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FINANCIAL RESOURCES AND THE FINANCIAL MECHANISM

In-depth review of the availability of financial resources

Note by the Executive Secretary

I. INTRODUCTION

1. In decision VIII/13, paragraph 3, the Conference of the Parties decided to conduct an in-depth review of the availability of financial resources, including through the financial mechanism, at its ninth meeting, and resolved that this review should:

- (a) Build on past reviews;
- (b) Focus on what action has been taken or needs to be taken to address identified obstacles;
- (c) Examine how financial resources from the financial mechanism and from other relevant sources are being used to support the achievement of the objectives of the Convention;
- (d) Examine how the Resource Allocation Framework adopted by the Global Environment Facility (GEF) would affect the availability of resources given the individual and group allocations to developing countries and countries with economies in transition for the implementation of the Convention;
- (e) Examine the effectiveness of the GEF Benefits Index for Biodiversity (GBI_{Bio}) for determining the potential of each country to generate the global biodiversity benefits for the purposes of this Convention;
- (f) Identify opportunities available to Parties from all sources for the implementation of the Convention, including through innovative mechanisms, such as environmental funds as referred to in paragraph 7 of decision VIII/13;
- (g) Explore options on how the synergy among the financial mechanisms of the three Rio conventions can be promoted, taking fully into account the respective guidance and priorities of their

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respective conferences of the parties, each Convention's scope and mandate, while ensuring the integrity of resources available to each convention through its respective financial mechanism.

2. The present note has been prepared to assist with the in-depth review of the availability of financial resources by the ninth meeting of the Conference of the Parties, following the provisions of decision VIII/13. Section II briefly summarizes the past reviews of available financial resources. Section III discusses identified obstacles and how to overcome them. Section IV examines how financial resources are being used to support the achievement of the Convention's objectives. Section V explores issues related to the GEF Resource Allocation Framework. Section VI attempts to identify funding opportunities, including innovative mechanisms, for the implementation of the Convention. Section VII explores options to promote funding synergies between the three Rio conventions. Recommendations for further action are provided in section VIII. The present note is also supported by two information documents: status and trends of biodiversity finance, based on the information generated from the biodiversity-related aid statistics of the OECD (UNEP/CBD/COP/9/INF/5), and mid-term review of the GEF Resource Allocation Framework (UNEP/CBD/COP/9/INF/17).

II. PAST REVIEWS

3. The question of financial resources and the financial mechanism has been a standing item on the meetings of the Conference of the Parties. The overall conclusions from the reviews that have been undertaken include:

- (a) There is a need for a substantial increase of international financial support to the implementation of the Convention and the easier flow of such assistance;
- (b) There is a lack of comprehensive information about trends in development assistance with respect to biological diversity;
- (c) Funding gaps exist at all levels in addressing the needs for achieving the three objectives of the Convention in a balanced manner;
- (d) There are close inter-linkages between poverty eradication, sustainable development and the achievement of the three objectives of the Convention;
- (e) The positive outcome of the International Conference on Financing for Development, held in Monterrey, N.L., Mexico, in represents a crucial step towards achieving the goals of poverty eradication, sustained economic growth and promotion of sustainable development;
- (f) There are opportunities of synergizing between the Rio conventions to increase the effectiveness of the use of financial resources;
- (g) It is important to identify alternative sources of funding in support of the Convention;
- (h) There is a need to explore all possible options to mitigate funding gaps and to maximize the availability of financial resources in support of the implementation of the Convention, including through, *inter alia*, environmental funds;
- (i) More complete information concerning the financial support, from all relevant sources, for the implementation of the objectives of the Convention, including the work programmes established by the Conference of the Parties, to assist in development of further guidance to the financial mechanism and better coordination with other funding institutions;
- (j) The importance of financial support for the implementation of national biodiversity strategies and action plans and for capacity-building for implementation of the Cartagena Protocol; and

(k) The involvement of all relevant stakeholders in contributing to the implementation of the Convention.

