

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES
OF WILD FAUNA AND FLORA

Thirteenth meeting of the Conference of the Parties
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Strategic and administrative matters

FINANCING OF THE CONSERVATION OF AND SUSTAINABLE INTERNATIONAL TRADE
IN SPECIES OF WILD FAUNA AND FLORA

1. This document has been prepared by the Secretariat pursuant to Decision 12.26. It also takes into account information received from Parties in response to Decision 12.25.

Background

2. In Decision 12.26, the Secretariat is directed to:

review, depending on the availability of financial resources, existing and innovative mechanisms to finance the conservation of species of wild fauna and flora as well as capacity building for developing countries/countries with economies in transition with a view to furthering inter alia the implementation of the Convention at the national level as well as sustainable international trade in species of wild fauna and flora. In its review, to be carried out in consultation with relevant conventions, government bodies and aid and donor agencies, the Secretariat shall look at relevant trust funds, government budgetary allocations, user fees, taxes and fines, subsidies and compensation programmes, private sector partnerships, international donor aid, and other innovative approaches as may be relevant, and compare their usefulness and their potential for benefiting the conservation of CITES-listed species and capacity building for developing countries/countries with economies in transition to ensure the full implementation of the Convention at the national level. The Secretariat shall present its analysis at the 13th meeting of the Conference of the Parties.

3. Pursuant to Decision 12.25, Parties and observers were "invited to provide to the Secretariat information on best-practice methods for financing the conservation of species of wild fauna and flora as well as capacity building for developing countries/countries with economies in transition". Responses were received from only three Parties (Poland, United Kingdom of Great Britain and Northern Ireland and Uruguay). No responses were received from observers.
4. As requested by the CITES Standing Committee at its 46th meeting (Geneva, March 2002), this review has entailed consultation with the Convention on Biological Diversity (CBD), and draws on recent work by CBD on financial resources and mechanisms for biodiversity conservation.¹ This review also makes use of information from several recent reviews of financial mechanisms for conservation.²

¹ In particular, the CBD report *Financial Resources and Mechanism (Articles 21 and 22)*. Presented at the CBD COP7 (Kuala Lumpur, 2004).

² These reviews include: (i) Gutman, P. (ed.), 2003. *From Goodwill to Payments for Environmental Services: A Survey of Financing Options for Sustainable Natural Resource Management in Developing Countries*. WWF, Washington, D.C., USA; (ii) Conservation Finance Alliance, 2002. *Mobilizing Funding for Biodiversity Conservation: A User-Friendly Training Guide for Understanding, Selecting and Implementing Conservation Finance Mechanisms* (an online guide); (iii) Kloss, D., 2002. *Guide to Sustainable Financing of Biodiversity and Protected Areas*. GTZ, Eschborn, Germany; (iv) EPA-USA 1999. *A Guidebook of Financial Tools* (an online guide).

Financial requirements of effective CITES implementation

5. The costs of effective implementation of CITES entail the following:
 - a) Scientific and technical costs – incurred in, for example, assessing and monitoring population levels of species, analysing the causes of declining populations, conservation and management activities (e.g. restoration of ecosystems, reintroduction programmes, compensation or incentive programmes for rural communities in contact with reintroduced wildlife, educational and capacity building programmes);
 - b) Bureaucratic costs – for Parties these include the costs associated with processing applications for, and issuing, permits and certificates, managing permit information from issued/cancelled permits and certificates, managing national registers, reporting to the Secretariat, responding to the Secretariat's requests for information and the administrative costs of establishing trade legislation. For the Secretariat these costs are incurred in staffing and managing its work, including the provision of technical assistance and communicating with Parties, publishing and disseminating species listings and other reports, organizing technical and capacity-building workshops and collaborating with other Conventions and organizations, and providing recommendations to the CoPs for improving CITES implementation;
 - c) Compliance and enforcement costs – these include the management costs of staffing, training and equipping personnel for monitoring and enforcement, and collaborative activities with other authorities, such as police and Customs officials, in enforcing CITES export and import regulations and prosecuting violators of trade regulations. Operating an effective enforcement system is one of the major costs to Parties.
6. While it is impossible to place an average figure on the above set of costs, it is clear that they may be considerable, with the heaviest cost burdens often borne by the producer countries (mostly developing countries). This is particularly the case for scientific and enforcement costs, which are largely incurred domestically (often in producer countries) while the benefits achieved by these expenditures are global. At the same time, the economic values (existence and others) of globally significant species do not translate into direct economic benefits for the producer countries. This mismatch of incidence of cost and benefits represents the fundamental economic dilemma of conservation. The national level costs incurred by producer countries in implementing their CITES commitments in some cases may require international financial assistance to supplement the Governments' own budgetary allocations, particularly given the often limited financial resources of developing countries and the overriding priorities of poverty alleviation and basic welfare provision.
7. This was recognized at the World Summit on Sustainable Development (Johannesburg, 2002), which resulted in the declaration that "a more efficient and coherent implementation of the three objectives of the Convention on Biological Diversity and the achievement by 2010 of a significant reduction in the current rate of loss of biological diversity will require the provision of new and additional financial and technical resources to developing countries". The European Centre for Nature Conservation estimated that, for Europe alone, an additional EUR 7.5 billion would be required to achieve the 2010 target. As the CITES-related activities listed above account for at least part of these estimated costs, it is obvious that the worldwide costs of implementing the Convention effectively are significant, and that effective additional financial resources and mechanisms are urgently required if the 2010 target is to be met.
8. It is recognized that a proportion of these costs can be partly offset by the financial benefits generated by the CITES regime, including revenue from permit or registration fees, taxes and quotas. If targeted towards conservation measures, the revenue from these financial instruments can help capture some of the economic benefits available to producer countries from the sustainable international trade of wildlife species.

