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CONFERENCE OF THE PARTIES TO THE
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Item 22.4 of the provisional agenda**

FINANCIAL RESOURCES AND MECHANISM (ARTICLES 20 AND 21)

Follow-up to the recommendations of the Working Group on the Review of Implementation of the Convention

Note by the Executive Secretary

I. INTRODUCTION

1. The present note has been prepared in response to requests by the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention at its first meeting, held in Montreal from 5 to 9 September 2005, in order to assist the Conference of the Parties in their consideration of the further implementation of Articles 20 and 21 of the Convention. It should be considered in conjunction with the report of the first meeting of the Ad Hoc Open-Ended Working Group on Review of Implementation of the Convention (UNEP/CBD/COP/8/4), containing recommendation I/4 regarding financial resources and financial mechanism, and the note by the Executive Secretary on additional financial resources: status, gaps and options, prepared for the eighth meeting of the Conference of the Parties (UNEP/CBD/COP/8/21).

2. The Ad Hoc Open-ended Working Group on Review of Implementation of the Convention at its first meeting requested the Executive Secretary to:

“(a) Develop, for consideration at the eighth meeting of the Conference of the Parties, a work plan, including provisions for an analysis of the relevant information in the third national reports and other submissions by Parties and organizations, to prepare for the in-depth consideration of financial resources and financial mechanisms at the ninth meeting of the Conference of the Parties;

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(b) Collaborate with the Global Environment Facility in a dialogue on ways to more effectively formulate and implement the guidance to the financial mechanism and explore opportunities for streamlining such guidance, taking into account the framework for goals and targets included in decision VII/30 as well as indicators for assessing progress toward the achievement of the 2010 target, and report the results of this dialogue to the eighth meeting of the Conference of the Parties;

(c) Revise if necessary, after consultation with Parties concerned, the list that was adopted by decision I/2 of developed country Parties and other Parties which voluntarily assume the obligations of the developed country Parties, for consideration by the Conference of the Parties at its eighth meeting;

(d) Develop ways and means of improving the process of review of the financial mechanism for consideration at the eighth meeting of the Conference of the Parties;

(e) Invite the Chairman of the Global Environment Facility to provide details of the Resource Allocation Framework adopted by the special meeting of the Council of the Global Environment Facility on 1 September 2005 and its implications and potential impact on the implementation of the Convention at the eighth meeting of the Conference of the Parties.”

3. Accordingly, the Executive Secretary extended an invitation to the Chairman of the Global Environment Facility in respect of the resource allocation framework, and the requisite follow-up action is anticipated from the Global Environment Facility. The present note will focus on the first four requests. Section II elaborates a work plan to prepare for the in-depth consideration of financial resources and financial mechanisms at the ninth meeting of the Conference of the Parties. It is followed by the information on a dialogue in respect of guidance to the financial mechanism. Section IV covers the status of updating the list of developed country Parties to the Convention. Section V discusses ways and means of improving the process of review of the effectiveness of the designated financial mechanism. The final section contains recommendations for consideration of the Conference of the Parties.

II. WORK PLAN TO PREPARE FOR THE IN-DEPTH CONSIDERATION OF FINANCIAL RESOURCES AND FINANCIAL MECHANISMS AT THE NINTH MEETING OF THE CONFERENCE OF THE PARTIES

4. In its recommendation I/4, the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention requested the Executive Secretary to develop, for consideration at the eighth meeting of the Conference of the Parties, a work plan, including provisions for an analysis of the relevant information in the third national reports and other submissions by Parties and organizations, to prepare for an in-depth consideration of financial resources and financial mechanisms at the ninth meeting of the Conference of the Parties. The Working Group also suggested that the review should:

“(a) Build on past reviews;

(b) Focus on what action that has been taken or needs to be taken to address identified obstacles;

(c) Examine how financial resources from the financial mechanism and official development assistance are being used to address national biodiversity priorities;

- (d) Identify opportunities available to Parties from official development assistance for the implementation of the Convention, including through mainstreaming biological diversity;
- (e) Explore options on how the financial mechanism can enhance cooperation between the three Rio conventions, bearing in mind Parties' priorities and each convention's scope;
- (f) Develop a strategy for resource mobilization in support of implementation activities based on the results of the in-depth review."

5. The suggested review of financial resources and mechanisms was envisaged as part of the overall review of the progress made in the implementation of the Strategic Plan of the Convention and towards the achievement of the 2010 biodiversity target. The Strategic Plan set out four interrelated goals: goal 2 concerning capacity and goal 3 concerning national planning were envisaged for an in-depth review at a second meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention.

