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## CONFERENCE OF THE PARTIES TO THE CONVENTION ON BIOLOGICAL DIVERSITY

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Item 18.1 of the provisional agenda\*

### FINANCIAL RESOURCES AND MECHANISM (ARTICLE 20 AND 21)

#### *Additional financial resources*

*Note by the Executive Secretary*

#### INTRODUCTION

1. The present note has been prepared by the Executive Secretary to assist the Conference of the Parties in its consideration of the implementation of Article 20 of the Convention on Biological Diversity, on financial resources, as well as Article 21, paragraph 4, on strengthening existing financial institutions, a standing agenda item of every ordinary meeting. In particular, the present report responds to the requests contained in decision V/11.

2. Article 20 together with Article 21, paragraph 4, mainly contains the following four types of financial provisions: (i) national financial support and incentives; (ii) new and additional financial resources through the financial mechanism; (iii) financing through bilateral, regional and other multilateral channels; and (iv) financing by the private sector. The question of new and additional financial resources through the financial mechanism is considered under the financial mechanism, and the report of the Global Environment Facility (GEF) to the sixth meeting of the Conference of the Parties will support that discussion.

3. In line with the provisions of Article 20 and Article 21, paragraph 4, decision V/11 contains a wide range of requests for concrete actions by Parties and Governments, the Convention Secretariat, the GEF and other relevant international and regional processes. In response to that decision, the Executive Secretary and the GEF secretariat convened a Workshop on Financing for Biological Diversity in Havana on 16-17 July 2001 (hereinafter referred to as "the Havana Workshop"). The summary of the Workshop

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proceedings is available on the Secretariat's website ([www.biodiv.org](http://www.biodiv.org)). The Executive Secretary further developed a database on biodiversity-related funding information, and made available the information regarding where and how to access funding for biodiversity projects on the website of the Convention. The work on financing database benefited from the assistance of an intern who was generously sponsored by the Quebec Ministry of International Relations.

4. The present report has built on the inter-sessional activities as well as the information from Parties and Governments, the Global Environment Facility, funding institutions and relevant international and regional processes. It is organized in line with the order of relevant paragraphs of Articles 20 and 21, starting with an overview of the implementation of Article 20 on financial resources together with Article 21, paragraph 4. Section II considers financial support and incentives in respect of national biodiversity activities, in particular in respect of the implementation of national biodiversity strategies and action plans. The third section is devoted to issues related to additional financial resources. Section IV addresses financial resources through bilateral, regional and other multilateral channels. The fifth section covers finance from the private sector. The recommendations for further work on financial resources are contained in section VI.

## **I. OVERVIEW OF THE IMPLEMENTATION OF ARTICLE 20 TOGETHER WITH ARTICLE 21, PARAGRAPH 4 AND RELATED DECISIONS**

5. The second national reports provided the latest information concerning the implementation of Article 20, Article 21, paragraph 4 and related decisions of the Conference of the Parties, in particular decision V/11. The format of the second national reports contained 20 questions in the field of financial resources and mechanism. It did not attempt to address the progress made since the first national reports, nor to collect quantitative information. The following synthesis is based on the forty-four second national reports, with eleven from developed country Parties, which are available at the time when this report is prepared.

### ***A. Overview of the implementation of Article 20 and related decisions***

6. The first question was on the relative priority afforded to the implementation of Article 20 and relevant decisions. Responses from developed country Parties in general indicated high priority to the implementation of Article 20. While half the responses from developing country Parties gave high priority to Article 20, a large number of responses from developing country Parties afforded only medium or even low priority to this Article. The reasons given for the latter include: low awareness or appreciation of the importance of biodiversity loss resulting in failure to adopt national biodiversity strategies and action plans; domestic financial crisis and no availability of domestic funds; and heavy reliance on external financial support on which information and knowledge are needed. Several submissions from developing country Parties highlighted the need for external funds and the impossibility, without external funds, to implement all the provisions of the Convention in their country.

7. Regarding the extent to which the resources available are adequate for meeting the obligations, responses from developed and developing country Parties were strikingly different and demonstrated a distinct pattern of their different financial capabilities. Developed country Parties generally felt that available financial resources were adequate or even good. Only one developed country stated that available financial resources were limited. Most developing country Parties considered available financial resources either limiting or severely limiting for the implementation of the Convention. The limitation of available financial resources was most frequently observed in African submissions. A substantial increase of international financial support and easier flow of such resources were thus called for.

8. Under Article 20, paragraph 1, Parties undertake to provide financial support and incentives in respect of those national activities which are intended to achieve the objectives of the Convention. According to the second national reports, developed country Parties were able to provide both financial support and financial incentives in respect of their national biodiversity activities. Developing country Parties from Asia and the Pacific and Latin America and the Caribbean put more focus on financial support. Central and Eastern European country Parties either provided financial support or provided both financial support and incentives to their national activities under the Convention. Responses from African country Parties demonstrated a range of scenarios: some were not able to implement this provision while others managed to provide incentives or financial support or both in respect of their national activities.

9. Developed country Parties, by Article 20, paragraph 2, are committed to provide new and additional financial resources to enable developing country Parties to meet the agreed full incremental costs to them of implementing measures that fulfil the obligations of the Convention and to benefit from its provisions. Developed country Parties indicated their positive responses to this provision. However, only about one-third of the responses from developing country Parties perceived what they have received as new and additional financial resources to enable them to meet the agreed full incremental costs.

10. In accordance with Article 20, paragraph 3, developed country Parties may provide financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels. Developed country Parties unanimously stated that this provision has been under implementation. In contrast with their responses on new and additional financial resources, the majority of developing country Parties tended to agree with developed country Parties on financial resources being provided by developed country Parties through bilateral, regional and other multilateral channels. Better information and coordination of such support were also suggested.

