustainable use of biodiversity and contribute to scientific research on biodiversity].] [In particular,] funding should be used to support the realization of the objectives of the Convention and the achievement of the goals and targets of the Kunming-Montreal Global Biodiversity Framework, including through the delivery of activities described in national biodiversity strategies and action plans.

Co-chairs' proposal for paragraph 18 following discussion in the contact group

18. Funding should support the realization of the objectives of the Convention and its protocols, in particular the conservation and sustainable use of biodiversity, including through the delivery of activities described in national biodiversity strategies and action plans, contribute to scientific research on biodiversity, benefit indigenous peoples and local communities, including women and youth within those communities, and support the building of capacity and technology transfer on mutually agreed terms to generate, access, use, analyse and store digital sequence information on genetic resources according to capacity needs.

For further reflections on paragraph 19, see note A at the end of the non-paper

19. Funding will be allocated taking into account [the overall level of funding available in the global fund and] [an indicative list of elements for a][an initial] formula, as set out in enclosure B. ~~[X] per cent~~ **One third** of the global fund will be set aside to support the self-identified needs of indigenous peoples and local communities, including women and youth within those communities [in all countries][, in particular in developing countries], [through direct payments through their self-identified institutions or through government, according to circumstances][through national Governments, with a mandatory component for supporting indigenous peoples and local communities to be included within governmental proposals submitted to the fund]. [In addition, **up to** [X] per cent of the fund ~~will~~ **may** be specifically set aside **by the Conference of the Parties** to support [technology transfer and] technical development, ensuring that all Parties, in particular developing country Parties, have access to the tools and expertise necessary to fully participate and benefit from digital sequence information on genetic resources.] [The formula will be reviewed by the Conference of the Parties at its seventeenth meeting on the basis of the work of a group established with the terms of reference provided in enclosure C.]

Paragraph 20 as contained in recommendation 2/1

20. [With regard to disbursement, the following options are proposed:

Option A. Funding will be disbursed on the basis of projects developed through a country-driven or community-driven process, as appropriate, that meet criteria that may be established by the Conference of the Parties, taking into account indicative allocations, as described in paragraph 19.

Option B. Funding will be disbursed through direct allocations to countries, as described in paragraph 19. Each recipient Party is invited to designate or establish, as appropriate, a national entity, such as a national biodiversity fund, to receive funds and distribute them to support the activities set out in paragraph 18. Such entities should [operate according to internationally accepted fiduciary standards and] provide [annual] reports through national focal points on the activities supported by the funds [and be audited by the international entity]. Recipient Parties, at their own discretion, may alternatively designate an international, regional or subregional entity to fulfil those functions.]

Co-chairs' alternative formulation of option B

Option B. Funding will be disbursed through direct allocations to countries, as described in paragraph 19. Each recipient Party is invited to designate or establish, as appropriate, a national entity, such as a national biodiversity fund, to receive funds and to distribute them in a transparent way to support the activities described in paragraph 18. Such entities should be accountable for ensuring the funds are used for the purposes for which they are distributed, should operate according to internationally accepted fiduciary standards, and provide reports on the activities undertaken by the fund and their impacts. Recipient Parties, at their own discretion, may alternatively designate an international, regional or subregional entity to fulfil those functions.]

Paragraph 21 as contained in recommendation 2/1

21. The fund will be administered by [*place holder for final decision by the Conference of the Parties, taking into consideration, inter alia, recommendations of the Ad Hoc Open-ended Working Group on Benefit-sharing from the Use of Digital Sequence Information on Genetic Resources and the Advisory Committee on Resource Mobilization*] [, in accordance with decisions of the Conference of Parties, and under the authority of and accountable to the Conference of Parties].

Co-chairs' proposal for paragraph 21

21. The fund will be administered by [the Global Biodiversity Framework Fund under the Global Environment Facility][a dedicated financing mechanism under the authority of the Conference of the Parties as discussed in decision 15/7 paragraph 42][the United Nations through the United Nations Multi-Partner Trust Fund Office] [, in accordance with decisions of the Conference of Parties, and under the authority of and accountable to the Conference of Parties].

