



CONVENTION ON BIOLOGICAL DIVERSITY

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FINANCIAL RESOURCES AND MECHANISM (ARTICLES 20 AND 21)

Additional financial resources

Note by the Executive Secretary

I. INTRODUCTION

1. In its preamble, the Convention on Biological Diversity acknowledges that substantial investments are required to conserve biological diversity. Parties and Governments, by Article 20, agreed to provide financial support to biodiversity activities at national, regional and international levels. The adoption by the sixth meeting of the Conference of the Parties of the target to achieve by 2010 a significant reduction of the current rate of biodiversity loss adds a sense of urgency to the importance of full implementation of the commitments contained in Article 20.

2. The present note has been prepared to assist the Conference of the Parties in reviewing the implementation of Article 20 in light of decisions III/6, V/11 and VI/16 as well as the Convention's Strategic Plan. Section II of the note briefly assesses funding needs that may be derived from efforts to achieve the 2010 target based on biodiversity strategies and action plans and national reports. Section III attempts to take an account of international assistance in particular financial assistance for biological diversity based on the statistical information from the Organisation for Economic Co-operation and Development (OECD) as well as other information collected by the Secretariat. Section IV examines funding status of the Convention's thematic areas and cross-cutting issues. Section V looks into the issue of banking, business and biodiversity with the main aim to elaborate ideas and suggestion for the initiation of the global initiative on banking, business and biodiversity. External debt and biodiversity will be discussed in section VI. At the end of the present note, a set of recommendations is also proposed for consideration of the Conference of the Parties.

* UNEP/CBD/COP/7/1 and Corr.1.

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II. FUNDING NEEDS FOR ACHIEVING THE 2010 TARGET

3. In decision VI/26, the Conference of the Parties adopted the target “to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on earth”. In endorsing this global target, the World Summit on Sustainable Development, held in Johannesburg, South Africa from 26 August to 4 September 2002, declared that “A more efficient and coherent implementation of the three objectives of the Convention and the achievement by 2010 of a significant reduction in the current rate of loss of biological diversity will require the provision of new and additional financial and technical resources to developing countries ...”. For Europe alone, the European Centre for Nature Conservation (ECNC) estimated that an additional amount of 7.5 billion euros would be required for achieving the 2010 target. A symbolic funding target of 0.01 percent of gross national income (GNI) allocated as official development assistance to biological diversity would substantially strengthen current biodiversity-related financial flows to developing countries and countries with economies in transition. This section undertakes to assess funding needs that may be derived from requisite efforts to achieve the 2010 target based on the strategic goals set out in the Strategy Plan of the Convention as well as national biodiversity strategies and action plans.

A. *Improved capacity to implement the Convention (Goal 2)*

4. Goal 2 of the Convention’s Strategic Plan contains five strategic objectives addressing adequate capacity of all Parties, sufficient or increased resources for developing country Parties and Parties with economies in transition, and technical and scientific cooperation. All these areas have significant funding implications. For all Parties to have adequate financial capacity for implementation of priority actions in national biodiversity strategies and action plans and to implement the Cartagena Protocol on Biosafety, national budgetary and monetary policies need to be closely examined and re-oriented to be biodiversity-friendly. Concerning fiscal revenues, the Conference of the Parties in decision V/11 already urged Parties “to promote the consideration of tax exemptions in national taxation systems for biodiversity-related donations...”. Further consideration may be given to integrating biodiversity into non-tax revenue items. In decision VI/16, the Conference of the Parties invited Parties and Governments to “review national budgets and monetary policies, including the effectiveness of official development assistance allocated to biological diversity...” and to “share, through the clearing-house mechanism, 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”.

5. *Sufficient resources for developing country Parties and Parties with economies in transition to implement the Convention and its Protocol.* Developing country Parties and Parties with economies in transition have recognized, through their national biodiversity strategies and action plans, the importance of sufficient financial resources, in particular external financial support, in the implementation of the Convention, and provided in their action plans a list of projects designed to achieve strategic objectives of national biodiversity strategies and to guide external financial support. A large number of developing country Parties and Parties with economies in transition have proposed to establish trust funds for biological diversity to attract external resources. However, many planned projects have not received donors’ attention, and the idea of developing biodiversity trust funds has not materialized in certain number of developing country Parties and Parties with economies in transition.

6. *Technical and scientific cooperation.* Efforts in this regard have been largely concentrated on information exchange and accessibility through establishment and maintaining of a national clearing-house mechanism. Most developing countries Parties and Parties with economies in transition have received funding from the Global Environment Facility (GEF) and other donors for their activities on clearing house mechanism, and a portion of them have been able to maintain a functioning national

website for the Convention. A typical national website contains information regarding the Convention, contribution to the implementation of the Convention, national biodiversity information, and links to other websites. Nevertheless, the available information on most national websites has been seldom updated, and cooperation section(s) mostly not further developed.

B. *National biodiversity strategies and action plans and sectoral integration (Goal 3)*

7. Goal 3 of the Convention's Strategic Plan takes in four strategic objectives concerning development and implementation of national biodiversity strategies and action plans as well as sectoral and cross-sectoral integration. Most countries have by now developed or are developing a national biodiversity strategy and/or action plan: a small number of countries did this in early 1990s or even earlier, and most in second half of the 1990s. Only developing countries that ratified the Convention after the year 2000 and certain developed country Parties are not known to have developed a national biodiversity strategy and/or action plan. A few countries have developed similar planning documents such as national environmental plans, etc. Most national biodiversity strategies and action plans followed the document "National Biodiversity Planning: Guidelines Based on Early Country Experiences", referred to in decision II/17. However, some countries put an emphasis on articles of the Convention, and others gave greater focus on specific ecosystems.

8. The existing national biodiversity strategies and action plans differ in their time horizons. Certain national biodiversity strategies and action plans set up a long-term strategic framework and a five-year to ten-year programme of action. A number of national biodiversity strategies and action plans do not give a time dimension. Several Parties have developed only national biodiversity strategies or only action plans. Only a few national biodiversity strategies and action plans contain the vision of achieving their strategic targets by the year 2010, but none of them aim to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level.

9. *Implementation of national biodiversity strategies and action plans.* Given the status of development of biodiversity strategies and action plans, only half Parties possibly have begun to implement their established national biodiversity strategies and action plans, and others still need to finalize their national planning processes. However, many developing country Parties and Parties with economies in transition have undertaken projects, in particular GEF-funded projects, with clear linkage with identified national priorities for their national biodiversity strategies and action plans. The Biodiversity Planning Support Programme provided support to the development of national biodiversity strategies and action plans, but there is no process dedicated to support, monitor and review implementation of national biodiversity strategies and action plans.

