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## ADDITIONAL FINANCIAL RESOURCES

### Note by the Executive Secretary

#### I. INTRODUCTION

1. In its decision IV/12, the Conference of the Parties requested the Executive Secretary to prepare, for consideration at the fifth meeting of the Conference of the Parties, a report on additional financial resources to include proposals in four areas, namely: (a) monitoring financial support for the implementation of the Convention; (b) possible collaboration with international organizations, institutions, conventions and agreements of relevance; (c) exploring possibilities for additional financial support to elements in the programme of work outlined in decision IV/16, annex II; (d) examining the constraints to, opportunities for and implications of private sector support for the implementation of the Convention. In implementing this decision and the relevant provisions of decision III/6, the Secretariat has invited submissions, conducted assessments and attended relevant meetings. A list of Parties and institutions that have submitted relevant information is contained in annex II below.

2. The present note is prepared in response to the requests contained in decision IV/12. Section II provides an overview of official financial resources and their relevance to biological diversity. Options for future work in the four areas mentioned above are addressed in sections III to VI. Finally, section VII contains suggested action by the Conference of the Parties.

\* UNEP/CBD/COP/5/1.

## II. OVERVIEW OF OFFICIAL FINANCIAL RESOURCES

3. As anticipated in the note by the Executive Secretary on additional financial resources submitted to the Conference of the Parties at its fourth meeting (UNEP/CBD/COP/4/17), official development assistance (ODA) appears to have increased in 1998. According to the provisional estimates of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC), <sup>1/</sup> total official development assistance from OECD/DAC members to developing countries and multilateral development agencies in 1998 rose from \$48.3 billion to \$51.5 billion. The recovery in ODA in 1998 may be due in part to the timing of contributions to multilateral agencies and to shorter term measures to deal with the Asian economic crisis. Nevertheless, the increase holds symbolical significance: it ended a five-year fall in ODA. From 1992 to 1997, OECD/DAC members' total ODA fell by 21 per cent in real terms, and from 0.33 per cent of their combined GNP to an all-time low of 0.22 per cent.

4. Seven national reports submitted to the Secretariat by developed country Parties contained figures on their biodiversity funding. Several Parties have established specific environmental funding programmes of which biodiversity is an integral part. Examples include the Austrian Global Environment Cooperation Trust Fund administered by the World Bank, the Belgian Special Programme for Africa operated through the International Fund for Agricultural Development (IFAD), the Darwin Initiative established by the United Kingdom, the Phare and Tacis programmes developed by the European Commission, and the French Global Environment Facility (FGEF). However, most national reports did not provide quantitative information regarding financial support to biodiversity.

5. Submissions from bilateral funding agencies show that many bilateral agencies have taken biodiversity into account in their regular development-cooperation operations, and that some have initiated specific programmes to support biodiversity activities or provided funding to nature conservation projects. Examples include the Pacific Initiative for the Environment (PIE), newly established by the New Zealand Official Development Assistance (NZODA), and the sectoral projects of the German Agency for Technical Cooperation (GTZ) on implementing the biodiversity convention and on conservation of agrobiodiversity in rural areas. According to the submissions from the Australia Agency for International Development (AusAID), the Canadian International Development Agency (CIDA), NZODA, and the United States Agency for International Development (USAID), their financial support to biodiversity has increased, at least in nominal terms, since 1992.

6. Regional banks have in general taken account of biodiversity conservation and use in their operational policies and/or practice, and each bank has developed a unique approach to addressing biodiversity concerns. The Asian Development Bank (ADB) strives to include biodiversity conservation components in all projects, where possible, including as a primary or secondary objective of the technical assistance or project, or one of its components. Biodiversity conservation features prominently in ADB's operational policies. The European Investment Bank (EIB) has not financed many biodiversity projects per se, but issues of biodiversity conservation and use are carefully considered in the project design, for instance in transport projects in relation to the location of conservation areas. In the European Bank for Reconstruction and Development (EBRD), all operations are

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<sup>1/</sup> News release by OECD dated 10 June 1999.

subjected to environmental screening and, on the basis of this exercise, may be subject to environmental impact assessment and/or environmental audit. The Inter-American Development Bank (IDB) has participated in various regional initiatives in the area of nature conservation and biodiversity, and promoted private-sector participation in biodiversity conservation. Regional development banks are being considered for the purpose of helping implement funding from the Global Environment Facility (GEF).

7. Many United Nations institutions, although not funding institutions per se, have been involved in funding biodiversity activities and projects. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has provided catalytic support for activities carried out under the auspices of the 125 countries that participate in the Man and Biosphere (MAB) programme. Food and Agriculture Organization of the United Nations (FAO) reported that at least US\$190 million has been spent on biological diversity field-programme projects since 1992, of which US\$ 147 million related to genetic resources. The United Nations University (UNU) had a number of ongoing biodiversity projects in 1998, and the United Nations Industrial Development Organization (UNIDO) has undertaken biotechnology-related projects.

8. Intergovernmental organizations and non-governmental organizations have also been actively promoting the implementation of the Convention within their areas of expertise. Some organizations have successfully mobilized financial resources from the donor community for biodiversity activities. For instance, the Africa Resources Trust and the Caribbean Community Secretariat have executed a number of biodiversity projects supported by international donor community. BirdLife International, Botanic Gardens Conservation International and the Edmonds Institute have pooled financial resources from a variety of sources, mostly from private donors and corporations. CAB International (CABI) has generated income by sales of its information products and contractual project work in order to cover its operating costs. Some organizations, such as the Council of Europe, the International Institute for Environment and Development (IIED), the South Pacific Regional Environment Programme (SPREP) and the International Tropical Timber Organization (ITTO), have provided funding to support a range of biodiversity activities. ITTO has provided increased financial support to the conservation of biodiversity in tropical production forests as an integral part of sustainable forest management since 1988.