11. In decision V/11, the Conference of the Parties urged developed country Parties and encouraged developing country Parties to establish a process to monitor financial support to biodiversity. The second national reports showed that less than a quarter of the Parties have established such a monitoring process and nearly one-third of the Parties were establishing necessary procedures, but almost half of the Parties have not started to implement this request yet. Despite the general lack of a monitoring process, most responses from both developed and developing country Parties indicated that details of their financial support to national biodiversity activities were available but not in a standardized format. The same also applied to the financial support to biodiversity activities in other countries from developed country Parties. Nevertheless, very few responses demonstrated their cooperation in any efforts to develop standardized information on financial support for the objectives of the Convention. Half of the responses from developed country Parties indicated that they cooperated with the European Union or the Organisation for Economic Co-operation and Development (OECD) in an effort to develop standardized information.

12. One of the recurring issues in the previous decisions of the Conference of the Parties was a call for promoting the involvement of the private sector in the implementation of the Convention. Surprisingly, no second national reports indicated that any country has compiled information on the additional financial support provided by the private sector. However, a good number of countries indicated that tax exemptions in national taxation systems for biodiversity-related donations were already in place. A few countries began to develop an exemptions system. With 10 per cent of the responses indicating that the exemptions were not appropriate to their national conditions, the majority of Parties have not yet started to consider this provision.

## ***B. Overview of the implementation of Article 21, paragraph 4 and related decisions***

13. Article 21 of the Convention on Biological Diversity establishes a financial mechanism to channel new and additional financial resources to developing country Parties, and also stipulates that the Contracting Parties shall consider strengthening existing financial institutions to provide financial resources for the conservation and sustainable use of biological diversity. The second national reports with respect to the financial mechanism are covered by the second review of the effectiveness of the financial mechanism to be undertaken at the sixth meeting of the Conference of the Parties. As regards strengthening existing financial institutions, all responses from developed country Parties and more than half of the responses from developing country Parties indicated that their Governments have contributed to the implementation of this provision. A few developed country Parties reported that they initiated partnerships with the World Bank and regional development banks to strengthen the capacity and to integrate biodiversity consideration in the policies of the banks. Most developed country Parties indicated that they made significant efforts to ensure that all funding institutions are striving to make their activities more supportive of the Convention, but a large number of developing country Parties demonstrated in their reports only limited efforts in this connection. This pattern of efforts reflected to a large extent the different role developed and developing country Parties played in their relationship with funding institutions. Developed country Parties unanimously indicated that they promoted support for the implementation of the objectives of the Convention in the funding policies of their bilateral funding institutions and those of regional and multilateral funding institutions. As recipients, the majority of developing country Parties stated that they have discussed ways and means to support the implementation of the objectives of the Convention in their dialogues with funding institutions.

## **II. FINANCIAL SUPPORT AND INCENTIVES IN RESPECT OF NATIONAL ACTIVITIES**

14. Paragraphs 8, 11 and 12 above have provided an overview of the status of implementation of Article 20, paragraph 1, and related decisions on financial support and incentives in respect of national activities. Decision V/11 and other previous decisions highlighted the importance of supporting the implementation of national biodiversity strategies and action plans, introducing financial incentives for biodiversity activities, and monitoring and reporting on financial resources and incentives. This section provides briefly further details concerning the implementation of these resolutions, based on the information from the national reports and the Havana Workshop.

### ***A. Monitoring and reporting on financial resources***

15. According to the *OECD Development Co-operation Report 2000*, the flow of official development assistance from countries members of the OECD Development Assistance Committee (DAC) and multilateral organizations to developing countries was US\$51.3 billion in 1999, up by US\$ 1.6 billion from the level in 1998, but about US\$8.3 billion less than in 1994. The share of official development assistance (ODA) in total net resource flows has declined sharply: between 1991 and 1998, the share of ODA fell by half, from 41.4 percent to 20.7 percent. The ODA share of the combined gross national product (GNP) of DAC member countries remains extremely low. As in previous years, only four countries achieved the United Nations aid target of 0.7 percent of GNP in 1999.

16. Within the context of generally low levels of official development assistance and other official development finance over the past decade, development assistance for biological diversity can hardly be expected to have reached a satisfactory level. Based on the national reports and submissions from donor institutions and development agencies as well as the OECD pilot study on aids targeting the three Rio conventions, it is roughly estimated that average annual official development assistance for biological

diversity has been on the order of US\$1.2-1.4 billion in recent years. This figure has not only included support through general measures to conserve biological diversity but also taken into account relevant assistance in agriculture, forestry, fishing, and water supply. In some cases, relevant assistance were also found in such sectors defined in statistics as industry, mining, energy, tourism, transport, communications, education, health, government and civil society, etc. The available information does not, however, enable an estimation of the funding trends over years or the composition of the funding.

17. As shown in paragraph 11 above, despite the availability of funding information at national level, action to monitor financial support concerning national biodiversity activities and to develop standardized information is not adequate, and essential funding information is still unavailable. Standardized information on financial support has been called for by the Conference of the Parties in decisions III/6, IV/6 and V/11. The DAC has intensified its effort to collect statistical information on aids targeting the Rio conventions through the introduction of a marker system. According to the Havana Workshop, the efforts to develop standardized information should not be targeted only at developed country Parties, and both potential benefits of information standards and associated expenses for generating requisite information should be taken into account. In addition, the objectives of standardized information need to be clearly defined.