4. The CBD Online Network on Finance (CBD-NF) (<http://www.cbd.int/financial/>) has collected all documents from those reviews and resultant decisions by the Conference of the Parties. Pursuant to decision VI/16, paragraph 11 (c), the CBD Online Network on Finance provides a central portal for communicating information on biodiversity-related funding activities, including those of financial and technical assistance agencies and other donors. Its mission is to promote the implementation of the financial provisions of the Convention on Biological Diversity, principally its Articles 20 and 21, through sharing of information, knowledge, experiences and best practices throughout the world, the promotion of capacity-building and cooperation among the Parties, including an emphasis on south-south cooperation, as well as facilitating of policy development and consensus building.

5. The CBD Online Network on Finance is committed to integrity and excellence. It offers: far-reaching access to funding opportunities for both funding providers and seekers around the world; centralized access to funding policy documents and latest advancements in policy analysis and development; capacity-building and cooperation in financing for biodiversity; ease of access to worldwide information in all areas of biodiversity-related funding policy and management; demand-driven and interactive two-way provider of information and knowledge network including success stories and best practices in the use of available financial resources. Its core themes include: financial mechanism, intergovernmental process, source of funding, financial integration, cost-benefit analysis, knowledge sharing, replication of financial innovations, and funding effectiveness.

6. The past reviews of the availability of financial resources have encountered a number of constraints:

(a) There has been no inter-sessional support process, and no expert-group meetings or workshops have been organized;

(b) There have been no regional and national meetings on finance and biodiversity organized by the Secretariat;

(c) No strategic vision, targets and implementation plans have been developed to advance the implementation of Articles 20 and 21;

(d) Different financial issues regarding biodiversity have never been considered in any in-depth level;

(e) Financing for thematic areas and cross-cutting issues has never been reflected on collectively;

(f) Budgetary allocations to the work related to finance and biodiversity have been decreased substantially over time;

(g) No tools or guidelines to support financing for implementing the Convention have been developed;

(h) No effective communication channels have been established to enable information flow and awareness-raising among funders and recipients;

(i) Human resources allocated to support the reviews have been at a house-keeping level.

III. ACTION TAKEN OR NEEDED TO ADDRESS IDENTIFIED OBSTACLES

7. Financial obstacles to achieving the Convention's objectives have been observed in virtually all Parties. The second and third national reports have pooled country opinions about resource limitation or challenges to the implementation of the Convention. The second national reports invited Governments to rate the availability of resources as good, adequate, limiting or severely limiting, and in the third national reports, Governments were able to rate financial resources as representing a high challenge, medium challenge, low challenge or a challenge that has been successfully overcome. The overall average rating from the second national report returns indicates that availability of resources is limiting, and according to the third national reports, the overall level of financial challenges has exceeded a medium challenge and increased toward being a high challenge. The information thus suggests that the perceived level of financial limitations or challenges has increased by over 20 percent from the period of 1998-2002 to the period of 2002-2006, and the limitations have become worse particularly with regard to Article 8(j), forest biological diversity, Article 10, marine biological diversity, and Articles 5, 6, 20 and 7 of the Convention. The above-average level of financial limitations/challenges has been felt in respect of Articles 7, 20, 8(h), 12, 8, 8(j), 9, 19 and 15.

8. The Conference of the Parties has called for timely actions to ensure the effective implementation of the programme of work as well as the Strategic Plan of the Convention and associated targets, and provided guidance to overcome financial obstacles in the existing decisions for action by Parties and Governments, international and regional financial institutions and developments, as well as other donors, including:

(a) Determination of funding priorities for national biodiversity activities based on the Strategic Plan, and national biodiversity strategies and action plans, and taking into account relevant elements of the Convention's programmes of work;

(b) Identification of additional financial resources to support the objectives of the Convention and elements in the programme of work;

(c) Review of 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;

(d) Consideration of tax exemptions in national taxation systems for biodiversity-related donations;

(e) Review and further integration of biodiversity considerations in the development and implementation of major international development initiatives, such as the Highly Indebted Poor Countries Initiative, Poverty Reduction Strategies, and Comprehensive Development Frameworks, as well as in national sustainable development plans and relevant sectoral policies and plans, and give due consideration to biodiversity in development-planning systems, including in poverty reduction strategy papers, where they exist, in order to maximize opportunities for mobilizing financial resources;

(f) Support for the implementation of the objectives of the Convention in the funding policy of bilateral, regional and multilateral funding institutions;