6. Financial resources and mechanisms have been on the agenda of every ordinary meeting of the Conference of the Parties. Based on the provisions of the Convention, the Conference of the Parties has given consideration to the following issues:

- (a) New and additional financial resources under Article 20, paragraph 2;
- (b) Resources through bilateral, regional and other multilateral channels under Article 20, paragraph 3;
- (c) National financial support and incentives under Article 20, paragraph 1;
- (d) Guidance to the designated financial mechanism under Article 21, paragraphs 1 and 2;
- (e) Effectiveness of the designated financial mechanism under Article 21, paragraph 3;
- (f) Strengthening of existing financial institutions under Article 21, paragraph 4;
- (g) Financial and other support for *in situ* conservation and *ex situ* conservation under Articles 8(m) and 9(e);
- (h) Special needs and special situation of developing countries, in particular least developed countries and small island developing States under Article 20, paragraphs 5 and 6, as well as those that are most environmentally vulnerable, such as those with arid and semi-arid zones, coastal and mountainous areas under Article 20, paragraph 7.

7. The effectiveness of the financial mechanism has been under regular review by the Conference of the Parties as well as by the independent Evaluation Office of the Global Environment Facility. Other issues have not yet been subject to in-depth consideration of the Conference of the Parties to date.

8. The objective of the in-depth consideration by the Conference of the Parties of financial resources and mechanisms may be to contribute to the effectiveness of implementing financial provisions of the Convention, building on relevant existing decisions from the Conference of the Parties and focusing particularly on the process towards the 2010 biodiversity target. Accordingly, the in-depth review of financial resource and mechanisms needs to examine current status of biodiversity finance and the extent to which funding needs have been met, analyse the unmet needs and gaps, share experience and best

practice, review the lessons learned and identify areas where improvements can be made. To maximize the benefit of the in-depth review and make any outcomes truly useful and relevant, all themes and topics under the Convention should be covered and all actors in the Convention process should be included.

9. Funding factors have featured, albeit to varying degrees, in many existing decisions of the Conference of the Parties, and the financial provisions of these decisions may constitute subject areas for the proposed in-depth review. These subject areas include:

(a) Those related to articles of the Convention, such as: biodiversity planning, Global Taxonomy Initiative, invasive alien species, Article 8(j) and related provisions, *in situ* conservation and *ex situ* conservation, sustainable use and tourism, climate change, incentive measures, education and public awareness, access to and transfer of technology, access and benefit-sharing, clearing-house mechanism, and national reporting;

(b) Those based on ecosystems and biomes, such as dry and sub-humid lands, mountain biodiversity, inland water biodiversity, marine and coastal biodiversity, island biodiversity, agricultural biodiversity and forest biodiversity.

10. The mechanisms under the Convention dealing with the afore-mentioned subject areas have evolved over time. Ad hoc open-ended working groups have been established on protected areas and access and benefit-sharing. The programme of work on protected areas provides a list of activities to ensure financial sustainability of protected areas, and calls for Parties to undertake national studies and establish and implement country-level sustainable financing plans. In decision VII/19, on access and benefit-sharing, the Conference of the Parties identified actions for assessment of resource requirements and development of a funding strategy. The thematic programmes of work based on ecosystems and biomes have been reviewed periodically, often assisted by ad hoc technical expert groups, but their funding provisions largely remain unaddressed. For instance, according to decision VI/5, paragraph 1(c), funding for the implementation of the programme of work on agricultural biodiversity should be reviewed. However, some collaborating organizations for implementing relevant thematic programmes of work have undertaken studies or reviews of funding status and gaps and explored options, in particular in the field of dry and sub-humid lands, inland waters and forests. The proposed in-depth review could build upon these existing review mechanisms, and the resultant outcomes might be published as part of a technical series on biodiversity finance in order to disseminate information and experience widely.

11. The recommended in-depth review provides an opportunity for Governments to assess their commitments and effectiveness in terms of financial resources and mechanisms under the Convention, and should thus be based on outcomes of national assessments. Existing decisions of the Conference of the Parties should serve as guidance for the national review of financial resources and mechanisms. Besides considering providing financial support to various subject areas as already identified in paragraph 9 above, relevant elements of existing decisions on financial resources should be also addressed in national assessments, including:

- (a) Process to monitor financial support to biodiversity;
- (b) Consideration of biodiversity in the relationship with funding institutions and development agencies;
- (c) Consideration of tax exemptions in national taxation systems for biodiversity-related donations;
- (d) Experience 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;

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

(f) Integration of biodiversity considerations in national sustainable development plans and relevant sectoral policies and plans as well as assistance programmes;

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

(h) Biodiversity-related partnership arrangements with and among funding institutions and other stakeholders, including with banking and business sectors;

(i) Opportunities to utilize various initiatives including debt-relief instruments to promote conservation and sustainable use of biodiversity.