### III. PROPOSALS FOR MONITORING FINANCIAL SUPPORT FOR THE IMPLEMENTATION OF THE CONVENTION

#### A. General

9. In light of the previous decisions of the Conference of the Parties and the needs of the Convention, the monitoring of financial support for the implementation of the Convention might be considered to have the following purposes:

(a) To provide information regarding the availability of additional financial resources to support the objectives of the Convention in general and elements of the programme of work under the Convention in particular (decision II/6, para. 9 (a) and decision IV/12, subparagraph (c));

(b) To provide information regarding where and how country Parties might gain access to alternative financial resources (decision II/6, para. 9 (b));

(c) To assist developed country Parties and relevant stakeholders in monitoring the progress made in fulfilling their commitments under Article 20 of the Convention;

(d) To ensure that the Conference of the Parties has adequate and well organized information, in accordance with Article 23, paragraph 4, of the Convention, to carry out its responsibility to review the implementation of the Convention, in particular the implementation of Article 20.

10. The Conference of the Parties has identified three means of monitoring biodiversity-related financial resources: (i) assessments by the Secretariat (decisions I/2 and II/6, para. 9); (ii) reporting from Parties (decision III/6, para. 4 and decision IV/12, preamble); and (iii) reports by funding institutions, including bilateral and multilateral donors as well as regional funding institutions and non-governmental organizations (decision III/6, para. 5). The Executive Secretary has prepared reports for consideration at each meeting of the Conference of the Parties (UNEP/CBD/COP/2/10, UNEP/CBD/COP/3/37 and UNEP/CBD/COP/4/17) based on information from OECD/DAC and/or the Commission on Sustainable Development. For the first time, the present report includes information from Parties and funding institutions. However, due to the lack of consistency and standardization, it does not provide overall funding information, nor specific funding information in thematic areas.

11. A number of Parties and funding institutions have reported on biodiversity-related funding. AusAID allocates projects to a generic field code according to whether they are aimed at fulfilling obligations under environmental conventions, including the Convention on Biological Diversity, the Ramsar Convention on Wetlands of International Importance especially as Waterfowl Habitat, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), as well as the Australian Endangered Species Protection Act and ITTO. Nevertheless, environmental data generally does not include precise financial records of contributions toward biodiversity activities, nor does it provide information on biodiversity-related activities according to the typology of ecosystems and thematic areas. Very few Parties and funding institutions have established a process to monitor their biodiversity funding. In some countries, reporting is further complicated by the existence of different levels of funding authorities. Many bilateral funding agencies have assumed their own statistical responsibilities, but some agencies have to provide statistical data through their associated ministries, such as the Ministry of Foreign Affairs or need to coordinate with the agency responsible for the implementation of the Convention's objectives. Very few institutions appear to have plans to monitor their financial support to biodiversity conservation beyond their existing project monitoring and evaluation system, which is organized according to overall programme priorities or by sector and does not allow the identification of biodiversity projects per se.

12. Parties and funding institutions have identified the following difficulties related to compiling financial-resources information:

(a) Difficulties in separating biodiversity conservation and sustainable-use expenditure from other related expenditure Where environmental protection and biodiversity conservation have been mainstreamed into all programmes and projects, nearly all projects appear to be designed to meet goals under a number of areas of the Convention or designed to meet other environmental goals which have biodiversity as a component. Reviewing both the articles of the Convention and the decisions of the Conference of the Parties, USAID found that

activities within all of its own objectives are biodiversity- and Convention-related. This is especially true for the objectives of economic growth and agricultural development; democracy and good governance; and building human capacity through training and education;

(b) Difficulties in identifying financial support to thematic areas and cross-cutting issues of the Convention Often financial assistance in the area of biodiversity covers many thematic areas under the Convention. For instance, in many cases, small communities manage both marine and terrestrial resources together and projects rarely distinguish between ecosystems. Likewise, assistance with sustainable resource-use usually includes a range of small-scale activities across ecosystems;

(c) Difficulties in historic comparison since the total sums are not fixed, varying from one year to the next depending on overall policy priorities.

## B. Reporting

13. Based on experience gained to date under the Convention and other instruments, an effective reporting system might include the following characteristics: development of a reporting format that can be easily used by all relevant stakeholders, including Parties and funding and nonfunding institutions; establishment of a solid reporting relationship with reporting partners; introduction of a periodic review process with respect to the reporting format; and wide dissemination of the reporting.

### Reporting format

14. Both the OECD/DAC approach and that under the United Nations Framework Convention on Climate Change could be considered as options. The Secretariat has been actively involved in a pilot study on aid targeting the objectives of the Rio conventions carried out by the Reporting Systems Division of OECD/DAC, and it provided inputs to the development of a reporting format. Building upon the existing OECD reporting system, the biodiversity marker will help to produce aggregate biodiversity-related funding data. However, as part of its comprehensive statistical system, the biodiversity marker does not cover the full range of issues of interest to the Convention, such as the relative significance of biodiversity funding in ODA, the nature of new and additional financial resources, the structure of funding in terms of ecosystems and thematic areas, and the evolution of funding policies and programmes.