***B. Financial measures for the implementation of national biodiversity strategies and action plans***

18. To support the implementation of national biodiversity strategies and action plans, the national reports provided a wide range of measures, including:

- (a) General strategies;
- (b) National budgets;
- (c) Biodiversity/ environmental trust funds;
- (d) Revenue generation for conservation purposes;
- (e) Continued negotiation for new and additional financial resources;
- (f) Voluntary contributions to the financial mechanism;
- (g) Promotion of biodiversity activities through non-governmental organizations;
- (h) Participation in relevant regional and international processes;
- (i) Engagement of private sector including fundraising efforts;
- (j) Strengthening of existing financial institutions;
- (k) Financial (fiscal and monetary) incentives; and
- (l) Improvement of the efficiency of using existing resources.

19. *General strategies.* Many national biodiversity strategies and action plans contained cost details and planned projects and programmes. Several countries were not able to provide funding frameworks due to the lack of knowledge and information of external financing. Certain countries aimed to increase internal and external investments in order to conserve and regenerate landscapes and biodiversity

by 30 per cent in the next five years. A wide range of possible financial avenues were identified, mainly international development assistance, government and local budgets, conservation funds, voluntary contributions and donations, and others. Most of these plans attempted to address both initial funding of biodiversity programmes and long-term sustainability, such as covering recurrent costs.

20. *National budgets.* Many countries stated that national budgets have a primary role to play in financing for biodiversity. They were undertaking the following action to ensure that national budgets are supportive of the objectives of the Convention:

- (a) Establishment of a new budget line or a special budget item to ensure minimum finance required for the implementation of the Convention;
- (b) Promotion of the objectives of the Convention through non-environmental budgets;
- (c) Assessments of national budgets in order to promote the implementation of the Convention; and
- (d) Recognition and incorporation into state budgets of full biodiversity costs of all government-sponsored activities.

21. *Biodiversity/environmental trust funds.* A fairly popular measure in financing for biodiversity has been to create a special biodiversity trust fund or an environment fund earmarked for biodiversity activities and implementation of national strategies and action plans, and to provide a certain degree of guarantee of financial support. Such a fund was normally a partnership between international donors, national governments, state and local communities and all other interested stakeholders. Countries seemed to differ with respect to the purposes of creating such a trust. Some trust funds were meant to provide an avenue for pooling diversified sources of revenues, in particular those generated from national budgets, private donations and use of biological resources. Most often, such trust funds were used to attract foreign finance in particular under the context of debt-for-nature arrangements and technical aid for developing and implementing projects. A number of debt-inflicted countries planned to investigate the applicability of debt for nature swap initiatives, and to actively explore possibilities for debt for nature swaps with present and potential donors. Overall, many established trust funds have not lived up to initial expectations of finance generating.

22. *Revenue generation for conservation purposes.* Many countries planned to investigate and institute innovative mechanisms to raise new finances for biodiversity conservation, examples of which are as follows:

- (a) Payments/fines for direct use of natural resources as well as for indirect impacts relating to habitat change (forestry, clearance for agricultural land, grazing, etc.);
- (b) Charges for unsustainable or excessive use of natural resources and for negative impacts on wildlife and ecosystems;
- (c) Royalties generated through biodiversity prospecting activities;
- (d) Entrance fees to protected areas, reserves and museums, and fees for fishing licenses and licenses to tour operators;
- (e) Organization and development of international nature-study tourisms;

- (f) Publications and relevant products and services based on biological diversity;
- (g) Portions of departure taxes dedicated to environmental affairs, and hotel tax;
- (h) Compensation of damage caused by contamination, degradation and disturbance of land;
- (i) Transfer of revenues generated from forestry and electricity in the areas of river basins to programmes for the protection and conservation of basins and environmental improvement;
- (j) Conservation-linked business promotions such as the conservation credit card campaign;
- (k) The “adopt a park” strategy whereby donor agencies adopt an individual reserve;
- (l) Special issues of postage stamps, coins;
- (m) Fund-raising events, e.g. concerts, banquets, activities;
- (n) Establishment of business sponsorship to provide funds, in-kind support e.g. Materials and services, people to assist with the work, or by actually delivering a particular action in a biodiversity plan;
- (o) Engagement of private sector in the national consultation process for formulating national biodiversity strategies and action plans to generate financial commitment from the private sector;
- (p) Development and implementation of nationally recognized awards for environmentally friendly management by business, supported by wide media coverage, etc.

23. *Promotion of biodiversity activities through non-governmental organizations.* A number of countries realized that environmental non-governmental organizations could attract international assistance through their successful cooperation with international organizations. Development agencies indeed gave considerable support to a number of key international non-governmental organizations because of their recognized efforts to promote conservation and sustainable use of biodiversity. In some countries, however, there were still legal impediments related to financing mechanisms available to non-governmental organizations, their ability to collect donations or raise funds, as well as regulatory constraints regarding co-operation with international non-governmental organizations.

24. *Participation in relevant regional and international processes.* Countries also perceived participation in regional collaboration and international processes as an opportunity to increase the possibility to raise foreign and domestic funds, such as through the involvement in the Pan-European Biological and Landscape Diversity Strategy, Southern African Development Committee, Meso-American Biological Corridor, biodiversity-related international agreements, treaties and organizations. The following examples of such efforts were found in a number of national reports:

- (a) More active participation in trans-boundary cooperation and establishment of specific programs;
- (b) Involvement in the work of sessions, symposiums, conferences and meetings of international organizations to assure future co-operation and development of joint programmes of actions, use of international experience as well as presentation of proposals;
- (c) Establishment of links and cooperation with wider range of international organizations, and maintaining of constant contacts with them;

(d) Participation in national, regional and international conferences and meetings to promote biodiversity and to benefit from new developments in this field;

(e) Active participation in development and implementation of new biodiversity-related agreements and arrangements.