(g) Collaboration with funding institutions to facilitate efforts to achieve greater support for the Convention, with funding mechanisms of relevant conventions and agreements and with relevant biodiversity-related programmes of international and regional organizations, and assisting in defining funding strategies and programmes and in the promotion of capacity-building;

(h) Collaboration with the work on financial issues on Agenda 21 under the Commission on Sustainable Development, the Financing for Development process under the General Assembly, the Organisation for Economic Co-operation and Development on data collection for regular reporting on the status and trends of biodiversity finance, and follow-up on the outcomes of the World Summit on Sustainable Development that are relevant to additional financial resources;

(i) The use of various initiatives, including debt-relief instruments to promote conservation and sustainable use of biodiversity;

(j) The promotion and fostering of new national and regional environmental funds and strengthening/expanding such existing funds, and transfer and exchange knowledge about these mechanisms, through the creation and/or strengthening of national and international learning networks or communities;

(k) The promotion of coordination, coherence, and synergies in financing for biological diversity among donor Parties and Governments, bilateral, regional and multilateral funding institutions and development agencies in order to avoid duplication of work, identify gaps in activities, and identify necessary activities and funding;

(l) The development of partnerships aiming at promoting financial investments in biodiversity, and biodiversity related partnership arrangements with and among funding institutions and other stakeholders, including with banking and business sectors, in order to promote, *inter alia*, the development and implementation of initiatives such as the Global Initiative on Banking, Business and Biodiversity, in support of the achievement of the objectives of the Convention and agreed global targets;

(m) Encouragement of the involvement of the private sector in supporting the Convention's objectives, and charitable institutions to support activities that promote the implementation of the Convention;

(n) The sharing of 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;

(o) Monitoring of financial support for the implementation of the Convention;

(p) Making publicly available funded biodiversity-related projects, funding procedures, eligibility criteria and programme priorities in relation to biological diversity, as well as experience in mainstreaming biodiversity into funding operations; success stories and best practices in the use of available financial resources;

(q) The reporting standardized information on financial support for the objectives of the Convention on Biological Diversity, and centralize information on biodiversity related activities of funding institutions and other donors.

9. The aforementioned actions that have already been taken by the Conference of the Parties are of continuing relevance in the years ahead. Further actions to overcome financial obstacles could take into account the following in a more strategic and targeted manner:

(a) Adoption and implementation of a resource mobilization strategy with a view to achieving a targeted increase in financial resources, through the full range of possible national, regional and international as well as public and private sources of financing, to support the achievement of the objectives of the Convention at the local, national, regional and international levels for a specific period of time;

- (b) Development of funding priorities for national biodiversity activities in a programmatic manner based on the agreed global commitments, and ensure biodiversity finances firmly embedded in national public finance and national financial systems with improved governance;
- (c) Explicit introduction biodiversity financing in national budgetary systems, and where possible, pilot a comprehensive budget-wide approach to enhancing biodiversity management and promote tax reforms that are supportive of the Convention's objectives;
- (d) Promotion of biodiversity considerations in the banking industry and financial sector, including national development banks and export credit and promotion agencies, as well as encourage environmental funds, apply and replicate innovative financial mechanisms, such as payments for ecosystem services, environmental insurance, green funds and revenue generation measures;
- (e) Creation of the necessary domestic and international conditions to facilitate direct investment flows conducive to achieving national biodiversity priorities and linkages with private grant-making foundations, including through technical cooperation with international biodiversity conservation organizations, and development of innovative partnership and sponsorship with the private sector and corporate interests in biodiversity;
- (f) Adoption of a comprehensive approach to integrating biological diversity into sectoral development and assistance programmes, give due consideration to biodiversity in development-planning systems in order to maximize opportunities for mobilizing financial resources, and support national integration efforts, including through major international development initiatives, such as the Highly Indebted Poor Countries Initiative, Poverty Reduction Strategies, and Comprehensive Development Frameworks;
- (f) Improvement of the operational effectiveness of the financial mechanism, increase its relevance to the requirements of the Convention, and encouragement of innovative financial products and instruments that can attract new and additional contributions, including supplementary complementary trust funds to better target the priority needs identified by the Conference of the Parties and strengthen linkages with financing for incremental costs of biodiversity projects provided through sources other than the Facility;
- (g) Promotion of the appropriate match of funding interests from both developed and developing countries, and encouragement of leadership in the mobilization of international financial resources, including through indicative quantitative targets for allocations, biodiversity policy instruments in international development cooperation, specific assistance programmes and initiatives, sector-wide approaches, direct budget support, environmental impact assessments that incorporate biodiversity concerns, and long-term partnerships;
- (h) Release of resources from inefficient use and enhancement of mutual confidence of donors and recipients in mobilizing further resources by strengthening funding ownership, alignment, harmonization, managing for results and mutual accountability through the implementation of the Paris Declaration on Aid Effectiveness adopted by the High-Level Forum on Aid Effectiveness, held in Paris from 28 February to 2 March 2005; ^{1/}
- (i) Ensuring mutual supportiveness between trade, intellectual property rights and biological diversity, and develop innovative financing through concluding the negotiation on an international regime on access and benefit-sharing;
- (j) Acceleration of debt-relief and cancellation initiatives to remove debt barriers to biodiversity finance and promotion of debt-for-nature swaps to promote conservation and sustainable use of biodiversity;