The following paragraphs unchanged from those contained in recommendation 2/1

22. The multilateral mechanism and its fund will operate according to the principles of inclusivity, equity and transparency.

23. The multilateral mechanism must respect the rights of indigenous peoples and local communities⁴ over their traditional knowledge, traditional knowledge associated with genetic resources and genetic resources [and data related to them], including with respect to species and places considered as sacred, which should only be [provided][published] with their free, prior and informed consent⁵ [, in accordance with relevant national legislation, international instruments, including the United Nations Declaration on the Rights of Indigenous Peoples, and human rights law].

24. [Parties with national][Where Parties put in place] measures on access and benefit-sharing from digital sequence information on genetic resources, [the measures] should be [compatible][in alignment] with the multilateral mechanism and should not result in a duplication of [the benefits shared from the use of such information][obligations to share benefits from the use of digital sequence information on genetic resources][through the multilateral mechanism].

[25. The multilateral mechanism will be implemented in [cooperation][a mutually supportive manner] with other international access and benefit-sharing instruments [associated with the use of digital sequence information on genetic resources][, with a view to enhancing mutual supportiveness and coherence][and avoiding duplicative payments]. It should be able to adapt in response to developments in other forums[, and this could be facilitated] [through, for example, a collective arrangement with those instruments]. [Where specialized access and benefit-sharing mechanisms instrument establish a multilateral mechanism on digital sequence information on genetic resources

⁴ See footnote 10 regarding terminology related to “indigenous peoples and local communities”.

⁵ All references to “free, prior and informed consent” refer to the tripartite terminology of “prior and informed consent”, “free, prior and informed consent” and “approval and involvement”.

that is consistent with and does not run counter to the objectives of the Convention and the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization,⁶ the multilateral mechanism under the Convention does not apply for the Party or Parties to the specialized instrument in respect of the specific digital sequence information on genetic resources covered by and for the purpose of the specialized instrument.]] [Bodies established under other international access and benefit-sharing instruments are invited to collaborate with the multilateral mechanism and streamline benefit-sharing processes, where appropriate.] [The provisions of the mechanism will not affect the rights and obligations of any Party deriving from any existing international agreement.]]

For further reflections on governance of the mechanism, refer to note B

26. The multilateral mechanism, including the global fund, will operate under the authority and guidance of and be accountable to the Conference of the Parties.

The following paragraphs remain unchanged from those contained in recommendation 2/1

27. The effectiveness of the multilateral mechanism, including the global fund, will be reviewed by the Conference of the Parties at its [eighteenth] meeting and at its every second subsequent meeting against the principles established in decision 15/9, taking into consideration the factors set out in enclosure D [and a methodology to be adopted by the Conference of the Parties at its seventeenth meeting], noting also the relevance of the review[s] of the Framework as a whole due to be conducted for the seventeenth and nineteenth meetings of the Conference of the Parties further to decision 15/6.

28. The review will also be informed by the relevant indicators of the monitoring framework for the Kunming-Montreal Global Biodiversity Framework, including the headline indicators for Goal C and Target 13 and a [binary] indicator for Target 13 [to support adaptive management].

29. In the light of the review described in paragraph 27, [and to support adaptive management,] the Conference of the Parties will consider at its [eighteenth] meeting the need, if any, to adjust the modalities [or design] of the mechanism, including the global fund, to improve its effectiveness with respect to the fair and equitable sharing of benefits arising from the use of digital sequence information on genetic resources.

⁶ United Nations, *Treaty Series*, vol. 3008, No. 30619.