25. *Improving the efficiency of using existing resources.* Better use of existing resources was considered as a way to provide great savings for biodiversity programmes. Certain countries planned to review funding and administration of existing programmes related to the conservation of biological diversity in order to identify potential for reallocation of resources for improved efficiencies, and optimize the use of existing funds allocated for conservation-related activities, based upon identified priorities for biodiversity conservation.

### **C. Financial incentives**

26. Incentive measures have been addressed under the agenda item for implementing Article 11. Article 20, paragraph 1 and decision V/11, paragraph 16, are focused only on financial support and incentives. Financial incentives can be generally considered from fiscal and monetary policy perspectives. Fiscal incentives involve tax incentives/disincentives and public expenditure reorientation. Parties and Governments are adopting a wide range of tax incentives to stimulate investment in the conservation and sustainable use of biological diversity. Monetary incentives refer to a range of incentives or disincentives provided for the financial sector to promote positive impacts of their financing activities on biological diversity. Governments can influence credit systems, insurance and interest payments in support of the objectives of the Convention.

27. The following examples of positive tax incentives were contained in various national reports:

(a) Benevolent payments for environment protection are exempted from value added tax;

(b) Full deductibility for expenditures that may provide biodiversity conservation benefits;

(c) Deductions for cash donations to charitable (including biodiversity) causes, biodiversity/environment funds, government-accredited non-government organizations or environmental and scientific research institutions;

(d) Concessions or rate rebates on land rates to landowners for protecting habitat and endangered species;

(e) Land use tax and real estate tax exemptions for parks, scenic places and green belts;

(f) Incentives to encourage private individuals to sell their property with ecological functions to the government or conservation organizations;

(g) Tax privileges for introducing technologies and production with little or no waste or using secondary resources;

(h) Full or partial exclusion from taxation of the amount of revenues from profits reinvested to nature protection;

(i) Exemption from taxation of the revenues received from utilization of industrial and household waste;



(j) Privileged taxation of enterprises manufacturing nature protection equipment, material, reagents, facilities for managing biological diversity, and of those implementing construction and reconstruction of nature protection projects;

(k) Accelerated depreciation of fixed assets used for biodiversity conservation activities;

(l) Tax incentives to private companies financing biodiversity related initiatives at the local level;

(m) Incentives for participation in conservation initiatives such as forest certification programmes.

28. The national reports provided the following examples of tax disincentives:

(a) Introduction of special taxes (environmental taxes, excises) on products, manufacture of which produces adverse impact on biodiversity;

(b) Allocation of certain percentage of profits/taxes and/or revenues from wildlife and plant trade to conservation of protected areas;

(c) Levies on the timber industry for protection and rehabilitation of forest biodiversity;

(d) Taxes on ownership of weaponry or other means of hunting and fishery as well as incomes from services and products that directly or indirectly connected with the use of live natural resources (advertisement, recreation, sale of special literature, printed products etc.);

(e) Tax on waste disposal in landfill sites to encourage business and consumers to produce less waste, to dispose of less waste in landfill sites, and to recover value from more of the waste which is produced, for example through recycling.

29. In many countries, public expenditure was being re-oriented or restructured in favour of conservation and sustainable use of biological diversity. Examples of public expenditure measures from the national reports included:

(a) Grants provided for specific habitat improvement, local communities, volunteers, ecotourism, etc.;

(b) Subsidies granted for prevention of negative impacts on forest management and water regime;

(c) Evaluation of subsidy programmes in different sectors in order to modify those measures that negatively affect the conservation and sustainable use of biodiversity;

(d) Development of an ecological "food for work" programme (including planting and habitat re-habitation).

30. According to the national reports, examples of interventions by Parties and Governments on monetary aspects were as follows:

(a) To adopt a policy of environment impact assessment requirement for projects funded by loans;

- (b) To encourage favorable loans for environmental projects such as waste disposal or recycling plants;
- (c) To converse loans to grants in return for environmental commitments and protection of critical areas;
- (d) To provide financial incentives for locating industries for minimal environmental impacts;
- (e) To grant funding priority to development projects that positively impact on biodiversity conservation at the community level;
- (f) To introduce mandatory and voluntary ecological insurances; and
- (g) Not to tax interest and dividend payments to individuals from environment-friendly financial investments if the capital has been invested in specific "green projects" via "green funds" recognized by the Government.

### III. ADDITIONAL FINANCIAL RESOURCES

31. The provision of new and additional financial resources is one of the building stones of the Convention. GEF has been designated as the financial mechanism of the Convention to mobilize and channel new and additional financial resources in accordance with guidance from the Conference of the Parties. Both the replenishments of the GEF Trust Fund and its project developments provide opportunities for leveraging additional financial resources. In decision V/11, the Conference of the Parties further emphasized the vital importance of adequate financial resources for the implementation of the Convention on Biological Diversity and reaffirmed the importance of providing new and additional financial resources through the financial mechanism in accordance with Article 20 of the Convention. The Conference of the Parties will have before it a report from GEF to assist in its consideration of financial resources provided through the financial mechanism of the Convention consistent with Article 20, paragraph 2 and Article 21 of the Convention.

