



Convention on Biological Diversity



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REGIONAL WORKSHOP ON BIODIVERSITY AND FINANCE IN SUPPORT OF THE NAGOYA OUTCOME

First meeting

Cairo, 29-30 November 2010

Agenda items 3 and 5

EXPERIENCES IN INTEGRATED FINANCING STRATEGIES

A contribution by the Global Mechanism of UNCCD

1. The information below was prepared by the Global Mechanism of UNCCD on its experiences in supporting the development of integrated financing strategies (IFS). The participants of the workshop may also be interested in the Global Mechanism publications on the IFS approach, and on the methodology to identify and analyze Incentives and Market-Based Mechanisms (IMBMs). These documents are available at the following URLs:

- IFS: http://www.global-mechanism.org/dynamic/documents/document_file/ifs_eweb.pdf

- IMBMs: www.global-mechanism.org/dynamic/documents/document_file/imbm-a4_eng.pdf

2. The participants of the workshop are invited to consider the experiences gained in developing integrated financing strategies and the role of the UNCCD Global Mechanism in assisting Parties to develop their country-specific resource mobilization strategies in support of the achievement of the Convention's three objectives, in particular with respect to the synergies of implementing the Convention on Biological Diversity and the United Nations Convention to Combat Desertification.



UNITED NATIONS CONVENTION
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Integrated Financing Strategies – an innovative approach to resource mobilisation

3. Dramatic changes have taken place in resource allocation modalities for international development cooperation since the Paris Declaration on Aid Effectiveness was adopted by many countries and the Accra High Level Forum on Aid Effectiveness endorsed its action plan. These changes in the international financial architecture, coupled with dramatically changing domestic budget allocation

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processes, have turned resource allocation modalities into a complicated business indeed. There is therefore a need for new approaches and strategies to support countries' financial resource mobilization for development and natural resource management.

4. The Global Mechanism (GM) is the financial mechanism of the United Nations Convention to Combat Desertification (UNCCD). It is tasked to support developing countries affected by desertification and land degradation to mobilizing domestic and international resources for sustainable land management (SLM). In response to the changing financial aid architecture, the GM has developed the concept of integrated financing strategies¹ (IFSs).

5. The ultimate goal of the IFS is to create an enabling environment for mobilizing financial resources for UNCCD implementation. In the context of the IFS the GM works with the country Parties to the Convention to enhance their capacities to engage in the planning and programming of development, thereby positioning UNCCD/SLM politically and strategically and influencing financial resource allocations.

6. Since 2005, the GM has supported more than 50 developing countries in Africa, Asia, Latin America and the Caribbean in designing and implementing integrated financing strategies. In 2008-9, 15 sub-regional workshops were organized for approx. 1000 government officials from about 90 developing countries.

7. While the GM's services are tailored to UNCCD focal points and National Action Programme (NAP) implementation, they are at the same time framed within the broader context of development programming, since SLM is a cross-sectoral issue that has a strong bearing on many sectors, including biodiversity, climate change and rural development. A synergistic implementation of the Rio Conventions is therefore of high importance and there are opportunities for a joint responses. When sustainable land management helps protecting biodiversity and ensure adaptation and mitigation to climate change while enhancing livelihoods, the challenges and opportunities for mobilising financial resources for responsible investments are similar for the UNCBD, UNFCCC and UNCCD.

What is an integrated financing strategy?

8. An integrated financing strategy (IFS) is a process for mobilising a mix of financial resources to fund SLM-related projects and programmes. The overall objective is to supports the Government's efforts to explore financing opportunities from national, bilateral, multilateral and innovative sources and to develop an action plan to mobilise these for UNCCD/SLM implementation. The concept can easily be adapted to biodiversity and CBD implementation, or as a joint effort between the conventions.

9. The specific objectives of the strategy are to:

- Promote **consistency**, better coordination, alignment and harmonisation of financing
- Ensure **efficient use** of existing financial resources
- Tap **new and innovative** resources to fill the financing gaps
- Maximize **returns on investment** by emphasizing the contribution to green growth

¹ The IFS is fully in line with the 10-year Strategic Plan and Framework to Enhance the Implementation of the UNCCD for 2008-18 (the 10-year Strategy), which provides additional momentum for countries to develop IFSs as part of their national alignment process with the Strategy.