^{1/} The text of the Declaration may be found at <http://www.oecd.org/dataoecd/41/34428351.pdf>

(k) Enhancement of synergies between various global environmental conventions such as those on climate change, biodiversity and desertification, and the promotion of international financial governance incorporating global environmental changes and ensure funding synergies in the national implementation of the three Rio conventions and other biodiversity-related conventions;

(l) Integration of biological diversity into South-South Cooperation mechanisms and processes, including through triangular cooperation and implementation of the Bali Strategic Plan for Technology Support and Capacity-building;^{2/}

(m) Strengthening of appropriate institutional arrangements, including regional development banks and organizations, to enable regional policy dialogue and consensus-building, development of regional funding mechanisms and joint programmes as well as partnership agreements;

(n) Enhancement of the voice, visibility and budgetary consideration of biological diversity in the governing bodies and coordination mechanisms of international financial institutions and development agencies, including the World Bank, the International Monetary Fund, and regional development banks, as well as the United Nations funds, programmes and agencies;

(o) Conduct of social-economic assessments of the consequences of the loss of biodiversity as well as of the cost and benefits of biodiversity management, and achievement of a greater awareness of the importance of biodiversity to development, including among development policy makers and cooperation planners;

(p) Development of well resourced technical assistance and productive capacity-building and training programmes to enhance the capacity of Parties in mobilizing adequate financial resources dedicated to biodiversity management.

IV. RESOURCE UTILIZATION

10. Depending on the nature of funding sources, there have been diverse ways to use available resources to support the Convention, directly or indirectly, for example:

(a) Funding from the Global Environment Facility has been used to support enabling policy and institutional environments and investment projects that are tailored to respond to the guidance from the Conference of the Parties. Close links can be found between GEF operations and the programme of work of the Convention. The note by the Executive Secretary on the evaluation of the effectiveness of the financial mechanism (UNEP/CBD/COP/9/17) assesses the conformity of GEF funding with the guidance of the Conference of the Parties;

(b) Subject to national circumstances, government budgets can be provided to finance activities of the Convention's focal points and other small-scale biodiversity programmes. Financial support to biodiversity is mostly found in sectoral budgets, such as those of environmental management, forestry, fisheries, water resources, agriculture, tourism, museums, herbarium and botanic gardens, waste management. While these budgetary allocations are generally supportive of the achievement of the Convention's objectives, no particular links can be observed between sectoral budgetary support and the Convention's programmes of work;

(c) National and regional environmental funds provide a focus of national and regional funding sources on thematic areas and cross-cutting issues of the Convention. Most national and regional environmental funds seek to support nationally identified biodiversity priorities, and thus indirectly relate to the Convention's interests through national biodiversity strategies and action plans;

^{2/} UNEP/GC.23/6/Add.1 and Corr.1.

