



Convention on Biological Diversity

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CONFERENCE OF THE PARTIES TO THE
CONVENTION ON BIOLOGICAL DIVERSITY
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Item 15 of the provisional agenda*

THE FINANCIAL MECHANISM

Note by the Executive Secretary

INTRODUCTION

1. Articles 21 and 39 of the Convention on Biological Diversity provide for a financial mechanism for the provision of financial resources to developing country Parties for purposes of the Convention on a grant or concessional basis. The Conference of the Parties, at its first meeting, decided that the Global Environment Facility (GEF) would continue to serve as the institutional structure to operate the financial mechanism under the Convention (decision I/2). Decision III/8 contains a Memorandum of Understanding that further defines the relationship between the Conference of the Parties and the Council of the Global Environment Facility. The financial mechanism has been a standing item on the agenda of every ordinary meeting of the Conference of the Parties, and the performance of the financial mechanism is considered essential to the implementation of the Strategic Plan for Biodiversity 2011-2020.
2. Several recent developments at the Global Environment Facility will have impacts on the operation of the financial mechanism. The Global Environment Facility Council endorsed a package of measures at its 46th meeting, in May 2014, including the Programming Directions Document, the GEF-6 Policy Recommendations, and the Replenishment Resolution for the sixth replenishment of the Global Environment Facility Trust Fund. The fifth Global Environment Facility Assembly, in May 2014, approved several amendments to the Instrument for the Establishment of the Restructured Global Environment Facility, including on relationships with conventions (in paragraph 6 of the Instrument), on eligibility criteria (in paragraph 9), and on an independent evaluation office (in the revised paragraphs 11 and 21). It also welcomed the new GEF 2020 strategy, which focuses, inter alia, on addressing the drivers of environmental degradation, using new instruments to engage the private sector and creating synergies with existing and new development partners.
3. The report of the Global Environment Facility Council to the twelfth meeting of the Conference of the Parties is available in document UNEP/CBD/COP/12/14/Add.1.
4. The report on the fourth review of the effectiveness of the financial mechanism was provided to the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention at its fifth meeting, in document UNEP/CBD/WGRI/5/INF/10, and a summary was made available in document UNEP/CBD/WGRI/5/5/Add.1. The draft decision on the financial mechanism prepared by the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention at its fifth meeting

* UNEP/CBD/COP/12/1/Rev.1.

(recommendation 5/1) is provided in the compilation of draft decisions for the twelfth meeting of the Conference of the Parties.¹

5. The next sections of the present note are organized around the elements of the Memorandum of Understanding between the Conference of the Parties and the Council of the Global Environment Facility, namely, guidance from the Conference of the Parties (section I below), reporting (section II), monitoring and evaluation (section III), determination of funding requirements (section IV), and inter-secretariat cooperation (section V).

6. Further suggested elements for inclusion in a draft decision for consideration by the Conference of the Parties at its twelfth meeting are contained in section VI.

I. GUIDANCE FROM THE CONFERENCE OF THE PARTIES

7. In accordance with section 2 of the Memorandum of Understanding, the Conference of the Parties has, since its first meeting, continuously developed guidance to the Global Environment Facility in operating the financial mechanism under the Convention. The guidance provided up to the tenth meeting of the Conference of the Parties was consolidated in decision X/24 (Review of guidance to the financial mechanism). Additional guidance is contained in decisions X/25 and XI/5.

8. At its twelfth meeting, the Conference of the Parties will consider the draft decision contained in recommendation 5/1 of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, which recommended that the Conference of the Parties decide, with a view to further streamlining guidance to the Global Environment Facility, to review proposed new guidance to avoid or reduce repetitiveness, to consolidate previous guidance where appropriate and to prioritize guidance in the context of the Aichi Biodiversity Targets (paragraph 1 of part B of the draft decision). The Ad Hoc Open-ended Working Group on Review of Implementation of the Convention also recommended that Parties should submit project proposals to the Global Environment Facility in line with their national priorities and guidance from the Conference of the Parties (paragraph 2 of part B of the draft decision).

9. This draft decision was developed in light of the observation contained in the report of the Global Environment Facility Council² that “the overall amount of CBD guidance issued to the GEF has been continuously high and slightly increasing over time and faces two challenges: consolidation and prioritization. Due to a lack of prioritization in CBD guidance, there is a certain level of fragmentation and lower strategic coherence of the Biodiversity Strategy. Approved resources under the BD Focal Area are focused almost exclusively on activities under objectives BD-1 and BD-2. The programmatic areas of biosafety under the Cartagena Protocol as well as on Access and Benefit-Sharing under the Nagoya Protocol are operationalized through the GEF-5 Focal Area Strategy objectives BD-3 and BD-4, but countries are not requesting corresponding resources from their STAR allocations.”³

10. During the inter-sessional period, a number of additional recommendations for further guidance were developed for consideration by the Conference of the Parties at its twelfth meeting,⁴ which are reproduced in the compilation of draft decisions for the meeting.