12. Donor countries have additional items to consider:

- (a) Substantial replenishment of the Global Environment Facility to higher levels;
- (b) Experience in mainstreaming biodiversity into funding operations;
- (c) Full implementation of the Monterrey Consensus on financing for development;
- (d) Public availability of funded biodiversity related projects.

13. Governments need to cooperate in undertaking national reviews. In order to acquire national information, the Executive Secretary could design and implement a biodiversity-finance survey. The survey should take into account availability of national funding information and the need to develop standard classification of biodiversity institutional scope. It should also be designed in a way that long-term financial trends can be monitored and gaps can be identified. The following elements might be considered in the survey:

- (a) Basic national biodiversity information;
- (b) Information on problems and threats;
- (c) Information on national targets and their attainment;
- (d) Finance information;
- (e) Overall achievements.

14. In some cases, issues related to limited national absorptive capacity to execute and implement programs should also be addressed. Based on the results of the survey, regional meetings may be organized to assess regional status of biodiversity finance, to consider the filling of information gaps, to develop regional perspectives of a funding strategy, and to share experience and best practices. The outcomes of national and regional reviews might be published as a part of a technical series on biodiversity finance in order to encourage the accumulation of knowledge and to disseminate the information and experience widely.

15. Similarly, the recommended in-depth review offers an occasion for relevant organizations to assess their effectiveness in providing financial resources to support implementation of the Convention, and should also take into account outcomes of assessments from these organizations. The outcomes of these assessments might also be published as part of a technical series on biodiversity finance for a wide audience. Relevant organizations may include but are not necessarily limited to:

- (a) The Organisation for Economic Co-operation and Development (OECD);
- (b) Multilateral development banks and agencies, such as the World Bank, African Development Bank, Asian Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, International Fund for Agricultural Development;
- (c) Organizations of the United Nations system such as: the United Nations Development Programme, United Nations Environment Programme, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Maritime Organization, United Nations Industrial Development Organization;
- (d) Other organizations, such as the World Conservation Union (IUCN), Birdlife International, Conservation International, Fauna and Flora International, The Nature Conservancy, Wildlife Conservation Society, World Resources Institute, WWF.

16. The Executive Secretary might establish a Biodiversity Finance Study Group to assist the process to prepare for the in-depth consideration of financial resources and mechanisms. The Study Group should be composed of eminent experts in the field of biodiversity finance and address the following tasks:

- (a) Design and implementation of thematic and national reviews;
- (b) Assessment of outcomes of various reviews from Governments and Organizations and in various subject areas;
- (c) Assessment, and maximum utilization, of the OECD ‘Rio markers’;
- (d) Identification of remaining gaps in funding information and conduct of additional studies, such as on biodiversity trust funds, debt-for-nature initiatives, and other innovations in biodiversity finance;
- (e) Preparation of the composite biodiversity finance report and draft funding strategy.

17. Given the volume of information to be generated, the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention should be mandated to conduct an in-depth review of financial resources and mechanisms prior to the in-depth consideration by the Conference of the Parties. The Working Group needs to pay particular attention to the composite biodiversity finance report and undertake intergovernmental discussions on a draft funding strategy for the Convention. It should conclude with a recommended funding strategy for consideration by the Conference of the Parties at its ninth meeting. In addition to regular consideration of recommendations of the Working Group, the ninth meeting of the Conference of the Parties may wish to take up biodiversity finance issues at its High-level Segment. The proposed work plan, together with a timetable, could be as follows:

Work plan to prepare for the in-depth consideration of financial resources and mechanisms

STAGE	TASK	RESPONSIBILITY	DEADLINE	MEETING
Stage 1	National reviews and agency reviews	Governments/ Organizations	31 December 2006	National finance meetings