Enclosure A

[

[Indicative] list of sectors or subsectors [that directly or indirectly benefit from][[highly] reliant on] the use of digital sequence information on genetic resources [for their commercial activities]

1. Sectors or subsectors [that directly or indirectly benefit from][[highly] reliant on] the use of digital sequence information on genetic resources include:

(a) Pharmaceuticals, such as pharmaceuticals manufacturing, biopharmaceutics [and life science research];

[(b) Nutraceuticals (food and health supplements);]

(c) Cosmetics, such as the development and production of new cosmetics or the production of existing cosmetics using synthetic production means;

(d) [Plant and] animal breeding and [agricultural] biotechnology [industries][, such as agricultural technology (which includes [plant breeding and crop modification research,] the genetic modification of livestock [and support activities for plant production and veterinary pharmaceuticals, crop protection products, animal breeding, plant breeding and improving food safety])];

(e) Industrial biotechnology;

(f) [Laboratory equipment associated with the sequencing and use of digital sequence information on genetic resources, including reagents and supplies;]

[(g) Information, scientific and technical services related to digital sequence information on genetic resources (information services such as software and artificial intelligence used to characterize and analyse or store big data associated with digital sequence information on genetic resources, as well as industrial sequencing or characterizing of digital sequence information on genetic resources as a third-party producer for other industries, such as pharmaceuticals, cosmetics and agriculture).]

2. The present list will be kept under review.

~~{3. Companies in the aforementioned sectors or subsectors may be excluded when they demonstrate that they do not highly rely on the use of digital sequence information on genetic resources.}~~

]

[Enclosure B

[Indicative list of elements for a][Initial] formula for allocation

To be [adopted][elaborated] at the sixteenth meeting of the Conference of the Parties, taking into account the following [potential] criteria:

[

[(a) Biodiversity richness (terrestrial, freshwater and marine) and related concepts, such as endemism and level of threat and vulnerability;]

[(a)alt.1

(i) Biodiversity contribution: species diversity and genetic resource uniqueness, and regional biodiversity relevance;

(ii) Conservation needs: threat levels to biodiversity and protected area coverage;]

[(a)alt.2

(i) Biodiversity richness (terrestrial, freshwater and marine);

(ii) Level of endemism;

(iii) Level of threat;]

]

(b) Capacity needs for the conservation and sustainable use of biodiversity, taking into account the circumstances of developing countries, in particular the least developed countries and small island developing States and those with economies in transition, and of indigenous peoples and local communities [from all regions];

[(c) Level of development;]

[(d) Threat to biodiversity;]

[(e) Geographical origin of the genetic resources from which digital sequence information in the database was generated;]

[(f) Variety of ecosystems;]

[(g) Presence of extreme ecosystems;]

[(h) Presence of unique ecosystems;]

[(i) Level of threat to species and biodiversity.]

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[Enclosure C

Terms of reference for the [Ad-hoc Technical Expert Group][Working Group] Group on Allocation Methodology

1. The Group on Allocation Methodology is to provide technical advice and guidance on remaining and unresolved issues relating to the disbursement of funds from the global fund established in decision 15/9 (para. 16) and on the basis of paragraph [xx] of decision 16/--. In particular, the Group will develop an allocation methodology for disbursing funding from the global fund for [consideration][review] by the Conference of the Parties at its seventeenth meeting.
- [2. The Group will comprise 10 technical experts nominated by Parties, 7 experts nominated by representatives of indigenous peoples and local communities from the seven sociocultural regions and 4 experts from relevant organizations. The Executive Secretary, in consultation with the Bureau, will select experts on the basis of nominations received from Parties, taking gender and the relevant technical expertise of the candidates into account and applying the procedure for avoiding or managing conflicts of interest set out in decision 14/33.]
3. The Group may draw on existing expertise and liaise with relevant organizations, as appropriate, in the execution of its mandate.
4. Subject to the availability of financial resources, the Group will meet, as needed, to ensure the timely provision of advice and will, wherever possible, meet back-to-back with other relevant meetings. Where possible, the Secretariat will use available means of electronic communication to reduce the need for in-person meetings.]