15. As reported in the note by the Executive Secretary on additional financial resources prepared for the fourth meeting of the Conference of the Parties (UNEP/CBD/COP/4/17), the Conference of the Parties to the United Nations Framework Convention on Climate Change requires Parties listed in annex I to that Convention to use a set of guidelines to provide separately detailed information on financial resources. The format is currently being revised, but the basic framework appears not to be in question. It appears that there will be two tables for reporting on financial resources: (a) financial contributions to GEF and other multilateral institutions and programmes, and (b) bilateral/regional financial contributions related to the implementation of the Convention. A similar reporting format for the Convention on Biological Diversity would need to be tailored to the needs of this Convention. It might address the difficulties encountered in previous reports. For instance, the definition and scope of biodiversity funding could be clarified. The reporting format could be flexible so as to allow Parties and funding institutions to develop their own reporting processes. As long as the reporting

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methodology was used consistently, the reporting could be utilized to show historic trends in funding regardless of the complexities associated with defining biodiversity projects. The reporting system could generate information for Parties and relevant institutions to assess gaps in financial support. In other words, the reporting system needs to generate not only broad funding figures but also show structural balance in thematic areas and cross-cutting issues. In order to facilitate the process of sharing funding experience, the information should be made as comparable and consistent as possible.

#### Reporting relationships

16. The OECD/DAC approach is statistics-oriented and based on submissions from development cooperation agencies or their associated ministries. It has designated correspondents within each funding institution. The Secretariat extracted relevant sectoral data from the OECD/DAC database, which produced 2453 entries for the years 1988-1998. The data includes information, varying by year, from many OECD/DAC member countries as well as the International Development Association (IDA), the IDB Special Operational Fund, the African Development Fund, the ADB Special Fund, the Commission of the European Community (CEC), and IFAD. While the data is very informative, more could be done to broaden the reporting basis, to increase historical comparability and consistency, and to better define the scope of biodiversity funding.

17. Reporting on financial resources under the Convention on Climate Change has been incorporated into Parties' national communications through an agreed reporting format. Since reports have been expected from both Parties and funding institutions under the Convention of Biological Diversity, the reporting relationship has to be established with both Parties and funding institutions. The experience of correspondent system used by OECD/DAC may be useful. The reporting may include developed country Parties, multilateral and regional funding institutions, bilateral funding agencies, United Nations institutions, as well as intergovernmental and non-governmental organizations.

#### Frequency of reporting

18. Reporting could be on a regular basis such as every year, as in the case of OECD/DAC, at every ordinary meeting of the Conference of the Parties, or every period of national reports as in the case of the Convention on Climate Change. Annual reporting would allow regular updating but could be cumbersome. A reporting frequency coinciding with meetings of the Conference of the Parties would make such information most relevant to the needs of its primary audience. To include this information as a component in national report does not imply less workload since the same level of information is needed anyway. However, it does imply that the Conference of the Parties may not be in a position to consider the issue at every meeting because of the unavailability of financial information.

#### Periodic review

19. Under OECD/DAC, a Working Party on Statistics and a Working Party on Development Co-operation and Environment have been involved in reviewing relevant statistical problems. The subsidiary bodies (the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body on Implementation (SBI)) of the Conference of the Parties to the Convention on Climate Change have been involved in discussion of the reporting format. The Conference of the Parties may

wish to consider how best to review the reporting under the Convention on Biological Diversity in the light of these experiences.

Dissemination of information

20. The Secretariat could make information available to Parties and relevant stakeholders in extractable form through the clearinghouse mechanism and through other means such as publications. Periodic summary reports could be prepared for consideration by the Conference of the Parties.

IV. PROPOSALS FOR POSSIBLE COLLABORATION WITH INTERNATIONAL ORGANIZATIONS, INSTITUTIONS, CONVENTIONS AND AGREEMENTS OF RELEVANCE

21. In light of previous decisions of the Conference of the Parties, the promotion of collaboration with international organizations, institutions, conventions and agreements of relevance could be considered to have the following purposes:

(a) To facilitate the process of knowledge and experiencesharing among relevant funding entities and Parties with a view to strengthening existing financial institutions to provide financial resources for the conservation and sustainable use of biological diversity (Article 21, para. 4, decision III/6, paras. 2 (b) and 5);

(b) To assist relevant funding entities in assessing the status of biodiversity funding and in developing appropriate measures with a view to making their activities more supportive of the Convention (decision III/6, para. 1);

(c) To make mutually supportive the implementation of funding activities undertaken by the Convention on Biological Diversity and by international organizations, institutions, conventions and agreements of relevance (decision II/13, para. 2, and preambles of decisions III/21 and IV/15);

(d) To avoid unnecessary duplication of activities and costs on the part of Parties and of the organs of the Convention (decision II/13, para. 3, and preambles of decisions III/21 and IV/15).