STAGE	TASK	RESPONSIBILITY	DEADLINE	MEETING
Stage 2	Finance survey	Executive Secretary	28 February 2007	Study group meetings
Stage 3	Regional reports and thematic reports	Governments, Organizations and Executive Secretary	31 July 2007	Regional and thematic meetings
Stage 4	Composite report and draft funding strategy	Executive Secretary	30 September 2007	Study group meetings
Stage 5	In-depth review of regional reports, thematic reports, composite report, and draft funding strategy	Ad Hoc Open-ended Working Group on Review of Implementation of the Convention		Second meeting of the Working Group
Stage 6	In-depth consideration of the revised composite report and recommended funding strategy	Conference of the Parties		Ninth meeting of the Conference of the Parties

18. The proposed work plan has clear budgetary implications as it includes different types of consultations to be conducted by the Executive Secretary and Governments. The Conference of the Parties would need to consider this as part of the budget for the programme of work for the biennium 2007-2008. With respect to national reviews and agency reviews, guidance to Parties from the Executive Secretary would be essential in order to achieve meaningful outcomes that are also comparable across countries. There should also be some flexibility with respect to the proposed timelines. For instance, it may require more than two months as currently proposed to prepare the proposed funding strategy.

II. DIALOGUE ON WAYS TO MORE EFFECTIVELY FORMULATE AND IMPLEMENT THE GUIDANCE TO THE FINANCIAL MECHANISM AND EXPLORE OPPORTUNITIES FOR STREAMLINING SUCH GUIDANCE

19. In its recommendation 1/4, the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention requested the Executive Secretary to collaborate with the Global Environment Facility in a dialogue on ways to more effectively formulate and implement the guidance to the financial mechanism and explore opportunities for streamlining such guidance, taking into account the framework for goals and targets included in decision VII/30 as well as indicators for assessing progress toward the achievement of the 2010 target, and to report the results of this dialogue to the Conference of the Parties at its eighth meeting.

20. Prior to the request for a dialogue on the guidance, the Conference of the Parties already articulated certain parameters with respect to the guidance-setting process. In decision V/20, paragraph 8, the Conference of the Parties decided that guidance to the financial mechanism should be incorporated into a single decision, including the identification of priority issues which will provide support for cross-cutting issues and capacity-building, especially for developing countries, in a manner that is transparent,

allows participation, and allows full consideration of its other decisions. The Conference of the Parties also decided, in decision IV/16, paragraph 13, that, while the Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA) should consider the financial implications of its proposals, its recommendations will include advice to the Conference of the Parties regarding financial matters, including guidance to the financial mechanism, only when the Conference of the Parties has so requested.

21. The Conference of the Parties requested the Executive Secretary, in decision IV/11, paragraph 4, to advise the Parties on matters relating to recommendations for further guidance to the financial mechanism with respect to the relationship of any draft guidance to previous guidance and any possible effects of that draft guidance on the implementation of previous guidance from the Conference of the Parties. The Global Environment Facility has also been a source of advice in developing guidance. It provided directly input into the formation of guidance by the Conference of the Parties on such issues as the clearing-house mechanism and access and benefit-sharing in accordance with decision III/5, paragraph 7, and decision II/3, paragraph 9, and has been invited to contribute information and experience on other subject matters. The reports from the Global Environment Facility have been cited as the foundation for some guidance.

22. As a follow-up to the recommendations of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, it is suggested that the Secretariat of the Convention invites the Secretariat of GEF to establish a joint working group, comprised of their staff, to review the formulation and implementation of the guidance to the financial mechanism and to explore opportunities for streamlining such guidance, taking into account the framework for goals and targets included in decision VII/30 as well as indicators for assessing progress towards the achievement of the 2010 target. The working group should be invited to present the results of its work to both the Ad Hoc Open-ended working Group and the GEF Council.

IV. REVISED LIST OF DEVELOPED COUNTRY PARTIES TO THE CONVENTION ON BIOLOGICAL DIVERSITY

23. In its recommendation I/4, the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention requested the Executive Secretary to revise if necessary, after consultation with Parties concerned, the list that was adopted by decision I/2 of developed country Parties and other Parties which voluntarily assume the obligations of the developed country Parties, for consideration by the Conference of the Parties at its eighth meeting, and recommended that the eighth meeting of the Conference of the Parties adopt an updated list of developed country Parties and other Parties that voluntarily assume the obligations of the developed country Parties.

24. The Executive Secretary circulated a notification containing a draft proposal for a revised list of developed country Parties to the Convention's national focal points of the OECD member States, the member States of the European Union, as well as donor States of the third GEF replenishment. Several Parties notified the Executive Secretary of their support for the revised list of developed country Parties to the Convention. Two Parties, the Czech Republic and Slovenia, suggested additions to the draft proposal put forward by the Executive Secretary. The updated list is annexed to the present note.

