Resource Mobilization and Financial Reporting under the CBD

Closing finance gaps

Sub-regional workshop on financial reporting and resource mobilization for South East Asia
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Convention on Biological Diversity

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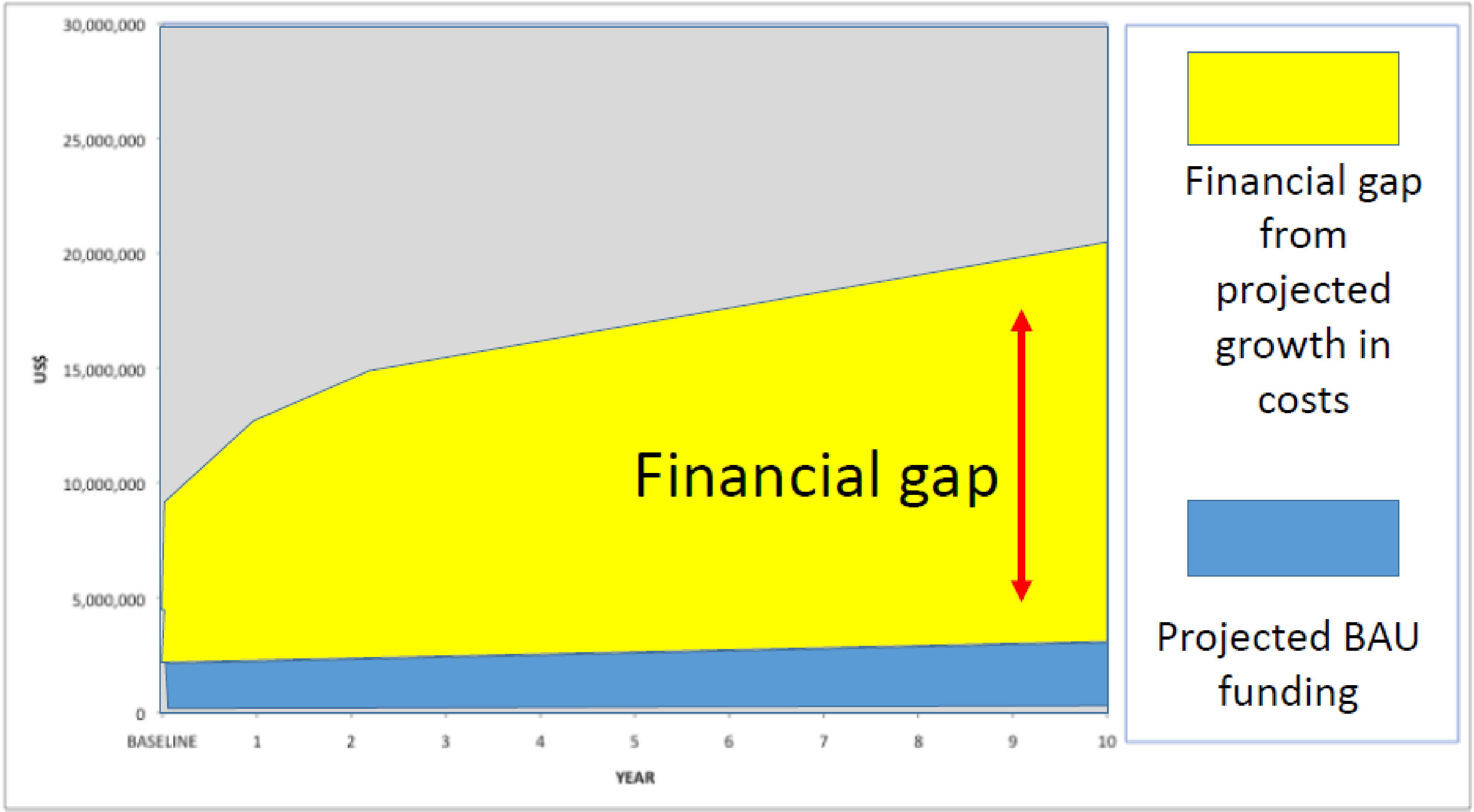
ASEAN CENTRE FOR BIODIVERSITY