10. *Sectoral and cross-sectoral integration.* Among 75 national biodiversity strategies and action plans from the developing world, only 27 mention measures to integrate biodiversity concerns into various sectors such as agriculture, forestry, fisheries and aquaculture, energy and industry, biotechnology, defense, health, hunting, mining, territorial planning and urbanization, transport, tourism and recreation, water resources development and management. Even within the 27 national biodiversity strategies and action plans, there is no systematic pattern of how biodiversity concerns should be integrated into relevant sectoral and cross-sectoral plans, programmes and policies. Most of them concentrate efforts on agriculture, forestry, fisheries and tourism, and others are more concerned with negative aspects of industries and other human activities.

C. *Better understanding of the importance of biodiversity and of the Convention, and broader engagement across society in implementation (Goal 4)*

11. Goal 4 of the Convention's Strategic Plan is comprised of four strategic objectives covering communication, education and public awareness strategy, effective involvement of indigenous and local

communities, and partnership with key actors and stakeholders, including the private sector. Almost all available national biodiversity strategies and action plans contain measures to promote environmental education and public awareness, and thus have established necessary basis for further action. Many national biodiversity strategies recognize the importance of the involvement and participation of relevant stakeholders, in particular indigenous and local communities and the private sector, but only a few action plans contain concrete measures or projects to actively pursue these strategic objectives. The global initiative on banking, business and biodiversity, described in section V below, will certainly contribute to increased business involvement in biodiversity.

III. INTERNATIONAL ASSISTANCE FOR BIOLOGICAL DIVERSITY

12. International financial assistance for biological diversity comes from both official development finance and flow of private resources. The World Bank and OECD have undertaken to publish statistical information concerning aid flows, and many donors and their agencies have begun to make their biodiversity-related funding information available on their institutional websites. The Interactive Info-Bulletin on Financing for Biological Diversity has continued to compile funded biodiversity-related projects and make them available on the website of the Convention. The present section attempts to provide an overview of international funding status of biological diversity in the broad context of financing for development.

A. Overall trend of international finance

13. *World Bank data on disbursements.* The World Bank publication *Global Development Finance 2003: Striving for Stability in Development Finance* indicated that net disbursements from official sources (including grants) fell to an estimated US\$ 46 billion in 2002, down from US\$ 57 billion in 2001. According to the publication, the sum of net private debt and equity and net official flows was US\$ 192 billion, or 3.2 per cent of developing countries' nominal gross domestic product (GDP) in 2002, down from US\$ 210 billion in 2001 (3.6 per cent of GDP) and US\$ 215 billion in 2000 (3.7 per cent of GDP), well below the peak \$ 325 billion (5.5 per cent of GDP) in 1997. The decline since 1997 has occurred primarily in net capital from the private sector, particularly in the debt component (both banks and bonds), and developing countries overall have become net capital exporters to the developed world.

14. *OECD data on commitments.* On 22 April 2003, the OECD Development Assistance Committee (DAC) announced that its member countries increased their official development assistance (ODA) to developing countries by 4.9 per cent in real terms, accounting for inflation, from 2001 to 2002. The total ODA amounted to US\$ 57 billion, equivalent to 0.23 per cent of their combined gross national income (GNI). Twelve of the twenty-two DAC member countries reported an increase in ODA in real terms; for nine of them the increase was over 10 per cent.

15. *The Monterrey Consensus.* Donor countries committed to increasing their official development assistance to developing countries at the International Conference on Financing for Development held in Monterrey, Mexico in March 2002. According to OECD and World Bank estimates, fulfilling these promises would raise ODA in real terms by 31 per cent (about US\$ 16 billion) and the ODA/GNI ratio to 0.26 per cent by 2006 –still well below the ratio of 0.33 per cent consistently achieved until 1992 and far below the United Nations ODA target of 0.7 per cent of GNI.

16. *International private grant resources.* According to *Global Development Finance 2003*, grants from non-governmental organizations rose from more than US\$ 6 billion in 1995 to about US\$ 10 billion in 2001—an amount equal to more than one sixth the size of official aid. More than half of total grants came from non-governmental organizations in the United States, where such contributions represented one fourth the size of concessional aid flows from the United States. Most international and regional

conservation organizations, even the biggest international non-governmental organizations, rely on financial contributions from the private sources.

B. Assistance to biological diversity

17. Taken together, biodiversity-related funding from various sources would amount to around US\$ 2 billion in 2002, but only a portion was for pure biodiversity projects and an even smaller portion was in response to the calls of the Conference of the Parties. This would imply that over 97 per cent of official development finance is not considered to directly or indirectly contribute to the implementation of the Convention. An analysis of 5,438 biodiversity-related projects covered by an OECD special study indicated that 16.5 percent of them were reported as pure biodiversity projects. Another analysis of 1,489 biodiversity projects contained in the OECD Credit Reporting System (OECD/CRS) database showed that 60 per cent of them could be identified to correspond to thematic areas or cross-cutting issues of the Convention.

18. *GEF.* In the year 2002/03, the GEF Council approved three work programmes with 32 projects in the focal area of biodiversity and 17 projects that have significant biodiversity components. The funding for biodiversity-only projects was US\$ 143 million from GEF allocations and US\$ 307 million from co-financing, and the projects that have significant biodiversity components received US\$ 108 million from the GEF and US\$ 355 million from co-financing. The GEF Chief Executive Officer approved 29 medium-sized biodiversity projects with US\$ 26 million from the GEF and US\$ 67 million from co-financing, as well as 30 biodiversity enabling activity projects and 27 enabling activity projects in multiple focal areas with total budget of US\$ 7.6 million. In total, the GEF allocations to biodiversity in the past year were in the range of US\$ 177 million to US\$ 285 million with co-financing of between US\$ 324 million and US\$ 729 million.

19. *The World Bank.* The World Bank biodiversity portfolio is composed of stand-alone biodiversity projects as well as biodiversity-related sectoral projects which explicitly describe and include biodiversity activities funded by the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Trust Fund for the Pilot Program to Conserve the Brazilian Rainforest (RFTF), and the GEF. According to its website, the cumulative IBRD biodiversity funding between 1988 and 2002 was over US\$ 1 billion, with around US\$ 300 million provided in 2002 alone, and the cumulative IDA biodiversity funding was around US\$ 800 million for the same period, with about US\$ 250 million for the year 2002. The RFTF peaked in 1995 with funding of nearly US\$ 150 million. The World Bank has been also strong in stimulating co-financing and donor coordination.

20. The World Bank biodiversity portfolio has fluctuated over time hinging upon availability of a few large projects in such sectors as agricultural extension/adjustment/research/rural development, community action programmes, environment adjustment/institutions, fisheries and aquaculture, forestry, irrigation and drainage, natural resources management, oil and gas adjustment, industry, transportation including ports, waterways and shipping, rural roads, urban development/environment/management, water, sanitation and flood protection, and pollution control/waste management. This would demonstrate that biodiversity is being mainstreamed into projects not necessarily focused on the environment, but it appears impossible to conduct a meaningful historic quantitative analysis or comparative analysis concerning the World Bank overall biodiversity performance.