[Enclosure D

[Indicative factors][Factors] to be considered in the review

To be elaborated taking into consideration the following, which is drawn from document CBD/WGDSI/2/2/Add.1:

(a) Amount of funds mobilized through the global fund, in total and disaggregated by contributors and recipients (countries and indigenous peoples and local communities);

[(b) The [indicative] list of sectors, as provided in enclosure A, taking the experience of the multilateral mechanism and new technical and commercial developments into account;]

(c) Summary information on the activities supported by the fund[, inter alia, effectiveness evaluation of each project];

(d) Estimates of the scope and value of the non-monetary benefits facilitated by the multilateral mechanism;

(e) An assessment of the efficiency of the multilateral mechanism[, including the global fund], taking into account the costs of its operations and the suitability of the trigger for monetary contributions;

(f) An assessment of the contribution of the multilateral mechanism to the realization of the three objectives of the Convention on Biological Diversity – [and the implementation of the goals and targets of the Kunming-Montreal Global Biodiversity Framework];

[(g) An assessment of the effectiveness of the multilateral mechanism in providing legal certainty to providers and users of digital sequence information on genetic resources;]

[(h) Information on any interactions between the multilateral mechanism and benefits from the utilization of genetic resources under the Convention and the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization;]

(i) Information on any multiple payments related to digital sequence information on genetic resources, taking into account benefits shared through the multilateral mechanism and those related to such information shared under national access and benefit-sharing measures;

(j) Information on any implications of the operation of the multilateral mechanism on the rights of indigenous peoples and local communities, including with respect to their traditional knowledge and associated genetic resources, as well as possible implications on other groups, including women and youth;

(k) Information on any implications of the operation of the multilateral mechanism on the operations of public databases on digital sequence information on genetic resources, in particular with respect to open access, as well as any implications on research and innovation, including potential implications for data governance;

(l) Information on the interactions and any synergies between the operation of the multilateral mechanism and other multilateral access and benefit-sharing instruments;

(m) A review of the interaction between the multilateral mechanism and any existing national [measures][arrangements] for access and benefit-sharing on digital sequence information on genetic resources;

[(n) The possibility of the voluntary extension of the multilateral mechanism to genetic resources in future;]

[(o) Information on other issues arising from new and emerging technologies that are relevant to the operation of the multilateral mechanism;]

[(p) Information on any implications of the operation of the multilateral mechanism on the operation of public databases on digital sequence information on genetic resources, including potential implications for data governance and measures taken by entities operating such databases pursuant to paragraph 9 of the annex;]

[(q) Information on the measures taken by Parties pursuant to paragraph 10 of the annex.]

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Note A: Co-chairs' reflections on discussion on paragraph 19 and Enclosure B

The co-chairs view is that interventions in the discussion on paragraph 19 and Enclosure B can be clustered into three main types:

1. The elements identified in Enclosure B are indicative criteria which should be taken into account when allocating funding.
2. The elements identified in Enclosure B should be considered as components of an interim formula which will be agreed at COP16, and further elaborated in the intersessional period to COP17, according to the terms of reference established in Enclosure C.
3. The elements identified in Enclosure B should be considered as potential components of a formula which will be elaborated in the intersessional period to COP17, according to the terms of reference established in Enclosure C.

The co-chairs note that the last type is inconsistent with a fully operational multilateral mechanism and invite further consideration of types 1 and 2.

Enclosure B

In terms of the elements identified in enclosure B, the co-chairs heard broad agreement that it would be important for the list to include elements relating to biodiversity. There was less consensus that the list should include level of development or capacity need, and some noted that level of development and capacity need are closely connected. There was some agreement that the list should include the geographical origin of the genetic resources from which digital sequence information in the database was derived, (noting that this data is currently often incomplete or unrepresentative and that biodiversity richness may provide a proxy). There was also agreement that the current list of elements contained significant redundancy. A number of specific, additional elements were proposed.

