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AD HOC OPEN-ENDED WORKING GROUP ON
REVIEW OF IMPLEMENTATION OF THE
CONVENTION

Second meeting
UNESCO, Paris, 9-13 July 2007

REVIEW OF IMPLEMENTATION OF ARTICLES 20 AND 21

Report of the Expert Group Meeting on Management of Environmental Funds for the Financial Sustainability of Biodiversity Conservation

Note by the Executive Secretary

1. The Executive Secretary is circulating herewith, for the information of participants in the second meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, the summary of the report of the Expert Group Meeting on Management of Environmental Funds for the Financial Sustainability of Biodiversity Conservation, organized by the Latin American and Caribbean Network of Environmental Funds (RedLAC) and the Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), held in Lima from 9 to 11 May 2007.
2. The text is being circulated in the language and form in which it was received by the Secretariat.

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***Executive Summary of the Report of the Expert Group Meeting on Management of Environmental Funds for the Financial Sustainability of Biodiversity Conservation
Lima, Peru, 9-11 May 2007***

1. Background

During the Eighth Conference of the Parties (COP 8) in Curitiba, Brazil, in March 2006, the Parties to the Convention on Biological Diversity adopted decision VIII/13, paragraph 7, recommending the Parties, Governments and financial institutions at large. ^{1/}

- To promote and foster the setting up of **new environmental funds**, both national and regional.
- To strengthen and/or expand **existing funds**.
- To foster **exchanges and transfer of experiences** about such arrangements by creating and/or strengthening national and international **learning communities and networks**.

The above mentioned decision also included that all information about the environmental funds and networks should be considered in the in-depth review to be conducted by the Conference of the Parties at its ninth meeting, through the Ad Hoc Open Ended Working Group on the Review of the Implementation of the CBD

In addition, decision VIII/31, table 3, envisaged the operation of a Biodiversity Finance Study Group (BFSG) to “support the in-depth review of financial resources and mechanisms” of relevance to the CBD. One of the main activities foreseen in this respect was the organization of the *Expert Group Meeting on Management of Environmental Funds for the Financial Sustainability of Biodiversity Conservation*, organized by the *Latin American and Caribbean Network of Environmental Funds* (RedLAC) and the *Peruvian Trust Fund for National Parks and Protected Areas* - PROFONANPE, from 9-11 May 2007 in Lima, Peru.

RedLAC has been recognized as a well-established learning network or community with vast experience and knowledge on environmental funds, and played the active role in Convention-related processes in the Latin American region. For these reasons and after successive approaches between the CBD’s Secretariat and RedLAC’s Chair, the convenience of jointly undertaking the organization of the *Environmental Funds’ Experts Group* meeting was recognized.

2. Workshop Development

From May 9 to 11, 2007, the meeting of the *Expert Group Meeting on Management of Environmental Funds for the Financial Sustainability of Biodiversity Conservation* was held in Lima, Peru. 15 environmental funds from Latin America and the Caribbean, 10 donors from multilateral, bilateral and private organizations worldwide, CBD Secretariat and other organizations such as NGOs and local government bodies attended the meeting.

During the three days of the workshop, experiences and knowledge were shared through plenary discussions and paper presentations about the environmental fund management, specifically on the subjects of conceptual framework of funds and their operational context; raising and leverage of

^{1/} *Recommends* to Parties, Governments and funding institutions, as appropriate, the promotion, and fostering of new national and regional environmental funds and strengthening/expanding such existing funds, and further to encourage knowledge transfer and exchange about these mechanisms, through the creation and/or strengthening of national and international learning networks or communities, and that information on these initiatives be considered in the in-depth review to be conducted by the Conference of the Parties at its ninth meeting, through the Ad Hoc Open Ended Working Group on the Review of the Implementation;

resources for conservation and sustainable development; investment portfolio management; new financial mechanisms and tools; resource allocation methods; field implementation; monitoring and evaluation; network learning platform; global financing for biodiversity; and new leverage niches such as private sector. In particular, the RedLAC member funds and donors explored the methodology used to systematize best practices of topics specific to environmental funds,.