(d) Tax-exemption measures for biodiversity activities have an indirect impact on overall availability of financial resources related to the implementation of the Convention, and geographically and thematically sensitive tax measures can also impact on regional and thematic biodiversity activities;

(e) Sectoral integration measures may reduce funding needs required for sector-oriented biodiversity activities, and potentially mobilize resources from sectoral budgets and finances. Their impacts are at the interface between sectoral development pursuits and the achievement of the Convention's objectives;

(f) Private sources of funding are more geographically and thematically concentrated than public funding for biodiversity, and can have substantial impacts on the implementation of the Convention at particular sites and regions or in terms of individual subject areas of the Convention;

(g) Bilateral development assistance is the primary source of international funding for implementing the Convention, through earmarked funding programmes and/or conventional development-assistance channels;

(h) Regional financial cooperation confers an effective solution to issues that are better addressed at the subregional or regional levels, such as transboundary actions required at the biogeographical level and helps support the harmonious implementation of country programmes, develop consensus on key funding policy areas and joint programmes, cooperate in the management and control of invasive alien species and genetically modified organisms;

(i) Multilateral development cooperation provides more universal access to international funding, and is more susceptible to internationally agreed norms and accepted practices, but its governance structure can be more complicated than that under a national system;

(j) Financial resources available under biodiversity-related conventions are designed to serve specific purposes, i.e., to support implementation of respective conventions, and can deliver desired outcomes related to certain programmes of work of the Convention, for instance, the World Heritage Fund for protected areas, the Ramsar small grants for inland water biodiversity, and the Global Mechanism of UNCCD for dryland biodiversity;

(k) Innovative financing offers a range of options to support biodiversity activities, and the most common innovations such as debt-for-nature initiatives traditionally have a focus on conservation. However, public-private partnerships have increasingly been developed to address access to genetic resources and benefit-sharing.

11. To the extent that only funding through the Global Environment Facility is in direct response to the directives of the Convention, the international and national financial structure has not adapted to the rapidly evolving environmental changes over the past twenty years. A great deal of work is required to make more effective use of available financial resources. In this connection, it should be noted that:

(a) There has been a lack of global guidance to help direct available financial resources to maximize their potential impacts on biological diversity;

(b) No efforts have been made to harmonize various frameworks, scientific criteria and socio-economic criteria, national criteria and international criteria, to guide sectoral or cross-sectoral or geographical distribution of biodiversity projects or programs for funding;

(c) Existing biodiversity priorities, goals and targets have not been developed in a comparable, consistent, time-bound and quantitative way that can be transformed as meaningful elements of any system for allocating financial resources;

- (d) Different biodiversity issues are treated in a fragmented and isolated manner, and no structured consideration has been given to necessary sequencing and prioritization of required actions;
- (e) Different sources of funding tend to focus on their own areas of interest without benefiting from a comprehensive collective framework, and no efforts have been made to guide an optimal mix of different sources of funding;
- (f) Funding allocations do not correlate with overall performances under the Convention.

V. THE GEF RESOURCE ALLOCATION FRAMEWORK

12. The idea of developing a resource allocation framework was originated in the policy recommendations of the third replenishment of the GEF Trust Fund. That document requested:

“[T]he GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide”, and that “the system should establish a framework for allocation to global environmental priorities and to countries based on performance. Such a system would provide for varied levels and types of support to countries based on transparent assessments of those elements of country capacity, policies and practices most applicable to successful implementation of GEF projects. This system would ensure that all member countries could be informed as to how allocation decisions are made.”

13. At the meeting of November 2003, the GEF Council suggested that the performance-based allocation framework should consider the principles of simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, and equal opportunity for all recipient countries to have access to GEF resources. At its meeting of May 2004, the GEF Council suggested that the performance-based allocation framework should:

- (a) Be consistent with the GEF Instrument;
- (b) Be sufficiently specified to be operational;
- (c) Use GEF-appropriate indicators and weightings;
- (d) Provide explicit consideration of floors and ceilings; regional and global projects, including the Small Grants Program, cross-cutting capacity building for the least developed countries (LDCs) and small island developing States (SIDS), and enabling activities; and other provisions aimed at providing flexibility appropriate to the GEF mandate;
- (e) Take into account the transaction costs associated with operating the framework; and
- (f) Be consistent with the provisions and prerogatives of the conventions to which GEF is the financial mechanism.

14. The Resource Allocation Framework was adopted after extensive negotiations at a special meeting of the GEF Council in September 2005, as a new system for allocating financial resources to recipient countries for biodiversity and climate change focal areas. The GEF Council furthermore decided to:

“[R]eview the RAF after two years of implementation. The review will examine the operational experience with the RAF. It will also consider the feasibility of using indicators available, or to be developed, within the UN system, and an evaluation of the

weight of governance within the Country Environmental Policy and Institutional Assessment Indicator (CEPIA).”