32. At its previous meetings, the Conference of the Parties addressed financial resources additional to those provided through the GEF. Such financial resources may be further new and additional financial resources or new and additional financial resources provided through bilateral, regional and other multilateral channels. Through decision V/11 and other previous decisions, the Conference of the Parties highlighted the following issues, among others:

- (a) Development of a database on biodiversity-related funding information;
- (b) Sharing of knowledge and experience among funding institutions;
- (c) Promotion of financing for biodiversity through the commission on sustainable development and the international conference on financing for development;
- (d) Collaboration with funding programmes of relevant international agreements;
- (e) Collaboration with bilateral, regional and other multilateral funding institutions;
- (f) Involvement of the private sector through the United Nations Environment Programme Finance Initiatives (UNEPFI) and other international organizations and processes; and

(g) Partnerships with charity organizations.

33. *Database on biodiversity-related funding information.* Such a database is essential for the Conference of the Parties to assess the overall picture of financial resources that had been contributed to biodiversity activities. The Secretariat has provided comprehensive information concerning where and how to access funding for biodiversity through the clearing-house mechanism of the Convention, and kept the information updated regularly. The database can also accommodate essential information concerning funded biodiversity projects, pipelines and project concepts and proposals.

34. The Havana Workshop appreciated the usefulness of comprehensive data and information sharing of environmental investments among donor organizations and development agencies as one major initiative where GEF could take the lead in managing a database on financing for the global environment, including biodiversity. Such an operational database would facilitate and support strategic and workprogram planning and resources allocation, including at the country-level. Using appropriate database systems and structures, relevant information can be maintained and shared among Parties, donor organizations and development agencies for considering project proposals. For instance, such a database can provide up-to-date data on national needs and historical, ongoing and planned funding activities. The availability of and access to such information would also assist with identification of synergies between projects and among global environmental issues, and donor coordination and collaboration so as to avoid duplicated efforts and to maximize the benefits of limited resources. Such a database would focus on supporting financial decision-making and planning and operational effectiveness in complement of existing statistical reporting systems that monitor funding trends and performance.

35. *Finance chapter under the Commission on Sustainable Development and the event on financing for development.* In accordance with its multi-year programme of work (1998-2002), the Commission on Sustainable Development considered financial issues at its eighth session in 2000. By decision 8/5, the Commission urged Governments of developed countries that have not yet fulfilled the commitments undertaken to reach the agreed United Nations target of 0.7 per cent of GNP for ODA to do so as soon as possible. The Commission further identified the following areas for future work: (i) mobilization of domestic financial resources for sustainable development; (ii) promotion of international cooperation and mobilization of international finance for sustainable development; (iii) strengthening of existing financial mechanisms and exploration of innovative ones; and (iv) improvement of institutional capacity and promotion of public/private partnerships. The next comprehensive discussion of financial resources and mechanisms for sustainable development will take place at the comprehensive review, in September 2002 in Johannesburg, South Africa, of progress since the United Nations Conference on Environment and Development.

36. The International Conference on Financing for Development is scheduled to take place in Monterrey, Mexico, in March 2002. The event will consider national, international and systemic issues relating to financing for development in a holistic manner in the context of globalisation and interdependence. The event will provide an historic opportunity to address development through the perspective of finance, as well as the mobilization of financial resources for the full implementation of the action plans agreed to at major United Nations conferences of the 1990s.

37. *Funding mechanisms of relevant conventions and agreements and funding programmes of international and regional organizations.* As an initial step to collaborate with funding mechanisms of relevant conventions and agreements and funding programmes of international and regional organizations, the Secretariat has undertaken to collect information concerning the practice and strategies of resources mobilization and management of relevant conventions and agreements, international and regional organizations, in order to learn from their financial experience and identify opportunities for collaboration.

The outcomes of such a research may be made available for information through the website of the Convention.

#### **IV. FINANCING FOR BIODIVERSITY THROUGH BILATERAL, REGIONAL AND OTHER MULTILATERAL CHANNELS**

38. Article 20, paragraph 3 and Article 21, paragraph 4 highlight the importance of bilateral, regional and other multilateral channels in financing for biodiversity. Decision V/11 and other previous decisions undertook to identify ways and means to promote collaboration between the Convention and these funding institutions. This section addresses the following issues: (i) development of reporting relationship; (ii) strengthening of funding institutions; and (iii) sharing of knowledge and experience.

##### ***A. Nomination of focal points and development of reporting relationship***

39. In its decision V/11, paragraph 5, the Conference of the Parties invited funding institutions to designate focal points and to develop a reporting relationship with the Convention. In response to that request, the following institutions have communicated to the Executive Secretary their focal points: Canadian International Development Agency (CIDA, Canada), Danish Ministry of Foreign Affairs (Denmark), Groupe Agence Française de Développement (AFD, France), Kreditanstalt für Wiederaufbau (KfW, Germany), Japan International Cooperation Agency (JICA, Japan), Ministry of Foreign Affairs (New Zealand), Agencia Española de Cooperación Internacional (AECI, Spain), Swedish International Cooperation Agency (Sida, Sweden), Asian Development Bank (AsDB), United Nations Development Programme (UNDP), World Bank.

40. One difficulty in identifying focal points was the diverse features of developed countries' development cooperation systems. In most developed countries, the ministry of finance (treasury or ministry of economics) is responsible for international financial institutions such as the World Bank while the ministry of foreign affairs often takes the lead in relation to the United Nations agencies and funds. Bilateral development cooperation systems sometimes involve the ministries of finance and foreign affairs, but in other cases there is a large autonomous development agency. Within the ministry of foreign affairs, some countries have integrated development cooperation professionals into regional or geographical departments, and others have a development co-operation directorate or division. In several countries, a lead ministry - the ministry of foreign affairs or the ministry of development cooperation - is responsible for developing development cooperation policy and strategy, but bilateral implementation is entrusted to one or more separate agencies. There are also a number of countries where a range of ministries are involved with development co-operation with each taking responsibility for a particular aspect of the programme, and in some cases, implementation is entrusted to independent executing agencies. One question on the nomination of focal points was whether the existing national focal points system of the Convention could serve this purpose. In particular in the case of bilateral cooperation, national reports have contained information on financial resources. Several institutions indicated that the ministry of foreign affairs or the national focal points of the Convention were responsible for providing financial information.