3. Main Workshop Results

- Based on the resource mixture of the Environmental Funds, interest of the private sector and the government must be invoked for obtaining more resources.
- Coordination of funds with the government offices in charge of the Protected Areas.
- RedLAC has an important role to play in strengthening other funds and networks from Africa and Asia.
- The transparency and efficiency variables must be measurable and comparable. Their cost must also be considered.
- RedLAC efficiency is caused by their members' interaction, free sharing of information and better practices.
- As regards raising and leverage:
 - a. To analyze costs or possible savings to ensure efficiency.
 - b. To think of financing systems where the Funds are an option.
 - c. To lever up funds with an intersectorial coordination.
- It is advisable to manage investments in separate accounts but with similar returns and a moderate risk.
- The “quality” investments must be compatible with the principles, values and mission of environmental funds.
- Standardize RedLAC concepts related to definitions of administrative, operative, fixed and variable costs, net and gross returns, etc. for a better comparison.
- Endowment funds may come from sinking funds thus assuring long-time flow sustainability and also matching funds to leverage resources (strategic use of endowment funds to leverage).
- More donors recognizing the value of the endowment funds and the funds themselves as well as supporting ongoing initiatives.
- It is more advantageous to the funds promoting *induced demand* of projects than *spontaneous demand*, since management of demand inducement may reduce the overall costs of implementation by improving the quality of proposals.
- In the subject of climate change, how can CBD advise the Funds on which subjects and methods should be developed?
- There are several worldwide efforts to support the creation of fund networks, thus enabling synergies and coordination in the socio-environmental subject.
- The participative management, strengthening of capabilities and strategic communications support the financial sustainability of protected areas.
- Implementation is carried out in field and by each park or community unit. However, nowadays it is not possible to generate sustainability and impact if participative management and/or co-management schemes are not applied.
- RedLAC should standardize a tool to note the management effectiveness.
- Funds are an important part of GEF's portfolio from the financial sustainability line. Emphasis is put on supporting systems and not particular areas.
- The GEF's plans include continuing to work with the Funds, but strategies more focused and directed toward results are required. Emphasis is placed on alliances and private sector.
- The main USAID's expectations regarding the funds are “a good governance structure and good management”.

- Management quality of the Funds is very important.
- RedLAC must work on standardizing aspects related to administrative costs, perhaps by creating a RedLAC standard.
- It is possible to work with the private sector through co-financing of projects. These organizations do not give philanthropic support but there are strategic actions, which are “part of their business”.
- Companies know their business but not ours (the conservation), in that way the Funds add value.
- Support management or stimulate other funds for environmental issues with the private sector.
- Lots of work in the climate change issue.
- To prepare a case study on how the RedLAC’s Funds work with the private sector.
- About monitoring and evaluation, standards or minimum indicators, they must come from RedLAC.
- The aspects that make RedLAC work (continuity bases) are the following:
 - a. Organic structure
 - b. Interest of the members
 - c. Cost-benefit
 - d. Cooperation attitudes
 - e. Organization culture

4. Specific recommendations

A) Environmental funds are instrumental to achieve the CBD objectives

Environmental Funds (EF`s) having very much the same general objectives, are implementing their own specific programs responding to the particular needs of their countries and the ecospheres where they are active. As such the activities of the EF`s are all geared towards two of the main objectives of the Convention on Biological Diversity: the conservation as well as the sustainable use of biodiversity resources:

- In close cooperation with the respective government departments and civil society organizations, the Environmental Funds have been instrumental in consolidating national systems of protected areas, increasing the number and coverage of areas under formal protection, enhancing their long term financial sustainability,
- Environmental funds have proven to be viable and important institutions, and essential complements to the national capacities in biodiversity conservation, whilst
- Environmental funds have developed a diversified set of complementary services to biodiversity protection, from fundraising and distribution to biodiversity management and policy development.
- Progress has been made in developing impact monitoring systems based on local participation and up to date information systems.

B) Opportunities to strengthen environmental funds and their networks through the mechanisms of the Convention, in particular the Convention’s Clearing House Mechanism and the Financial Mechanism.

- The experiences with the EF`s and their network in Latin America will be relevant for, and could be made available to, new initiatives in other continents as well.
- The country members of the Convention could be informed about lessons learned with the instruments used by the EF`s, and be stimulated to consider new cooperation agreements and international support to the environmental funds in developing countries, as well as on regional levels.

C) Lessons learned on the creation of new environmental funds and their networks:

- Initial co-funding with GEF and counterpart funds have proven to be essential to establish and the take-off of environmental funds,

- Time horizons of at least five to ten years should be provided for funds to reach self sustaining levels of funding and operations, and to create basic local capacity to manage and coordinate activities in the national context.
- Only recently a start has been made to develop viable concepts in cooperation with the private business sector, in some of the countries in Latin America. These experiences are considered quite promising as a source of future funding for BD conservation.

5. Recommendations

- That an independent evaluation exercise be implemented, under the guidance of a competent agency like GEF, to assess not only the efficiency of the environmental funds but also, and as far as available data will permit, on the impacts of these institutions on biodiversity conservation.
- That through GEF and the CBD, a set of financial instruments of proven viability be recommended and ratified, including the conditions under which they may be applied.
- Especially the concept of “endowment fund” merits to be promoted towards the donor community, as an effective and reliable tool for conservation.
- That environmental funds can receive assistance in developing their proficiency and contacts for further development of cooperation with actors from the private sector, through the Convention’s mechanisms and with support from GEF.
- That new environmental funds are strongly advised to join the active networks in their continent, from their start, and that GEF considers applying this as a condition for funding of new proposals concerning environmental funds.

6. Report of the Meeting

The full report of the Expert Group Meeting on Management of Environmental Funds for the Financial Sustainability of Biodiversity Conservation can be found at:

<http://www.cbd.int/doc/meetings/sbstta/sbstta-12/other/sbstta-12-oth-vilm-en.pdf>