¹ Document UNEP/CBD/COP/12/1/Add.2.

² UNEP/CBD/COP/12/14/Add.1.

³ STAR = System for Transparent Allocation of Resources.

⁴ Paragraph 19 of the draft decision in SBSTTA recommendation XVIII/4 (Marine and coastal biodiversity: other matters); paragraph 3 of section C (Clearing-house mechanism) of the draft decision in WGRI recommendation 5/11 (Review of progress in providing support in implementing the objectives of the Convention and its Strategic Plan for Biodiversity 2011-2020); paragraph 5 of the draft decision in WG8J recommendation 8/2 (Article 10, with a focus on Article 10(c), as major component of the programme of work on Article 8(j) and related provisions of the Convention).

11. Relevant recommendations for consideration by the Conference of the Parties serving as the meeting of the Parties to the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization at its first meeting,⁵ are reproduced in the compilation of draft decisions for that meeting.⁶

12. The Conference of the Parties serving as the meeting of the Parties to the Cartagena Protocol on Biosafety is also expected to adopt, at its seventh meeting, guidance with respect to the financial mechanism, for consideration by the Conference of the Parties at its twelfth meeting.

II. REPORTING

13. In accordance with section 3 of the Memorandum of Understanding and the requests contained in decisions X/24 and XI/5, the report of the Global Environment Facility Council to the twelfth meeting of the Conference of the Parties was made available three months in advance of this meeting. The reporting obligation is essential for ensuring accountability of the Global Environment Facility Council to the Conference of the Parties. However, the current mechanism for reporting does not allow for timely interaction, as the Global Environment Facility Council can only respond to any guidance at the subsequent meeting of the Conference of the Parties, two years after the guidance was received.

14. To promote a more effective consideration of the reports of the Global Environment Facility Council, the Conference of the Parties may wish to invite the Global Environment Facility to make a preliminary version of its report available to a meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention (or the Subsidiary Body on Implementation, if established) prior to the meeting of the Conference of the Parties at which the report will be considered. This would allow the GEF to respond to views of Parties directly and to take them into account in the finalization of the report.

15. In addition, opportunities for interaction could be created during meetings of the Conference of the Parties. For example, the Global Environment Facility could advise the Conference of Parties in a high-level special dialogue on the potential to leverage funds at the portfolio and programme levels to meet the funding needs identified by the Conference of the Parties.

III. MONITORING AND EVALUATION

16. In accordance with section 4 of the Memorandum of Understanding, the Conference of the Parties has periodically conducted a review of the effectiveness of the financial mechanism in implementing the Convention. Decision X/27 provided for the fourth review of the effectiveness of the financial mechanism. A review report was prepared by an independent evaluator and considered by the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention at its fifth meeting.

17. The draft decision prepared by the Ad Hoc Open-ended Working Group on Review of Implementation in its recommendation 5/1 contains proposed actions for the Global Environment Facility Council in order to further improve the effectiveness of the financial mechanism.

IV. DETERMINATION OF FUNDING REQUIREMENTS

18. In anticipation of the sixth replenishment of the Global Environment Facility Trust Fund and in accordance with section 5 of the Memorandum of Understanding, the Conference of the Parties, at its eleventh meeting, conducted its first assessment of the amount of funds that are necessary to assist developing countries, in accordance with the guidance provided by the Conference of the Parties, in

⁵ Paragraph 4 of the draft decision contained in ICNP recommendation 3/5 (Measures to assist in capacity-building and development and the strengthening of human resources and institutional capacities in developing country Parties and Parties with economies in transition); paragraph 4 of the draft decision in ICNP recommendation 3/7 (Monitoring and reporting).

⁶ UNEP/CBD/NP/COP-MOP/1/1/Add.2.

fulfilling their commitments under the Convention over the sixth replenishment cycle. The Conference of the Parties transmitted the report on the assessment of needs for the sixth replenishment period of the Global Environment Facility (2014-2018) to the Global Environment Facility, so that the Facility would in its regular report to the Conference of Parties indicate how it has responded during the replenishment cycle to the previous assessment by the Conference of the Parties (decision XI/5). In the same decision, the Conference of the Parties took note of the range of funding needs estimated for the sixth replenishment, and urged the Global Environment Facility, in the process of the sixth replenishment, to give due consideration to all aspects of the expert team's needs assessment report on the levels of funding for biodiversity.