Review of international financial resources

Multilateral banks and bilateral aid agencies

9. Levels of overseas development assistance have declined over the last decade, both in real terms and in the percentage of donor countries' gross national incomes (GNI). However, aid levels have been recovering over the last couple of years, and the OECD Development Assistance Committee (DAC) announced last year that its member countries had increased their official development assistance (ODA) by 4.9 per cent in real terms from 2001 to 2002. Donor countries committed themselves to increasing ODA levels at the International Conference on Financing for Development (Monterrey, 2002). According to OECD and World Bank estimates, fulfilling the Monterrey Consensus would raise ODA in real terms by 31 per cent and the ODA/GNI ratio to 0.26 per cent by 2006 – still well below the ratio of 0.33 per cent consistently achieved until 1992 and far below the United Nations ODA target of 0.7 per cent of GNI.
10. Multilateral finance for developing countries was, until the early 1990s, provided largely by the World Bank. Now the major regional development banks (the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IADB) provide together about the same level of funding as the World Bank. The level of multilateral assistance targeting biodiversity tends to fluctuate from year to year, depending on the presence of large projects in the portfolios of the donor organizations. In 2002, the World Bank provided USD 300 million funding for biodiversity projects through its regular portfolio and an additional USD250 million for biodiversity projects through the International Development Association (for the poorest countries). Of the regional development banks, only AsDB and IADB have significant biodiversity-related project portfolios, providing USD 250 million and USD 500 million respectively in 2002.
11. The targeting of bilateral assistance for biodiversity varies considerably from country to country. According to the 2002 OECD publication *Aid Activities Targeting the Objectives of the Rio Convention 1998-2000*, nineteen DAC members reported biodiversity-related aid activities totalling nearly USD 3 billion for the three-year period, averaging 2.7 per cent of the total bilateral ODA of these countries. This funding includes support for developing countries in the implementation of the three Rio Conventions: the Framework Convention on Climate Change, the Convention to Combat Desertification and CBD. CBD support was mainly directed towards general environmental protection, water supply, forestry and agriculture.
12. *Pros and Cons.* The advantages of multilateral funding include its broad geographic spread and the large amounts of funding available, while disadvantages include the difficulty of obtaining funding, the inflexibility of funding eligibility, and the heavy auditing and reporting requirements. The loan attribution process of regional development banks can be particularly political and bureaucratic. Bilateral funding, for its part, is generally less bureaucratic and more efficient than multilateral funding, and subject to fewer restrictions. On the other hand, bilateral aid from a particular donor country is often limited to specific countries and regions (because of the means and costs, economic and political interests, historical ties, or geographic proximity) and may come with conditions, such as having to use personnel or goods and services from the donor country.
13. *Relevance to CITES.* The proportion of multilateral biodiversity-related assistance that actually supports CITES implementation is probably quite small, as the majority of the funds go towards natural resource management (to which, it should be recognized, CITES contributes), agriculture, tourism and other sectoral development projects. Only a small proportion is spent on species conservation per se, and the amount spent on the direct support of CITES activities is negligible. The extent to which bilateral biodiversity-related activities are relevant to CITES implementation is difficult to gauge, but with the majority of these donor projects focusing on human development it seems likely that only a small proportion of this ODA supports the conservation of CITES-listed species and an even smaller proportion directly supports CITES activities.