Under 1 and 2 described above, the co-chairs propose that it might be sufficient for the list of criteria in Enclosure B to be amended as follows:

- Biodiversity richness, and other biodiversity-related criteria for which data is readily available at the national level
- Level of national development
- Capacity needs for the conservation and sustainable use of biodiversity, taking into account the circumstances of developing countries, in particular the least developed countries and small island developing States and those with economies in transition, and of indigenous peoples and local communities
- The geographical origin of the genetic resources from which digital sequence information in the database was derived (noting that this data is currently often incomplete or unrepresentative)

To facilitate further consideration of option 2, the co-chairs provide the following information in relation to two main options that exist to agree on the use of an (interim) allocation formula at COP16:

- 1) Adopt the existing global benefits index for biodiversity that is used as part of a formula to determine the allocation of biodiversity funding under the GEF “System for Transparent Allocation of Resources” (STAR).
- 2) Adopt an updated version the existing global benefits index for biodiversity, for example with any adjustments to component weightings, and the incorporation of additional existing available biodiversity datasets to include freshwater data and a freshwater realm weighting.

The global benefits index for biodiversity is a composite index of relative biodiversity potential for each country based on the species represented in each country, their threat status, and the diversity of ecosystem types in each country. These elements are brought together in a weighted index separately for terrestrial and marine realms, and the overall index sums these using a weighting to provide total values for each

country. Details of the methodology and data underpinning the index can be found in the appendix to this note.

The following weightings are used in the index:

- 1) For different components of the index (species representation, threat status for those species, and ecosystem types present), weightings are as follows:
 - Represented Species = 0.65
 - Threatened Species = 0.20
 - Represented Ecosystems = 0.15
- 2) For the marine and terrestrial realms, weightings are as follows:
 - Terrestrial = 0.75
 - Marine = 0.25

The addition of available freshwater data to the index would provide an opportunity to adjust realm weightings accordingly, for example as follows:

- Terrestrial = 0.40
- Freshwater = 0.20
- Marine = 0.40

Sensitivity analysis on these weightings across component and realms suggests that highly ranked (mainly megadiverse) countries remain relatively constant, and higher variation can be found in middle-ranked values dependent on the weightings used.

Although the methodology is based solely on biodiversity data (see appendix it would be possible to complement these data, or otherwise combine the global benefits index for biodiversity with additional indices relating to economic development, such as the Human Development Index of a measure of (per capita) GDP.

Floor, ceiling and data compression

Options are available to include minimum and maximum allocations based on the use of floors and ceilings, or to otherwise smooth and compress the diversity and range of allocations between countries based on statistical approaches such as the use of logarithmic scales. The GEF STAR allocations use a ceiling of 10% of the total focal area allocations and an absolute floor value equivalent to approximately 0.25% for Least Developed Countries and 0.17% for other eligible countries. Additional options could be explored in the further development of the allocation formula and/or criteria.

Appendix to note 1

Methodology and Data for a biodiversity allocation formula

Methodology

The global benefits index for biodiversity is calculated as follows:

- 1) The range of distinct ecoregions within a country are identified to provide Country-Ecoregion Components (CECs)
- 2) For each CEC the following three characteristics are calculated: number of species present, threat status for those species, and ecosystem types present.
- 3) From this, a composite “weighted species threat score” is calculated representing the proportion of a species global range within each 10km grid cell weighted by its relative extinction risk (for each

species proportion of global range in the CEC is multiplied by the species extinction risk: x10 for critically endangered; x6.7 for endangered and x1 for vulnerable and less).

- 4) A total score is then calculated individually for terrestrial and marine realms (as relevant) in each country through normalising component scores and then multiplying by the defined component weight as follows:

Country Biodiversity Realm Score = $(WT1 \times \text{Represented Species}) + (WT2 \times \text{Threatened Species}) + (WT3 \times \text{Represented Ecoregion})$, where the weightings used are WT1=0.65; WT2=0.20; WT3=0.15

- 5) An overall country score is then calculated based on the addition of the terrestrial score and the marine score, as follows:

Country biodiversity benefits index score = $WT \times \text{Terrestrial Score} + WM \times \text{Marine Score}$

Where the weightings used are WT=0.75; WM=0.25

The global benefits index for biodiversity accounts for both the number of species present and global importance of each species based on range (e.g. endemism), and emphasizes ecoregions that are more heavily threatened. The methodology is consistent across marine and terrestrial realms and across data rich and poor locations. It uses data that is regularly (although not frequently) updated, and relates to various of the elements/criteria referenced in Enclosure B:

- *Threat to biodiversity*
- *Variety of ecosystems*
- *Presence of unique ecosystems*
- *Level of threat to species and biodiversity*
- *Biodiversity richness*
- *Level of endemism*

The methods and data used in the global benefits index for biodiversity underpinned STAR allocations for GEF 7 and 8, and consideration may be given to further updates for GEF 9. Further details of the Global Benefits Index for Biodiversity used by the GEF, and how it is brought together with other of the overall STAR allocation formula can be found at:

https://www.thegef.org/sites/default/files/documents/STAR_Policy_Guidelines.pdf (see pp 10-12).

Data availability

Species ranges and extinction risk data (threat status) for ~94000 species are available, covering a wide range of taxon – see figure below. Only taxonomic groups consisting of less than 1,500 described species are comprehensively assessed using the IUCN Red List Categories and Criteria. Larger groups are assessed using a representative sample (the sampled red list index), and assessment efforts in these groups focus on species that are likely to be threatened; therefore any percentage of threatened species for these groups is biased towards a higher threat status.

Data used in the most recent (2019) calculation of the biodiversity benefits index:

- The following species data layers are used for species representation and threat status, drawing from the IUCN Red List of Threatened Species:
 - *Terrestrial species groups:* Amphibians, Birds, Chamaeleonidae (Chameleons), Crocodylia (Crocodiles/Alligators), Mammals.
 - *Marine species groups:* Angelfish, Birds, Butterflyfish, Cheloniidae (Marine Turtles), Chondrichthyes (Sharks And Rays), Combtooth blennies, Conus (Cone Snails), Corals, Damselfish, Groupers, Hagfish, Lobsters, Mammals, Seabreams and porgies, Pufferfish, Sea cucumbers, Seagrasses, Sea snakes, Sturgeonfish, tangs and unicornfish, Wrasse, Tunas and billfishes.
- The following ecoregional data are used in the index:

- Marine Ecoregions and Pelagic Provinces of the World (TNC, 2012); Terrestrial ecoregions of the world (WWF, 2011)
- Additionally, various globally available marine habitats and areas of biodiversity importance have been included in the index due to knowledge gaps in marine species ranges: Mangroves, corals (warm and cold), saltmarsh, seagrass, Ecologically or Biologically Significant Areas, cold seeps, hydrothermal vents and seamounts.

Changes in data availability since 2019 and remaining gaps:

The main gaps from the 2019 data and on which efforts are being made to assess species include plants, invertebrates, fungi, and freshwater and marine species.

- **Plants** - The IUCN Red List now includes over 71,000 plant species, representing around 17% of the world's known plants.
- **Freshwater species** – assessed taxa now include decapods (crabs, crayfishes, shrimps); fishes; molluscs; odonates (dragonflies and damselflies); and selected aquatic plants that could be added to the index.
- **Marine species** - only 15% of species are assessed, with little additional data to add to the index.
- **Reptiles** – Reptile species are now comprehensive assessed (2022) and can be added to the index.
- **Invertebrates** - It is estimated that around 97% of all animals are invertebrates. But invertebrates currently form only 30% of all animal assessments on The IUCN Red List, and there is limited additional data to add to the index.
- **Fungi** - Although fungi are one of the world's most biodiverse groups, they are also the most under-represented taxa on The IUCN Red List, with fewer than 794 species assessments currently published, and limited additional data to add to the index.

Recent advances in data and in species distribution and area of habitat models also allow for some species range data to more accurately relate to areas of actual occurrence rather than total potential range. The ambition of IUCN is to assess at least 260,000 species and reassess 142,000 of those species by 2030. Whilst good progress has been made and is planned in assessing higher taxa, it should be noted that any index based on these comprehensively or sampled assessed groups is inevitably highly biased towards well-studied taxa.

