Environmental Funds (EFs): innovative mechanisms supporting the CBD objectives

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SUMMARY

1. EFs: a general approach

2. Profile in Latin America and the Caribbean

3. Efs and the CBD

4. The Latin America and the Caribbean Network of Environmental Funds (RedLAC)
General Approach
The Environmental Funds “are not simple financial mechanisms, they have to be seen as institutions having different roles to perform in addition to channel funds. These roles include performing as key actors in the creation of conservation national strategies, as technical actors who are able to work with public and private agencies in order to develop dynamic and efficient management approaches and, in some countries, as trainers and developers of an emerging group of non-governmental organizations that are being involved in biodiversity conservation.”

GEF. 1999. Evaluation of Experience with Conservation Trust Funds
At present, there are more than 100 Environmental Funds (EF) in operation, in process of establishment or under design.

Latin America is the region concentrating the highest number of EFs and where they have proved to be a sustainable and strong concept.
EFs appeared at the end of 20th Century as innovative mechanisms for financing long-term initiatives geared towards:

- Providing stable and predictable long-term financing.
- Contributing to the implementation of national environmental strategies.
- Promoting the sustainable use of biological diversity.
- Contributing to the sustainable financing of the national systems of protected areas.
- Channeling financial resources to boost sustainable development.
- Contributing to the prevention and reduction of environmental pollution.
- Strengthening institutional capacities of the public sector and civil society.
Types of EF

• There is no typical EF.

• They are often classified as follows:
  – Multipurpose EFs: large range of activities included in the national environmental plans or strategies.
  – Specialized EFs: protect a specific ecosystem or protected areas.

• There is a first regional EF in Latin America (MARFUND) and other initiatives in progress (the Amazonian Fund and the Andean Fund).

• There is a global EF: the GEF.
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<td>Management</td>
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<td>Project financing</td>
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Belize
Bolivia
Brazil
Colombia
Ecuador
El Salvador
Guatemala
Honduras
Jamaica
Mexico
Panama
Peru
Surinam
UNDP-SGP
Management of Assets

One of the main innovations of the EFs is that they are designed to manage:

- **Endowment funds.** Allowing to use the interest arising from an intangible principal.

- **Sinking funds.** Allowing to use the principal and the interest arising from it.

- **Mixed funds.** Designed by PROFONANPE, they allow to use the principal to finance projects meanwhile the accrued interest is deposited in an account under the property fund modality.

- **Revolving funds.** Receiving new incomes on a regular basis in order to regenerate or increase the original capital.
EF: attributes and potentialities

• Capacity to act as financial tools for bilateral and multilateral cooperation organizations, international foundations, the public sector and the national and international business private sector.

• EFs are institutions allowing to maintain costs structures aimed at maximizing the benefit of each dollar channeled to the area.

• Capacity to manage and channel important amounts of resources for strengthening the environmental management, biological diversity conservation and sustainable development.

• They apply exact records, transparency and reliable management and audit systems.
EF: attributes and potentials

- A multiplying effect on existing resources.

- Most of the countries count on the active support of the government and full participation of the community.

- Participatory and multi-sectoral structures.

- They play an important role in supporting the institutional strengthening of public and private organizations.

- Since they are involved in the national processes, they have the capacity to contribute to the design and implementation of priority policies and actions for sustainable development.

- They constitute an alternative of institutional continuity on the long-term.
EF’s profile in Latin America and the Caribbean
Profile

- 85% of EFs is composed of mixed decision-making bodies which consider a majority participation of civil society representatives.
- 10% is composed of civil society representatives.
- 5% is comprised by the public sector.
## Profile

### Scopes of action:

- **49% General biodiversity and protected areas**
- **15% Only protected areas**
- **8% Pollution**
- **28% Other issues (children, environment education)**
Profile

Origin of funds:

- 36% Debt for nature swaps
- 26% GEF grants
- 18% Private foundations
- 11% Bilateral organizations
- 6% Government sector
- 3% Business private sector
A fact without precedents…

Financial resources managed by EFs:

• **US$ 850.0 million**
  - Endowment funds, **US$ 363.0 million**
  - Sinking funds, **US$ 416.0 million**
  - Revolving funds, **US$ 71.0 million**

• **More than 10,000 financed projects**

• **They channel an annual average of US$ 75.0 million.**
Factors linked to the obtained results

- Institutional autonomy
- Transparency of operations
- Administrative efficiency

Institutional Credibility
EFs and the CBD
The solid experience developed by EFs agrees with the three main objectives of CDB:

- Biological diversity conservation.
- Sustainable use of biological diversity.
- Equal distribution of benefits.
CBD and EFs: a bridge under construction

- The Eighth Conference of the Parties (COP8) of CBD adopted decision VIII/13, paragraph 7, which recommends the Parties, governments and funding institutions to:
  - Promote and foster new national and regional environmental funds.
  - Strength and/or expand such existing funds.
  - Encourage knowledge transfer and exchange about these mechanisms through the creation and/or strengthening of national and international learning networks and communities.

- The Biodiversity Finance Study Group, BFSG, will review in-depth the appropriate financial resources and mechanisms for the CBD.

- The BFSG is also responsible of reporting the findings of this event in order to analyze them in the Ad Hoc Open Ended Working Group on Review the Implementation of the Convention – Second Meeting to be held from 9-13 July 2007 in Paris (France).

- After that, the BSFG will submit a final proposal for consideration in the Ninth Conference of the Parties (COP-9) of CBD, to be held in the city of Bonn (Germany) in May 2008.
RedLAC and EFs
Design process

- Santa Cruz, Bolivia, June 1994
- Cartagena de Indias, Colombia, June 1996
- Cebu, Philippines, February 1997
- Merida, Mexico, December 1997
- Incorporation of a Promotion Committee
- Design of an action plan to include the network
Promotion Committee Meetings

- Antigua, Guatemala, May 1998
- Kingston, Jamaica, October 1998
- Santiago de Chile, Chile, April 1999
- Mexico City, Mexico, June 1999
Assemblies

- Antigua, Guatemala, 1999
- Lima, Peru, 2000
- Angra do Reis, Brazil, 2001
- Panama, Panama, 2002
- Oaxaca, Mexico, 2003
- Kingston, Jamaica, 2004
- Antigua, Guatemala, 2005
- Rio de Janeiro, Brazil, 2006
- San Salvador, El Salvador, 2007
Mission

Encourage the interrelation and strengthening of the Latin America and the Caribbean Environmental Funds in a constant learning system aimed at contributing to the conservation of the region’s natural heritage and to its sustainable development.
What does RedLAC cover?

- 21 EFs in Latin America and the Caribbean
- 14 countries
- 4 languages
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<tr>
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<td>Brazil</td>
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**What benefits or services arise from RedLAC?**

- Information
- Organizational learning and development
- Institutional coordination and projection
RedLAC’s Attributes

- A network that works and can be replicated
- Continuity, a strategic element
- The importance of intelligence and collective action
- A space generating innovation and examples of best practices
- A place to make dreams come true
Recommendations to the CBD
Recommendations

- That an independent evaluation exercise be implemented, under the guidance of a competent agency like GEF, to assess not only the efficiency of EF but also, and as far as available data will permit, on the impacts of these institutions on biodiversity conservation.

- That through 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.
Recommendations

- That EF 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 EF 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.