21. *Regional development banks.* In contrast to the early 1990s, when the World Bank was the largest source of multilateral finance for developing countries, the major regional development banks (the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IADB)) together now provide about the same level of resources as the World Bank. According to their websites, AsDB

and IADB each have cumulative biodiversity-related project portfolios of over US\$ 1 billion, but biodiversity does not feature prominently in the project portfolios of EBRD and AfDB. In 2002, AsDB was estimated to provide around US\$ 250 million to biodiversity-related projects in water resources development/management, irrigation, flood control, natural resources management, and forestry, and IADB provided nearly US\$ 500 million to biodiversity-related projects prominently in tourism and also in agriculture, natural resources management, sustainable development and social programs.

22. *Bilateral assistance.* According to the 2002 OECD publication *Aid Activities Targeting the Objectives of the Rio Conventions 1998-2000*, 19 donors that are members of the OECD/DAC reported a total of 5,439 individual biodiversity-related aid activities with the total value of nearly US\$ 3 billion for the three-year period, and, on average, biodiversity-related aid accounted for 2.7 per cent of total bilateral official development assistance, with one donor having 12 per cent. Five donors accounted for 75 per cent by value of the total biodiversity-related aid. Two donors consistently increased aid to biodiversity-related activities, but in other three donors, the committed biodiversity-related aid decreased and showed no sign of recovery.

23. *Sectoral breakdown of bilateral biodiversity-related aid activities.* More than 90 per cent of the total bilateral biodiversity-related aid was found in the following sectors: water supply (22 per cent), agriculture (12 per cent), forestry (15 per cent), fishing (5 per cent) and general environmental protection (1/3), and rural development (3 per cent). Biodiversity-related aid represented a significant share of aid activities in forestry (65 per cent), general environmental protection (32 per cent), fishing (25 per cent), water supply (9 per cent) and agriculture (7 per cent). In terms of the number of aid activities, general environmental protection accounted for nearly one-half of the reported total activities, and forestry and agriculture combined represented more than one-third of the total number. The average size of a biodiversity-related project was over US\$ 1 million in water supply and rural development, and US\$ 0.56 million in fishing. The project size for biodiversity-related activities in other sectors was well below half a million dollars.

24. *United Nations system.* Information concerning financial support to biodiversity from the United Nations system is dispersed and the overall level of funding appears to be relatively modest, focusing on capacity-building and technical cooperation. The United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Fund for Agricultural Development (IFAD), International Tropical Timber Organization (ITTO) and other organizations have been actively involved in supporting the implementation of the Convention.

25. *International private resources.* There are a great number of grant-making foundations and multinational corporations providing financial support to biodiversity, but their level of funding is relatively small and often location and issues-sensitive. In the first five years up to 2002, the United Nations foundation's Biodiversity program has provided \$32 million for 21 World Heritage projects with a view towards strengthening the conservation of Natural World Heritage sites, and to promote the replication of best practices learnt from these initiatives. It has also catalysed a major initiative targeted at reversing the decline of coral reefs, called the International Coral Reef Action Network (ICRAN). The BP conservation programme has given over 200 awards to biodiversity activities in over 60 countries. In 2003 alone, the BP conservation programme awards amounted over US\$ 500 million dollars.

IV. FINANCIAL SUPPORT TO THE PROGRAMME OF WORK OF THE CONVENTION

26. Funding issues have been reflected in many decisions adopted by the Conference of the Parties. While developing new directions for implementing various aspects of the Convention, the Conference of the Parties normally requests the Secretariat and Parties to pursue certain tasks to follow up and invites

funding institutions and development agencies to provide corresponding financial support. In decision VI/16, the Conference of the Parties requested the Executive Secretary to identify gaps in activities, and identify necessary activities and funding. The present section focuses on the issues for which the Conference of the Parties has requested financial support, and attempts to provide information concerning how financial support has been organized and monitored in response to respective funding requests.

27. Financial allocations to biodiversity have been unevenly distributed across thematic areas and crosscutting issues of the Convention. In terms of funding size and also numbers of projects, forest and marine and coastal biodiversity have come before inland waters and agrobiodiversity. Dry and sub-humid land and mountain biodiversity have received much less attention from donors. Direct investment in conservation and sustainable use has dominated all donors' biodiversity portfolio, and only small share of biodiversity allocations has gone to other crosscutting issues, such as biodiversity planning, incentive measures, identification and monitoring, training and research as well as public education and awareness. Other issues, including *ex situ* conservation, impact assessment, matters related to genetic resources, exchange of information, technical and scientific cooperation and biosafety, have not featured visibly in donors' funding policies or project portfolio. For most thematic areas, partner organizations have already established technical cooperation programmes to provide technical support, compile funding information and facilitate project development. Most cross-cutting issues and mechanisms for implementation have resulted from the Convention, and thus relevant financial support depends largely on overall development and evolution within the Convention process and monitoring of such support would depend upon accessibility of the Convention Secretariat to information of donors and their agencies.

A. *Thematic areas*

28. *Agricultural biodiversity.* In decisions III/11, IV/6, V/5 and VI/5, the Conference of the Parties called upon funding agencies to provide support for the implementation of the activities of the programme of work on agricultural diversity, for the implementation of the Plan of Action for the International Initiative for the Conservation and Sustainable Use of Pollinators, for participation in the preparatory process for the first Report on the State of World's Animal Genetic Resources and implementation of follow-up actions. Bilateral donors increasingly integrate agricultural biodiversity into their agriculture and natural resources management programmes. The GEF has a separate operational programme on agricultural biodiversity. FAO, IFAD, International Plant Genetic Resources Institute (IPGRI), International Livestock Research Institute (ILRI) and other international agricultural research centres of the Consultative Group on International Agriculture Research (CGIAR) all have technical cooperation programmes/projects that are also in support of the objectives of the Convention. In general, biodiversity-related projects feature less significantly in agriculture than in forestry and fishing. There is great scope for further integrating biodiversity into the agricultural sector. In this regard, the Conference of the Parties in decision VI/5 called for a review of funding for the implementation of the programme of work on agricultural biodiversity in the context of decision V/5.

29. *Forest biological diversity.* In decisions IV/7 and VI/22, the Conference of the Parties urged donors to contribute through financing and technology transfer to country- or regionally-identified priorities for forest biodiversity. Several donors have established specific funding programmes for forestry, in particular tropical forestry, and the GEF established a specific operational programme on forest ecosystems. Donor policies on forests are increasingly concentrating on the global aspect of forestry and increased awareness of social and environmental issues. The World Bank's involvement in the forest sector accounts for 2 per cent of its lending. All regional development banks have their own forest policies and make investments in the forest sector. Technical assistance in forestry is provided by a number of international agencies, including FAO, ITTO, UNDP, United Nations Industrial Development Organization (UNIDO), and UNESCO. A large number of non-governmental

organizations also provide technical support to forest biodiversity. Only a few foundations specifically target forest biodiversity, and the issue is often accommodated under more general environmental headings. The initiation of the Sourcebook on Funding Sustainable Development by the Collaborative Partnership on Forests provides a useful mechanism to monitor financing for forest biodiversity.