Additional available datasets that are relevant to elements in Enclosure B include:

- Ecosystem-scale datasets (e.g. Ecosystems distribution; Global Ecosystem Typology; Red List of Ecosystems; Ecosystem Integrity Index). This would allow inclusion of a threatened ecosystems element alongside the species representation and threat and ecosystem representation elements.
- Spatial data on response measures (e.g. protected and conserved areas)
- Spatial data on the importance of species (e.g. richness of utilised plants)
- Spatial data on biodiversity intactness (e.g. Biodiversity Intactness Index)
- Spatial data on quality of habitat (e.g. Species Habitat Index, Bioclimatic Ecosystem Resilience Index (BERI))

Consideration would need to be given to how these data might be incorporated alongside existing datasets, noting that the current methodology was not designed to incorporate wider datasets and careful thought would therefore need to be given to the relationship particularly between response or sustainable use data and other data relating to species or ecosystem status and threat.

Note 2: Co-Chairs’ reflections on governance of the mechanism

Paragraph 26 of the draft Modalities (Annex to WG-DSI recommendation 2/1) states that “*the multilateral mechanism, including the global fund, will operate under the authority and guidance of and be accountable to the Conference of the Parties*”

To support the Conference of Parties in this task, COP-16 may wish to establish an oversight body, such as a Steering Committee, that could work in the inter-sessional periods to guide the operations of the multilateral mechanism. COP-16 may also wish to establish a secretariat to serve the oversight body. (The COP may request the Executive Secretary to provide an interim secretariat).

Accordingly, para 26 might be further developed as follows:

*26. The multilateral mechanism, including the global fund, will operate under the authority and guidance of and be accountable to the Conference of the Parties. **To support the Conference of the Parties in its role as the governing body of the mechanism, a steering committee is established with the terms of reference and composition in Enclosure X. A Secretariat with the terms of reference in Enclosure Y is established to serve the governing body and steering committee and to support the functioning of the mechanism.***

Enclosure X: Terms of Reference of the Steering Committee

Functions of the Steering Committee

- Provide oversight of the operations of the Fund host, ensuring that the fund disburses monies according to the Modalities established by COP-16
- Guide the operations of the secretariat of the multilateral mechanism.
- Report to and, and provide advice to, the Conference of the Parties.

Composition of the Steering Committee

The oversight body would comprise

- Representatives of Parties, with equal geographical representation of the UN regions,
- Representatives of indigenous peoples and local communities,
- Representatives of stakeholders from civil society, academia/entities operating public databases, and the private sector.
- Representatives of UN organizations

An option for the composition of the group is provided in the table below

Options for the election or selection of the Committee are as follows:

Option A: The Chair and members of the body will be elected by the Conference of the Parties

Option B: The Steering Committees is established by the Conference of the Parties. Members of the Steering Committee will be selected according to established procedures on the basis of nominations from Parties and observer groups. The Chair of the Group will be designated from among the members of the Committee representing Parties to the Convention.

The Steering Committee would meet in person and virtually as necessary. Decision making of the oversight body would be through consensus of the members.

Option for the composition of the Steering Committee:

Members (25)	Chair (appointed from among Parties)	1	
	Parties (regional representative)	15	3 per region
	Indigenous peoples and local communities	7	1 per sociocultural region
	UN organizations*	2	
Observers (6)	Civil society, scientific institutions, private sector	6	2 per category

*Note, in case the MPTF is designated as the host entity, a minimum of two UN agencies are required in the establishment of the fund, as per the MPTFO standard operating procedures.

Enclosure Y: Function of the Secretariat

The Secretariat of the Multilateral Mechanism would support the functioning of the multilateral mechanism, including the global fund, in line with decisions of the Conference of the Parties as the governing body of the mechanism, and as guided by the Steering Committee. Specifically, the Secretariat would:

- Prepare periodic reports and analysis on the contributions to the global fund on the basis of information provided by the host institution of the Fund
- Prepare periodic reports and analysis on the use of the fund, on the basis of information provided by recipient entities
- Service meetings of the Steering Committee
- Undertake any other tasks as determined by the Conference of the Parties, as the governing body of the mechanism