15. In its document of 21 November 2007 (GEF/ME/C.32/6), the GEF Evaluation Office reported on comments and recommendations for issues to be addressed in the mid-term review, including:

(a) *GEF benefits indices.* Concern was raised that land-based biodiversity resources are favoured over marine biodiversity resources in the biodiversity indices, and that such allocations are not made in comparable terms. There were also concerns expressed that the indices do not seem to reflect issues such as vulnerability and adaptation to climate change. These issues have been raised especially by small island developing States (SIDS);

(b) *GEF performance indices.* Representatives of the least developed countries (LDCs) raised the concern that countries with lower capacity to perform would need higher funding to overcome capacity restraints, which is not recognized in the indices. It was further stated that countries that emerge from civil problems or conflicts may score low on performance but have an internationally recognized need to rebuild their societies and environment, with potentially high global environmental benefits. One country questioned whether the weights related to governance are sufficiently high to enable the RAF to allocate resources based on country performance;

(c) *Exclusions.* A concern has been expressed that the number of exclusions (for global and regional programmes, for small grants and capacity-building), and allocations that are not based on the performance indices (such as “targeted supplements” and group allocations) are too high, and that this might prevent the RAF from functioning as a “state of the art” performance-based allocation system;

(d) *Co-funding.* Representatives from regions and countries where co-funding is traditionally lower than in other regions pointed to the problem that in their region co-funding usually requires more time to initiate and that this would pose problems for meeting the specific time-limits in the first phase of implementation of the Resource Allocation Framework. Co-funding requirements may influence the accessibility of funds under RAF;

(e) *Legal aspects and guidance of the conventions.* The issue has been raised, especially in conferences of the parties to the conventions, whether the Resource Allocation Framework is in line with guidance of the conventions, and whether the GEF Benefits Index for Biodiversity is effective for determining the potential of each country to generate the global biodiversity benefits for the purposes of the Convention. The legal basis of the Resource Allocation Framework has been discussed in relation to the GEF role as a financial mechanism;

(f) *Implementation and organization.* Countries have raised various issues regarding: (a) the quality of information and assistance for countries to utilize their individual and/or group allocations in order to meet initial deadlines; (b) the effect on country-driven approaches, decision-making and participation; (c) the effect on GEF operations, country portfolio programming and project modality selection and design; (d) the changes in the roles of the GEF Implementing Agencies, and civil society; (e) the effect on transparency and predictability; and (f) assistance to countries being related to the capacity to utilize RAF resources.

16. At its thirty-second meeting, held from 14-16 November 2007, the Council of the Global Environment Facility approved the revised terms of reference, together with US\$ 500,000.00 as “special initiative” fund for the GEF Evaluation Office to cover the expenses for the mid-term review. The issues raised at the Council meeting include:

(a) Comparison to previous arrangements and the effect of the Resource Allocation Framework on GEF recipients;

- (b) Consideration of other GEF changes;
- (c) Delivery and resource utilization; cost-effectiveness;
- (d) Incentives for good project design and policies;
- (e) The methodology, including the competitive sourcing of institutions to manage the Delphi study;
- (f) The size of the budget and the importance of the end product of the review;
- (g) Focus on impacts; and
- (h) The timing of the mid-term evaluation given that RAF Implementation commenced in April 2007.

17. The full approved terms of reference for the mid-term review of the GEF Resource Allocation Framework are available in the note by the Executive Secretary on the evaluation of the effectiveness of the financial mechanism (UNEP/CBD/COP/9/INF/17). The mid-term review aims to publish the results in November 2008. Since the revised terms of reference have taken into account the issues raised by the Conference of the Parties in decision VIII/13, paragraph 3, the Conference of the Parties may wish to request the GEF Evaluation Office to make the results of this review available to its tenth meeting.