The Global Environment Facility (GEF)

14. The Global Environment Facility (GEF), established in 1991, helps developing countries fund projects and programmes that protect the global environment. The GEF also serves as the 'financial

mechanism' for four conventions: CBD, the United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification and the Stockholm Convention on Persistent Organic Pollutants. These conventions provide broad strategic guidance to the GEF Council, which then converts the guidance into operational criteria for GEF projects. In addition, the GEF collaborates closely with other environmental conventions and agreements, including the Montreal Protocol of the Vienna Convention on Ozone Layer Depleting Substances, and international waters agreements.

15. GEF grants support projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. In the years 2002 and 2003 GEF allocations to biodiversity were in the range of USD 177 to 285 million, with co-financing between USD 324 and 729 million.
16. *Pros and Cons.* GEF funding, if it could be available for CITES implementation, would have significant advantages, including the large scale of the grants, the public accessibility of the GEF application and selection process, the variety of institutions funded (including Governments, NGOs and the private sector) and GEF's involvement with Conservation Trust Funds. On the other hand, GEF funding has a number of disadvantages, including the lengthy application procedures, the complex approval process, and the fact that GEF funds support only the incremental costs related to achieving global biodiversity benefits.
17. *Relevance to CITES.* Given the fact GEF biodiversity projects cover a wide range of conservation and development projects as well as technical assistance and enabling activities, it is reasonable to assume that the proportion of GEF biodiversity funding that directly supports the conservation of CITES-listed species is relatively small. Currently, there is no formal collaboration or funding mechanism between GEF and CITES and activities directly relating to CITES implementation.

UN and international development and funding agencies

18. The United Nations Environment Programme (UNEP) is funded largely from voluntary contributions from donor countries to its Environment Fund, with additional operational resources coming from trust funds, counterpart contributions and the UN regular budget. Intensive fund-raising efforts over the last few years have increased the Environment Fund contributions significantly, and the two-year budget for the Fund in 2002-2003 was USD 120 million. Of this, 7 per cent goes to support international environmental conventions for which UNEP provides the secretariat. These conventions include CITES, the Convention on the Conservation of Migratory Species of Wild Animals, the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, and CBD.
19. The United Nations Development Programme (UNDP) had been facing a decline in donor country contributions during the 1990s and although its annual regular budget resources have recovered over the last two years (reaching USD 670 million in 2002), it still falls short of what is required to fulfil its mandate. UNDP spends 16 per cent of its resources on energy and the environment.
20. The Food and Agriculture Organization (FAO) of the United Nations is funded by its member countries and the budget for 2004-2005 is set at USD 749.1 million, covering core technical work, cooperation and partnerships, information and general policy, direction and administration. Under its mandate, FAO focuses on the conservation and sustainable utilization of that part of biodiversity that provides food and other agricultural products.
21. The World Trade Organization (WTO) is the international organization dealing with the rules of trade between nations. WTO facilitates and administers international trade agreements, most of which deal with trade liberalization although some WTO rules support the maintenance of trade barriers, for example to protect consumers or prevent the spread of disease. WTO derives most of the income for its annual budget from contributions by its 147 member countries. These contributions are established according to a formula based on their share of international trade. The 2004 budget of WTO amounts to about USD 123 million.
22. The United Nations Conference on Trade and Development (UNCTAD) is the focal point within the United Nations for the integrated treatment of trade and development and the interrelated issues in

the areas of finance, technology, investment and sustainable development. UNCTAD has an annual budget of around USD 67 million comprised of around USD 45 million from the United Nations regular budget and around USD 22 million from extra-budgetary resources

23. *Pros and Cons.* Funding from UN agencies has similar advantages and disadvantages to those associated with multilateral banks, as described above.
24. *Relevance to CITES.* UNEP uses its technical and scientific expertise to facilitate the effective implementation of CITES and the other UNEP-administered global and regional environmental conventions. Recent UNEP activities relevant to CITES include the harmonization of national reporting, the Great Apes Survival Project (GRASP), organizing an Expert Workshop Promoting CITES-CBD Cooperation and Synergy, Customs officer training conducted jointly with the Secretariats of CITES and the Montreal Protocol, activities with Interpol, the International Maritime Organization, and the Organization for the Prohibition of Chemical Weapons, activities concerning coral reef and tiger conservation, capacity building, information support to Conventions by UNEP's Information Unit for Conventions, support to the Lusaka Agreement on Co-Operative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora, development of UNEP guidelines on enforcement and compliance with MEAs, in addition to its support with CITES administrative issues such as staff recruitment and accounting and financial management services.
25. Unlike UNEP, UNDP does not have a cooperative agreement with CITES. UNDP provides developing countries with policy advice and institutional capacity building on a range of conservation issues, and a few of these environmental activities have included elements that supported CITES implementation.
26. Work is progressing towards the establishment of a formal Memorandum of Understanding between CITES and FAO.
27. WTO has granted the CITES Secretariat observer status in its Committee on Trade and Environment (CTE), which regularly consults the Secretariat on issues related to wildlife-trade regulations. However, CITES (and other MEAs) does not yet have observer status in the CTE Doha negotiation process (CTE special session or CTESS), which is dealing with the relationship between existing WTO rules and specific trade obligations set out in the Multilateral Environmental Agreements (MEAs). Given the central place of wildlife trade in these negotiations, CITES has accepted invitations from the CTESS to participate on an ad hoc basis in the Doha negotiations, and has sought closer linkages with WTO to make explicit the distinct mandates of the two organizations with respect to wildlife trade regulations.