41. Another difficulty is the lack of terms of reference for such focal points on financial resources. It seems that the focal point for financial resources of Parties and Governments, bilateral, regional and multilateral funding institutions should be a senior staff member in charge of biodiversity funding activities/project portfolio, and be entrusted to perform the following:

(a) To regularly receive most updated information regarding progress in international negotiations and biodiversity sciences from the Convention Secretariat and funding information from other funding institutions and biodiversity programs from other organizations;

- (b) To share information, experience and knowledge with their counterparts of other institutions and within their organizations;
- (c) To advance relationship with the Convention; and
- (d) To be involved in international discussions on the issues related to financing for biodiversity.

***B. Strengthening funding institutions***

42. Developed and developing countries have played different roles in strengthening funding institutions. Measures taken by developing countries to promote their collaboration with funding institutions include promotion of better understanding of needs; provision of project-related information; exploration of better means to access funding institutions; promotion of in-country coordination; and strengthening project formulation and implementation capacities. Donor countries have used the following channels to push for the biodiversity agenda: co-financing; discussion at the governing bodies of funding institutions; meetings with the management and staff of funding institutions; secondment of technical expertise; and review of the effectiveness of financial support to biodiversity from funding institutions.

43. Developing countries generally felt the need to convince international organizations and donors to invest in sustainable nature protection and the improved management of landscape and biological diversity. Many national biodiversity strategies and action plans have provided a comprehensive list of projects and programmes to be undertaken in collaboration with international financial and technical assistance. These lists were generally considered as national priority. A significant number of developing country Parties have made tremendous efforts to promote the consideration of these lists by donors. But these national priorities still embrace generally low awareness among donor communities, and thus remain largely wish lists. Developing countries were further taking the following measures:

- (a) General meetings to present biodiversity strategies and action plans to donor institutions as a step to identify and secure support for these strategies and plans;
- (b) Annual meetings with donors to harmonize the interventions in environmental sector, and to exchange experience with other countries and discuss opportunities for foreign financing of projects and actions by donor governments and financial institutions;
- (c) Efforts to ensure that all development assistance agencies with programmes in their countries are aware of the biodiversity strategy and action plan; and
- (d) Establishment of a high-level advisory council where donors are invited to participate.

44. In-country coordination can greatly enhance donor coordination efforts, increase efficiency of fundraising and avoid duplications in efforts. A growing number of developing countries have established a mechanism, often at an inter-ministerial level, to co-ordinate fund-raising efforts for biodiversity project proposals and to prevent conflicting externally supported development activities. Such a mechanism is usually located within the ministry of finance or ministry of environment, and has the following functions:

- (a) To undertake evaluation of proposals to select priorities for submission for financing;
- (b) To look into possible avenues of developing sustainable revenues to support biodiversity programme;

- (c) To convene donor meetings;
- (d) To facilitate contact between national institutions and potential donors;
- (e) To prepare records and coordinate all donor support, and produce periodic reports;
- (f) To produce financial manuals or offer guidelines for coordination of different sources of funding to secure financial sustainability.

45. Many countries recognized the need to strengthen the capacity to formulate and implement projects. Some planned to formulate a package plan of cooperative projects on biodiversity based upon the overall needs of the whole country with priority projects identified. Others planned to conduct a series of training sessions devoted to writing business projects on biodiversity in order to develop projects and grant applications suitable for international donors, to provide ongoing external support in project development and leverage of funds for biological diversity. The Havana Workshop further identified additional measures to enhance access to funding institutions and economize fund-raising efforts. It suggested that common elements of requirements for biodiversity-related project proposals, based on donors' proposal review criteria, should be developed in order to avoid duplicated efforts for recipient countries to meet project proposal requirements of different donor institutions. The Workshop also recognized the need for better information about funding needs and the difficulties in fitting into donors' framework that needs to be examined from both donor and recipient sides.

### *C. Sharing of knowledge and experience*

46. Several meetings on financing for biodiversity were convened in the past few years. At the international level, the Havana Workshop provided a useful forum for institutions to exchange information and experience on financing for biological diversity. The Workshop identified critical issues and generated useful suggestions for further work on financial resources under the Convention. In thematic areas, the Biodiversity Support Program sponsored by the United States Agency of International Development (USAID) convened a roundtable and workshop on donor best practices supporting indigenous peoples and biodiversity governance in Hundested, Denmark, on 7-9 March 2001. At regional level, the Organization of American States organized a meeting on sustainable development in Latin America: financing and policies working in synergy in October 1998.

47. Donor institutions have increasingly recognized that the resultant degradation and destruction of the natural resources will undermine the sustainability of the development, and therefore be of little benefit to the improvement in the living standards of the local population or their sustained social and economic growth. Most bilateral agencies and multilateral institutions have regarded environmental sustainability as one of the policy objectives in their overall policy statements, sectoral policies and strategies, and a few bilateral agencies and multilateral institutions have even formulated a specific environmental strategy. There are still, nevertheless, important differences between the high policy priority accorded to the environment, and actual practice. According to an OECD study, donor agencies in practice have not managed to secure a systematic and coherent integration of environmental concerns in all sectors, at all stages of the project cycle and in all forms of ODA. Environmental guidelines are still not systematically applied or are not used at all. The Havana Workshop suggested that more effective use of a linkage between biological diversity and development themes should be promoted by both donors and recipients, and the biodiversity concerns should be addressed in the development of major international development initiatives, such as the Highly Indebted Poor Countries (HIPC) Debt Initiative, Poverty Reduction Strategy Papers (PRSPs) and Comprehensive Development Frameworks (CDF).