22. There are a variety of institutional modalities of collaboration between the organs of the Convention and international organizations, institutions, conventions and agreements of relevance. Collaboration might be achieved either through the Secretariat, through biodiversity-specific organizations and institutions (mostly non-governmental organizations), and/or through the institutional structure that operates the financial mechanism of the Convention. Collaboration can be achieved at policy, administrative and/or operational, or national level, or through "umbrella" processes. Collaboration with international organizations and agreements can be promoted in the following areas:

(a) Facilitating exchange of information and experience with respect to biodiversity funding. This may include, for example, regular meetings and the exchange of documents, work plans and reports, as well exchange of personnel by way of secondment. It may also include the integration of databases and information networks. The Conference of the Parties could invite relevant entities to designate personnel to serve as focal points for coordination with the Convention. The Secretariat may send representatives as observers to meetings under relevant processes to enhance mutual understanding and facilitate the formal exchange of views;

(b) Promoting reporting by funding institutions The Conference of the Parties has already invited relevant funding institutions to submit reports through the Secretariat, which transmits decisions to relevant funding institutions to facilitate the identification of areas where organizations might cooperate and bring to light areas of potential conflict. It can provide assistance to relevant funding institutions in setting up their biodiversity-related funding monitoring processes;

(c) Promoting the coordination of respective funding programmes Joint workshops and meetings may serve to enhance synergies between the work of separate institutions. Institutions may establish joint programmes in particular fields to make the best use of available resources, or create joint subsidiary bodies with advisory or delegated executive functions to facilitate the rationalization of activities in certain areas. Particular tasks related to the Convention work programme may be delegated to other international or regional institutions or lead partners;

(d) Exploring how additional financial resources can be made available to support the Convention and the elements of its programme of work.

23. Collaboration with the Commission on Sustainable Development In the context of the General Assembly, a high-level consultation on financing for development is to be held in 2001. An ad hoc open-ended working group on financing for development has been convened to develop the format and procedures for such consultation. There is also an inter-sessional process working on finance for sustainable development under the Commission on Sustainable Development. The Expert Group on Financial Issues on Agenda 21 has met almost every year. The Secretariat could participate in this intersessional process, for instance, by attending meetings and providing inputs.

24. Collaboration with relevant conventions and agreements The Ramsar Bureau has developed two funding mechanisms: the Small Grants Fund for Wetland Conservation and Wise Use (SGF) and "Wetlands for the Future" focusing on the neotropical region. Funding mechanisms exist under other conventions and agreements, such as the World Heritage Convention and the Convention to Combat Desertification. The Intergovernmental Forum on Forests (IFF) has also discussed a possible financial mechanism, and the Secretariat provided substantial comments on a study sponsored by the United Nations Development Programme (UNDP) on an investment promotion agency for IFF. Despite these efforts, the scale of funding available through these mechanisms remains relatively small.

25. The most likely place for collaboration with United Nations institutions in the areas of expertise and competence harboured by these institutions, subject to the availability of financial resources. United Nations institutions expressed keen interest in collaboration with the Convention and its Secretariat. Possible areas of collaboration include (i) sharing information and expertise relevant to individual activities undertaken jointly or individually; (ii) jointly identifying and approaching potential bilateral donors to support joint activities; (iii) joint programming; and (iv) harmonizing reports required under different processes.

26. Collaboration with bilateral funding agencies. According to the submissions, bilateral development cooperation agencies can be expected to continue supporting the Convention through established channels of cooperation. There are still some opportunities to further explore collaboration with bilateral



development agencies. For example, GTZ expressed interest in sharing ~~wide~~ expertise and experiences with the Secretariat. The Japan International Cooperation Agency (JICA) is implementing a number of projects based on a policy entitled "sectoral study for development assistance (environment)" established in 1988. The Secretariat can provide updated information to assist the work of such agencies in further developing policies, awareness-raising activities as well as capacity-building.

27. Collaboration with regional funding institutions The regional development banks have shown keen interest in collaboration with the Convention, and have actively explored possible avenues of such collaboration. In addition to seeking partnership with non-governmental organizations that have special expertise in biodiversity conservation technologies, ADB is currently undertaking a review of all international environmental conventions and treaties related to its work in order to develop an understanding of what developing member countries are required to do to fulfil their obligations, how ADB might best assist them, and how ADB can ensure that its policies and procedures are in line with the major conventions. EIB is interested in learning how biodiversity projects can be made financially acceptable to institutions like the Bank. EBRD places emphasis on improving its knowledge base with respect to identifying and ~~responding~~ responding to biodiversity issues in its countries of operation. IDB would welcome the participation of the Convention Secretariat in a future process to define strategic elements for its future actions in biodiversity conservation, such as the creation and proper management of parks and green areas in population centres, and to exchange experience on how a monitoring system could best be set up.

28. Collaboration with other intergovernmental organizations and non-governmental organizations. These organizations consider that closer collaboration with the Secretariat would allow them to better support the Convention and assist in attracting new financial resources of biodiversity conservation (Botanic Gardens Conservation International). A number of practical suggestions were made: (i) contacts between the Secretariat and relevant organizations should be intensified through a memorandum of cooperation and take place regularly at least twice per year (Council of Europe); (ii) implementation of GEF-funded projects as a way to collaborate with the Convention (African Resources Trust); (iii) cooperation through an agreement to be entered between the Secretariat and relevant organizations, containing the terms of reference of the foreseeable joint activities and the relevant financial implications (ICGEB); (iv) the form in which such cooperation can be established varies with the level on which the cooperation should take place, e.g., as joint working groups, jointly sponsored workshops or symposia, dialogue meetings with managers involved with environmental issues, etc. (International Council for Exploration of the Sea (ICES)); (v) provision or mobilization of financial and technical support through the Secretariat to relevant regional organizations to assist them in their activities in support of the Convention (Southern African Development Community (SADC) and SPREP).

29. Active collaboration with each and every funding institution would require a higher level of human and financial resources for the Secretariat. A realistic approach could be to organize workshops for biodiversity personnel of funding institutions after each meeting of the Conference of the Parties. Such inter-sessional workshops could help to increase the level of biodiversity awareness and capability within funding institutions, to promote the sharing of information, knowledge, experience and best practice in biodiversity funding, and to facilitate the process of priority-setting and programmatic links between funding institutions.