30. *Dry and sub-humid lands.* In decision V/23, the COP invited bilateral and international funding agencies to provide support for the implementation of the activities of the programme of work on the biodiversity of dry and sub-humid lands, in particular for capacity-building in developing countries and countries with economies in transition. The GEF accommodated this guidance in its existing operation program on arid and semi-arid ecosystems and recently introduced a new operational program on sustainable land management. The World Bank, IFAD, UNDP, AfDB, Islamic Development Bank, the OPEC Fund for International Development, among others, and certain bilateral development agencies, provide financial resources to support the biodiversity of dry and sub-humid lands through their desertification, soil and water conservation programmes. The Global Mechanism provided in the Convention to Combat Desertification was to collect and disseminate information, provide technical assistance and analysis, promote actions leading to cooperation and coordination, and facilitate the mobilization and channeling of financial resources. It has established the Financial Information Engine on Land Degradation (FIELD) for searching, collecting and disseminating information related to land degradation financing.

31. *Inland waters ecosystems.* In decision IV/4, the Conference of the Parties invited all relevant organizations to support efforts concerning the conservation and sustainable use of the biological diversity of inland water ecosystems. The GEF supports inland water ecosystems through its operational programme on coastal, marine and freshwater ecosystems, and other donors sometimes mention wetlands in their overall development assistance programme. Inland waters biodiversity projects are often found in the environmental sector, as well as in water resources, forestry, agriculture and other sectors. According to the assessment commissioned by the Ramsar Bureau, the World Bank, IADB, the Netherlands, Australia (AusAID), Sweden (Sida), Canada (CIDA), Denmark (DANIDA), seem to be more active in financing for wetlands than other donors. The Ramsar Bureau administers a small but critical Small Grants Fund for Wetland Conservation and Wise Use (SGF). In decision IV/4, in which it adopted the programme of work on biological diversity of inland water ecosystems, the Conference of the Parties set to consider ways for mobilizing financial resources from other sources.

32. *Marine and coastal biodiversity.* In decisions II/10 and IV/5, the Conference of the Parties urged relevant organizations and donor agencies to contribute to the implementation of specific elements of the programme of work on marine and coastal biological diversity. Marine and coastal biodiversity constitutes a significant portion of the GEF operational programmes on coastal, marine and freshwater ecosystems, and the GEF operational programs on international waters and integrated ecosystem management include coastal/marine water related projects also supporting the objectives of the Convention on this thematic area. Financial support to marine and coastal biodiversity from other donors is often related to their projects in aquaculture, fishing, flood prevention and tourism, etc. Other international processes, such as the FAO Code of Conduct for Responsible Fisheries, the United Nations Convention on the Law of Sea, the UNEP Global Programme of Action for the Protection of the Marine Environment from Pollution from Land-based Activities (GPA), the International Coral Reef Initiative (ICRI) and the Global Coral Reef Monitoring Network (GCRMN), etc. have contributed to facilitating financial support to marine and coastal biodiversity. The United Nations Division for Ocean Affairs and the Law of the Sea executes a technical assistance programme by providing advisory services, training, fellowship, studies and guidelines, reference collection and database.

33. *Mountain biodiversity.* The Conference of the Parties is expected to consider mountain biodiversity at its seventh meeting, and thus to provide guidance on funding matters. The GEF channels its funding through an operational program on mountain ecosystems, and the GEF support to mountain

biodiversity is often related to the support to other ecosystems such as agricultural, inland waters or forest ecosystems. The International Partnership for Sustainable Development in Mountain Regions may lead to an approach to facilitating further financial support to mountain ecosystems. The Mountain Program of the FAO and the International Centre for Integrated Mountain Development (ICIMOD), among others, have implemented projects specifically focused on mountain biodiversity. Like dry and sub-humid lands biodiversity, mountain biodiversity has received relatively small amount of financial support from official development assistance.

B. Cross-cutting issues

34. *Identification, monitoring, indicators and assessments as well as the Global Taxonomy Initiative.* Although the programme of work for the Global Taxonomy Initiative has identified a number of areas requiring financial support by funding institutions and development agencies, the COP has so far focused its request for financial support on the financial mechanism. The GEF supports monitoring, indicators and assessments mainly as project components, and also a few standing alone projects, such as the medium-sized project “Biodiversity Indicators for National Use”. The GEF also support projects directly related to the Global Taxonomy Initiative, examples of such projects includes the Costa Rica’s Biological Resources project, the Southern African Botanical Network (SANONET) and some recently completed projects such as the Indonesia Collections project and the Lake Malawi project. Other donors have supported species and ecosystems study and analysis, survey, review and evaluation, investigation of status and threats, assessments and monitoring, knowledge building, database, directories, mapping, information systems and capacity building, with a focus not only on ecological processes but also on socio-economic aspects. Relevant donor-supported processes include the Global Biodiversity Information Facility and BioNET International.

35. *Global Strategy for Plant Conservation.* In decision VI/9, the Conference of the Parties invited funding organizations to provide adequate and timely support to the implementation of the Global Strategy for Plant Conservation. GEF supports a number of projects that indirectly address the objectives, goals and targets of the Strategy for Plant Conservation. For example one of the targets of the Strategy is in situ-conservation of plant species. The GEF portfolio is substantively financing protected areas of different types, sizes and in different kinds of ecosystems, substantively contributing to this objective of the Strategy and its targets. The same is the case for sustainable use targets as many of the GEF forestry projects, for example, would be helpful in achieving those targets. Support to plant conservation has begun to feature in bilateral official assistance, but no major projects seem to have direct link to the Global Strategy for Plant Conservation. The Secretariat of the International Plant Protection Convention (IPPC) facilitates technical assistance with focuses on understanding and implementing trade-related principles of plant protection under the IPPC, support for FAO technical cooperation programmes, multidisciplinary and multinational collaboration through FAO or other organizations. The International Treaty on Plant Genetic Resources for Food and Agriculture establishes a funding strategy for the implementation of that Treaty, and an appropriate mechanism, such as a Trust Account, will be established for receiving and utilizing financial resources that will accrue to it. It also provides for possibility for the Convention to participate in the funding strategy.

36. *Ecosystem approach.* The Conference of the Parties in decision V/6 invited relevant organizations to provide technical and financial support for capacity-building to implement the ecosystem approach. The GEF established its operational programmes based on ecosystems, namely arid and semi-arid zone ecosystems, coastal, marine, and freshwater ecosystems, forest ecosystems, mountain ecosystems, conservation and sustainable use of biological diversity important to Agriculture, as well as integrated ecosystem management. Other donors normally apply a sectoral approach to organizing their financial programmes. Few examples have been found to support application of ecosystem approach. There is a need to examine the relationship between the sectoral approach and the ecosystem approach,

and ensure that the sectoral approach can be utilized to support implementation of the ecosystem approach.