18. The independent evaluator commissioned for the third review of the effectiveness of the financial mechanism undertook some preliminary analysis of the effect of the RAF. According to the analysis reported (see UNEP/CBD/COP/9/17), megadiverse and least developed countries and small island developing States have the potential to access more resources in GEF 4 compared to the resources they received in GEF 3, whereas countries with economies in transition (EITs) may potentially receive less funding. The level of resources potentially available to small island developing States shows the highest potential increase, of approximately 296 per cent. By the end of 2007, megadiverse countries have utilized 22.9 per cent of their available resources, while other categories of countries with individual allocations have utilized the following portions of their allocations: Small island developing States have utilized 6.4 per cent, the least developed countries have utilized 5.6 per cent and countries with economies in transition have utilized 0.5 per cent of their respective available resources. Countries with economies in transition with group allocations have utilized approximately 12.9 per cent of their available average allocation; least developed countries with group allocations have utilized 3.3 per cent of their average allocation, and small island developing States with group allocations have not utilized any resources allocated under the RAF.

VI. OPPORTUNITIES AVAILABLE TO PARTIES FROM ALL SOURCES FOR THE IMPLEMENTATION OF THE CONVENTION

19. In the past decade, nearly all opportunities available from all sources for the implementation of the Convention, including through innovative mechanisms, have been applied or tested by the Parties and relevant organizations in one way or another. Further work in this regard should be to identify ways and means to utilize, and make effective and maximum use of, all opportunities available in all sources of funding, such as:

- (a) *Global Environment Facility*. Unlike under the United Nations Framework Convention on Climate Change, the CBD Conference of the Parties has not established any special-purpose trust fund beyond regular replenishments of the Global Environment Facility that continues to provide operational experience and respond to country demands;

(b) *National financial support and incentives.* Only a limited number of countries have allocated earmarked budgets to biodiversity, and allocations from sectoral budgets to biodiversity are only in a starting stage;

(c) *National and regional environmental funds.* Many national environmental funds might become dormant, and only one regional network of environmental funds is active in Latin America and the Caribbean;

(d) *Tax-exemption measures.* The number of countries using tax measures has increased over time, and so has the spread of tax measures;

(e) *Sectoral integration measures.* Many countries reported on efforts to identify ways and means to integrate biodiversity into sectoral policies and programmes, but in only a limited number of countries do sectoral policies and programmes have integrated biodiversity considerations and mostly not in budgetary sense;

(f) *Revenue generation measures.* Only widely applied in some countries to a limited extent;

(g) *Private sources of funding.* Most private sources of funding not tapped domestically and internationally;

(h) *Bilateral development assistance.* Consideration of biodiversity in bilateral development assistance has been quite uneven across programmes and has rapidly changed over time;

(i) *Regional cooperation.* Regional cooperation remains to be tapped, as already identified by the Conference of the Parties;

(j) *Multilateral development cooperation.* Political momentum to support biodiversity remains to be developed;

(k) *Financial resources available under biodiversity-related conventions.* Coherence and collaboration need to be strengthened and innovative approaches to be developed;

(l) *Innovative financing.* Most pilot approaches to innovative funding for development can be of high relevance to biodiversity, but biodiversity remains outside their consideration.

VII. OPTIONS TO PROMOTE THE SYNERGY AMONG THE FINANCIAL MECHANISMS OF THE THREE RIO CONVENTIONS

20. The synergy among the three Rio conventions has intensively been discussed in the past decade, involving the identification of potential areas of synergy and the strengthening of institutional synergy commitments. Based on those conventions' common sustainable development objectives and their links through Agenda 21, these discussions have sought to promote the reduction of implementation costs by avoiding unnecessary duplication of efforts and attain a combined effect that exceeds the sum of individual effects through cooperation, collaboration and joint programming. Particular attention has been afforded to the similar requirements of the Parties under the three Rio conventions, including: national and regional action plans, identification and monitoring, legislation, research, public education, environmental impact assessment, clearing house for technical information, transfer of technology, public participation, information exchange, training, reports, and assessment of implementation.

21. According to the GEF project database (accessed on 13 January 2008), the GEF has sponsored around 140 national capacity needs self-assessments for global environmental management in the amount of nearly US\$ 30 million since 2001. Experience and outcomes of those national capacity needs self-

assessments could be assessed in order to inform further action to promote the synergy among the financial mechanisms of the three Rio conventions.

