



**BIODIVERSITY STRATEGIES AND ACTION PLANS**  
**CBD meeting, Isle of Vilm, Germany, April 2011**

**Financing for BD after Nagoya:**  
**UNDP role**

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**UNDP'S WORK** on  
BIODIVERSITY MANAGEMENT



UNDP ENVIRONMENT & ENERGY GROUP



# UNDP-GEF biodiversity program

## Enabling Activities

Protected Areas: creating new, strengthening existing, PA financing

Mainstream biodiversity into economic sectors and territorial planning

Emerging - ecosystem based adaptation and mitigation

## CBD Enabling Activities – some facts from past

- **170 CBD Parties** have finalized their NBSAPs or equivalent instruments have revised NBSAPs, or are in the process of doing so
- **UNDP** (89 countries), **UNEP** (29 countries) and the **WB** (21 countries) were the GEF agencies to assist countries specifically with NBSAPs (in the early 1990's). UNDP and UNEP have then been the primary agencies for Enabling Activities, working jointly and in coordination with each other

## CBD Enabling Activities – what is ahead in GEF-5

- Goal: integrate CBD obligations into national planning processes.
- Funds under the Focal Area Set-Aside (FAS), where eligible countries will be able to access up to \$500,000 to implement all four enabling activities.
- Can also use BD STAR allocation on top.
- Can be provided for:
  - revising National Biodiversity Strategies and Action Plans (NBSAPs) in line with the CBD's new strategic plan to be adopted at COP-10
  - implementation of guidance related to the Clearing House Mechanism (CHM)
  - Biosafety 2<sup>nd</sup> Report; and
  - 5<sup>th</sup> Biodiversity National Report

## Guidance and templates

- Option 1. Direct access:
  - Applications must be submitted to GEF Secretariat via email ([GEF-DA-BD@thegef.org](mailto:GEF-DA-BD@thegef.org)) by the GEF Operational Focal Point.
  - Template:  
[http://www.thegef.org/gef/BD\\_direct\\_access\\_template](http://www.thegef.org/gef/BD_direct_access_template)
- Option 2. Via Agency (UNDP, UNEP, etc.)
  - <http://www.thegef.org/gef/node/3891>



## Situation with 2<sup>nd</sup> biosafety reports

Expedited access to Enabling Activity funds for 2<sup>nd</sup> Biosafety National Report (due in Sept 2011) will be made available through UNEP. This funding modality is being finalized now.

GEF will send letters to GEF OFPs and CBD FPs when it is available.



# UNDP niche apart from Enabling Activities

# Impacts of UNDP's Work in Mainstreaming Biodiversity Management in Production Sectors

18 production sectors targeted

- ~81 million ha directly covered
- ~375.5 million ha indirectly covered
- 108 set asides being established, 2.1 million ha
- 33 projects targeting PAs, 23.3 million ha
- 31 projects encouraging markets to employ more biodiversity-friendly practices

Agriculture

Animal Husbandry/Livestock

Energy

Fisheries/Aquaculture

Forestry

Hunting

Tourism/Eco-tourism

Mining

Approx 456 million ha





## UNDP/GEF global protected areas portfolio

- Working in 189 of the Global 200 eco-regions and 30 hot-spots
- Action at over 1,000 PAs in 63 countries.
- 154 new PAs established covering 9.95 million ha
- PA projects: app. 0.8 – 0.9 billion USD (GEF + cofinance). (40% of biodiversity portfolio)
- PA finance projects: 0.2 – 0.3 billion USD (GEF + cofinance). (25-30% of biodiversity portfolio).



## UNDP/GEF protected areas portfolio - ECIS

	GEF	Co-finance	Total
PA projects	121 mln	338 mln	459 mln
PA financing projects	10.3 mln	35.4 mln	45.7 mln
% of biodi portfolio	8.5%	10.5%	10.0%

## Classic PA Finance UNDP/GEF project structure

Component I	Policy, regulatory [ <i>and institutional/governance</i> ] issues
Component II	Mechanisms to increase revenues for PAs
Component III	Mechanisms to raise cost-efficiency of PAs at site level [ <i>and institutional issues</i> ]



## Where to start if you think of a UNDP-GEF project on protected areas?

- PIF – yes!
- But in parallel: UNDP PA Financial Scorecard.



# UNDP PA Financial Scorecard



# Part I: financial figures

## FINANCIAL SCORECARD – PART I – OVERALL FINANCIAL SITUATION

6	Overall Sustainability of a National Protected Area System	Baseline year <sup>1</sup> (US\$) <sup>2</sup>	Year X <sup>4</sup> (US\$) <sup>5</sup>	Year X+5 (forecasting) (US\$) <sup>6</sup>	Comments <sup>7</sup>
	<b>1. Total annual expenditure for PAs (operating and investment costs)</b>				State any extraordinary levels of capital investment in a given year
	- National protected areas <sup>8</sup>				
	- National protected areas co-managed by NGOs				
	- State/municipal protected areas				
	- Others				
	<b>2. Total annual government budget provided for PA management (excluding donor funds)</b>				
	- National protected areas				
	- National protected areas co-managed by NGOs				
	- State/municipal protected areas				
	- Others				
	<b>3. Total annual government budget provided for PA management (including donor funds, loans, debt-for-nature swaps)</b>				% of total budget provided by government
	- National protected areas				
	- National protected areas co-managed by NGOs				
	- State/municipal protected areas				
	- Others				

## Part I: financial figures

Introduction: PA types, numbers and coverage: the “boundaries”

All available funds (items 1-6): government budget + donors + own PA revenue. Item 6 gives total.