V. PROPOSALS FOR EXPLORING POSSIBILITIES FOR ADDITIONAL FINANCIAL SUPPORT TO ELEMENTS IN THE PROGRAMME OF WORK OF THE CONVENTION

30. In its decision IV/12, the Conference of the Parties requested the Executive Secretary to include proposals in a report on additional financial resources for exploring possibilities for additional financial support to elements in the programme of work outlined in decision IV/16, annex II. The programme of work outlined in decision IV/16 contains the following items: at its fifth meeting, the Conference of the Parties will consider in depth the issues of dryland/ecosystems, and sustainable use, including tourism, access to genetic resources; at its sixth meeting, the issues for in-depth consideration will be forest ecosystems, alien species, and benefit-sharing; and the issues at the seventh meeting will be mountain ecosystems, protected areas, and transfer of technology and technology cooperation. Submissions to the Secretariat from various sources show that financial resources are often in support of forest ecosystems and protected areas. Other elements of the work programme have not caught the same degree of attention.

31. The submissions identified a number of modalities for Parties and relevant stakeholders to explore for additional financial resources. They include:

(a) Influencing decisionmaking bodies of funding institutions One Party indicated its emphasis on a range of biodiversity-related issues at the World Bank's Board of Executive Directors. National focal points could raise the awareness of their representatives at governing bodies of various funding institutions on the need for supporting biodiversity-related projects. The Secretariat could collaborate with Parties in efforts to sensitize members of the governing bodies of funding institutions. This would appear particularly necessary in the cases of dryland and mountain ecosystems, sustainable use and benefit-sharing, and transfer of technology;

(b) Country dialogue. Funding institutions often hold dialogues with recipient countries as well as consider individual project proposals. Parties may seek to include biodiversity in such dialogues. For instance, biodiversity could be one of central themes by multilateral agencies in their dialogue with individual countries and in the formulation of the United Nations Development Assistance Framework (UNDAF) for each country, and a comprehensive development framework (CDF) as advanced by the World Bank. Bilateral development agencies could include issues related to biodiversity resources on their agenda for country dialogues;

(c) GEF may help leverage additional financial support for elements of the work programme A number of bilateral agencies are interested in close cooperation with GEF and its implementing agencies, and are considering the possibility of joint project and programme planning with GEF. In this context, the financial resources available through the financial mechanism can serve as "seed money" in attracting additional financial support.

(d) Interlinkages with other conventions and biodiversity programmes of United Nations institutions, intergovernmental organizations and governmental organizations. Interlinkage of biodiversity issues with other conventions and regimes can provide additional leverage in securing funding as in the case of the Ramsar Convention's and SGF and Wetlands for the Future, and the World Heritage Fund. The Secretariat is developing its working relationship with the Convention to Combat Desertification and the Global Mechanism established under that

Convention. The Secretariat has followed the discussions in Intergovernmental Forum on Forests on a possible financial mechanism, and has provided substantial inputs on a UNDP-sponsored study on an investment promotion agency. In some cases, joint efforts by the Convention of Biological Diversity and biodiversity programmes of international organizations can help raise these issues for consideration by countries with bilateral aid programmes or by multilateral funding institutions;

(e) Support from private-sector sponsors. Many organizations and their biodiversity programmes have been fairly successful in engaging private sector sponsors for their activities. Large industrial and manufacturing entities, in particular, are amenable to proposals regarding conservation of biological diversity. These opportunities could be explored to secure support for relevant issues such as sustainable use and benefit sharing, and transfer of technology;

(f) Regional strategies and action plans. The development of regional strategies and action plans would help articulate regional priorities and the need for additional financial assistance. Regional strategies could be beneficial for such issues as alien species and protected areas.

VI. PROPOSALS FOR EXAMINING THE CONSTRAINTS TO, OPPORTUNITIES FOR  
AND IMPLICATIONS OF PRIVATE SECTOR SUPPORT FOR THE  
IMPLEMENTATION OF THE CONVENTION

A. General

32. Interest in the private sector was highlighted in the period of lower ODA and increased private financial flows in the mid-1990s. Against this backdrop, net private financial flows to developing and transition countries fell sharply in 1998.<sup>2/</sup> In response to the crisis in financial markets in 1997, international banks reduced lending, institutional investors pulled out of certain equity markets, and developing countries' bond issues were less successful. However, longer-term bank flows still showed a small net inflow to developing and transition countries, and private direct investment actually rose slightly.

33. In paragraph 3 of decision III/6, the Conference of the Parties requested the Executive Secretary "to explore further possibilities for encouraging the involvement of the private sector in supporting the Convention's objectives". The note by the Executive Secretary on additional financial resources submitted to the Conference of the Parties at its fourth meeting (UNEP/CBD/COP/4/17) presented a preliminary analysis on ways and means to promote the use of private financial resources. In decision IV/12, subparagraph (d), the Conference of the Parties further requested the Executive Secretary to include in his report proposals for "examining the constraints to, opportunities for and implications of private sector support for the implementation of the Convention".