Closing the finance gap



Sources of finance

CBD Strategy for Resource Mobilization (IX/3; see XII/3 Annex IV):

- international financial flows from all sources (public and private)
- Biodiversity ‘co-benefits’ in climate financing
- Budgetary allocations for biodiversity and associated ecosystem functions/services in national and relevant sectoral budgets
  - *“Demonstrate that budgetary allocations for biological diversity and its associated ecosystem functions and services in national budgets are investments contributing to wider solutions to the challenges of food security, water management, disaster risk reduction, livelihoods, poverty reduction and inclusive economic growth, by integrating biodiversity outcomes in development programmes and projects.”* (decision XI/4, annex IV)
- Environmental fiscal reforms including innovative taxation models and fiscal incentives; see also Aichi Target 3:
  - Eliminate, phase out, reform harmful incentives
  - Establish positive incentives; fiscal transfers

Sources of finance (cont.)

- Payment for ecosystem services schemes
- Enabling conditions for biodiversity offset or compensation mechanisms
- Biodiversity criteria in national procurement plans and policies, national strategies for sustainable consumption and production, and similar planning frameworks
- Business and biodiversity platforms, networks and/or partnerships, with a view to further engaging the private sector
- National ranking and/or top runner lists of private and public sector companies that dedicate resources to biodiversity
- Eco-labelling
- domestic environmental funds

Sources of finance (cont.)

“urges Parties to consider undertaking, as appropriate, a review and assessment of existing legislation and policies governing biodiversity financing mechanisms, with a view to identifying opportunities for mainstreaming biodiversity and strengthening current policies and their complementary safeguards”

(decision XII/3, para 17)

Budgetary allocations

Progress is being made...

- Although the government funding in Sri Lanka for biodiversity conservation per se has not significantly improved, funding for some specific sectors related to biodiversity conservation has been improved. Increased funding for forest restoration activities and home garden improvements through Dvineguma Program are some of the key indicators in this regard.

Sri Lanka, 5th National Report

Budgetary allocations

Progress is being made, sometimes significantly...

- An analysis of the programme budget allocated for the Ministry of Forests and Soil Conservation shows that it continuously and substantially increased during the last decade. A bulk of the funds (i.e. 84.4%) came from the government or internal sources, and the remaining amount from foreign assistance in the form of grants (14.1%) and soft loans (1.5%). Similar positive trends were found in allocation of budget for management of agrobiodiversity and climate change adaptation and management.

  Nepal, 5th National Report

- There has been a steady increase in the budgetary allocation of MoEF since 1992 under all major heads. (…) The 11th Plan (2007-2012) approved budgetary outlay for MoEF was ` 100,000 million whereas the 12th Plan (2012-2017) approved budgetary outlay for MoEF is ` 178,740 million. This is an increase of 78.74%

  India, 5th National Report

Tax incentives

Establishing ecological fiscal transfers as a means for burden sharing (Decision XII/3, paragraph35)

- The 12th Finance Commission of India provided a grant-in-aid of ` 1000 crores (approximately USD 166 million) for a five year period (2005-09) to be distributed to different States based on the proportion of forest area to their geographical area. The 13th Finance Commission of India went a step further in this direction and provided a grant-in-aid of ` 5000 crores (approximately USD 800 million) for a five-year period (2010-2014) to the States.

India, 5th National Report

Adressing harmful incentives: milestones

Timeline	Milestone
2015	**National target** reflecting Aichi Biodiversity Target 3 and associated action items included in revised national biodiversity strategy and action plan (NBSAP)
2016	**Policy or legislative action** is being developed on incentives, including subsidies, already known to have harmful effects and already identified as candidates for elimination, phase-out or reform, in form of their elimination or initiation of their phase-out or their reform
2016	Finalization of **national analytical studies** that identify candidates for elimination, phase-out or reform of incentives, including subsidies, harmful for biodiversity, and that identify opportunities to promote the design and implementation of positive incentive measures
2018	**Finalization of policy plans** that (i) identify those harmful incentives that are candidates for elimination, phase-out, or reform; (ii) provide for a prioritized list of measures leading to their eventual elimination, phase-out, or reform; (iii) provide for a prioritized list of measures leading to the introduction, or strengthening, of positive incentives for the conservation and sustainable use of biodiversity; (iv) provide for associated timelines and milestones