48. Generally, all aid agencies have an environmental unit or some form of resident environmental expertise, usually situated in a central advisory unit of the agency. Environmental units have wide-ranging mandates, including policy and instrument development, provision of environmental advice regarding both bilateral and multilateral programs and projects and participation in or coordination of aid agency input in global environmental issues. According to a recent OECD study, environmental units in donor agencies typically remain over-worked, under-staffed, and are forced to concentrate more on day-to-day issues, leaving less scope to invest in the development of policies or tools, or to review the environmental objectives of the agency, or to transfer basic environmental skills amongst generalist staff. The Havana Workshop recognized the need for developing reference papers, guidelines, criteria and indicators on crosscutting issues and thematic areas of the Convention in order to promote better understanding and finance of biological diversity by donor institutions.

49. Participants in the Havana Workshop realized that biodiversity projects tend to be relatively complex and more difficult to design and implement, and highlighted the need to develop operational principles on financing for biological diversity. For instance, a good number of bilateral development agencies have created specific programs earmarked to environmental matters. This has been considered as a clear way to demonstrate strong commitments to support biodiversity. A recent study cautioned that this approach should not be taken for granted. Earmarking of funds in the long term are not necessarily beneficial in terms of long development time involved, linkages with main economic sectoral activities and generation of additional financial allocations. For another instance, almost all donor agencies have long in place guidelines or procedures on environmental impact assessments where impacts on ecosystems and species are generally mentioned. This has been considered an effective way to ensure “no damage” from development projects. Environmental impact assessments are generally pursued at project level, and only about three agencies undertake strategic environment impact assessments. A study found that development assistance agencies frequently fail to undertake environmental assessment of projects that they support, or to apply their own guidelines to an adequate extent.

50. The Havana Workshop considered information sharing as one of the concrete steps to achieve donor coordination. Multilateral institutions and an increasing number of bilateral development agencies have made available on their website project portfolio including pipeline information in their own format, reflecting increasing extent of transparency and openness. There is, however, no mechanism to facilitate the utilization of such information: information is dispersed among different websites and not organized in an operations-supporting manner.

## **V. FINANCING BY THE PRIVATE SECTOR FOR BIOLOGICAL DIVERSITY**

51. The issue on the involvement of the private sector has repeatedly appeared in the previous sections of the present report, and has emerged as a major topic in financing for biological diversity for the years to come. There was a large presence of conservation community in the UNEP Finance Initiatives International Roundtable Meeting on Finance and Environment “Globalization and Sustainable Development – Opportunities and Challenges for the Financial Services Sector” held from 16-17 November 2000 in Frankfurt, Germany. The World Conservation Congress –IUCN Amman Congress devoted an interactive session to “Developing and Investing in Biodiversity Business” on 7 October 2000 in Amman, Jordan. The Organization for Economic Cooperation and Development and the World Bank also convened jointly an International Workshop on Creating Markets for Biodiversity from 23-24 January 2001 in Paris, France. The Havana Workshop suggested that innovative financial mechanisms and private sector investment should be further elaborated.

52. The IUCN Amman Congress reviewed new approaches to developing and investing in biodiversity-enhancing businesses, and explored ways of channelling direct private investment and of

engaging the private sector positively in the implementation of the Convention. According to the meeting, many intergovernmental organizations and international non-governmental organizations have been actively involved in developing innovative methods and mechanisms to make private investments supportive of the objectives of the Convention. Among them are the OECD, the World Bank, the International Finance Corporation, the United Nations Conference on Trade and Development (UNCTAD), the World Conservation Union - IUCN, WWF International - Forest Stewardship Council (FSC), Fauna and Flora International (United Kingdom), Earthwatch Institute (United Kingdom), Conservation International (United States of America), Marine Aquarium Council (United States of America), The Nature Conservancy (United States of America). New initiatives such as the Kijani Initiative (biodiversity business in Africa) and the World Heritage Enterprise Project are well under development.

53. In many national reports, contributions from the private sector were regarded as a complementary source of funding. The following private sector were identified to have potential to contribute to biodiversity activities:

(a) Businesses that profit directly from conserving biodiversity, e.g. ecotourism companies, whose activities will directly benefit biodiversity;

(b) Businesses that use or affect biodiversity, e.g. mining companies may support biodiversity conservation by reducing their negative effects on biodiversity (e.g. reducing pollution) or by supporting parallel activities that benefit biodiversity conservation (e.g. conducting ecological research or supporting local community conservation initiatives);

(c) Business that have little or no direct link with biodiversity conservation but may contribute to biodiversity conservation activities as part of their social responsibility (e.g. supporting communities or employees) or to raise their public profile.

54. According to the national reports, it is very important to consider converting part of benefits from biodiversity use into funding, to develop a system to return revenues generated in parks and reserves (from tourism) to the protected area system, and to provide entities to channel private financial resources. Some countries established funding schemes to encourage and facilitate the financing of environmental projects. Such schemes provide a channel for green groups to register with the government so that the donations they receive are routed through proper channels in order to secure tax exemption for their donors. Ecobanks and private trust funds were also established to capture profits from ecologically pure products obtained as a result of introduction of nature-conservation technologies.

55. Traditionally, corporate sector and individuals provide funds for conservation because of charitable appeal and philanthropic gesture. The Secretariat has conducted a survey on the biodiversity-related foundation organizations, and identified a large number of foundations in developed countries that provide grants to biodiversity activities in developing countries. The summary information of these foundations is accessible on the Secretariat's website.