Actual expenditure (item 7): actual disbursements in a given year for operational and investment costs.

How much ideally is needed? (item 8): basic scenario and optimal scenario.

Deficit? (Item 9 = Item 8 – Item 6). For two scenarios.

# Part II: scores

## FINANCIAL SCORECARD – PART II – ASSESSING ELEMENTS OF THE FINANCING SYSTEM

8	Component 1 – Legal, regulatory and Institutional frameworks					Comment
	<b>Element 1</b> - Legal, policy and regulatory support for revenue generation by PAs	None (0)	Some (1)	A few (2)	Fully (3)	
	(i) Laws are in place that facilitate PA revenue mechanisms					
	(ii) Fiscal instruments such as taxes on tourism and water or tax breaks exist to promote PA financing					
	<b>Element 2</b> - Legal, policy and regulatory support for revenue sharing within the PA system	No (0)	Yes, but suboptimal (1)	Yes, satisfactory (2)	Yes, optimal (3)	
	(i) Laws, policies and procedures are in place for PA revenues to be retained by the PA system					
	(ii) Laws, policies and procedures are in place for PA revenues to be retained, in part, at the PA site level					
	(iii) Laws, policies and procedures are in place for revenue sharing at the PA site level with local stakeholders					
	<b>Element 3</b> - Legal and regulatory conditions for establishing endowment or trust funds <sup>12</sup>					
		No (0)	Established (1)	Established with limited capital (2)	Established with adequate capital (3)	
	(i) A Trust Fund has been established and capitalized to finance the PA system					
		None (0)	Some (1)	Quite a few (2)	Fully (3)	
	(ii) Trust Funds have been created to finance specific PAs					
		No (0)	Partially (1)	Quite well (2)	Fully (3)	
	(iii) Trust Funds are integrated into the national PA financing systems					



## Part II: scores

### Component I: Assessing legal and regulatory framework

- revenue generation by PAs and sharing,
- funds, concessions, co-management, private reserves
- economic valuation of PA resources, strategic vision, Treasury policies,
- clarity of institutional mandates, staffing profiles and incentives

### Component II: Business planning

- site-level business plans exist?
- efficiency and transparency of auditing and reporting
- training and learning opportunities

### Component III: Tools for revenue generation

- resource user fees at work? Fees collected?
- PAs engage in marketing and communications?
- Payment for Ecosystems & concessions - at work?



## Part III: measure score progress

- Total possible score from Part II is 196
- Give the actual Part II score and calculate the percentage of 196.
- Finally: what was the percentage last year – doing better or worse?

## Value of the scorecard for project preparation

- Has exactly the same structure as the classic UNDP/GEF PA Financing project.
- Is a mandatory tool anyway for any GEF PA Financing Project.
- The sooner the scorecard is completed, the more effective is the project preparation. Best to complete the Scorecard as Activity 1 of PPG.
- Properly filled Scorecard is 70% of the GEF project:
  - log-frame: outcomes and indicators (baseline and target).
  - Outputs and activities most suitable to your country context.
  - *Sustainability, Replication and Cost-Effectiveness.*

## Examples of outputs for Component I – Legal, regulatory [and institutional] issues

- A box of by-laws / regulations / amendments:
  - allow retention of revenue by PAs,
  - Minimal PA staff salaries and incentives,
  - Introduce standards for management and business planning at site level,
  - Allow revenue generation from entry fees and passes, admission fees, user fees, royalties and sales revenue, licenses and permits, concessions fees, leases and rent fees;
  - Allow and regulate use of payments for ecosystem services [e.g. Romania - focusing on water user fees, timber royalties, and disaster prevention];
  - Introduce concept of compensation to land-users for avoided degradation of an ecosystem or for maintenance of certain ecological values (e.g. hay-cutting at wetlands, cattle stock density at grasslands)
  - Allow private reserves, co-management, sharing of income between PAs and entrepreneurs / agro(eco)tourism operators
- National Sustainable Financing Strategy and/or PA Financing Action Plan:
  - Conduct assessment of contribution of PAs to economy.
  - Country-wide assessment of PA income, expenditure, needs and financial gaps;
  - Introducing results-oriented costing system, cost reduction strategies at site level;
  - Propose 3 scenarios of revenue generation and cost-saving to fill out the identified gaps - 5 year funding plan.
  - Introduce Financial Scorecard as a permanent monitoring mechanism.
  - Regulate institutional linkages and data management and exchange.