International private foundations and NGOs

28. According to a 2003 World Bank report on global development finance, grants from philanthropic foundations and non-governmental organizations rose from more than USD 6 billion in 1995 to about USD 10 billion in 2001 – representing more than one sixth of official aid.³ Most of these grants come from foundations and NGOs in the United States of America. Some of these NGOs have budgets far larger than most government conservation agencies: The Nature Conservancy in the United States for example had a budget of over USD 700 million in 2001.
29. Philanthropic foundations are non-profit, non-governmental organizations with endowment funds established by wealthy individuals, groups or corporations to make grants to charitable organizations. Foundations are managed by their own trustees or directors. A number of foundations grant funds for the purpose of environmental conservation at the international level. These include the David and Lucile Packard Foundation, the MacArthur Foundation, the Pew Charitable Trusts, the Rockefeller Foundation, the Ford Foundation and the Shell Foundation. A good source of information on foundations and NGOs funding biodiversity programmes is maintained by the CBD Secretariat (<http://www.biodiv.org/financial/sources.asp>).

³ World Bank, 2004. *Global Development Finance 2004: Harnessing Cyclical Gains for Development*.

30. One example of a philanthropic foundation is the United Nations Foundation (UNF), which was established in 1997 with a USD 1 billion gift from an American businessman and philanthropist. The UNF supports UN agencies, funds and programmes in the fields of children's health, the environment, peace, security and human rights, women and population issues. UNF has focused its support of environmental causes in two areas: sustainable energy/climate change and conservation of biodiversity. The UNF Board of Directors has identified biodiversity as an environment priority, and UN Foundation plans to allocate a minimum of USD 30 million to this area between 2000 and 2003, focusing primarily on World Heritage biodiversity sites and coral reefs.
31. Other international NGOs differ from philanthropic foundations in that they raise money to carry out their own programmes. As such, they generally provide financial resources that are associated with their own projects. Such projects may be directed towards assisting Parties with implementation of CITES.
32. *Pros and Cons.* The advantages of funding from private foundations include the relatively clear application procedures and straightforward grant accounting. Foundation funding is a good source of revenue for start-up activities or specific, short projects (of one to three years). On the other hand, foundation funding is generally not available for recurrent costs of general management and administrative expenses. In addition, there is fierce competition for the funding and it is often difficult for first-time applicants to establish the necessary relationship with a foundation to access funding. Funding from other international NGOs tends to involve smaller amounts than that available from foundations, and the NGOs prefer to be an active partner in the project, rather than simply a source of funds.
33. *Relevance to CITES.* Most of the major private foundations with biodiversity programmes are included in the list of CITES approved donors for the financing of CITES special projects and activities, as are many of the major international biodiversity NGOs. Few of these actually donate to projects through the CITES Trust Fund, but foundations and NGOs supporting CITES activities typically provide funds of between USD 2,000 and USD 20,000 per year for specific projects, such as trade or status surveys of particular species, strengthening anti-poaching enforcement in particular countries, training workshops, or sponsoring delegates attendance at CoP meetings. NGOs generally contribute to CITES implementation through publishing research on trade, providing support for capacity-building initiatives, conducting investigations of illegal trade and providing technical assistance and advice.

Public-private sector partnerships

34. Partnerships for conservation between public sector bodies and private sector organizations or companies can be at the international or national level. Contractual partnerships can involve the private partner in funding, constructing, operating, managing or owning conservation facilities or services. A common conservation partnership arrangement is the granting of time-bound concessions for forest management or Protected Area management to a private partner. Privatization schemes go further, as they give total control of the facility or service to the private partner. Privatization has been used for environmental services such as water supply or waste management and for habitat or ecosystem conservation but it has rarely been used for species-specific conservation programmes. The Partnership for Action Against Wildlife Crime (PAW) is a multi-agency body comprising representatives of all the organizations involved in wildlife law enforcement in the United Kingdom of Great Britain and Northern Ireland, and it provides opportunities for statutory and non-government organizations to work together to combat wildlife crime. Its main objective is to promote the enforcement of wildlife conservation legislation, particularly through supporting the networks of Police Wildlife Crime Officers and Customs Wildlife and Endangered Species Officers.
35. *Pros and Cons.* Public-private sector partnerships capitalize on private sector resources and relieve some of the financial burden from Governments. They can also produce significant efficiency savings and quality improvements. On the other hand, the partnerships may involve some degree of loss of control by the public sector body and safeguards need to be put in place to ensure accountability and compliance with environmental standards and regulations. Local Governments may not always have the power to contract these partnerships.