Adopted by COP-12 (decision XII/3, para 21 and Annex I)

Harmful incentives: addressing obstacles

Possible responses to obstacles encountered in implementing incentive reforms:

i.increase transparency

ii.change the terms of the policy debate by challenging misconceptions

iii.make heard the voices of those who are disadvantaged by the status quo

iv. recognize that a range of options is available to meet societal objectives

v.better target existing subsidies and improve subsidy design (including possible conditional subsidies), consistent and in harmony with the Convention and other relevant international obligations, taking into account national socio economic conditions

vi.seize and create windows of opportunity (e.g., policy reforms, legal and international obligations)

vii.accompanying or transitional measures.

(see decision XII/3 Annex IV, para 34)

Harmful incentives in the region

Importance of the issue recognized in several national reports…

“Sri Lanka has been providing subsidies in several sectors including agriculture, energy and industry as a means of providing livelihood security to the underprivileged sections of the society. (…) Some of the subsidies provided in agriculture sector (e.g. chemical fertilizer and pesticides) are likely to have adverse impacts on biodiversity.”

Sri Lanka, 5th National Report

“There is some awareness that certain existing incentives, for example in the fishing and tourism industry, may have negative ramifications for biodiversity status by for example maintaining otherwise uneconomical fishing capacity, but no detailed assessment has been undertaken as yet. The Government’s Blue Economy documentation (GoS 2014) does recognise the need to address this aspect in marine and coastal economic activities.”

Seychelles, 5th National Report

Harmful incentives in the region

…and some action taken…

- Indonesia: major fuel subsidy reform
- Pakistan: abolished subsidy on electricity for farm tube wells, which was a major cause of ground water depletion
- India: a recent reform of fertilizer pricing led to the use of more nutrient-balanced fertilizers (leading to price increases in damaging urea)

Harmful incentives in the region

…but more could be done…

Significant resources are spent on subsidies. In South-East Asia alone, energy subsidies amounted to $51 billion in 2012. Such subsidies present a drain on resources. In Uzbekistan and the Islamic Republic of Iran, for instance, energy subsidies in 2011 exceeded 50% of government revenue; in Turkmenistan they exceeded government revenues by more than a fifth (IMF, 2013). In some countries, including Bangladesh, Kyrgyzstan and Pakistan, energy subsidies consumed between a quarter and half of total government revenues, which often most benefit the wealthiest in society and are also environmentally harmful.[4] Subsidies on fuel alone reached nearly 2% of GDP in the fiscal year 2011/12 in India; in 2011, energy subsidies exceeded 3% of GDP in Bangladesh, Brunei Darussalam, Indonesia and Pakistan and exceeded 5% of GDP in Kyrgyzstan, Turkmenistan and Uzbekistan.[5] Rationalizing subsidies is, therefore, a key reform to raise public resources for productive development investment in the region.

Removing or reducing subsidies is politically challenging; in many countries the removal of fuel and energy subsidies has sparked protests. Yet, doing so would make significant resources available for financing sustainable development. According to ESCAP estimates, savings from these subsidies would be sufficient to finance a comprehensive policy package comprising income security for the entire elderly population and all persons living with disabilities, as well as providing universal access to health and education in India and Bangladesh. In Pakistan and Indonesia, energy subsidies would, in addition, be sufficient to finance employment for everyone for 100 days per year, at a wage equivalent to the national poverty threshold (UNDESA, 2015).

Initiatives on fossil fuel subsidies

- The Leaders of the Group of Twenty (G20), for instance, committed in September 2009 to phase out inefficient fossil-fuel subsidies.
- Asia Pacific Economic Cooperation (APEC) Leaders made a similar commitment
- Increasing number of countries have committed to peer reviews of their fossil-fuel subsidies.
- A group of non-G20 “Friends” countries established to support global efforts to reform fossil-fuel subsidies.
- Urgent need to convert high-level commitments into practical action through Communication and Transparency, Ambition and Targeted support.