## Examples of outputs for Component II – Revenue generation mechanisms

- Pilot projects at selected sites to introduce regulated hunting / non-timber forest resource collection / medicinal plant collection,
- Nature based / ecological / agro – tourism pilots.
- Payments for ecosystem pilots (Montenegro, Romania) – watershed management.
- Rent, royalties, licenses and permits.
- Own businesses of PA management units – tourism, catering services, souvenirs
- Grants / transfers to PAs for targeted conservation activities (hay-cutting, forest management, cattle stock density management) from National Environmental Funds.



Which protected area financing mechanisms work  
and which don't

## Earmarked taxes for PAs

- CBD Assessment: spending on conservation < 1% of national government budgets
- US: 5.5% of excise tax on hunting and fishing equipment goes to PAs (USD 150 mln)
- Namibia: part of fish catch tax goes to PAs
- Costa-Rica: part of fuel tax goes to PAs.

## Third-party PA Trust Funds

- 55 Conservation Trust Funds globally (USD 810 mln in capital).
- Types: endowment, sinking, revolving (rare).
- Largest – 89 mln, smallest 1.4 mln
- 74% in LAC, 10% in Asia. Our region examples: Bulgaria, Armenia/Georgia.
- Pay for salaries, ecological monitoring, and recurrent costs, not investment needs.
- Difficult to establish.
- High overhead.
- Reluctance of donors to capitalize the endowment.
- Not a 100% panacea – but if Government wants, can be part of a project.



## Debt-for-nature swaps (DNS)

- Majority of DNS were mediated by large NGOs.
- Majority of DNS are in LAC.
- US Government, France, Switzerland and Germany are main “forgivers”. [2008 France forgave a USD 20 mln debt to Madagascar in exchange for a corresponding replenishment of Madagascar PA Fund.]
- Remains a commercial deal in which debtor tries to bargain for largest discount off its debt – which not always coincides with motives of the “forgiving” Government. Explains why DNS remain rare.

## Payments for ecosystem services (PES)

- Written commercial contracts between consumers and suppliers of a service.
- Menu of “theoretically tradable” ecosystem services:
  - provision of clean drinking water, food and pharmaceutical products;
  - regulating climate and diseases, decomposition of waste; retention of floods, erosion control, support to nutrient cycles,
  - crop pollination; recreational benefits / tourism potential.
- Services that practically reached commercialization:
  - carbon sequestration (300 markets by WWF assessment),
  - watershed protection (60 markets),
  - tourism.
- Sequence of PES contract development:
  - Document ecological services
  - Assess their economic value for groups inside and outside of PA
  - Agree on a fee to be charged and where it is to be channeled – must stay with PA!
  - Enforce fee collection.



## Biodiversity offsets

- Conservation action outside development site designed to compensate for UNAVOIDABLE adverse biodiversity impacts caused by land/resource use (mining, roads, urban infrastructure, agriculture).
- Should not be applied if impact is avoidable.
- US, Canada, Brazil, European Union, Australia. Our attempts – Russia and Uzbekistan (?).
- Prerequisite 1 – law limiting development at certain habitats.
- Prerequisite 2 – memorandum on roles and responsibilities among Government, land-developer, NGOs, mediators in the off-set.
- Sequence of establishing a biodiversity offset:
  - No-net-loss assessment and design of an equivalence for the offset. Very difficult.
  - Select location suited for the offset's equivalence.
  - Agree among contractual parties on the duration of the offsetting obligations and budget.
  - Develop and implement the conservation plan.
  - Validate the results, establish regular monitoring and/or a protected area to enforce permanence. Very difficult.
- Example of success: US wetland banking involves 135 private commercial banks and over USD 370 mln in BO transactions per year.



## Examples of outputs for Component III – Increasing cost-effectiveness at site level

- Introducing and piloting business plans (cost reduction strategies) for protected areas.
- Permanent vocational training programmes.
- On-line help-desk to provide information to PA managers on financial management of PAs.
- Setting up Associations of PA Managers to jointly fund-raise for their PAs and advocate for their priorities.

## Scaling up action: leveraging new finance



### Environmental Finance Services

June 2009



### UNDP Environment & Energy Group



- Identify, access and combine sources of environmental finance to address the costs of biodiversity management.

#### • NEW SOURCES OF FINANCE

- Domestic Budgetary Resources
- Private Sector Finance
- Payments for Ecosystem Services
- Official Development Assistance
- Climate Funds

#### • ENVIRONMENTAL FISCAL REFORM

- Water Pricing Reforms
- Energy Emissions Taxes
- Energy Pricing Reforms – taxes on fuel
- Fishery User Levy

# Example of multiple-donor project: Komi Republic

**Komi's boreal forests and peatlands are managed for ecosystem services, carbon stocks and adaptation**



PA network covers unrepresented ecosystems, is effectively managed and financially sustainable.

PA network covers key carbon pools, contributes to avoiding emissions from forest fires and is adapted to climate change

**Russian Federation**

Ministry of Natural Resources

**Komi Republic**

Ministry of Natural Resources

Forest Committee

Local Authorities

**Academia**

Institute of Biology

**Private sector**

LUKOIL

Sever gasprom



Thank you