36. *Relevance to CITES.* Partnerships have been successfully used in the field of conservation management, including the management or restoration of habitats, the re-introduction of wildlife species, and the enforcement of wildlife conservation legislation and illegal resource use regulations. It is not known if public-private partnerships have been established to regulate restricted trade, or collect fines and penalties from those violating trade regulations. The potential role of these partnerships in supporting CITES implementation deserves further study to identify best practices and guidelines.

Review of international financial instruments and mechanisms

Biodiversity investment funds

37. Biodiversity venture capital funds have been designed to address the special need of inherently high risk biodiversity-based businesses. These funds are based on innovative reduction of the risk barrier and increased economic recognition of biodiversity values. Examples of these funds include Terra Capital, Fondo EcoEmpresas and Triodos Bank Venture Capital Fund. Some of these funds are operational but others have met with little success.

38. *Pros and Cons.* Biodiversity investment funds fill a major gap in the provision of risk capital to emerging biodiversity businesses. However, these funds have not proven very successful to date and can not be managed on a purely commercial basis. They tend to be small scale and require a high level of transaction costs, to build the capacity of the biodiversity businesses and integrate the environmental and commercial objectives. In some cases these incremental costs of the funds have been provided in part by GEF.

39. *Relevance to CITES.* These funds could potentially support biodiversity businesses involved in sustainable international trade of specimens of CITES-listed species, or involved in conservation activities through public-private partnerships. It is not known whether the funds have invested in these kinds of businesses.

Debt-for-nature swaps

40. Debt-for-nature swaps (DfNS) are a method by which debt owed by a developing country or commercial/private company can be renegotiated with the creditor to fund biodiversity conservation. These swaps can be done using either bilateral or commercial debt. The payments generated by DfNS often finance local Conservation Trust Funds (CTFs, see below for more details). Commercial banks, together with conservation organizations, initiated debt swaps in the late 1980s to reduce unpaid loans to developing country entities. Bilateral or Government creditors have participated in DfNS since 1990 and Governments now make up the majority of debt renegotiations. Since 1987, over USD 1 billion in environmental funding has been generated through DfNS, benefiting conservation in nearly 30 countries. The ongoing international negotiations to cancel the external debt of a group of about 40 highly indebted poor countries (HIPCs) opens an opportunity to promote DfNS further.

41. *Pros and Cons.* DfNS in theory provide the double benefits of reducing poor country debt and supporting conservation and promote the recognition of the global externality values of biodiversity. They enable significant funds to be generated in local currency for biodiversity conservation (although their impact on the overall debt of a country is negligible) and, when used to create CTFs, can serve as long-term funding mechanisms and can attract other investments. For creditors, the advantages of DfNS include the partial repayment of a loan that might never be repaid and potential tax benefits and positive publicity from the swaps. The disadvantages of DfNS include the need for time-consuming negotiations and the potential for debtor countries to use the funds as a substitute for national budget expenditure on conservation (thus achieving no additionality).

42. *Relevance to CITES.* Up to now the DfNS have been concentrated in a few donor programmes and a limited number of international organizations such as Conservation International, The Nature Conservancy and the World Wildlife Fund. The biodiversity projects supported include the establishment and management of Protected Areas and marine and forest conservation. While some of these initiatives promote the conservation of CITES-listed species, it is unclear how and to what degree they contribute directly to improving CITES implementation.