34. The importance of private sector involvement has been highlighted in a number of thematic areas. The Convention provides for the involvement of private sector in the context of sustainable use (Article 10 (e)) and access to and transfer of technology (Article 16). The Conference of the Parties has considered the role of the private sector in the following areas: sustainable tourism (decision IV/15), agricultural biodiversity (decision IV/6), access to, joint development and transfer of technology (decisions I/2 and II/4), clearing-house mechanism (decisions II/3, III/4, and IV/2), intellectual property rights (decision II/12),

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<sup>2/</sup> Ibid.

access to genetic resources and benefit-sharing (decision IV/8), national reports (decision II/17), and incentive measures (decision III/18). The private sector could be considered in other work programmes of the Convention. To a large extent, the involvement of the private sector could be regarded as a cross-cutting issue under the Convention.

35. United Nations institutions have a long history of working with the private sector. In 1999, the Secretary-General proposed a global compact that specifically addressed three issues of growing importance in tying together people, corporations, and economies throughout the world: human rights, labour standards, and the environment. In general, the private sector can make contributions to United Nations programmes, fund projects or joint efforts promoted by the United Nations, and can provide or deliver contractual services, or help deliver goods and services. The following examples of how United Nations institutions work with private sector are of relevance to the work of Convention:

(a) United Nations programmes act as neutral broker. UNEP has been instrumental in bringing together business and industry with different interests to advance environmental consideration by business and industry. Its tourism programme has developed a number of joint activities with the private sector. United Nations institutions can provide assistance in the development of principles applicable to the private sector and promote compliance with existing standards;

(b) United Nations institutions can help develop government-private sector partnership, involve the private sector in publicly sponsored projects, help develop projects for funding by international funding institutions, act as broker for technology transfer, and undertake joint projects;

(c) United Nations institutions can promote the exchange of experience and consensus-building through forums, expert meetings, workshops and seminars. This may be done also through development of information systems, and provision of information;

(d) United Nations institutions can assist in capacity-building such as in the establishment of training centres and provision of training materials.

#### B. Private financial resources

36. As regards private financial flows to developing countries, researchers of the World Resources Institute, the WorldWatch Institution, and Yale University have conducted studies on impacts of financial flows on sustainable development and the environment. ADB also sponsored a study entitled "Mobilizing broader support for Asia's biodiversity: how civil society can contribute to protected area management". The clearing-house mechanism of the Convention can be used to facilitate the dissemination of the results from these studies. Knowledge of the relationship between private financial flows and biodiversity is limited. General research on such relationship could be considered. Since private financial flows have been concentrated in some 12 developing countries, focused case studies on biodiversity and private financial flows in these countries could contribute to a better understanding of their relationship.

37. Private funding institutions have shown increasing interest in biodiversity issues. Some have made internal environmental commitments for purposes of community relationship and reduction of business operation and maintenance expenses. There are many examples of corporate conservation activities and

sponsorship for biodiversity conservation through foundations and donations or debt-for-nature swaps. Private funding institutions can act as intermediaries for biodiversity funding by creating conservation banking and biodiversity-friendly loans and investment options. They can have effective dialogue with companies regarding the need for protecting biodiversity. Insurance companies are keen on biodiversity-related risk management, and consider that environmental risks are business risks in the granting of loans, real estate business, project financing and third-party liability. A number of green investment funds or environmental funds have been created and have often outperformed regular funds. Certain banks even provide credit card options, including the EnviroFund VISA card which supports environmental projects. The Domini 400 Social Index (DSI) was launched to help redirect funds to socially responsible investments.

38. While it is not feasible for the Secretariat to establish links with thousands of private banks and insurance companies, the financial sector initiatives launched by UNEP provide unique opportunities to help bank and insurance sectors get involved in promoting the objectives of the Convention. The UNEP initiatives bring together more than 100 of the world's largest financial institutions. All have signed the UNEP Statement by Financial Institutions on the Environment and Sustainable Development drawn up in 1992 or the Statement of Environmental Commitment for the Insurance Industry launched in 1995. It seeks to promote the integration of environmental considerations into all aspects of financial sector operations and services, and to foster private sector investment in environmentally sound technologies and services. The Secretariat participated in the fourth International Roundtable Meeting on Finance and Environment convened by UNEP in 1998, and the fourth International Conference of the Insurance Industry Initiative in 1999. The UNEP financial sector initiatives are examples of how to promote the involvement of the financial sector in the environmental field. The Conference of the Parties may wish to encourage UNEP financial sector initiatives to take into account the objectives of the Convention, and request the Secretariat to further its collaboration with the UNEP financial-sector initiatives.

39. Foundations and charitable donations are of importance to the objectives of the Convention on a number of fronts. The United Nations Foundation (UNF) has identified biodiversity as an environment priority, and plans to target a minimum of \$30 million to this area over the next three years. Its programme puts the emphasis on natural world heritage sites identified under the World Heritage Convention and coral reefs within the Framework of Action under the International Coral Reef Initiative (ICRI) to be further developed by UNEP and the International Center for Living Aquatic Resources Management (ICLARM). Donations could be considered as an important potential source of private financial resources in support of the objectives of the Convention. According to a rough estimate, biodiversity-related donations in the United States in 1996 might have exceeded half a billion dollars. Although few foundations link their activities directly with the Convention, most of their biodiversity activities fall within its scope. There are a number of constraints, however, to such donations. National legislations do not always include biodiversity as an item eligible for donation. Many donors or donor organizations have a low level of awareness of biodiversity, and even less of the Convention. The size of individual funding to biodiversity from foundations is relatively insignificant, and tends to be more specific.