37. *Alien species that threaten ecosystems, habitats or species.* In decision VI/23, the Conference of the Parties invited international organizations to develop financial and other measures for the promotion of activities aiming to reduce the harmful effects of invasive alien species, and urged bilateral donors and other funding sources to provide, as an urgent priority, funding for the development and implementation, at national and regional levels, of the invasive alien species strategies and action plans and with a particular priority for those strategies and actions related to geographically and evolutionarily isolated ecosystems. The GEF has integrated alien species issues into its operation programs, and several projects have been supported specifically targeting at invasive alien species. For instance, the GEF has financed the Global Invasive Species Programme (GISP), the products and approaches of which substantially influenced the policy discussion on this issue in the Conference of the Parties. Bilateral donors have supported planning, meetings and removal measures concerning invasive alien species. The International Maritime Organization has developed a Technical Co-operation Programme which is designed to assist Governments which lack the technical knowledge and resources that are needed to operate an efficient, safe and environmentally-friendly shipping industry. In decision VI/23, the Executive Secretary was requested to identify mechanism(s) for providing Parties with access to financial support for rapidly responding to new incursion by alien species in collaboration with the GISP, GEF, FAO and OECD.

38. *Liability and redress.* In decision VI/11, the Conference of the Parties urged Parties, Governments and relevant international organizations to cooperate and provide financial resources with a view to strengthening capacities at the national level with regard to measures for the prevention of damage to biological diversity, establishment and implementation of national legislative regimes, and policy and administrative measures on liability and redress. There are workshops on liability and redress financed by a few donors, and a few projects are found to support environmental impact assessments.

39. *Article 8(j) and related provisions.* In decisions V/16 and VI/10, the Conference of the Parties requested international funding and development agencies to provide financial support for the implementation of the programme of work on the implementation of Article 8(j) and related provisions. A number of donors including the GEF, the World Bank and UNDP have been active in promoting projects targeted at indigenous and local communities. Examples of bilateral support to Article 8(j) and related provisions include indigenous biodiversity information networks, indigenous people's biodiversity research programmes, traditional medicinal knowledge, conservation efforts, and participation of indigenous peoples in international meetings. A roundtable and workshop "Indigenous Peoples & Biodiversity Governance: Donor Best Practices Supporting Civil Society and Conservation" was held by the Biodiversity Support Program with participation of most donor agencies in 2001, and developed the Hundested recommendations for donor best practice.

40. *Access and benefit-sharing as related to genetic resources.* In decisions III/15, IV/8 and VI/24, the Conference of the Parties invited relevant organizations to support efforts to develop and promote legislative or administrative measures, policies and programmes, and support the implementation of the Action Plan on Capacity-building for Access and Benefit-sharing in support of the Implementation of the Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefit Arising out of their Utilization. The GEF has supported projects including benefit sharing arrangements, and also enabling activities related to access and benefit-sharing. UNEP is developing an Initiative on Access and Benefit-Sharing of Genetic Resources to mobilize resources to assist with the implementation of the Acton Plan. The United Nations University has started a programme on access and benefit-sharing with focus on national policy and legislation, user measures, science and technology, and enhanced stakeholder participation. FAO provides assistance to develop national legislation and regulations consistent with the International Treaty on Plant Genetic Resources for Food and Agriculture, as well as

with the Convention and its Bonn Guidelines. Only a few donors are supporting the development of national biodiversity access legislation. The Open-ended Expert Workshop on Capacity-building for Access to Genetic Resources and Benefit-sharing, held in Montreal in December 2002, called for the assessment of resource requirements and the development of a funding strategy.

41. *Incentive measures.* In decision VI/15, the Conference of the Parties requested relevant organizations to provide financial support for the programme of work on incentive measures. The GEF supports incentive measures through both its operational programmes and enabling activity projects. Other donors have supported a good number of economics measures as well, including development of trust funds or endowment funds, economic valuation, control in species trade, bio-trade initiatives, enabling environment for increased private-sector growth, commercialization, and workshops.

42. *Sustainable use and tourism.* In decision V/24, the Conference of the Parties invited relevant organizations to assist in increasing capacities to implement sustainable-use practices, programmes and policies at regional, national and local levels. A large number of biodiversity projects related to sustainable use and/or focused on tourism have been supported not only by GEF but also by many multilateral, regional and bilateral donors. Sustainable-use projects are often found in such areas as tourism, forest, agriculture, medicine, energy, and hunting, and cover measures from development of planning tools and infrastructure to promotion of eco-development, natural products development, economic alternatives or substitutes for over-exploited wildlife.

43. *Biosafety.* The Conference of the Parties has limited its guidance on biosafety to the financial mechanism. The GEF approved an Initial Strategy for biosafety that is under implementation, and the GEF document on strategic directions set aside indicative figures for financial support of this important priority. The GEF-funded UNEP biosafety projects will likely have more than 129 participating countries, and the GEF also supports several pilot projects to assist countries implementing their national biosafety frameworks, including a project in the pipeline to support the biosafety clearing-house. A number of donors are known to have supported biosafety capacity building projects. International organizations with biosafety programmes include UNEP, FAO, UNIDO, and the United Nations Institute for Training and Research (UNITAR). The Biosafety Clearing-House has made efforts to establish a capacity-building project database in order to capture fast growing funding activities in this field.

C. Mechanisms for implementation

44. *Biodiversity strategies and action plans.* In decision VI/27, the Conference of the Parties called upon official and private donors and institutions to support implementation of nationally identified priority actions in biodiversity strategies and action plans. The GEF has been instrumental in supporting development of national biodiversity strategies and action plans through its enabling activity and regular work programs, and many bilateral donors have also been active in supporting biodiversity planning processes, including species conservation strategies and broad sustainable development strategies. UNDP and UNEP implemented the biodiversity planning support programme with core financing from the GEF, and co-financing from Norway and Switzerland.

45. *Scientific and technical cooperation and the clearing-house mechanism.* In decisions III/4 and IV/2, the Conference of the Parties requested all Governments and bilateral and multilateral funding institutions to provide funding for the development and implementation of the clearing-house mechanism. The GEF has been the single important donor in supporting the establishment of national components of the clearing-house mechanism through its enabling activity module as well as through certain regular projects. Belgium has demonstrated its leadership role in developing clearing-house mechanisms in 20 developing countries, most of them least developed countries, and provided a good example of how a bilateral donor could establish direct link between its funding programme and the requirements of the Convention.

46. *Communication, education and public awareness.* In decisions IV/10 and VI/19, the Conference of the Parties urged relevant organizations and donor agencies to support local, national, subregional and regional public education and awareness initiatives. Financial support to communication, education and public awareness from the GEF has been mainly associated with biodiversity projects. Other donors have also supported conservation, education, environmental education and communication, public relations and awareness programmes, scholarship and travel, social mobilization, school groups and kids for environment, wildlife week, awards programmes, international biodiversity fairs/exhibitions/forums, and participation in meetings, education materials, and incorporation of environmental education into official curricula. Many private donors, especially business sectors, are active in biodiversity education and public awareness. However, no projects appear to have direct link to the Global Initiative on Communication, Education and Public Awareness.