International tax and trade agreements

43. There has been an ongoing international discussion since the early 1990s on how to finance the 'global commons' (including the atmosphere, the oceans, biodiversity and tropical forests). Suggestions have included the levying of environment-related taxes and charges (such as a world carbon tax or an international air transport tax) and the earmarking of part of non-environmental-related world taxes (such as the Tobin tax – a tax on international currency transactions, proposed by the economist and Nobel laureate James Tobin). International trade agreements also offer, in theory at least, a high potential for financing biodiversity conservation. This can be achieved through either liberalizing the trade of sustainably produced biodiversity products (and using the proceeds to fund conservation activities in the exporting countries) or through regulating international trade to ensure that countries enforcing sustainable natural resource use do not face unfair competition from others with unsustainably low production prices.
44. *Pros and Cons.* Setting up global tax schemes is extremely difficult as it implies some transfer of sovereignty to a supranational authority. At present, the political will does not yet exist and the suggested tax agreements seem unlikely to materialize in the near future. International trade liberalizations, in practice, tend to exacerbate unsustainable resource use and trade restrictions, while an important element of biodiversity conservation, are difficult to finance.
45. *Relevance to CITES.* The problem of financing trade regulations is of particular relevance to CITES as the strict regulation of trade in specimens of Appendix-I species often does not generate any revenue to fund enforcement of the Convention, whereas a regulated trade regime under an Appendix-II listing could generate revenue (e.g. a commercial trade tax) to finance enforcement of the regime. The sustainable international trade of wildlife species offers producer countries valuable export revenues, which can be captured, through taxes, fees, quotas and other instruments, to help finance conservation measures in these countries. International tax agreements, on the other hand, currently offer little hope for global financing of CITES implementation.

Certification

46. Certification is an international market mechanism applied voluntarily at a national level by producers of biodiversity products. Certification of sustainably managed biodiversity products, such as timber, non-timber forest products, 'dolphin friendly' tuna, crocodile and turtle farms, is based on the rationale that consumers are willing to pay a premium for these products and that by increasing demand for sustainably produced biodiversity products, certification will encourage other producers to improve their management practices. A variety of certification schemes have been set up by international organizations, including the Forest Stewardship Council, the Marine Stewardship Council and the International Organization for Standardization, ranging from country certification to concession or company certification to product labelling.
47. *Pros and Cons.* Certification schemes can be effective in creating price premiums for sustainably managed products and creating incentives for producers to adopt sustainable practices. Certification can also increase the transparency and accountability in the industries involved and thus make them more attractive for donor support. However, in practice certification has had rather limited impact, with little evidence of it leading to producers shifting to more sustainable management. The widespread adoption of certification is constrained by the sometimes excessive costs of the certification and monitoring process.
48. *Relevance to CITES.* Certification represents a potentially useful mechanism for strengthening CITES implementation. The Plants Committee has been studying the possible role of forest certification in the scientific process by which a non-detriment finding is made under CITES for timber species included in Appendix II. There may be a range of potential certification-based programmes at national or international level which could increase effectiveness of CITES implementation through the implementation of sustainable harvesting regimes.

Government budgetary allocations

49. Worldwide, public budget funding is the largest source of financing for biodiversity conservation and is likely to remain so for some time. Total government spending worldwide on protected areas has been estimated to be USD 3.2 billion per year. But while Governments are the dominant source for conservation funding in developed countries, international donor assistance provides relatively more resources than public spending in developing countries. Conservation expenditures are commonly spread among different government agencies including the ministries of environment, agriculture, forestry, fisheries. Special government spending on environment funds, subsidies and tax breaks are outlined below.
50. *Pros and Cons.* Public budgets are negotiated annually so the amount available for conservation in any year can be unpredictable and funding for conservation is often one of the first government budget items to be cut in times of economic difficulties. General budgetary allocations may be increased if Governments can be convinced of the economic benefits of biodiversity conservation.
51. *Relevance to CITES.* Funding for CITES implementation comes largely from general budgetary allocations. This applies to activities such as the development and application of laws and regulations, administrative procedures, and the establishment of economic and social incentives and wildlife trade policies as well as national compliance and enforcement efforts (e.g. awareness-raising, training, monitoring, inspections, investigations, seizures, confiscations, prosecutions, and convictions).

Conservation trust funds and national environmental funds

52. Conservation Trust Funds (CTFs) are financial instruments earmarked by law for biodiversity conservation. CTFs are generally targeted at an individual area or programme. National Environment Funds (NEFs) are similarly earmarked funds but usually cover an entire national protected area system and some NEFs are used for broader environmental objectives. There are currently over 40 CTFs operating worldwide and their financing arrangements vary. Some have been financed by a lump sum initial endowment and others receive funding from international aid or through DfNS. Most CTFs however are designed to be self-financing. A recent survey of CITES Parties revealed that the funding of CTFs comes from a variety of sources including taxes based on the export of specimens, CITES permits, hunting permits, forestry and forest products, and eco-tourism.⁴
53. *Pros and Cons.* Revenue from CTFs and NEFs provides stable financing of operating and follow-on costs of conservation, which are usually not covered by donor organizations. As long-term and flexible funding sources, they also facilitate strategic planning of conservation activities and allow the use of adaptive management approaches. Once started, these funds are highly effective in attracting important additional funding from international or national donor agencies. However, these funds are not appropriate in cases where the biodiversity resource in question faces major urgent threats, requiring the mobilization of large amounts of funding in a short time. The funds are also out of reach, financially, for many developing countries, as they typically require a minimum of USD 5 million to be cost-effective.
54. *Relevance to CITES.* The use of CTFs to support CITES implementation is quite well documented. The above-mentioned survey of Parties to CITES revealed that CTFs have financed a wide range of CITES-related activities, including field work on CITES-listed species, funding of training and educational programmes, combating poaching and illegal trade, purchasing land for the conservation of a particular species, providing compensation or incentives to local communities affected by wildlife, and restoring ecosystems and wildlife populations. Thus, for those countries that lack the required financial and human resources to implement effectively their CITES obligations, CTFs provide valuable support.