10. The development of the strategy aims at integrating and mainstreaming SLM into existing national development agendas and processes (e.g. PRSP, UNDAF), and anchor the strategy in the national institutional setting, relevant programmes and budgetary cycles. Creating inter-linkages between various sectors (environment, agriculture, trade, forestry, mining, water, infrastructure, etc.) is a key part of the strategy development in order to ensure efficient use of already available financial resources.

11. Evidence-based advocacy to support decision making on financing and investments is an important element of the IFS. Providing solid economic evidence on the real value and economic benefits of land and natural resources can provide effective arguments for pro-nature conservation policies and increased public and private financing and investments into sustainable practises and initiatives.

12. Another key element of the IFS development and implementation process is to build partnerships and engage stakeholder and partners to support the process. Leveraging existing partnerships at national and regional level is also important (e.g. CAADP, UN-REDD, PPCR, etc).

Guiding principles of the IFS:

1. Country owned
2. Context-specific
3. Centred on an ecosystem approach
4. Consistent with Paris declaration
5. Leveraging synergies between the Rio conventions

13. The strategy uncovers potential barriers to resource identification, allocation and disbursement. The strategy highlights aspects in the policy, fiscal, legal, institutional and human resource environments that may hinder resource mobilization or programme execution and recommends actions to overcome these potential barriers.

14. The IFS aims to increasing effectiveness of existing financial mechanisms and sources (including public funds and donor modalities) and to identify new and innovative financing opportunities. The term 'innovative' is used to describe financing sources, instruments and mechanisms that have not traditionally been deployed in the UNCCD context. What is considered innovative and which sources and mechanisms are most suitable will depend on the country-specific context.

15. Innovative financing may include untapped private investments in natural resource management, including from private sector land users, philanthropic foundations and civil society organizations. Environmental funds, microfinance and insurance schemes are other innovative mechanisms and sources that are being considered.

16. The challenges of climate change, land degradation and biodiversity are closely interlinked and therefore several climate change-related instruments and mechanisms can lead to SLM financing. These include adaptation funding and carbon finance, through the regulatory market of the Kyoto Protocol - such as the Clean Development Mechanism (CDM) - and the voluntary carbon market. The latter extends the possibilities for emissions reductions in the agriculture, forestry and other land-use (AFOLU) sector.

17. Innovative financing may also include identifying the right incentives for land users to invest in protection of natural resources, including land and biodiversity. Appropriate mechanisms may include market based mechanisms (e.g. payment for environmental services (PES), eco-labelling and ecotourism charges) or fiscal instruments providing incentives and disincentives (e.g. polluter tax, subsidies, payment for proven investments in land and nature conservation). The GM has in collaboration with CATIE², identified fourteen of the most promising incentive and market based mechanisms for sustainable land

² Tropical Agricultural Research and Higher Education Center in Costa Rica

management and supported by institutions like WWF, IIED³ and NARI⁴, developed a score card tool that serves to identify the most suitable mechanisms for SLM in the country or site context. The success and feasibility depend upon several success factors, including institutional capacity and regulatory frameworks, environmental awareness, local capacity and land tenure systems.

18. The process of developing an IFS will generally start by designing a country specific IFS approach and establishing an IFS country team. Thereafter a set of studies and analytical works are normally undertaken in order to identify the existing financial resources available, potential financing gaps and sources that can fill those gaps, to develop solid economic arguments for financing and investments in SLM and natural resource management, and to identify incentives that could be provided to land users to encourage sustainable investments in the land. The analytical work does also include looking at all sectors and thematic areas that can help leveraging finance, in particularly biodiversity, climate change and trade. Finally, areas of interventions are identified and an IFS action plan is developed and implemented.

³ International Institute for Environment and Development

⁴ National Agricultural Research Institute in Cameroon