47. *National reporting.* Financing for national reporting has relied heavily on the financial mechanism of the Convention. Only very few reports have been prepared with support from other donors. In decision VI/25, the Conference of the Parties took note of the difficulty experienced by some developing countries and countries with economies in transition in accessing funding for preparing their second national reports, and requested an exploration of innovative funding modalities for facilitating the preparation of future national reports and thematic reports.

V. BANKING, BUSINESS AND BIODIVERSITY

48. Since its third meeting, the Conference of the Parties has repeatedly expressed its interest in advancing the involvement of the private sector in the Convention process. In decision III/6, it requested exploration of “further possibilities for encouraging the involvement of the private sector in supporting the Convention’s objectives”. By decision IV/12, it requested development of “proposals for examining the constraints to, opportunities for and implications of private sector support for the implementation of the Convention”. Most recently in decision VI/16, it requested the Executive Secretary “in collaboration with the GEF, to explore with interested partners opportunities of developing a global initiative on banking, business and biodiversity, taking into account the existing mechanism and institutions, and other global and regional initiatives or processes, with a view to increasing funding for biodiversity and mainstreaming biodiversity into the financial sector.” One of the strategic objectives established in the Strategic Plan of the Convention is that “Key actors and stakeholders, including the private sector, are engaged in partnership to implement the Convention and are integrating biodiversity concerns into their relevant sectoral and cross-sectoral plans, programmes and policies.” The present section is devoted to examining opportunities of developing a global initiative on banking, business and biodiversity, which provide a strong case for establishing such a global initiative.

A. *The private sector and biodiversity*

49. Broadly speaking, over 50 decisions adopted by the Conference of the Parties to date contain explicit provisions that are related to the private sector, and the number of relevant decisions has increased dramatically over time. The term “the private sector” has been used in most cases, but other equivalent terms are also seen in a number of decisions, such as private donors and institutions, private foundations and other donors, other sources, business, industry, private entities, private sources, private reserves, private conservation, private research and academic institutions. These decisions cover all implementation-oriented provisions of the Convention and its thematic areas, in particular with respect to Articles 8 (*In situ* conservation), 10 (Sustainable use), 11 (Incentive measures), 15 (Access to genetic resources), 18 (Technical and scientific cooperation), and 20 (Financial resources). For instance, the private sector has been requested to provide financial support to national biodiversity strategies and action plans as well as sustainable development activities, programmes of work in inland waters biodiversity, marine and coastal biodiversity and forest biodiversity, access and benefit-sharing, and regional centres for implementation; to provide expertise, information and human resources for access

and benefit-sharing; to consider the precautionary approach; to apply relevant technology; to participate in the various programmes of work; to provide information (best practice, case studies and lessons learned); to create private reserves and private conservation; and to comply with the provisions of the Convention with respect to Article 8(j) and related provisions, etc.

50. The existing decisions have identified several ways and means to work with the private sector. The general approach is to facilitate and support a responsible private sector, consult, promote awareness, and develop partnership with the private sector, and action has been identified from various perspectives. First, partnership with the private sector is a key element of the Strategic Plan of the Convention, and, in decision V/11, the Conference of the Parties resolved “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”. Secondly, the rules of procedure for the Conference of the Parties allows for any body or agency, whether governmental or non-governmental, qualified fields relating to biodiversity, may be observers at its meetings. Thirdly, the financial mechanism was requested to finance activities that provide access to private sector funds. The GEF has an extensive portfolio of projects financing private-sector activities, such as the Terra Capital project in South America, the Asian conservation fund in the Philippines, the Indonesia Komodo national park project, and the small and medium sized enterprise (SME) project. In addition, there are other projects in the pipeline such as the Kijani initiative in Africa. Fourthly, the Executive Secretary was requested to assess the constraints to, opportunities for and implication of private sector support for the implementation of the Convention. Fifthly, Parties and Governments have been urged to adopt appropriate fiscal policies to encourage the involvement of the private sector, and invited to include in their second national reports information on the involvement of the private sector.

B. Banking and biodiversity

51. The role of the banking sector in supporting biodiversity is potentially enormous because of its intermediary role in an economy. The banking sector transforms money in terms of duration, scale, spatial location and risk and has an important impact on the sectoral development of nations. There is growing awareness that the environment brings risks (such as a customer’s soil degradation) to the banking sector and opportunities (such as environmental investment funds). However, only a percentage of banks have begun to pay attention to environmental aspects when setting up credit and financing agreements, for instance, not to finance certain sectors or activities, or conduct environmental risk analysis, or use international guidelines for financing in particular when financing projects or companies in developing countries or countries in transition. The banking sector may develop a range of products and services related to biodiversity, for instance, specific biodiversity loans, environmental (biodiversity) funds, environmental leases (such as biodiversity credit cards), provision of environmental (biodiversity) advisory services to industrial customers, environmental (biodiversity) damage insurance, micro-credits, and environmental venture capital. Another area through which the banking sector may contribute to biodiversity is environmental charity and sponsorship as well as voluntary projects.

52. The banking sector has been generally regulated and organized in association at the national level. However, no national report has provided any information concerning the involvement of the banking sector in the implementation of the Convention. At the international level, the UNEP Finance Initiative has attracted over 275 commercial banks, investment banks, insurance and re-insurance companies, fund managers, multilateral development banks and venture capital funds to work together to develop and promote the linkages between the environment and financial performance. The UNEP Statement by Financial Institutions on the Environment and Sustainable Development and the Business Charter for Sustainable Development of the International Chamber of Commerce provide useful reference tools for the banking sector. The European Centre for Nature Conservation (ECNC) and EBRD have worked to explore how biodiversity concerns can be mainstreamed in the banking sector at the regional level. In the framework of the Pan-European Biological and Landscape Diversity Strategy, a

number of organizations, in particular the ECNC, EBRD, the European Investment Bank and the Rabobank are working towards the establishment of a European Biodiversity Finance Facility. A European Task Force on Banking, Business and Biodiversity was established in order to enhance the mainstreaming of biodiversity concerns in the finance sector. The International Finance Corporation has established a programme to finance biodiversity business through financial intermediaries.

C. Business and biodiversity

53. Many business sectors either directly depend on biological resources, or have significant impacts on biological diversity. National reports have shown that Parties and Governments have undertaken to integrate biodiversity into the following sectors: agriculture, fisheries, forestry, energy and transport, tourism and recreation, water resources, utilization of wildlife, hunting, mining and industry as well as biotechnology. Some of these sectors need to comply with sustainable use principles of the Convention, and others must avoid activities that may cause biodiversity loss or reduce the impact of such activities. Certain big companies often work across a range of business sectors.