⁴ See CITES SC46 Doc. 8 for details of the CTF survey.

Taxes and fees

55. The use of taxes and fees to finance conservation is widespread among developed and developing countries. The tax options available include the earmarking of part of one or more general taxes (such as corporate taxes, income taxes, property taxes, sales taxes, value-added taxes, real estate taxes) or selective taxes (such as export and Custom taxes, hotel or airport taxes, tourist taxes) to fund conservation activities. The fee options are many and include tourism-based user fees (e.g. protected area entry fees or diving fees), natural resource extraction fees, hunting fees, and inspection fees. Taxes, fees and other fiscal mechanisms and economic incentives (such as property rights, tradable catch and export quotas) can contribute to achieving the goals of the Convention (see document CoP13 Doc. 13).
56. *Pros and Cons.* There are advantages to using economic incentives and fiscal mechanisms as part of national and regional conservation strategies, in conjunction with the more traditional command and control regulations. Taxes and fees can generate a regular, recurrent income that is not accountable to donor agendas. They can capture the economic benefits from resource uses and can be targeted towards specific conservation priorities. The disadvantages of such incentives and mechanisms include their reliance on a strong institutional and fiscal capacity and an effective collection and enforcement system, and their possible negative impacts on the poor whose livelihoods depend on the access to natural resources.
57. *Relevance to CITES.* Economic incentives and fiscal mechanisms have an important role in: (i) ensuring that the use of Appendix-II species is sustainable; (ii) promoting the recovery of Appendix-I species; (iii) halting or reversing the impacts of factors responsible for the decline of certain populations; and (iv) reinvesting the profits of wildlife trade in the management and conservation of those species. Parties should consider the use of economic incentives and fiscal mechanisms in their national policies and review the use of these tools for CITES implementation in collaboration with other international conventions and organizations. The optimum pricing of taxes and fees needs to be determined, through country-specific pricing studies, to maximize revenue recovery from these financial mechanisms.

Fines and penalties

58. Violators of environmental laws and regulations are frequently subject to the payment of monetary fines and penalties and, in serious cases, to court adjudication. These range from small administrative fines paid by first-time offending individuals to large penalties for criminal violations. The revenue collected from fines and penalties can be used to finance environmental funds or targeted to specific areas and projects.
59. *Pros and Cons.* Fines and penalties can generate considerable revenue as well as encourage compliance with conservation regulations. Fines are generally considered equitable as they emphasize the 'polluter pays' principle, although inequities and inefficiencies may occur as prosecuting small offenders requires relatively costly enforcement while larger offenders, both Government and industrial, may be let off the hook. The revenue stream from fines and penalties is highly unpredictable and is not suited to fund conservation programme operating costs on a regular basis. As for taxes and fees, the total amount of revenue generated depends on the level and efficiency of the enforcement effort.
60. *Relevance to CITES.* Parties to the Convention commit to the penalisation of trade in violation of CITES and, as stated in Article VIII, paragraph 2, of the Convention, "may, when [they] deem it necessary, provide for any method of internal reimbursement for expenses incurred as a result of the confiscation of a specimen traded in violation of the measures taken in the application of the provisions of the present Convention." The levels of fines and penalties imposed by Parties and the use of the revenue generated varies considerably. Also, the application of funds obtained in this manner varies considerably, from being dedicated to species-specific programmes to being included in general government income.