19. The report of the Global Environment Facility Council to the twelfth meeting of the Conference of the Parties notes that the negotiations for the sixth replenishment period (1 July 2014 to 30 June 2018) of the GEF were successfully concluded in April 2014, with pledges from 31 countries amounting to a total of \$4.433 billion. The report states that \$1.296 billion were allocated to the biodiversity focal area, making biodiversity the largest single focal area in the GEF based on resources allocated. Furthermore, other elements of GEF-6 programming are directly relevant to the Strategic Plan for Biodiversity 2011-2020 and the achievement of the Aichi Biodiversity Targets, including the sustainable forest management programme (\$250 million) and two integrated approaches, "Taking Deforestation out of Commodity Supply Chains" and "Fostering Sustainability and Resilience for Food Security in Africa" which were allocated \$45 and \$60 million, respectively. Finally, biodiversity-relevant objectives and programmes can be found in the international waters and land degradation GEF focal areas.

20. The seventh replenishment of the Global Environment Facility Trust Fund will be concluded in 2018 in order to ensure a smooth transition from the sixth replenishment period. In anticipation of the seventh replenishment, the Conference of the Parties will need to conduct the second determination of funding requirements at its thirteenth meeting. Thus it may wish to consider, at its twelfth meeting, how to undertake the second determination.

21. It is expected that most or all Parties will have completed the revision of national biodiversity strategies and action plans, including financial needs, gaps and planning, by the thirteenth meeting of the Conference of the Parties. Therefore, the Conference of the Parties, at its twelfth meeting, may wish to invite Parties and relevant organizations to submit information on financial needs, gaps and planning for consideration by the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, at its sixth meeting, or the Subsidiary Body on Implementation, if established.

22. The Conference of the Parties may wish to request the Executive Secretary to prepare a structured compilation report, based on the submissions from Parties and relevant organizations, to document identified funding needs and resourcing scenarios to assist the Conference of the Parties in undertaking the second determination of funding requirements in anticipation of the seventh replenishment of the Global Environment Facility Trust Fund.

V. INTER-SECRETARIAT COOPERATION

23. In accordance with section 7 of the Memorandum of Understanding, the Secretariat of the Convention and the Secretariat of the Global Environment Facility will continue to communicate, cooperate and consult on a regular basis to facilitate the effectiveness of the financial mechanism in assisting developing country Parties to implement the Convention. To date, the communication, cooperation and consultation between the two secretariats have been largely focused on ensuring reciprocal representation, sharing documentation, and the development of relevant strategies, policies and programmes.

VI. FURTHER SUGGESTED ELEMENTS FOR THE DRAFT DECISION

24. As noted above, the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, in recommendation 5/1, prepared a draft decision on the financial mechanism for the

consideration of the Conference of the Parties. The draft decision is reproduced in the compilation contained in document UNEP/CBD/COP/12/1/Add.2.

25. In addition, the Conference of the Parties may wish to take note of the report of the Council of the Global Environment Facility, and, in light of the report and the foregoing discussion, consider the following possible additional elements for its decision:

The Conference of the Parties

1. *Invites* the Global Environment Facility to make available a preliminary version of its report to a meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention⁷ held prior to the meeting of the Conference of the Parties at which the report will be considered, with a view to promoting effective and timely consideration of the information provided in the report;

2. *Requests* the Global Environment Facility, as the financial mechanism of the Convention, to provide additional information on the contribution of its funding portfolios to the achievement of the Aichi Biodiversity Targets;

3. *Requests* the Executive Secretary, in collaboration with the Global Environment Facility Chief Executive Officer, to monitor the status, trends and gaps in using financial resources of the financial mechanism to support the implementation of the Strategic Plan for Biodiversity 2011-2020, taking into account the conclusions of the fourth edition of the Global Biodiversity Outlook, and to regularly provide this information to Parties through the clearing-house mechanism to inform project development activities;

4. *Decides* in anticipation of the seventh replenishment of the Global Environment Facility Trust Fund that the Conference of the Parties, at its thirteenth meeting, will undertake the second determination of funding requirements, based on information received from Parties through the preliminary reporting framework;

5. *Invites* Parties to expedite their submissions to the Executive Secretary on their funding needs, gaps and planning, using the preliminary reporting framework and as part of their revised and updated national biodiversity strategies and action plans, as appropriate, for consideration by the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention at its sixth meeting.⁸

⁷ Or the Subsidiary Body on Implementation, if established.

⁸ Or the Subsidiary Body on Implementation, if established.