40. There has been close collaboration between the Secretariat and the United Nations Foundation for International Partnership (UNFIP) and UNF in their efforts to develop the UNF/UNFIP programme framework on ecosystem conservation and biological diversity. The Secretariat provided briefs on the recent developments

under the Convention to their meetings, and commented on their documents. A similar approach could be applied to other cases. The Secretariat could:

(a) Facilitate the exchange of information regarding the availability of private funds, and project proposals for consideration by these donors;

(b) Help operating entities of private donors develop funding programmes in support of the implementation of the Convention;

(c) Seek partnership with foundation organizations, including establishing "biodiversity partners" programmes or a foundation network programme; and

(d) Monitor the progress of foundations' biodiversity activities, and conduct surveys and studies in this regard if necessary.

#### C. Biodiversity-related sectoral activities

41. Incentive measures could be adopted to promote private sector initiatives. International funding would facilitate private-sector participation in biodiversity conservation. This is already apparent in the participation of small enterprises through the Terra Capital venture fund and the National Biodiversity Institute of Costa Rica (INBio). Other aspects of incentive measures have been already discussed by the Conference of the Parties. Further work might include detailed studies on private-sector conservation initiatives.

42. A number of issues are related to technology transfer as far as private sector is concerned. The lack of regulations on intellectual property rights in still many of the developing countries often affects research. Another difficulty is that relevant stakeholders in developing countries are not able to collaborate with highly developed industrial or research institutions, mainly because of the lack of skilled personnel or lack of an adequate policy framework. This points to the need to develop mechanisms for facilitating technology transfer.

43. There have been substantial discussions and initiatives on the sustainable use of biological resources in the fields of fisheries, forestry, agriculture and ecotourism. For example, a number of organizations are seeking to introduce sustainability certification processes on a voluntary basis in private-sector enterprises. There might be benefits in disseminating information and sharing experience in these areas.

44. Activities such as road rehabilitation programmes, energy, oil and gas, mining may have a negative impact on biodiversity. Many Parties and funding institutions require impact assessment as a measure to minimize negative impact on biodiversity. Case studies would help to assess the status of knowledge in this field, in particular how the private sector responds to the requirements.

45. The private sector is expected to play a role in the development of a framework for access to genetic resources and sharing the benefits of their utilisation. The Secretariat could commission research on how private-sector initiatives might facilitate the implementation of benefit-sharing provisions of the Convention.

VII. SUGGESTED ACTION BY THE CONFERENCE OF THE PARTIES

46. The Conference of the Parties may wish to consider adopting a decision along the following lines:

The Conference of the Parties:

1. Expresses its appreciation to those bilateral and regional funding institutions, United Nations institutions, intergovernmental organizations and nongovernmental organizations and convention secretariats that provided information regarding financial resources to the Conference of the Parties at its fifth meeting;
2. Notes that a number of funding institutions have increased financial support to biodiversity projects and activities or take this into account in their regular operations;
3. Also notes the lack of comprehensive information about financial support to biological diversity;
4. Welcomes the pilot study on aid targeting the objectives of the Rio conventions being carried out by the Development Assistance Committee of the Organisation for Economic Co-operation and Development;

Monitoring of financial resources

5. Requests the Executive Secretary to further develop a database on biodiversity-related funding information, and make it available through the clearing-house mechanism and other means of communications, as appropriate;
6. Recognizing the difficulties in compiling biodiversity-related financial-resources information, decides to adopt the format for reporting biodiversity-related financial support contained in annex I below;
7. Urges developed country Parties and encourages developing country Parties, where appropriate, to establish a process to monitor financial support to biodiversity, and to provide further information, using the suggested format for reporting, on financial support to biodiversity to the Conference of the Parties at its sixth meeting;
8. Invites funding institutions to develop a reporting relationship, including the designating of focal points, with the Convention, and to provide annual biodiversity-related funding information to the Secretariat;

Collaboration among relevant institutions

9. Requests the Executive Secretary, in collaboration with the Global Environment Facility, the United Nations Environment Programme, the World Bank and the Development Assistance Committee of the Organisation for Economic Co-operation and Development, to convene a workshop on biodiversity finance with a view to sharing knowledge and experience among funding institutions;

10. Requests the Executive Secretary to explore further collaboration with the work on financial issues on Agenda 21 under the Commission on Sustainable Development, and to seek to contribute to the High-Level Consultation on Financing for Development of the General Assembly in 2001;

11. Requests the Executive Secretary to further develop collaboration with funding mechanisms of relevant conventions and agreements, and with relevant biodiversity-related programmes of international and regional organizations;

12. Requests the Executive Secretary to assist, as appropriate, in assisting funding institutions in the definition of their funding strategies and programmes and the promotion of capacity building;

#### Additional financial resources

13. Urges developed country Parties to take biodiversity into account in the funding policy of their bilateral funding institutions and that of regional and multilateral funding institutions;

14. Urges developing country Parties to incorporate biodiversity into their dialogue with funding institutions;

#### Involvement of private sector

15. Notes the cross-cutting nature of the involvement of the private sector, and resolves that the involvement of the private sector shall be included as appropriate on the agenda of the Conference of the Parties at its regular meetings and be integrated into the sectoral and thematic items under its programme of work;

16. Requests Parties to include in their second national reports information on the involvement of the private sector;

17. Invites the United Nations Environment Programme through its financial-sector initiatives to promote consideration of biodiversity by the financial sector;

18. Urges Parties to promote the consideration of tax exemptions in national taxation systems for biodiversity-related donations, and requests the Executive Secretary to promote biodiversity activities of charitable institutions;

19. Requests the Executive Secretary to promote studies and workshops on the following topics and to make their outcomes available through the publication of Secretariat technical papers:

(a) The relationship between biodiversity and private financial flows, including case-studies;

(b) Private-sector conservation initiatives and incentive measures;

(c) Funding modalities for facilitating technology transfer;

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(d) The role of the private sector in the sustainable use of biological resources, with specific attention to fisheries, forestry, agriculture and ecotourism, and benefit-sharing.