56. The Havana Workshop recognized the importance of the role and impact of GEF in leveraging and mobilizing additional external resources for environmental investments. GEF has been exploring ways of attracting private investment to GEF projects, and several GEF-funded projects were designed to allow for broad involvement of the private sector.



## VI. RECOMMENDATIONS

57. Based on the above information, it is proposed that the Conference of the Parties at its sixth meeting:

(d) Reaffirms the critical importance of international development assistance in support of the objectives of the Convention at national and regional levels, and emphasizes the need for a substantial increase of international financial support and easier flow of such assistance;

(e) Encourages the Organisation for Economic Co-operation and Development to integrate data collection efforts on aid targeting the implementation of the Rio Conventions into its regular data collection activities, and invites the Organisation for Economic Co-operation and Development to provide information on financial flow statistics relating to the objectives of the Convention on Biological Diversity to the Conference of the Parties at its seventh meeting;

(f) Recognizes the importance of achieving better understanding of new and additional financial resources, recommends, within the context of third national reports, that developed countries elaborate how “new and additional financial resources” have been determined, and developing countries explain how they have perceived the term “new and additional financial resources”;

(g) Urges donor Parties and Governments, bilateral, regional and multilateral funding institutions and development agencies that have not nominated a focal point for financial resources to do so in accordance with decision V/11 as soon as possible, bearing in mind the suggested terms of reference for such a focal point as contained in annex I below;

(h) Invites Parties and Governments to submit to the Executive Secretary their experiences on developing and implementing financial measures for supporting national biodiversity strategies and action plans, such as biodiversity trust funds and promotion of the private sector in supporting biological diversity;

(i) Invites Parties and Governments to review national budgets and monetary policies with a view to promoting the conservation and sustainable use of biological diversity, including the effectiveness of official development assistance allocated to biological diversity;

(j) Invites developing countries to provide, and donor institutions and development agencies to avail themselves of, the information that meets common elements of requirements for biodiversity-related project proposals to be developed by the Executive Secretary on the basis of proposal review criteria of donor institutions and development agencies. Such information should be made available through the clearing-house mechanism;

(k) Requests the Global Environment Facility to explore appropriate modalities for improving the centralized availability of and access to relevant information on biodiversity investments and project activities world-wide, with a view to achieving better donor coordination. The availability of and access to comprehensive data and information sharing among donor organizations and development agencies should support and facilitate the identification, co-ordination and reporting of environmental investments and funding;

(l) Invites the Global Environment Facility to explore opportunities to further develop, enhance and strengthen its catalytic role in identifying and promoting co-financing resources, and, also, to take definitive actions to explore and examine innovative and creative financing modalities to leverage increased access to funds from the private sector and non-traditional sources of funding;

(m) Requests the Executive Secretary in collaboration with the Global Environment Facility to promote, through workshops and other means, coordination, coherence, and synergies in financing for biological diversity among donor Parties and Governments, bilateral, regional and multilateral funding institutions, taking into account the issues identified in annex II below;

(n) Commends the Executive Secretary upon the information concerning where and how to search and access funding for biodiversity projects that has been provided on the website of the Convention, and requests the Executive Secretary to keep the information updated regularly;

(o) Requests the Executive Secretary to continue to monitor and collaborate with the work on financial issues on Agenda 21 under the Commission on Sustainable Development, and to further collect information, including through seminars or a workshop, concerning the practice, experience and strategies of resources identification, mobilization and management that have been pursued by other international and regional agreements and organizations and make such information available on the website of the Convention;

(p) Encourages the United Nations Environment Programme through its Finance Initiatives to further involve the insurance and banking services sector of the developing countries with a view to promoting their awareness, capacity building and commitments in support of the objectives of the Convention;

(q) Urges the World Bank, the International Monetary Fund, the United Nations Development Programme and other international processes to take concrete action to review and further incorporate biodiversity consideration in the development of major international development initiatives, such as the Highly Indebted Poor Countries (HIPC) Initiative, Poverty Reduction Strategy Papers (PRSPs), and Comprehensive Development Frameworks (CDF);

(r) Requests the Executive Secretary to prepare a progress report on the implementation of this Decision for consideration by the Conference of the Parties at its seventh meeting, bearing in mind the multi-year nature of its provisions.

*Annex I*

**SUGGESTED TERMS OF REFERENCE FOR A FOCAL POINT(S) FOR FINANCIAL RESOURCES**

1. Facilitation of communications with the Convention;
2. Promotion of exchange of financial information, experience and knowledge in support of biological diversity;
3. Participation in international discussions on issues related to financing for biodiversity;
4. Promotion of implementation of the Convention.

*Annex II*

**ISSUES FOR FURTHER CONSIDERATION**

1. Promotion of sharing of funding information, experience, best practice and knowledge in the field of biological diversity;
2. Further exploration of the potential of the Global Environment Facility to act as a funding catalyst;
3. Identification of gaps and promotion of collaboration and synergies in covering biodiversity funding needs and biodiversity project proposals;
4. Exploration of innovative and creative financial measures for supporting national biodiversity strategies and action plans;
5. Review of the effectiveness of official development assistance allocated to biological diversity;
6. Development of common elements of requirements for biodiversity-related project proposals;
7. Identification and review of cross-cutting issues and thematic areas of the Convention for preparing reference papers by the Executive Secretary to promote better understanding and finance by donor institutions and development agencies;
8. Elaboration of any guidelines for the review of national budgets and monetary policies to promote the conservation and sustainable use of biological diversity.

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