PES

Private schemes:

- scheme funded by a company
- Applicability?

Public schemes

- E.g. financial rewards in the context of community co-management

> *"Local communities are also encouraged to maintain biodiversity through financial rewards, linking payments to the conservation value of elements making up biological communities within their territories."*

India, 5th National report

See CBD Technical Series no 56 (case studies and lessons learned on incentive measures)

https://www.cbd.int/doc/publications/cbd-ts-56-en.pdf

PES

It has to be further recognized that some countries of the region are exploring innovative financing. For example, payments for ecosystem services are increasingly being explored in the region to create incentives for their sustainable use and conservation of natural resources. These have had a measurable impact on poverty rates and forest loss, for example in Viet Nam (Xuan and Santiago, 2010). Policymakers are discussing other innovative and emerging sources of resource mobilization from both domestic (see box 4.1) and external sources that will decisively create momentum for sustained economic growth.[2]

Offsets

‘Private’ offsets or compensation schemes

- See examples under http://bbop.forest-trends.org/

Public offsets: based on a legal requirement and an associated enabling environment

- Physical offsets vs compensation payments
- Specific safeguards for offsets; for instance:

  offset or compensation schemes to:

  - ensure that they respect the mitigation hierarchy
  - Ensure that they implement current levels of biodiversity protection in the planning system
  - Ensure that they are not used to undermine unique components of biodiversity

(XII/3 Annex IV)

Private sector engagement

Providing low cost incentives...

- The Philippine Environment Partnership Program (PEPP) provides awards and incentives to individual firms or industry associations that voluntarily self-regulate and demonstrate superior environmental performance through awards and incentives, ranging from relaxed reporting requirements in terms of frequency of submissions, longer validity of permits and compliance requirements for expansion projects.

  Philippines, 5th National Report

- The Indonesian Programme *Evaluation on Corporate environmental management* ranks for (i) controlling environmental pollution, (ii) controlling environmental degradation, (iii) managing hazardous, and toxic wastes. For 2012-13, 48 companies ranked green and gold, succeded in reducing water pollution of 11.8 million tonnes; 65 companies ranked green and gold, succeded in reducing air pollution 2.930 ton and reducing emission of GHG 646,982 tonnes eq. CO2.

  Indonesia, 5th National Report

Siguler Guff & Co

- **Global Adaptation and Resilience Investment Working Group**
- **The Working Group is evaluating the potential for a $1 billion investment vehicle that could invest in both developed and developing countries around climate adaptation and resilience.**
- **ING has committed to allocate at least 20 per cent of the proceeds from the issuance of a five-year EUR 500 million and three-year US$800 million green bond to fund new projects, including for resilience.**

Safeguards for financing mechanisms

Voluntary guidelines on safeguards (XII/3, Annex III)

- Both opportunities and risks need to be taken into account
- Safeguards to promote the positive effects and avoid or mitigate unintended negative effects on biodiversity and livelihoods
  - Recognize the role of biodiversity and ecosystem functions for local livelihoods and resilience, as well as biodiversity's intrinsic values
  - Carefully define the rights and responsibilities of actors and/or stakeholders in biodiversity financing mechanisms, with the effective participation of all actors concerned
  - Safeguards to be grounded in local circumstances, be developed consistent with relevant country-driven/specific processes as well as national legislation and priorities, and take into account relevant international agreements, declarations and guidance
  - Put in place appropriate and effective institutional frameworks, including enforcement and evaluation mechanisms that will ensure transparency and accountability

Criteria for selecting financing mechanisms

Financial considerations	**Legal considerations**	**Administrative**
• How much revenue will it generate? • How stable is the revenue? • What are the initial costs?	• Is it legally feasible within the current system? • Does it require new legislation? • Is it possible to simply use an executive order?	• How difficult will it be to administer, enforce, collect? • Are there enough trained staff?
Social considerations	**Political considerations**	**Environmental**
• What will be social impacts? • Who will pay? • Will the mechanism be viewed as equitable?	• Is there political will? • Will the funds be redirected to the correct purpose? • Is monitoring possible?	• What are environmental impacts involved in implementation? • Can safeguards be put in place?