Lotteries

61. Lotteries are administered at the national or state level by government agencies or by private operators licensed by Governments. Lottery sales worldwide currently total around USD 140 billion per year, representing a huge potential source of funding. Some countries use lotteries to fund programmes in the education, health, sport and environment sectors. The Dutch National Postcode Lottery, for example, donates 60 per cent of its gross turnover each year (the equivalent of USD 156 million for 2001) to about 40 Dutch and international NGOs for nature conservation, poverty alleviation and human rights projects. Up to 2002, WWF-Netherlands had received a total of USD 128 million from this lottery.
62. *Pros and Cons.* Since lotteries are usually kept separate from the general budget, the use of the revenue generated is not subject to the same legal restrictions as apply to the spending of tax revenues. However, earmarking lottery spending to conservation programmes has been generally limited to developed countries, including the United Kingdom, the United States and the Netherlands.
63. *Relevance to CITES.* Some of the lottery resources provided to international conservation organizations such as Birdlife International, World Wide Fund for Nature (WWF) and the Royal Society for the Protection of Birds (RSPB) have been used to support conservation activities in developing countries, though it is unlikely that significant amounts have directly addressed CITES implementation.

Subsidies and tax breaks

64. Subsidies and tax breaks for conservation-related activities operate similarly to government budgetary support and can be used to encourage conservation-enhancing land use (such as organic farming or tree planting) and personal donations to conservation sites or funds.
65. *Pros and Cons.* Specifically targeted subsidies and tax breaks are easier to negotiate, compared to general government allocations to conservation. However, they are not available to poorer countries with little budgetary leeway and small tax bases. In all cases, these incentives need to be carefully managed to avoid long-term dependencies.
66. *Relevance to CITES.* The contribution of subsidies and tax breaks to CITES implementation is limited to the support they generate for conservation activities.

Conclusions

67. The Secretariat notes that there is a lack of CITES-relevant information on the wide array of financial mechanisms and instruments. The extent to which these mechanisms have proved, or could prove, useful in strengthening CITES implementation at the national level remains unclear. There is a limited availability of financial mechanisms and instruments that directly targets CITES implementation, though some mechanisms and instruments support the conservation of CITES-listed species. There is also no clear or complete understanding of the comprehensive financial needs for effective implementation of the Convention and for efforts to improve implementation of CITES.
68. The Secretariat believes it is important to continue exploring the range of private and public sector mechanisms that could provide CITES-specific benefits, and to explore the feasibility of a designated financial mechanism for implementation of the Convention. This would necessarily be an international mechanism, given the global mandate of the Convention and the global benefits of its effective implementation. Such a global mechanism would allow for a systematic and programmatic approach to prioritization and allocation of resources for effective implementation.
69. As the financing mechanism of three other biodiversity MEAs, GEF should be taken into consideration as a possible arrangement. The operational principles of GEF state that it "will provide new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits". The incremental costs incurred by CITES Parties in achieving the global environmental benefits associated with the conservation of globally significant endangered species fit exactly with the logic of GEF funding. An alternative, separate financial mechanism for CITES, would entail considerable duplication of management costs, lost

opportunity for the strategic integration of the key biodiversity MEAs, and the real possibility that funding from one mechanism would undermine the efforts of the other mechanism.

70. In pursuing the case for GEF funding, the CITES Secretariat believes it is important to continue its collaboration with CBD and other related MEAs, and to consider ways of integrating the decisions and measures of the various conventions. This is important not only in securing global funding but also in strengthening the efficiency and effectiveness of such funding in achieving global environmental benefits. Similarly, cooperative arrangements with international trading regimes such as WTO should be explored for the purpose of enhancing effectiveness.

Comparative analysis of financial resources, instruments and mechanisms

Financial resource/instrument/mechanism	Potential revenue size	Revenue stability	Administrative ease	Cost efficiency	Conservation effectiveness	CITES relevance
International financial resources						
Multilateral banks and bilateral aid agencies	High	Medium	Medium	Medium	High	Medium-High
Global Environment Facility (GEF)	High	Medium	Medium	Medium	High	High
UN and international agencies	High	Medium	Medium	Medium	High	High
International private foundations and NGOs	High	Low-Medium	High	High	High	Medium
Public-private partnerships	Medium	Low-Medium	High	High	High	Low-Medium
International financial instruments and mechanisms						
Biodiversity investment funds	Low	Medium	Medium	Low	Medium	Low
Debt-for-nature swaps	High	Medium	Low	Medium	High	Medium
International tax and trade agreements	Medium	Low-Medium	Low	Low-Medium	Low-Medium	Low-Medium
Certification	Low	Low	Low	Low	Low	Medium-High
National financial instruments and mechanisms						
Government budgetary allocations	High	Medium	Medium	High	Medium-High	High
Conservation trust funds	High	High	Medium	Medium	High	Medium-High
Taxes and fees	Medium	Medium	Low	Medium	Medium	High
Fines and penalties	Medium	Low	Low	Low-Medium	Low-Medium	High
Lotteries	Medium	Low	Medium	Medium	Low-Medium	Low-Medium
Subsidies and tax breaks	Low	Low	Low	Low	Low-Medium	Low