54. There are a number of voluntary initiatives or institutions in these sectors. Among them, the International Federation of Organic Agriculture Movements works to promote organic agriculture, Forestry and Marine Stewardship Councils develop standards for sustainable forestry and fisheries, the International Petroleum Industry Environmental Conservation Association promotes biodiversity awareness through providing information online, the Tour Operators Initiative involves a large number of companies and non-governmental organizations active in tourism, and the Energy and Biodiversity Initiatives, involving four major energy companies and five major conservation organizations, seek to integrate biodiversity conservation into oil and gas development, etc.. Major international organizations all have established certain programmes to promote the linkage between business and biodiversity, such as Conservation Enterprise Fund by Conservation International, Compatible Business Initiatives and the Eco-enterprises Fund by The Nature Conservancy, Business in the Environment, Business for Social Responsibility, Management Institute for Environment and Business of the World Resources Institute, Business and Biodiversity Center of the Earthwatch Institute, Business Action for Sustainable Development of the International Chamber of Commerce, and the World Business Council for Sustainable Development, etc.

55. The United Nations system has a long history of working with the business sector. The UNEP Division of Technology, Industry and Economics (DTIE) has for years worked with many business sectors to promote an integrated response to environmental issues, including agriculture, construction, energy, tourism, transport, water and other sectors that have direct relevance to biological diversity. Other initiatives include “business partners for development” of the World Bank, UNDP Division for Business Partnership, the Bio-trade Initiative of the United Nations Conference on Trade and Development, the United Nations Fund for International Partnership. The most prominent initiative now is perhaps the Global Compact initiated by the Secretary-General of the United Nations to promote nine principles in human rights, labour and environment. In the field of environment, the Global Compact promotes a precautionary approach to environmental challenges, initiatives to promote greater environmental responsibility and the development and diffusion of environmentally friendly technologies. A number of United Nations agencies and Governments have launched their components of the Global Compact.

VI. EXTERNAL DEBT AND BIOLOGICAL DIVERSITY

56. At the sixth meeting of the Conference of the Parties, a number of developing countries, in particular African countries raised a concern with negative impacts of debt burdens on their efforts to raise funds for implementing the Convention. In decision VI/16, the Conference of the Parties requested the Executive Secretary to compile information concerning the impact of external debt on the

conservation and sustainable use of biodiversity, and examine the possibility of utilizing debt-for-nature initiatives for supporting the implementation of the Convention. The present section provides an overview of external debt and biological diversity.

57. In the past two decades, many developing countries have utilized external borrowings to finance their efforts to conserve and sustainably use biological diversity. External loans from foreign governments and private sector have been one of the significant sources of funding for the conservation and sustainable use of biological diversity not only in terms of direct investment to biological diversity but also in terms of their potentials to free up certain governmental budgetary allocations for projects targeted at biological diversity. In several developing countries, external borrowings to finance sectoral or cross-sectoral projects with significant biodiversity components continue to be more important than external grants available from international sources.

58. Given the nature of biological diversity as a global public good, investments in biological diversity can hardly generate sufficient and immediate returns to repay foreign borrowings, and thus have contributed to the difficulties in maintaining national debt solvency. A number of developing countries encountered from time to time in particular since early 1980s a debt-solvency crisis, initially in the Latin American region and later also in Africa and Asia. In response to the widespread debt crisis, creditor countries/companies introduced debt rescheduling through informal mechanisms, such as Paris Club for official debts and London Club for commercial debts, under the condition that debt countries undertake structural adjustment programmes. The need to service debts has increasingly become a constraining factor in biodiversity efforts of many developing countries, in particular those highly indebted poorest countries. On one hand, debtor countries have to reduce budgetary allocations to biodiversity activities in line with the requirements of structural adjustment programs. On the other hand, in order to generate foreign currencies, many unsustainable-use practices have become less resistible.

A. Paris Club

59. According to its website, the Paris Club is an informal group of creditor governments that undertakes multilateral rescheduling and in some cases reduction of debt services and arrears of developing countries. The Paris Club makes decisions on a case-by-case basis and by consensus. Most Paris Club treatments fall under the following categories: “Classic terms”; “Houston terms” for highly indebted lower-middle-income countries; “Naples terms” for highly indebted poor countries; “Cologne terms” for countries eligible to the Heavily Indebted Poor Countries (HIPC) initiative (see section C below). Other terms are no longer used, including “Toronto terms” and “London terms” (both replaced by “Naples terms”), and “Lyon terms” (replaced by “Cologne terms”). Since 1956, the Paris Club has reached 368 agreements concerning 78 countries, and the total amount of debt covered in these agreements has been \$410 billion since 1983.

60. “Classic terms” are the standard terms applied to debt rescheduling for countries with an International Monetary Fund (IMF) programme. “Toronto terms” implemented for the first time a reduction by 33.33 per cent of the debt in 1988, and since then, the level of debt cancellation has been raised to 50 per cent in “London terms” in 1991, to 67 per cent in “Naples terms” in 1994, 80 per cent in “Lyon terms” in 1996 and most recently up to 90 per cent or more in “Cologne terms” under the framework of the HIPC Initiative. In September 1990, Paris Club creditors agreed on “Houston terms” that included the possibility to conduct debt swaps for nature, for aid, for equity or for other local currency debt. Debt swaps often involve the sale of the debt by the creditor Government to an investor who in turn sells the debt to the debtor Government in return for shares in a local company or for local currency to be used in projects in the debtor country. These swap operations may in principle be carried out without limit on official development assistance loans (ODA), and up to 20 per cent of the outstanding amount or 15 up to 30 million special drawing rights for non-ODA credits. Paris Club

creditors and debtors also agreed to submit a report to the Paris Club Secretariat containing details of any transactions undertaken. All subsequent Paris Club terms have retained provisions for debt swaps.

61. Since the introduction of the debt-swap option in 1990, 100 debt treatments out of the total of 134 treatments included the possibility to conduct debt swaps in 43 developing countries: 26 in Africa, seven in Asia, nine in Latin America and one in Central and Eastern Europe. However, the percentage of debt treatments with debt-swap options in the total number of treatments has decreased from 80 per cent for the Houston terms to 54 per cent for the Cologne terms. Many of these countries, in particular in certain African and Asian countries, are not known to have hosted any debt-for-nature swaps. This may simply imply that billions of dollars that have been made available for nature swaps have not been explored so far.

B. London Club

62. The London Club is an ad hoc grouping of commercial banks exposed to developing country debts. It does not have fixed membership. Instead, the banks with the greatest exposure to a country seeking to reschedule its debts forms a committee referred to as a Bank Advisory Committee (BAC) or Steering Committee of Commercial Banks to cater to the interest of all commercial banks with loans to that country. The London Club rescheduling involves several steps: declaration of moratorium, planning in the restructuring process, establishment of a bank advisory committee/steering committee, preparation of the information memorandum, exploratory meeting and negotiation of heads of terms. It often has close links with the IMF in order to ensure an alignment between debtors' financial requirements and the maintenance of viable economic programmes.