V. WAYS AND MEANS OF IMPROVING THE PROCESS OF REVIEW OF THE DESIGNATED FINANCIAL MECHANISM

25. In its recommendation I/4, the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention noted the lack of voluntary contributions for carrying out the third review of the effectiveness of the designated financial mechanism and requested the Executive Secretary to develop ways and means of improving the process of review of the financial mechanism for consideration at the eighth meeting of the Conference of the Parties.

26. Article 21, paragraph 3, provides that the Conference of the Parties shall review the effectiveness of the financial mechanism on a regular basis and based on such review, it shall take appropriate action to improve the effectiveness of the mechanism if necessary. The Conference of the Parties at its second meeting decided to undertake the review every three years based on the then practice that the Conference of the Parties would meet every year. In decision V/20, the Conference of the Parties decided that ordinary meetings of the Conference of the Parties shall be held every two years, but the schedule for the review has not been revised accordingly.

27. According to decision VII/22, the Conference of the Parties was aware of the preparation of the third Overall Performance Study of the Global Environment Facility to be completed by June 2005, and the need to ensure synergies between the Study and the third review of the financial mechanism. It decided that the third review shall take fully into account reports of the Global Environment Facility with respect to the operations of the financial mechanism. However, decision VII/22 did not specify how to take advantage of the process of the third Overall Performance Study, in particular in terms of the procedures such as desk studies, interviews, and field visits. Most recently, the GEF Council decided to restructure the GEF Monitoring and Evaluation Unit into an independent Evaluation Office that will report to the Council directly. The Secretariat of the Convention and the GEF Evaluation Office compared the terms of reference for reviews and evaluations under the two processes, and found overlapping and repetitions in carrying out desk-studies, interviews and field-visits. It would be cost-effective for the Convention process to capitalize upon the information and observations generated from the independent Evaluation Office and if the Evaluation Office was requested to prepare a brief report summarizing the major findings coming from its reports.

VI. RECOMMENDATIONS

28. The Conference of the Parties is invited to consider the following recommendation together with recommendation I/4 of the first meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention (UNEP/CBD/COP/8/4, annex).

The Conference of the Parties,

1. *Requests* the Executive Secretary, assisted by a Biodiversity Finance Study Group, to conduct a biodiversity finance survey in order to collect adequate information on the financial mechanism, taking into account the need for standardizing financial information and monitoring longer-term financial trends;

2. *Requests* the Executive Secretary to invite the GEF to establish a joint working group to review the formulation and implementation of the guidance to the financial mechanism and to explore opportunities for streamlining such guidance, taking into account the framework for goals and targets included in decision VII/30 as well as indicators for assessing progress toward the achievement of the 2010 target. The Conference of the Parties requested the Executive Secretary and the CEO of the GEF to present the results of its work both to the Ad Hoc Open-ended Working group on Review of Implementation of the Convention and the GEF Council;

3. *Requests* the Executive Secretary to prepare a draft strategy for resource mobilization;

4. *Decides* to adopt the updated list of developed country Parties to the Convention in accordance with Article 20, paragraph 2 of the Convention, as contained in the annex to the present note;

5. *Decides* to provide the following additional guidance to the Global Environment Facility in the provision of financial resources, in accordance with the relevant provisions of the decisions of the Conference of the Parties: [*to be completed at the end of the negotiations at the eighth meeting of the Conference of the Parties*]

6. *Requests* the Executive Secretary, taking into account the comments made during the eighth meeting of the Conference of the Parties, and in consultation with the GEF Monitoring and Evaluation Office, to finalize a questionnaire on the effectiveness of the financial mechanism. The results of the questionnaire shall be submitted to the ninth meeting of the Conference of the Parties. The questionnaire should be:

- (a) Based on existing action taken or requests made by the Conference of the Parties;
- (b) Targeted at the national focal points of the Convention on Biological Diversity as its principal audience.

*Annex***UPDATED LIST OF DEVELOPED COUNTRY PARTIES TO THE CONVENTION ON
BIOLOGICAL DIVERSITY (2006)**

Australia	Austria
Belgium	Canada
Czech Republic	Denmark
Finland	France
Germany	Greece
Iceland	Ireland
Italy	Japan
Luxembourg	Monaco
Netherlands	New Zealand
Norway	Portugal
Slovenia	Spain
Sweden	Switzerland
United Kingdom of Great Britain and Northern Ireland	