Annex I

FORMAT FOR REPORTING FINANCIAL SUPPORT TO BIODIVERSITY

- (1) Percentage of biodiversity funding in official development assistance and in domestic gross products [for Parties] or total lending [for funding institutions].
- (2) New development of funding policies related to biological diversity, including measures to integrate biological diversity into regular operations.
- (3) Special funding programmes related to biological diversity.
- (4) Contributions (in United States dollars) of new and additional financial resources to the financial mechanism, including explanations of how new and additional financial resources are determined [for Parties]; provisions of co-finance to projects funded by the financial mechanism [for funding institutions].
- (5) [For Parties] Contributions (in United States dollars) to biodiversity-related programmes of international and regional institutions and other entities: World Bank, UNDP, UNEP, FAO, UNESCO, UNCTAD, UNIDO, UNU, IMF, IFAD, IAEA, UPOV, OECD, African Development Bank, Asian Development Bank, IDB, EBRD, IUCN, WWF, WRI, SPREP, SADC, ITTO, IEED, SADC, IIED, etc.
- (6) Annual project/activity financing (in United States dollars) in thematic areas: marine and coastal, inland water, forest, mountain, arid and semi-arid, agricultural biological diversity.
- (7) Annual project/activity financing (in United States dollars) on ~~cross~~cutting issues: biodiversity planning, identification and monitoring, in situ and ex situ conservation, sustainable use, access to genetic resources and benefit-sharing, incentive measures, capacitybuilding (research, training, public education and awareness), impact assessment, transfer of technology, biosafety, scientific and technical cooperation including clearing-house mechanism, indigenous and local communities.
- (8) Annual voluntary contributions (in United States dollars) to the Convention on Biological Diversity, and contributions to international agreements of relevance, such as Ramsar, CITES, UNFCCC, UNCCD.

Notes

(i) For the purpose of reporting on sections (6) and (7), biodiversity projects/activities are:

- Those projects/activities in which biodiversity can be identified as being fundamental in the design and impact of the project/activity and in which one of the three objectives of the Convention is addressed (they may be selected by answering the question: "would the project/activity have been undertaken without the objective of biodiversity?"); and

- Those projects/activities in which biodiversity is not one of the principal reasons for undertaking the activity, but biodiversity accounts for at least 25 percent of the project/activity budget.

(ii) Projects/activities targeted at the root cause of biodiversity loss, i.e. poverty eradication, and projects/activities that avoids negative impacts on biodiversity conservation and sustainable use should be disclosed in section (2).

(iii) As far as possible, a project/activity should be reported under the thematic areas of destination (i.e., section (6)).

(iv) The cross-cutting issues of destination (i.e., section (7)) are to be used only when a project/activity is ecosystems non-allocable, unspecified or unknown.

(v) Contributions to biodiversity-related international and regional institutions and other entities should be only reported under section (5).

Annex II

LIST OF PARTIES AND INSTITUTIONS THAT HAVE SUBMITTED  
INFORMATION REGARDING FINANCIAL RESOURCES

1. Parties (reports containing information on biodiversity-related development cooperation)

Australia, Austria, Belgium, Canada, European Community, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom

2. Parties responding to request of the Secretariat

Australia, Finland, and Oman

3. Bilateral funding agencies

Australian Agency for International Development (AusAID); Austrian Development Cooperation; Canadian International Development Agency (CIDA); European Commission; Department of International Development Cooperation, Finland; French Development Agency (AFD); German Agency for Technical Cooperation (GTZ); Japan International Cooperation Agency (JICA); Lux-Development S.A. (Luxembourg); New Zealand Official Development Assistance (NZODA); Swedish International Development Cooperation Agency (Sida); Swiss Directorate for Development and Cooperation (SDC); Unitec States Agency for International Development (USAID).

4. Regional funding institutions

Asian Development Bank (ADB), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB)

5. United Nations institutions

Food and Agriculture Organization of the United Nations (FAO); International Maritime Organization (IMO); International Monetary Fund (IMF); Secretariat of the Convention to Combat Desertification (UNCCD); United Nations Conference on Trade and Development (UNCTAD); United Nations Educational, Scientific and Cultural Organization (UNESCO); United Nations Industrial Development Organization (UNIDO); United Nations University (UNU); International Union for the Protection of New Varieties of Plants (UPOV); World Food Programme (WFP); World Intellectual Property Organization (WIPO); World Trade Organization (WTO)

6. Intergovernmental organizations and non-governmental organizations

Africa Resources Trust; BirdLife International; Botanic Gardens Conservation International; CABI Biosciences; Caribbean Community Secretariat; Convention on the Conservation of European Wildlife and Natural Habitats; Council of Europe; Edmonds Institute; Green Industry Biotechnology Platform; Greenpeace International; International Centre for Genetic Engineering and Biotechnology (ICGEB); International Council for the Exploration of the Sea (ICES,); International Institute for Environment and

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Development (IIED); International Tropical Timber Organization (ITTO); Organization of American States (OAS); Organisation for Economic Co-operation and Development (OECD); Southern African Development Community (SADC); South Pacific Regional Environment Programme (SPREP).