C. The HIPC Debt Initiative

63. In September 1996, the Interim and Development Committees of the IMF and the World Bank endorsed the Initiative for the "Heavily Indebted Poor Countries" (HIPC Initiative) designed to provide exceptional assistance to eligible countries following sound economic policies to help them reduce their external debt burden to sustainable levels, i.e., to levels that will comfortably enable them to service their debt through export earnings, aid, and capital inflows. The HIPC Initiative requires the participation of all multilateral creditors, such as the World Bank and the International Monetary Fund and the regional development banks, beyond the traditional debt relief mechanisms provided by official bilateral and private creditors. Following the Cologne Summit, the revised HIPC Initiative was endorsed in September 1999.

64. The HIPC Initiative has two stages. In the first stage, to qualify for assistance, a country must adopt adjustment and reform programmes (mainly a Poverty Reduction Strategy Paper (PRSP)) supported by the IMF and the World Bank and pursue those programs for three years. At the end of the first phase, a debt sustainability analysis is carried out to determine the current external debt situation of the country. If the external debt ratio for that country after traditional debt-relief mechanisms is above 150 per cent for the present value of debt to exports, it qualifies for assistance under the Initiative. At the decision point, the Executive Boards of the IMF and World Bank formally decide on a country's eligibility, and the international community commits to provide sufficient assistance by the completion point for the country to achieve debt sustainability calculated at the decision point. In the second stage, the country establishes a second track record by implementing the policies determined at the decision point and linked to the (interim) PRSP. All creditors provide the assistance at the decision point. Timing of completion point is tied to the implementation of policies determined at the decision point. Remaining assistance is provided at the completion point.

65. A country must satisfy a set of criteria to be eligible for special assistance. Specifically, it must be eligible only for concessional assistance from the IMF and World Bank ("IDA-only"); face an

unsustainable debt burden, beyond available debt-relief mechanisms such as Naples terms (where low-income countries can receive a reduction of eligible external debt of 67 percent in net present value terms); and establish a track record of reform and sound policies through IMF- and World Bank-supported programmes. As a result, only 41 countries, most in Africa, were considered potentially eligible for the HIPC Initiative, and only nine countries have reached the completion point so far. The HIPC Initiative was targeted at some \$170 billion in external public debt (in 1996 dollars) owed by the HIPC countries, which were, on average, more than four times their annual export earnings, and well exceed their annual GNPs. This amount was but a small fraction of the total debt of developing countries of more than \$2 trillion. Therefore, many consider that the HIPC Initiative provides too little relief, too late.

D. Debt-for-nature initiatives

66. Since 1987, it is estimated that over 30 countries have benefited from debt-for-nature swaps and bilateral debt reduction programmes, which have generated over US\$1 billion in funding for the environment. This amount of funding is very modest relative to the availability generated from various debt treatment agreements and the debt involved, but it is significant in terms of the financial resources it provides for environmental projects. The existing debt-for-nature initiatives have been concentrated in a few donor programmes and a limited number of international organizations such as Conservation International, The Nature Conservancy and the World Wildlife Fund. Because of the complications involved, a number of conservation organizations have refrained from engaging in such initiatives.

67. Creditor countries differ in their approaches to debt-for-nature swapping. In most creditor countries, the treatment of officially guaranteed commercial claims is different from that of official development assistance. Certain creditors seek actively to, or are open to approaches from investors to, dispose of their officially guaranteed commercial claims for conservation, but others do not implement such conversion because of the lack of a legal framework or budgetary allocations for debt swaps. Some credit countries cancel outright their claims on certain categories of debtors, and there are cases in which debt claims have been incorporated into the creditor countries' development cooperation programmes and converted in the form of conditional debt cancellations. The Conservation Finance Alliance has recently developed a training guide on debt-for-nature swaps, and the United Nations Conference on Trade and Development and the United Nations Institute for Training and Research have actively promoted debt-management capacity-building in developing countries.

VII. RECOMMENDATIONS

68. In light of the forgoing information, the Conference of the Parties is invited to consider the following recommendations:

Financing for achieving the target 2010

1. *Requests* Parties and donor institutions to develop and implement an action plan, within the framework of national, subregional and regional biodiversity strategies and action plans, to implement the programme of work and the strategic plan of the Convention, in particular the target to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level;

2. *Realizes* that each developed country Party needs to allocate a minimum percentage of its gross national income to biodiversity-related official development assistance, as a critical step to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level;

3. *Stresses* the importance of implementing paragraph 7 of decision VI/16 in which Parties and Governments are invited to share their experience on developing and implementing financial measures for supporting national biodiversity strategies and action plans, as well as to review national budgets and monetary policies for purposes of biological diversity, and *requests* the Executive Secretary to compile and disseminate such information;

International assistance for biological diversity

4. *Notes with appreciation* the publication “Aid activities targeting the objectives of the Rio Conventions 1998-2000” released by the Development Assistance Committee of the Organization for Economic Cooperation and Development, and *invites* the Organization for Economic Cooperation and Development to provide information on financial flow statistics relating to the objectives of the Convention to the Conference of the Parties at its eighth meeting;

5. *Urges* Parties and Governments, funding institutions and development agencies, as well as other donors, which have not done so, to make their funded biodiversity-related projects publicly available on their respective websites and to notify the Executive Secretary of the list of such projects;

6. *Requests* the Executive Secretary to continue the efforts to compile and disseminate biodiversity-related funding information, in order to monitor funding status, identify gaps in funding activities and develop options;

Financing for the programme of work of the Convention

7. *Invites* the Executive Secretary, in collaboration with relevant partner organizations, to assist with initiation and development of project proposals or programmes to enhance efforts to finance the programme of work of the Convention with respect to its thematic areas and cross cutting issues.

8. *Decides* that requests to donor and related agencies should be incorporated into a single decision, including identification of priority issues that will provide support for thematic areas and cross cutting issues as well as capacity-building.

9. *Requests* the Executive Secretary to develop concrete project proposals, for the consideration and approval of the Conference of the Parties at its eighth meeting, to assist with implementation of the programme of work of the Convention;

Global initiative on banking, business and biodiversity

10. *Decides* to establish a Global Initiative on Banking, Business and Biodiversity to engage the private sector in the implementation of the Convention, and *requests* the Executive Secretary, in collaboration with the Finance Initiatives of the United Nations Environment Programme and with other relevant regional and international organizations, to convene an international task force to elaborate a programme of work, including objectives, mechanisms for engagement and operational structure, for the global initiative on banking, business and biodiversity;

External debt and biological diversity

11. *Invites* all creditor countries and, in particular, the Heavily Indebted Poor Countries (HIPC) Initiative to consider cancellation of all debts that have been utilized for the conservation and sustainable use of biological diversity;

12. *Requests* the Executive Secretary, in collaboration with relevant partner organizations, to organize a capacity-building workshop to promote wider application of debt-for-nature swaps and related initiatives.