22. According to the assessment of the UNFCCC Secretariat, additional investment and financial flows of over US\$ 100 billion are required for mitigating and adapting to climate change in the sectors of agriculture, forestry, fisheries, water supply, coastal zone, infrastructure and natural ecosystems that provide substantial ecosystem services. At its third meeting, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol established the Adaptation Fund Board to supervise and manage the Adaptation Fund that would finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties. The institutional relationship between the Convention and the Adaptation Fund will thus need to be explored.

23. The Forest Carbon Partnership Facility (FCPF) was launched by the World Bank in Bali on 11 December 2007. The new programme aims to reduce deforestation and forest degradation and achieve biodiversity co-benefits by compensating developing countries for carbon dioxide reductions realized by maintaining their forests. Ten countries and a non-governmental organization have already made financial commitments to the FCPF totalling US\$165 million. Carbon finance provides a key new incentive for doing better by conservation and overcoming poverty in the forest sector, and there must be a much larger system of positive incentives and financing flows to achieve the sustainable use of forest resources and conservation of biological diversity.

24. The Parties attending the eighth meeting of the Conference of the Parties advocated the need to consider the respective guidance and priorities of their respective conferences of the parties, each Convention's scope and mandate, while ensuring the integrity of resources available to each convention through its respective financial mechanism. Given this context, options to promote the synergy among the financial mechanisms of the three Rio conventions may include:

(a) Joint assessment of implementation activities designed to achieve the objectives of the three conventions;

(b) Identification of joint processes of governing bodies of the three Rio conventions, such as through the Commission on Sustainable Development;

(c) Joint consideration of similar provisions of the three Rio conventions, such as those on planning, threats, root causes and solutions of environmental degradation, information exchange, awareness raising, education, training and research, institutional efficiency, and reporting etc.;

(d) Provision of joint guidance to the GEF from the conferences of the Parties to the three conventions;

(e) Establishment of synergy-oriented trust funds to promote better integrated use of resources available to each convention's financial mechanism;

(f) Consolidated reporting on synergistic activities from the GEF to the conferences of the Parties;

(g) Joint review of synergistic activities of the GEF by the conferences of the parties.

VIII. RECOMMENDATIONS

25. The Conference of the Parties is invited to consider adopting a decision along the following lines:

“The Conference of the Parties,

/...

“*Recalling* that in decision VIII/13, the Conference of the Parties decided to conduct an in-depth review of the availability of financial resources, including through the financial mechanism, at its ninth meeting,

“*Taking note* of the report of the Executive Secretary (UNEP/CBD/COP/9/16),

“*Concerned* that the lack of sufficient financial resources continues to be one of the main obstacles to achieving the objectives of the Convention,

“*Resolving* to substantially reduce the gaps in funding for biological diversity,

“1. *Invites* the Parties and relevant organizations to improve a financial information base including funding needs and shortfalls for the Convention’s three objectives, in particular sustainable use and fair and equitable sharing of benefits;

“2. *Encourages* Executive Secretary and relevant organizations to intensify efforts to assess economic costs of biodiversity loss and benefits of early action to reduce loss of biological diversity in order to inform decision making and awareness-raising;

“3. *Invites* the Global Environment Facility, Executive Secretary and relevant organizations to explore how to improve priority-setting for guiding resource allocation to biological diversity;

“4. *Requests* the Global Environment Facility to continue to mobilize co-financing, associated financing and other modes of project financing for biological diversity, and explore the possibility of establishing new and additional funding programmes to support the Convention’s objectives;

“5. *Urges* the Parties and Governments to create enabling environment to mobilize international private and public sector investments in biological diversity;

“6. *Calls upon* all relevant international organizations including the Convention Secretariat and the Global Environment Facility to build local capacity on resource mobilization skills and financial planning and support awareness raising activities;

“7. *Recommends* that the Parties and relevant organization identify and intensify South-South Cooperation as a means of enhancing technical and financial cooperation for biological diversity;

“8. *Urges* the Parties and Governments to continue to enhance efforts to improve effectiveness of resource utilization, taking into account gender perspectives;

“9. *Invites* the Conference of the Parties of the United Nations Framework Convention on Climate Change to include biological diversity as a priority, where appropriate, in the projects supported by the recently established Adaptation Fund;

“10. *Invites* the World Bank to take into full account the benefits of biological diversity in the development and implementation of the Forest Carbon Partnership Facility.”
